

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 20-37 Financial Audit

Department of State's Assistance to the Legal
Education Support Program–Afghanistan II: Audit
of Costs Incurred by the University of Washington



SIGAR 20-37-FA/LESPA II

MAY
2020

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On March 22, 2017, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs awarded a 3-year, \$7,000,000 grant to the University of Washington (UW) in support of their Legal Education Support Program–Afghanistan II (LESPA II). The LESPA II program's objectives included building capacity in legal education at public universities throughout Afghanistan by providing opportunities for Afghan faculty members to improve academic methods, developing English language skills, and strengthening legal analysis, research, and writing. The grant was modified once, but the period of performance did not change and ended on March 31, 2020.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$4,258,262 in costs charged to the grant from April 1, 2017, through June 30, 2019. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in UW'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 UW has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of UW's Special Purpose Financial Statement (SPFS). See Davis Farr'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 wherein Davis Farr did not comply, in all material respects, with U.S. generally accepted government auditing standards.

May 2020

Department of State's Assistance to the Legal Education Support Program–Afghanistan II: Audit of Costs Incurred by the University of Washington

SIGAR 20-37-FA

WHAT SIGAR FOUND

Davis Farr identified four significant deficiencies in UW's internal controls and four instances of noncompliance with the terms of the grant and applicable laws and regulations. For instance, Davis Farr found that UW charged the grant for unoccupied rental units, and unauthorized travel costs for dependents of female Afghan participants in grant activities. Additionally, UW was unable to provide documentation supporting supply purchases, travel-related accommodations, and foreign currency conversion rates.

Because of the significant deficiencies in internal control and the instances of noncompliance, Davis Farr identified \$30,931 in total questioned costs, consisting of \$5,246 in unsupported costs—costs not supported with adequate documentation or that do not have required prior approval—and \$25,685 ineligible costs—costs prohibited by the contract and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Travel	\$25,685	\$5,172	\$30,857
Supplies	\$0	\$17	\$17
Contractual	\$0	\$38	\$38
Indirect Costs	\$0	\$19	\$19
Total Costs	\$25,685	\$5,246	\$30,931

Davis Farr identified one prior audit report that was relevant to UW's activities under the grant. The audit had eight findings that could have a material effect on UW's SPFS. Davis Farr conducted follow-up procedures and concluded that UW had not taken corrective action on one of the findings related to inadequate documentation supporting transactions. Davis Farr noted the same issue in this audit.

Davis Farr issued an unmodified opinion on the SPFS, noting that it fairly presents, in all material respects, revenues received, and costs incurred by UW under the grant.

WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$30,931 in questioned costs identified in the report.**
- 2. Advise UW to address the report's four internal control findings.**
- 3. Advise UW to address the report's four noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

May 13, 2020

The Honorable Michael R. Pompeo
Secretary of State

The Honorable Kirsten D. Madison
Assistant Secretary for International Narcotics
and Law Enforcement Affairs

The Honorable Ross Wilson
U.S. Chargé d'Affaires to Afghanistan

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by the University of Washington (UW) under a grant from the Department of State's Bureau of International Narcotics and Law Enforcement to support the Legal Education Support Program–Afghanistan II.¹ The program's objectives included building capacity in legal education at public universities throughout Afghanistan by providing opportunities for Afghan faculty members to improve academic methods, developing English language skills, and strengthening legal analysis, research, and writing. Davis Farr reviewed \$4,258,262 in costs charged to the contract from April 1, 2017, through June 30, 2019. Our contract with Davis Farr required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$30,931 in questioned costs identified in the report.**
- 2. Advise UW to address the report's four internal control findings.**
- 3. Advise UW to address the report's four noncompliance findings.**

The results of Davis Farr's audit are discussed in detail in the attached report. We reviewed Davis Farr'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 UW's Special Purpose Financial Statement. We also express no opinion on the effectiveness of UW's internal controls or compliance with the contract, laws, and regulations. Davis Farr is responsible for the attached audit report and the conclusions expressed in it. However, our review disclosed no instances in which Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations. Please provide this information to sigar.pentagon.audits.mbx.recommendation-follow-up@mail.mil within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-175)

¹ The grant number is SINLEC17GR0084.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

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April 2, 2020

Enclosed is the final report on the financial audit of costs incurred by the University of Washington (UW) under Grant Number SINLEC17GR0084 for the Legal Education Support Program – Afghanistan II. The audit covers the period April 1, 2017 through June 30, 2019.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and 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 from the University of Washington, the Special Inspector General for Afghanistan Reconstruction and the U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs. Management of UW has prepared responses to the findings identified during our audit and those responses are included as part of this report. The responses have not been audited and we express no opinion on them.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

Background

On March 22, 2017, the United States Department of State (DOS) awarded Grant Number SINLEC 17GR0084 (Grant) to the University of Washington (UW) to support the Legal Education Support Program – Afghanistan II (LESPA II) at public universities in Afghanistan. The Grant is administered by the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL). LESPA II is intended to provide opportunities for university law faculty members to develop skills in spoken and written English, critical thinking and legal analysis, and legal research and writing. In addition, the program seeks to improve pedagogical methods by emphasizing practical skills and experiential legal education. The objectives associated with LESPA II include:

- Increase the number of Afghan Law and Politics and Sharia professors with advanced graduate degrees;
- Increase the number of Afghan Law and Politics and Sharia professors with improved pedagogical skills as a result of study at UW;
- Increase the number of Afghan professors and students able to conduct publishable research and writing projects;
- Increase the number of Afghan Law and Politics and Sharia professors and students participating in clinical legal education experiences;
- Improvement in the curriculum, research and teaching methodology at Herat University;
- Increase in the number of Afghan legal practitioners prepared and qualified to study in the United States or other international law programs taught in English;
- Increase in the quality of research and writing in Afghan Law and Politics and Sharia faculties; and
- Increase in international Muslim scholarship interest in and interaction with Afghan law and legal education.

The Grant was awarded in the original amount of \$7,000,000 plus \$243,534 in cost sharing. The period of performance was from April 1, 2017 through March 31, 2020. The Grant was modified once to realign the budget and approve a reduction in the cost sharing amount from \$243,534 to \$214,871 due to a revised Negotiated Indirect Cost Rate Agreement (NICRA). The period of performance was not modified.

Our audit procedures reviewed \$4,258,262 in expenses, which includes \$124,808 in cost-sharing, for the period April 1, 2017 through June 30, 2019.

According to UW's **website**, the UW School of Law was founded in 1885 and became a member of the Association of American Law Schools in 1909. The School of Law is fully accredited by the American Bar Association (ABA). The vision of the school is to shape and define just and sustainable laws and policies through scholarly discovery, ethical advocacy, inspired teaching, and generous public service.

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Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct a financial audit of UW's Special Purpose Financial Statement (SPFS) for the period April 1, 2017 through June 30, 2019. Total costs reported by UW and subject to audit during this period were \$4,258,262, which includes \$124,808 in cost-sharing.

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

The objectives of the audit include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion as to whether **UW's SPFS** for the Grant presents fairly, in all material respects, revenues received, 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.
- *Internal Controls* – **Evaluate and obtain a sufficient understanding of UW's internal control** related to the Grant; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether UW 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 award 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 UW 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 the actual costs incurred of \$4,258,262, which includes \$124,808 of cost sharing. The period of performance of the Grant is not yet complete. Our testing of the indirect cost rates was limited to verifying that the rates were calculated using the rates approved by the U.S. Department of Health and Human Services.

Methodology

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

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Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

Entrance Conference

An entrance conference was held via conference call on October 7, 2019. Participants included representatives of Davis Farr, UW, SIGAR and the DOS.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of UW;
- Reviewed the Grant and all modifications to date;
- Reviewed section of the 2 Code of Federal Regulations (CFR) Section 200 Subpart E – *Cost Principles*, as applicable to the Grant;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high, moderate or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:
 - For accounts that appear to contain unallowable and restricted items according to the terms of the Grant, 2 CFR 200 Subpart E, and any other applicable regulations, we sampled 100% of the transactions.
 - For high risk cost categories, we sampled transactions greater than \$21,200, and additional transactions below \$21,200 to ensure that at least 50% of the total amount expended for each cost category was sampled.
 - For moderate risk categories, we sampled transactions that are greater than \$42,400, and additional transactions below \$42,400 to ensure at least 20% of the total amount expended for each cost category was sampled.
 - Low risk categories consisted solely of retirement and benefits, and indirect cost. No sample was selected as we tested the proper application of the indirect cost rates. This included reviewing the retirement and benefits rates, and approved indirect cost **rates to ensure that UW's** invoices did not exceed these provisional rates.

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Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

Internal Control Related to the SPFS

We reviewed UW's internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by UW and conducted testing of select key controls to understand if they were implemented as designed and operating effectively.

Compliance with Grant Requirements and Applicable Laws and Regulations

We reviewed the Grant and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Grant requirements and laws and regulations.

Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, UW and DOS and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Grant, modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Grant and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on February 4, 2020 via conference call. Participants included representatives from Davis Farr, UW, SIGAR and DOS. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

Summary of Results

Our audit of the costs incurred by UW under the Grant with DOS identified the following matters. Findings are classified as either 1.) internal control, 2.) noncompliance, or 3.) a combination of internal control and noncompliance.

Auditor’s Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. We also identified \$30,931 of questioned costs under the Grant. A summary of findings and questioned costs is described in the next section.

Summary of Findings and Questioned Costs

Finding Number	Nature of Finding	Matter	Questioned Costs	Total Cumulative Questioned Costs
2020-01	Noncompliance	Costs charged for unoccupied rental units	\$18,899	\$18,899
2020-02	Noncompliance	Unallowable participant support costs incurred for travel	\$6,786	\$25,685
2020-03	Internal control – significant deficiency Noncompliance	Unsupported costs for travel and supplies	\$2,321	\$28,006
2020-04	Internal control – significant deficiency Noncompliance	Unsupported lodging costs	\$2,500	\$30,506
2020-05	Internal control – significant deficiency	Incorrectly calculated mileage reimbursement	\$344	\$30,850
2020-06	Internal control – significant deficiency	Unsupported currency conversion	\$81	\$30,931

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered UW’s **internal control over financial reporting and performed tests of**

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

those controls. The results of our tests disclosed four internal control weaknesses required to be reported under *Government Auditing Standards*. **See Independent Auditor’s Report on Internal Control** on page 15.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of the Grant and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed four instances of noncompliance related **to this audit. See 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*. Evidence of such items was not identified by our testing.

Review of Prior Findings and Recommendations

We requested from UW, SIGAR and the DOS copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to **UW’s activities** under this Grant. **We identified one internal audit report of the financial operations of UW’s School of Law for the period January 1, 2017 through May 31, 2018 that identified nine findings, eight of which could have a material effect on the SPFS or other financial data significant to the audit objectives.**

We performed follow-up procedures, tested transactions and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that UW has taken adequate corrective action on seven of the eight findings. The remaining finding relates to a lack of adequate documentation supporting transactions. This same issue was noted in our audit and reported in Findings 2020-03, 2020-04 and 2020-06. See the Status of Prior Findings on page 19 for a detailed description of the prior findings and recommendations.

Summary of UW’s Responses

The Following represents a summary of the responses provided by UW to the findings identified in this report. The complete responses received can be found in Appendix A to this report.

- Finding Number 2020-01: UW disagreed with this finding indicating that it was more cost effective to enter into one-year leases for participants of the LESPA Program that to provide housing for participants on an as needed basis. UW further indicated that having the participants live in close proximity to each other and close to the University allowed the participants to form a community and to help each other with the culture shock of relocating to a new county.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

For the Period April 1, 2017 through June 30, 2019

- Finding Number 2020-02: UW disagreed with this finding indicating that one of the core deliverables of the Grant was to increase female participation. In order to increase female participation, **UW had to pay for “mahram” travel costs to allow females from other provinces** to participate in programs in Kabul, Afghanistan. UW also disagrees with the effect that **charging “mahram” costs raises the possibility of other unallowable costs being charged to the Grant.**
- Finding Number 2020-03: UW agreed with this finding.
- Finding Number 2020-04: UW disagreed with this finding indicating that while the finding itself is factually correct, we did not take into consideration that the alternate accommodations were requested by participants due to personal safety concerns and not wanting to stay at hotels that were regularly used by foreigners and perceived as a high profile target. UW acknowledged that they do not have documentation to support whether the participants incurred cost of at least the \$25 stipend amount or a policy that supports the amount of the stipend itself.
- Finding Number 2020-05: UW agreed with this finding.
- Finding Number 2020-06: UW agreed with this finding.

INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT

University of Washington
4333 Brooklyn Avenue NE
Seattle, Washington 98195

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of the University of Washington (UW) under Grant Number SINLEC17GR0084 (Grant) with the United States Department of State (DOS), administered by the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL) to support the Legal Education Support Program – Afghanistan II (LESPA II) at public universities in Afghanistan for the period April 1, 2017 through June 30, 2019, and the related notes to the Special Purpose Financial Statement.

Management's Responsibility 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 methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Special Purpose Financial Statement) that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on **the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial 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 Special Purpose Financial Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

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2530 Crystal Drive
Arlington, Virginia 22202

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 Special Purpose Financial Statement.

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

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by UW under the Grant for the period April 1, 2017 through June 30, 2019 in accordance with the basis of accounting described in Note 2.

Restriction on Use

This report is intended for the information of UW, DOS, 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. Financial information in this report may be privileged. The restrictions of 18 USC 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 2, 2020 on our consideration of UW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UW's internal control over financial reporting and compliance.



Irvine, California
April 2, 2020

UNIVERSITY OF WASHINGTON
Grant No. SINLEC17GR0084
Legal Education Support Program - Afghanistan II (LESPA II)

Special Purpose Financial Statement

For the Period April 1, 2017 through June 30, 2019

	Budget	Actual	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
SINLEC17GR0084	<u>\$ 7,000,000</u>	<u>\$ 4,133,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(3)
Total revenues	<u>7,000,000</u>	<u>4,133,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Personnel	1,067,101	621,179	-	-	-	
Fringe benefits	336,015	193,557	-	-	-	
Travel	1,330,109	806,009	25,685	5,172	30,857	(A)
Supplies	124,475	52,777	-	17	17	(B)
Contractual	1,830,133	1,203,483	-	38	38	(C)
Other direct costs	1,569,616	825,619	-	-	-	
Indirect costs	<u>742,551</u>	<u>430,830</u>	<u>-</u>	<u>19</u>	<u>19</u>	(4),(D)
Total costs incurred	<u>7,000,000</u>	<u>4,133,454</u>	<u>25,685</u>	<u>5,246</u>	<u>30,931</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,685)</u>	<u>\$ (5,246)</u>	<u>\$ (30,931)</u>	(5),(E)
Cost-sharing	<u>\$ 214,871</u>	<u>\$ 124,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

Notes to Special Purpose Financial Statement¹

For the Period April 1, 2017 through June 30, 2019

(1) Background

On March 22, 2017, the United States Department of State (DOS) awarded Grant Number SINLEC 17GR0084 (Grant) to the University of Washington (UW) to support the Legal Education Support Program – Afghanistan II (LESPA II) at public universities in Afghanistan. The Grant is administered by the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL). LESPA II is intended to provide opportunities for university law faculty members to develop skills in spoken and written English, critical thinking and legal analysis, and legal research and writing. In addition, the program seeks to improve pedagogical methods by emphasizing practical skills and experiential legal education. The objectives associated with LESPA II include:

- Increase the number of Afghan Law and Politics and Sharia professors with advanced graduate degrees;
- Increase the number of Afghan Law and Politics and Sharia professors with improved pedagogical skills as a result of study at UW;
- Increase the number of Afghan professors and students able to conduct publishable research and writing projects;
- Increase the number of Afghan Law and Politics and Sharia professors and students participating in clinical legal education experiences;
- Improvement in the curriculum, research and teaching methodology at Herat University;
- Increase in the number of Afghan legal practitioners prepared and qualified to study in the United States or other international law programs taught in English;
- Increase in the quality of research and writing in Afghan Law and Politics and Sharia faculties; and
- Increase in international Muslim scholarship interest in and interaction with Afghan law and legal education.

The Grant was awarded in the original amount of \$7,000,000 plus \$243,534 in cost sharing. The period of performance was from April 1, 2017 through March 31, 2020. The Grant was modified once to realign the budget and approve a reduction in the cost sharing amount from \$243,534 to \$214,871 due to a revised Negotiated Indirect Cost Rate Agreement (NICRA). The period of performance was not modified.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for LESPA II for the period April 1, 2017 through June 30, 2019. Because the SPFS presents only a selected portion of the operations of UW, it is not intended to and does not present the financial position, changes in financial position, or cash flows of UW. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned Grant.

¹ The Notes to the Special Purpose Financial Statement with a numeric identifier are the responsibility of UW.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Notes to Special Purpose Financial Statement

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Expenditures reported on the SPFS are required to be presented in accordance with accounting principles generally accepted in the United States of America and, therefore, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200 Subpart E – *Cost Principles*.

Currency

All amounts presented are shown in U.S. dollars, the reporting currency of UW. UW incurred costs during the period April 1, 2017 through June 30, 2019, which were paid in the Afghan afghanis, for costs incurred in Afghanistan, and the Indonesian rupiah for costs incurred in Indonesia. UW converts any expenses that were paid in other than U.S. dollars into U.S. dollars by using an online currency converter tool that it subscribes to which obtains market information from around the world to identify conversion rates.

(3) Revenue

As of June 30, 2019, UW has reported \$4,133,454 in revenue, of which \$4,009,759 has been received from DOS as reimbursement under the Grant. The difference of \$123,695 represents amounts due from DOS under the Grant which will be reimbursed in the future.

(4) Indirect Costs

UW's indirect costs were reviewed and approved by the U.S. Department of Health and Human Services in its Colleges and Universities Rate Agreement dated July 1, 2017. The following indirect cost rates were applicable to the Grant:

<u>Description</u>	<u>Indirect Cost Rate</u>
On-campus costs	37.00%
Off-campus costs	25.00%

(5) Outstanding Fund Balance

As of February 29, 2016, there was no outstanding fund balance under the Contract as the SPFS is prepared under the accrual basis of accounting described in Note 2.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Notes to Special Purpose Financial Statement

(Continued)

(6) Subsequent Events

UW has evaluated subsequent events through April 2, 2020, which is the date the SPFS was available to be issued. There were no events subsequent to this date that would impact the SPFS.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

For the Period April 1, 2017 through June 30, 2019

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are explicitly questioned because they are 1.) unreasonable, 2.) prohibited by the Contract, 3.) prohibited by applicable laws and regulations, or 4.) not Grant related. Unsupported costs are 1.) not supported with adequate documentation or 2.) did not have required prior approvals or authorizations.

(A) Travel

UW reported travel costs in the amount of \$806,009 for the period April 1, 2017 through June 30, 2019. During our audit of these costs, we noted the following, which resulted in both ineligible and unsupported costs. See Findings 2020-01 through 2020-06.

<u>Finding Number</u>	<u>Observation</u>	<u>Questioned Costs</u>		
		<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>
2020-01	Unoccupied rental units	\$18,899	\$ -	\$18,899
2020-02	Travel costs paid for dependents	6,786	-	6,786
2020-03	Unsupported airfare	-	2,287	2,287
2020-04	Unsupported lodging costs	-	2,500	2,500
2020-05	Incorrect mileage reimbursement	-	344	344
2020-06	Incorrect currency conversion	-	41	41
Total questioned costs		<u>\$25,685</u>	<u>\$5,172</u>	<u>\$30,857</u>

(B) Supplies

UW reported supplies costs of \$52,777 for the period April 1, 2017 through June 30, 2019. During our audit of these costs, we noted that one transaction in the amount of \$17 was not adequately supported, which has been questioned. See Finding Number 2020-03.

(C) Contractual

UW reported contractual costs of \$1,203,483 for the period April 1, 2017 through June 30, 2019. During our audit of these costs, supporting documentation was not provided for the currency conversion of \$38, and thus is considered to be an unsupported questioned cost. This amount has been questioned as unsupported. See also Note C for associated indirect costs.

² The Notes to Questioned Costs presented on the Special Purpose Financial Statement with an alphabetical identifier were prepared by Davis Farr LLP for information purposes only and as such are not a part of the audited Special Purpose Financial Statement.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Notes to Questioned Costs Presented on the Special Purpose Financial Statement

(Continued)

(D) Indirect Costs

UW reported indirect costs in the amount of \$430,830 for the period April 1, 2017 through June 30, 2019. The indirect cost rates described in Note 4 were applied to the associated questioned costs identified in Note B, which resulted in unsupported questioned indirect costs of \$2.

(E) Outstanding Fund Balance

The total outstanding fund balance as of September 30, 2019 in the amount of \$(30,931) represents the total questioned costs, consisting of \$(25,685) of ineligible costs and \$(5,246) of unsupported costs.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

University of Washington
4333 Brooklyn Avenue NE
Seattle, Washington 98195

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

We have audited the accompanying Special Purpose Financial Statement of the University of Washington (UW) under Grant Number SINLEC17GR0084 (Grant) with the United States Department of State (DOS), administered by the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL) to support the Legal Education Support Program – Afghanistan II (LESPA II) at public universities in Afghanistan for the period April 1, 2017 through June 30, 2019, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated April 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered UW's internal control over financial reporting (internal control) to determine the audit procedures that were 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 **UW's internal control**. **Accordingly, we do not express an opinion on the effectiveness of UW'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

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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. We did identify certain deficiencies in internal control, described in the accompanying Detailed Audit Findings as Finding Numbers 2020-03, 2020-04, 2020-05 and 2020-06 that we consider to be significant deficiencies.

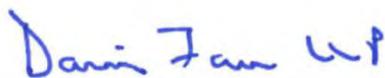
UW's Response to Findings

UW's response to the finding identified in our audit is included verbatim in Appendix A. UW'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 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.

This report is intended for the information of UW, DOS, 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. 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.

A handwritten signature in blue ink that reads "Dan Jan" followed by a stylized mark.

Irvine, California
April 2, 2020

REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

University of Washington
4333 Brooklyn Avenue NE
Seattle, Washington 98195

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

We have audited the accompanying Special Purpose Financial Statement of the University of Washington (UW) under Grant Number SINLEC17GR0084 (Grant) with the United States Department of State (DOS), administered by the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL) to support the Legal Education Support Program – Afghanistan II (LESPA II) at public universities in Afghanistan for the period April 1, 2017 through June 30, 2019, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated April 2, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UW's **Special Purpose Financial Statement** is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned Grant, noncompliance with which could have a direct and material effect on the determination of Special Purpose 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 Detailed Audit Findings and Finding Numbers 2020-01, 2020-02, 2020-03 and 2020-04.

UW's Response to Findings

UW's **response to the finding** identified in our audit is included verbatim in Appendix A. UW'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.

University of Washington
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Arlington, Virginia 22202

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 internal control. Accordingly, this communication is not suitable for any other purpose.**

This report is intended for the information of UW, DOS, 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. 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.

A handwritten signature in blue ink that reads "David Fane WP".

Irvine, California
April 2, 2020

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

For the Period April 1, 2017 through June 30, 2019

Finding 2020-01: Costs Charged for Unoccupied Rental Units

Nature of Finding:
Noncompliance

Condition:

UW entered into rental agreements whereby it rented units from University Property V, LLC, an unrelated entity, to serve as housing for Afghanistan participants in the LESPA II program. The rental agreements were for a 10-month or one-year period, depending upon the unit. There were between 4 and 12 units rented continuously throughout the audit period. During the period of April 1, 2017 through June 30, 2019, there were 24 instances in which one or more units was unoccupied for one month or more, but, nevertheless, the monthly cost of the unit was billed to the Grant. This circumstance resulted in an overstatement of \$18,899 in contractual costs. These unoccupied units did not benefit the Grant.

Cause:

UW indicated that it believes it was more cost effective to enter into long-term rental agreements than other options in order to provide housing for the LESPA II participants that were taking classes at UW. On occasion, participants did not **arrive in the United States in time to meet UW's** academic deadlines. When this happened, UW attempted to sublet the empty unit. If UW was able to sublet the unit, any rental income received was credited back to the Grant. If UW was not able to sublet the unit, then the Grant was charged for the unoccupied unit.

Criteria:

2 CFR Subpart E, *Cost Principles*, §200.405, *Allocable costs*, states, in part:

“(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received...”

Effect:

UW's approach to housing prompted the U.S. Government to pay for vacant apartments, which is a waste of taxpayer money. This resulted in the reimbursement of costs that do not benefit the Grant or Program.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Questioned Costs:

Total questioned costs resulting from the unoccupied rental units being charged to the Grant is \$18,899. UW does not allocate indirect costs to housing for participants, thus there is no associated questioned indirect costs.

Recommendation:

- (1) We recommend that UW either provide adequate documentation to support how the payment of unoccupied housing units benefitted the LEPSA II Program, or return \$18,899 to the U.S. Government.
- (2) We recommend that UW establish procedures to remove the cost of unoccupied rental units from the costs submitted for future reimbursement under the Grant in accordance with the Code of Federal Regulations.
- (3) We recommend that UW consider modifying its existing procedures to not provide housing for a participant until such time that the participant has proven they are able to travel to the United States as planned.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Finding 2020-02: Unallowable Participant Support Costs Incurred for Travel

Nature of Finding:
Noncompliance

Condition:

During our testing of 322 travel transactions in the total amount of \$596,393, we noted 39 instances, totaling \$6,786, in which UW charged airfare for family members of female participants to the Grant. The airfare consisted of airfare for "mahrams" in the amount of \$6,759, and lap-infant upcharges in the amount of \$27. The airfare was for travel solely within Afghanistan. UW did not seek the guidance or approval of the DOS as to the allowability of these costs prior to incurring them and submitting them for reimbursement.

Cause:

In an effort to increase female participation in the LESPA II Program, UW allowed female participants **from Afghanistan to be accompanied by a "mahram" and** charged the "mahram's" travel costs to the Grant. Under Islam, a female that travels for a period of longer than one day and one night must have a "mahram" accompany them. **A "mahram" is a person who cannot marry the woman forever as it would be considered illegal. From the woman's perspective, her "mahram" can be her father (and father's father, etc.), her sons (and her son's sons, etc.) her brothers, her brother's and sister's sons (and their son's sons, etc.), her uncles, male attendants having no physical desire, or children who are not yet aware of the private aspects of women.**¹ UW did not obtain prior approval before charging "mahram" costs.

Criteria:

2 CFR 200 Subpart A, *Acronyms and Definitions*, §200.75, *Participant support costs*, states:

"Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects."

2 CFR 200 Subpart E, *Cost Principles*, §200.456, *Participant support costs*, states:

"Participant support costs as defined in §200.75 Participant support costs are allowable with the prior approval of the Federal awarding agency."

¹ Description of "mahram" taken from www.islam.stackexchange.com, which is a question and answer site for Muslims, experts in Islam and those interested in learning more about Islam.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

2 CFR 200 Subpart E, *Cost Principles*, §200.407, *Prior written approval (prior approval)*, states, in part:

“Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part: ...

(u) §200.456 Participant support costs;...

(y) §200.474 Travel costs.”

Effect:

UW’s approach of charging explicitly unallowable “mahram” and dependent costs to the Grant results in the U.S. Government paying for unallowable costs. Additionally, charging unallowable costs raises concerns about the propriety of UW’s billing and the extent of such charges. It also raises concerns that other unallowable costs may have been incurred and billed to the U.S. Government.

Questioned Costs:

Total questioned costs resulting from the unallowable travel for dependents being charged to the Grant is \$6,786. UW does not allocate indirect costs to travel for participants, thus there is no associated questioned indirect costs.

Recommendation:

- (1) We recommend that UW either provide adequate documentation to support that DOS granted prior approval for travel costs for **“mahrams” and/or** dependents to be charged to the Grant, or return \$6,786 to the U.S. Government.
- (2) We recommend that UW establish a policy that requires consultations with the DOS Grant Officer prior to incurring any costs that are not expressly allowable per the terms of the Grant.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Finding 2020-03: Unsupported Costs for Travel and Supplies

Nature of Finding:

Internal control – significant deficiency
Noncompliance

Condition:

During our testing of 322 travel transactions in the total amount of \$596,393, and 51 of supplies in the total amount of \$19,912, we noted the following for which there was no documentation provided to support the cost incurred.

<u>Cost Category</u>	<u>Unsupported Costs</u>	
	<u>No of Transactions</u>	<u>Amount</u>
Travel	17	\$2,287
Supplies	<u>1</u>	<u>17</u>
Total unsupported costs	<u>18</u>	<u>\$2,304</u>

Cause:

For one of the instances, the participant lost the airfare receipt before it was given to UW for reimbursement. In the other 17 instances, UW was unable to locate the supporting documentation indicating that it may have been misfiled.

Criteria:

2 CFR Subpart E, *Cost Principles*, §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: ...

(g) Be adequately documented...”

2 CFR Subpart D, *Post Federal Award Requirements*, §200.333, *Retention requirements for records*, states, in part:

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

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Effect:

The lack of supporting documentation raises doubts about whether the costs charged were accurate as to amount or occurrence, properly authorized and related to the LESPA II Program. The U.S. Government may have been charged for unallowable, unreasonable or improperly allocated costs.

Questioned Costs:

Total questioned costs resulting from unsupported transactions being charged to the Grant were \$2,536, including associated indirect costs of \$17 as follows:

<u>Cost Category</u>	<u>Questioned Costs</u>	<u>Associated Questioned Indirect Costs</u>	<u>Total Questioned Costs</u>
Travel	\$2,287	\$17	\$2,304
Supplies	<u>17</u>	<u>0</u>	<u>17</u>
Totals	<u>\$2,304</u>	<u>\$17</u>	<u>\$2,321</u>

Recommendation:

- (1) We recommend that UW either provide adequate documentation to support the costs incurred, or return \$2,321 to the U.S. Government.
- (2) We recommend that UW establish procedures and instruct management to ensure that if costs are incurred, recorded in its general ledger, and included on the SPFS, that adequate documentation be retained and made available for audit when requested by the U.S. Government or its representatives in accordance with the Code of Federal Regulations.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Finding 2020-04: Unsupported Costs for Alternate Accommodations

Nature of Finding:

Internal control – significant deficiency
Noncompliance

Condition:

During our testing of 322 transactions related to travel, we noted 71 individuals, representing a total of 100 nights with alternate accommodations totaling \$2,500, in which UW claimed costs for the alternative accommodations for LESPA II participants when attending a conference. These alternate accommodations could take the form of a participant staying at a friend's or relative's house, or choosing to stay at a hotel different than the one offered through the program. No documentation was provided to support the actual lodging costs incurred, or the various rationales about why participants sought alternate accommodations. The only documentation provided was testimonial evidence that a \$25 stipend was paid to these individuals that chose to stay elsewhere. UW does not have a written policy outlining payment for these alternate lodging accommodations.

Cause:

Per discussions with UW management, participants could request alternate accommodations, such as staying with a family member or in another hotel of their choosing for the conference. If a participant stayed in alternate accommodations, UW provided a \$25 stipend to the participant for each night they found alternative accommodations.

Criteria:

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

(g) Be adequately documented..."

Effect:

The lack of supporting documentation raises doubts about whether the costs charged were accurate as to amount or occurrence, properly authorized and related to the LESPA II Program. The U.S. Government may have been charged for unallowable, unreasonable or improperly allocated costs.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Questioned Costs:

Total questioned costs resulting from the unsupported alternate lodging accommodations for participants to the Grant is \$2,500. UW does not allocate indirect costs to lodging for participants, thus there is no associated questioned indirect costs.

Recommendation:

- (1) We recommend that UW either provide adequate documentation to support the costs incurred, or return \$2,500 to the U.S. Government.
- (2) We recommend that UW establish a written policy which documents the procedures for a LESPA II participant to elect alternate accommodations when attending a conference, and the basis for authorization of the payment of a stipend for such alternate accommodations.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Finding 2020-05: Incorrectly Calculated Mileage Reimbursement

Nature of Finding:

Internal control – significant deficiency

Condition:

During our testing of 322 transactions related to travel, we noted 20 instances in which the mileage reimbursement was incorrectly calculated, which resulted in an overstatement of travel costs by \$344. UW has a written policy which documents specific mileage reimbursement amounts between Kabul and various provinces and universities throughout Afghanistan. The variances identified represent instances where the amounts reimbursed were in excess of the written policy.

Cause:

The incorrect mileage reimbursement amount was reported due to clerical error when inputting the reimbursement amount from the written policy.

Criteria:

2 CFR Subpart E, *Cost Principles*, §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: ...

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

(g) Be adequately documented...”

2 CFR Subpart E, *cost Principles*, §200.474, *Travel costs*, states, in part:

“(a) *General*. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal **entity’s non-federally-funded** activities and in accordance with non-**Federal entity’s** written travel reimbursement policies...”

University of Washington School of Law, Legal Education Support Program-Afghanistan, *Approved Transportation Rate for Universities*, states, in part:

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

No.	Province/University to/from Kabul	Distance from Kabul in KM	Estimated Per diem rate in USD
1	FARYAB	716	90
2	HELMAND	686	90
3	JAWZJAN	565	70
4	BADAKHSHAN	500	80
5	KANDAHAR	495	70
6	BALKH	445	50
7	TAKHAR	380	70
8	KUNDUZ	334	60
9	KUNAR	243	60
10	KHOST	228	50
11	BAGHLAN	219	45
12	NANGARHAR	199	35
13	PAKTIA	138	35
14	PANJSHIR	130	30
15	GHAZNI	130	40
16	KAPISA	120	25
17	PARWAN	115	20
18	BAMYAN	127	40

Effect:

Not charging the correct mileage reimbursement amounts to the Grant can result in the U.S. Government paying for unallowable costs.

Questioned Costs:

Total questioned costs resulting from incorrect mileage reimbursement calculations to the Grant is \$344. UW does not allocate indirect costs to lodging for participants, thus there is no associated questioned indirect costs.

Recommendation:

- (1) We recommend that UW return \$344 to the U.S. Government.
- (2) We recommend that UW provide training to employees responsible for reviewing requests for mileage reimbursement to reinforce that all reimbursement requests are in accordance with UW's established written policy to prevent reoccurrence.

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Finding 2020-06: Unsupported Currency Conversion

Nature of Finding:
Internal control – significant deficiency

Condition:
UW provided receipts in a foreign currency for 196 transactions tested. **On each receipt, UW’s Afghan contractors would hand write the amount in U.S. dollars, but there was no support provided for how the currency conversion was calculated. As such, we recalculated all 196 unsupported conversions and noted that of the 196 transactions, 8 transactions, totaling \$79, were not converted correctly to U.S. dollars.**

Cause:
Because the Afghan contractors are used to converting various currencies into U.S. dollars, they perform all of the currency conversions mentally and just write down their result, whether it is correct or not, in U.S. dollars.

Criteria:
2 CFR Subpart E, *Cost Principles*, §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: ...

(g) Be adequately documented...”

Effect:
Not correctly converting foreign currency into U.S. dollars can result in incorrect amounts being billed under the Grant and subsequently reimbursed by the U.S. Government.

Questioned Costs:
Total questioned costs, including applicable indirect costs, resulting from incorrect currency conversions charged to the Grant is \$81 as follows.

	<u>Cost Category</u>		<u>Total</u>
	<u>Travel</u>	<u>Contractual</u>	
Excess cost due to currency conversion	\$41	\$38	\$79
Indirect costs	<u>0</u>	<u>2</u>	<u>2</u>
Total questioned costs	<u>\$41</u>	<u>\$40</u>	<u>\$81</u>

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Detailed Audit Findings

(Continued)

Recommendation:

- (1) We recommend that UW either provide adequate documentation to support that the currency conversion for the questioned transactions was correct, or return \$81 to the U.S. Government.
- (2) We recommend that UW implement procedures to require the Afghan contractors to document the actual currency conversion and retain evidence of the calculation for future audit purposes.
- (3) We recommend that UW implement procedures to required a supervisor or other individual review the currency conversions to ensure they are calculated correctly.
- (4) We recommend that UW provide training to the Afghan contractors to ensure the new procedures over documenting currency conversion are properly implemented

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under Grant No. SINLEC17GR0084 Legal Education Support Program – Afghanistan II (LESPA II)

Status of Prior Audit Findings

For the Period April 1, 2017 through June 30, 2019

We requested from UW, SIGAR and the DOS copies of any prior engagements including audits, reviews, attestation **engagements and other studies that relate to UW's activities under this Grant.** We identified one internal audit report that contained nine findings, eight of which could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We have performed follow up procedures including discussion with management, reviewed the revised policies and procedures and conducted testing of similar areas surrounding these issues during our current audit. Accordingly, we have concluded that UW had taken adequate corrective actions on seven of the eight findings. The remaining finding relates to a lack of adequate documentation supporting transactions. This same issue was noted in our audit and reported in Findings 2020-03, 2020-04 and 2020-06. The summary of prior audit findings are listed below:

UW Internal Audit Report 2018-005 on the Financial Operations of the School of Law for the period January 1, 2017 through May 31, 2018

- Finding 1 (Check Receipts): The internal audit noted that there were not adequate controls over the processing and security of checks received. Additionally, there was a lack of segregation of duties in that one individual was responsible for the entire cash receipt process.

Status: A new cash handling policy was developed and implemented that improved the controls over the security and processing of checks received, and also realigned cash receipt duties to remove the lack of segregation of duties. As such, the corrective action has been adequately implemented.

- Finding 2 (Effort Reporting): The internal audit report identified four Faculty Effort Reports (FECs) that were not certified and two quarterly Grant & Contract Certification Reports (GCCRs) that were submitted late.

Status: During our testing of payroll transactions and reporting, we reviewed the FECs and GCCRs and noted that the reports were properly certified and submitted in a timely manner. As such, the corrective action has been adequately implemented.

- Finding 3 (Financial Management Oversight): The internal audit report noted that the School of Law does not have a formal documented process for performing and confirming completion of monthly financial reports.

Status: We observed a Senior Auditor in the Internal Audit Department access the internal audit tracking system and confirmed that a policy over financial reporting has been prepared and implemented. As such, the corrective action has been adequately implemented.

- Finding 4 (Budget Reconciliations): The internal audit report noted that Budget Activity Reports (BARs) were not reconciled and reviewed in a timely manner.

Status: We observed a Senior Auditor in the Internal Audit Department access the internal audit tracking system and confirmed that BARs are sent monthly and email communications

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Status of Prior Audit Findings

(Continued)

from the budget managers document evidence of review. As such, the corrective action has been adequately implemented.

- Finding 5 (Procurement): The internal audit report noted several instances where transactions were not properly supported, not authorized, charged to an incorrect budget, and one individual approved their own procurements.

Status: During our testing of transactions associated with this audit, we noted several instances where adequate supporting documentation was not provided. As such, the corrective action has not been adequately implemented.

- Finding 6 (Library Checking Account): The internal audit report noted that a checking account maintained by the Law Library did not have proper oversight. Specifically, the account had missing checks and statements, and had a password security issue.

Status: We observed a Senior Auditor in the Internal Audit Department review a bank reconciliation and noted that the checking account was being properly reviewed. As such, the corrective action has been adequately implemented.

- Finding 8 (Expense Transfer Approvals): The internal audit report noted that several expense transfers did not contain proper approvals for the transfer of the expense from one budget to another.

Status: During our testing of transactions associated with this audit, all transactions reviewed contained proper approvals. As such, the corrective action has been adequately implemented.

- Finding 9 (Law Library Procurement): The internal audit report identified a lack of segregation of duties surrounding preparing invoices for payment, authorizing and submitting invoices for payment.

Status: During our testing of transactions associated with this audit, all transactions reviewed contained proper approvals, which evidenced proper segregation of duties. As such, the corrective action has been adequately implemented.



19 March 2020

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In reference to the University of Washington financial audit of costs incurred under Grant #SINLEC17GR0084 Legal Education Support Program-Afghanistan II (LESPA II) for the period April 1, 2017- June 30, 2019, I am providing the following responses:

Overall Comment

We are pleased that the auditors found issue with less than 0.8% of the \$4.25 million of costs they reviewed, and we would like to record our thanks to them for the courteous and professional way they approached this engagement. They kept us informed at every stage of the audit, and none of the reported findings come as a surprise to us.

We acknowledge that the terms of the engagement required them to audit the award to the requirements of the Code of Federal Regulations (CFR). Nonetheless we feel that more appreciation of the challenges of working in an active war zone in a developing country with very different cultural norms to what was intended by the CFR, would have avoided most of the issues and questioned costs. With this in mind, we offer the following comments on the six findings:

Finding 2020-01: Unoccupied Rental Units

While we acknowledge the finding that we charged the award \$18,899 for empty rental units, we disagree that these charges represented no benefit to the grant.

Our agreement with University Property LLC required us to enter into one year leases for participant units. Sometimes, however, due to visa issuance problems (delay or denial), we were unable to have the apartments fully occupied by LESPA participants. At the start of each quarter when it became clear that a visa would not be issued in time to permit the identified participant to arrive in time to meet academic deadlines, every effort was made to sublease empty units.

Based on experiences of other programs bringing Afghan professionals to the U.S. for extended study, and from participant feedback, LESPA (with INL support), made the programmatic determination that it was optimal for the participants to be housed in individual units in two adjacent apartment buildings in close proximity to the University in order to support one another, cook and share meals together, and form a community here; this is vital for participants from a village and extended family-oriented culture dealing with the culture shock of relocating to a new

country and regularly facing new challenges. During most of this period participants overlapped; participants who had been in residence for at least three months were able to help new participants adjust to life in an apartment, at UW, and in Seattle.

We maintain this was the most economical housing alternative, even though on occasion some units were not occupied. The cost of housing a participant at a local hotel (the only reliably available short-notice, varied term housing option) for one month would have cost between \$5,500 and \$7,500 based on the GSA nightly per diem for Seattle, depending on the month. The monthly cost of an apartment during the same time period was \$815. Participants would have ended up living in isolation all over the city and there may also have been additional transportation costs in getting them to and from campus each day. The following table illustrates the savings to the program from adapting this approach:

	Total Rent Paid	Estimated Alternative Accommodation Costs - note 1	Savings Achieved
2017	\$65,305	\$288,906	\$223,601
2018	\$125,837	\$668,207	\$542,370
2019	<u>\$49,899</u>	<u>\$259,119</u>	<u>\$209,220</u>
Totals	\$241,041	\$1,216,232	\$975,191

Note 1 Based on actual nights x *lowest monthly rate* (2017-2018 - \$179 because no rent was charged to grant prior to June 2017; 2018 - \$189). June-October the rates would be higher

2 CFR 200.404 states that ‘ *A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.*’

https://www.ecfr.gov/cgi-bin/text-idx?SID=5bc3b0ce0e1aa5e3cbf12a24c87e71ac&mc=true&node=se2.1.200_1404&rgn=div8

We contend our approach of renting apartments for the year to achieve the lowest monthly rate available close to campus had not only programmatic benefits, but also represented a significant saving to the US government, which allowed more funds to be available for the programmatic objectives of the grant. It seems unfair to penalize the University for having potentially saved the US Government \$975,000.

Finding 2020-02: Unallowable Participant Support Costs Incurred for Travel

We disagree with the finding that these costs are unallowable for the very reasons the auditors state in their “cause” statement. Increasing female participation in the LESPA program is one of the core deliverables of the award, and it was necessary to pay “Mahram” travel costs to have female participants from other provinces participate in our Afghanistan programs.

CFR 200.404 (b) allows a cost to be reasonable if it is necessary to comply with ‘*restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, **local, tribal, and other laws and regulations**; and terms and conditions of the Federal award*’.

<https://www.govinfo.gov/content/pkg/CFR-2016-title2-vol1/pdf/CFR-2016-title2-vol1-sec200-404.pdf>

2 CFR 200.405 Allocable Costs states that: *a cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or **cost objective in accordance with relative benefits received**. This standard is met if the cost:*

- (1) Is incurred specifically for the Federal award;*
- (2) **Benefits both the Federal award** and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
- (3) **Is necessary** to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.*

https://www.ecfr.gov/cgi-bin/text-idx?SID=5bc3b0ce0e1aa5e3cbf12a24c87e71ac&mc=true&node=se2.1.200_1405&rgn=div8

Women from outside Kabul would have been unable to participate in this program if they were not accompanied by a Mahram so therefore the travel cost of the Mahram provided benefit, as the women could now participate, and was “necessary” as it was the only way the women could travel.

We disagree with your conclusion that the charging of Mahram costs implies weakness in UW billing controls and raises the possibility of other unallowable costs. There was an explicit decision made to charge these costs, and all were subject to our normal approval and review controls. INL supported this practice by LESPA because it is sensible and culturally appropriate.

We agree with the recommendation that in future we will obtain written Grant Officer approval for costs not expressly allowable per the terms of the grant.

Finding 2020-03: Unsupported Costs

We agree with this finding. All of these transactions originated in Afghanistan and the lack of documentation is symptomatic of the challenges of working in developing countries where appreciation of the need for documentary detail is not as prevalent as in the US.

We also note that we did provide photographic evidence for the \$17 supply item.

We will refund the \$2,231 to the U.S Government and will remind our office in Kabul of the importance of retaining documentation to support all charges.

Finding 2020-04: Unsupported Costs for Alternative Accommodation

The auditors' finding is factually correct, but ignores the context that these requests to stay in alternative accommodation were invariably driven by personal safety concerns of not wanting to stay in what are perceived as high profile targets - hotels regularly used by foreigners.

It is correct that we do not have any documentation to show that the participants incurred a \$25 cost – by definition a stipend is not intended to reimburse for actual costs incurred, rather it is a contribution to support. We can supply documentation that shows the participants were in Kabul on the nights in question, that Kabul was not their normal place of residence and that they did sign to acknowledge receipt of the \$25.

The auditors finding also does not acknowledge that by paying a \$25 stipend we are avoiding paying hotel costs. The top per diem in Kabul during 2018 was \$102. Paying \$25 a night in instead of a potential \$102 represents a saving of up to \$7,500.

<https://aoprals.state.gov/Web920/footnote.asp?Footnote=2,19>

The UW does have a policy that allows for per diems to be *exceeded* in the case of security or personal safety reasons, but the policy does not include for claiming less than per diem if one chooses to stay in non-commercial establishment. If we ever anticipate this situation will occur in the future, we will ensure a local policy is written and justification included in the award budget.

Finding 2020-05: Incorrectly Calculated Mileage Reimbursement

We agree with the finding and will return \$344 to the US Government.

We will remind our staff involved in reviewing these mileage reimbursement requests, both in Kabul and Seattle, of the importance of reviewing requests for reimbursements. It should be noted that the mileage rates in question are not the same as those used in the US, but are locally agreed flat rates based on the total journey length, not a per mile amount.

Finding 2020-06: Unsupported Currency Conversation

We agree with the finding and will return the \$81 to the US government. We will inform our Afghan contractors of the requirement to document all currency conversations, including the rate used, and source.

Sincerely,



Jonathan A. Eddy
Professor of Law and Program Director
Legal Education Support Program-Afghanistan

Concurrence:

Kirsten DeFries Digitally signed by Kirsten DeFries
Date: 2020.03.19 16:07:45 -0700'

Kirsten DeFries
Executive Director
Research Compliance and Operations

UNIVERSITY OF WASHINGTON

Financial Audit of Costs Incurred Under
Grant No. SINLEC17GR0084
Legal Education Support Program – Afghanistan II (LESPA II)

Auditor’s Rebuttal to UW’s Response to Findings

For the Period April 1, 2017 through June 30, 2019

UW agreed with Finding Numbers 2020-03, 2020-05 and 2020-06, and disagreed with Finding Numbers 2020-01, 2020-02 and 2020-04. We have **reviewed management’s response for its disagreements** and provide the following rebuttals.

Finding 2020-01: Costs Charged for Unoccupied Rental Units

UW disagreed with this finding indicating that it was more cost effective to enter into one-year leases for participants of the LESPA Program that to provide housing for participants on an as needed basis. UW further indicated that having the participants live in close proximity to each other and close to the University allowed the participants to form a community and to help each other with the culture shock of relocating to a new county. We agree that the cost of leasing apartments for the participants on a yearly basis was more economical. In some instances, when a unit was vacant and UW was able to sublease the unit, it credited the amount of lease revenue received back to the Grant. We have no issue with this practice. However, when a unit sat vacant and UW was unable to sublease the unit, the full cost of that unit was charged to the Grant. It is those costs that are questioned. There is no demonstrated benefit to the LESPA Program of having a vacant unit be paid for with Federal funds. As such, our finding remains unchanged.

Finding 2020-02: Unallowable Participant Support Costs Incurred for Travel

UW disagreed with this finding indicating that one of the core deliverables of the Grant was to increase female participation. In order to increase female participation, **UW had to pay for “mahram” travel costs** to allow females from other provinces to participate in programs in Kabul, Afghanistan. **UW also disagrees with the effect that charging “mahram” costs raises the possibility of other unallowable costs** being charged to the Grant. 2 CFR 200 Subpart A, §200.75 is very clear that allowable participant support costs can include travel costs. However, 2 CFR 200 Subpart E, §200.456 indicates that participant support costs are allowable only with the prior approval of the Federal awarding agency. UW did not provide any documentation to support that the DOS approved the travel costs **for “mahrams” prior to the travel. In the absence of such documentation, our finding remains unchanged.**

Finding 2020-04: Unsupported Costs for Alternate Accommodations

UW disagreed with this finding indicating that while the finding itself is factually correct, we did not take into consideration that the alternate accommodations were requested by participants due to personal safety concerns and not wanting to stay at hotels that were regularly used by foreigners and perceived as a high profile target. UW acknowledged that they do not have documentation to support whether the participants incurred cost of at least the \$25 stipend amount or a policy that supports the amount of the stipend itself. As no documentation was provide to support that these costs were incurred and in accordance with established policies, our finding remains unchanged.

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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:

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- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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