



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-19-20

What OIG Audited

In August 2014, the United Nations declared a humanitarian emergency in Iraq. The Department of State (Department), Bureau of Population, Refugees, and Migration (PRM), obligated \$914 million between October 2013 and September 2017 to help internally displaced persons (IDP) in Iraq and Iraqi refugees in surrounding countries. Of this amount, PRM obligated more than \$98.6 million to non-governmental organizations through cooperative agreements.

The Office of Inspector General (OIG) conducted this audit to determine whether PRM monitored humanitarian assistance provided through cooperative agreements to non-governmental organizations to support IDPs in Iraq in accordance with Federal requirements, Department policies and guidance, and award terms and conditions. OIG selected five cooperative agreements, valued at \$9.4 million, for review. This report is the second of two audit reports that focus on funds supporting IDPs in Iraq. A previous report addressed humanitarian assistance funds provided through voluntary contributions to international organizations.

What OIG Recommends

OIG made three recommendations that are intended to help PRM ensure award recipients in Iraq are using funds awarded through cooperative agreements as intended. PRM concurred with the recommendations and a synopsis of PRM's comments follows each recommendation in the Audit Results section of this report. PRM's response to a draft of this report is reprinted in Appendix B.

March 2019

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of Humanitarian Assistance Cooperative Agreements Supporting Internally Displaced Persons in Iraq

What OIG Found

PRM generally complied with Federal requirements, Department guidance, and award terms and conditions in monitoring cooperative agreements supporting IDPs in Iraq. Specifically, OIG found that PRM completed risk assessments, developed and implemented monitoring plans, reviewed quarterly performance progress reports, conducted programmatic desk reviews and site visits, when practicable, and used an existing contract to conduct site visits in locations that PRM staff could not reach because of security concerns.

OIG also confirmed that PRM generally established award budgets by cost categories and reviewed the five recipients' quarterly financial reports in accordance with Federal and Department regulations as well as the cooperative agreements' terms and conditions. OIG reviewed 621 expenditures, totaling \$2.2 million, and questioned 32 expenditures, valued at \$64,706 (3 percent), as unallowable or unsupported. Although the instances of questioned costs were limited and not a material deficiency, OIG notes that 23 of the 32 questioned expenditures (72 percent) came from awards provided to 2 organizations. In addition, although PRM conducts spot checks of some award expenditures to determine if the expenditures comply with requirements, its practice of asking the award recipient to select the expenditures for review is ineffective in identifying unallowable and unsupported costs.

Furthermore, OIG identified an area involving the monitoring of the award recipient's budget that needs improvement. OIG found that PRM was not aware that expenditures made by International Medical Corps were re-budgeted between cost categories. PRM did not detect the re-budgeting activities because it does not conduct spot checks of award recipients' expenditures to see if they are applied to the appropriate cost categories. Until PRM implements procedures to verify that award recipients are complying with approved budget plans, there is a greater risk of mismanagement and possible opportunities for fraud and waste.