

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 20-31 Financial Audit**

## USAID's Assessment of Learning Outcomes and Social Effects of Community-Based Education Program in Afghanistan: Audit of Costs Incurred by New York University



MARCH  
2020

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On November 10, 2013, the U.S. Agency for International Development (USAID) awarded New York University (NYU) a 4-year grant worth \$2,799,228 to fund the Assessment of Learning Outcomes and Social Effects (ALSE) of community-based education program in Afghanistan. The assessment examined how well community-based schools helped children in Afghanistan learn core subjects such as literacy and math. The initial period of performance began on January 1, 2014, and ran through December 31, 2017. USAID modified the award eight times, increasing the total amount of the grant to \$6,288,391 and extending the period of performance through December 31, 2018.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$1,361,403 in costs incurred from September 1, 2017, through December 31, 2018. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in NYU's internal controls related to the grant; (2) identify and report on instances of material noncompliance with the terms of the grant and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether NYU has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of NYU's Special Purpose Financial Statement (SPFS). See Crowe'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 audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances where Crowe did not comply, in all material respects, with U.S. generally accepted government auditing standards.

March 2020

### USAID's Assessment of Learning Outcomes and Social Effects of Community-Based Education Program in Afghanistan: Audit of Costs Incurred by New York University

SIGAR 20-31-FA

### WHAT THE AUDIT FOUND

Crowe found one material weakness and three significant deficiencies in NYU's internal controls, and three instances of noncompliance with the terms of the grant. For example, the auditors noted that NYU exceeded the indirect cost budget for facilities and administrative expenses by \$1,815, without first getting USAID's permission, as required by federal regulations and the grant agreement.

Because of a significant internal control deficiency and instance of noncompliance, Crowe identified a total of \$1,815 in questioned costs. The questioned costs consisted entirely of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. There were no reported ineligible costs—costs prohibited by the cooperative agreement, applicable laws, or regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Facilities and Administrative Costs	\$0	\$1,815	\$1,815
<b>Total</b>	<b>\$0</b>	<b>\$1,815</b>	<b>\$1,815</b>

Crowe did not identify any prior findings or recommendations that warranted follow-up.

Crowe issued an unmodified opinion on NYU'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 USAID:

- 1. Determine the allowability of and recover, as appropriate, \$1,815 in questioned costs identified in the report.**
- 2. Advise NYU to address the report's four internal control findings.**
- 3. Advise NYU to address the report's three noncompliance findings.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

March 26, 2020

The Honorable Mark Green  
Administrator, U.S. Agency for International Development

Mr. Peter Natiello  
USAID Mission Director for Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by New York University (NYU) under a U.S. Agency for International Development (USAID) grant funding the Assessment of Learning Outcomes and Social Effects of Community-Based Education Program in Afghanistan.<sup>1</sup> The assessment examined how well community-based schools helped children in Afghanistan learn core subjects such as literacy and math. Crowe's audit covered \$1,361,403 charged to the grant from September 1, 2017, through December 31, 2018. Our contract with Crowe 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 audit, SIGAR recommends that the responsible agreement officer at USAID:

- 1. Determine the allowability of and recover, as appropriate, \$1,815 in total questioned costs identified in the report.**
- 2. Advise NYU to address the report's four internal control findings.**
- 3. Advise NYU to address the report's three noncompliance findings**

The results of Crowe's audit are in the attached report. We reviewed Crowe's report and related documentation. Our review, as differentiated from an audit 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 NYU's Special Purpose Financial Statement. We also express no opinion on the effectiveness of NYU's internal control or compliance with the task order, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances where Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

We will be following up with your agency to obtain information on the corrective actions taken in response to our recommendations.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-162)

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<sup>1</sup> The grant number is AID-306-G-13-00004.



**New York University (NYU)**

**Assessment of Learning Outcomes and Social Effects of Community-Based Education (ALSE)**

**Special Purpose Financial Statement**

**For the Period September 1, 2017, through December 31, 2018**

**(With Independent Auditor's Report Thereon)**

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## TRANSMITTAL LETTER

February 27, 2020

To the Board of Trustees and President of New York University  
665 Broadway, Suite 801  
New York, New York 10012

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

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of the special purpose financial statement applicable to New York University's ("NYU") grant number AID-306-G-13-00004 funding the Assessment of Learning Outcomes and Social Effects of Community-Based Education ("ALSE") project for the period September 1, 2017, through December 31, 2018.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, our report on internal control and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of NYU, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"), provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses have been incorporated as an appendix to this report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of NYU's grant.

Sincerely,

A handwritten signature in black ink that reads "John C. Weber".

John C. Weber, CPA, Partner  
Crowe LLP

## Summary

### Background

The Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) engaged Crowe LLP (“Crowe” or “we” or “our”) to conduct a financial audit of grant number AID-306-G-13-00004 for the period September 1, 2017, through December 31, 2018. The United States Agency for International Development (“USAID”) awarded the grant to New York University (“NYU”) to fund the Assessment of Learning Outcomes and Social Effects (“ALSE”) community-based education program. The project aimed to understand the best ways to create effective and sustainable community-based education in Afghanistan. Specifically, ALSE worked to strengthen the research skills of the Afghan Ministry of Education (MoE) in order to enable the MoE to: (1) commission and consume rigorous education research; and (2) conduct their own education research. The program examined how the transition from community management to government management affects the performance of students and teachers. ALSE provided a series of executive seminars to help the MoE’s and Afghan non-governmental organizations’ education staff members to apply rigorous and modern education research techniques, and to conduct education research that would meet international standards.

The total estimated amount of this grant was \$2,799,228 with a period of performance date effective January 1, 2014, through December 31, 2017. There were eight (8) modifications made to the grant agreement throughout the period of performance. The modifications revised the total estimated amount of the grant to \$6,288,391 and extended the period of performance to December 31, 2018. The modifications are summarized below:

Modification No.	Highlights
1	<ul style="list-style-type: none"> <li>Designated an Agreement Officer’s Representative and an Alternative Agreement Officer’s Representative</li> </ul>
2	<ul style="list-style-type: none"> <li>Increased estimated cost by \$4,462,788 to a new total of \$7,262,016</li> <li>Revised the budget</li> <li>Revised the agreement</li> <li>Incorporated new mandatory standard provisions into the agreement (M.23 – M.25)</li> </ul>
3	<ul style="list-style-type: none"> <li>Incremental funding increase by \$3,000,000 from \$1,762,461 to \$4,762,461</li> <li>Designated a new Agreement Officer’s Representative and a new Alternate Agreement Officer’s Representative</li> </ul>
4	<ul style="list-style-type: none"> <li>Designated a new Alternate Agreement Officer’s Representative</li> </ul>
5	<ul style="list-style-type: none"> <li>Designated a new Alternate Agreement Officer’s Representative</li> </ul>
6	<ul style="list-style-type: none"> <li>Revised the budget</li> <li>Revised the program description</li> <li>Updated the standard provisions</li> <li>Updated the special provisions</li> </ul>
7	<ul style="list-style-type: none"> <li>Incremental funding increase by \$1,525,930 from \$4,762,461 to \$6,288,391</li> </ul>
8	<ul style="list-style-type: none"> <li>Decreased the total estimated project amount by \$973,625 to agree to the obligated amount of \$6,288,391</li> <li>Extended the period of performance to December 31, 2018</li> <li>Designated a new Agreement Officer’s Representative and a new Alternate Agreement Officer’s Representative</li> </ul>

(Continued)

The audit's scope included activity within the period September 1, 2017, through December 31, 2018, inclusive of closeout procedures required to be completed within 90 days of the end of the period of performance. Within the period under audit, NYU reported \$1,361,403 in costs incurred.

## Work Performed

Crowe LLP ("Crowe") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a closeout audit of NYU's project.

## Objectives Defined by SIGAR

The following audit objectives were defined within the *Performance Work Statement for Financial Audits of Costs Incurred by Organizations Contracted by the U.S. Government for Reconstruction Activities in Afghanistan*:

### **Audit Objective 1 – Special Purpose Financial Statement**

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

### **Audit Objective 2 – Internal Controls**

Evaluate and obtain a sufficient understanding of NYU's internal control related to the grant; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

### **Audit Objective 3 – Compliance**

Perform tests to determine whether NYU complied, in all material respects, with the grant requirements and applicable laws and regulations, and identify and report on instances of material noncompliance with terms of the grant and applicable laws and regulations, including potential fraud or abuse that may have occurred.

### **Audit Objective 4 – Corrective Action on Prior Findings and Recommendations**

Determine and report on whether NYU 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 the audit included the period September 1, 2017, through December 31, 2018. The audit was limited to those matters and procedures pertinent to the grant that have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management;
- Equipment and Real Property Management;
- Subrecipient Monitoring;
- Procurement; and
- Reporting.

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(Continued)

## Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee's internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, assessment, and review comments, as applicable.

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded accurately and were consistent with the terms and conditions of the award; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the grant if the cost benefited multiple objectives; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested, and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by NYU during the period of performance. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the grant. Crowe identified – through review and evaluation of the grant from USAID to NYU – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, cash draws, procurements, subrecipients, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess NYU's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement issued by the United States Department of Health and Human Services. We also performed procedures to determine if adjustments to billings that were based on preliminary or provisional rates were made, as required and applicable.

In addition, Crowe conducted closeout audit procedures. Such procedures included testing transactions to determine whether obligations were liquidated within 90 days of the end of the period of performance, final financial and performance reports were submitted to USAID timely and the reports were complete, and any cash draws in excess of actual costs incurred were returned timely to USAID.

Regarding Audit Objective 4, Crowe inquired of NYU, SIGAR, and USAID personnel participating in the audit entrance conference to understand whether or not there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified five prior reports – two of which contained findings and recommendations. In each instance, Crowe reviewed prior audit reports to ascertain whether findings may be direct and material to the audit objectives. In any instances where findings may be direct and material to the audit objectives, Crowe reviewed prior audit reports to determine whether corrective action from any of the prior findings and recommendations was denoted as unresolved, inadequate, or otherwise incomplete such that additional follow-up is necessary. No open findings were identified that may be direct and material to the audit objectives.

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(Continued)

## Summary of Results

Upon completion of Crowe's procedures, Crowe identified four findings because they met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the grant; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on both NYU's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the grant. One material weakness in internal control and three significant deficiencies in internal control were reported. Three of the findings were classified as instances of noncompliance. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

In response to the identified instances of noncompliance, Crowe reported \$1,815 in questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited contract or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations. The following summary is intended to present an overview of the audit results and is not intended to be a representation of the audit's results in their entirety. The summary includes questioned costs reported by Crowe – all of which were classified as unsupported.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to NYU's financial performance under this grant. Based on Crowe's communications with NYU, SIGAR, and USAID, there were five such previous reports issued. Two of the reports included findings and recommendations. Per review of NYU's Single Audit Report for the year ended August 31, 2018, there were no prior audit findings and recommendations that had not been closed or for which follow-up had otherwise not been completed. Therefore, Crowe did not conduct additional follow-up procedures regarding the previous engagement findings.

### **Schedule of Findings and Questioned Costs**

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2019-01	Facilities and Administration ("F&A") Costs Exceed Authorized Funding Levels	Significant Deficiency and Noncompliance	\$ 1,815
2019-02	Incomplete and Untimely Submission of Federal Financial Reports	Material Weakness and Noncompliance	\$ 0
2019-03	Undocumented Foreign Currency Policy	Significant Deficiency	\$ 0
2019-04	Insufficient Documentation to Demonstrate Follow-Up on Subrecipient Audit Findings	Significant Deficiency and Noncompliance	\$ 0
<b>Total Questioned Costs:</b>			<b>\$ 1,815</b>

(Continued)

## Summary of Management Comments

NYU agreed with findings 2019-01, 2019-02, and 2019-03. Regarding finding 2019-04, NYU neither agreed nor disagreed with the finding and provided detail regarding its current corrective action plan regarding subrecipient monitoring and risk assessment procedures.

## Reference to Appendix

The auditor's reports are supplemented by one appendix, **Appendix A**, which contains management's responses to the audit findings.

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

To the Board of Trustees and President of New York University  
665 Broadway, Suite 801  
New York, New York 10012

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 Special Purpose Financial Statement (the "Statement") of New York University ("NYU"), and related notes to the Statement, with respect to the Assessment of Learning Outcomes and Social Effects' project funded by grant No. AID-306-G-13-00004 for the period September 1, 2017, through December 31, 2018.

***Management's Responsibility for the Special Purpose Financial Statement***

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of grant number AID-306-G-13-00004. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

## **Opinion**

In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5, and 6.

## **Basis of Presentation and Accounting**

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of USAID Grant No. AID-306-G-13-00004, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the grant referred to above. Our opinion is not modified with respect to this matter.

## **Restriction on Use**

This report is intended for the information of NYC, the USAID, and the SIGAR. 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.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 26, 2020, on our consideration of NYU's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYU's internal control over financial reporting and compliance.



Crowe LLP

February 26, 2020  
Washington, D.C.

NEW YORK UNIVERSITY  
SPECIAL PURPOSE FINANCIAL STATEMENT  
GRANT NO. AID-306-G-13-00004  
For the Period September 1, 2017, through December 31, 2018

	<u>Budget</u>	<u>Actual for the Period Under Audit</u>	<u>Questioned Costs</u>		
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Notes</u>
<b><u>Revenues</u></b>					
Grant No. AID-306-G-13-00004	\$ 6,288,392	\$ 1,361,403			4
<b>Total Revenue</b>	<u>\$ 6,288,392</u>	<u>\$ 1,361,403</u>			
<b><u>Costs Incurred</u></b>					
Personnel Salaries	\$ 2,373,467	\$ 643,826			5
Fringe Benefits	749,117	69,796			
Materials & Supplies	177,763	7,091			
Travel	306,254	55,326			
Publication Costs	3,611	-			
Consultants and Subcontracts	1,223,237	191,028			
Other Costs	193,115	113,123			
Facilities & Administrative Costs	<u>1,261,828</u>	<u>281,213</u>		<u>\$ 1,815</u>	A
<b>Total Costs Incurred</b>	<u>\$ 6,288,392</u>	<u>\$ 1,361,403</u>			
<b>Balance</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,815</u>	6

The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

NEW YORK UNIVERSITY  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT  
GRANT NO. AID-306-G-13-00004  
For the Period September 1, 2017, through December 31, 2018

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Grant Number AID-306-G-13-00004 for the Assessment of Learning Outcomes and Social Effects in Community-based Education ("ALSE") program for the period from September 1, 2017 to December 31, 2018. Because the Statement presents only a selected portion of the operations of New York University ("NYU"), it is not intended to and does not present the financial position, changes in net assets, or cash flows of NYU. The information in this Statement 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 Federal grant. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – BASIS OF ACCOUNTING**

Revenues and expenditures reported on the Statement are reported on the accrual basis. Expenditures are recognized following the cost principles contained in Subpart E to 2 CFR Part 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – FOREIGN CURRENCY CONVERSION METHOD**

For purposes of preparing the Statement, expenditures incurred in currencies other than United States Dollars ("USD") have been converted into USD. In relation to the exchange of USD into the local currency of Afghanistan ("AFN"), the basis of the exchange of currency will be the rate at which the currency was exchanged at that point in time. From September 1, 2017, through December 31, 2018, the highest exchange rate for 1.00 USD in AFN was 75.43 and the lowest was 67.76.

**NOTE 4 – REVENUES**

Revenues on the Statement represent the amount of funds to which NYU is entitled to receive from the United States Agency for International Development ("USAID") Afghanistan for allowable, eligible costs incurred under the grant during the period of performance.

**NOTE 5 – BUDGET**

The budget categories presented and associated amounts reflect the budget line items presented within modification number 06 to the Grant Agreement dated December 11, 2013. The USAID-approved budget pertains to the overall period of performance and, therefore, is not limited to SIGAR's audit period.

**NOTE 6 – BALANCE**

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than \$0 would reflect that revenues have been earned that exceed the costs incurred or charged to the contract and an amount less than \$0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

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(Continued)

NEW YORK UNIVERSITY  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT  
GRANT NO. AID-306-G-13-00004  
For the Period September 1, 2017, through December 31, 2018

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**NOTE 7 – CURRENCY**

All amounts presented are shown in USD.

**NOTE 8 – SUBRECIPIENTS**

One subrecipient was utilized on the project – the University of California, Berkeley. During the period under audit, the subrecipient returned funds to NYU as a result of a true-up adjustment completed following revision to the subrecipient’s negotiated indirect cost rate agreement.

Subrecipient Name	Costs Incurred During the Period
University of California, Berkeley	\$ (24,418.12)*

*\* Berkeley refunded NYU \$24,418.12 during the period covered by the Statement.*

**NOTE 9 – PROGRAM STATUS**

The ALSE program is complete. The period of performance for the award concluded on December 31, 2018, as noted in modification number 08 dated December 31, 2017.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to the September 1, 2017, through December 31, 2018 period covered by the Statement. Management has performed their analysis through February 26, 2020.

NEW YORK UNIVERSITY  
NOTES TO THE QUESTIONED COSTS PRESENTED ON THE  
SPECIAL PURPOSE FINANCIAL STATEMENT  
GRANT NO. AID-306-G-13-00004-00  
For the Period September 1, 2017, through December 31, 2018

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- A. Finding 2019-01 questioned \$1,815 as a result of NYU's having exceeded the approved indirect cost budget without obtaining prior written approval from the Agreement Officer.

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Notes to the Questioned Costs are prepared by the auditor for purposes of this report. Management takes no responsibility for the notes to the questioned costs.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Trustees and President of New York University  
665 Broadway, Suite 801  
New York, New York 10012

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

We have audited, 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, the Special Purpose Financial Statement (the "Statement") of New York University ("NYU"), and related notes to the Statement, with respect to the Learning Outcomes and Social Effects Project funded by grant No. AID-306-G-13-00004 for the period September 1, 2017, through December 31, 2018. We have issued our report thereon dated February 26, 2020.

**Internal Control over Financial Reporting**

NYU's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of presentation described in Note 1 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Statement for the period September 1, 2017, through December 31, 2018, we considered NYU's internal controls to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of NYU's internal control. Accordingly, we do not express an opinion on the effectiveness of NYU's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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(Continued)

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-02 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-03, and 2019-04 to be significant deficiencies.

### **NYU's Responses to the Findings**

NYU's responses to the findings were not subject to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 NYU, the USAID, and the SIGAR. 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.



Crowe LLP

February 26, 2020  
Washington, D.C.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Trustees and President of New York University  
665 Broadway, Suite 801  
New York, New York 10012

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

We have audited, 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, the Special Purpose Financial Statement (the "Statement") of New York University ("NYU"), and related notes to the Statement, with respect to the Learning Outcomes and Social Effects Project funded by grant No. AID-306-G-13-00004 for the period September 1, 2017, through December 31, 2018. We have issued our report thereon dated February 26, 2020.

**Management's Responsibility for Compliance**

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the grant is the responsibility of the management of NYU.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-01, 2019-02, and 2019-04.

**NYU's Response to the Finding**

NYU's responses to the finding were not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on them.

**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.

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(Continued)

**Restriction on Use**

This report is intended for the information of NYU, the USAID, and the SIGAR. 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.

*Crowe LLP*  
Crowe LLP

February 26, 2020  
Washington, D.C.

NEW YORK UNIVERSITY  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
GRANT NO. AID-306-G-13-00004-00  
For the Period September 1, 2017, through December 31, 2018

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**FINDING 2019-01: Facilities and Administration (“F&A”) Costs Exceed Authorized Funding Levels**

Significant Deficiency in Internal Control and Noncompliance

**Condition:** As part of our closeout audit procedures, we reviewed the final budget-to-actual report for the award containing cumulative award expenditures relative to the final overall award budget. We noted NYU incurred and charged \$1,254,177 in cumulative facilities and administrative (“F&A”) costs to the grant. F&A costs represent NYU’s indirect costs. These charges exceeded the approved F&A budget of \$1,252,362<sup>1</sup> by \$1,815. Per inquiry with NYU’s management, NYU did not process a budget transfer to cover the excess F&A costs. In the absence of a documented transfer and disclosure of final deviations, there was insufficient budget to cover indirect costs and the \$1,815 is in question.

**Criteria:** Section A.4 of NYU’s grant agreement states, “The Recipient’s detailed budget constitutes the approved budget plan for this Award. In accordance with 2 CFR 200.308, the Recipient is required to report deviations from the approved budget and request prior approvals for budget revisions.”

**Questioned Costs:** \$1,815 in unsupported costs.

**Effect:** The Government paid a greater amount of administrative costs, which reduced funds available for program service delivery.

**Cause:** NYU assumed that, by notifying the Agreement Officer’s Representative of the expected budget overage prior to the award’s end date, NYU had met the prior approval and disclosure requirements.

**Recommendation:** We recommend that NYU:

1. Provide documentation to support the USAID Agreement Officer’s approval for NYU to exceed the approved award budget, that NYU document a budget transfer to fund the overage using funding available from other budget categories with available funds, or reimburse USAID \$1,815.
2. Enforce its internal control procedures to ensure that NYU management obtains approval from USAID prior to transferring funds between program budget accounts.

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<sup>1</sup> See Modification No. 8 to the award.

(Continued)

NEW YORK UNIVERSITY  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
GRANT NO. AID-306-G-13-00004-00  
For the Period September 1, 2017, through December 31, 2018

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**FINDING 2019-02: INCOMPLETE AND UNTIMELY SUBMISSION OF FEDERAL FINANCIAL REPORTS**

Material Weakness in Internal Control and Noncompliance

**Condition:** During our testing of three Federal Financial Reports (FFRs), we noted that two Standard Form (SF) 425 FFRs did not include unliquidated obligations and, therefore, were incomplete. Unliquidated obligations reflect a standard, required field on the SF 425. The two SF 425 forms that omitted reported amounts for unliquidated obligations pertained to the quarters ending December 31, 2017, and September 30, 2018.

In addition, we noted that the FFR for the quarter ended December 31, 2017, was submitted on April 17, 2018, which is 62 days later than the required submission date (February 14, 2018).

**Criteria:** Pursuant to 2 CFR 200.302(b)(2), *Financial Management*, NYU's financial management system is required to provide for "[a]ccurate, current and complete disclosure of the financial results of each Federal award..."

Section A.7, *Financial Reporting*, of the grant agreement states, "In accordance with 2 CFR 200.327, the SF 425 and SF 425a are used to report actual expenditures and are required on a quarterly basis." The section proceeds to state "[SF 425 reports] shall be submitted within 45 calendar days from the end of each quarter, except that the final report shall be submitted within 90 calendar days from the estimated completion date of this award."

NYU's "Financial Reporting for Sponsored Programs Policy" states the Principal Investigators and Departmental Administrators are responsible for working with Sponsored Programs Administration (SPA) to ensure financial reports are accurate and submitted timely to the award sponsor. In addition, the policy states that SPA is responsible for submitting all financial reports in accordance with the applicable sponsor's requirements.

**Questioned Costs:** None

**Effect:** The USAID was not provided timely, complete information to fully understand and assess the award's financial position.

**Cause:** NYU did not have a complete and accurate understanding of the unliquidated obligations field. In addition, NYU did not have an adequate control in place to ensure timely submission of the FFR report.

**Recommendation:** We recommend that NYU:

1. Require applicable personnel to attend training regarding the FFR preparation to ensure an accurate, complete understanding of the reporting requirements; and
2. Implement a process to periodically monitor timely submission of reports, including supervisory review, and provide staff training regarding the new process.

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(Continued)

NEW YORK UNIVERSITY  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
GRANT NO. AID-306-G-13-00004-00  
For the Period September 1, 2017, through December 31, 2018

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**FINDING 2019-03: UNDOCUMENTED FOREIGN CURRENCY POLICY**

Significant Deficiency in Internal Control

**Condition:** During our assessment of internal controls over the allowability of incurred costs and the accuracy of the financial entries supporting the SPFS, we requested a copy of NYU's policy regarding the translation of costs incurred in foreign currencies to U.S. Dollars (USD). Per discussion with NYU, the university does not have a formal policy dictating how foreign currency conversions and translations must be performed and documented.

NYU indicated that its practice is to translate those transactions denominated in a foreign currency into USD using the exchange rate in effect on the last day of each month. We tested the approach and did not identify any material differences between the amounts reported by NYU and the amounts that would be expected had the rate in effect on each transaction date been utilized.

**Criteria:** In accordance with 2 CFR Part 200.302(b), NYU is required to have "written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part of the terms and conditions of the Federal award."

**Questioned Costs:** None

**Effect:** In the absence of a formal policy, the risk of erroneous translations or inconsistent methodologies is increased which may result in inaccurate reporting.

**Cause:** NYU considers the volume of transactions requiring translation to be immaterial to its overall financial activity and, therefore, has not considered it necessary to have a formal policy in place regarding this matter.

**Recommendation:** We recommend that NYU develop and document a formal policy regarding the translation of costs denominated in foreign currencies to USD, and provide training to staff regarding implementation of the policy.

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NEW YORK UNIVERSITY  
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
GRANT NO. AID-306-G-13-00004-00  
For the Period September 1, 2017, through December 31, 2018

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**FINDING 2019-04: INSUFFICIENT DOCUMENTATION TO DEMONSTRATE FOLLOW-UP ON SUBRECIPIENT AUDIT FINDINGS**

Significant Deficiency in Internal Control and Noncompliance

**Condition:** NYU utilized one subrecipient on the project – the University of California, Berkeley (“UCB”). As a component of our subrecipient monitoring procedures, we requested and obtained a copy of UCB’s Single Audit report for the year ended June 30, 2018. The report included a finding pertaining to information technology general controls that was noted as applicable to all of UCB’s Federal awards. Therefore, we requested evidence that NYU had issued a management decision to UCB regarding the finding and also had documented its assessment of the finding’s impact on the ALSE award’s financial records.

NYU indicated a management decision was not issued to UCB regarding the finding. In addition, NYU did not have a documented assessment of the finding’s impact on ALSE’s financial records at the time the report was received. Management did, however, prepare an assessment of the finding during the audit that supported management’s assertion that there was no impact on the ALSE program as a result of the finding.

**Criteria:**

Pursuant to 2 CFR Part 200.331(f), *Requirements for pass-through entities*:

All pass-through entities must verify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit Requirements.

Section 200.331(d)(3) requires pass-through entities to “[issue] a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

**Questioned Costs:** None

**Effect:** In the absence of a formal, documented review of subrecipient audit reports and findings, the likelihood that a finding will be inadequately evaluated and followed-up on is increased. This results in increased risk of inaccurate financial records.

**Cause:** Per discussion with management, management did not believe the finding pertained to the ALSE program. Subsequent to the report review, NYU considered the corrective action referenced in the Single Audit report to be adequate and did not believe a management decision was required.

**Recommendation:** We recommend that NYU provide training to its personnel and develop its internal control procedures regarding the requirements applicable to the review of subrecipient audit reports and documentation expectations pertaining to the same.

NEW YORK UNIVERSITY  
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS  
GRANT NO. AID-306-G-13-00004-00  
For the Period September 1, 2017, through December 31, 2018

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Crowe reviewed five prior audit, review, or assessment reports. Two of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters may be direct and material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of prior audit findings. Per our review of NYU's previously issued audit reports, there were no unresolved findings or recommendations. Accordingly, Crowe did not conduct procedures pertaining to the prior audit findings.

The reports reviewed by Crowe are listed below.

1. Financial Audit of Costs Incurred in Afghanistan by New York University, under Assessment of Learning and Outcomes and Social Effects in Community-Based Education (ALSE) Program for the Period January 1, 2014, through August 31, 2015;
2. Financial Audit of Costs Incurred in Afghanistan by New York University, under Assessment of Learning and Outcome and Social Effects in Community-Based Education (ALSE) Program for the Period September 1, 2015, through August 31, 2017;
3. Uniform Guidance Audit for the Fiscal Year Ended August 31, 2016;
4. Uniform Guidance Audit for the Fiscal Year Ended August 31, 2017; and
5. Uniform Guidance Audit for the Fiscal Year Ended August 31, 2018.

## Appendix A: Views of Responsible Officials

On February 27, 2020, NYU provided the following responses to the findings contained herein to Crowe via electronic mail.

### **FINDING 2019-01: Facilities and Administration (“F&A”) Costs Exceed Authorized Funding Levels**

#### Management Views and Opinions

University management agrees with this finding. NYU is currently seeking approval from the USAID Agreement Officer for a decrease in amounts budgeted for direct costs to absorb the .14% increase in indirect costs. NYU also has enhanced its internal control procedures to ensure that Sponsored Programs Administration obtains approval from USAID prior to transferring funds between direct and indirect budget accounts.

### **FINDING 2019-02: INCOMPLETE AND UNTIMELY SUBMISSION OF FEDERAL FINANCIAL REPORTS**

#### Management Views and Opinions

University management agrees that Standard Form (SF) 425 FFRs should include the unliquidated obligations and has updated Sponsored Programs Administration procedures to ensure future reporting includes required information.

University management agrees with the finding pertaining to the late submission of the FFR. Sponsored Programs Administration has strengthened its existing policies and procedures related to timely submission of the reports.

### **FINDING 2019-03: UNDOCUMENTED FOREIGN CURRENCY POLICY**

#### Management Views and Opinions

University management agrees with this finding. Sponsored Programs Administration will update the costing policy to reflect the process by which the financial system translates costs incurred in foreign currencies into U.S. Dollars (USD).

### **FINDING 2019-04: INSUFFICIENT DOCUMENTATION TO DEMONSTRATE FOLLOW-UP ON SUBRECIPIENT AUDIT FINDINGS**

#### Management Views and Opinions

NYU did not issue a management decision letter in response to UCB’s 2017 IT Privileged Access audit finding due to UCB’s implementation of corrective actions. The University’s Office of Sponsored Programs is in the process of deploying enhanced sub-recipient monitoring and risk assessment procedures that will include the issuance of standardized management decision letters.

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## 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 publically 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:

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- Phone Afghanistan: +93 (0) 700-10-7300
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## Public Affairs

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