

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 25-07 Financial Audit**

Department of State's Scholarship Program  
in Afghanistan: Audit of Costs Incurred by  
the American University of Beirut



DECEMBER  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On September 30, 2019, the Department of State (State) awarded a \$2,000,000 cooperative agreement to the American University of Beirut (AUB) to support a scholarship program in Afghanistan. The agreement's purpose was to provide Afghan students with an American-style undergraduate education through a diverse and engaging environment at the University of Beirut in Lebanon. State modified the agreement four times; the modifications increased the total funding to \$3,193,783 and extended the period of performance from December 31, 2023, through September 30, 2024.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$2,042,085 in costs charged to the agreement from October 1, 2019, through December 31, 2023. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in AUB's internal controls related to the award; (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 AUB has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of AUB'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

## Department of State's Scholarship Program in Afghanistan: Audit of Costs Incurred by the American University of Beirut

SIGAR 25-07-FA

### WHAT SIGAR FOUND

Conrad identified two significant deficiencies in AUB's internal controls and two instances of noncompliance with the terms of the agreement. For example, Conrad found that AUB charged the agreement for 27 COVID-19-related tests for Afghan students who came back after a break. AUB was unable to demonstrate any evidence for the reasonableness for the cost of each test charged to the agreement, and Conrad determined that the test charges were excessive. In addition, AUB was unable to provide any evidence to justify extended stays for five students who remained in the dormitories after the spring 2023 semester but did not take summer courses or left before the end of summer courses. SIGAR notified AUB of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$1,513 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement and applicable laws and regulations. Conrad did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Incurred Costs	\$1,513	\$0	\$1,513
<b>Total Costs</b>	<b>\$1,513</b>	<b>\$0</b>	<b>\$1,513</b>

Conrad identified four prior audit reports that contained one finding that could have a material effect on the SPFS or other financial data significant to the audit objectives. Conrad concluded that AUB had taken adequate corrective action on the finding and the issue is closed.

Conrad issued an unmodified opinion on AUB's SPFS, noting that 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 State:

- Determine the allowability of and recover, as appropriate, \$1,513 in questioned costs identified in the report.**
- Advise AUB to address the report's two internal control findings.**
- Advise AUB to address the report's two noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 6, 2024

The Honorable Antony J. Blinken  
Secretary of State

We contracted with Conrad LLP (Conrad) to audit the costs incurred by the American University of Beirut (AUB) under a cooperative agreement awarded by the Department of State (State) to support a scholarship program in Afghanistan.<sup>1</sup> The agreement's purpose was to provide Afghan students with an American-style undergraduate education through a diverse and engaging environment at the University of Beirut in Lebanon. Conrad reviewed \$2,042,085 in costs charged to the agreement from October 1, 2019, through December 31, 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 agreement officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$1,513 in questioned costs identified in the report.**
- 2. Advise AUB to address the report's two internal control findings.**
- 3. Advise AUB to address the report's two 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 AUB'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 29, 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 planned 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-297)

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<sup>1</sup> The agreement no. is SAF20019CA0071.

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

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October 29, 2024

Board of Directors  
American University of Beirut  
Beirut, Lebanon

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 American University of Beirut's Special Purpose Financial Statement under Cooperative Agreement No. SAF20019CA0071 awarded by the U.S., Department of State for the period of October 1, 2019, through December 31, 2023, in support of a Scholarship Program in Afghanistan.

On September 5, 2024, we provided SIGAR with a draft report reflecting our audit procedures and results. American University of Beirut (AUB) received a copy of the report on October 11, 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 AUB'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, appearing to read "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

### **Background**

On September 30, 2019, the U.S., Department of State (State) awarded a \$2,000,000 Cooperative Agreement No. SAF20019CA0071 (Cooperative Agreement) to American University of Beirut (AUB) in support of a Scholarship Program.

The purpose of the agreement was to provide Afghan students with an undergraduate education at the University of Beirut in Lebanon through using the AUB's unique combination of staff, facilities, and experience. The agreement's objectives for the Scholarship Program are as follows:

- 1) Provide undergraduate American-style, accredited, liberal arts education in English to Afghan students.
- 2) Provide Afghan students with a diverse and engaging living and learning environment that encourages physical, social, and intellectual health.
- 3) Provide academic and mentorship support to the scholarship students so that they can maintain the minimum GPA required for continued enrollment and graduation.

The original period of performance was October 1, 2019, through December 31, 2023, with a total estimated amount of \$2,000,000. State modified the agreement four (4) times extending the period of performance end date from December 31, 2023, to September 30, 2024, and increased the funding to \$3,193,783. The *Summary of agreement* listed below:

### **Summary of Cooperative Agreement**

Cooperative Agreement Number	Original Budget and Period of Performance			Amended Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Amendments	Final Approved Budget (\$)	End Date
SAF20019CA0071	\$2,000,000	10/1/19	9/30/24	4	\$3,193,783	1/31/25

### **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 AUB's Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Cooperative Agreement totaling \$2,042,085, including \$905,000 cost share for the period October 1, 2019, through December 31, 2023.

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 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 AUB'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 AUB'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 AUB 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 AUB 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 costs incurred during the period of October 1, 2019, through December 31, 2023, totaling \$2,042,085, including \$905,000 cost share, under the 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.

#### Audit Methodology

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

#### Entrance Conference

(Continued)



## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
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For the period October 1, 2019, through December 31, 2023

An entrance conference was held on March 11, 2024, with representatives of AUB, 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 AUB. The scope of our audit includes AUB's management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of AUB 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:
  - 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; 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 the Cooperative Agreement No. SAF20019CA0071 between US Department of State and the AUB; and
  - AUB's Policies and Procedures.
- 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;
- 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;

(Continued)

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

- 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 AUB's internal controls related to the Cooperative Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of AUB'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 AUB complied, in all material respects, with the Cooperative Agreement requirements, 2 CFR 200, 2 CFR 600, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with the 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 AUB and SIGAR and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on AUB's SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR ([www.sigar.mil](http://www.sigar.mil)) and other applicable Federal agencies, to identify previous engagements that could have a material effect on AUB'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 23.

### Exit Conference

An exit conference was held on August 26, 2024, via conference call. Participants included representatives from Conrad, AUB, SIGAR, and State. During the exit conference, we discussed the preliminary results of the audit and reporting process.

(Continued)

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

### 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 identified \$1,513 in total questioned costs consisting of entirely ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the agreement's provisions or applicable laws and regulations, or not related to the 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 AUB'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 two (2) internal control findings which are considered to be significant deficiencies. See *Independent Auditor's Report on Internal Control* on page 15.

#### Compliance

The results of our testing identified two (2) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 17.

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*. AUB stated there were no instances of alleged fraud that could have a potential impact on the agreement and the SPFS. As such, there are no further communications warranting additional consideration.

(Continued)

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
 Awarded by the U.S., Department of State  
 in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2024-01	Non-compliance and Internal Control – Significant Deficiency	Polymerase Chain Reaction Tests Price was Unjustified and Lacked Evidence for Reasonableness.	\$ 895	\$ -	\$ 895
2024-02	Non-compliance and Internal Control – Significant Deficiency	Insufficient Evidence to Support Dormitory Fees Charged for Students Extended Stay.	\$ 618	\$ -	1,513
<b>Total Questioned Costs</b>			<b>\$ 1,513</b>	<b>\$ -</b>	<b>\$ 1,513</b>

**Review of Prior Findings and Recommendations**

We requested copies of prior audit reports and engagements from AUB, SIGAR, and State pertinent to AUB’s activities under the agreement. We identified four (4) prior audit reports that contained one (1) finding 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. We concluded that AUB had taken adequate corrective actions on the one finding and the issue is closed. See *Status of Prior Audit Findings* on page 23 for a detailed description of the prior finding and recommendation.

**Summary of AUB’s Responses to Findings**

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

**Finding 2024-01:** AUB disagreed with the finding, stating that 1) the PCR price provided by the Lebanese government was \$30, accepted only in USD, and that this translates to LBP 367,500 using the market exchange rate; 2) AUB adhered to its procurement policy and procedures, ensuring competitive pricing.

**Finding 2024-02:** AUB disagreed with the finding, stating that 1) students had to extend their stay in the dorms due to being called to the U.S. on a P1 visa, and that they were considered active students fulfilling civic engagement requirements; 2) the U.S. embassy approved an extension of housing coverage in the

(Continued)

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
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in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

Student Award Agreement to 12 months; and 3) AUB will update its housing policy for scholarship students.

(Continued)



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

Board of Directors  
American University of Beirut  
Beirut, Lebanon

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 American University of Beirut and the related notes to the Special Purpose Financial Statement (SPFS), with respect to the Cooperative Agreement No. SAF20019CA0071 (Agreement) awarded by the U.S., Department of State to support the Scholarship Program for the period of October 1, 2019, through December 31, 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 October 1, 2019, through December 31, 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 American University of Beirut, 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 2 and 3 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 American University of Beirut on the basis of the requirements provided by SIGAR. 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 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 American University of Beirut'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 29, 2024 on our consideration of American University of Beirut'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 American University of Beirut's internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended for the information of American University of Beirut, the United States Department of State'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.



Lake Forest, California  
October 29, 2024



**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
 Awarded by the U.S., Department of State  
 in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

**Special Purpose Financial Statement**

	<u>Budget</u>	<u>Actual</u>	Questioned Costs		<u>Total</u>	<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>		
Revenues:						
<b>Cooperative Agreement No. SAF20019CA0071</b>	\$ 3,193,783	\$ 1,882,708				(5)
<b>Cost Sharing</b>	<u>905,000</u>	<u>905,000</u>	\$ -	\$ -	\$ -	
Total revenues	<u>\$ 4,098,783</u>	<u>\$ 2,787,708</u>	-	-	-	
Costs incurred and Fixed Fee:						
Personnel	214,828	93,021	-	-	-	
Fringe Benefits	22,487	8,890	-	-	-	
Travel	64,241	39,278	-	-	-	
Supplies	35,065	25,065	-	-	-	
Contractual	615,750	35,000	-	-	-	
Other Direct Costs	2,162,353	1,801,175	1,513	-	1,513	(A)
Indirect Costs	<u>79,059</u>	<u>39,656</u>	-	-	-	
Total Costs incurred	<u>\$ 3,193,783</u>	<u>\$ 2,042,085</u>	<u>\$ 1,513</u>	<u>\$ -</u>	<u>\$ 1,513</u>	
Cost Share		<u>905,000</u>				
Total Costs Incurred & Cost Share		<u>2,947,085</u>				
Outstanding fund balance	<u>\$ (905,000)</u>	<u>\$ (159,377)</u>				<u>(7)</u>

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

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

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

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#### (1) **Background**

American University of Beirut and subsidiary (the "University") is an independent, not-for-profit, coeducational, nonsectarian institution of higher learning located in Beirut, Lebanon, where it also operates a 392-bed medical center. The University was granted its charter in 1863 by the State of New York and was founded in 1866. It is exempt from federal income taxes under the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code.

The purpose of the University, as an institution of higher learning, is to share in the education of the youth of the Middle East, in service of its people, and in the advancement of knowledge.

THE U.S. Department of State awarded the American University of Beirut Cooperative Agreement SAF20019CA0071 in support of these objectives. The Total Estimated Amount of this Cooperative Agreement is \$3,193,783. American University of Beirut agreed to expend an amount not less than \$905,000 in non-federal funding through cost-sharing as stipulated in the approved budget.

The U.S. Department of State issued four Modifications of Assistance. Amendment Number M001, M002, M003, and M004 to Cooperative Agreement No. SAF20019CA0071. This Special Purpose Finance Statement reflects the budgeted amounts under Amendment Number M004.

#### (2) **Basis of Presentation**

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred under Cooperative Agreement No. SAF20019CA0071 for the period from October 1, 2019, through December 31, 2023. Because the SPFS presents only a selected portion of the operations of American University of Beirut, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of American University of Beirut. The information in this SPFS is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is specific to the aforementioned Cooperative Agreement. Therefore, some amounts presented in this SPFS may differ from amounts presented in, or used in, the preparation of the basic financial statements.

#### (3) **Basis of Accounting**

Expenditures and revenue reported on the SPFS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of AUB.

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
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For the period October 1, 2019, through December 31, 2023

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

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**(4) Foreign Currency Conversion Method**

American University of Beirut's functional and reporting currency is the United States dollars. In Lebanon, the local currency is the Lebanese pound.

Amounts earned through agreement No. SAF20019CA0071 is received in United States dollars. Costs incurred under this agreement is in both United States dollars and in Lebanese Pounds.

Conversions of Lebanese Pounds transactions back into United States dollars for financial reporting purposes are based on the average rate for the month.

**(5) Revenue**

Revenues presented in the SPFS represent the amount of funds to which AUB has received from the funds State provided for allowable, eligible costs incurred under the agreement during the period presented.

**(6) Costs incurred by Budget Category**

The budget categories and associated amounts presented reflect the budget line items presented within the final, approved Amendment Number M004 to the agreement No. SAF20019CA0071.

**(7) Outstanding Fund Balance**

For the period October 1,2019 through December 31,2023, The American University of Beirut received \$1,882,708 in funds from State. Expenditures in the same period are \$2,042,085. The difference of \$159,378 represents the due amount to be settled by State for reimbursement of actual expenses incurred during December 2023 quarter (October 1, 2023 – December 31, 2023).

**(8) Program Status**

The Cooperative Agreement No. SAF20019CA0071 remains active beyond the audit period. The period of performance for the Cooperative Agreement is scheduled to conclude January 31, 2025.

**(9) Subsequent Events**

The American University of Beirut internal financial account assigned to the agreement will remain open at the American University of Beirut until the completion of this audit.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of AUB.

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

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

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#### (A) Other Direct Costs

AUB reported a total of \$1,801,175 for Other Direct Costs for the period of October 1, 2019, to December 31, 2023.

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

- One (1) instance where AUB's PCR test charges were unjustified and lacked evidence to support their price reasonableness, which resulted in ineligible costs of \$895. See **Finding No. 2024-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where AUB failed to provide adequate evidence to justify the dormitory fees charged for students' extended stays, which resulted in ineligible costs of \$618. See **Finding No. 2024-02** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$1,513 in ineligible costs.

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<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.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
American University of Beirut  
Beirut, Lebanon

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 American University of Beirut (AUB) under Cooperative Agreement No. SAF20019CA0071 (Agreement) in support of the Scholarship Program for the period of October 1, 2019, to December 31, 2023. We have issued our report thereon dated October 29, 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 October 1, 2019, to December 31, 2023, we considered American University of Beirut'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 American University of Beirut's internal control. Accordingly, we do not express an opinion on the effectiveness of American University of Beirut'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 two (2) deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2024-01 and 2024-02 are considered to be significant deficiencies.

### **American University of Beirut's Response to Findings**

American University of Beirut's response to the findings identified in our audit is included verbatim at the *Appendix A*. American University of Beirut'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 American University of Beirut'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 American University of Beirut, the United States Department of State'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.



Lake Forest, California  
October 29, 2024

(Continued)



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
American University of Beirut  
Beirut, Lebanon

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 American University of Beirut under Cooperative Agreement No. SAF20019CA0071 (Agreement) in support of the Scholarship Program, for the period of October 1, 2019, to December 31, 2023. We have issued our report thereon dated October 29, 2024 with an unmodified opinion.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether American University of Beirut'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 two (2) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2024-01 and 2024-02.

### American University of Beirut's Response to Findings

American University of Beirut's response to the findings identified in our audit is included verbatim at the *Appendix A*. American University of Beirut'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 American University of Beirut, the United States Department of State'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 29, 2024

(Continued)



## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S. Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

### Schedule of Findings and Questioned Costs

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#### **Finding 2024-01: Polymerase Chain Reaction Test Price was Unjustified and Lacked Evidence for Reasonableness.**

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

**Condition:** During our testing of Other Direct Costs, we assessed the reasonableness, allowability, and allocability of expenses related to 27 polymerase chain reaction (PCR) tests for COVID-19 charged by the American University of Beirut (AUB) to the program.

On April 26, 2021, AUB administered the PCR tests for the 27 scholarship students using the AUB Medical Center and charged to the program 150,000 LBP<sup>1</sup> for each PCR tests conducted. AUB tested all Afghan students who came back after break without a negative test under this program at the AUB Medical Center and charged all of them 150,000 LBP. AUB was unable to find any evidence to determine the reasonableness for the cost of each PCR test charged.

Conrad considered this excessive, given the prevailing PCR cost at the time, as evidenced by what the Lebanese government was charging, which was only 100,000 LBP. AUB stated that the higher cost was due to the following: (1) the AUB Medical Center was the only option for testing Afghan students who could not get tested at the Lebanese government testing facility, and (2) the AUB Medical Center incurring higher costs for testing, as they had to cover not only the test itself, but also labor and overhead. When these costs are factored in, the difference between the Lebanese government testing charge and the AUB Medical Center testing charge amounted to an additional 50,000 LBP. Nonetheless, because the AUB's charges exceed the prevailing market cost of a PCR test at the time, AUB is entitled to receive reimbursement for only the prevailing rate.

#### **Criteria:**

**AUB's Grants and Contracts Policy, Federal Grants and Contracts**, states in part:

*"The University receives US federal funding from different funding agencies such as the U.S. Agency for International Development (USAID), U.S. Department of Health and Human Services, U.S. National Science Foundation, U.S. Department of Defense and others. Funds are received from the agencies either directly from the federal agencies..."*

*Disbursements on federal funds should be in compliance with the Federal Uniform Guidance where costs are reasonable, allocable and allowable under these cost principles."*

**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*

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<sup>1</sup> Lebanese Pound

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

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

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*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:...*

*“(c) Market prices for comparable costs for the geographic area”*

**Cause:** AUB lacked a policy and procedures to ensure that services and supplies provided by the university were competitively priced, reasonable, and in compliance with the federal regulations.

**Effect:** AUB’s lack of competitive price analysis resulted in AUB overcharging the U.S. government.

**Questioned Costs:** The total cost for these PCR tests charged to the Cooperative Agreement was \$2,686. Conrad questioned approximately one-third of the cost of each PCR test, which represents 50,000 LBP charged in excess of what the Lebanese government charged to the general public during that time, resulting in \$895 in ineligible costs. There were no indirect costs associated with these PCR tests charged to the Cooperative Agreement.

**Recommendation:**

- 1) We recommend that AUB provide evidence that the costs in question are reasonable and competitive with the market price or return \$895 in questioned costs to State.
- 2) We recommend that AUB develop and implement a policy and procedure to ensure services and supplies that can be supplied by the university are competitive with the market price and in compliance with the federal regulations.

(Continued)

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

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

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**Finding 2024-02: Insufficient Evidence to Support Dormitory Fees Charged for Students' Extended Stays.**

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

**Condition:** During our testing to determine whether incurred costs were reasonable, allowable, and allocable related to Other Direct Costs transactions, we tested 19 students' transactions and noted one instance related to dormitory fees where students stayed beyond the end of spring semester 2023.

We requested from AUB to provide supporting documentation such as transcripts for students who took courses during the summer session. AUB was unable to provide supporting documentation for one student who stayed at the dormitories for an additional 17 days after the end of spring semester 2023.

Furthermore, we also requested evidence for five students who did not take summer courses or left early before the end of summer courses, but AUB was unable to provide any evidence to justify their extended stays at the dormitories ranging from 7 to 8 days.

**Criteria:**

**AUB's Grants and Contracts Policy, Federal Grants and Contracts**, states in part:

*"The University receives US federal funding from different funding agencies such as the U.S. Agency for International Development (USAID), U.S. Department of Health and Human Services, U.S. National Science Foundation, U.S. Department of Defense and others. Funds are received from the agencies either directly from the federal agencies..."*

*Disbursements on federal funds should be in compliance with the Federal Uniform Guidance where costs are reasonable, allocable and allowable under these cost principles."*

**Article 3 of AUB's Student Award Agreement**, states in part:

*"ELC provides exceptional opportunities and, services to the students as follows:  
5. Housing at AUB's dormitories for 9 months."*

**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." These internal controls should be in compliance with guidance in "Standards for Internal Control in the*

(Continued)

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

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

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*Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”...*

*(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards...”*

**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...*

*(c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity...”*

**Cause:** AUB’s Housing Policy does not state any restrictions on how long a student may reside at the dormitories after the regular school year ends if they are not taking summer courses. In addition, it provides no guidance on justifications required for any extended residency in the dormitories after the regular school year ends.

**Effect:** AUB’s lack of proper documentation and justification for the extended stays led to an overcharge to the U.S. government.

**Questioned Costs:** We identified \$618 in ineligible costs. There were no indirect costs associated with the extended stays charged to the agreement.

**Recommendation:**

- 1) We recommend that AUB provide evidence supporting the reasoning or justification of the extended stays are in accordance with the university housing policy or return \$618 in questioned costs.
- 2) We recommend that AUB update its housing policy to identify how many days students are allowed to stay at the dormitories after the regular school year ends and that any additional days stayed would require detailed documentation. This should include official requests from students, reasons for the extension, and verification of any academic or internship activities during the extended period. AUB should also ensure that this documentation is collected and reviewed before approving any extended stay.

(Continued)

## American University of Beirut

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

### Status of Prior Audit Findings

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We requested prior audit reports, evaluations, and reviews from AUB and SIGAR pertaining to activities under this agreement. We identified four (4) prior audit reports which contained one (1) finding 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 AUB's management, and performed testing of similar activities during our audit. We concluded that AUB had taken adequate corrective actions on the one finding and the issue is closed. We have summarized the results of our procedures below:

1. **Report: Consolidated Financial Statements as of and for the Years Ended June 30, 2021 and 2020, and Independent Auditor's Report and Supplementary Schedules, Independent Auditor's Reports on Internal Control and Compliance, Schedule of Findings and Questioned Costs and Summary Schedule of Prior-Year Audit Findings for the Year Ended June 30, 2021:**

**Finding 2021-001:** The University recorded significant gains and losses on foreign exchange transactions due to the fluctuation of the Lebanese pound's exchange rates against the US dollar. The auditor noted that the University did not formally review such gains and losses with the Federal agency to determine the need for additional federal funding.

**Status:** For the current engagement, Conrad reviewed the general ledger and selected a sample of Personnel, Fringe Benefits, Allowances, Travel, Program Inputs, Other Direct Costs, Security, and Equipment transactions for our testing. Based on our testing, this issue was not repeated. As such, Conrad concluded that AUB has taken adequate corrective action on this finding.

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
 Awarded by the U.S., Department of State  
 in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

**AUB’s Responses to Audit Findings**

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Finding 2024-01: Polymerase Chain Reaction Test Price was Unjustified and Lacked Evidence for Reasonableness.

Recommendation:

- 1) We recommend that AUB provide evidence that the costs in question are reasonable and competitive with the market price or return \$895 in questioned costs to State.
- 2) We recommend that AUB develop and implement a policy and procedure to ensure services and supplies that can be supplied by the university are competitive with the market price and in compliance with the federal regulations.

AUB’s Response to Audit Finding:

- 1) Evidence provided to CONRAD shows that the costs in question are reasonable and competitive with market prices. A comparison of prices from benchmark medical centers is included below:

<b>Medical Centers</b>	<b>PCR test prices</b>
Lebanese American University Medical Center	LBP 250,000
Bellevue Medical Center	LBP 150,000
American University of Beirut Medical Center	LBP 150,000

Regarding the PCR price provided by the Lebanese government, particularly at Beirut airport, we have provided communication from AUBMC finance officer which explains the different exchange rates used in the country at the time. Communication states that, while the official exchange rate set by the central bank was 1,508 LBP/USD, the actual market exchange rate utilized by retail shops and businesses was 12,250 LBP/USD. The PCR price at Beirut airport was \$30, accepted only in USD, which translates to LBP 367,500 using the market exchange rate. Using the official exchange rate of 1,508 LBP/USD would not provide a reasonable basis for this comparative analysis.

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the United States Department of State  
in support of a scholarship program in Afghanistan

For the period October 1, 2019 through December 31, 2023

**AUB's Responses to Audit Findings (Continued)**

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2) AUB adheres to its procurement policy and procedures, ensuring that all services and supplies procured are competitive with market prices and compliant with federal regulations. The example provided demonstrates that AUB conducted a competitive analysis, and the rates used are considered reasonable and competitive.

Finding 2024-02: Insufficient Evidence to Support Dormitory Fees Charged for Students' Extended Stays.

Recommendation:

1) We recommend that AUB provide evidence supporting the reasoning or justification of the extended stays are in accordance with the university housing policy or return \$618 in questioned costs.

2) We recommend that AUB update its housing policy to identify how many days students are allowed to stay at the dormitories after the regular school year ends and that any additional days stayed would require detailed documentation. This should include official requests from students, reasons for the extension, and verification of any academic or internship activities during the extended period. AUB should also ensure that this documentation is collected and reviewed before approving any extended stay.

AUB's Response to Audit Finding

1) Evidence provided to CONRAD explains the situation of the students who had to extend their stay in the dorms. The communication explains that the students were registered for the summer but had to drop their courses due to being called to the US on a P1 visa. Upon receiving their travel notices, the students withdrew from their courses and stayed on campus until their flight dates. The students

(Continued)

**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the United States Department of State  
in support of a scholarship program in Afghanistan

For the period October 1, 2019 through December 31, 2023

**AUB's Responses to Audit Findings (Continued)**

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had the scholarship civic engagement component to fulfill during this extended stay. Therefore, they were considered active students and allowed to stay in the dorms to complete their civic engagement requirements before traveling to the U.S.

The US embassy officers were informed about the situation and accordingly agreed that the 'Housing at AUB dormitories' in the 'Student Award Agreement' gets edited to cover housing coverage for up to 12 months instead of 9 months. Given the situation in Afghanistan, the students have no alternative housing options, and the U.S. embassy has granted AUB approval to support students with 12 months of on-campus housing.

2) For a more detailed and structured documentation, AUB will work on updating its housing policy of scholarship students funded by grants as per this recommendation.

(Continued)



**American University of Beirut**

Cooperative Agreement No. SAF20019CA0071  
Awarded by the U.S., Department of State  
in support of a Scholarship Program in Afghanistan

For the period October 1, 2019, through December 31, 2023

**Auditor's Rebuttal to AUB's Responses to Audit Findings**

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

**Finding 2024-01**

AUB disagreed with the finding, stating that 1) the PCR price provided by the Lebanese government was \$30, accepted only in USD, and that this translates to LBP 367,500 using the market exchange rate; 2) AUB adhered to its procurement policy and procedures, ensuring competitive pricing.

Auditor's Rebuttal

The central issue is not merely the exchange rates used, but rather the appropriateness of the pricing charged to the U.S. government. While AUB referenced a market exchange rate, the official exchange rate set by the central bank should be the basis for comparative analysis in financial reporting. The amounts charged to the U.S. government should reflect the actual costs incurred as per the official exchange rate, particularly when the pricing agreements are documented in LBP. Additionally, the documentation provided—primarily Facebook screenshots dated after the audit request—raises concerns about the validity of the competitive analysis. This suggests that the research may not accurately reflect market conditions at the time of procurement. Therefore, the finding and recommendations remain unchanged.

**Finding 2024-02**

AUB disagreed with the finding, stating that 1) students had to extend their stay in the dorms due to being called to the U.S. on a P1 visa, and that they were considered active students fulfilling civic engagement requirements; 2) the U.S. embassy approved an extension of housing coverage in the Student Award Agreement to 12 months; and 3) AUB will update its housing policy for scholarship students.

Auditor's Rebuttal

The issue at hand is not solely about the students' active status or civic engagement requirements, but rather the appropriateness of the housing duration charged to the U.S. government. It was not clarified during the audit that the students were going to the U.S. on a P1 visa, which applies specifically to ELC I students, while the records indicate these were ELC II students. Furthermore, it was expected that these students would be enrolled in summer courses; however, there is no evidence that they were registered for any. Additionally, the agreements submitted during the audit indicate a coverage period of 9 months, not the 12 months referenced, raising concerns about the accuracy of the documentation. Therefore, the finding and recommendations 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)
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## 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