



MEMORANDUM

DATE: August 26, 2019

TO: USAID/Iraq Mission Director, Dana Mansuri

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Audit of Mercy Corps Incurred and Billed Amounts, Broadening Participation Through Civil Society Project in Iraq, Under USAID Agreement AID-267-A-12-00001, July 1, 2014, to December 15, 2015 (8-267-19-003-D)

This memorandum transmits the final audit report on incurred and billed amounts by Mercy Corps, Broadening Participation Through Civil Society Project in Iraq, under USAID Agreement AID-267-A-12-00001, from July 1, 2014, to December 15, 2015. USAID/Iraq contracted with Defense Contract Audit Agency to conduct the audit.

Defense Contract Audit Agency states that it performed its audit in accordance with generally accepted government auditing standards. Defense Contract Audit Agency is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Mercy Corps' incurred and billed amounts or its compliance with the award terms.¹

The audit objective was to determine if the proposed amounts comply with the award terms pertaining to accumulating and billing incurred amounts. To answer the audit objective, Defense Contract Audit Agency performed the subject audit that covered \$24,438,192 of proposed costs for the period from July 1, 2014, to December 15, 2015.

¹ We reviewed Defense Contract Audit Agency's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of Defense Contract Audit Agency's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

Defense Contract Audit Agency expressed a qualified opinion on Mercy Corps' proposed amounts because of scope limitations pertaining to: (a) Mercy Corps being unable to provide them with original invoices for three sub-awards and one of the materials and supplies costs they tested; and b) Defense Contract Audit Agency being unable to perform the necessary real-time audit procedures on Mercy Corps' proposed personnel expenses and material and supplies costs during FYs 2015 and 2016. Defense Contract Audit Agency said that they did not note any evidence that original documents had been intentionally modified in the scanned copies and that they performed alternate procedures to evaluate proposed labor amounts and direct material and supplies costs.

Defense Contract Audit Agency said that in their opinion, except for the effects of noncompliances, if any, that they might have identified had they completed the procedures discussed in the previous paragraph, Mercy Corps' proposed amounts comply, in all material respects with the award terms pertaining to accumulating and billing incurred amounts. Defense Contract Audit Agency did not identify any questioned costs.

The report does not contain any recommendations for your action.

We appreciate the assistance extended to the audit staff during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").