

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 25-21 Financial Audit**

## State's Afghan University Student Exchange Program: Audit of Costs Incurred by American Councils for International Education



APRIL  
2025

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On September 25, 2020, the U.S. Department of State awarded a \$3,000,000 cooperative agreement to American Councils for International Education (ACIE) to support the Afghan University Student Exchange Program (AUSEP). The objective of the agreement was to advance English language teaching skills for a select group of Afghan university students. The agreement's period of performance was from September 25, 2020, through October 31, 2023. State modified the agreement twice, extending the period of performance through March 31, 2024. The total award amount did not change.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$3,000,000 in costs charged to the agreement from September 25, 2020, through March 31, 2024. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in ACIE's internal controls related to the award; (2) identify and report on instances of material noncompliance with the terms of the contract and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether ACIE has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ACIE'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 work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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April 2025

## State's Afghan University Student Exchange Program: Audit of Costs Incurred by American Councils for International Education

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SIGAR 25-21-FA

### WHAT SIGAR FOUND

Crowe identified one deficiency in ACIE's internal controls and one instance of noncompliance with the terms of the agreement. Crowe found that ACIE incorrectly applied its negotiated indirect cost rate when calculating fringe and indirect costs charged to the government. As a result, ACIE underbilled the federal government for work performed under the agreement. SIGAR notified ACIE of the deficiency and compliance issue prior to publication of this report.

Crowe did not identify any questioned costs related to the internal control deficiency or instance of noncompliance.

Crowe also did not identify any prior audits that had a direct and material impact on the SPFS or other financial information significant to the audit objectives.

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

### WHAT SIGAR RECOMMENDS

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

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



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

April 8, 2025

The Honorable Marco Rubio  
Secretary of State  
Acting Administrator, U.S. Agency for International Development

We contracted with Crowe LLP (Crowe) to audit the costs incurred by American Councils for International Education (ACIE) under a cooperative agreement awarded by the U.S. Department of State (State) to support the Afghan University Student Exchange Program (AUSEP).<sup>1</sup> The objective of the agreement was to advance English language teaching skills for a select group of Afghan university students. Crowe reviewed \$3,000,000 in costs charged to the agreement from September 25, 2020, through March 31, 2024. 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 the audit, SIGAR recommends that the agreement officer at State:

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

Crowe discusses the results of the audit in detail in the attached report. In connection with the contract, we reviewed Crowe's report and related documentation and inquired of its representatives. We also inquired about Crowe's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on ACIE's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Crowe is responsible for the attached auditor's report, dated March 11, 2025, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for planned completion for the recommendations to [sigar.pentagon.audits.mbx.recommendation-followup@mail.mil](mailto:sigar.pentagon.audits.mbx.recommendation-followup@mail.mil), within 60 days from the issue date of this report.

Gene Aloise  
Acting Special Inspector General  
for Afghanistan Reconstruction

(F-310)

<sup>1</sup> The agreement no. is SAF20020CA0015.



**American Councils for International Education  
Afghan University Student Exchange Program  
Cooperative Agreement No. SAF20020CA0015  
Special Purpose Financial Statement  
For the Period September 25, 2020, through March 31, 2024  
(With Independent Auditor's Report Thereon)**

# Table of Contents

TRANSMITTAL LETTER .....	1
SUMMARY .....	2
INDEPENDENT AUDITOR'S REPORT .....	7
SPECIAL PURPOSE FINANCIAL STATEMENT .....	10
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL .....	14
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE .....	16
SECTION I: SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	17
SECTION II: SUMMARY SCHEDULE OF PRIOR AUDIT, REVIEW, AND ASSESSMENT FINDINGS...	21
APPENDIX A: VIEWS OF RESPONSIBLE OFFICIALS.....	22
APPENDIX B: AUDITOR'S REBUTTAL .....	24



**Crowe LLP**  
Independent Member Crowe Global  
701 13th Street N.W., Suite 852  
Washington, D.C. 20005-3962  
Tel +1 202 624 5555  
Fax +1 202 624 8858  
www.crowe.com

## TRANSMITTAL LETTER

March 11, 2025

To the Management of American Councils for International Education  
1828 L Street NW, Suite 1200  
Washington DC 20036

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 ("SPFS") applicable to American Councils for International Education ("ACIE") cooperative agreement number SAF20020CA0015, funded by the Department of State ("State"), to provide support for the Afghan University Student Exchange Program ("AUSEP"), for the period September 25, 2020 through March 31, 2024.

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 ACIE, State, 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 will be incorporated as Appendix A to the final report.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of American Councils for International Education's cooperative agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Nuehring".

Bert Nuehring, CPA  
Partner  
Crowe LLP

## Summary

### Background

On September 25, 2020, the U.S., Department of State (State)'s Public Affairs Section (PAS) of the U.S. Embassy in Kabul awarded a \$3,000,000 Cooperative Agreement (agreement), No. SAF20020CA0015, to the American Councils for International Education (ACIE) to support the Afghan University Student Exchange Program (AUSEP) to advance the English language teaching skills of a select group of Afghan university students.

The overall goals of the initial award were to:

- improve participants' pedagogical skills in teaching English reading, writing, speaking, and listening skills;
- Increase participants' knowledge about teaching English for Academic and Specific Purposes;
- improve participants' understanding of classroom management skills; increase participants' understanding of using technology in English language teaching;
- provide participants with teaching practices for teaching language skills in integration;
- and increase leadership skills and advance a culture of volunteerism among program participants.

The program goals were revised to increase the pedagogical and language skills of current Afghan English speakers (trainers) who were university-aged (18 to 30) and would work within the refugee community to teach essential skills and mentor groups of fellow refugees to successfully use English in their transition to life in new countries. By completing the training modules, selected trainers were equipped with skills to:

- (a) Teach the English language for specific purposes to others in the refugee community, namely emphasizing day-to-day practical usage, employment-related skills, and cross-cultural adaptation that can help refugees in English-speaking settings.
- (b) Enhance the knowledge, confidence, language, and cross-cultural skills of women and girls who would be foundational in establishing a strong foothold in a new culture, including preparing them for enrolling children in schools, setting up households, and interacting in new environments and settings with little gender segregation.

The initial agreement contained a period of performance from September 25, 2020, through October 31, 2023. State modified the agreement twice, the modifications extended the period of performance from October 31, 2023, through March 31, 2024, but did not change the total funding amount of \$3,000,000.

### Work Performed

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 the Cooperative Agreement No. SAF20020CA0015, awarded to ACIE from September 25, 2020 to March 31, 2024. During this span, ACIE reported \$3,000,000 in both costs incurred and revenues earned. Crowe's audit of ACIE will be limited in scope to the activities and expenditures associated with the cooperative agreement. Crowe's audit incorporated closeout audit procedures.

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## 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 ACIE's Special Purpose Financial Statement for the award 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 award and generally accepted accounting principles or other comprehensive basis of accounting. Crowe will issue our Independent Auditor's Report on the Special Purpose Financial Statement. We will conduct 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.

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

Evaluate and obtain a sufficient understanding of ACIE's internal control related to the award; assess control risk; and identify and report on significant deficiencies, including material internal control weaknesses. Crowe will issue our Independent Auditor's Report on Internal Control. We will conduct 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.

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

Perform tests to determine whether ACIE complied, in all material respects, with the award 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.

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

Determine and report on whether ACIE has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives. Crowe will prepare a Summary Schedule of Prior Audit, Review and Assessment Findings as applicable.

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## Scope

The scope of the audit included the total costs incurred and revenues earned of \$3,000,000, during the period September 25, 2020, through March 31, 2024. The audit was limited to those matters and procedures pertinent to the cooperative agreement that could 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 Activities;
- Allowable Costs;
- Cash Management;
- Eligibility;
- Procurement
- Subrecipient Monitoring; and
- Reporting.

## Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, test compliance, and considered ACIE'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.

To address Audit Objective 1, which pertains to ACIE's 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 award if the cost benefited multiple objectives; and were adequately supported.

To address Audit Objective 2, which relates to ACIE's internal controls, Crowe requested, and ACIE provided, copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by ACIE during the period of performance. To the extent that 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 the internal controls and tested them where compliance issues could arise.

Audit Objective 3 required that tests be performed to obtain an understanding of ACIE's compliance with requirements applicable to the award. Crowe identified – through review and evaluation of the cooperative agreement executed by and between State and ACIE – 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 requests, beneficiaries (to assess eligibility), procurements, and reports for testing. Supporting documentation was provided by ACIE and was subsequently evaluated to assess ACIE'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 applicable regulations and the agreement with State.

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Regarding Audit Objective 4, Crowe inquired of ACIE, SIGAR, and State personnel participating in the audit entrance conference to understand whether 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. Crowe did not identify any prior audits that could have a material effect on the SPFS or other financial data significant to the audit objectives. For more information see **Section II: Summary Schedule of Prior Audit, Review and Assessment of Finding**.

## Summary of Results

Upon completion of Crowe's procedures, Crowe identified one finding that 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 cooperative agreement; and/or (4) questioned costs resulting from identified instances of noncompliance.

Crowe issued an unmodified opinion on the SPFS.

Crowe also reported on ACIE's internal controls over financial reporting and compliance with applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement. Crowe identified one deficiency on internal control (2024-01). Although no questioned costs arose during our audit, we reported on the inaccurate application of NICRA rates due to the nature of the finding being related to the calculation of costs. Crowe identified one instance of noncompliance.

We identified \$0 in total questioned costs. SIGAR requires that questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines unsupported costs as those that are not supported with adequate documentation or did not have required prior approvals or authorizations. Ineligible costs are those that are explicitly questioned because they are unreasonable; prohibited by the audited award, or applicable laws and regulations; or are unrelated to the award.

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.

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.

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

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2024-01	Inaccurate Application of NICRA Rates	Noncompliance and Internal Control Deficiency	\$0
<b>Total Questioned Costs:</b>			<b>\$0</b>

Crowe also requested from ACIE, SIGAR, and State copies of prior audits, reviews, and evaluations pertinent to ACIE's activities under the cooperative agreement. Crowe did not identify any prior audits that may be direct and material to the Special Purpose Financial Statement or other financial information significant financial data to the audit objectives

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## Summary of Management Comments

ACIE disagreed with the audit finding by clarifying the circumstances that led to the finding. The following contains a summary of management's responses:

1. **Finding 2024-01:** Management agreed with the facts of the finding but disagreed with the characterization that a review process did not exist. ACIE further explained that they understood the importance of refining processes to ensure consistency in NICRA rate application and provided information about enhancements that would be implemented to their processes.

## Reference to Appendices

The auditor's reports are supplemented by two appendices, **Appendix A**, which contain management's responses to the audit findings; and **Appendix B**, which contains the auditor's rebuttal.

## INDEPENDENT AUDITOR'S REPORT

To the Management of American Councils for International Education  
1828 L Street NW, Suite 1200  
Washington DC 20036

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

### **Report on the Audit of the Special Purpose Financial Statement**

#### ***Opinion***

We have audited the Special Purpose Financial Statement (the "Statement") of American Councils for International Education ("ACIE") and related notes to the Statement, with respect to the award number SAF20020CA0015 for the Afghan University Student Exchange Program ("AUSEP") program, funded by the Department of State ("State") Public Affairs Section ("PAS) of the U.S. Embassy in Kabul which comprises the revenues earned, costs incurred and balance for the period September 25, 2020 through March 31, 2024.

In our opinion, the accompanying Statement presents fairly, in all material respects, the revenues earned, costs incurred, and balance of ACIE, for the period September 25, 2020, through March 31, 2024, in accordance with the financial reporting provisions of the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of award SAF20020CA0015, as described in Notes 2, 4, 5 and 6.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAGAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of ACIE, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Basis of Presentation and Accounting***

We draw attention to Note 2 of the Statement, which describes the basis of presentation and accounting. As described in Note 2, the Statement is prepared by ACIE on the accrual basis of accounting in accordance with generally accepted accounting principles ("GAAP") in the United States of America and the financial reporting provisions of Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of cooperative agreement number SAF20020CA0015, to meet the requirements of SIGAR and the terms and conditions of the cooperative agreement. We also draw attention to notes 4 and 5 which describe the revenues earned and costs incurred, respectfully. The revenues represent the amount ACIE

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is entitled to receive while the costs incurred represent the cost categories in the final approved budget. Finally, we draw attention to Note 6, which describes the balance. The balance 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 Cooperative Agreement 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. Our opinion is not modified with respect to these matters.

### ***Responsibilities of Management for the Special Purpose Financial Statement***

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of SIGAR and the terms and conditions of cooperative agreement number SAF20020CA0015. 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 Responsibilities for the Audit of the Special Purpose Financial Statement***

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the special purpose financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACIE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Restriction on Use***

Our report is intended solely for the information and use of ACIE, State, and 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our reports dated March 11, 2025, on our consideration of ACIE's internal control over financial reporting and on our tests of its compliance

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with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely 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 the effectiveness of ACIE's 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 ACIE's internal control over financial reporting and compliance.

*Crowe LLP*

Crowe LLP

March 11, 2025  
Washington, D.C.

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American Councils for International Education  
Special Purpose Financial Statement  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020, through March 31, 2024

	Budget	Actual	Ineligible	Unsupported	Notes
<b>Revenues</b>				Questioned Costs	
SAF200-20-CA-0015	\$ 3,000,000	\$ 3,000,000			
<b>Total Revenue</b>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>			4
<b>Costs Incurred</b>					
Personnel	\$ 477,888	\$ 461,604			
Fringe Benefits	\$ 203,302	\$ 177,312			
Travel	\$ 281,384	\$ 279,266			
Equipment	\$ -	\$ -			
Supplies	\$ 4,197	\$ 4,732			
Contractual	\$ -	\$ -			
Construction	\$ -	\$ -			
Other Direct Costs	\$ 1,669,123	\$ 1,728,994			
Indirect Costs	\$ 364,106	\$ 348,092			
<b>Total Costs Incurred</b>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>			5
<b>Balance</b>		<u><u>\$ 0</u></u>			6

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

**Note 1. Basis of Presentation**

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement Number SAF20020CA0015 for the Afghan University Student Exchange Program (AUSEP) for the period September 25, 2020 to March 31, 2024. Because the Statement presents only a selected portion of the operations of American Councils for International Education: ACTR/ACCELS, Inc. (American Councils) it is not intended to and does not present the financial position, changes in net assets, or cash flows of American Councils. 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 Cooperative Agreement SAF20020CA0015. 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 of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance (2 CFR 200/600) wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Foreign Currency Translation Method**

For purposes of preparing the Statement, translations from local currency to United States dollars were required. Foreign currency transactions originating in the field have been converted to US dollars using an average rate calculated monthly.

**Note 4. Revenues**

Revenues on the Statement represent the amount of funds to which American Councils is entitled to receive from the American Embassy in Kabul, Afghanistan for allowable, eligible costs incurred under the cooperative agreement during the period of performance.

**Note 5. Costs Incurred by Budget Category**

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of the SAF20020CA0015-M002 to the Cooperative Agreement dated September 18, 2023.

**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 Cooperative Agreement 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.



**Note 7. Currency**

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

**Note 8. Subrecipients**

The sole subrecipient under this Cooperative Agreement was reimbursed the amount of \$145,328.68 for actual costs incurred during the period of the sub-award.

**Note 9. Program Status**

The Afghan University Student Exchange Program (AUSEP) is complete. The period of performance for the award was scheduled to conclude on March 31, 2024 as noted in modification number M002 dated September 18, 2023. Amounts currently reported on the Special Purpose Financial Statement are not expected to change.

**Note 10. Reconciliation to Cumulative Draw Amounts**

Upon completion of the program activities, a final request for reimbursement in the amount of \$174,954 was submitted on April 28, 2024. The aforementioned amount was reimbursed and credited to our account on May 16, 2024.

**Note 11. Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the March 31, 2024 period covered by the Statement. Management has performed their analysis through March 11, 2025.

**Note 12. Impact of COVID-19 Afghan University Student Exchange Program**

COVID-19 required American Councils to take normal measures to safeguard the health of staff and participants, but no major disruptions were experienced because of COVID itself. We did in the course of our planning and budget planning devise approaches for hybrid or online delivery and provided these upon request, but did not have the opportunity or need to enact any of these plans.

**Note 13. Impact of the regime change in Afghanistan on the Afghan University Student Exchange Program**

In spring 2021 the AUSEP team was working on curriculum and plans for in-person activities in Uzbekistan, with staff also working on recruitment and logistics planning. However, in summer 2021 delivering programming in Kabul appeared to be a safer option. Thus, the team began exploring options for delivery in Kabul with remote participation by U.S. trainers rather than travel and programming in Tashkent, Uzbekistan. In addition, it became clear during summer 2021 that participant recruitment at universities might put applicants at risk. The regime change that occurred starting actively in mid-August 2014 made it impossible for the program to be delivered in the format originally proposed (with travel by Afghans to Uzbekistan), or in a hybrid variant with participants coming from locations within Afghanistan to Kabul.

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(Continued).

American Councils for International Education  
Notes to Special Purpose Financial Statement  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020, through March 31, 2024

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American Councils was in direct contact with the Department of State regularly during these months and direct program delivery work was temporarily halted on August 15, 2021 per a State Department directive.

Over and above participant engagement and logistical dangers inherent in the original model, the impact of the regime change on staff capacity was substantial. State Department management instructed American Councils to make sure AUSEP staff were taking personal measures to protect their safety. Our State Department Grants Officer invited American Councils to submit lists of staff for P-2 designation for access to the U.S. Refugee Admissions Program. The P-2 designation enabled those working on U.S. government-funded awards to pursue refugee status in the United States. Due to concerns about staff being targeted for violence, American Councils pursued relocation of Afghanistan-based staff, as invited by the Department of State.

The Department of State granted permission for American Councils to explore options for us to relocate staff working on AUSEP. Various travel options were explored with U.S. Department of State support and guidance. The mode and route that was ultimately successful involved transportation by bus from Kabul to Mazar-i-Sharif, residence in a guest house while air arrangements and living arrangements outside Afghanistan were solidified, and a flight on October 25, 2021 from Mazar-i-Sharif with a plane change in Tbilisi, Georgia, and onward to Tirana, Albania.

Staff relocated to Albania successfully over the next months. On the programming side, American Councils worked to revise an implementation plan that would meet the original AUSEP goals and objectives and proposed this plan to the State Department. When the new plan was approved and the hiatus on programming was lifted – as communicated by the Department of State, American Councils resumed AUSEP program activities under a revised implementation model. Instead of engaging pre-service teachers from universities in Afghanistan, approval was granted to serve university-aged Afghans who were displaced from Afghanistan and living in refugee communities. Communities in Albania and Tajikistan were approved as targets, and six cohorts of approximately 50 participants each were planned and programs were executed, four in Albania and two in Tajikistan. The program was also renamed the U.S. English Teaching (USET) program. Two additional programs with alumni were delivered in a no-cost extension period. This extension activity also served Afghan refugees in communities in Albania and Tajikistan who were not in the original target group of university-aged Afghans.

AUSEP concluded on March 31, 2024 in keeping with the no-cost extension timeline, and program delivery has been considered successful by the Department of State, with State Department staff regularly participating in events in Albania and Tajikistan. Final closeout notification was provided on July 23, 2024 by the Grants Officer.

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(Continued).

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Management of American Councils for International Education  
1828 L Street NW, Suite 1200  
Washington DC 20036

To the Office of the Special Inspector General for Afghanistan Reconstruction  
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 American Councils for International Education ("ACIE") with respect to the cooperative agreement number SAF20020CA0015, funded by the Department of State ("State"), to provide support for the Afghan University Student Exchange Program ("AUSEP"), for the period September 25, 2020, through March 31, 2024, and the related notes to the Statement, and have issued our report thereon dated March 11, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the Statement, we considered ACIE's internal controls over financial reporting (internal control) as a basis for designing 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 ACIE's internal control. Accordingly, we do not express an opinion on the effectiveness of ACIE'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying Schedule of Finding and Questioned Cost as item 2024-01 that we consider to be a deficiency.

### **ACIE's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on ACIE's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. ACIE's response was not subjected to the other auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on the response.

### **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 ACIE, State, and the Office of the Special Inspector General for Afghanistan Reconstruction. 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

March 11, 2025  
Washington, D.C.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Management of American Councils for International Education  
1828 L Street NW, Suite 1200  
Washington DC 20036

To the Office of the Special Inspector General for Afghanistan Reconstruction  
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 American Councils for International Education ("ACIE") with respect to the cooperative agreement number SAF20020CA0015, funded by the Department of State ("State"), to provide support for the Afghan University Student Exchange Program ("AUSEP"), for the period September 25, 2020, through March 31, 2024, and the related notes to the Statement, and have issued our report thereon dated March 11, 2025.

### Report on Compliance and Other Matters

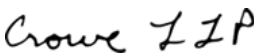
As part of obtaining reasonable assurance about whether ACIE's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* as 2024-01.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

### Restriction on Use

This report is intended for the information of ACIE, State, and the Office of the Special Inspector General for Afghanistan Reconstruction. 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

March 11, 2025  
Washington, D.C.

American Councils for International Education  
Section I: Schedule of Findings and Questioned Costs  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020, through March 31, 2024

**FINDING 2024-01: Inaccurate Application of NICRA Rates**

Noncompliance and Deficiency in Internal Control

**Condition:**

During our Cash Management testing, Crowe noted that ACIE incorrectly applied the NICRA rate when calculating Fringe and Indirect Costs for three out of four samples tested.

1. **For Sample #1**, ACIE overcharged the Government by \$78.62
2. **For Sample #2**, ACIE overcharged the Government by \$624.50.
3. **For Sample #3**, ACIE undercharged the government by \$2,504.59.

Sample SF270	Cost	NICRA Rate Used	Approved NICRA	(Over)/Under Bill
1	Fringe	\$39.93	\$39.35	(\$74.07)
	Indirect Cost	13.58	13.61	(\$4.55)
	<b>Net Overbill</b>			<b>(\$78.62)</b>
2	Fringe	39.93	39.35	(\$675.52)
	Indirect Cost	13.58	13.61	\$51.02
	<b>Net Overbill</b>			<b>(\$624.50)</b>
3	Fringe	39.95	39.95	0.00
	Indirect Cost	13.61	13.75	\$2,504.59
	<b>Net Underbill</b>			<b>\$2,504.59</b>

Based on the results of the samples, we recalculated the Fringe and Indirect Cost for the entire period of performance of the agreement and noted that ACIE underbilled the Federal Government by \$2,996.14 due to incorrect calculation of Fringe and Indirect costs.

SF 270	Cost	ACIE Billed	Recalculated	(Over)/Under Bill
1	Fringe	39.93	39.35	(\$74.07)
	Indirect Cost	13.58	13.61	(\$4.55)
	<b>Net Overbill</b>			<b>(\$78.62)</b>
2	Fringe	39.93	39.35	(\$133.57)
	Indirect Cost	13.58	13.61	(\$6.37)
	<b>Net Overbill</b>			<b>(\$139.94)</b>
3.	Fringe	39.93	39.35	(\$363.29)
	Indirect Cost	13.58	13.61	(\$9.96)
	<b>Net Overbill</b>			<b>(\$373.24)</b>
4	Fringe	39.93	39.35	(\$601.59)
	Indirect Cost	13.58	13.61	(\$17.42)
	<b>Net Overbill</b>			<b>(\$619.01)</b>

American Councils for International Education  
Section I: Schedule of Findings and Questioned Costs  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020, through March 31, 2024

5	Fringe	39.93	39.35	(\$675.52)
	Indirect Cost	13.58	13.61	\$51.02
	<b>Net Overbill</b>			<b>(\$624.50)</b>
6	Fringe	39.35	39.35	0
	Indirect Cost	13.61	13.61	0
	<b>Net</b>			<b>0</b>
7	Fringe	39.35	39.35	0
	Indirect Cost	13.61	13.61	0
	<b>Net</b>			<b>0</b>
8	Fringe	39.35	39.95	1,058.10
	Indirect Cost	13.61	13.75	1,268.77
	<b>Net Underbill</b>			<b>2,326.87</b>
9	Fringe	39.95	39.95	0
	Indirect Cost	13.75	13.75	0
	<b>Net</b>			<b>0</b>
10	Fringe	39.95	39.95	0
	Indirect Cost	13.75	13.75	0
	<b>Net</b>			<b>0</b>
11	Fringe	39.95	39.95	0.00
	Indirect Cost	13.61	13.75	\$2,504.59
	<b>Net Underbill</b>			<b>\$2,504.59</b>
12	Fringe	39.95	39.95	0
	Indirect Cost	13.75	13.75	0
	<b>Net</b>			<b>0</b>
13	Fringe	39.95	39.95	0
	Indirect Cost	13.75	13.75	0
	<b>Net</b>			<b>0</b>
14	Fringe	39.95	39.95	0
	Indirect Cost	13.75	13.75	0
	<b>Net</b>			<b>0</b>
	<b>Total Net Underbill</b>			<b>\$2,996.14</b>

**Criteria:**

**1. ACIE's Global Employee Handbook Cost Allocation, Page 23 :**

“American Councils prepares a cost allocation calculation and submits to our cognizant agency for approval of a NICRA and fringe rate. Once approved, the Negotiated Indirect Cost Rate Agreement (NICRA) and Fringe Benefits rates are then used in the budgeting and cost allocations of all programs at American Councils. The approved NICRA and fringe rate are used as the basis of negotiations with USA Government funders and proposals going forward. The rate is updated either annually or every two years. The cost allocation rate is applied consistently and equally to all programs.”

American Councils for International Education  
 Section I: Schedule of Findings and Questioned Costs  
 Cooperative Agreement Number SAF20020CA0015  
 For the Period September 25, 2020, through March 31, 2024

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2. United States Department of the Interior Indirect Cost Negotiation Agreement, Section I: Rates  
 The agreement between ACIE and the United States Department of the Interior outlines the rates to be used and costs to be included in the base.

**Nonprofit Organization  
 Indirect Cost Negotiation Agreement**

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EIN: ██████████	Date: June 12, 2020
Organization:	Report No(s): 20-A-1056(FY21D) 20-A-1057(FY22D)
American Councils for International Education 1828 L Street, NW, Suite 1200 Washington, DC 20036	Filing Ref.: Last Negotiation Agreement dated January 9, 2018

The indirect cost rates contained herein are for use on grants, contracts, and other agreements with the Federal Government to which 2 CFR Part 200 apply subject to the limitations contained in Section II.A. of this agreement. The rates were negotiated by the U.S. Department of the Interior, Interior Business Center, and the subject organization in accordance with the authority contained in applicable regulations.

**Section I: Rates**

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Type	Effective Period		Rate	Locations	Applicable To
	From	To			
<b>Indirect Cost Rate</b>					
Predetermined	07/01/20	06/30/21	13.61%*	All	All Programs
Predetermined	07/01/21	06/30/22	13.61%*	All	All Programs
<b>Fringe Benefit Rate</b>					
Predetermined	07/01/20	06/30/21	39.35%**	All	All Programs
Predetermined	07/01/21	06/30/22	39.35%**	All	All Programs

\*Base: Total direct costs, less capital expenditures and the portion of subawards in excess of the first \$25,000.

\*\*Base: Total salaries and wages, excluding fringe benefits.

Treatment of fringe benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs.

Treatment of paid absences: The costs of vacation, holiday, sick leave pay and other paid absences are included in the organization's fringe benefit rate and are not included in the direct cost of salaries and wages. Claims for direct salaries and wages must exclude those amounts paid or accrued to employees for periods when they are on vacation, holiday, sick leave or are otherwise absent from work.

3. 2 CFR 200.400(b)

“The application of these cost principles (2 CFR 200/600) is based on the fundamental premises that: (b) the non-federal entity assumes responsibility for administering Federal funds in a manner consistent with ... the terms and conditions of the federal award. The terms and conditions of the federal award (cooperative agreement SAF20020CA0015) incorporates US State Department of State Award Provision 6) Indirect Costs which prescribes the predetermined NICRA rate to be used.”

**Questioned Costs:** \$0. There is no questioned cost associated with this finding because ACIE underbilled the government. In addition, ACIE's overall expenditure reconciled with the agreement amount of \$3 million leaving no additional funds to be expended.

**Effect:** Misstatement in calculating and reporting Fringe and Indirect Costs may ultimately cost the Government additional funds in the future if not corrected.

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American Councils for International Education  
Section I: Schedule of Findings and Questioned Costs  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020, through March 31, 2024

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**Cause:** Crowe identified several causes. First, the Department of State's Public Affairs Section (PAS) Kabul failed to include the approved Negotiated Indirect Cost Rates in the agreement at the time of the agreement execution. Second, ACIE did not obtain a modification to use the correct rates prior to billing. Finally, ACIE internal controls to review the SF-425, Federal Financial report and SF 270, Request For Advance or Reimbursement to ensure accuracy was not effective.

**Recommendation:** We recommend that ACIE:

1. Ensure all Cooperative agreements going forward include ACIE's most recently approved and applicable Negotiated Indirect Cost Rate.
2. Implement a review and approval process for SF-425 and SF-270 reports going forward to ensure the accurate calculation of Fringe and Indirect Costs including the use of the most recently approved rates.

American Councils for International Education  
Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020, through March 31, 2024

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Crowe also requested from ACIE, SIGAR, and State copies of prior audits, reviews, and evaluations pertinent to ACIE's activities under the cooperative agreement. Based on Crowe's independent research and communications with ACIE, SIGAR, and the State, there were no prior audit reports identified that may be direct and material to the Special Purpose Financial Statement or other financial information significant financial data to the audit objectives.

## Appendix A: Views of Responsible Officials



### Management Response to Audit Findings

American Councils for International Education (ACIE)  
Cooperative Agreement Number SAF20020CA0015  
For the Period September 25, 2020 – March 31, 2024

#### Finding 2024-01: Inaccurate Application of NICRA Rates

We appreciate the opportunity to respond to the auditor's finding regarding the application of the Negotiated Indirect Cost Rate Agreement (NICRA) rate. After carefully reviewing the finding, we would like to clarify the circumstances that led to the variance in the applied rate.

While we understand the auditor's observation, we respectfully disagree with the characterization that a review process did not exist. American Councils for International Education (ACIE) has long maintained structured internal controls designed to ensure consistency and accuracy in the financial management of federally funded programs.

Further, when the U.S. Embassy in Kabul (Afghanistan) issued two amendments, the NICRA rate was adjusted in each new amendment, which caused a variance between the predetermined rate used by American Councils and the updated allowable rate in the award. The timing differences between the internal predetermined rate and the amended rate led to minor variances during the award period. However, these variances were not due to a lack of internal controls but rather to the timing of rate adjustments. The fluctuation in the indirect rate was minor and did not result in any material misstatement or financial impact.

#### Corrective Actions & Process Enhancements

While ACIE believes that existing controls were sufficient, we recognize the importance of refining our processes to ensure consistency in NICRA rate application. Moving forward, we are implementing the following enhancements:

- **NICRA Rate Verification:** ACIE will ensure that all future cooperative agreements incorporate the most up-to-date NICRA rates upon execution.



- **Review & Approval Process:** ACIE will enhance its existing internal review for SF-425 Federal Financial Reports and SF-270 Requests for Reimbursement to validate that the correct NICRA rates are consistently applied.
- **Training & Compliance Monitoring:** Additional training will be provided to financial staff on NICRA application and indirect cost adjustments.

**Conclusion**

ACIE remains committed to financial accuracy and compliance with all cooperative agreement terms. We appreciate the auditors' recommendations and will continue to strengthen internal financial controls while maintaining compliance with federal regulations.

**John B. Henderson, CPA**  
**Chief Financial Officer**

March 11, 2025

## Appendix B: Auditor's Rebuttal

### **FINDING 2024-01: Inaccurate Application of NICRA Rates**

Management provided additional context and disagreed with the cause of our finding but not with the facts of the findings themselves. However, the finding remains as additional information was not provided.

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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 publicly released reports, testimonies, and correspondence on its Web site.

## To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## SIGAR's Mission

Public Affairs Officer

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
- Mail: SIGAR Public Affairs  
2530 Crystal Drive  
Arlington, VA 22202