



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: December 27, 2022

TO: USAID/Iraq Mission Director, Elise Jensen

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Independent Audit Report on the Statement of Proposed Direct Costs of Catholic Relief Services, United States Conference of Catholic Bishops and Affiliates in Iraq, Cooperative Agreement 72026718CA00001, June 14, 2018, to September 30, 2021 (8-267-23-003-D)

This memorandum transmits the final audit report on the statement of proposed direct costs of Catholic Relief Services (CRS), United States Conference of Catholic Bishops and Affiliates in Iraq, cooperative agreement 72026718CA00001, from June 14, 2018, to September 30, 2021. USAID/Iraq contracted with the Defense Contract Audit Agency (DCAA) to conduct the audit. DCAA stated that it performed its audit in accordance with generally accepted government auditing standards DCAA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's statement of proposed direct costs; or its compliance with the award, laws, and regulations.¹

The engagement objectives were mainly to determine if CRS proposed direct amounts incurred and billed under USAID Cooperative Agreement No. 72026718CA00001, for the audit period are allowable, allocable, and reasonable in accordance with the Code of Federal Regulations (CFR), USAID's Automated Directives System Regulation (ADS), and cooperative agreement terms. To answer the engagement objectives, DCAA performed

¹ We reviewed DCAA'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 the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

the subject audit that covered \$6,067,458 in direct costs from June 14, 2018, to September 30, 2021.

DCAA questioned \$54,008 of ineligible costs and qualified its opinion on the statement of proposed direct costs. DCAA disclosed scope limitations pertaining to lack of real-time testing of labor costs, lack of sufficient pre-employment check support, and its inability to complete the verification procedures necessary to determine the accuracy of the scanned documents DCAA identified two material instances of non-compliance with laws, regulations, and the agreement terms.

To address the issues identified in the report, we recommend that USAID/Iraq:

Recommendation 1: Determine the allowability of the \$54,008 in questioned ineligible costs detailed on pages 11 to 20 of the DCAA audit report and recover any amounts that is unallowable.

Recommendation 2: Verify that Catholic Relief Services corrects the two material instances of noncompliance detailed on pages 11 to 20 of the DCAA audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

The 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").