

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 25-06 Financial Audit

USAID's Afghanistan Women's Scholarship Endowment: Audit of Costs Incurred by Texas A&M AgriLife Research

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.



DECEMBER
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 10, 2018, the U.S. Agency for International Development (USAID) awarded a 5-year, \$50,000,000 cooperative agreement to Texas A&M AgriLife Research, part of the Texas A&M University System (AgriLife), to provide support for USAID's PROMOTE Scholarship Endowment. The program's goal is to increase women's leadership in Afghanistan by assisting Afghan women to obtain university or graduate education in a science, technology, engineering, and mathematics (STEM) field of study. USAID modified the agreement eight times. The modifications, among other things, changed the program name to Women's Scholarship Endowment, increased the total estimated award amount to \$60,000,000, and extended the performance period to September 26, 2028.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$4,347,075 in costs charged to the agreement from January 1, 2021, through September 26, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in AgriLife's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether AgriLife has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of AgriLife's 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.

December 2024

USAID's Afghanistan Women's Scholarship Endowment: Audit of Costs Incurred by Texas A&M AgriLife Research

SIGAR 25-06-FA

WHAT SIGAR FOUND

Conrad identified one significant deficiency in AgriLife's internal controls, and one instance of noncompliance with the terms of the agreement. Specifically, Conrad found five instances where AgriLife did not provide procurement documentation to demonstrate that lodging expenses were the most economical and competitive. No costs were questioned in this finding because the lodging rates charged to the program were within the maximum allowable limits set by the Department of State Standardized Regulations, which is in accordance with AgriLife's travel policy. AgriLife was notified of the internal control deficiency and compliance issue prior to publication of this report.

Conrad identified findings in one prior audit report that could have a material effect on the SPFS or other financial data significant to the audit objectives. The report had five findings and accompanying recommendations. Conrad conducted follow-up procedures and concluded that AgriLife had taken adequate corrective action on all five findings.

Conrad issued an unmodified opinion on AgriLife's SPFS, noting it presents fairly, in all material respects, revenues received, and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

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

1. Advise AgriLife to address the report's one internal control finding.
2. Advise AgriLife to address the report's one noncompliance finding.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

December 5, 2024

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Mr. Joel Sandefur
Mission Director, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Texas A&M AgriLife Research, part of the Texas A&M University System (AgriLife), under a cooperative agreement from the U.S. Agency for International Development (USAID) to support the USAID's Women's Scholarship Endowment.¹ The program's goal is to increase women's leadership in Afghanistan by assisting Afghan women to obtain university or graduate education in a science, technology, engineering, and mathematics field of study. Conrad reviewed \$4,347,075 in costs charged to the agreement from January 1, 2021, through September 26, 2023. 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 USAID:

- 1. Advise AgriLife to address the report's one internal control finding.**
- 2. Advise AgriLife to address the report's one noncompliance finding.**

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 AgriLife's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated October 30, 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, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-288)

¹ The cooperative agreement number is 72030618CA00009.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in
Afghanistan, in support of the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

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	6
Summary of AgriLife's Responses to Findings	6
Independent Auditor's Report on the Special Purpose Financial Statement	7
Special Purpose Financial Statement	10
Notes to the Special Purpose Financial Statement	11
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	16
Independent Auditor's Report on Internal Control	17
Independent Auditor's Report on Compliance	19
Schedule of Findings and Questioned Costs	21
Status of Prior Audit Findings	24
Appendices:	
Appendix A: AgriLife's Responses to Audit Findings	26
Appendix B: Auditor's Rebuttal to AgriLife's Responses to Audit Findings	27



October 30, 2024

Board of Directors
Texas A&M AgriLife Research
College Station, TX

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

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Texas A&M AgriLife Research of the Texas A&M University System's Special Purpose Financial Statement under Cooperative Agreement No. 72030618CA00009 (Cooperative Agreement) awarded by the United States Agency for International Development's Mission in Afghanistan for the period of January 1, 2021 through September 26, 2023, supporting the Women's Scholarship Endowment.

On October 30, 2024, we provided SIGAR with a draft report reflecting our audit procedures and results. Texas A&M AgriLife Research of the Texas A&M University System received a copy of the report on October 30, 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 AgriLife's responses and our corresponding auditor analysis 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 this Cooperative Agreement.

Sincerely,

A handwritten signature in blue ink that reads "S Perera". The signature is written in a cursive style with a horizontal line underneath the name.

Sam Perera, CPA, CFE, CITP, CGMA
Partner

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Background

On September 10, 2018, the United States Agency for International Development's Mission in Afghanistan (USAID) awarded Cooperative Agreement No. 72030618CA00009 (Cooperative Agreement) to Texas A&M AgriLife Research of the Texas A&M University System (AgriLife) to support a program originally entitled PROMOTE Scholarship Endowment. Effective October 7, 2019, modification No. 4 changed the program name to Women's Scholarship Endowment (WSE/Program).

The purpose of the Cooperative Agreement is to provide endowment support for the WSE. The overall goal of the WSE activity is to increase women's leadership in Afghanistan by assisting Afghan women to obtain university or graduate education in a Science, Technology, Engineering, and Mathematics (STEM) field of study. To accomplish this goal, the program has outlined the following objectives:

- Develop and implement a scholarship program for Afghan women to pursue degrees and postgraduate degrees at a local or regional university of their choice;
- Strengthen the organizational capacity of local partner universities to improve women's access to tertiary education; and
- Provide the WSE beneficiaries with career development and leadership training to better prepare them to enter the workforce.

The initial award amount was \$50,000,000 for the period of performance from September 10, 2018 through September 9, 2023. There have been eight (8) modifications to the Cooperative Agreement. The modifications corrected the initial period of performance from September 10, 2018 through September 9, 2023 to September 27, 2018 through September 26, 2023, and universally removed the program name from "PROMOTE Scholarship Endowment" and replaced it with "Women's Scholarship Endowment". The modifications also increased the total award amount to \$60,000,000 and extended the period of performance through September 26, 2028. See the *Summary of Cooperative Agreement* below.

Summary of Cooperative Agreement

Cooperative Agreement Number	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
72030618CA00009	\$50,000,000	09/27/18	09/26/23	8	\$60,000,000	09/26/28

AgriLife is a member of the Texas A&M University System and is therefore an agency of the state of Texas. AgriLife was founded in 1887 as an agricultural, natural resources, and life sciences research agency. It collaborates with other state agencies, universities, government organizations and industry groups. AgriLife employs over 600 doctoral-level scientists.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

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 Agreement, as mentioned above, of AgriLife's Special Purpose Financial Statement (SPFS) for revenues received totaling \$5,258,164 and costs incurred under the Cooperative Agreement totaling \$4,347,075 with a fund balance of \$911,089 for the period of performance from January 1, 2021 through September 26, 2023.

Objectives, Scope, and Methodology

Audit Objectives

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

- *Special Purpose Financial Statement* – Express an opinion on whether AgriLife's SPFS for the Cooperative Agreement 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 Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain sufficient understanding of AgriLife's internal controls related to the Cooperative Agreement, assess control risk, and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether AgriLife complied, in all material respects, with the Cooperative Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Cooperative Agreement 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 AgriLife 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 activity within the period from January 1, 2021 through September 26, 2023. Within the period under audit, the total revenues received amount is \$5,258,164 and the total costs incurred amount is \$4,347,075 with a fund balance of \$911,089 under the Cooperative Agreement. Our testing of the indirect cost charged to the Cooperative Agreement was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (NICRA) and subsequent applicable amendments.

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

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 March 6, 2024, with representatives of AgriLife, Conrad, SIGAR, and USAID 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 AgriLife. The scope of our audit included AgriLife's management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of AgriLife through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
 - Cooperative Agreement and modifications;
 - Any regulations that were specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, USAID Automated Directives System (ADS) Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
 - Audited financial statements; and
 - Previous SIGAR and USAID financial audit reports
- 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 were properly recorded.

Special Purpose Financial Statement

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreement, and the applicable general ledgers;

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

- 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 Agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional negotiated indirect cost rates to ensure that the rate was accurately applied.

Internal Controls Related to the Cooperative Agreement

We reviewed AgriLife's internal controls related to the Cooperative Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of AgriLife's 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 Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether AgriLife complied, in all material respects, with the Cooperative Agreement requirements, 2 CFR 200, 2 CFR 700, ADS 303, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Cooperative Agreement 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 AgriLife and SIGAR and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on AgriLife's SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on AgriLife's 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. See the *Status of Prior Audit Findings* section on page 24.

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Exit Conference

An exit conference was held on August 27, 2024, via conference call. Participants included representatives from Conrad, AgriLife, SIGAR, and USAID. 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.

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS.

We did not identify any unsupported or ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Cooperative Agreement's provisions or applicable laws and regulations, or not related to the Cooperative Agreement. 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 AgriLife's 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 one (1) internal control finding which is considered to be a significant deficiency. See *Independent Auditor's Report on Internal Control* on page 17.

Compliance

The results of our testing identified one (1) instance of noncompliance. See the *Independent Auditor's Report on Compliance* on page 19.

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*. AgriLife did not have any instances of alleged fraud during the audit period that could have potentially impacted the Program and the SPFS. As such, there are no further communications warranting additional consideration.

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development’s Mission in Afghanistan
for the Women’s Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Lack of Procurement Documentation to Ensure Negotiated Rates by Parties in Interest were Most Economical and Competitive	\$ -	\$ -	\$ -
Total Questioned Costs			\$ -	\$ -	\$ -

Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from AgriLife, SIGAR, and USAID pertinent to AgriLife’s activities under the Cooperative Agreement. We identified one (1) prior audit report that contained five (5) findings and associated 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 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, AgriLife had taken adequate corrective actions on all five (5) prior audit findings and associated recommendations. See *Status of Prior Audit Findings* on page 24 for a detailed description of the prior findings and recommendations.

Summary of AgriLife’s Responses to Findings

The following represents a summary of the responses provided by AgriLife to the findings identified in this report (the complete responses received can be found in *Appendix A* to this report):

Finding 2024-01: AgriLife disagreed with the finding, stating that 1) AgriLife currently has adequate procurement policies and procedures and 2) the WSE program operates under Texas A&M University/Qatar (TAMU/Q), which is administered by the Qatar Foundation (QF), allowing it to benefit from pre-negotiated hotel rates that TAMU/Q secured.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Texas A&M AgriLife Research
College Station, TX

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Texas A&M AgriLife Research of the Texas A&M University System (AgriLife) and the related notes to the Special Purpose Financial Statement (Statement), with respect to the Cooperative Agreement No. 72030618CA00009 (Cooperative Agreement) awarded by the United States Agency for International Development (USAID) to support the Women's Scholarship Endowment (WSE), for the period of January 1, 2021 through September 26, 2023.

In our opinion, 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 January 1, 2021 through September 26, 2023, in accordance with the terms of the Cooperative Agreement and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

Basis for 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 Texas A&M AgriLife Research, 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.

Basis of Presentation and Accounting

We draw attention to Note 1 and 2 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of accounting. As described in Note 1 to the Special Purpose Financial Statement, the statement is prepared by Texas A&M AgriLife Research on the basis of the requirements provided by SIGAR, 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 SIGAR. 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 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 Texas A&M AgriLife Research's 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 30, 2024 on our consideration of Texas A&M AgriLife Research's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Cooperative Agreement, and other matters. The purpose of these 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

(Continued)

or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Texas A&M AgriLife Research's internal control over financial reporting and compliance.

Restriction on Use

This report is intended for the information of Texas A&M AgriLife Research of the Texas A&M University System, the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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 the United States Congress and 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.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California
October 30, 20204

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Special Purpose Financial Statement

	<u>Total Budget</u> <u>Years 1-5</u>	<u>Previous</u> <u>Audited</u> <u>Actual</u>	<u>Current</u> <u>Audited</u> <u>Actual</u>	<u>Total Actual</u> <u>Costs</u>	Questioned Costs			<u>Notes</u>
					<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:								
Cooperative								
Agreement No.								
72030618CA00009	\$ 10,596,086	\$ 4,237,455	\$ 5,258,164	\$ 9,495,619	\$ -	\$ -	\$ -	(4)
Total revenues	<u>10,596,086</u>	<u>4,237,455</u>	<u>5,258,164</u>	<u>9,495,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:								
Personnel					-	-	-	
Fringe					-	-	-	
Travel					-	-	-	(A)
Supplies					-	-	-	
Scholarships					-	-	-	
Contractual					-	-	-	
Security Costs (PIRM)					-	-	-	
Other Costs					-	-	-	
Indirect Costs					-	-	-	
Total costs incurred	<u>\$ 10,595,583</u>	<u>\$ 2,380,428</u>	<u>\$ 4,347,075</u>	<u>\$ 6,727,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Outstanding fund balance	<u>\$ 503</u>	<u>\$ 1,857,027</u>	<u>\$ 911,089</u>	<u>\$ 2,768,116</u>				

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

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Notes to Special Purpose Financial Statement¹

(1) **Basis of Presentation**

The accompanying Special Purpose Financial Statement (the Statement) includes costs incurred under award number 72030618CA00009 pertaining to the Women's Scholarship Endowment for the period January 1, 2021 to September 26, 2023. Because the Statement presents only a selected portion of the operations of Texas A&M AgriLife Research, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Texas A&M AgriLife Research. The information in this Statement is presented in accordance with the requirements specified by the United States Agency for International Development (USAID) and is specific to the aforementioned Federal award. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Basis of Accounting**

Revenues and expenditures reported on the Statement are reported on the cash basis of accounting. Additionally, personnel expense related to salaried employees for the September 2023 pay period was paid on October 2, 2023 but is included in the Statement in order to provide a more complete presentation of project costs incurred as of September 26, 2023. Expenditures are recognized following the cost principles contained in Subpart E, Cost Principles of 2 CFR 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **Foreign Currency Conversion Method**

For purposes of preparing the Statement, translations from local currency to United States dollars (USD) were required. When local bank accounts were established at Afghanistan International Bank (AIB) in September 2019, we issued payments from our USD account at AIB to the Afghanistan Afghanis (AFN) accounts of our staff, local vendors, and beneficiaries. In June 2020, we decided to transfer larger sums of funds from our USD account at AIB to our own AFN account at AIB. We then use this exchange rate for all bank transactions from our AFN account at AIB to AFN accounts of our staff, local vendors, and beneficiaries.

For petty cash, USD cash was hand delivered to the WSE field office by AgriLife home office employees travelling to Kabul. Once, during the COVID-19 Pandemic, when international travel was not possible, USD funds were sent via Western Union to the WSE Finance Director. USD are exchanged at the AIB bank or money exchanges. We receive receipts for these transactions which outline the amount of funds exchanged and received. The exchange rate received for those funds is tied to that pool of AFN until the pool is depleted. When more AFN is needed, USD are taken to AIB and exchanged; at that time, we use the new exchange rate.

Following the fall of Afghanistan to the Taliban on August 15, 2021, international banking was not possible, and Texas A&M University withdrew funds from our bank accounts and let them lapse. After this period, to cover program costs in Afghanistan, Texas A&M University engaged with

¹ The Notes to the Special Purpose Financial Statement are the responsibility of AgriLife.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Notes to Special Purpose Financial Statement¹ (Continued)

Moore Stephens mobile money application, HesabPay. WSE has been using HesabPay until now and to date, has not had any issues with money transfers into Afghanistan.

(4) **Revenue**

Revenues on the Statement represent a portion of the funds USAID paid to Texas A&M AgriLife Research. USAID awarded a total of \$50,000,000. Out of \$50M, only \$2,250,000 was used for start-up costs. The remaining \$47,750,000 was invested into the Texas A&M Foundation. Texas A&M Foundation distributes the earned income to Texas A&M AgriLife Research on a quarterly basis. The earnings from the endowment generates the income to fund the program's operating budget.

WSE is not authorized to spend any of the original corpus investment but is allowed to spend a portion of the earnings over and above the original corpus investment.

(5) **Costs Incurred by Budget Category**

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of the modification 1 to the agreement dated July 18, 2019.

During the negotiations of modification 1 of the cooperative agreement, we submitted the attached detailed budget to USAID. A summary of the budget is on page 7 of modification 1.

Modification 8 to the WSE cooperative agreement removed all requirements to adhere to budget line item categories.

(6) **Balance**

The balance presented on the Statement represents the difference between cash receipts and cash disbursements such that an amount greater than \$0 would reflect cash receipts that exceed the costs incurred or charged to the grant and an amount less than \$0 would indicate that costs have been incurred but are pending additional evaluation before a final determination of allowability and cash reimbursement request amount may be made. As of September 26, 2023, revenue has exceeded expenditures and the remaining balance was rolled over into the subsequent fiscal years' budget. Endowment income is being used to pay expenses and the remainder of the initial \$2,250,000 is being used only after endowment income is spent.

The working budget of WSE consists of a combination of the initial \$2,250,000 provided by USAID for project implementation (operations, activities, etc.), as well as the quarterly Endowment Income payouts. Therefore, the project budget grows each quarter.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of AgriLife.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Notes to Special Purpose Financial Statement¹ (Continued)

(7) **Currency**

All amounts presented are shown in U.S. dollars.

(8) **Subrecipients**

Texas A&M AgriLife Research issued a subaward under the Women Scholarship Endowment Program (WSE) funded by Cooperative Agreement No. 72030618CA00009. The following table summarizes the subawardee and expenses recorded by Texas A&M AgriLife Research during the period covered by the Statement:

Subrecipient Name	Amount of the Subaward	Total Amount Expended at September 26, 2023
Texas A&M University Bush School	\$204,479	\$53,469

(9) **Program Status**

The Women's Scholarship Endowment remains active. The period of performance for the award was scheduled to conclude September 26, 2023; however, the completion date of the Cooperative Agreement was extended to September 26, 2028 by approving a five (5) year cost extension as well as an increase in the total estimated amount of the award from \$50,000,000 to \$60,000,000 by approving an additional funding of \$10,000,000 as noted in Modification No. 8 dated June 7, 2023. Accordingly, adjustments to amounts currently reported on the Statement may be made as a result of expenditures made subsequent to the audit period.

(10) **Reconciliation to Cumulative Draw Amounts**

This is not applicable due to the unusual way the project is funded. One draw for \$50,000,000 was executed at the beginning of the project. Most of those funds were used to establish an endowment. Income from the endowment is the primary funding source for the project.

(11) **Cost Sharing**

Cost sharing is not a requirement of this cooperative agreement. Accordingly, cost share amounts are not reflected on the Statement.

(12) **Impact of the Taliban Takeover**

The Taliban takeover had a seismic impact on all development sectors in Afghanistan. Since August 2021, the Taliban has systematically eroded women's rights by restricting mobility, enforcing a strict dress code, denying access to employment and education, and eliminating the Women's Affairs and the Human Rights Council. Several women led Civil Society Organizations

¹ The Notes to the Special Purpose Financial Statement are the responsibility of AgriLife.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development’s Mission in Afghanistan
for the Women’s Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

**Notes to Special Purpose Financial Statement¹
(Continued)**

(CSOs) were closed due to the threat of violence and the lack of financial and human resources required to support their work. Women’s education remains in crisis, with decreased student enrollment also contributing to serious financial challenges for universities. The Taliban policies, such as requiring segregated male and female classes, contribute to the universities’ inability to meet their financial obligations. For example, to adhere to these policies, universities must hire additional female instructors and obtain extra space to create separate learning spaces for males and females.



(13) Related Party Transactions

Texas A&M AgriLife Research had two (2) related parties under the Women Scholarship Endowment Program funded by Cooperative Agreement No. 72030618CA00009. The following table summarizes the related parties and transactions recorded by Texas A&M AgriLife Research during the period covered by the Statement.

Texas A&M AgriLife Research	
Name of Related Party	Nature of the Contribution to Project Goals
Texas A&M University Bush School of Government & Public Service	The Career Services Office within the Texas A&M University George H.W. Bush School of Government and Public Service (Bush School) provides career readiness services to WSE scholars and assist with monitoring and evaluation (“M&E”) data collection and analysis. Expenditures related to this related party totaled \$53,469 as of September 26, 2023.
Texas A&M Foundation	The Texas A&M Foundation provides investment management services for the WSE program for the initial investment of \$47,750,000.

(14) Security Situation in Afghanistan

During the reporting period, the security situation in Afghanistan did not affect program implementation. The WSE security contractor maintained regular activities during the reporting period to assist with continued facilitator of the program.

During the reporting period, the security situation in Afghanistan indirectly affected program implementation. Following the Taliban take-over on August 15, 2021, WSE closed its project office,

¹The Notes to the Special Purpose Financial Statement are the responsibility of AgriLife.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

**Notes to Special Purpose Financial Statement¹
(Continued)**

and all staff began working from home. [REDACTED]

WSE ended its engagement with security contractor in the Fall of 2021, since the program shifted to a fully remote stance, and is still functioning remotely.

[REDACTED]

(15) Indirect Cost

AgriLife has an approved NICRA which establishes the following indirect cost rates:

Type	Effective Period		Indirect Cost Rates		
	From	To	Rate %	Location	Applicable To
Predetermined	9/1/2022	8/31/2023	[REDACTED]	On Campus	Organized Research & Instruction
Predetermined	9/1/2023	8/31/2025	[REDACTED]	On Campus	Organized Research & Instruction
Predetermined	9/1/2025	8/31/2026	[REDACTED]	On Campus	Organized Research & Instruction
Predetermined	9/1/2022	8/31/2026	[REDACTED]	On Campus	Other Sponsored Activities
Predetermined	9/1/2022	8/31/2026	[REDACTED]	Off Campus	IPA Programs
Predetermined	9/1/2022	8/31/2026	[REDACTED]	Off Campus	All Programs
Provisional	9/1/2026	Until amended	Use same rates and conditions as those cited for fiscal year ending August 31, 2026.		

(16) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the January 1, 2021 to September 26, 2023, period covered by the Statement. There are no additional or subsequent events that have occurred such that adjustments to the amounts presented or disclosed in the Notes of the Statement are warranted. Management has performed their analysis through October 30, 2024.

¹The Notes to the Special Purpose Financial Statement are the responsibility of AgriLife.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Travel

AgriLife reported a total of \$156,028 for Travel for the period of January 1, 2021 through September 26, 2023.

During our audit of these costs, we noted five (5) instances where applicable procurement documentation was missing for a hotel in Qatar where staff were staying. However, since the lodging rates charged to the program fell within the Department of State Standardized Regulations (DSSR) allowable rates, we did not question any costs. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.

² 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.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
Texas A&M AgriLife Research
College Station, TX

To the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
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 Texas A&M AgriLife Research of the Texas A&M University System (AgriLife) under Cooperative Agreement No. 72030618CA00009 (Cooperative Agreement) in support of Women's Scholarship Endowment for the period of January 1, 2021 through September 26, 2023. We have issued our report thereon dated October 30, 2024 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of January 1, 2021 through September 26, 2023, we considered Texas A&M AgriLife Research's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Texas A&M AgriLife Research's internal control. Accordingly, we do not express an opinion on the effectiveness of Texas A&M AgriLife Research's 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. 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.

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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified one (1) deficiency in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. **Finding 2024-01** is considered to be a significant deficiency.

Texas A&M AgriLife Research's Response to Findings

Texas A&M AgriLife Research's response to the findings identified in our audit is included verbatim at the *Appendix A*. Texas A&M AgriLife Research's 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 Texas A&M AgriLife Research's 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 Texas A&M AgriLife Research of the Texas A&M University System, the United States Agency for International Development's Mission to Afghanistan, 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. The 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.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, slightly stylized font.

Lake Forest, California
October 30, 2024

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Texas A&M AgriLife Research
College Station, TX

To the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
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, Texas A&M AgriLife Research of the Texas A&M University System (AgriLife) under Cooperative Agreement No. 72030618CA00009 (Cooperative Agreement) in support of the of Women's Scholarship Endowment for the period of January 1, 2021 through September 26, 2023. We have issued our report thereon dated October 30, 2024 with an unmodified opinion.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Texas A&M AgriLife Research's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Cooperative Agreement, 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 one (1) instance 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 **Finding 2024-01**.

Texas A&M AgriLife Research's Response to Findings

Texas A&M AgriLife Research's response to the findings identified in our audit is included verbatim at the *Appendix A*. Texas A&M AgriLife Research's 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 Texas A&M AgriLife Research of the Texas A&M University System, the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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
October 30, 2024

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Schedule of Findings and Questioned Costs

Finding 2024-01: Lack of Procurement Documentation to Ensure Negotiated Rates by Parties in Interest were Most Economical and Competitive.

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

Condition: Conrad tested 19 out of 125 transactions in the Travel category, representing \$51,006 out of a total \$156,028 for these transactions to determine if costs incurred under the Cooperative Agreement were allowable, reasonable, and adequately supported.

During our review, we noted five (5) instances where WSE staff members had extended stays at a hotel in Qatar and in some cases for nearly a month. AgriLife used lodging rates that were pre-negotiated by one of AgriLife's affiliates in Qatar. The affiliate had a pricing contract with the negotiated hotel. However, neither AgriLife conducted procurement on its affiliate's negotiated rates nor did the affiliate provide evidence that the rates were most economical and competitive. Since AgriLife and this affiliate were parties in interest, either AgriLife or the affiliate should have conducted and provided procurement documentation to demonstrate the negotiated rates were most economical and competitive.

No costs were questioned in this finding because the lodging rates charged to the program were within the maximum allowable limits set by the Department of State Standardized Regulations (DSSR) which is in accordance with AgriLife's travel policy. However, the lack of procurement documentation limits our ability to confirm that the most favorable pricing was obtained, which is essential for ensuring the responsible use of Government funds.

Criteria:

Texas A&M AgriLife Research's Field Office Operations and Finance Manual, states the following:

Section 5.5.1 – Competition Requirements, states in part:

"The 22 CFR 226.43 states all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open, and free competition...."

Section 5.2.1 – Making the Selection, states in part:

"The competition requirement is satisfied if the buyer has followed sound procurement practice and accepts the most advantageous offer – that deemed of best value to the USG with price and other selection criteria. The program may use some form of cost or price analysis to establish price reasonableness of when competitive offers are not available..."

Section 7.1 – Allowable, Allocable, and Reasonable, states in part:

"All expenses incurred in the implementation of federally funded projects must be allowable, allocable, and reasonable as outlined by subpart E of 2 CFR 200."

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Schedule of Findings and Questioned Costs (Continued)

2 CFR 200.318, General procurement standards, states in part:

"(...)(c)(2) Conflicts of interest. If the non-Federal entity has a recipient or subrecipient that is not a State, local government or Indian Tribe, the recipient or subrecipient must also maintain written standards of conduct covering organizational conflicts of interest....."

(d) Avoidance of unnecessary of duplicative items. The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach...."

2 CFR 200.319 Competition, states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements..."

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...:

(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..."

Cause: AgriLife did not have a policy in place to ensure that when utilizing its affiliate's negotiated services and rates, procurement is conducted by AgriLife or its affiliate to ensure the negotiated services and rates are most economical and competitive.

Effect: AgriLife may not have achieved the most advantageous price for the U.S. Government.

Questioned Costs: None

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Schedule of Findings and Questioned Costs (Continued)

Recommendation:

- (1) We recommend that AgriLife provide evidence demonstrating the lodging expenses were most economical and competitive.
- (2) We recommend that AgriLife develop and implement policies and procedures to ensure when utilizing its affiliate's negotiated services and rates, procurement is conducted by AgriLife or at minimum the affiliate in order to ensure the negotiated services and rates are the most economical and competitive.

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Status of Prior Audit Findings

We requested prior audit reports, evaluations, and reviews from AgriLife, SIGAR, and USAID pertaining to the Cooperative Agreement activities under this audit. We identified one (1) prior audit report which contained five (5) findings and associated 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 AgriLife's management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. Financial Audit of Costs Incurred in Afghanistan of the USAID Resources Managed by Texas A&M AgriLife Research Cooperative Agreement No. 72030618CA00009 for the period September 27, 2018, through December 31, 2020

Finding 2020-01: Operating Advances Inappropriately Considered Expenditures

Issue: During the review of transactions provided by Texas A&M AgriLife Research, the audit firm discovered that \$145,253 of operating advances were mistakenly counted as expenditures in the initial dataset. These advances were transfers between AgriLife's U.S. and Afghanistan bank accounts and didn't involve any actual costs. This error led to an overstatement of direct costs of \$145,253 and indirect costs by \$39,571, resulting in a total overstatement of \$184,824 in the Fund Accountability Statement.

Status: For the current engagement, Conrad reviewed AgriLife's general ledger and tested transaction samples for the audit period. Based on our testing, this issue was not repeated. As such, we concluded that AgriLife has taken adequate corrective action on this finding.

Finding 2020-02: Late Submission of Financial and Programmatic Reports

Issue: The audit firm found that 20% of the sampled reports did not meet required submission deadlines, with the Annual Implementation Plan being 37 days late and the Quarterly Performance Report for the quarter ending 12/31/2020 being 40 days late.

Status: For the current engagement, Conrad reviewed the financial and programmatic reports along with evidence of submission. Based on our testing, this issue was not repeated. As such, we concluded that AgriLife has taken adequate corrective action on this finding.

Finding 2020-03: Inadequate Policies and Procedures

Issue: The audit firm noted that AgriLife lacked documented Cash Management policies and procedures, particularly regarding the handling of endowment funds from the Texas A&M Foundation. Regarding Procurement, the audit firm requested AgriLife's procedures for USAID's Mandatory Disclosures but found that existing rules did not address these requirements, leaving AgriLife without the necessary procedures or inclusion of these disclosures in their sub-agreements.

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Status of Prior Audit Findings (Continued)

Status: For the current engagement, Conrad reviewed the Processing Quarterly Endowment Earnings procedure. We noted procedures regarding the handling of endowment funds were documented. As such, we concluded that AgriLife has taken adequate corrective action on this finding.

Finding 2020-04: Insufficient and Untimely Check for Vendor Suspension and Debarment

Issue: During the review of procurement support from AgriLife Research, the audit firm found that only three (3) out of four (4) vendors underwent a complete suspension and debarment check.

Status: For the current engagement, Conrad reviewed the exclusion checks on vendors for the sampled transactions across all SPFS cost categories. Based on our testing, this issue was not repeated. As such, we concluded that AgriLife has taken adequate corrective action on this finding.

Finding 2020-05: Unallowable Tax Assessment Penalties

Issue: In the examination of allowable cost activities, the audit firm discovered that one out of the sixty samples chosen involved tax assessment penalties, which are considered unallowable under 2 CFR 200.441. A total of \$953 was paid in tax assessment penalties.

Status: For the current engagement, Conrad reviewed AgriLife's general ledger for unallowable tax penalties and tested transaction samples for the audit period. Based on our testing, this issue was not repeated. As such, we concluded that AgriLife has taken adequate corrective action on this finding.

(Continued)

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

AgriLife's Responses to Audit Findings

Administrative Services
2147-TAMU
College Station, TX 77843-2147
Tel. 979-845-4791 | Fax. 979-845-6613 | agrilifeas.tamu.edu



Management responses USAID WSE audit

FINDING 2024-01: Lack of Procurement Documentation to Ensure Negotiated Rates by Parties in Interest were Most Economical and Competitive.

Recommendation:

(1) We recommend that AgriLife provide evidence demonstrating the lodging expenses were most economical and competitive.

(2) We recommend that AgriLife develop and implement policies and procedures to ensure when utilizing its affiliate's negotiated services and rates, procurement is conducted by AgriLife or at minimum the affiliate in order to ensure the negotiated services and rates are the most economical and competitive.

Management Response:

Texas A&M AgriLife Research currently has policies and procedures for procurements. Purchases are made in accordance with Section 51.9335 of the Texas Education Code, The Texas A&M University System policy, and Agency rules and regulations. Orders are awarded after compliance to agency, state, federal, and local regulations.

Specific to the lodging rates identified in the audit, the WSE program sits in an office under the auspices of the Texas A&M University / Qatar (TAMU/Q) entity, in Education City, Doha, Qatar. Education City is a 12-square-kilometer campus containing seven international and local universities. It falls under the administration of the Qatar Foundation (QF). QF is a billion-dollar state-led non-profit organization that supports education, research and innovation, and community development for Qatar.

Any entity in Qatar that falls under the QF umbrella is entitled to the benefits that working under a state-led entity encompasses, this includes pre-negotiated rates for hotels. Every year, QF updates its list of pre-negotiated rates for hotels and shares it with all universities and organizations under its oversight, so they may also benefit from the special prices and discounts QF receives – similar to hotels in the United States offering US government rates to direct employees of the US government or active members of the military.

TAMU/Q enters into agreements with hotels that reflect the QF discounted rates. The WSE program took advantage of those agreements and the pre-negotiated rates that TAMU/Q already had in place, reflecting a 10% discount on the hotel's best available rate, and other cost savings, such as inclusive breakfast, free Wi-Fi, 25% discount on food/beverages, 25% discount on laundry, and 15% discount on health club daily passes. These QF-negotiated rates are by far the most cost-effective and beat any rate that WSE could have negotiated on its own.

TEACHING
Texas A&M University
College of Agriculture & Life Sciences

• **RESEARCH**
Texas A&M AgriLife Research

• **EXTENSION**
Texas A&M AgriLife Extension Service

• **SERVICE**
Texas A&M Forest Service
Texas A&M Veterinary
Medical Diagnostic Laboratory

Texas A&M AgriLife Research

Cooperative Agreement No. 72030618CA00009

Awarded by the United States Agency for International Development's Mission in Afghanistan
for the Women's Scholarship Endowment

For the Period of January 1, 2021 through September 26, 2023

Auditor's Rebuttal to AgriLife's Responses to Audit Findings

AgriLife disagreed with the finding and below is our rebuttal to AgriLife's response.

Finding 2024-01

AgriLife disagreed with the finding stating that 1) AgriLife currently has adequate policies and procedures in place for procurements; 2) The WSE program sits in an office under the auspices of Texas A&M University/Qatar (TAMU/Q) entity, and TAMU/Q falls under the administration of the Qatar Foundation (QF). Any entity in Qatar that falls under the QF umbrella is entitled to the benefits of working under a state-led entity, including pre-negotiated hotel rates. AgriLife states that the WSE program took advantage of the pre-negotiated rates that TAMU/Q already had in place.

Auditor's Rebuttal

The issue here is directly related to AgriLife's inability to provide evidence that the rates were the most economical and competitive available. As AgriLife and TAMU/Q are parties in interest, a procurement process demonstrating the negotiated rates were the most economical and competitive should have been conducted. Without a procurement process taking place, AgriLife could not show that the pre-negotiated rate was the most economical price to charge to the U.S. Government.

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). 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
- Email: 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
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202