



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

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Office of Audits

November 2015

Management Assistance Report: Funds Supporting a Cooperative Agreement to Southern Methodist University at Risk of Waste

MANAGEMENT ASSISTANCE REPORT

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Summary of Review

In June 2015, the Office of Inspector General (OIG) initiated a limited review of a cooperative agreement valued at \$822,960 that the Department of State (Department) awarded to Southern Methodist University (SMU), located in Dallas, Texas. The cooperative agreement has a period of performance from January 1, 2013, to December 31, 2015. The purpose of the cooperative agreement is for SMU to support and enhance the Department of Psychology at the Shaheed Benazir Bhutto Women University (SBBWU), located in Peshawar, Pakistan.

OIG initiated the review based on a complaint referred to OIG by the Government Accountability Office alleging mismanagement of the cooperative agreement. The objectives of the review were to determine whether the agreement's expenditures were reasonable and in accordance with the purpose of the award and to determine whether the agreement was properly monitored.

OIG found that a primary objective of the cooperative agreement had not been fulfilled. Specifically, the establishment of a distance learning course had not been completed. According to SMU's quarterly performance reports, this occurred because a subcontract with SBBWU (allowing the University to buy material and equipment) was not established until August 2013 and because of the University's lack of communications with SMU.

In addition, OIG found that the award had not been properly monitored and that only 2 of 10 required site visits had been made over the life of the cooperative agreement. This occurred because the Grant Officer's Representative said that security concerns prevented the visits. The lack of site visits impedes assurance that funds are spent to further the cooperative agreement's intended purpose.

Also, materials and equipment valued at \$45,205 were purchased and received by SBBWU in January 2014 but, as of October 2015, remained unused. According to the Grant Officer's Representative, the materials and equipment had not been used because SBBWU was in the process of preparing to move to a new campus and was closed for 3 months during the summer. However, the concern expressed by SMU about the lack of communication with SBBWU and the time that has elapsed since the cooperative agreement was awarded warrant a review to determine whether the purpose of the agreement can still be fulfilled.

OIG made two recommendations to the Bureau of South and Central Asian Affairs (SCA): (1) Review and determine whether the intended purpose of the cooperative agreement can be fulfilled in the time remaining or whether a no-cost extension is warranted considering past performance. If it is determined that the performance period of the cooperative agreement should not be extended, SCA should terminate the cooperative agreement and recover the remaining funds. (2) If the decision is to extend the performance period of the cooperative agreement, SCA should review the expenditures associated with the agreement and the corresponding performance of SMU and SBBWU to ensure that appropriate controls are in place to protect U.S. taxpayer funds.

The Office of the Special Representative for Afghanistan and Pakistan (S/SRAP) and Embassy Islamabad provided comments on a draft of this report, which are reprinted in their entirety in Appendix A and Appendix B, respectively. Based on the comments, OIG considers Recommendation 1 closed and Recommendation 2 resolved, pending further action. Management comments and OIG replies are presented in the body of this report after each recommendation.

BACKGROUND

In September 2012, the Department's Bureau of South and Central Asian Affairs (SCA), on behalf of the Public Affairs Section (PAS) at U.S. Embassy Islamabad, Pakistan,¹ awarded a cooperative agreement valued at \$822,960² to SMU's Department of Psychology. The purpose of the agreement was to form a university partnership between SMU and the Department of Psychology at SBBWU. The scope of the agreement was to support the enhancement of the Department of Psychology at SBBWU through faculty training, curriculum development, research, and clinic capacity.

In awarding the cooperative agreement to SMU, PAS authorized a budget that had defined categories and their associated costs. For example, Table 1 shows that for the duration of the project, personnel salaries were budgeted at \$125,825, "contractual" was budgeted at \$255,333, and travel was budgeted at \$204,957.

Table 1: Authorized Budget Summary

Budget Categories	Amount
Personnel [salaries]	\$125,825
Fringe Benefits	\$33,972
Travel	\$204,957
Equipment	\$50,285
Supplies	\$900
Contractual	\$255,333
Other Direct Costs	\$29,400
Total Direct Costs	\$700,672
Indirect Costs	\$122,288
Total Costs	\$822,960

Source: Public Affairs Section.

In its September 7, 2012, proposal, SMU stated that it would train SBBWU faculty by forming collaborative research relationships and providing lectures and workshops in Pakistan. SMU would also provide distance learning courses, facilitate opportunities for SBBWU faculty to visit SMU, train faculty in research methodologies and statistics, hold annual research conferences, review SBBWU's curriculum, and assist SBBWU in developing a psychotherapeutic clinic as well as a psychology center.

¹ SCA is authorized to approve grant awards and cooperative agreements greater than \$250,000 on behalf of the Public Affairs Sections located in Pakistan and Afghanistan.

² The cooperative agreement number is SPK33012CA138. Under the terms of the agreement, SMU shares in the costs of project implementation. SMU's share of the project's cost is \$370,899, for a total project cost of \$1,193,859.

SCA's Office of Press and Public Diplomacy is responsible for overseeing the cooperative agreement.³ The oversight staff includes an SCA Grants Officer located in Washington, D.C., and a Grant Officer's Representative located in Peshawar, Pakistan. An SMU professor serves as the project director. Two SMU faculty members serve as a curriculum advisor and a clinical advisor, respectively. In addition, project coordinators at both SMU and SBBWU are involved in the project.

The period of performance for the cooperative agreement is from January 1, 2013, through December 31, 2015. According to the quarterly project expense summary provided by SMU, as of June 30, 2015, \$462,614 of the \$822,960 award (56 percent) had been disbursed. The Grants Officer stated she would grant SMU a no-cost extension to complete the project if the request contained a good justification for the extension.

In April 2015, the Government Accountability Office referred a complaint it had received to OIG that alleged mismanagement of the cooperative agreement. In June 2015, OIG initiated a limited review of the cooperative agreement to determine whether the agreement's expenditures were reasonable and in accordance with the purpose of the award and if the agreement was properly monitored.

RESULTS

OIG found that the establishment of a distance learning course had not been completed, even though the cooperative agreement's 3-year period of performance ends on December 31, 2015. According to an SMU quarterly report, this occurred because of difficulties in establishing a subcontract with SBBWU and the latter's lack of communication with SMU. In addition, OIG found that the award had not been properly monitored. Specifically, only two site visits had been made over the life of the cooperative agreement, although 10 were required. According to the Public Affairs Office in Peshawar, site visits were limited because of security concerns. The lack of site visits and monitoring impedes assurance that funds were spent to further the cooperative agreement's intended purpose. Additionally, materials and equipment purchased for the distance learning course in January 2014, valued at \$45,205, remain unused. According to the Grant Officer's Representative, the materials for the course have not been put to use because SBBWU was preparing to move to a new campus and that it had been closed for 3 months during the summer.

³ 2 CFR § 200.24(b) states that a cooperative agreement is distinguished from a grant in that it provides for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award. In addition, 31 U.S.C. § 6305 states that agencies may use a cooperative agreement instead of a grant when substantial involvement is needed to ensure a project meets its objectives.

Distance Learning Course Not Established

Establishing a distance learning course is a key objective of the cooperative agreement. However, our analysis of the performance narratives submitted by SMU and the site visit reports prepared by the Grant Officer's Representative in Islamabad show that no distance learning courses had been started as of October 15, 2015. According to SMU's performance narratives, SMU has been working to establish the distance learning course since April 2013, but it has encountered delays for reasons that include the need to establish a subcontract with SBBWU and then delays on SBBWU's part in purchasing the needed materials and equipment. These delays were also cited in five performance narratives. Those citations follow:

- **April 2013:** "Due to delay in sending money to SBBWU and in their purchasing equipment, we have not yet started any distance learning classes."
- **July 2013:** "Once the subcontract is signed, funds can be released for the purchase of additional lab equipment and laptop computers for the [Farhana Psychological Center]. Once these purchases are made, distance-learning classes between the two universities will begin."
- **October 2013:** "Got the SBBWU subcontract signed in August after multiple correspondences between SBBWU, and the SMU Grants and Accounting offices. SBBWU had concerns about several parts of the standard 25 page subcontract provided by SMU. SMU amended a section of the subcontract in order to address those concerns Worked out with SMU Accounting Department the procedures for purchasing items at SBBWU."
- **April 2014:** "SBBWU has still not purchase[d] any distance learning equipment."⁴
- **July 2014:** "Despite repeated requests, during this quarter, SBBWU had still not purchased any distance learning equipment. Consequently we have not done any distance learning We had hoped that the distance learning equipment to be purchased by SBBWU would be functional by this quarter. It still is not. Apparently [SBBWU is] working on it."

In addition, in a June 25, 2015, site visit report, the Grant Officer's Representative wrote, "SBBWU has received books, laptops, printer, scanner, biopac [software], cupboards, but still not using it." The Grant Officer's Representative stated that the equipment cost approximately \$45,000. Photographs of unopened material and equipment purchased to support the distant learning program are shown in Figure 1.

⁴ The Grant Officer's Representative confirmed, however, that SBBWU had received this equipment in January 2014.



Figure 1: Boxes of biopac equipment, laptops, and a copier and scanner at SBBWU that have not been opened.

Source: Photographs provided by the Grant Officer's Representative.

The Grant Officer's Representative stated that he did not consider the delays to be of concern because SBBWU was preparing to move to a new campus. In addition, SBBWU typically closes for 3 months during the summer. He also said that he believed that the material and equipment would be used when the University reopened in September 2015. However, when OIG team members spoke to the Grant Officer's Representative on October 15, 2015, they found that the distance learning course had not started and that the equipment was still not being used. A photograph of the new campus planned for SBBWU is shown in Figure 2.



Figure 2: Shaheed Benazir Bhutto Women University (new campus) is planned for SBBWU.

Source: Entire Education, <http://www.entireeducation.com/shaheed-benazir-bhutto-women-university-peshawar-admissions>, accessed on October 16, 2015.

Required On-Site Visits Have Not Been Conducted

In addition to listing SMU's responsibilities (for example, to implement the partnership with SBBWU), the award document also lists PAS's responsibilities. Among other things, the award document states that PAS is responsible for monitoring and evaluating the program, including conducting site visits.⁵

According to the Grants Officer, PAS has done its "best to monitor the activities of SMU" because it is the recipient of the award, not SBBWU. However, PAS's project monitoring plan states that site visits to the SBBWU campus would also be conducted on a quarterly basis and would be "primarily handled by [the] PAS locally engaged staff due to security concerns." Based on the project's period of performance, 10 site visits should have been made by June 30, 2015. However, the project file shows that only two site visits to SBBWU had been made: one on May 26, 2014, and the other on June 25, 2015. The Public Affairs Officer in Peshawar stated that security concerns, such as potential suicide attacks, roadside bombs, and kidnappings, have hindered the site visits.

The inability to make site visits makes it difficult for PAS to monitor the cooperative agreement and to determine whether the materials and equipment purchased with U.S. Government funds will be used as intended. Given that the cooperative agreement ends on December 31, 2015, it is imperative for the Grant Officer's Representative to determine whether the cooperative agreement is meeting its intended purpose and that the material and equipment that have been purchased for the Women's University will be used.

CONCLUSION

With less than 2 months remaining on this cooperative agreement, the distance learning course—a key objective of the project—has not been started, and \$45,205 in material and equipment purchased to support distance learning remains unused. Having delays of almost 3 years to establish the distance learning courses, a task originally foreseen as a short-term effort, does not comport with the purpose of the cooperative agreement. According to the October 2013 performance narrative, the initial hurdle, getting a subcontract in place between SMU and SBBWU, was accomplished in August 2013. However, 27 months have passed since that time, and the material and equipment purchased for the distance learning courses remain unused. This puts into question whether meeting this objective is possible and whether the implementer has the capacity to perform in accordance with the terms of the cooperative agreement.

⁵ Grant Policy Directive 42, "Monitoring Assistance Awards," describes the responsibilities of management officials in monitoring assistance awards. This directive states that the monitoring of assistance awards "shall include compliance" with the award terms and conditions and the timely implementation of project activities.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of South and Central Asian Affairs (SCA) review the intended objectives of the cooperative agreement awarded to Southern Methodist University (SMU) and determine whether the objectives can be fulfilled in the time remaining or whether a no-cost extension is warranted considering past performance. If SCA determines that the performance period of the cooperative agreement should not be extended, the cooperative agreement should be terminated and the remaining funds should be recovered.

Management Response: S/SRAP stated that it, SCA/PPD, and PAS had "reviewed the intended objectives of the cooperative agreement and determined that a no-cost extension of three months is warranted in order for SMU to complete the project activities and to ensure that the deliverables of the award are implemented."

OIG Reply: Because SCA reviewed the objectives of the cooperative agreement award to SMU and made a determination as to whether the award should be extended, OIG considers this recommendation closed.

Recommendation 2: If the Bureau of South and Central Asian Affairs (SCA) decides to extend the performance period of the cooperative agreement with Southern Methodist University, OIG recommends that SCA review the expenditures associated with the cooperative agreement and the corresponding performance of Southern Methodist University (SMU) and the Shaheed Benazir Bhutto Women University (SBBWU) to ensure that appropriate controls are in place to protect U.S. taxpayer funds.

Management Response: S/SRAP stated that it, SCA/PPD, and PAS "will continue to review expenditures associated with the cooperative agreement and corresponding performance of SMU and SBBWU on a quarterly basis . . . to ensure that appropriate controls are in place to protect and best utilize U.S. taxpayer funds. S/SRAP, SCA/PPD, and PAS further stated, "SMU estimates that it will spend only about \$20,000 more until the end of the extension and that more than \$300,000 will be de-obligated from the award."

OIG Reply: Based on S/RAP's response concerning this recommendation, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that (1) a thorough review of expenditures associated with the cooperative agreement and the corresponding performance of Southern Methodist University (SMU) and the Shaheed Benazir Bhutto Women University (SBBWU) has been conducted; and, (2) funds not used to advance the objectives of the award are deobligated and recovered. OIG will continue to monitor the implementation of this recommendation through the audit compliance process and report the status of its implementation in OIG's semiannual report to Congress.

APPENDIX A: OFFICE OF THE SPECIAL REPRESENTATIVE FOR AFGHANISTAN AND PAKISTAN RESPONSE



United States Department of State

Washington, D.C. 20520

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November 16, 2015

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: S/SRAP – Jonathan Carpenter *mcj*

SUBJECT: S/SRAP and SCA Comments on the Draft Report and Information on
Actions Taken or Planned for the Report's Two Recommendations

The Office of the Special Representative for Afghanistan and Pakistan (S/SRAP), the Office of Press and Public Diplomacy in the Bureau of South and Central Asian Affairs (SCA/PPD), and the Mission Pakistan Public Affairs Section (PAS) thank the OIG for the thorough audit of the cooperative agreement SPK33012CA138 to Southern Methodist University (SMU) in Dallas, Texas, for a partnership with the Shaheed Benazir Bhutto Women University (SBBWU) in Peshawar, Pakistan. We take the OIG recommendations seriously and appreciate the opportunity to improve upon the program in its final months.

RECOMMENDATION 1 – S/SRAP, SCA/PPD, and PAS have reviewed the intended objectives of the cooperative agreement and determined that a no-cost extension of three months is warranted in order for SMU to complete the project activities and to ensure that the deliverables of the award are implemented.

RECOMMENDATION 2 – S/SRAP, SCA/PPD, and PAS will continue to review expenditures associated with the cooperative agreement and corresponding performance of SMU and SBBWU on a quarterly basis, in addition to regular communication with the Principal Investigator at SMU, to ensure that appropriate controls are in place to protect and best utilize U.S. taxpayer funds. SMU projects that it will spend only about \$20,000 more until the end of the requested extension and that more than \$300,000 will be de-obligated from the award.

Because of a change in leadership at SBBWU and the move of the university's physical location, SMU has had difficulty in maintaining a continuous and consistent line of communication with SBBWU. While officials at SMU would like to have accomplished more, particularly regarding the distance learning

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component of the project, the lack of communication and presence of significant organizational obstacles on the part of the partner university in Pakistan prevented SMU from doing so. In discussions with the SMU Principal Investigator, the Grants Officer believes that, by the end of the extension period, SMU will have accomplished as much of the original objectives as is possible, considering the circumstances. We intend to de-obligate the remaining balance of the award at the end of the extension.

MONITORING

SCA/PPD and PAS respectfully wish to clarify that we have conducted the required monitoring and oversight, including required site visits, of this cooperative agreement. OMB and Department of State regulations do not dictate a minimum number of site visits that must be completed in order to properly monitor an award, and they do not stipulate that site visits to a sub-recipient (SBBWU in this case) must be a part of the monitoring plan. PAS has diligently monitored the award through quarterly reporting from SMU and multiple site visits to SMU and SBBWU. During the life of the grant, PAS has conducted three site visits to SBBWU, four site visits to SMU, held at least four meetings with the SMU Principal Investigator, and participated in two visits by SMU program staff to Islamabad. The SMU Principal Investigator has been forthcoming with PAS as issues have arisen. Representatives from PAS will also attend a December 12, 2015, workshop on psychology, organized by the two partner universities, in Islamabad, one of the final program activities under the award.

Through these numerous oversight actions, SCA/PPD and PAS have complied with the letter of the regulations and the spirit of the monitoring plan that was established at the beginning of the award. The monitoring plan, however, is a notional document, and security circumstances in Peshawar during the period of the award required that we adjust our site visits to the sub-recipient (SBBWU) accordingly. The area of Peshawar in which SBBWU is located became riskier for even our locally engaged staff to visit, given its proximity to a police station that was attacked repeatedly in the recent past. However, site visits to the sub-recipient of a cooperative agreement are not required under OMB and Department regulations, and site visits to the primary recipient, SMU, have continued regularly during the lifecycle of the grant.

Our policy has been, and will continue to be, that grants will be awarded only if site visits to the primary implementing partner are feasible within the current security environment. In light of the OIG's assessment, SCA/PPD and PAS will

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endeavor in the future to update the monitoring plans on file for our grants and cooperative agreements to take changing circumstances into account.

DELIVERABLES

The purpose of the agreement was for SMU to support the enhancement of the Department of Psychology at SBBWU through faculty training, curriculum development, research, and clinic capacity. S/SRAP, SCA/PPD, and PAS believe that SMU made significant progress toward this goal.

Before the end of the extension period, SMU will have accomplished the following original objectives of the award:

1. Establishment of a lab at SBBWU with Biopac evaluation equipment: in the extension period, SMU will finalize delivery of remaining items needed in order for SBBWU to put the Biopac equipment into use;
2. Augmentation of the library collection at SBBWU: SMU will continue to do so during the life of the grant;
3. Sponsorship of at least 12 SBBWU faculty members at SMU for research and course and curriculum development; and
4. Co-sponsorship with SBBWU of a psychology workshop in Islamabad scheduled for December 12, 2015: More than 400 people have registered for this workshop. The workshop will feature faculty and students from SBBWU, SMU, and other universities in Pakistan, as well as outside experts.

One final objective, the establishment of a distance learning course, will not be accomplished before the end of the extension period. However, after SBBWU installs the equipment designated for distance learning, the institution will be well positioned to create its own distance learning courses.

The delays in purchasing equipment and establishing a distance-learning course are indicative of the overall challenges that SMU experienced in coordinating with SBBWU. However, current leadership at SBBWU is more communicative and

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action-oriented regarding the university partnership, as evidenced by jointly arranged psychology workshop scheduled for December.

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Approved: Deputy SRAP Jonathan Carpenter

Drafted: PAO [Redacted]
POC: SCA/PPD [Redacted] (b) (6)

Cleared:

SCA/FO – [Redacted] (b) (6)	(ok)
SRAP/P – [Redacted] (b) (6)	(ok)
SCA/PPD – [Redacted] (b) (6)	(info)
S/SRAP – [Redacted] (b) (6)	(info)
SRAP/P – [Redacted] (b) (6)	(ok)
SCA/PPD – [Redacted] (b) (6)	(ok)
SCA/PPD – [Redacted] (b) (6)	(ok)
SCA/PPD – [Redacted] (b) (6)	(ok)
Islamabad EXEC – [Redacted] (b) (6)	(ok)
Peshawar CG – [Redacted] (b) (6)	(ok)
Islamabad POL – [Redacted] (b) (6)	(ok)
Islamabad PAS – [Redacted] (b) (6)	(ok)

APPENDIX B: U.S. EMBASSY ISLAMABAD RESPONSE

*Embassy of the United States of America*

November 10, 2015

Mr. Norman P. Brown, Assistant Inspector General for Audits
U.S. Department of State, Office of Inspector General
1700 N. Moore St.
Arlington, VA 22209

Dear Mr. Brown:

Thank you for your letter dated October 28, 2015 and for the draft report *Management Assistance Report: Funds Supporting a Cooperative Agreement to Southern Methodist University at Risk of Waste*. I have carefully reviewed the report, as have members of the Public Affairs Section at the U.S. Embassy in Islamabad and the U.S. Consulate General in Peshawar.

I appreciate the thorough review by you and your staff regarding the challenges and some of the accomplishments of cooperative agreement SPK33012CA138. We take very seriously the responsibilities of oversight and monitoring in order to serve as trusted stewards of taxpayer dollars. When applied, the recommendations offered in the report will ensure better implementation of the cooperative agreement. I also understand there were some challenges faced by the implementing partner that made it difficult for the agreement to be implemented within the allotted timeframe.

As you note in your letter, the recommendations offered by the OIG are not addressed to Embassy Islamabad. The agreement's Grants Officer in the Bureau of South and Central Asia Office of Press and Public Diplomacy (SCA/PPD) has the lead in responding to your office regarding the recommendations. Please note that our Public Affairs Section here and in Peshawar has coordinated with the Grants Officer and has provided input for her response to your office.

Thank you once again for your letter and for sending the draft report.

Sincerely,

Jonathan G. Pratt
Chargé d'Affaires a.i.

cc: SRAP – Jarret Blanc (Acting)
M – Patrick F. Kennedy



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