

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

SIGAR 24-34 Financial Audit

## Department of State's Embassy Scholars Program: Audit of Costs Incurred by the



**In accordance with legal requirements, SIGAR has redacted from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.**



AUGUST  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On August 4, 2016, the Department of State (State) awarded two cooperative agreements totaling [REDACTED] to the [REDACTED] [REDACTED] to support State's Embassy Scholars Program. The agreements sought to provide scholarships to students in the Youth Solidarity and English Language, the Youth Exchange Study, the Afghan University Student Exchange, and the English Access Micro-Scholarship programs. State modified the agreements seven times, which extended their combined period of performance from December 31, 2021, through July 31, 2023, but did not change the total funding.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed a total of \$6,858,019 in costs charged to the agreements from August 4, 2016, through August 31, 2022. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in [REDACTED] internal controls related to the agreements; (2) identify and report on instances of material noncompliance with the terms of the agreements and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether [REDACTED] has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of [REDACTED] Special Purpose Financial Statement (SPFS). See Conrad's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

August 2024

Department of State's Embassy Scholars Program: Audit of Costs Incurred by the [REDACTED]

SIGAR 24-34-FA

### WHAT SIGAR FOUND

Conrad identified one material weakness and four significant deficiencies in [REDACTED] internal controls, and five instances of noncompliance with agreement terms. Specifically, Conrad found that higher tuition rates were charged to scholarship recipients who were funded by State than to students who were self-funded. Additionally, the auditors reviewed scholarship billings and found that [REDACTED] charged costs to the program when scholarship recipients had withdrawn from one or multiple courses, which was not in compliance with [REDACTED] policies. [REDACTED] was notified of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified a total of \$1,721,550 in questioned costs, consisting of \$7,677 in ineligible costs—costs prohibited by the agreements and applicable laws and regulations, and \$1,713,873 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$6,978	\$1,558,066	\$1,565,044
Indirect Costs	\$699	\$155,807	\$156,506
<b>Total Costs</b>	<b>\$7,677</b>	<b>\$1,713,873</b>	<b>\$1,721,550</b>

Conrad identified findings in four prior audit reports that could have a material effect on the SPFS or other financial data significant to the audit objectives. The reports had 16 findings and accompanying recommendations. Conrad conducted follow-up procedures and concluded that [REDACTED] had not taken adequate corrective action on 8 of the 16 findings as they were repeated under this audit.

Conrad issued a modified opinion on [REDACTED] SPFS, noting that the total questioned cost amount is considered material to the SPFS.

### WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at State:

1. Determine the allowability of and recover, as appropriate, \$1,721,550 in questioned costs identified in the report.
2. Advise [REDACTED] to address the report's five internal control findings.
3. Advise [REDACTED] to address the report's five noncompliance findings.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

August 19, 2024

The Honorable Antony Blinken  
Secretary of State

We contracted with Conrad LLP (Conrad) to audit the costs incurred by the [REDACTED] under two cooperative agreements from the Department of State (State) to support State's Embassy Scholars Program.<sup>1</sup> The agreements sought to provide scholarships to students in the Youth Solidarity and English Language, the Youth Exchange Study, the Afghan University Student Exchange, and the English Access Micro-Scholarship programs. Conrad reviewed \$6,858,019 in costs charged to the agreements from August 4, 2016, through August 31, 2022. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$1,721,550 in questioned costs identified in the report.**
- 2. Advise [REDACTED] to address the report's five internal control findings.**
- 3. Advise [REDACTED] to address the report's five noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad's report and related documentation. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on [REDACTED] Special Purpose Financial Statements, or conclusions about the effectiveness of internal controls over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated May 16, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-285)

<sup>1</sup> The cooperative agreement numbers are [REDACTED] AND [REDACTED]

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

## Table of Contents

	Page
Transmittal Letter	
Background	1
Work Performed	2
Objectives, Scope, and Methodology	2
Summary of Results	5
Review of Prior Findings and Recommendations	8
Summary of [REDACTED] ([REDACTED]) Responses to Findings	8
Independent Auditor's Report on the Special Purpose Financial Statement	9
Special Purpose Financial Statement	12
Notes to the Special Purpose Financial Statement	13
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	17
Independent Auditor's Report on Internal Control	19
Independent Auditor's Report on Compliance	21
Schedule of Findings and Questioned Costs	23
Status of Prior Audit Findings	40
Appendices:	
Appendix A: Special Purpose Financial Statement	46
Special Purpose Financial Statement – Cooperative Agreement [REDACTED]	
Special Purpose Financial Statement – Cooperative Agreement [REDACTED]	
Appendix B: [REDACTED] Responses to Audit Findings	48
Appendix C: Auditor's Rebuttal to [REDACTED] Responses to Audit Findings	54



May 17, 2024

Board of Directors  
[REDACTED]

Kabul, Afghanistan

Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, VA 22202

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of [REDACTED] Special Purpose Financial Statement under the two Cooperative Agreements [REDACTED] and [REDACTED] awarded by the United States Department of State for the period of August 4, 2016 through August 31, 2022, in support of the Embassy Scholars Program.

On January 31, 2024, we provided the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) with a draft report reflecting our audit procedures and results. [REDACTED] received a copy of the report on April 29, 2024, and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and the [REDACTED]. Additionally, [REDACTED] responses and Conrad's corresponding rebuttals are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you, and to conduct the audit of these Agreements.

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

---


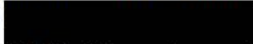
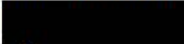
## Background

On August 4, 2016, the U.S. Department of State (State) awarded Cooperative Agreement Number [REDACTED] to the [REDACTED] ([REDACTED]) to support the Embassy Scholars Program (Program). On August 21, 2017, State issued additional Cooperative Agreement number [REDACTED] to [REDACTED] to further support the program. The awards' period of performance ran from 08/04/2016 – 08/31/2022 and 08/22/2017 – 07/31/2023, respectively.

The two Cooperative Agreements (Agreements/Awards) ([REDACTED] and [REDACTED]) were funded for the Embassy Scholars Program to provide scholarships for eligible female students as well as other eligible male and female alumni of the Youth Solidarity and English Language (YSEL) program, the Youth Exchange Study (YES) program, the Afghan University Student Exchange Program (AUSEP), and English Access Micro-Scholarship Program. The agreement will also partially fund a mentoring program and four years of salary for the new program manager. [REDACTED] was tasked with the following principal objectives:





- Administer a survey developed by the Public Affairs Section (PAS), when the scholarship recipients begin the first year of studies, and at the end of each subsequent year.
- Track students' progress in their courses and monitor their grades to reduce the chances of recipients becoming academically ineligible.
- Notify PAS should any scholarship recipient withdraw from the program or become academically ineligible; in which case, [REDACTED] will coordinate from the selection of alternative recipients with PAS or suggest a distribution of the remaining funds.
- Monitor and evaluate the student's workforce readiness and leadership development and track job placement.

The initial approved budget funded by the State for the two Cooperative Agreements totaled \$ [REDACTED]. However, through various amendments applicable to each Cooperative Agreement, the period of performance was extended for agreement number [REDACTED] from December 31, 2021 to August 31, 2022, and for [REDACTED] the award was extended from August 31, 2022 to July 31, 2023, with no change to budget funding under the State. See Summary of Cooperative Agreements below.


  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022




**Summary of Cooperative Agreements**

Cooperative Agreement Numbers	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
	\$ 	08/04/16	12/31/21	4	No change <sup>2</sup>	08/31/22
	\$ 	08/22/17	08/31/22	3	No change	07/31/23

\* Indicates close-out award

 is Afghanistan's only private, liberal arts, not-for-profit, and co-educational university. Founded in 2006 with an initial enrollment of 50 students, the university now has over 900 students enrolled in undergraduate, graduate, and other education programs.


**Work Performed**


Conrad LLP (Conrad) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of the Cooperative Agreements, as mentioned above, of  Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program totaling \$  and \$  respectively for the period August 4, 2016, through August 31, 2022.


**Objectives, Scope, and Methodology**

**Audit Objectives**

The objectives of the audit of the aforementioned Cooperative Agreements include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether  SPFS for the Cooperative Agreements presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the balance for the period audited in conformity with the terms of the Cooperative Agreements and generally accepted accounting principles or other comprehensive basis of accounting.

<sup>1</sup> The original award budget required an additional \$  of recipient share of costs.

<sup>2</sup> The modified budget reduced the of recipient share of costs to \$ 

(Continued)



[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

---

- *Internal Controls* – Evaluate and obtain sufficient understanding of [REDACTED] internal controls related to the Cooperative Agreements, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether [REDACTED] complied, in all material respects, with the Cooperative Agreements requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Cooperative Agreements and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether [REDACTED] has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

### **Scope**

The scope of this audit included all revenue received and costs incurred during the period of August 4, 2016, through August 31, 2022, totaling \$ [REDACTED] and \$ [REDACTED] respectively, under the Cooperative Agreements. Our testing of the indirect cost charged to the Cooperative Agreements was limited to determining that the indirect cost was calculated using the correct de minimis rate of 10%, as approved in the Cooperative Agreements.

### **Audit Methodology**

In order to accomplish the objectives of this audit, we designed our audit procedures to include the following:

#### **Entrance Conference**

An entrance conference was held on August 2, 2023, with representatives of [REDACTED] Conrad, SIGAR, and State participating via conference call. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

#### **Planning**

During our planning phase, we performed the following:

- Obtained an understanding of [REDACTED]. The scope of our audit includes [REDACTED] management and employees, internal and external factors that affect operations, and accounting policies and procedures. We gained an understanding of [REDACTED] through interviews, observations, and reading

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

---

policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:

- The Standards for Internal Control in the Federal Government (GAO-14-704G: Published: September 10, 2014);
  - Foreign Assistance Act of 1961, as amended;
  - 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
  - 2 CFR 600 U.S. Department of State Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
  - U.S. Department of State Standard Terms and Conditions;
  - Terms of Awards between the Department of State and [REDACTED];
  - [REDACTED] Policies and Procedures; and
  - Cooperative Agreement No. [REDACTED] close-out requirements and evidence supporting close-out procedures performed.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs are properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreements, and the applicable general ledgers;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Cooperative Agreements;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved de minimis rate indirect cost rates to ensure that they were accurately applied.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

---

Internal Controls Related to the Cooperative Agreements

We reviewed [REDACTED] internal controls related to the Cooperative Agreements to gain an understanding of the implemented system of internal control to obtain reasonable assurance of [REDACTED] financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Cooperative Agreements Requirements and Applicable Laws and Regulations

We performed tests to determine whether [REDACTED] complied, in all material respects, with the Cooperative Agreements requirements, CFR, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Cooperative Agreements and applicable laws and regulations, including potential fraud or abuse that may have occurred.

Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from [REDACTED] and reviewed these reports to determine if there were any findings and recommendations that could have a potential impact on this audit. We also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), the Department of State, and other Federal agencies, to identify previous engagements that could have a material effect on [REDACTED] SPFS. For those engagements, Conrad evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. Our review procedures included holding discussions with management regarding corrective actions taken, reviewing evidence of revised policies and procedures or other applicable recommended actions, as well as conducting tests of items similar to those found in the prior findings. See the *Status of Prior Audit Findings* section on page 40.

Exit Conference

An exit conference was held on January 18, 2024, via conference call. Participants included representatives from Conrad, [REDACTED] SIGAR, and State. During the exit conference, we discussed the preliminary results of the audit and reporting process.

**Summary of Results**

We have summarized the details of these results in the Findings and Questioned Costs subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

---

Auditor's Opinion on the SPFS

Conrad issued a modified opinion on the fairness of the presentation of the SPFS.

We identified \$1,721,550 in total questioned costs, which is comprised of \$7,677 in ineligible costs and \$1,713,873 in unsupported costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Cooperative Agreements' provisions or applicable laws and regulations, or not related to the Cooperative Agreements. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on [REDACTED] SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

Internal Controls



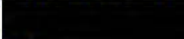
Our audit identified five (5) internal control findings. One internal control finding is considered to be a material weakness and four (4) internal control findings are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 19.

Compliance


The results of our testing identified five (5) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 21.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. [REDACTED] did not self-disclose any instances of alleged fraud that could have a potential impact on the Program and the SPFS. As such, there are no further communications warranting additional consideration.

(Continued)

  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Material Weakness	Insufficient documentation provided to support that  followed their Student Finance Manual.	\$ -	\$ 1,456,711	\$ 1,456,711
2024-02	Non-compliance and Internal Control – Significant Deficiency	Higher tuition rates charged to State Department funded scholarship recipients.	-	166,926	1,623,637
2024-03	Non-compliance and Internal Control – Significant Deficiency	Insufficient sub-awardee monitoring.	261	84,411	1,708,309
2024-04	Non-compliance and Internal Control – Significant Deficiency	Withdrawn course(s) were charged to the Program.	7,416	-	1,715,725
2024-05	Non-compliance and Internal Control – Significant Deficiency	Inadequate documentation provided to support costs charged to the Program.	-	5,825	1,721,550
<b>Total Questioned Costs</b>			<b>\$ 7,677</b>	<b>\$ 1,713,873</b>	<b>\$ 1,721,550</b>

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

---

## Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to [REDACTED] activities under the Agreement, we identified four (4) prior engagements with 16 findings and accompanying recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with the management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our audit. Based on our review, [REDACTED] had not taken adequate corrective actions on eight (8) out of the 16 findings and the accompanying recommendations for each finding. See *Status of Prior Audit Findings* on page 40 for a detailed description of the prior findings and recommendations.

## Summary of the [REDACTED] Responses to Findings

The following represents a summary of the responses provided by [REDACTED] to the findings identified in this report. The complete responses received can be found at *Appendix B* starting on page 48 of this report.

- (1) **Finding 2024-01:** [REDACTED] disagreed with this finding and noted that it had provided sufficient evidence for the student awareness of the terms of the scholarships.
- (2) **Finding 2024-02:** [REDACTED] disagreed with this finding and noted that the higher tuition rates covered by the scholarship is unsubsidized rates and are reasonable and allowable.
- (3) **Finding 2024-03:** [REDACTED] disagreed with this finding and noted that sufficient documentation was provided for each of the questioned costs.
- (4) **Finding 2024-04:** [REDACTED] disagreed with this finding and noted that scholars are allowed one withdrawal by their scholarship agreement and that the fee for withdrawing from a course is allowed to be charged to the program.
- (5) **Finding 2024-05:** [REDACTED] disagreed with this finding and noted all the necessary documents to support the cost in question have been provided.

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors

Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

### Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of the [REDACTED] ( [REDACTED] and the related notes to the Special Purpose Financial Statement, with respect to the two Cooperative Agreements [REDACTED] and [REDACTED] (Agreements) awarded by the U.S. Department of State (State) in support of the Embassy Scholars Program (Program), for the period of August 4, 2016, through August 31, 2022.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of August 4, 2016, through August 31, 2022, are in accordance with the terms of the Agreements and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

### Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of [REDACTED] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We identified \$1,721,550 in aggregated questioned costs resulting from the material weakness and significant deficiencies in internal controls and non-compliance with the terms and conditions of the Cooperative Agreements. The total questioned cost amount is considered material to the Special Purpose Financial Statement.

### Basis of Presentation and Accounting

We draw attention to Note 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 2 to the Special Purpose

Financial Statement, the statement is prepared by [REDACTED] on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Special Purpose Financial Statement**

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that it is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement**

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)



## Other Reporting Required by Government Auditing Standards


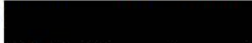
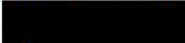
In accordance with *Government Auditing Standards*, we have also issued our reports dated May 16, 2024 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Agreements, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [REDACTED] internal control over financial reporting and compliance.

## Restriction on Use

This report is intended for the information of [REDACTED], the United States Department of State, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.











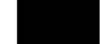

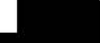
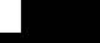
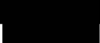
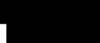






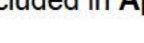
Conrad LLP

Lake Forest, California  
May 16, 2024

  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Special Purpose Financial Statement (Consolidated)**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Award # 	\$ 	\$ 	\$ -	\$ -	\$ -	(6)
Award # 			-	-	-	(6)
Total revenues	\$ 	\$ 	\$ -	\$ -	\$ -	
Costs incurred:						
Personnel			-	58,995	58,995	(A)
Travel			-	-	-	
Supplies			-	-	-	
Contractual			-	5,295	5,295	(B)
Other Direct Costs			6,978	1,493,776	1,500,754	(C)
Indirect Costs			699	155,807	156,506	(D)
Total Costs Incurred	\$ 	\$ 	\$ 7,677	\$ 1,713,873	\$ 1,721,550	
Outstanding fund balance	\$ -	\$ 				

**Note:** SPFS related to each specific award is included in **Appendix A**.

See Notes to the Special Purpose Financial Statement and Notes to Questioned Costs Presented on the Special Purpose Financial Statement

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Notes to Special Purpose Financial Statement<sup>1</sup>**

---

**AWARD # [REDACTED]**

**(1) Status and Nature of [REDACTED] Activities**

The [REDACTED] ([REDACTED]) was established under charter granted by Afghan Ministry of Higher Education as of July 26, 2004, under Article 46, Chapter 2 of the Afghan Constitution and Article 455 of the Civil Code. The University's mission is to provide high quality education based on high standards with an emphasis on the liberal arts curriculum and higher education for related professions.

[REDACTED] follows an American model of higher education with regards to the structure of its academic programs and the content and pedagogical approaches of the courses offered. [REDACTED] is offering a four-year undergraduate program in Political Science and Public Administration, Information Technology and Computer Science, and Business Administration. [REDACTED] has also instituted a rigorous college preparatory program. [REDACTED] has also started to offer a two-year Master of Business Administration program in 2011.

**(2) Basis of Preparation**

SPFS is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR), is presented on a Modified Cash Basis, and is specific to this Cooperative Agreement.

**(3) Basis of Preparation of Budget**

Budget of the Program at the SPFS has been prepared in accordance with the budget approved by PAS. This budget is expressed in USD.

**(4) Functional and Presentation Currency**

This SPFS is prepared in US Dollars (USD), which is the functional and reporting currency of [REDACTED]

**(5) Foreign Currency Conversion Method**

The operational currency in Afghanistan is the Afghani. Presentation currency is the U.S. Dollar. Revenues and Expenditures are recorded in U.S. Dollars. All transactions in non-functional currency (Afghani) translated into functional currency (U.S. Dollars) by use of a rate of exchange, which is the average at the beginning of the month in which the transaction arises.

---

<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Notes to Special Purpose Financial Statement<sup>1</sup>**

---

**(6) Receipts During the Year**

From the start of the award to August 31, 2022, [REDACTED] received from PDS a total amount of \$ [REDACTED] in USD.

**(7) Costs**

The costs incurred on the SPFS for the period August 4, 2016, to August 31, 2022, represent amounts disbursed and services rendered. The gross amount of costs incurred as per the monthly financial reports amounts to US \$ [REDACTED]

**(8) Outstanding Fund Balance**

The balance US \$ [REDACTED] as of August 31, 2022, represents a closing excess amount received during the period.

**(9) General**

Figures have been rounded off to the nearest two decimals of US dollar.

---

<sup>1</sup>The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Notes to Special Purpose Financial Statement<sup>1</sup>**

---

**AWARD #** [REDACTED]

**(1) Status and Nature of [REDACTED] Activities**

The [REDACTED] ([REDACTED]) was established under charter granted by the Afghan Ministry of Higher Education as of July 26, 2004, under Article 46, Chapter 2 of the Afghan Constitution and Article 455 of the Civil Code. The University's mission is to provide high quality education based on high standards with an emphasis on the liberal arts curriculum and higher education for related professions.

[REDACTED] follows an American model of higher education with regards to the structure of its academic programs and the content and pedagogical approaches of the courses offered. [REDACTED] is offering a four-year undergraduate program in Political Science and Public Administration, Information Technology and Computer Science, and Business Administration. [REDACTED] has also instituted a rigorous college preparatory program. [REDACTED] has also started to offer a two-year Master of Business Administration program in 2011.

**(2) Basis of Preparation**

SPFS is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR), is presented on a Modified Cash Basis, and is specific to this Cooperative Agreement.

**(3) Basis of Preparation of Budget**

Budget of the project at the SPFS has been prepared in accordance with the budget approved by PAS. This budget is expressed in USD.

**(4) Functional and Presentation Currency**

This SPFS is prepared in US Dollars (USD), which is functional and reporting currency of [REDACTED]

**(5) Foreign Currency Conversion Method**

The operational currency in Afghanistan is the Afghani. Presentation currency is the U.S. Dollar. Revenues and Expenditures are recorded in U.S. Dollars. All transactions in non-functional currency (Afghani) translated into functional currency (U.S. Dollars) by use of a rate of exchange, which is the average at the beginning of the month in which the transaction arises.

---

<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Notes to Special Purpose Financial Statement<sup>1</sup>**

---

**(6) Receipts During the Year**

From August 22, 2017, to August 31, 2022, [REDACTED] received from PDS a total amount of \$ [REDACTED]

**(7) Costs**

The costs incurred in the SPFS for the period August 22, 2017, to August 31, 2022 represent amounts disbursed and services rendered. The gross amount of costs as per the monthly financial reports amounts to US \$ [REDACTED]

**(8) Outstanding Fund Balance**

The balance of (\$ [REDACTED]) as of August 31, 2022, represents closing receivables from PDS.

**(9) General**

Figures have been rounded off to the nearest two decimals of US dollars.

---

<sup>1</sup>The Notes to the Special Purpose Financial Statement are the responsibility of [REDACTED]

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>**

---

**(A) Personnel**

[REDACTED] reported a total of \$327,762 for Personnel costs for the period of August 4, 2016 through August 31, 2022.

During our audit of these costs, we noted the following:

- 15 instances where the documentation provided was not sufficient to support the costs incurred to the Program and were based on actual time effort reports, resulting in unsupported costs of \$32,072. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- 1 instance where the time effort reports were not sufficient because the certification dates were 6 months and 10 months after the last month of the covered time period, resulting in unsupported costs of \$26,923. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total unsupported questioned Personnel costs of \$58,995.

**(B) Contractual**

[REDACTED] reported a total of \$34,273 for Contractual costs for the period of August 4, 2016 through August 31, 2022.

During our audit of these costs, we noted 1 instance where [REDACTED] was not able to provide sufficient support to show TV advertisement costs are related to the Program. This resulted in unsupported questioned costs of \$5,295. See **Finding No. 2024-05** in the *Schedule of Findings and Questioned Costs* section of this report.

**(C) Other Direct Costs**

[REDACTED] reported a total of \$5,654,601 for Other Direct Costs for the period of August 4, 2016 through August 31, 2022.

During our audit of these costs, we noted the following:

- 31 instances where [REDACTED] did not provide scholarship recipients' acknowledgment of scholarship award terms or documentation supporting the acceptance/rejection of the scholarship and four (4) instances where [REDACTED] did not provide a scholarship award email

---

<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>**

---

or letter, resulting in unsupported costs of \$1,324,282. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

- 100 instances where State was charged a higher tuition rate than students who were not in a donor sponsored program and also the donor-sponsored tuition rate stated in its tuition policy, resulting in unsupported costs of \$151,751. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- 3 instances where costs for a bowling and soccer tournament were charged to the Program, resulting in ineligible costs of \$237. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- 12 instances where the sub-awardee did not provide the scholarship recipient's acknowledgment of scholarship award terms or documentation supporting the acceptance or rejection of the scholarship and 4 instances where the sub-awardee did not provide a scholarship award letter, resulting in unsupported costs of \$17,743. See **Finding No. 2024-03** in the *Schedule of Findings and Questioned Costs* section of this report.
- 5 instances where withdrawn course(s) were charged to the Program, resulting in ineligible costs of \$6,741. See **Finding No. 2024-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$1,500,754, consisting of \$1,493,776 in unsupported costs and \$6,978 in ineligible costs.

**(D) Indirect Costs**

[REDACTED] reported a total of \$533,569 for Indirect costs for the period of August 4, 2016 through August 31, 2022.

The indirect costs associated with questioned costs identified in **Notes A, B, and C** above resulted in total unsupported indirect costs of \$155,807 and total ineligible indirect costs of \$699. This resulted in total questioned indirect costs of \$156,506.

---

<sup>2</sup> The Notes to Questioned Costs presented on the Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

(Continued)





## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors

Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

We have audited, the Special Purpose Financial Statement (Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] under the two Cooperative Agreements [REDACTED] and [REDACTED] (Agreements) in support of the Embassy Scholars Program for the period of August 4, 2016 through August 31, 2022. We have issued our report thereon dated May 16, 2024 with a modified opinion.

### Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of August 4, 2016 through August 31, 2022, we considered [REDACTED] internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We considered the deficiency described in the accompanying *Schedule of Findings and Questioned Costs*, as **Finding 2024-01** to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as **Findings 2024-02, 2024-03, 2024-04, and 2024-05** to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

### **Response to Findings**

response to the findings identified in our audit is included verbatim at the *Appendix B*. response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control, and the result of that testing, and not to provide an opinion on the effectiveness of internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

### **Restriction on Use**

This report is intended for the information of the , the United States Department of State, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905, should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
May 16, 2024

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors

[REDACTED]  
Kabul, Afghanistan

To the Office of the Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

We have audited, the Special Purpose Financial Statement (Statement) and related notes to the Statement, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, by [REDACTED] ( [REDACTED] under two Cooperative Agreements [REDACTED] and [REDACTED] (Agreements) in support of the Embassy Scholars Program, for the period of August 4, 2016 through August 31, 2022. We have issued our report thereon dated May 16, 2024 with a modified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether [REDACTED] Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as **Findings 2024-01, 2024-02, 2024-03, 2024-04, and 2024-05**.

### [REDACTED] Response to Findings

[REDACTED] response to the findings identified in our audit is included verbatim at the *Appendix B*. [REDACTED] response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement, and accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

**Restriction on Use**

This report is intended for the information of [REDACTED], the United States Department of State, and the Special Inspector General for Afghanistan Reconstruction and is not intended to be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

*Conrad LLP*

Lake Forest, California  
May 16, 2024

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs**

---

**Finding 2024-01: Insufficient documentation provided to support [REDACTED] followed their Student Finance Manual.**

**Nature of Finding:** Internal Control – Material Weakness and Non-Compliance

**Condition:** Conrad tested of \$1,975,357 out of \$5,654,601 in Other Direct Costs for 84 out of 202 students to determine if costs incurred under the two Cooperative Agreements were reasonable, adequately supported, properly approved and allowable. During our testing we noted the following:

- For scholarship costs incurred under Cooperative Agreement number [REDACTED] there were 18 instances where [REDACTED] did not provide the scholarship recipient's acknowledgment of scholarship award terms or documentation supporting the acceptance/rejection of the scholarship, and four (4) instances where [REDACTED] did not provide the scholarship award email or letter. This resulted in questioned costs of \$747,866.
- For scholarship costs incurred under Cooperative Agreement number [REDACTED] there were 13 instances where [REDACTED] did not provide the scholarship recipient's acknowledgment of scholarship award terms or documentation supporting the acceptance/rejection of the scholarship.
- Of the 13 instances, there were two (2) instances where [REDACTED] reached out to the students prior to the end of our audit fieldwork, requesting the students to sign an acknowledgement form to acknowledge the receipt of the scholarship. We did not accept this form since the acknowledgement was signed recently. This resulted in questioned costs of \$576,416.

[REDACTED] did provide the students' application, the award letters (for majority of our samples), the transcripts, and payments of scholarships for the student records we tested. However, without evidence that the students acknowledged receipt of the scholarships, it could not be verified that the students had formally acknowledged and accepted the terms and conditions of the scholarship award. As such, total questioned scholarship costs of \$1,324,282 were identified.

**Criteria:**

[REDACTED] **Student Finance Manual, Section 5, Scholarship Offer and Acceptance**, states in part:

*"Successful applicants will be advised of their scholarship offer by email or letter from Finance Office. In order to accept formally and acknowledge the conditions of the award, scholarship recipients must advise the Finance Office in writing by the due date stated in the offer. Failure to acknowledge your acceptance by the due date may result in forfeiture of the scholarship."*

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

[REDACTED] / U.S. Embassy Scholarship Program Undergraduate U.S. Embassy Scholarship Policy 2022, states in part:

[REDACTED] / U.S. Embassy Scholarship Program  
Undergraduate U.S. Embassy Scholarship Policy  
2022

These rules and regulations will go into effect as of January 1, 2022, regardless of when a Scholarship Recipient began his/her U.S. Embassy Scholarship.

Grant: [REDACTED]	
Start Date: 12 June 2015	Start Semester: Fall 2015
End Date: 31 August 2022	End Semester: Summer 2022
Grant: [REDACTED]	
Start Date: 04 August 2016	Start Semester: Fall 2016
End Date: 31 August 2022	End Semester: Summer 2022
Grant: [REDACTED]	
Start Date: 22 August 2017	Start Semester: Fall 2017
End Date: 31 August 2022	End Semester: Summer 2022
Grant: [REDACTED]	
Start Date: 28 September 2020	Start Semester: Fall 2020
End Date: 15 June 2025	End Semester: Summer 2025

*Rights, Responsibilities, Requirements*

*...As the recipient of such a scholarship, Scholars will be entitled to a financial assistance to cover full tuition for an undergraduate degree, for dormitory housing, for a meal program (where available), and up to two semesters of English Academy Program courses (formally known as the Foundational Studies Program (FSP) courses), if required.*

*The below specifics are related to the scholarship recipient's rights and responsibilities at [REDACTED] as well as the conditions, limitations, and restrictions imposed by the U.S. Embassy Scholarship. Failure to comply with these conditions may result in the immediate retraction of the scholarship. The decision to revoke the scholarship remains at the discretion of [REDACTED] and the U.S. Embassy.*

*U.S. Embassy Scholarship Recipients and Promote Scholars are first and foremost students of the [REDACTED] and, therefore, must comply with all [REDACTED] policies and guidelines as outlined in the [REDACTED] Student Handbook, and all specific departmental policies, including but not limited to Finance, Professional Development Institute (PDI)/FSP, Registrar, Student Affairs, Admissions, IT, and the Library. The Scholarship policies below are unique to the Scholarship Recipients and are in addition to the standard policies of the university...*

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

*...Failure to comply with any of the mentioned policies may result in loss of the scholarship. All Scholarship Recipients must read and sign to acknowledge receipt and understanding of the policy content. Scholarship Recipients are encouraged to ask any questions for clarification at the time of receipt or at any point during their academic program. Failure to sign does not exempt students from the policies...*

*This policy is in effect starting October 2021 and supersedes all previous policies. This policy will be reviewed and updated on an annual basis as required. Any and all changes will be communicated promptly to all Scholarship Recipients and is also the responsibility of the student to maintain awareness of the policies...*

**Agreement**

*To ensure the Scholarship recipient's understanding of this policy, all Scholarship recipients are required to acknowledge receipt and have the opportunity to ask clarification questions, by signing the document and providing a copy to the [REDACTED] U.S. Embassy Grants Program Manager, who will convey it to the Embassy Scholarship Committee. Copy for Scholarship recipient:*

*By signing below, I acknowledge the following:*

*I have been given a copy of the policy for my own records*

*I have been given the opportunity to ask questions and gain clarification on any of the points*

*I have read and understand the policy*

*Also by signing below, I agree to comply with all aspects of the policy and understand that any infringement of the policy may result in probation or additional consequences, including even expulsion from the program and reimbursement of funds."*

**Terms of the Award, section, 16) SPECIFIC CONDITIONS:**, states in part:

*"In accordance with 2 CFR §200.207, the Department of State may impose additional specific award conditions as needed:*

- Based on the criteria set forth in §200.205 Federal awarding agency review of risk posed by applicants;*
- When an applicant or recipient has a history of failure to comply with the general or specific terms and conditions of a federal award;*
- When an applicant or recipient fails to meet expected performance goals as described in §200.210 Information contained in a federal award; or*
- When an applicant or recipient is not otherwise responsible.*

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

*The Recipient is designated high risk due to the challenging operating and security environment in Afghanistan, the findings of previous audits, and review of the audits which determined the applicant lacks appropriate accounting systems and financial procedures and policies..."*

**2 CFR 200.303, Internal Controls**, states in part:

*"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."*

**2 CFR 200.334, Retention requirements for records**, states in part"

*"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report"..."*

**Cause:** [REDACTED] officials said that hard copies and electronic copies of the required records had all been destroyed at the request of State during the deteriorating security environment in Afghanistan in August 2021. Some records, however, were ultimately recovered from a cloud-based Google drive, as well as from employees who had not destroyed selected records as requested.

**Effect:** Inconsistent practices in retaining required records indicate a lack of internal controls. In addition, without documentation showing a scholarship and its terms and conditions have been accepted by a student, the government risks funding an activity other than the intended educational purpose of the funds.

**Questioned Costs:** We identified \$1,324,282 in unsupported costs and \$132,429 in associated indirect costs, which resulted in \$1,456,711 in total questioned costs.

**Recommendation:**

- (1) We recommend that [REDACTED] either provide sufficient evidence that students acknowledged the award terms and conditions and evidence of acceptance or rejection of the scholarship or that [REDACTED] return \$1,456,711 to the Department of State for unsupported scholarship costs.
- (2) We recommend that [REDACTED] develop and implement policies and procedures that ensure a backup site for records is developed that is not accessible by any third parties, in case of any emergency situation arises and in which original records are required to be destroyed by the Donors.

(Continued)



[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**Finding 2024-02: Higher tuition rates charged to scholarship recipients.**

**Nature of Finding:** Internal Control – Significant Deficiency and Non-Compliance

**Condition:** Conrad tested \$1,975,357 out of \$5,654,601 in Other Direct Costs for 84 out of 202 students to determine if costs incurred under the two cooperative agreements were reasonable, adequately supported, properly approved, and allowable.

[REDACTED] underwent significant changes in its tuition policy between 2014 and 2018. Prior to 2014, [REDACTED] tuition policy had one universal tuition rate for all students, regardless of if the students were self-funded or donor-funded. Starting in the 2014/2015 academic year, the university introduced a two-tier tuition system, distinguishing between self-funded students and those enrolled in sponsored programs. The previous universal rate was then labeled as a subsidized rate for self-funded students, while sponsored students had a higher rate charged to their sponsors, including entities like the U.S. government. [REDACTED] posited that the universal student rate in previous years was in fact a subsidized rate, financed by the university's financial aid funds, although this claim lacked corroborative evidence. Without evidence to the contrary, we cannot confirm the regular universal rate was in fact a subsidized rate. The two-tier system faced scrutiny and was ultimately discontinued in Fall 2018 following criticism from the State.

Furthermore between 2016 and 2018, during which grants [REDACTED] and [REDACTED] were funded to support scholarships at [REDACTED] the university charged the government a tuition rate per student per academic period that was substantially higher than the tuition rate for sponsored students stated in its tuition policy, ostensibly to bolster income from non-university sources. Although this practice ended in Fall 2018 after the State criticized it, [REDACTED] had already received funding from the grants to support higher tuition than it charged to all other students.

Conrad questioned the difference between the subsidized tuition rate that [REDACTED] charged self-funded students and the substantially higher rate [REDACTED] charged the government between 2016 and 2018.

- For scholarship costs incurred under cooperative agreement number [REDACTED] there were 67 instances where [REDACTED] charged higher tuition rates to the government-funded scholarship program in 5 of the 20 academic terms within the period under audit. This resulted in questioned costs of \$96,598.
- For scholarship costs incurred under cooperative agreement number [REDACTED] there were 33 instances where [REDACTED] charged higher tuition rates to the government-funded scholarship program in 2 of the 16 academic terms within the period under audit. This resulted in questioned costs of \$55,153.

Total unsupported costs, as a result of the 100 instances of higher tuition rate charged identified above, was \$151,751.

(Continued)

[REDACTED]  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements [REDACTED] and [REDACTED]  
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**Criteria:**

[REDACTED] **2012/2013 through 2018/2019 Academic Catalogs, (Tuition, Fees, and Financial Assistance)**, states in part:

“Tuition is charged to cover instructional costs, including textbooks and supplies, administrative expenses and other necessary costs of university operation. Scholarships, need-based financial assistance and work-study opportunities are available for select students who require financial support.”

[REDACTED] **2013/2014 Academic Catalog, (Tuition, Fees and Financial Assistance)**, states in part:  
 “Tuition and fees are the individual responsibility of the student and are payable to the Student Finance Office. Except for expenses specifically covered by designated scholarship, financial aid, or other awards, the student is also responsible for all other costs associated with attending the [REDACTED], including notebooks, textbooks, transportation, and living expenses... Tuition and fees are officially approved annually by the Board of Trustees and announced by the university. The undergraduate tuition rates were set as the following during the spring 2013 [REDACTED] Board of Trustees meeting. To streamline tuition pricing the University has eliminated fees and incorporated them into the set tuition rate.

**Tuition rate per credit: 12,000 afs/credit”**

[REDACTED] **2016/2017 thru 2017/208 Academic Catalog, (Tuition, Fees and Financial Assistance)**, states in part:

“Tuition and fees are the individual responsibility of the student and are payable to the Student Finance Office. Except for expenses specifically covered by designated scholarship, financial aid, or other awards, the student is also responsible for all other costs associated with attending the [REDACTED] including notebooks, textbooks, transportation, and living expenses... Tuition and fees are officially approved annually by the Board of Trustees and announced by the university. [REDACTED] has a two-tier tuition system for our Afghan students who self-pay and our international donor community...:

Tuition rate per credit	Student Rate:	14,650 Afs
	International Community (Sponsored funding):	18,700 Afs

**2 CFR 200.303** require “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**2 CFR 200.303, Internal Controls**, states in part:

*"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."*

**2 CFR 200.403, Factors affecting allowability of costs**, states in part:

*"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*
- (g) Be adequately documented..."*

**2 CFR 200.404, Reasonable costs**, states in part:

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:*

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.*
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.*
- (c) Market prices for comparable goods or services for the geographic area.*
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.*

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

*(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

**Cause:** [REDACTED] believed its two-tier tuition system was reasonable because the universal tuition rate is subsidized with university funds. Although [REDACTED] officials did not provide an explanation for the higher tuition rate it charged the government, it appears that the higher charge was implemented to boost revenue.


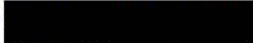
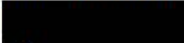
**Effect:** The U.S government may have been overcharged for the cost of the scholarship programs.

**Questioned Costs:** We identified \$151,751 in unsupported costs and \$15,175 in associated indirect costs, which resulted in \$166,926 in total questioned costs. The questioned costs are the difference between the tuition charged to scholarship students funded by State's grant program, and the universal rate that [REDACTED] claimed to be subsidized rate without corroborative evidence.

**Recommendation:**

- (1) We recommend that [REDACTED] provide evidence to the Department of State that the tuition charges to the US scholarship programs were reasonable and allowable or return \$166,926 in unsupported costs.
- (2) We recommend that [REDACTED] develop and implement policy and procedures to charge the same tuition rate to all students.

(Continued)

  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program


For the Period of August 4, 2016 through August 31, 2022



**Schedule of Findings and Questioned Costs (Continued)**

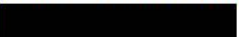
**Finding 2024-03: Insufficient sub-awardee monitoring**


**Nature of Finding:** Internal Control – Significant Deficiency and Non-Compliance


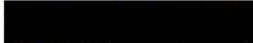
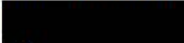
**Condition:** Conrad tested \$2,143,640 of \$6,026,100 of costs incurred in Other Direct Costs, Personnel, and Supplies cost categories to determine if costs incurred under the two cooperative agreements were reasonable, adequately supported, properly approved and allowable.

During our testing, we noted that  incurred costs on behalf of one sub-awardee. We noted the following issues related to the sub-awardee during our testing:

Description	Cost Category	Instances	Ineligible Costs	Unsupported Costs
<b>Cooperative Agreement </b>				
<b>1) Inadequate procurement policy</b>				
The sub-awardee's procurement policy only required procurement on purchases over \$40,000, which does not follow the 2 CFR micro purchase threshold of \$10,000 and does not meet the 2 CFR 200.404 reasonableness criteria. There are no questioned costs for these two instances as  provided three quotations to demonstrate the costs are reasonable and/or competitive.	Supplies	2	\$ -	\$ -
<b>Totals:</b>		<b>2</b>	<b>\$ -</b>	<b>\$ -</b>
<b>2) Entertainment costs charged to the scholarship programs</b>				
Costs incurred for bowling and a soccer tournament were charged to the scholarship programs.	ODC	3	\$ 237	\$ -
<b>Totals:</b>		<b>3</b>	<b>\$ 237</b>	<b>\$ -</b>

All the instances noted above resulted in total ineligible questioned costs of \$237 for cooperative agreement 

Description	Cost Category	Instances	Ineligible Costs	Unsupported Costs
<b>Cooperative Agreement </b>				
<b>1) Insufficient documentation to support costs charged to the scholarship programs</b>				


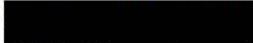
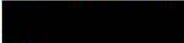
  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**


<p>The costs incurred in the scholarship programs were for one-time payments to employees that helped with counseling or taught additional courses. However, there were no timesheets or time effort reports to show the time spent on the scholarship programs. No amendments to employee agreements were provided to support the payment for the additional courses or counseling work. Additionally, the amount paid to the employees was more than the approved amount in the employment agreement / amendment.</p>	Personnel	15	\$ -	\$ 32,072
<b>Totals:</b>		<b>15</b>	<b>\$ -</b>	<b>\$ 32,072</b>
<b>2) Insufficient document for subcontractor's personnel costs charged to the program</b>				
<p>Generic time effort reports were provided to support two personnel salaries costs incurred by a subcontractor under the sub-awardee.</p> <p>a) The time effort reports were dated by employees and responsible official six months and 10 months after the end of the covered time period, respectively.</p> <p>b) The subcontract agreement did not specifically state personnel salaries could be charged to the Program, or that an estimated budget percentage of personnel salaries would be charged.</p> <p>c) There were no supporting documents, such as timesheets or time effort reports to support the hours charged to the scholarship programs and to further support the personnel worked who worked on the scholarship programs, but only a generic description of work performed in the time effort reports.</p>	Personnel	1	\$ -	\$ 26,923
<b>Totals:</b>		<b>1</b>	<b>\$ -</b>	<b>\$ 26,923</b>


(Continued)

  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

3) Student finance manual policy not followed				
Documentation was not available to show that some scholarship recipients had acknowledged their award, or had accepted the award and its terms and conditions. In five (5) of the 12 instances where such documentation was not provided,  recently contacted students to acknowledge earlier receipt of the scholarship. We determined that the acknowledgement was insufficient since it occurred substantially after the award had been made.	ODC	12	\$ -	\$ 17,743
The scholarship award email or letter was not provided		4		
<b>Totals:</b>		<b>16</b>	<b>\$ -</b>	<b>\$ 17,743</b>

All the instances noted above resulted in total unsupported questioned costs of \$76,738 for cooperative agreement 

**Criteria:**

**Sub-awardee's Fixed-Term Labor Agreement Of The Full-Time Faculty Member, 3. Salary, 3.4, states in part:**

*"The amount of salary may be changed at any time by mutual consent of both Parties by means signing a written supplementary agreement to the current Labor Agreement."*

**Sub-awardee's Time & Effort Reporting Policy for Federal Awards, states in part:**

*"...Activities Reports are generated based on the following schedule:  
 Semiannual report periods (1) January- June (2) July-December  
 Completion & certification deadlines (1) September 30 (2) March 31.... further committed to ensuring that effort reports are certified within 90 days of the end of the reporting period."*

**Sub-awardee's Policy on Procedure of Conducting the Tender for Purchase of Goods and Works, Section 1, General Regulations, states in part:**

*"The University has the right not to conduct a tender:  
 a) The amount of a contract does not exceed forty thousand US dollars:"*

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**2 CFR 200.303, Internal Controls**, states in part:

*"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."*

**2 CFR 200.334, Requirements for pass-through entities**, states in part:

*"(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification..."*

*...(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;.."*

**2 CFR 200.334, Retention requirements for records**, states in part:

*"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."*

**2 CFR 200.403, Factors affecting allowability of costs**, states in part:

*"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

*(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*

*(g) Be adequately documented..."*

**2 CFR 200.404, Reasonable costs**, states in part:

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded..."*

**2 CFR 200.438, Entertainment costs**, states in part:

(Continued)



[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

*"Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency."*

**Cause:** [REDACTED] did not have a sub-awardee/subcontractor monitoring policy in place.

**Effect:** Lack of sub-awardee policy and monitoring over sub-awardee costs incurred and paid resulted in the U.S. government overpaying for goods and services.

**Questioned Costs:** We identified \$76,738 in unsupported costs, \$237 in ineligible costs, and \$7,697 in associated indirect costs, which resulted in \$84,672 in total questioned costs.

**Recommendation:**

- (1) We recommend that [REDACTED] provide evidence showing that costs charged to the Program by the sub-awardee are supported, authorized, reasonable, and allowable or return \$84,672 of questioned costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop and implement a comprehensive sub-awardee/subcontractor monitoring policy and procedure to ensure adequate and sufficient monitoring of subawards are in place.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**Finding 2024-04: Withdrawn course(s) were charged to the Program.**

**Nature of Finding:** Internal Control – Significant Deficiency and Non-Compliance

**Condition:** Conrad tested scholarship costs of \$1,975,357 out of \$5,654,601 for 84 out of 202 students in Other Direct Costs to determine if scholarship costs incurred under the two (2) cooperative agreements were reasonable, adequately supported, properly approved and allowable. During our testing we noted the following:

- For scholarship costs incurred under cooperative agreement number [REDACTED] there were two (2) instances where two (2) scholarship recipients had a “W” on their transcripts due to withdrawing from one course or multiple courses. Upon review of the billings to the U.S government, it was determined that the courses were still charged to the Program. This resulted in questioned costs of \$4,616.
- For scholarship costs incurred under cooperative agreement number [REDACTED] there were three (3) instances where three (3) scholarship recipients had a “W” on their transcripts due to withdrawing from one course. Upon review of the billings to the U.S. government, it was determined that the course was still charged to the Program. This resulted in questioned costs of \$2,125.

Total ineligible costs, as a result of not meeting the scholarship requirements, totaled \$6,741.

**Criteria:**

[REDACTED] **Student Finance Manual, Section V, Refund Policy**, states in part:

*"A student who is on a scholarship or who is sponsored will be personally responsible for making payments for any courses dropped after the drop-add period. This payment will not be charged to the scholarship or sponsorship, except otherwise approved from the donor/sponsor...No tuition refund will be available for individual courses withdrawn from after the first installment deadline of the semester. Courses withdrawn from during this period will have a transcript record of 'W'."*

**2 CFR 200.303, Internal Controls**, states in part:

*"The Non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."*

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**Cause:** Weak management oversight of student withdrawals from courses following the official drop-add period.

**Effect:** The U.S. government paid for ineligible costs.

**Questioned Costs:** We identified \$6,741 in ineligible costs and \$675 in associated indirect costs, which resulted in \$7,416 in total questioned costs.

**Recommendation:**

- (1) We recommend that [REDACTED] provide evidence that the ineligible students were in fact eligible to receive funding for courses from which they had withdrawn or return \$7,416 in ineligible costs and associated indirect costs.
- (2) We recommend that [REDACTED] develop policies and procedures to properly monitor the academic progress of each scholarship recipient to ensure students who withdraw from courses after the first installment drop-add deadline do not continue to charge their U.S. government scholarship award funds for those courses.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

**Finding 2024-05: Inadequate documentation provided to support costs charged to the Program.**

**Nature of Finding:** Internal Control – Significant Deficiency and Non-Compliance

**Condition:** Conrad tested one (1) month transactions during the audit period or \$16,529 of the \$34,273 of costs incurred in the Contractual costs category to determine if costs incurred under the cooperative agreement were reasonable, adequately supported, properly approved and allowable.

[REDACTED] failed to provide adequate documentation to demonstrate that an advertisement announcing university scholarship awards was specifically for the U.S. program funded under cooperative agreement [REDACTED] and was eligible for cost reimbursement. Moreover, the invoice details, including the amount and date of purchase, differed from the receipt for the advertising services, so costs could not be verified.

**Criteria:**

**2 CFR 200.303, Internal Controls**, states in part:

*“The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award...”*

**2 CFR 200.334, Retention requirements for records**, state“ in part:

*“Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report...”*

**2 CFR 200.403, Factors affecting allowability of costs**, states in part:

*“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

*(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...*

*(g) Be adequately documented...”*

**2 CFR 200.405 (d), Allocable Costs**, states in part:

*“Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects*

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Schedule of Findings and Questioned Costs (Continued)**

---

*based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis..."*

**Cause:** Although [REDACTED] published the advertisement with the intention to advertise the cooperative agreement number [REDACTED] [REDACTED] did not consider that at the time, there were multiple other award programs from different donors that could have also benefited from the advertisement.

**Effect:** The lack of clear content specificity in the advertisement publicizing the availability of scholarship awards could result in the U.S. government overpaying costs for advertisement expenses that benefit multiple other award programs.

**Questioned Costs:** We identified \$5,295 in unsupported costs and \$530 in associated indirect costs, which resulted in \$5,825 in total questioned costs.

**Recommendation:**

- (1) We recommend that [REDACTED] provide sufficient documentation to support the costs incurred were intended for this award only or return \$5,825 in unsupported costs and associated indirect costs.
- (2) We recommend [REDACTED] develop guidance for wording future scholarship advertising so that the requirements and source of funding can be clearly identified for each respective scholarship program.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Status of Prior Audit Findings**

---

We requested prior audit reports, evaluations, and reviews from [REDACTED] SIGAR, and State pertaining to Agreement activities under this audit. We identified four (4) prior audit reports which contained 16 findings and recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with [REDACTED] management, and performed testing of similar activities during our audit. Based on our review, [REDACTED] had not taken adequate corrective action on eight (8) of the 16 findings and associated recommendations. We have summarized the results of our procedures below:

1. SIGAR Financial Audit, 21-48, [REDACTED] ( [REDACTED] Two Cooperative Agreements [REDACTED] [REDACTED] and One Grant [REDACTED] Awarded by the U.S. Department of State, U.S Embassy Kabul to Support Scholarship Programs and [REDACTED] International Center for Afghan's Women's Economic Development (ICAWED). For the period October 1, 2012, through January 1, 2019

**Finding 2020-01: Unsupported costs due to insufficient evidence to demonstrate that scholarship awards were offered and accepted, and whether payments made for scholarship expenses were used for their intended purpose.**

**Issue:** The audit firm noted [REDACTED] did not follow its own policies and procedures with respect to awarding scholarships to students. Upon request, [REDACTED] was unable to provide scholarship award letters, acknowledgement of scholarship award terms, or documentation supporting scholarship acceptance/rejection for all 147 scholarship recipients. [REDACTED] did not provide any evidence of acknowledgement from the recipient that they were aware the tuition was paid by the scholarship. This did not result in any questioned costs.

**Status:** For the current engagement, Conrad identified 31 instances where [REDACTED] did not provide scholarship recipient's acknowledgement of scholarship award terms or documentation supporting the acceptance/rejection of the scholarship, and 12 instances where the sub-awardee made the same mistake. See **Finding 2024-01** and **Finding 2024-03** of this audit report. This finding was repeated.

**Finding 2020-02: Higher tuition rate costs charged to scholarship recipients.**

**Issue:** The audit firm noted [REDACTED] charged 125 scholarship recipients a higher tuition rate than students without scholarship assistance. This resulted in unsupported questioned costs totaling \$520,869, of which \$47,351 represents associated indirect costs.

**Status:** For the current engagement, Conrad identified 100 instances where a higher tuition rate was charged for scholarship students funded by the U.S. government. See **Finding 2024-02** of this audit report. This finding was repeated.

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Status of Prior Audit Findings (Continued)**

---

**Finding 2020-03: Scholarship awarded to ineligible students.**

**Issue:** The audit firm noted a sample of 32 out of 147 scholarship recipients was selected to determine if the scholarships were properly awarded to eligible recipients. During the testing, the audit firm noted 22 instances where the recipients were ineligible to receive the scholarship. This resulted in ineligible questioned costs totaling \$133,835, of which \$12,167 represents associated indirect costs.

**Status:** For the current engagement, Conrad identified five (5) instances in which students who had withdrawn from courses but the scholarship funds to cover the courses were charged to the program. See **Finding 2024-04** of this audit report. This finding was repeated.

**Finding 2020-04: Unsupported costs due to missing or insufficient supporting documentation and lack of evidence of proper review to ensure allowability of costs.**

**Issue:** The audit firm noted during testing of Personnel, Fringe, Travel, Supplies, and Other Direct Costs, documentation supporting costs incurred under these categories, such as invoices, procurement support, contractual agreements, conference attendance, and other adequate supporting documents, were either missing or were insufficient to support the costs incurred or there was a lack of evidence of proper review to ensure allowability of costs. This resulted in unsupported questioned costs of \$334,411, which \$2,278 represents associated indirect costs.

**Status:** For the current engagement, Conrad noted 16 instances while testing Personnel costs in which the documentation provided was not sufficient to support the costs incurred to the Program based on an actual time and effort report. Conrad also noted one (1) instance while testing Contractual costs in which there was inadequate documentation to support the Contractual costs. See **Finding 2024-03** and **Finding 2024-05** of this report. This finding was repeated.

2. SIGAR Financial Audit 16-27, Financial Audit of Costs Incurred under Cooperative Agreement No. 306-A-13-00004-00 Awarded by USAID to Support the [REDACTED]  
For the Period August 1, 2013, through July 31, 2015

**Finding 2015-1: Unsupported costs due to insufficient evidence to demonstrate if scholarship awards were offered and accepted, and whether payments made for scholarship expenses were used for their intended purpose.**

**Issue:** The audit firm noted during testing of International and National Staff Salaries, Benefits, and Indirect Costs, there were non-program related and/or ineligible costs. This resulted in ineligible questioned costs of \$68,418, of which \$25,720 were associated indirect costs.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Status of Prior Audit Findings (Continued)**

---

**Status:** For the current engagement, Conrad identified 31 instances where [REDACTED] did not provide scholarship recipient's acknowledgement of scholarship award terms or documentation supporting the acceptance/rejection of the scholarship, and 12 instances where [REDACTED] made the same mistake. There are also five (5) instances in which [REDACTED] charged the Program for students that had withdrawn from necessary courses. See **Finding 2024-01**, **Finding 2024-03**, and **Finding 2024-04** of this audit report. This finding was repeated.

**Finding 2015-2: Overtime and timesheets not in accordance with [REDACTED] employee manual.**

**Issue:** The audit firm noted overtime pay for national staff exceeded the allowed overtime limit set forth by the [REDACTED] payroll policy in 210 out of 4,182 overtime transactions. This resulted in ineligible questioned costs of \$9,295.

**Status:** For the current engagement, Conrad identified sixteen instances where [REDACTED] did not provide any timesheets to correspond hours worked by employees. Please see **Finding 2024-03** of this audit report. This finding was repeated.

**Finding 2015-3: Missing of insufficient source documentation to support expenses.**

**Issue:** The audit firm noted that [REDACTED] charged travel costs associated with an emergency relocation to the Agreement. These costs were included in the indirect cost category and the resulting questioned costs were \$29,496.

**Status:** For the current engagement, we identified one (1) instance in which [REDACTED] provided inadequate documentation to support costs charged to the Program. See **Finding 2024-05** of this audit report. This finding was repeated.

**Finding 2015-4: Lack of financial management control over allowances.**

**Issue:** The audit firm noted [REDACTED] housing policy requires international employees to be provided with housing or be given a housing allowance. Additionally, [REDACTED] has a transportation allowance whereby full-time national staff can either take an [REDACTED]-provided shuttle or receive a monthly transportation allowance. As a matter of practice, employees can switch between the housing and the housing allowance at the beginning of each semester, as well as switch between the shuttle and transportation allowance. Management did not have adequate controls in place to ensure management approvals are obtained when switching between the two allowances. This did not result in any questioned costs.

**Status:** For the current engagement, Conrad tested Personnel costs and did not identify instances of this finding in the current engagement, therefore Conrad concluded that proper corrective action was taken by [REDACTED]. This finding was not repeated.

(Continued)



[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Status of Prior Audit Findings (Continued)**

---

**Finding 2015-5: Missing documents in personnel files.**

**Issue:** The audit firm noted that documents were not present at the Human Resources Department during the testing of personnel files for 33 international staff and 121 national staff. Without these documents, it is unclear whether individuals were qualified for the positions they held. This did not result in any questioned costs.

**Status:** For the current engagement, Conrad tested Personnel costs and did not identify instances of this finding in the current engagement, therefore Conrad concluded that proper corrective action was taken by [REDACTED]. This finding was not repeated.

**Finding 2015-6: Annual audit not performed or was not performed in a timely manner.**

**Issue:** The audit firm noted the annual financial audit for the year ended June 30, 2014, was not performed. Additionally, the annual financial audits for the years ended June 30, 2012, and 2013 were not performed in a timely manner. These audits were completed on December 4, 2014. This did not result in any questioned costs.

**Status:** For the current engagement, Conrad reviewed the policies and procedures provided by [REDACTED] and concluded that [REDACTED] established a policy regarding annual audit requirements and an annual audit has/had been performed. Therefore, Conrad concludes proper corrective action was taken by [REDACTED]. This finding was not repeated.

3. Financial Audit of USAID Resources Managed by [REDACTED]. For the period July 1, 2018, through June 30, 2019

**Finding 15.1: Equipment and asset lost/left at [REDACTED] premises.**

**Issue:** The audit firm noted a total of 208 items with a cost of \$4,055,303 were charged to the award over its life. In the audit period, \$350,628 for security upgrades, construction and equipment were charged to the budget line "Security Management" and \$118,786 to the budget line "Supplies and Equipment". All these items were lost or left behind at [REDACTED] premises during evacuation. This resulted in ineligible questioned costs of \$469,414.

**Status:** For the current engagement, Conrad tested Supplies costs and did not identify the same finding, therefore, Conrad concludes [REDACTED] took corrective action. This finding was not repeated.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Status of Prior Audit Findings (Continued)**

---

**Finding 15.2: No plan for asset security.**

**Issue:** The audit firm noted that there was not an efficient control system and plan adequate to prevent loss to the property and assets in case of emergency, as a number of assets and equipment were lost as mentioned above in observation 15.1. This did not result in any questioned costs.

**Status:** For the current engagement, Conrad reviewed the policies and procedures provided by [REDACTED] and concluded that proper corrective action was taken by [REDACTED]. This finding was not repeated.

**Finding 15.3: No cost share schedule provided as required by cooperative agreement.**

**Issue:** The audit firm noted non-compliance with a cooperative agreement provision regarding "Cost Share". [REDACTED] management was not able to prepare a cost share schedule as required by the agreement. This did not result in any questioned costs.

**Status:** For the current engagement, there were no instances of non-compliance for cost sharing requirements identified in the grants audited. Therefore, Conrad concluded proper corrective action was taken by [REDACTED]. This finding was not repeated.

**Finding 15.4: Lack of insurance cover for assets.**

**Issue:** The audit firm noted that no insurance coverage was obtained for assets purchased under the program, nor was any mechanism developed to prevent loss, damage, or theft of the property. This did not result in any questioned costs.

**Status:** For the current engagement, Conrad did not identify any instances of insurance noncompliance, therefore Conrad concluded that corrective action had been taken. This finding was not repeated.

4. Audit of the Fund Accountability Statement of [REDACTED], Support to the [REDACTED] Project, Cooperative Agreement [REDACTED]. For the period July 1, 2019, to May 31, 2020

**Finding 1: Noncompliance with laws, regulations, contracts, and grant agreements.**

**Issue:** The audit firm noted two employees who were paid salaries that exceeded the established salary rate per the Afghanistan National Technical Assistance Salary Guideline. This resulted in total ineligible questioned costs of \$7,856.

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Status of Prior Audit Findings (Continued)**

---




**Status:** For the current engagement, Conrad identified fifteen 15 instances in which there was not sufficient documentation to support costs incurred to the Program. Please see **Finding 2024-03** of this audit report. This finding was repeated.

**Finding 2: Material weaknesses in internal control over financial reporting.**

**Issue:** The audit firm noted [REDACTED] paid \$12,782 and \$41,195 to a U.S. vendor as fees for government relations consultants. These costs are charged to [REDACTED] in a cost sharing arrangement with USAID. The services are in line with functions associated with lobbying, for which the associated costs are unallowable in accordance with 2 CFR 200.450. In addition, [REDACTED] was unable to provide pertinent relevant procurement documents such as a purchase request form, selection memo, and relevant agreement modifications to the Client Services Agreement (CSA) with the vendor. This resulted in ineligible questioned costs of \$53,977.









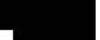

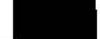

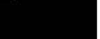





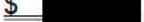

**Status:** For the current engagement, Conrad tested Other Direct Costs and did not find any instances related to lobbying costs, therefore Conrad concluded that corrective action was taken. This finding was not repeated.




(Continued)

  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022













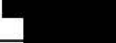
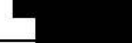





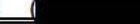
**Special Purpose Financial Statement**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Award # 	\$ 	\$ 	\$ -	\$ -	\$ -	
Total revenues	\$ 	\$ 	\$ -	\$ -	\$ -	
Costs incurred:						
Personnel			-	-	-	
Travel			-	-	-	
Supplies			-	-	-	
Contractual			-	5,295	5,295	(B)
Other Direct Costs			4,853	844,464	849,317	(C)
Indirect Costs			486	84,977	85,463	(D)
Total Costs Incurred	\$ 	\$ 	\$ 5,339	\$ 934,736	\$ 940,075	
Outstanding fund balance	\$ -	\$ 				

  
 Financial Audit of Revenue Received and Costs Incurred for  
 Two Cooperative Agreements  and   
 Awarded by the U.S. Department of State  
 in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Special Purpose Financial Statement**

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Award # 	\$ 	\$ 	\$ -	\$ -	\$ -	
Total revenues	\$ 	\$ 	\$ -	\$ -	\$ -	
Costs incurred:						
Personnel			-	58,995	58,995	(A)
Travel	-		-	-	-	
Supplies			-	-	-	
Contractual			-	-	-	
Other Direct Costs			2,125	649,312	651,437	(C)
Indirect Costs			213	70,830	71,043	(D)
Total Costs Incurred	\$ 	\$ 	\$ 2,338	\$ 779,137	\$ 781,475	
Outstanding fund balance	\$ 	\$ 				

(Continued)

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

[REDACTED] **Responses to Audit Findings**

---

Included on the following pages are [REDACTED] responses received to the findings identified in this report.

[REDACTED]

May 14<sup>th</sup>, 2024

**TO:** Jason Baek | Senior Associate  
Conrad LLP  
jbaek@conradllp.com  
Direct: (949) 552-7700 ext. 271

**Subject:** [REDACTED] Response to the Audit Observations

Dear Jason,

Greetings,

The [REDACTED] would like to submit the management responses below for the SIGAR F 285 - [REDACTED] - Audit.

Please let me know should you need further information or elaboration.

Sincerely,

[REDACTED]

Chief Operating Officer

[REDACTED]

[REDACTED]



**Response to the Audit Observations:**

The [redacted] would like to formally present its responses to the recommendations and observations outlined in the draft audit report. [redacted] has previously communicated its responses and provided supporting audit evidence during discussions and interactions with the auditors. In response to the audit recommendations and observations, [redacted] would like to acknowledge the importance of the audit process in ensuring compliance and transparency in its operations. [redacted] appreciates the opportunity to respond to the audit findings and to address any concerns or areas of improvement.

**1. Finding 2024-01: Insufficient documentation provided to support [redacted] following their Student Finance Manual**

**Recommendation:** *(1) We recommend that [redacted] either provide sufficient evidence that students acknowledged the award terms and conditions and evidence of acceptance or rejection of the scholarship or that [redacted] return \$1,456,711 to the Department of State for unsupported scholarship costs.*

**Response:**

[redacted] does not concur with the auditor's recommendation. Despite the data loss after the event of Aug 2021, [redacted] did provide sufficient evidence to the auditors for the student awareness of the terms of the scholarships and would like to recall all of those here. [redacted] is surprised by the fact that despite reviewing and receiving all the evidence, along with the system's orientation provided to the auditors, they were satisfied that the evidence was sufficient. This resulted in the dropping of the preliminary issue stating "No evidence of acknowledgment from the recipient that they were aware the tuition was paid by the scholarship". It seems unlikely that a student would not understand the terms and conditions of the scholarship, particularly when financial obligation remains an important term of the award. [redacted] would like to remind the auditors that acknowledgment of the terms and conditions is part of the process and not a stand-alone process.

**Evidence of Student Awareness:**

- [redacted] would like to quote the auditor's acknowledgment in the audit observation that "[redacted] did provide the students' application, the award letters (for the majority of our samples), the transcripts, and payments of scholarships for the student records we tested." This means [redacted] has furnished sufficient evidence demonstrating student awareness of the scholarship award process. [redacted] would also like to add that in addition to these the auditors were provided with the orientation of the Power Camps system, which allows students to view their scholarship details such as scholar & scholarship information, awarded amount, and payment status, etc. [redacted] also provided evidence to the auditors that included the schedule of orientation and the orientation file, which included a session on Financial Aid/Scholarship Info.

**Involvement of Funding Agency:**

- [redacted] provided audit evidence showing the involvement of the relevant funding agency in every step of the scholars' onboarding process. This included the guidelines for the selection process, which detail how students were selected and approved. All students underwent this selection process and were fully aware of the scholarship terms. Additional evidence provided includes:
  - o Email sent by [redacted] informing students of the scholarship award
  - o Email sent by [redacted] requiring students to acknowledge the policy
  - o Email scheduling the student's interview at the US Embassy
  - o Screenshot of the interview sheets

[redacted] welcomes best practices recommendations; however, it firmly believes that it has provided the auditors with sufficient and relevant audit evidence demonstrating that the cost is supported, allowable, reasonable, and allocable.







**Recommendation:** *(2) We recommend that [redacted] develop and implement policies and procedures that ensure a backup site for records is developed that is not accessible by any third parties, in case of any emergency situation arises and in which original records are required to be destroyed by the Donors.*

**Response:**  
[redacted] appreciates the recommendation, but the situation and circumstances in August 2021 were unexpected and difficult to manage. To prevent any future loss of data [redacted] has taken measures to enhance its IT infrastructure. It will continue to focus on implementing new technologies that can manage the risks associated with data loss.

**2. Finding 2024-02: Higher tuition rates charged to scholarship recipients.**

**Recommendation:** *(1) We recommend that [redacted] provide evidence to the Department of State that the tuition charges to the US scholarship programs were reasonable and allowable or return \$166,926 in unsupported costs.*

**Response:**  
[redacted] does not concur with the auditor's recommendation. [redacted] has provided enough explanations that the tuition rates were justifiable and reasonable. [redacted] would like to briefly clarify that the [redacted] financial assistance is granted based on the student's financial need and everyone is not eligible. The US Government scholarship covers the full tuition fee, which is the cost of providing quality education to the students. [redacted] would also like to add that:

- The tuition fees were approved by the awarding agency and aligned with the grants' objective of providing educational opportunities.
- The tuition fees were necessary and reasonable for the performance of the Federal award and complied with 2 CFR 200.403(a).
- [redacted] had a consistent policy regarding tuition rates since 2015, which was agreed upon by the Grants Officer before the awarding of the two Grants.
- [redacted] submitted monthly financial reports that included the Unsubsidized tuition rates, which were approved and funded by PDS.

**Recommendation:** *(2) We recommend that [redacted] develop and implement policy and procedures to charge the same tuition rate to all students.*

**Response:**  
Thank you for your recommendation but [redacted] has already addressed the issue of the tuition rates and it's good to note that [redacted] is a non-profit institution working towards the betterment of students. [redacted] is committed to providing affordable quality education to all students, and as a result, [redacted] changed its tuition policy to be in the best interest of the university's students. [redacted] is not a for-profit institution; the priority is not increasing revenue. Therefore, the auditors' judgment regarding higher charges might not be accurate.

**3. Finding 2024-03: Insufficient sub-awardee monitoring**

**Recommendation:** *(1) We recommend that [redacted] provide evidence showing that costs charged to the Program by the sub-awardee are supported, authorized, reasonable, and allowable or return \$84,672 of questioned costs and associated indirect costs.*

**Response:**  
[redacted] does not concur with the auditor's recommendation. [redacted] has provided enough supporting documents for each of the questioned costs. [redacted] would like to address the points as under:

- **Inadequate procurement policy:** The procurement policy defines the situations where competitive processes can't be applied as exceptions. The policy will be reviewed for further clarity and simplicity.
- **Insufficient documentation to support costs charged to the scholarship programs:** [redacted] provided the system-generated pay slips, copies of contracts, and a letter approved by the



[REDACTED]

authorized signatories indicating the payment name, time, period, and amount. This was a one-time payment and did not require any contract amendment. [REDACTED] has provided detailed explanations and calculations on the differences.

- Insufficient document for subcontractor's personnel costs charged to the program: [REDACTED] provided all the requested information and the evidence to support the cost as such even though the auditors requested evidence of the HR system of the subcontractor, [REDACTED] managed the opportunity for the auditors to observe the evidence and directly communicate with the contractor. While the timing of these reports may appear delayed, however, [REDACTED] provided the auditors with the complete system-generated ledger that included detailed working hours and activities provided by the contractor, which accurately reflects the actual effort expended during the relevant period. The contractor's role is distinct from that of a sub-recipient. This was a contract not a sub-award and the services were provided as stipulated in the contract, and the associated costs were appropriately supported by timesheets, invoices, and a signed contract. Meanwhile point c) of the audit observations which states "There were no supporting documents" is in contradiction to bullet points a) of the observation.
- Student finance manual policy not followed: [REDACTED] does not concur with the auditor's recommendation as [REDACTED] provided sufficient evidence to the auditors for the student awareness of the terms of the scholarships and would like you to visit [REDACTED] response to the first observation. [REDACTED] is surprised by the fact that despite reviewing and receiving all the evidence, along with the system's orientation provided to the auditors, they were satisfied that the evidence was sufficient. This resulted in the dropping of the preliminary issue stating "No evidence of acknowledgment from the recipient that they were aware the tuition was paid by the scholarship". It seems unlikely that a student would not understand the terms and conditions of the scholarship, particularly when financial obligation remains an important term of the award.

Recommendation: (2) We recommend that [REDACTED] develop and implement a comprehensive sub-awardee/subcontractor monitoring policy and procedure to ensure adequate and sufficient monitoring of subawards are in place.

Response:  
[REDACTED] welcomes the recommendation. [REDACTED] has approved the policy to ensure that the policy accurately documents the current practiced monitoring activities and is aligned with 2 CFR 200.334 and other best practices.

#### 4. Finding 2024-04: Withdrawn course(s) were charged to the Program.

Recommendation: (1) We recommend that [REDACTED] provide evidence that the ineligible students were in fact eligible to receive funding for courses from which they had withdrawn or return \$7,416 in ineligible costs and associated indirect costs.

Response:  
[REDACTED] does not concur with the auditor's recommendation. In the case of the US Embassy-funded program, [REDACTED] policy stipulates that scholars are allowed one withdrawal throughout their scholarship agreement. As per this policy, the fees associated with a single course withdrawal, up to 4 credits, are billed directly to the US Embassy without any financial penalty to the scholar. Therefore, the charges for the course withdrawals in question were processed per the specific policy governing US Embassy-funded programs. The cost questioned falls under this category and students were eligible for the withdrawal without incurring any personal financial obligation. The policy is communicated with the auditors in earlier communications and discussions.

FYI, the scholarship policy states as under:

"Per U.S. Embassy Scholarship agreement with [REDACTED] each Scholar may request to withdraw from one course (up to 4 credits) during the course of the five-year scholarship, the fee for which will be billed to the U.S Embassy without financial penalty to the Scholars. Withdrawal from any other classes will result in the Scholar being personally charged for tuition for the course, as per the [REDACTED] financial policy, which states: "A student who is on a scholarship or who is sponsored will



be personally responsible for making payments for any courses dropped after the drop-add period. This fee will not be charged to the scholarship provider, except otherwise with approval obtained from the donor/sponsor." (Page 4/11)

**Recommendation:** (2) We recommend that [REDACTED] develop policies and procedures to properly monitor the academic progress of each scholarship recipient to ensure students who withdraw from courses after the first installment drop-add deadline do not continue to charge their U.S. government scholarship award funds for those courses.

**Response:**

[REDACTED] welcomes the recommendation. However, a policy is in place and a copy was provided to the auditors. [REDACTED] is updating its existing policy to provide more clarity and simplicity.

**5. Finding 2024-05: Inadequate documentation provided to support costs charged to the Program.**

**Recommendation:** (1) We recommend that [REDACTED] provide sufficient documentation to support the costs incurred were intended for this award only or return \$5,825 in unsupported costs and associated indirect costs.

**Response:**

[REDACTED] has provided all the necessary documents to support the cost in question. The television advertisement was created with the sole purpose of promoting the scholarships offered by the program, which were funded by the UG in Kabul. The ad did not mention or promote any other programs at that time, and it's evident. Therefore, [REDACTED] believes that charging the TV ad 100% to this program was appropriate and consistent with compliance requirements. We have shared an email correspondence along with the payment vouchers and the traffic orders. To the best of our knowledge, the TVC video was produced before August and was also used for subsequent promotions.

**Recommendation:** (2) We recommend [REDACTED] develop guidance for wording future scholarship advertising so that the requirements and source of funding can be clearly identified for each respective scholarship program.

**Response:**

A specific recommendation would be welcomed but it is not practical to mention the grant number or the program in the TV advertisements, however, the TV advertisement does state the source of funding for all USG scholarships.



[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Auditor's Rebuttal to [REDACTED] Responses to Audit Findings**

---

[REDACTED] ( [REDACTED] disagreed with Finding 2024-01, 2024-02, 2024-03, 2024-04, and 2024-05. Auditor's rebuttal to [REDACTED] responses received related to the audit findings identified in this report are presented below:

**(1) Finding 2024-01**

[REDACTED] stated that sufficient evidence was provided regarding student awareness of the terms of the scholarships and that it seems unlikely that a student would not understand the terms and conditions of the scholarship, particularly when financial obligation remains an important term of the award. [REDACTED] stated that auditors were provided with the orientation of the Power Campus system and were provided with evidence that included the schedule of orientation and the orientation file which included a session on Financial Aid/Scholarship Info. [REDACTED] also emphasized that acknowledgment of the terms and conditions is a part of the process and not a stand-alone process.

**Auditor's Rebuttal:**

[REDACTED] Student Finance Manual and the [REDACTED]/U.S. Embassy Scholarship Program Undergraduate U.S. Embassy Scholarship Policy states that successful scholarship applicants must document receipt, understanding, and acceptance of the scholarship in writing. [REDACTED] was not able to provide documentation demonstrating the scholarship applicant's acceptance and acknowledgement of the scholarship's terms and conditions. The other evidence that was provided was insufficient to relieve the students' responsibilities to acknowledge and abide to the terms and conditions of the scholarship requirements. As such, our finding and recommendation remain unchanged.

**(2) Finding 2024-02**

[REDACTED] noted that financial assistance is granted based on the student's financial need and that the US Government scholarship covers the full tuition fee, which is the cost of providing quality education to the students. [REDACTED] also stated that the policy regarding tuition rates has been consistent since 2015 and has been approved by the Grants Officer and awarding agency.

**Auditor's Rebuttal:**

[REDACTED] still cannot explain why the U.S. Government paid a substantially higher tuition rate than the sponsored tuition rate stated in its tuition policy. In addition, [REDACTED] continued to claim the sponsored rate per its policy is an unsubsidized rate and the student self-funded rate was a

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Auditor's Rebuttal to [REDACTED] Responses to Audit Findings**

---

subsidized rate. [REDACTED] was not able to provide corroborative evidence to demonstrate how the self-funded rate was subsidized. Tuition fees should be consistently applied to all students regardless of whether financial assistance is provided. Finally, it is common practice to have one tuition rate for all students and to give students an option to apply for financial assistance to subsidize the tuition fee. As such, our finding and recommendation remain unchanged.

**(3) Finding 2024-03**

[REDACTED] disagreed with the finding and stated that sufficient supporting documentation was provided to address the issues regarding 1) inadequate procurement policy, 2) insufficient documentation to support costs charged to the scholarship programs, 3) insufficient document for subcontractor's personnel costs charged to the program, and 4) the student finance manual policy not being followed.

**Auditor's Rebuttal:**

The explanations and documentation mentioned by [REDACTED] in the management response have already been reviewed and considered during the audit and are not sufficient to remediate the issues we identified in Finding 2024-03.

- 1) The procurement policy only requires procurement of purchases over \$40,000 which is not in line with 2 CFR 200 micro-threshold procurement requirement.
- 2) The subcontractor charged the U.S. government additional personnel salary without timesheets or other evidence to support the additional work performed. Also, it does not demonstrate that the work performed was outside of personnel regular duties. Finally, there was no supporting documentation or evidence to justify why the salary charged was higher than the personnel's salary agreement.
- 3) The information in the complete system-generated ledger that was provided cannot be validated as there were no timesheets certified by the employee and the immediate supervisor to support the hours recorded in this ledger, which is what we are stating for cooperative agreement [REDACTED] in point 2)c of this finding. The time effort reports for the same cooperative agreement stated in point 2)a in our finding refer to a one-page document the subcontractor provided with one sentence stating it had provided support for cultural adjustment, academic support, and other activities to the student and the percentage of their time spent on the activities. In addition, the time effort reports were dated by employees and responsible officials six months and 10 months after the end of the covered time period,

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Auditor's Rebuttal to [REDACTED] Responses to Audit Findings**

---

respectively. There were no detailed time sheets, or the time effort reports provided were not detailed enough, to demonstrate the actual activities were performed and how the percentages were derived.

- 4) Without the acknowledgement of the scholarship award, the sub-awardee and [REDACTED] cannot demonstrate the scholarship applicant's acceptance and acknowledgement of the scholarship's terms and conditions.

As such, our finding and recommendation remain unchanged.

**(4) Finding 2024-04**

[REDACTED] policy states that scholars are allowed one withdrawal throughout their scholarship agreement and that fees associated with a single course withdrawal are billed directly to the US Embassy without any financial penalty to the scholar. [REDACTED] stated that costs questioned under this finding are in line with the policy and students were eligible for the withdrawal without incurring any personal financial obligations.

**Auditor's Rebuttal:**

[REDACTED] Student Finance Manual that was provided states that student's receiving a scholarship will be personally responsible for making payments for any courses dropped after the drop-add period and that the payment will not be charged to the scholarship unless it is approved by the donor/sponsor. The [REDACTED]/U.S. Embassy Scholarship Program policy referenced by [REDACTED] in the management response was effective beginning October 2021 and all the withdrawn courses noted in Finding 2024-04 occurred prior to October 2021. In addition, the [REDACTED]/U.S. Embassy Scholarship policy appears to be an internal policy and does not contain any documentation of review or approval by the Department of State. As such, our finding and recommendation remain unchanged.

**(5) Finding 2024-05**

[REDACTED] stated that the television advertisement was created with the sole purpose of promoting the scholarships offered by the program and did not mention or promote any other programs. [REDACTED] shared an email correspondence along with the payment vouchers and the traffic orders.

[REDACTED]

Financial Audit of Revenue Received and Costs Incurred for  
Two Cooperative Agreements [REDACTED] and [REDACTED]  
Awarded by the U.S. Department of State  
in support of the Embassy Scholars Program

For the Period of August 4, 2016 through August 31, 2022

**Auditor's Rebuttal to [REDACTED] Responses to Audit Findings**

---

**Auditor's Rebuttal:**

As mentioned in our finding, as well as confirmed in [REDACTED] management response, the TV ad did not mention nor promote any specific scholarship programs. However, [REDACTED] has other scholarship programs aside from the two awards we are auditing. As such, the TV ad can benefit other scholarship programs and the entire costs should not be charged to this award. Finally, [REDACTED] still cannot provide the correct invoice to support the amount stated in the invoice of the TV Ad. As such, our finding and recommendation remain unchanged.

## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

## Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

## To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

### Public Affairs Officer

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
- Mail: SIGAR Public Affairs  
2530 Crystal Drive  
Arlington, VA 22202