

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

COVID-19: Audit of Costs Incurred By Save the Children from March 1, 2020, to March 31, 2022

Audit Report 3-000-24-010-U
July 5, 2024





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 5, 2024

TO: USAID/Bureau for Management/Office of Acquisition & Assistance, Director,
Jamie J. Rodgers

FROM: Assistant Inspector General for Audits, Inspections, and Evaluations, Toayoa D.
Aldridge /s/

SUBJECT: COVID-19: Audit of Costs Incurred By Save the Children from March 1, 2020,
to March 31, 2022 (3-000-24-010-U)

Enclosed is the final report on the audit of claimed costs incurred by Save the Children (STC) for USAID's Coronavirus Disease of 2019 (COVID-19)-related activities for the period of March 1, 2020, to March 31, 2022.¹ The Office of Inspector General (OIG) contracted with the independent certified public accounting and consulting firm of Kearney & Company P.C. (Kearney) to conduct a performance audit to determine allowability, allocability, and reasonableness of costs incurred by STC.² The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and discussed the findings with the firm's representatives. The audit firm is responsible for the enclosed report and conclusions. That said, we found no instances in which the audit firm failed to comply, in all material respects, with applicable standards.

The objectives of this audit were to:

1. Express a conclusion on whether the auditable costs incurred by STC under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and generally accepted accounting principles (GAAP).

¹ Pursuant to Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and/or businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Any comments received will be posted on <https://oig.usaid.gov/>. Please direct inquiries to oignotice_ndaa5274@usaid.gov.

² The contract provided for similar performance audits for a total of 12 different USAID recipients, the results of which are reported and transmitted separately.

2. Identify as unsupported, unreasonable, or ineligible, any questioned auditable costs incurred with implementing USAID's activities for the period audited in conformity with the terms of the regulatory and award requirements and GAAP.
3. Evaluate STC's contract bidding and procurement processes to determine whether it complied with regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of STC's internal controls, assess control risks, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether STC complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects.
6. Determine the extent to which STC delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID.
7. Determine the extent to which STC requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether STC has taken corrective actions on prior audit report recommendations.

To answer the audit objectives, Kearney reviewed STC's policies, directives, procedures, and internal controls; conducted interviews and walkthroughs; and reviewed agency actions to address any prior audit recommendations for STC's incurred cost audits.

Kearney concluded that STC complied with the standards set by their awards; that costs incurred were allowable, allocable, and reasonable; and that STC's controls were designed and operating effectively.

However, the auditors were unable to verify the accuracy and completeness of costs included in the testing population. This occurred because USAID did not require STC to distinguish COVID-19 funds from non-COVID-19 funds in expenditure reports and invoices. As a result, even in cases where STC separately recorded COVID-19 funded expenditures within their system of record, auditors could not reconcile the amounts with USAID's system. To complete its testing, Kearney relied on STC to provide a transactional record of costs incurred with COVID-19 funding and adjusted its evaluation methodology. There remains an unmitigated risk that total costs incurred with COVID-19 funding as provided by USAID is not complete, and unallowable costs may exist that would not have been detected by Kearney's audit. Kearney has identified this as a systemic issue pertaining to USAID award terms and conditions and thus communicated the issue to us under separate cover for appropriate action with responsible parties. As a result, we are not making any recommendations to address this weakness at this time.

In finalizing the report, OIG evaluated USAID's response to the draft audit report.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



***Deliverable of the Performance Audit Report for the Incurred
Cost Audit over Save the Children's (STC) Coronavirus
Disease 2019 (COVID-19)-Related Activities for the Period of
March 1, 2020 to March 31, 2022***

Contract Number: 72001G22C00007

April 22, 2024

**KEARNEY &
COMPANY**

*Point of Contact:
Kelly Gorrell, Partner
1701 Duke Street, Suite 500
Alexandria, VA 22314
703-931-5600, 703-931-3655 (fax)
kgorrell@kearneyco.com*

Kearney & Company, P.C.'s TIN is 54-1603527, UEID is UC4BPA3LC4J6, CAGE Code is 1SJJ4

April 22, 2024

Mr. David McNeil
Director, External Financial Audit (EFA) Division
Office of the Inspector General
United States Agency of International Development
1300 Pennsylvania Avenue, NW
Washington, D.C. 20523

Dear Mr. McNeil:

Kearney & Company, P.C. (Kearney) has conducted a performance audit of the costs claimed by Save the Children (STC) on its Coronavirus Disease 2019 (COVID-19)-related activities for the period of March 1, 2020 to March 31, 2022. This audit, conducted under Contract No. 72001G22C0007, was designed to meet the objectives identified in the [Objectives](#) section of this report.

Kearney conducted this performance audit in accordance with the standards applicable to performance audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States.

The purpose of this report is to communicate the results of Kearney's performance audit and any related findings and recommendations, where applicable.



Kelly Gorrell
Engagement Partner



***Performance Audit Report for the Incurred Cost Audit over
Save the Children's (STC) Coronavirus Disease 2019
(COVID-19)-Related Activities for the Period of March 1, 2020
to March 31, 2022***

December 14, 2023

**KEARNEY &
COMPANY**

TABLE OF CONTENTS

	<u>Page #</u>
Objectives	1
Background	2
Audit Results	3
Conclusion	3
Limitations or Uncertainties with the Reliability or Validity of Evidence	4
Exhibit A: Schedule of Costs Incurred	6
Exhibit B: Schedule of Indirect Cost Rates	15
Appendix A – Scope and Methodology of the Performance Audit	A-1
Scope and Limitations.....	A-1
Methodology and Work Performed	A-2
Work Related to Internal Controls.....	A-5
Appendix B – USAID Management Comments	B-1

OBJECTIVES

As requested by the United States Agency for International Development (USAID) Office of Inspector General (OIG), Kearney & Company, P.C. (also referred to as “Kearney,” “we,” “us,” and “auditor” in this report) audited the allowability, allocability, and reasonableness of costs incurred by Save the Children (also referred to as “STC” and “Recipient” in this report) under USAID-funded awards and related to Coronavirus Disease 2019 (COVID-19) activities for the period of March 1, 2020 to March 31, 2022 (hereinafter referred to as the “auditable costs incurred”). Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The objectives of the performance audit in detail are to:

1. Express a conclusion on whether the auditable costs incurred by the Recipient under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and Generally Accepted Accounting Principles (GAAP) or other comprehensive basis of accounting
2. Identify as unsupported, unreasonable, or ineligible, any questioned auditable costs incurred in implementing the USAID activities for the period audited in conformity with the terms of the regulatory and award requirements and GAAP or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis)
3. Evaluate the Recipient’s contract bidding and procurement processes to determine whether it complied with all contract requirements of regulatory and award requirements
4. Evaluate and obtain a sufficient understanding of Recipient’s internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses
5. Perform tests to determine whether the Recipient complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects. All material instances of noncompliance and indications of illegal acts that have occurred or are likely to have occurred must be identified and reported to the OIG
6. Determine to the extent specified herein if the Recipient has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID
7. Determine to the extent specified herein if the Recipient has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements
8. Determine whether the Recipient has taken corrective actions on prior audit report recommendations.

Please see [Appendix A](#) for the scope and methodology of the performance audit.

BACKGROUND

About STC

STC is a humanitarian organization that operates in a number of countries, including Bangladesh, Nicaragua, Cambodia, Ethiopia, Peru, South Sudan, and Somalia. STC's mission is to help provide each child a healthy start, the opportunity to learn, and protection from harm. As part of USAID's COVID-19 relief, STC provided support to various governments and communities in containing the spread of COVID-19 in vulnerable populations by creating awareness about the disease, offering vaccine support and research into the vaccine barriers, contributing to the prevention and reduction of excess mortality and morbidity of vulnerable population through strengthening COVID-19 outbreak preparedness, providing prevention and response capacities, and supporting various health systems manage an outbreak of COVID-19. STC operates and has responded to 107 emergencies in more than 70 countries, and its total operating revenue for fiscal year (FY) 2022 was \$1.1 billion. ([2022-annual-report-interactive-pdf.pdf \(savethechildren.org\)](#) [Our Mission](#) | [What We Do](#) | [Save the Children](#))

Save the Children Federation, Inc. (SCUS) was established in 1932 and operates as a voluntary, nonsectarian, nonprofit organization in the United States of America and throughout the world providing services for children and community self-help assistance.

SCUS is a member of Save the Children Association (SCA), a Swiss membership organization. SCA currently has 29 independent, autonomous, nonprofit, private voluntary membership organizations that bear the name STC or a related designation (the Members). SCA created Save the Children International (SCI), a United Kingdom-based charitable entity, of which SCA is the sole member, and therefore, SCI is a wholly owned subsidiary of SCA.

About USAID

USAID is an independent Federal agency headquartered in Washington, D.C., and it has a presence in 87 countries. Established in November 1961, USAID is the lead Federal agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. USAID is headed by an Administrator and receives overall foreign policy guidance from the Secretary of State.

About USAID's Response to COVID-19

The USAID OIG's mission is to safeguard and strengthen United States foreign assistance through timely, relevant, and impactful oversight of the entities under their jurisdiction. USAID has developed programs to help deliver vaccines through the United States Government's Initiative for Global Vaccine Access (Global VAX), expand access to COVID-19 testing and treatment, protect and train health workers, deliver health commodities and equipment, share accurate and reliable public health information, and safeguard global health security.

In order to execute these programs, in October 2021, USAID developed the “USAID Implementation Plan for the U.S. COVID-19 Global Response and Recovery Framework.” This plan establishes five goals:

1. Accelerate widespread and equitable access and delivery of safe and effective COVID-19 vaccinations
2. Reduce morbidity and mortality from COVID-19, mitigate transmission, and strengthen health systems, including preventing, detecting, and responding to pandemic threats
3. Address acute needs driven by COVID-19, mitigate household shocks, and build resilience
4. Bolster economies and other critical systems under stress due to COVID-19 to prevent backsliding and enable recovery
5. Strengthen the international health security architecture to prevent, detect, and respond to pandemic threats.

USAID awarded reimbursable contracts, grants, and cooperative agreements to multiple vendors to help achieve this Implementation Plan. Each of these awards included specific terms and conditions related to the usage of funds from the awards toward COVID-19-related activities.

AUDIT RESULTS

We conducted this engagement as a performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Overall, our audit did not identify any findings in the context of the audit objectives and scope.

Conclusion

Except for the limitations discussed in the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section of this report, Kearney noted that the applicable audit objectives were met.

Objective	Objective Met/Not Met
The auditable costs incurred by the Recipient under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and GAAP or other comprehensive basis of accounting	Met
Auditable costs incurred in implementing the USAID activities for the period audited are supported, reasonable, and eligible in conformity with the terms of the regulatory and award requirements and GAAP or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis)	Met
The Recipient’s contract bidding and procurement processes complied with all contract requirements of regulatory and award requirements	Met

Objective	Objective Met/Not Met
The Recipient’s internal controls related to the audit objectives are appropriate, with no identified reportable conditions, including material internal control weaknesses	Met
The Recipient complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects	Met
The Recipient delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID	Met
The Recipient requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements	Met
The Recipient took corrective actions on prior audit report recommendations.	Not Applicable (N/A)

Limitations or Uncertainties with the Reliability or Validity of Evidence

Kearney was unable to validate the completeness of our substantive testing population and relied on the Recipient to provide us with a transactional listing of auditable costs incurred, as it pertains to the following awards:

- 72038818CA00002
- 72068520CA00005
- 720BHA21GR00286
- 720BHA22GR00003
- AID-624-A-15-00002
- AID-OAA-A-15-00057.

Kearney is unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source, as 1) the COVID-19-funded activities under these awards were the result of modifications to add COVID-19 funds and the award terms did not require the Recipient to report costs incurred at the fund level, and 2) the period of performance of awards did not align to our audit period. Kearney verified that all costs incurred as provided by the Recipient were below the COVID-19 obligated amount by award; however, the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by the Recipient is not complete and unallowable costs may exist that would not have been detected by our audit.

Additionally, Kearney is unable to isolate applied indirect costs on the awards that are funded through modifications as listed above. These awards include multiple funding sources, only one of which is COVID-19 funds; therefore, we are unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice, and we are unable to quantify total applied indirect costs. Kearney evaluated the methodology of the applied indirects to the award as a whole based on the SF-425s or invoice and the Negotiated Indirect Cost Rate Agreement (NICRA).

Further, for award 720BHA21GR00256, STC cannot separate costs incurred within COVID-19-funded activities from the non-COVID-19 costs during the period in scope as costs were not tracked in the accounting system in that manner, as there is no contract requirement or regulation for costs to be tracked or reported to the funding level. Due to the comingled costs, Kearney was unable to perform any testing procedures for the costs incurred within COVID-19-funded activities under this award, of which \$1,581,202 was obligated with COVID-19 funds.

We have identified this as a systemic issue pertaining to USAID award terms and conditions and thus have communicated the issue to the USAID OIG under separate cover for appropriate action with the responsible parties. USAID management provided a communication related to the limitation, which is included in [Appendix B](#).

Exhibit A: Schedule of Costs Incurred

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
Grant Assistance/Agreements				
Fringe		27,017	-	27,017
Labor		145,415	-	145,415
Materials		-	-	-
Other	350,000	115,700	-	115,700
Travel	(Note 1)	-	-	-
Partner Payments		-	-	-
Indirect Costs		62,237	-	62,237
Contract Limitations (Note 2)		(369)	-	(369)
New Award 720FDA20GR00170 Subtotal	350,000	350,000	-	350,000
Fringe		6,564	-	6,564
Labor		270,269	-	270,269
Materials		-	-	-
Other	2,000,000	349,539	-	349,539
Travel	(Note 1)	45,970	-	45,970
Partner Payments		837,315	-	837,315
Indirect Costs		202,080	-	202,080
New Award 720FDA20GR00174 Subtotal	2,000,000	1,711,737	-	1,711,737
Fringe		35,799	-	35,799
Labor		345,074	-	345,074
Materials		-	-	-
Other	1,500,000	858,189	-	858,189
Travel	(Note 1)	2,410	-	2,410
Partner Payments		-	-	-
Indirect Costs		268,158	-	268,158
Contract Limitations (Note 2)		(9,630)	-	(9,630)
New Award 720FDA20GR00195 Subtotal	1,500,000	1,500,000	-	1,500,000
Fringe		11,890	-	11,890
Labor		141,662	-	141,662
Materials		-	-	-
Other	1,500,000	459,600	-	459,600
Travel	(Note 1)	1,463	-	1,463

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
Partner Payments		592,141		592,141
Indirect Costs		172,963	-	172,963
<i>New Award 720FDA20GR00204 Subtotal</i>	1,500,000	1,379,719	-	1,379,719
Fringe		29,641	-	29,641
Labor		348,295	-	348,295
Materials		-	-	-
Other	9,000,000 (Note 1)	6,796,083	-	6,796,083
Travel		50,475	-	50,475
Partner Payments		-	-	-
Indirect Costs		1,560,491	-	1,560,491
<i>New Award 72DFFP20GR00043 Subtotal</i>	9,000,000	8,784,985	-	8,784,985
Fringe		10,097	-	10,097
Labor		38,059	-	38,059
Materials		-	-	-
Other	300,000 (Note 1)	53,579	-	53,579
Travel		552	-	552
Partner Payments		94,420	-	94,420
Indirect Costs		28,505	-	28,505
<i>New Award 720FDA20GR00224 Subtotal</i>	300,000	225,212	-	225,212
Fringe		54,420	-	54,420
Labor		617,744	-	617,744
Materials		-	-	-
Other	5,000,000 (Note 1)	3,388,872	-	3,388,872
Travel		26,807	-	26,807
Partner Payments		-	-	-
Indirect Costs		882,974	-	882,974
<i>New Award 720BHA21GR00105 Subtotal</i>	5,000,000	4,970,817	-	4,970,817
Fringe		36,086	-	36,086
Labor		448,897	-	448,897
Materials		122	-	122
Other	4,440,000 (Note 1)	1,885,931	-	1,885,931
Travel		83,990	-	83,990
Partner Payments		311,233	-	311,233
Indirect Costs		551,418	-	551,418

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
<i>New Award 720BHA21GR00142 Subtotal</i>	4,440,000	3,317,677	-	3,317,677
Fringe		-	-	-
Labor		4,161	-	4,161
Materials	4,550,000	-	-	-
Other	(Note 1)	42,992	-	42,992
Travel		91	-	91
Partner Payments		5,206	-	5,206
Indirect Costs (Note 3)		10,558	-	10,558
<i>Add on Work 720BHA21GR00286 Subtotal</i>	4,550,000	63,008	-	63,008
Fringe		2,424	-	2,424
Labor		288,796	-	288,796
Materials	1,412,554	-	-	-
Other	(Note 1)	494,664	-	494,664
Travel		36,395	-	36,395
Partner Payments		112,893	-	112,893
Indirect Costs		185,277	-	185,277
<i>New Award 720BHA21GR00295 Subtotal</i>	1,412,554	1,120,449	-	1,120,449
Fringe		34,989	-	34,989
Labor		397,336	-	397,336
Materials	3,000,000	-	-	-
Other	(Note 1)	713,176	-	713,176
Travel		98,789	-	98,789
Partner Payments		-	-	-
Indirect Costs		268,767	-	268,767
<i>New Award 720BHA21GR00333 Subtotal</i>	3,000,000	1,513,057	-	1,513,057
Fringe		88,886	-	88,886
Labor		438,021	-	438,021
Materials	3,000,000	-	-	-
Other	(Note 1)	811,091	-	811,091
Travel		83,175	-	83,175
Partner Payments		158,884	-	158,884
Indirect Costs		317,762	-	317,762
<i>New Award 720BHA21GR00344 Subtotal</i>	3,000,000	1,897,819	-	1,897,819
Fringe	1,250,000	575	-	575

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
Labor	(Note 1)	205,934	-	205,934
Materials		4,891	-	4,891
Other		397,378	-	397,378
Travel		19,590	-	19,590
Partner Payments		162,511	-	162,511
Indirect Costs		146,762	-	146,762
New Award 720BHA21GR00347 Subtotal	1,250,000	937,641	-	937,641
Fringe		25,298	-	25,298
Labor		169,020	-	169,020
Materials	2,000,000	-	-	-
Other	(Note 1)	1,320,659	-	1,320,659
Travel		120,242	-	120,242
Partner Payments		-	-	-
Indirect Costs		353,207	-	353,207
New Award 720BHA21GR00351 Subtotal	2,000,000	1,988,426	-	1,988,426
Fringe		8,274	-	8,274
Labor		30,875	-	30,875
Materials	1,000,000	-	-	-
Other	(Note 1)	922	-	922
Travel		-	-	-
Partner Payments		230,474	-	230,474
Indirect Costs		24,305	-	24,305
New Award 720BHA21LA00007 Subtotal	1,000,000	294,850	-	294,850
Fringe		-	-	-
Labor		150	-	150
Materials	30,000,000	-	-	-
Other	(Note 1)	3,647	-	3,647
Travel		4	-	4
Partner Payments		-	-	-
Indirect Costs (Note 3)		821	-	821
Add on Work 720BHA22GR00003 Subtotal	30,000,000	4,622	-	4,622
Fringe	750,000	53,773	-	53,773
Labor	(Note 1)	120,831	-	120,831
Materials		10,758	-	10,758

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
Other		402,406	-	402,406
Travel		33,762	-	33,762
Partner Payments		-	-	-
Indirect Costs		134,250	-	134,250
Contract Limitations (Note 2)		(5,780)	-	(5,780)
New Award 720FDA20GR00051 Subtotal	750,000	750,000	-	750,000
Fringe		22,853	-	22,853
Labor		314,528	-	314,528
Materials		14,177	-	14,177
Other	2,900,000	2,017,089	-	2,017,089
Travel	(Note 1)	34,578	-	34,578
Partner Payments		-	-	-
Indirect Costs		519,097	-	519,097
Contract Limitations (Note 2)		(22,322)	-	(22,322)
New Award 720FDA20GR00072 Subtotal	2,900,000	2,900,000	-	2,900,000
Fringe		22,209	-	22,209
Labor		413,045	-	413,045
Materials		14,975	-	14,975
Other	1,699,864	893,994	-	893,994
Travel	(Note 1)	61,961	-	61,961
Partner Payments		-	-	-
Indirect Costs		303,736	-	303,736
Contract Limitations (Note 2)		(10,056)	-	(10,056)
New Award 720FDA20GR00105 Subtotal	1,699,864	1,699,864	-	1,699,864
Fringe		943	-	943
Labor		123,583	-	123,583
Materials		-	-	-
Other	500,000	239,588	-	239,588
Travel	(Note 1)	48,218	-	48,218
Partner Payments		-	-	-
Indirect Costs		89,064	-	89,064
Contract Limitations (Note 2)		(1,396)	-	(1,396)
New Award 720FDA20GR00118 Subtotal	500,000	500,000	-	500,000
Fringe	800,000	11,542	-	11,542

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
Labor	(Note 1)	125,750	-	125,750
Materials		-	-	-
Other		380,510	-	380,510
Travel		39,493	-	39,493
Partner Payments				-
Indirect Costs		120,376	-	120,376
<i>New Award 720FDA20GR00125 Subtotal</i>	800,000	677,671	-	677,671
Fringe		3,446	-	3,446
Labor		111,661	-	111,661
Materials		-	-	-
Other	600,000	381,870	-	381,870
Travel	(Note 1)	252	-	252
Partner Payments		-	-	-
Indirect Costs		107,401	-	107,401
Contract Limitations (Note 2)		(4,630)	-	(4,630)
<i>New Award 720FDA20GR00139 Subtotal</i>	600,000	600,000	-	600,000
Fringe		1,966	-	1,966
Labor		145,725	-	145,725
Materials		-	-	-
Other	800,000	507,511	-	507,511
Travel	(Note 1)	1,109	-	1,109
Partner Payments		-	-	-
Indirect Costs		141,763	-	141,763
<i>New Award 720FDA20GR00144 Subtotal</i>	800,000	798,074	-	798,074
Fringe		5,462	-	5,462
Labor		102,549	-	102,549
Materials		-	-	-
Other	500,000	262,750	-	262,750
Travel	(Note 1)	8,869	-	8,869
Partner Payments		-	-	-
Indirect Costs		82,000	-	82,000
<i>New Award 720FDA20GR00155 Subtotal</i>	500,000	461,630	-	461,630
Fringe	800,000	1,539	-	1,539
Labor	(Note 1)	11,621	-	11,621

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
Materials		-	-	-
Other		2,888	-	2,888
Travel		-	-	-
Partner Payments		732,976	-	732,976
Indirect Costs		53,235	-	53,235
Contract Limitations (Note 2)		(2,259)	-	(2,259)
<i>New Award 720FDA20GR00156 Subtotal</i>	800,000	800,000	-	800,000
Fringe				
Labor				
Materials				
Other				
Travel				
Partner Payments				
Indirect Costs				
<i>Add-on Work 720BHA21GR00256 Subtotal</i>				<i>Note 4</i>
<i>Subtotal Grant Assistance/Agreement</i>	79,652,418	39,247,258	-	39,247,258
Cooperative Agreements				
Personnel	9,206,910	444,502	-	444,502
Fringe Benefits	2,888,359	17,493	-	17,493
Allowances	1,168,990		-	-
Travel	1,056,164	37,806	-	37,806
Equipment	95,100		-	-
Supplies	465,211	53,480	-	53,480
Partner Payments	20,417,877	2,806,728	-	2,806,728
Other Direct Costs	7,891,672	3,353,007	-	3,353,007
Indirect Costs (Note 3)	6,285,747	1,034,335	-	1,034,335
<i>Add-on Work 72038818CA00002 Subtotal</i>	49,476,030	7,747,351	-	7,747,351
Fringe		1,089	-	1,089
Labor		26,050	-	26,050
Materials		-	-	-
Other	499,999	27,129	-	27,129
Travel	<i>(Note 1)</i>	7,230	-	7,230
Partner Payments		-	-	-
Indirect Costs (Note 3)		13,284	-	13,284

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred (\$ (b))	Questioned Costs (\$)	Adjusted Costs (\$)
<i>Add-on Work 72068520CA00005 Subtotal</i>	499,999	74,782	-	74,782
Fringe		-	-	-
Labor		-	-	-
Materials		-	-	-
Other	100,608	14,526	-	14,526
Travel	<i>(Note 1)</i>	5,467	-	5,467
Partner Payments		17,203	-	17,203
Indirect Costs <i>(Note 3)</i>		5,486	-	5,486
<i>Add-on Work AID-624-A-15-00002 Subtotal</i>	100,608	42,682	-	42,682
Fringe		238	-	238
Labor		17,985	-	17,985
Materials		-	-	-
Other	2,500,000	361,799	-	361,799
Travel	<i>(Note 1)</i>	700	-	700
Partner Payments		-	-	-
Indirect Costs <i>(Note 3)</i>		82,236	-	82,236
<i>Add-on Work AID-OAA-A-15-00057 Subtotal</i>	2,500,000	462,958	-	462,958
<i>Subtotal Cooperative Agreement</i>	52,576,637	8,327,773	-	8,327,773
Grand Total	132,229,055	47,575,031	-	47,575,031

- a) This column was compiled based on the internal budgets utilized by Save the Children (STC) and on the budget displayed in the specific award agreements. While some of the costs incurred toward individual cost categories are above the budgeted amount, STC was within the budget in totality
- b) Amounts listed represent costs incurred under Coronavirus Disease 2019 (COVID-19)-funded awards

Note 1: For this award, the budget is not documented to the cost element level. Therefore, Kearney summarized the budget by cost category identified by Kearney in the general ledger (GL).

Note 2: The Contracts Limitation column represents the total amount of applied indirect costs not associated with the costs allocated to the Federal Share for this award.

Note 3: The applied indirect cost amount shown for this award is based on the application of provisional indirect cost rates to the

COVID-19-related costs in the bases as shown in the GL provided to us by the Recipient; therefore, the indirect costs will not reconcile to the SF-425s. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section for our full scope limitation.

Note 4: Kearney noted an inherent limitation as we were unable to separate the costs incurred from the COVID-19-specific funding activities. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section for our full scope limitation.

Exhibit B: Schedule of Indirect Cost Rates

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$)
72038818CA00002	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	2,806,728	190,577
		General and Administrative (G&A) (b)	21.60	3,906,289	843,758
72068520CA00005	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	61,499	13,284
AID-624-A-15-00002	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	17,203	1,168
		G&A (b)	21.60	19,992	4,318
AID-OAA-A-15-00057	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	380,722	82,236
72DFFP20GR00043	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	7,224,494	1,560,491
720FDA20GR00224	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	94,420	6,411
		G&A (b)	21.60	102,287	22,094
720BHA21GR00105	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	4,087,843	882,974
720BHA21GR00142	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	311,233	21,133
		G&A (b)	21.60	2,455,026	530,286
720BHA21GR00286 (Note 1)	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	5,206	353
		G&A (b)	21.60	47,243	10,205
720BHA21GR00295	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	112,893	7,665
		G&A (b)	21.60	822,278	177,612
720BHA21GR00333	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	1,244,290	268,767
720BHA21GR00344	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	158,884	10,788
		G&A (b)	21.60	1,421,174	306,973
720BHA21GR00347	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	162,511	11,034
		G&A (b)	21.60	628,368	135,728
720BHA21GR00351	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	1,635,219	353,207
720BHA21LA00007	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	230,474	15,649
		G&A (b)	21.60	40,072	8,655

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$)
720BHA22GR00003 <i>(Note 1)</i>	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	3,801	821
720FDA20GR00051	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	621,530	134,250
720FDA20GR00072	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	2,403,226	519,097
720FDA20GR00105	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	1,406,184	303,736
720FDA20GR00118	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	412,332	89,064
720FDA20GR00125	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	557,295	120,376
720FDA20GR00139	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	497,229	107,401
720FDA20GR00144	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	656,311	141,763
720FDA20GR00155	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	379,630	82,000
720FDA20GR00156	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	732,976	49,769
		G&A (b)	21.60	16,048	3,466
720BHA21GR00256	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79		<i>Note 2</i>
		G&A (b)	21.60		
720FDA20GR00170 <i>(Note 1)</i>	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	288,132	62,237
720FDA20GR00174 <i>(Note 1)</i>	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	837,315	56,854
		G&A (b)	21.60	672,342	145,226
720FDA20GR00195 <i>(Note 1)</i>	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	-	-
		G&A (b)	21.60	1,241,472	268,158
720FDA20GR00204 <i>(Note 1)</i>	Provisional 01/01/2020 – 03/31/2022	Subaward Administration (a)	6.79	592,141	40,206
		G&A (b)	21.60	614,615	132,757

a) The Subaward Administration base is total direct subcontract/subaward costs to entities other than SCI

- b) The G&A base is total costs, including SCUS's portion of SCI's expenses; but excluding cost of goods sold; capital equipment greater than \$5,000; donated commodities and associated freight; internal transportation, storage and handling (ITSH) under Title II firm-fixed-price (FFP) program; interest; grants to other organizations (privately funded), foreign currency conversion; subgrant/ subcontract costs to entities other than SCI; and directly charged security costs in excess of the first \$25,000 per award, per year)

Note 1: The applied indirect cost amount shown for this award is based on the application of provisional indirect cost rates to the COVID-19-related costs in the bases as shown in the GL provided to us by the Recipient; therefore, the indirect costs will not reconcile to the SF 425s. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section for our full scope limitation.

Note 2: Kearney noted an inherent limitation as we were unable to separate the costs incurred from the COVID-19-specific funding activities. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section for our full scope limitation.

APPENDIX A – SCOPE AND METHODOLOGY OF THE PERFORMANCE AUDIT

Scope and Limitations

For a performance audit, scope is defined as the boundary of the audit and is directly tied to the audit objectives. The scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the period of time reviewed, and the locations that will be included. The scope of this performance audit:

- Is limited to the testing of the documentation and costs incurred for Coronavirus Disease 2019 (COVID-19) activities under Save the Children’s (also referred to as “STC” and “Recipient”) multiple awards for the period March 1, 2020, to March 31, 2022

Award	United States Agency for International Development (USAID) Obligated Amount (\$)	Total Auditable Costs (\$)
720FDA20GR00170	350,000	350,000
720FDA20GR00174	2,000,000	1,711,737
720FDA20GR00195	1,500,000	1,500,000
720FDA20GR00204	1,500,000	1,379,719
72DFFP20GR00043	9,000,000	8,784,985
720FDA20GR00224	300,000	225,212
720BHA21GR00105	6,578,865	4,970,817
720BHA21GR00142	4,440,000	3,317,677
720BHA21GR00286	1,750,000	63,008
720BHA21GR00295	1,412,554	1,120,449
720BHA21GR00333	3,000,000	1,513,057
720BHA21GR00344	3,000,000	1,897,819
720BHA21GR00347	1,250,000	937,641
720BHA21GR00351	2,000,000	1,988,426
720BHA21LA00007	1,000,000	294,850
720BHA22GR00003	2,094,554	4,622
720FDA20GR00051	750,000	750,000
720FDA20GR00072	2,900,000	2,900,000
720FDA20GR00105	1,699,864	1,699,864
720FDA20GR00118	500,000	500,000
720FDA20GR00125	800,000	677,671
720FDA20GR00139	600,000	600,000
720FDA20GR00144	800,000	798,074
720FDA20GR00155	500,000	461,630
720FDA20GR00156	800,000	800,000
72038818CA00002	13,450,000	7,747,351
72068520CA00005	500,000	74,782
AID-624-A-15-00002	100,608	42,682
AID-OAA-A-15-00057	2,500,000	462,958
720BHA21GR00256	1,581,202	Note 1

Note 1: Kearney noted an inherent limitation as we were unable to separate the costs incurred from the COVID-19-specific funding activities. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section for our full scope limitation.

- Included the necessary documents or records requested from the awardees, USAID, and USAID Office of Inspector General (OIG) to complete testing and perform walkthroughs for key controls/processes as they relate to COVID-19 activities performed by the Recipient
- Included fieldwork that was conducted virtually from June 20, 2023 to December 14, 2023 and covered the period from March 1, 2020 to March 31, 2022. In addition, the following STC overseas locations had transactions that were included in our samples: Bangladesh, Niger, Cambodia, Ethiopia, South Sudan, Guatemala, Kenya, Democratic Republic of the Congo, Sudan, Zimbabwe, Mozambique, Peru, Nicaragua, Yemen, Somalia, El Salvador, Haiti, Honduras, Bangladesh, and Afghanistan.

Limitation: See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section of this report for the limitation noted.

To obtain background information for this performance audit, Kearney reviewed:

1. The Federal Acquisition Regulation (FAR)
2. The Agency for International Development Acquisition Regulation (AIDAR)
3. Department of State Standardized Regulations (DSSR) for travel-related expenses
4. Code of Federal Regulations (CFR) 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
5. 2 CFR 700 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards USAID Supplement*
6. Contract/Award Terms
7. Other relevant regulations/policies.

Methodology and Work Performed

Kearney conducted this performance audit in the following three phases:

1. **Planning** – Obtaining initial documentation to document our understanding of the needs of the user, the objectives of the audit, establishing a team that possesses the adequate professional competence, and determining if there were investigations or legal proceedings and prior audit findings to be considered in our risk assessment and planned procedures. Conducting a risk assessment, including an evaluation of control risk, and preparing an audit plan/program that is responsive to risks identified
2. **Internal Controls and Testing** – Testing the auditable costs incurred, operating effectiveness of internal controls, and compliance with award terms as they pertain to the objectives and the audit plan/program
3. **Wrap-Up and Reporting** – Concluding on the objectives under USAID-funded COVID-19 activities for the period of March 1, 2020, to March 31, 2022.

Kearney designed our methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support our conclusion in relation to the audit objectives and to reduce audit risk to an acceptable level. Our methodology included the following procedures for gathering and analyzing evidence to address the audit objectives:

- Requesting overview information from the Recipient, USAID, and the USAID OIG for the in-scope awards
 - Contract(s)/award(s) between USAID and the Recipient for the applicable years
 - Relevant previous audits undergone by the Recipient
 - Subcontracts/subawards with third parties, if applicable
 - Budgets, authorization letters, and written procedures approved by USAID
 - USAID Automated Directives System (ADS)
 - All program financial and progress reports; accounting ledgers; charts of accounts; organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, inventory, warehousing, and distribution procedures for materials/supplies/commodities necessary to successfully complete the required work
- Conducting walkthroughs with the Recipient’s personnel on its procedures and progress relating to COVID-19 activities and awards
- Conducting interviews to discuss the procedures in place to prevent/detect fraudulent activities
- Completing risk assessments to assess inherent risk and control risk and determine the combined risk of failed objectives
- Evaluating the control environment and control procedures
- Testing properly designed controls/process for completeness and operating effectiveness
- Identifying the legal and regulatory requirements and award provisions and determining which of those, if not observed, could have a direct and material effect on the general and subsidiary ledgers
- Reconciling direct costs incurred and reported to USAID to the program and general ledgers (GL)
- Reviewing procurement procedures to determine that sound procedures and practices exist for competitive sourcing, reasonable prices, and adequate administrative control over the qualities and quantities of goods and services ordered and received
- Reviewing the status of actions taken on findings and recommendations reported in prior audit reports that affect the audit
- Reviewing a maximum statistical sample (i.e., sampling at the maximum confidence level prescribed by standards and permits projection of results) of direct costs incurred and reported to USAID, identifying and quantifying questioned costs. For each sample:
 - Determining if payments have been made in accordance with legal and regulatory requirements and award provisions
 - Determining if funds have been expended for purposes not authorized or not in accordance with applicable regulatory requirements and award provisions
 - Identifying any costs not considered appropriate, as well as classifying and explaining why these costs are questioned
 - Determining whether any commodities directly procured by USAID are unaccounted

- for or have not been used for their intended purposes in accordance with the award.
If so, the cost of such commodities must be questioned
- Determining whether any technical assistance provided under the award is unaccounted for or has not been used for its intended purpose in accordance with the agreement
 - Determining if the technical assistance as applicable was provided according to the award and to the project needs
 - Determining if those who received services and benefits were eligible to receive them
 - Determining if the Recipient's financial reports and claims for costs reported to USAID contain information that is supported by the books and records
 - Recalculating the applied indirect costs on auditable direct costs incurred, including evaluating the appropriateness of indirect rates used and their application
 - Reviewing general and program ledgers to determine whether costs incurred were properly recorded
 - Determining whether program income was added to funds used to enhance eligible program objectives, to finance the non-Federal share of the program, or was deducted from program costs in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award
 - Reviewing time and attendance records, payroll, personnel, and/or other records to determine if an employee was a real employee who worked on the contract/award effort, comparing the total hours charged to each project between the time and attendance records and the summary of payroll report, and ensuring that the total hours charged for the staff during the month are in accordance with the approved Level of Effort (LOE)
 - If applicable, determining whether adequate approvals on labor costs have been obtained for any works/changes made to the contract/award, determining if overtime was charged to the program and whether it is allowable under FAR requirements or contract provisions, and reviewing salary charges to determine whether salary rates and salary increases are approved by the USAID Contracting Officer (CO) for that position when USAID approval is required and supported by appropriate payroll records
 - Reviewing travel and transportation charges to determine whether they are adequately supported and approved
 - Reviewing commodities (e.g., supplies, materials, vehicles, equipment, food products, tools) procured by the Recipient, as well as those directly procured by USAID for the Recipient's use
 - Ensuring that items included in inventory indicate that they were titled to the appropriate entity based on existing regulatory and other requirements
 - Conducting an Exit Conference upon the conclusion of testing
 - Evaluating any control deficiencies noted during the performance audit
 - Reporting on costs to conclude on the allowability, allocability, and reasonableness of costs incurred related to COVID-19 activities
 - Drafting an audit report with findings and conclusions for internal Kearney review
 - Issuing the draft report to the USAID OIG on Kearney's findings and conclusions for review and comment
 - Obtaining comments from the Recipient on any reportable findings

- Completing Quality Control (QC) and wrap-up procedures to verify compliance of the performance audit with the Government Accountability Office’s (GAO) *Government Auditing Standards*, also known as Generally Accepted Government Auditing Standards (GAGAS)
- Evaluating and incorporating OIG’s feedback, as necessary, and the Recipient’s responses to any findings, issuing a final report to the USAID OIG.

Work Related to Internal Controls

Kearney performed steps to assess the adequacy of internal controls that we deemed to be significant within the context of the audit objectives. We assessed the design of controls by evaluating the control environment and the key control procedures, and tested properly designed controls for operating effectiveness. Specifically, we reviewed key controls with regard to the following:

- Ensuring that charges to the contracts were proper and supported
- Managing cash on hand and in bank accounts
- Reviewing procurement procedures and practices
- Receiving and inventory functions, if applicable
- Managing personnel functions (e.g., timekeeping, salaries, benefits)
- Managing and disposition of commodities (e.g., vehicles, equipment, tools) purchased either under the program or furnished by USAID
- Ensuring compliance with regulatory and contractual requirements that collectively have a material impact on STC’s general and subsidiary ledgers.


Results of the work performed on internal controls during the performance audit are detailed in the [Audit Results](#) section of the report.

APPENDIX B – USAID MANAGEMENT COMMENTS

At the request of the USAID OIG, a communication from USAID management regarding the limitations of the audit is included below. The communication was not subject to any procedures and, accordingly, we express no assurance on the communication as it is not required under GAGAS.

**MEMORANDUM**

TO: Deputy Assistant Inspector General for Audits, Toayoa D. Aldridge

FROM: USAID/Office of Acquisition and Assistance, Director, Jami J. Rodgers 

DATE: April 12, 2024

SUBJECT: Management Comments to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, "COVID-19: Audit of Costs Incurred by Save the Children (STC) from March 1, 2020, to March 31, 2022" (3-000-24-010-U) prepared by Kearney & Company P.C. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on April 2, 2024

The U.S. Agency for International Development (USAID) thanks the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report regarding the audit of incurred costs by STC for Coronavirus Disease 2019 (COVID-19) activities for the period of March 1, 2020, to March 31, 2022.

USAID acknowledges that Kearney obtained sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions. USAID appreciates that the evidence obtained during this audit provides a reasonable basis for Kearney's overall conclusion that the audit did not identify any findings and offered no recommendations.

Although this audit did not result in recommendations which require management comment, USAID would like to provide comment on the following two issues highlighted in the audit:

- (1) Audit Barriers for Awards with Multiple Funding Sources; and
- (2) Limitations or Uncertainties with the Reliability or Validity of Evidence

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE DRAFT REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, "COVID-19: AUDIT OF COSTS INCURRED BY SAVE THE CHILDREN FROM MARCH 1, 2020, TO MARCH 31, 2022" (3-000-24-010-U) PREPARED BY KEARNEY & COMPANY P.C. (KEARNEY) ON BEHALF OF THE OFFICE OF THE USAID INSPECTOR GENERAL (OIG) ON APRIL 2, 2024

Audit Barriers for Awards with Multiple Funding Sources & Limitations or Uncertainties with the Reliability or Validity of Evidence

During the audit period, Kearney audited the following STC awards and encountered the auditing challenges described below:

- 72038818CA00002
- 72068520CA00005
- 720BHA21GR00286
- 720BHA22GR00003
- AID-624-A-15-00002
- AID-OAA-A-15-00057

For these awards, Kearney was unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source because 1) The COVID-19-funded activities for the in-scope awards listed above were the result of modifications to add COVID-19 funds and the award terms did not require the Recipient to report costs incurred at the fund level, and 2) The period of performance of a portion of the in-scope awards were ongoing as of the end of Kearney's audit period end of March 31, 2022.

Kearney verified that all costs incurred as provided by the Recipient were below the COVID-19 obligated amount by award; however, the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, Kearney determined that there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by the Recipient is not complete and unallowable costs may exist that would not have been detected by Kearney's audit.

Additionally, Kearney was unable to isolate applied indirect costs on the awards that are funded through modifications as listed above. These awards included multiple funding sources, only one of which is COVID-19 funds; therefore, Kearney was unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice, and Kearney was unable to quantify total applied indirect costs. Kearney evaluated the methodology of the applied indirect costs to the award as a whole based on the SF-425s or invoice and the Negotiated Indirect Cost Rate Agreement (NICRA).

Furthermore, Kearney faced additional challenges with award 720BHA21GR00256. Under this award, STC could not separate costs incurred within COVID-19-funded activities from the non-COVID-19 costs during the period in scope because costs were not tracked in the accounting system in that manner because there was no contract requirement or regulation for costs to be tracked or reported to the funding level. Due to the commingled costs, Kearney was unable to perform any testing procedures for the costs incurred within COVID-19-funded activities under this award, of which \$1,581,202 was obligated with COVID-19 funds.

USAID acknowledges the difficulties in auditing cost-reimbursable awards with multiple funding sources and is committed to improve the transparency of these awards by developing specific award terms and conditions related to awards that have separate and distinct funding sources. USAID will ensure that the newly developed award terms and conditions provide the clarity needed to allow for the proper reconciliation of these costs to the SF-425s and to the applicable NICRA rates used under applicable awards.

USAID also recognizes the audit limitations discussed in the *Limitations or Uncertainties with the Reliability or Validity of Evidence* section of this report. As noted above, Kearney was unable to validate the completeness of the testing population and relied on STC to provide Kearney with a transactional listing of auditable costs incurred. Kearney was unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source as described above.

Although Kearney verified that all costs incurred as provided by STC were below the COVID-19 obligated amount by award, Kearney stated that the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, Kearney asserted that there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by STC is not complete and unallowable costs may exist that would not have been detected by its audit.

While USAID understands that there may be a chance that questioned costs could exist under these contracts due to the audit scope period, the overall audit risk is low. As evidence of this, USAID must highlight that Kearney did not identify any questioned costs of the total “auditable costs incurred” under any of the STC awards selected for the audit scope period.

- **Target Completion Date:** Because Kearney identified these as systemic issues pertaining to USAID award terms and conditions and has communicated the issue to the USAID OIG under separate cover, USAID will wait for OIG recommendations regarding the specific actions needed to fully address this issue.

In conclusion, USAID looks forward to working with the OIG on its forthcoming recommendations.

CLEARANCE PAGE FOR Management Comments in response to the Draft Audit Report
Produced by the Office of Inspector General (OIG) titled, "COVID -19: Audit of Costs Incurred by
Save the Children from March 1, 2020, to March 31, 2022" (3-000-24-010-U) Prepared by
Kearney & Company P.S. (Kearney) on behalf of the Office of the USAID Inspector General
(OIG) on April 2, 2024

Approved: M/OAA: JRodgers 4/12/2024

Clearances:

Bureau/IO/Mission	Clearance Status	Date
M/OAA/ACTS: DBroderick	Clear	04/11/2024
M/OAA/CAS: SSnyder	Clear	04/09/2024
GC/A&A: GMarchand	Clear	04/11/2024

Drafter: M/OAA/CAS