

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 16-20 Financial Audit**

## USDA's Soybeans for Agricultural Renewal in Afghanistan Initiative: Audit of Costs Incurred by the American Soybean Association

**In accordance with legal requirements, SIGAR has redacted certain information  
deemed proprietary or otherwise sensitive from this report.**



MARCH  
2016

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On September 30, 2010, the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) entered into a 3-year, \$12 million agreement with the American Soybean Association (ASA) to implement the Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI). Through SARAI, ASA distributed soy flour to Afghan women and implemented activities funded by monetizing soybean oil provided by the CCC. Among other objectives, these activities were intended to increase knowledge of nutrition and available protein sources in Afghanistan, increase the quantity of soy grown and consumed in Afghanistan, and establish a sustainable and profitable protein processing facility. After three modifications, program funding was increased to \$16.8 million.

SIGAR's financial audit, performed by Williams, Adley & Company-DC, LLP (Williams Adley), reviewed \$13,070,152 in expenditures charged to the agreement from October 1, 2010, through September 30, 2013. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in ASA's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether ASA has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of ASA's Special Purpose Financial Statement. See Williams Adley's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances where Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

March 2016

## USDA's Soybeans for Agricultural Renewal in Afghanistan Initiative: Audit of Costs Incurred by the American Soybean Association

SIGAR 16-20-FA

### WHAT THE AUDIT FOUND

Williams Adley identified two deficiencies in ASA's internal controls, one of which was a significant deficiency, and one instance of noncompliance with the terms and conditions of the agreement. Specifically, Williams Adley found that ASA exceeded the approved budget for professional services by \$61,700. ASA did not receive prior USDA approval for this cost, which exceeded the \$50,000 pre-approval threshold for allowable adjustments to flexible spending items. Williams Adley also found that ASA did not adhere to its internal policies related to payroll records. Williams Adley identified two instances where the employee's signature was missing from a timesheet, and one instance where the employee's timesheet did not have the employee's name on it.

As a result of the internal control weakness and instance of noncompliance relating to the budget overage, Williams Adley identified \$61,700 in questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement, applicable laws, or regulations. Williams Adley did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. No costs were questioned in connection with the payroll finding, as it was found to be only an internal control issue.

Category	Ineligible	Unsupported	Total Questioned Costs
Professional Services	\$61,700	\$0	\$61,700
<b>Totals</b>	<b>\$61,700</b>	<b>\$0</b>	<b>\$61,700</b>

Williams Adley reviewed prior Office of Management and Budget Circular A-133 audit reports that could have had a material impact on ASA's Special Purpose Financial Statement. In these reports, Williams Adley identified and followed up on six audit findings related to the scope of this audit. After reviewing and assessing documentation, Williams Adley determined that ASA had taken adequate corrective actions on all six prior findings. Williams Adley's fieldwork and testing revealed no exceptions or noncompliance issues within the areas previously identified as deficient in the prior A-133 audit reports.

Williams Adley issued an unmodified opinion on ASA's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, program revenues and costs incurred for the indicated period audited.

### WHAT SIGAR RECOMMENDS

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

1. **Determine the allowability of and recover, as appropriate, \$61,700 in questioned costs identified in the report.**
2. **Advise ASA to address the report's two internal control findings.**
3. **Advise ASA to address the report's one noncompliance finding.**



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

March 9, 2016

The Honorable Thomas J. Vilsack  
Secretary of Agriculture

The Honorable Michael T. Scuse  
Under Secretary, Farm and Foreign Agricultural Services  
President, Commodity Credit Corporation

The Honorable Val Dolcini  
Administrator, Farm Service Agency

We contracted with Williams, Adley & Company-DC, LLP (Williams Adley) to audit the costs incurred by the American Soybean Association (ASA) under a U.S. Department of Agriculture (USDA) Commodity Credit Corporation (CCC) agreement to implement the Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI).<sup>1</sup> Williams Adley's audit covered \$13,070,152 in total costs charged under the agreement from October 1, 2010, through September 30, 2013. Our contract with Williams Adley required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$61,700 in total questioned costs identified in the report.**
- 2. Advise ASA to address the report's two internal control findings.**
- 3. Advise ASA to address the report's one noncompliance finding.**

The results of Williams Adley's audit are detailed in the attached report. We reviewed Williams Adley'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 ASA's Special Purpose Financial Statement. We also express no opinion on the effectiveness of ASA's internal control or compliance with the agreement, laws, and regulations. Williams Adley is responsible for the attached auditor's report and the conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-066)

<sup>1</sup> The CCC awarded agreement number FCC-306-2010/028-00 to ASA to support SARAI, through which ASA distributed soy flour to Afghan women and implemented activities funded by monetizing soybean oil provided by the CCC. Among other objectives, these activities were intended to increase knowledge of nutrition and available protein sources in Afghanistan, increase the quantity of soy grown and consumed in Afghanistan, and establish a sustainable and profitable protein processing facility.

**SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN  
RECONSTRUCTION**

**FINANCIAL AUDIT OF COSTS  
INCURRED BY  
American Soybean Association**

Agreement Number:  
FCC-306-2010/028-00  
Soybeans for Agricultural Renewal in  
Afghanistan Initiative (SARAI)

For the period of:  
October 1, 2010 to September 30, 2013

Submitted by



January 28, 2016





## Transmittal Letter

January 28, 2016

Leadership Team  
American Soybean Association  
St. Louis, MO

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA


We hereby provide to you our final report, which reflects results from the procedures we completed during the course of our audit of the American Soybean Association (ASA) agreement number FCC-306-2010/028-00 with the United States Department of Agriculture, Commodity Credit Corporation (USDA/CCC) for its Food for Progress program, Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) for the period of October 1, 2010 to September 30, 2013.

Within the pages that follow, we provide a brief summary of the work performed. Following the summary, we provide 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 and any information preceding our reports.

On December 15, 2015, we provided SIGAR a draft report reflecting our audit procedures and results. ASA received a copy of the report on December 30, 2015 and provided written responses subsequent thereto. These responses have been considered in the formation of the final report, along with the written and oral feedback provided by SIGAR and ASA. ASA's responses and our corresponding auditor analysis are incorporated into this report following our audit reports.

Thank you for providing us the opportunity to work with you and to conduct the audit of ASA's Food for Progress Program's SARAI agreement.

Sincerely,



Jocelyn Hill, CPA  
Partner

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants / Management Consultants*

1030 15<sup>th</sup> Street, N.W., Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

[www.williamsadley.com](http://www.williamsadley.com)

**Table of Contents**

Transmittal Letter.....	i
Summary.....	1
Background .....	1
Work Performed .....	2
Objectives.....	2
Scope .....	3
Methodology.....	3
Summary of Results .....	4
Independent Auditor's Report on the Special Purpose Financial Statement.....	6
Special Purpose Financial Statement .....	8
Notes to the Special Purpose Financial Statement.....	9
Independent Auditor's Report on Internal Control.....	14
Independent Auditor's Report on Compliance.....	16
Schedule of Findings and Questioned Amounts.....	18
Finding 2015-001: Missing Approval for Re-Allocation of Costs (Significant Deficiency and Non-compliance).....	18
Finding 2015-002: Missing Signatures or Name on Timesheets (Internal Control Deficiency) .....	19
Attachment A – Management Response .....	21
Attachment B – Auditor Response to Management Comments .....	23
Attachment C – Prior Audit Findings Status.....	25
Attachment D – USDA Conditional Approval Letter .....	29
Attachment E – USDA Approved Budget Revision .....	30



## Summary

### Background

The United States Department of Agriculture (USDA) provides funding to recipients for services related to reconstruction activities in Afghanistan. Congress created the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to provide independent and objective oversight of Afghanistan reconstruction projects and activities. Under the authority of Section 1229 of the National Defense Authorization Act for Fiscal Year 2008 ([P.L. 110-181](#)), SIGAR conducts audits and investigations to: 1) promote efficiency and effectiveness of reconstruction programs; and 2) detect and prevent waste, fraud, and abuse. As a result, USDA funded activities in Afghanistan fall under the purview of SIGAR in fulfilling its mandate.

The Commodity Credit Corporation (CCC) within USDA is a Government-owned and operated entity that was created to stabilize, support, and protect farm income and prices. CCC also helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

The CCC Charter Act, as amended, aids producers through loans, purchases, payments, and other operations, and makes available materials and facilities required in the production and marketing of agricultural commodities.

The CCC Charter Act also authorizes the sale of agricultural commodities to other government agencies and to foreign governments and the donation of food to domestic, foreign, or international relief agencies. CCC also assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities.

The American Soybean Association (ASA), a non-profit entity with headquarters in St. Louis, Missouri participates in CCC programs through ASA's World Initiative for Soy in Human Health (WISHH) program. The WISHH program's main objective is to promote exports of U.S. soy protein for use in human diets in developing countries.

On September 30, 2010, USDA/CCC entered into a 3-year, approximately \$12 million agreement with ASA (agreement FCC-306-2010/028-00), for the provision of U.S. agricultural commodities for distribution in Afghanistan pursuant to the Food for Progress Act of 1985. The period of performance was from October 1, 2010 through September 30, 2013. Through USDA/CCC Agreement FCC-306-2010/028-00 with ASA, the Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) facilitates the provision of U.S. agricultural commodities for distribution in Afghanistan pursuant to the Food for Progress Act of international relief agencies.

The agreement has been amended at least three times (including a no-cost extension pending final approval). The majority of changes occurred in MOD 002, which increased the total award to \$16.8 million through September 30, 2013, and added Dubai as a



location for donated commodities distribution. This amendment also added monetization objective activities, extended activity completion dates, reduced the donated commodities maximum quantity to be made available and increased its anticipated sales proceeds.

ASA's plan of operation for SARAI includes monetizing 13,750 metric tons of soybean oil and, over a period of approximately three years, use the proceeds from such sale to implement the following activities in Afghanistan:

1. Renovate or Construct Irrigation Systems and Rehabilitate Farm-to-Market Roadways;
2. Micro-Credit, Technical Support and Training;
3. Marketing Assistance, Establish an Oilseed Association;
4. Establish a Protein Processing Facility, Consumer Awareness Campaign;
5. Cooking Seminars and Support to Bakeries;
6. Nutrition Impact Surveys and Conduct Feeding Trials.

In addition to the above monetization activities of soybean oil, ASA also provided direct distribution of soy flour and direct distribution and barter of soybeans.

## Work Performed

Williams Adley and Company-DC, LLP (Williams Adley) was contracted by SIGAR to conduct a financial audit of ASA's Special Purpose Financial Statement for the SARAI Program, agreement number FCC-306-2010/028-00 for the period of October 1, 2010 to September 30, 2013.

## Objectives

The objectives of the audit were to:

1. Express an opinion on whether the Special Purpose Financial Statement for the agreement 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 (GAAP) or other comprehensive basis of accounting.
2. Evaluate and obtain a sufficient understanding of the audited entity's internal controls related to the USDA/CCC-funded agreement; assess control risk; and identify and report on significant deficiencies, including material internal control weaknesses.
3. Perform tests to determine whether ASA complied, in all material respects, with agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
4. Determine and report on whether ASA 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.



---

## Scope

In general, the scope of work in performing a special purpose financial statement audit of costs incurred relating to the program in Afghanistan under agreement FCC-306-2010/028-00, for the period of October 1, 2010 to September 30, 2013, was to:

- a. Perform a financial audit of incurred costs by ASA in provisioning agricultural commodities through the Food for Progress Act.
- b. Review the Special Purpose Financial Statement and related Notes to the Special Purpose Financial Statement that is the responsibility of ASA's management. We reviewed internal controls related to the financial information for the audit period, including financial management systems controls and edit checks, procedural controls (documentation receipt, validation, reviews, approval levels, recordation, reconciliation, separation of duties, signatory requirements, etc.), and internal/external audits of project activities and the impact of corrective actions, if any. We requested prior audits from ASA, SIGAR, USDA and CCC. If prior audit recommendations were available as a result of our inquiries to ASA, SIGAR, USDA and CCC, we evaluated and determined if ASA had taken adequate corrective action to address findings and recommendations from previous engagements that could have had material effect on this financial statement audit.
- c. Perform compliance testing including, but not limited to, activities allowed or unallowable; allowable costs/cost principles; cost determination/indirect costs; cash management; eligibility; equipment and real property management; matching, level of effort and earmarking; period of availability of Federal funds; procurement and suspension and debarment; program income; reporting; and sub-recipient selection and monitoring.
- d. Review transactions for the period of October 1, 2010 through September 30, 2013 and subsequent events and information related to the findings and report all questioned costs for the audit period regardless of the amount, and express an opinion on the Special Purpose Financial Statement and related Notes for the audit period. An opinion other than an unmodified opinion would have been discussed with both SIGAR and ASA.

## Methodology

To meet the audit objectives, Williams Adley identified and reviewed applicable background materials, including the original agreement and subsequent modifications, sub-agreements and project documents, USDA/CCC regulations and program objectives, OMB Circulars, GAO Government Auditing Standards, generally accepted accounting principles, and other applicable laws and regulations to gain a thorough understanding of the project activities, the requirements of the agreement, and any past findings and recommendations that may impact the audit of ASA's Special Purpose Financial Statement and supporting financial records and documentation.



We met with designated auditee key personnel to gain a more complete understanding of the financial, compliance and internal control issues the project has encountered. In addition, we reviewed ASA's organizational charts and reporting hierarchy, policies and procedures, and the status of prior audit report findings to gain an understanding of the normal procedures and system of internal controls established by ASA to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Also, we conducted interviews (including fraud interviews) with ASA's key personnel in the accounting, finance, and contract departments, and Food for Progress program's project managers and other personnel responsible for the program performance.

We used both random and risk-based sampling techniques to select expenditures and payroll samples to test for allowability of incurred costs, and we reviewed procurement records to determine cost reasonableness and compliance with exclusion of parties not eligible to participate in federal awards. We requested and received supporting documentation for compliance evaluation of incurred costs. We reviewed submitted financial status reports for accuracy and compliance with reporting requirements. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in compliance with the negotiated indirect cost rate agreement.

## **Summary of Results**

Williams Adley issued an unmodified opinion on ASA's Special Purpose Financial Statement ("Statement"). We tested 158 randomly selected transactions for non-payroll transactions totaling \$8,031,910, and 14 randomly selected payroll periods totaling \$571,716 of labor costs incurred from a total population of \$13,070,152 or 66% of the total incurred costs between October 1, 2010 and September 30, 2013. We reported on ASA's internal controls and compliance with agreement terms and applicable laws and regulations regarding the Statement. We issued two findings. Of the two findings, one was a significant deficiency in internal controls and non-compliance with agreement terms and conditions, and one was a non-significant internal control deficiency. We questioned \$61,700 in costs for professional services that exceeded the approved budget and the adjustment threshold requiring USDA/CCC specific approval.

This summary is intended to present an overview of the results of procedures completed for the purpose described herein and is not intended to be a representation of the audit results in their entirety.

## ***Summary of Prior Audit Reports***

Williams Adley requested prior audit reports and recommendations provided in order to determine the impact on our audit, as well as to evaluate the adequacy of the corrective actions implemented. ASA has taken adequate corrective actions to address findings and recommendations from previous engagements that could have a material effect on the



---

Special Purpose Financial Statement. Our summary of the status of prior year audit findings and recommendations is included as Attachment C.

### ***Summary of Management Comments***

In responding to the draft audit report, ASA management did not agree with all of the findings and asserted that the questioned costs should be removed from the Audit Report (see Attachment A). Management strongly disagreed with Finding 2015-001 and explained that a budget amendment request was submitted on April 29, 2013 to increase the Professional Services line item from \$1,025,025 to \$1,363,444. Further, management maintains that the final revised budget approval was not received until June 11, 2014, but that USDA/CCC and ASA were in communications about the budget amendment during the intervening timeframe. As a result, management believes that Finding 2015-001 should be removed from the audit report. Management partially disagreed with Finding 2015-002. Management's position is that the portion of the finding, which described the timesheet that was missing the employee's name, should be removed because the employee's signature and fax number were evidence that could be used to verify the employee for whom the timesheet was presented. The auditor responded to management's comments as detailed in Attachment B to this Audit Report.

### **Attachments**

The auditors' reports are supplemented by 3 attachments:

Attachment A contains ASA's official management response to the draft report.

Attachment B contains the auditor's response to management comments.

Attachment C contains a summary of prior year audit findings and recommendations and their corrective action status.

Attachment D is a copy of the conditional approval for ASA exceeding a budget line item.

Attachment E includes a final approval of a budget re-alignment for flexible spending items on the last page of that document, which includes additional funds for Professional Services.



## **Independent Auditor's Report on the Special Purpose Financial Statement**

Leadership Team  
American Soybean Association  
St. Louis, MO

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

### ***Report on the Financial Statement***

We have audited the Special Purpose Financial Statement (the "Statement") of the American Soybean Association (ASA) agreement number FCC-306-2010/028-00, Food for Progress Program for the period of October 1, 2010 to September 30, 2013 and the related Notes to the Statement.

### ***Management's Responsibility for the Financial Statement***

The accompanying Statement was prepared to present the revenues earned and costs incurred of ASA pursuant to agreement number FCC-306-2010/028-00 as described in Note 2 of the Statement, and is not intended to be a complete presentation of ASA's assets, liabilities, revenues and expenses.

ASA's management is responsible for the preparation and fair presentation of the Statement in conformity with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Statement based on our audit. We conducted our audit of the Statement in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal



control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

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

### ***Opinion***

In our opinion, the Statement referred to above presents fairly, in all material respects, program revenues and costs incurred and reimbursed under agreement number FCC-306-2010/028-00, for the period of October 1, 2010 to September 30, 2013 and procured by USDA/CCC for the indicated period in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 2.

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

This report is intended for the information of ASA, the United States Department of Agriculture and 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. 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.

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

In accordance with *Government Auditing Standards*, we have also issued reports dated November 30, 2015 on ASA's internal controls and on our tests of its compliance with certain provisions of laws, regulations, agreements, and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

Williams, Adley & Company - DC, LLP  
Washington, D.C.  
November 30, 2015

## American Soybean Association

**Special Purpose Financial Statement**

For the Period of October 1, 2010 to September 30, 2013

	Total Approved Funds	Actual	Questioned Amounts		Notes
			Ineligible	Unsupported	
<b>Revenues</b>					
Agreement No. FCC-306-2010/028-00	\$16,784,150	\$13,070,152			
<b>Total Revenue</b>	<b>\$16,784,150</b>	<b>\$13,070,152</b>			
<b>Cost Element</b>					
Direct Costs					11.a
Flexible Spending Items					
Benefits	\$331,178	\$62,358			
Equipment Leases	12,000	4,000			7a
Equipment Purchases	41,500	45,715			7a, 12
Equipment	49,200	3,436			7b
Office	281,235	246,892			
Office - US HQ	62,760	56,422			
Professional Services	1,025,025	1,086,725	\$61,700		12, A
Salaries	1,321,272	1,306,141			
Travel	149,592	152,595			12
<b>Total Flexible Spending</b>	<b>\$3,273,762</b>	<b>\$2,964,284</b>	<b>\$61,700</b>		
ITSH	2,270,400	1,672,732			11.b
Activities	11,239,988	8,385,559			11.c
<b>Total Direct Costs</b>	<b>\$16,784,150</b>	<b>\$13,022,575</b>			
<b>Total Indirect Costs</b>	-	47,577			
<b>Total Costs</b>	<b>\$16,784,150</b>	<b>\$13,070,152</b>	<b>\$61,700</b>		
Outstanding Balance (deficit)		\$0			

The Notes to the Special Purpose Financial Statement are an Integral Part of this Statement



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

For the Period of October 1, 2010 to September 30, 2013

### Note 1. Organization

The Association is a not-for-profit organization, which represents U.S. soybean farmers both domestically and internationally in a variety of activities designed to promote soybeans. As such, the Association is subject to the normal business risks associated with operating in both the domestic and international environment. The activities of the Association include the World Initiative for Soy in Human Health Program (WISHH).

Effective October 1, 2005 (Transition Date), the Association transferred or licensed all of its International Marketing (IM) employees, assets and operations to the U.S. Soybean Export Council, Inc. (USSEC), a corporation formed by the Association and the United Soybean Board (USB). The Association contracts with USSEC to conduct the certain IM activities of the Association.

### Note 2. Principles of Special Purpose Financial Statement

The accompanying financial statements include the accounts associated with the Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) project, funded by the United States Department of Agriculture, and implemented by the American Soybean Association's World Initiative for Soy in Human Health (WISHH) program. The USDA Agreement No. is FCC-306-2010/028-00. The financial statement is prepared for the sole purpose of the Special Inspector General for Afghanistan Reconstruction (SIGAR) audit and were reviewed and audited by Williams Adley, SIGAR's selected auditor.

### Note 3. Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial stability. The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of September 30, 2013, the Association has only unrestricted net assets.

### Note 4. Estimates and Assumptions

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make

---

<sup>1</sup> The Notes to the Special Purpose Financial Statement were developed by and are the responsibility of ASA management.



estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Note 5. Cash and Cash Equivalents – Restricted Cash**

Cash and cash equivalents include checking accounts with a maturity of three months or less from the statement of financial position date.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial stability. The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of September 30, 2013, the Association has only unrestricted net assets.

The Association only deposits its cash into banks with strong credit ratings to ensure the safety and liquidity of its funds. At times, such amounts may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance amounts. Cash held at foreign bank accounts is not insured by the FDIC. Total cash held at the bank represents the amount of cash physically deposited in the bank at September 30, 2013 without regard to deposits in transit or outstanding checks.

Restricted cash includes federal funds held by the Association's WISHH program related primarily to the SARAI program, which must be used for this program's expenditures.

#### **Note 6. Accounts Receivable and Advances**

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

At September 30, 2013, management has determined that an allowance for doubtful accounts is not considered necessary.

#### **Note 7. Property and Equipment**

Property and Equipment categorized in two main areas: Purchase and Leases and Repair and Maintenance.



- a. Property and equipment includes Equipment Lease of vehicle and Equipment Purchases of office and computer related for the SARAI program. These are expensed at the time of purchase. An inventory listing is kept of the property and equipment purchased in accordance with the regulations and agreement of the program. These area distinguished in the Statement as Equipment Leases and Equipment Purchases.
- b. Repair and Maintenance includes equipment repair and maintenance. Property and equipment maintenance for the SARAI program are expensed at the time of maintenance or repair is paid. These expenses are presented in the Statement as Equipment.

**Note 8. Unearned Income**

The Association received advance funds and product that was sold or monetized to fund the SARAI program. Such funding is included in unearned income upon receipt and recognized as revenue upon execution of the SARAI program.

**Note 9. Foreign Exchange Transactions**

The ASA follows the policy of recording foreign exchange transactions at the weighted average exchange rate at which the foreign currency was acquired. Assets and liabilities arising from foreign exchange transactions are translated to U.S. dollars at quoted exchange rates per *OANDA.com* on September 30, 2013.

**Note 10. Tax Status**

The ASA is a not-for-profit corporation as described in Section 501(c)(5) of the Internal Revenue Code (the Code) and is exempt from federal tax pursuant to Section 501(a) of the Code. The Association is, however, liable for income taxes to the extent that it recognizes unrelated business income net of related expenses.

**Note 11. Direct, ITSH and Activities Costs**

The SARAI approved budget is categorized in three main areas: Direct or Administration Costs, ITSH (Internal Transportation, Storage, and Handling) and Activities or Objective Costs.

- a. Direct Costs included in the Special Purpose Financial Statement for the period of October 1, 2010 to September 30, 2013 include salaries, benefits, professional services, travel, office type expenses, and equipment to implement the Activities and Objectives of agreement number FCC-306-2010/028-00.
- b. ITSH Costs as included in the Special Purpose Financial Statement for the period of October 1, 2010 to September 30, 2013 include warehouse rental,



vehicles, drivers, and other expenses related to storage and handling of soybean product in support of agreement number FCC-306-2010/028-00.

- c. Activities (Objectives) Costs as included in the Special Purpose Financial Statement for the period of October 1, 2010 to September 30, 2013 include construction and rehab of roads, providing micro-credit (loans) to local farming families, farmer training, marketing assistance, consumer campaign, nutrition survey, cooking seminars, soy flour distribution, establishing an oilseed association, building a protein processing facility, and conducting feeding trails as part of objectives in agreement number FCC-306-2010/028-00.

### Note 12. Approved Budgeted Funds vs. Actual Expenditures

The approved fund's line items referenced in the Approved Funds vs. Actual Expenditures shown above are from Modification number 2, Attachment C as of June 19, 2012. Per the original agreement, ASA "may make adjustments within Attachment C between items within the category 'Flexible Spending Items' of up to 20 percent of the 'Total Direct Costs' approved for all funds in the attachment or \$50,000, whichever is less, without any further approval. Adjustments beyond these limits must be specifically approved by CCC." For the period of under audit, ASA incurred costs over the approved budget for the "Flexible Spending Items": (a) Equipment Purchases; (b) Professional Services; and (c) Travel.

### Note 13. Subcontractor Costs

ASA has 5 major subcontractors providing assistance under the Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) project. The following table provides details on the subcontractors, award amount, and costs incurred during the period of October 1, 2010 to September 30, 2013.

Subcontractor	Award Amount	Costs Incurred
Cooperative Business International, Inc. (CBI Global)*	N/A	\$1,017,217
Oil Corps Growers Association of Afghanistan (OCGAA)	\$101,150	\$85,447
PARSA	\$1,072,945	\$756,415
SALT International	\$2,606,577	\$1,502,487
Shelter For Life International (SFL)	\$6,317,711	\$5,030,790
<b>Totals</b>	<b>\$10,098,383</b>	<b>\$8,392,356</b>

\*CBI Global was the monetizing agent and amount paid to CBI Global was based on sale amount of the soybean product sold. Thus there was no "Award Amount", however, the agreement budget did contain a budgeted amount for sales commission.

---

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

### Note A: Questioned Costs – Professional Services

Finding 2015-001 questions \$61,700 of incurred costs for professional services that occurred between October 1, 2010 and September 30, 2013 because ASA did not obtain specific ASA approval for these costs, which exceeded the approved budget and the established threshold of \$50,000 for allowable adjustments in flexible spending items that did not require USDA/CCC approval. As a result, we questioned the costs in excess of the approved budget as ineligible costs.

---

<sup>2</sup> Alphabetic notes to the questioned amounts presented on the special purpose financial statement were developed by and are the responsibility of the auditor.





## **Independent Auditor's Report on Internal Control**

Leadership Team  
American Soybean Association  
St. Louis, MO

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

We have audited the Special Purpose Financial Statement (the "Statement") of the American Soybean Association (ASA) agreement number FCC-306-2010/028-00, Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) program for the period of October 1, 2010 to September 30, 2013 and the related Notes to the Statement, and have issued our report thereon dated November 30, 2015.

We conducted our audit in accordance with U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 Statement 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

---

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants / Management Consultants*

1030 15<sup>th</sup> Street, N.W., Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

[www.williamsadley.com](http://www.williamsadley.com)



those charged with governance. We identified Finding 2015-001 as a significant deficiency in internal control. This deficiency resulted in questioned costs of \$61,700. We identified Finding 2015-002 as a non-significant deficiency in internal control.

This report is intended solely for the information of ASA, United States Department of Agriculture 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, upon release by SIGAR, this report is a matter of public record and its distribution is not limited.

*Williams, Adley & Company - DC, LLP*  
Washington, D.C.  
November 30, 2015



### **Independent Auditor's Report on Compliance**

Leadership Team  
American Soybean Association  
St. Louis, MO

Office of the Special Inspector General for Afghanistan Reconstruction  
Arlington, VA

We have audited the Special Purpose Financial Statement (the "Statement") of the American Soybean Association (ASA) agreement number FCC-306-2010/028-00, Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) program for the period of October 1, 2010 to September 30, 2013 and have issued our report thereon dated November 30, 2015.

We conducted our audit in accordance with U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Statement amounts.

Compliance with agreement terms and laws and regulations applicable to ASA is the responsibility of ASA's management. As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of ASA's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Statement. We did not identify any deficiencies that we consider to be a material instance of noncompliance. We identified Finding 2015-001 as a significant noncompliance issue. We noted no indications of fraud, waste or abuse during the period audited.

---

WILLIAMS, ADLEY & COMPANY-DC, LLP

*Certified Public Accountants / Management Consultants*

1030 15<sup>th</sup> Street, N.W., Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161

[www.williamsadley.com](http://www.williamsadley.com)



This report is intended solely for the information of ASA, United States Department of Agriculture, Commodity Credit Corporation 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, upon release by SIGAR, this report is a matter of public record and its distribution is not limited.

*Williams, Adley & Company-DC, LLP*  
Washington, D.C.  
November 30, 2015

## Schedule of Findings and Questioned Amounts

### Finding 2015-001: Missing Approval for Re-Allocation of Costs (Significant Deficiency and Non-compliance)

**Condition:** Attachment C of the agreement between USDA/CCC and ASA under the SARAI program defined the line item budget for flexible spending items, including the allocation of \$1,025,025 for professional services. However, a total of \$1,086,725 in costs were charged to the program without prior USDA/CCC approval, which made the costs charged in excess of the approved budget ineligible under the terms of the agreement.

**Criteria:** Terms and conditions for adjustments to flexible spending items is stated in modification 2 of the agreement, dated June 19, 2012. Under Part II, Item III.B, ASA “may make adjustments within Attachment C between items within the category ‘Flexible Spending Items’ of up to 20 percent of the ‘Total Direct Costs’ approved for all funds in the attachment or \$50,000, whichever is less, without any further approval. Adjustments beyond these limits must be specifically approved by CCC.”

Under Title 7 of the Code of Federal Regulations (CFR), section 1499.14, If a participant fails to comply with a term of an agreement, FAS may take one or more of the enforcement actions set forth in §3019.62 of this title, and if appropriate, initiate a claim against the participant.

Under section 3019.62(a) Remedies for noncompliance, if a recipient materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute, regulation, assurance, application, or notice of award, the Federal awarding agency may, in addition to imposing any of the special conditions outlined in § 3019.14, take one or more of the following actions, as appropriate in the circumstances.

- (1) Temporarily withhold cash payments pending correction of the deficiency by the recipient or more severe enforcement action by the Federal awarding agency.
- (2) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
- (3) Wholly or partly suspend or terminate the current award.
- (4) Withhold further awards for the project or program.
- (5) Take other remedies that may be legally available.

**Cause:** ASA asserted that the increase in professional services costs was mostly attributable to the increased sales commission to CBI Global, which resulted from the soybean product being sold for more than what was anticipated or budgeted. ASA further commented that USDA/CCC was aware of the increased amount received from the sale of the soybean product that resulted in the increased sales commission, and that an amendment was in the works at the time for which written approval has not yet been received. The auditors determined that ASA did not have a sufficient process in place to ensure adherence to agreement terms and conditions relating to cost adjustments for flexible spending items.



**Effect:** The insufficiency of procedures for adhering to adjustment limitations and approval requirements on flexible spending items resulted in ASA expending \$61,700 on professional services in excess of the approved budget, and which exceeded the allowable adjustment for flexible spending items not requiring USDA/CCC approval. As such, the \$61,700 in costs is questioned as ineligible costs.

**Recommendation:** We recommend that ASA provide evidence of approval from USDA/CCC for the re-allocation of the \$61,700 in flexible spending costs for professional services that exceeded the \$50,000 threshold established for requiring such approval, or reimburse USDA/CCC for the excess costs not approved. Further ASA should review its process for adhering to agreement terms and conditions concerning incurred costs related to flexible spending items and modify procedures to ensure adherence to agreement terms and conditions relating to cost adjustments for flexible spending items.

### **Finding 2015-002: Missing Signatures or Name on Timesheets (Internal Control Deficiency)**

**Condition:** We tested 14 randomly selected payroll periods totaling \$571,716.48 of labor costs incurred between October 1, 2010 and September 30, 2013. ASA did not follow its policies and procedures for appropriately maintaining records in certain instances. Out of the 126 records examined, we noted 3 exceptions as follow:

- Two instances where the employee's signature was missing; and
- One instance where the employee's timesheet did not have the employee's name, although we were able to identify the employee based on the signature.

**Criteria:** Title 2 of the CFR, Part 215, subsection 215.21(b)(3) states that recipients' financial management systems shall provide for the effective control over and accountability for all funds, property and other assets.

The American Soybean Association's Accounting Manual requires "hourly employees to complete their timesheets weekly; and salaried employees to complete the absence status report." The Manual asserts that "timesheets are to be approved by the employee's supervisor or department head." Additionally, the ASA Employee Handbook, under the Timekeeping section, states "Accurately recording time worked is the responsibility of every non-exempt employee. Federal and state laws require ASA to keep an accurate record of time worked in order to calculate employee pay and benefits. It is the employees' responsibility to sign their time records to certify the accuracy of all time recorded. The supervisor will then review and initial the time record before submitting it to payroll for processing."

**Cause:** ASA did not follow its policies and procedures in the instances noted due to an oversight on the part of the individual(s) responsible for ensuring that all timesheets processed for payment meet the established internal control policies and procedures.

**Effect:** By not adhering to ASA's policies and procedures relating to the processing of payroll timesheets in all instances, ASA is not in compliance with federal regulations, the risk of fraud, waste or abuse of federal funds increases, and the effectiveness of the internal controls is diminished.

**Recommendation:** ASA should improve internal controls related to payroll by revising policies and procedures to emphasize the importance of reviewing timesheets prior to payment as a control to ensure that only properly signed and approved timesheets are processed for payment. Additionally, ASA should provide training to staff, regardless their level, on the importance of properly completing their timesheet prior to submission for approval or payroll processing.



---

## Attachment A – Management Response

### American Soybean Association

**Management's Response to the Special Inspector General for Afghanistan Reconstruction Audit, agreement number FCC-306-2010/28-00 or the FOOD for Progress Program, Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) program conducted by William Adley**

Thank you for allowing the American Soybean Association (ASA) to respond to the Special Inspector General for Afghanistan Reconstruction audit and report, which audited agreement number FCC-306-2010/28-00 or the FOOD for Progress Program, Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI) program. ASA takes great pride in implementing, administering, and ensuring compliance of all program agreements and related federal regulations. ASA uses audits such as this to continuously improve in all area of implementing programs and activities.

**Finding 2015-001: Missing Approval for Re-Allocation of Costs (Significant Deficiency and Non-compliance)**

**ASA Response:** ASA strongly disagrees with this finding and strongly disagrees that ASA did not have prior approval from USDA/CCC to spend over the Professional Services line item budgeted amount and did comply with Part II, Item III.B under the terms of the agreement. ASA also disagrees that ASA did not have sufficient process in place to ensure adherence to the agreement terms and conditions relating to cost adjustment for flexible spending items.

The increase in Professional Services costs was mostly attributable to the increased sales commission to CBI Global, which resulted from the soybean product being sold at a premium and more than what was anticipated or budgeted. As part of the Subcontract, Attachment II, Section 2, between ASA and CBI, one of USDA's roles was to approve the term of the Subcontract, which included payment to CBI based on a sales commission of five percent (5%) of the sale price of soy product. Since the soy product was sold for more, the sales commissions were higher than originally anticipated and budgeted. Selling the monetized products for more than originally anticipated is positive and reflects success. The Subcontract between ASA and CBI that was approved by USDA clearly provided that CBI was to be paid a sales commission of five percent of the sale price of the soy product. Furthermore, USDA/CCC, ASA, and CBI Global worked closely throughout the monetizing process and USDA/CCC was aware of the increase sales amount and the related commissions to CBI, which was one reason why ASA was working on an amendment to adjust the budget.

ASA did submit a budget amendment to USDA/CCC on April 29, 2013, which increased the budgeted line item for Professional Services from \$1,025,025 to \$1,363,444; however, the final approval was not received until June 11, 2014. During this time, ASA and USDA/CCC were in communications about the amendment.



Additionally, ASA did submit a request on September 24, 2013 and received approval from USDA/CCC on September 30, 2013 to increase one of the individual components in the Professional Services line item from \$40,000 to \$115,000, which increased the overall Professional Services line item by \$75,000. This USDA/CCC approved increase of \$75,000 in Professional Services is more than enough to cover the budget overage of \$61,700 in question. Attached is the approval letter from USDA/CCC dated September 30, 2013.

Therefore, based on the information above and the attachment, ASA asks that Finding 2015-001 be removed from the audit report and findings.

**Finding 2015-002: Missing Signatures or Name of Timesheets (Internal Control Deficiency)**

**ASA Response:** ASA partially disagrees that it did not follow its policies and procedures for appropriately maintaining records in certain instances.

Finding 2015-002 indicates two instances where the employee's signature was missing, and one instance where the employee's timesheet did not have the employee's name, although SIGAR auditor William Adley was able to identify the employee based on the signature.

ASA agrees that the employee's signature was missing in two instances and should have attained the employee's signature before it was approved by the supervisor. However, this employee worked entirely on the SARAI program and did not work on any other programs implemented by ASA, thus 100% of this employee was for the SARAI program. The missing signature may have been due to the employee traveling to Afghanistan for the SARAI program. Appropriate policies and procedures are now in place to ensure approval by the employee.

ASA disagrees that the timesheet where the employee's timesheet did not have the employee's name should be included in Finding 2015-002. As indicated by SIGAR auditor William Adley, the timesheet was signed by the employee and they were able to identify the employee based on the signature. This employee worked in a remote location and faxed her timesheet to ASA Headquarters every pay period. The fax number on the timesheet was the employee's fax number and the signature could be easily verified based on other timesheets. For these reasons and in these instances, to send back the employee's timesheet just so she could write her name on the timesheet would have been inefficient use of time and government resources.

As of December 1, 2014, ASA has switched from manual timesheets to web-based timesheets. This new web-based timesheet system requires the employee to approve their timesheet before the supervisor approves timesheets. Since this is a web-based system, both employee and supervisor can approve the timesheet even while traveling or out of the office.

ASA asks that the one instance where the employee's timesheet did not have the employee's name be removed from Finding 2015-002 and the audit report.



## Attachment B – Auditor Response to Management Comments

Williams Adley, in consideration of the views presented by ASA management, presents the following rebuttal and clarification to certain matters presented by the auditee. The responses below are intended to clarify factual errors and provide context, where appropriate, to assist users of the report in their evaluation of the findings and recommendations included in this report. In those instances where management's response did not provide new information and support to modify the facts and circumstances of the report findings, we have not provided a rebuttal or clarification.

### Finding 2015-001

ASA management maintains that this finding should be removed from the audit report because ASA submitted a request for a budget realignment on April 29, 2013 that was received on June 11, 2014 (Attachment E), and submitted a request for a budget realignment for a component of the Professional Services line item on September 24, 2013 that was approved on September 30, 2013 (Attachment D). According to management, these documents confirm that USDA was aware of and approved exceeding the budget amount for the Professional Services line item that the auditors questioned as ineligible. Our review of this documentation did not result in a change to the finding or questioned cost because the evidence presented was not sufficiently conclusive or prima facie evidence, in our opinion, to resolve the issues we noted. For example, the letter dated September 30, 2013 did not indicate for which line item the budget increase should be applied, and further, the letter required submission of a pending budget realignment by October 31, 2013 as a condition for approval. No evidence of a budget realignment was presented as evidence that this requirement was met. According to ASA's statement, the budget realignment request it submitted was dated April 29, 2013, which would imply that the approved budget realignment received on June 11, 2014, if tied to the April 29, 2013 request as indicated by ASA, was not considered a factor in the September 30, 2013 letter. Further, the approved budget realignment received on June 11, 2014 includes the aggregate budget amount of \$18.3 million and an estimated activity completion date of December 31, 2014, which indicates that this budget realignment was actually an increase to cover an additional period of time and was not simply a realignment of costs for the period ended September 30, 2013. As a result of the discrepancies noted in management's response, the questioned cost remains as stated and final allowability must be determined by USDA.

### Finding 2015-002

Management stated that because the employee's name could be determined by the signature and fax number from where the timesheet originated, this portion of the

exception should be removed from the report. We disagree with management's rationale and position on this issue. Requiring both the name and signature on the timesheet provides best practice auditable timesheet documentation and reasonable assurance that the timesheet belongs to the individual signing it. If management's position on this matter is accepted, then no employees would be required to have their names printed on the timesheets and verification of each employee's timesheet would be dependent upon knowing the signature of each employee and from where the timesheet may have been sent. It is both unreasonable and impractical to accept such a system for either processing payroll or confirming payroll records. As a result, the finding remains as stated.



## Attachment C – Prior Audit Findings Status

We reviewed prior A-133 audit reports for fiscal years 2011 through 2013 for ASA and noted the following findings and recommendations for fiscal years 2011 and 2012 that could have an impact on the audit:

**Finding 2011-1:** ASA did not include a compliance checklist, as per its internal policy, for 43 of 68 Foreign Food Aid Donation Cluster expenditures tested by the independent auditors under the USDA Food for Progress and Food for Peace Development Assistance Program (collectively Foreign Food Aid). In addition, payments for 16 of these expenditures did not contain proper prior approval and 9 expenditures did not contain adequate documentation to support the exchange rate used. The independent auditors recommended that ASA implement an internal control procedure to ensure that a compliance review checklist is completed and utilized for all expenditures that are funded by a federal program and that documentation, which supports the nature and amount of the expenditure, should be retained with the compliance checklist for every expenditure. ASA responded that corrective action has been taken to ensure that a compliance review checklist is completed and utilized for all expenditures funded by a federal program, is attached to the expense voucher, and that the Director of Operations/Project Manager will only approve vouchers with a completed compliance review checklist. The Accounts Payable Coordinator will only process the expense voucher if the compliance review checklist is attached, that all approvals are obtained and the correct supporting documentation is included.

This finding was repeated in FY 2012 A-133 audit report as Finding 2012-1: In that report, it was noted that 6 of 68 Foreign Food Aid expenditures tested by the independent auditors did not have a signed, completed compliance checklist. These exceptions were for one vendor, Cooperative Business International. ASA responded that it has implemented a procedure to ensure that the compliance review checklist and approval process is completed for all vendors, including CBI. The independent auditors concluded that management has implemented a process to ensure that the compliance review process includes this vendor as well as all other current/future vendors.

**Current Status:** ASA took adequate corrective action to address this issue. We tested 158 disbursement transactions as part of our fieldwork and did not note any exceptions for prior approvals, exchange rates used or non-compliance issues for transactions tested under the SARAI program we audited.

**Finding 2011-2:** Under the USDA Food for Progress program, ASA's sub-recipient did not provide a completed and approved application form to determine eligibility for 5 of 10 micro-loan recipients tested by the independent auditors. For the other 5 recipients, the completed application did not contain sufficient information to determine whether or not the applicant met the requirements stipulated in the program grant agreement. The independent auditors recommended that ASA revise the loan application process to include the specific eligibility attributes defined in the federal program or create a



compliance checklist that includes such eligibility criteria, which is reviewed and approved by ASA or the designated sub-recipient. Further, ASA should implement a control procedure to ensure that micro-loan funds are not released to designated recipients until a loan application is completed and approved by the ASA or designated sub-recipient. ASA responded that the sub-recipient (Shelter for Life International) has developed a thorough assessment and beneficiary selection procedure for selection of microfinance beneficiaries along with additional forms that include selection criteria and a checklist. The independent auditors reported that ASA has taken the stated corrective actions.

**Current status:** ASA took adequate corrective action to address this issue based on the prior auditor's conclusion. We did not observe any micro loans during our testing of ASA transactions under the SARAI program we audited and our review of the program's final evaluation found that the micro credit program was well executed.

**Finding 2011-3:** Under the USDA Market Access Program (MAP), the independent auditor found that advances that were to be expended by October 2010 were not fully utilized until early November 2010. The independent auditors recommended that ASA establish a monitoring procedure to ensure MAP advance funding is utilized within the prescribed 90-day time period per 7 CFR, section 1485.18(c), and that excess funds are returned to the federal funding source. ASA responded that controls have been put into place to monitor the utilization of MAP advances within the prescribed 90-day time period, which includes an advance log that is monitored by the controller and billing analyst. The independent auditors concluded that an internal control has been put in place to monitor the utilization of MAP advances within the prescribed 90-day time period and no repeat instances of non-compliance were noted.

However, a similar finding was repeated in the FY 2012 A-133 audit report. Specifically, finding 2012-2 included a finding that ASA held unobligated advance funds for the USDA Food for Progress Program for a period greater than the 180 days allowed under the CCC requirements. ASA responded that an internal control procedure has been put in place to ensure all funds for the Food for Progress Program are obligated within a 180-day time period.

**Current Status:** ASA took adequate corrective action to address this issue. We noted during our fieldwork that ASA had received advance funds for administrative expenses from CCC. ASA returned excess advanced funds to CCC prior to the completion of our fieldwork. As a result, we did not note a finding in this area.

**Finding 2011-4:** Under the USDA Foreign Market Development Cooperator Program (FMD) and MAP, ASA's collaborating agreement or, the United States Soybean Export Council (USSEC), could not validate and provide support that an inventory of equipment and/or real property purchased with FMD or MAP funds was completed in the prior two fiscal years for country offices in China, Japan and Europe. The independent auditors recommended that ASA and USSEC establish an internal control procedure to ensure physical inventories are conducted with the time period prescribed by federal regulations.



ASA responded that USSEC will enforce an internal control and schedule annual physical inventories for all offices worldwide. The independent auditors concluded that USSEC enforced an internal control and scheduled annual physical inventories for all offices worldwide. No repeat instances of non-compliance were noted.

**Current Status:** ASA took adequate corrective action to address this issue. We tested inventory as part of our fieldwork and did not note any exceptions for the SARAI program we audited.

**Finding 2011-5:** Under the USDA FMD and MAP, ASA, through USSEC, was unable to provide competitive bid information or a memo of justification for non-competitive bids in excess of \$25,000 for 4 of the 7 USSEC awarded agreements in prior years. The independent auditors recommended that ASA and USSEC establish internal control procedures to ensure that all procurement policies and regulations are followed and completed on a recurring basis. ASA responded that USSEC has implemented a new software to track and manage agreements. Under the new software, all agreements over \$25,000 include competitive bid worksheets detailing the selection process. Further, all agreements over \$25,000 will include the competitive bids or a memo of justification before the agreement is executed. The independent auditors noted that USSEC has implemented a new software (E-Contracts) to track and manage agreements. No exceptions were noted during the current year's audit.

**Current status:** ASA took adequate corrective action to address this issue. We performed procurement fieldwork to include documentation of proper bid procedures as part of the test attributes. We did not note any findings or questioned costs related to the 5 agreements we reviewed.

**Finding 2011-6:** Under the USDA Foreign Food Aid program, ASA did not retain documentation to validate that 8 of 8 agreements examined were reviewed for suspension or debarment status prior to being utilized by ASA. For 4 of the 8 agreements, competitive bid information or non-competitive justifications were not present in the agreement files. The independent auditors recommended that ASA establish an internal control procedure to ensure all procurement, suspension and debarment policies and regulations are documented, followed and completed on a recurring basis. ASA responded that it does check the status of possible contractors for suspension/ debarment, but that no formal documentation was used. An additional step has been taken to include printing out the page showing that the contractor was not on the (excluded parties) list. ASA also commented that 2 of the 4 contractors included on the auditor's list were part of ASA's proposal submission to USDA, and therefore, competitive bidding was not required. The independent auditors noted that no exceptions were found during the following year's audit and that the new procedures for documenting due diligence as outlined by ASA were being followed.

**Current status:** ASA took adequate corrective action to address this issue. We performed procurement fieldwork to include documentation of proper eligibility

procedures as part of the test attributes. We did not note any findings and questioned costs related to the 5 agreements we reviewed.



## Attachment D – USDA Conditional Approval Letter



United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural  
Services

Foreign  
Agricultural  
Service

1400 Independence  
Ave. SW  
Stop 1034  
Washington, DC  
20250-1034

Mr. Jim Hershey  
Executive Director, WISHH  
12125 Woodcrest Executive Drive  
Suite 100  
St. Louis, MO 63141

SEP 30 2013

Dear Mr. Hershey:

This letter is in response to your request of September 24, 2013, for approval to exceed the budget line item for your midterm evaluation for agreement OGSM: FCC-306-2010/028-00, between the Commodity Credit Corporation (CCC) and American Soybean Association/WISHH.

CCC hereby approves your request for exceeding the line item allocation of \$40,000 to \$115,000, on the condition that pending budget realignment reflects this adjustment. The pending budget realignment must be submitted no later than October 31, 2013. Please be aware that no further funding is available from CCC to cover the additional expenses incurred and the cost must be covered by the budget realignment of current funds. All costs associated with this agreement not covered by resources provided by CCC, as outlined in the original agreement, must be borne by American Soybean Association/WISHH. All other provisions of the agreement remain the same.

We appreciate American Soybean Association/WISHH's communication and look forward to the successful completion of your USDA program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Patricia R. Sheikh".

Patricia R. Sheikh  
Deputy Administrator  
Office of Capacity Building and Development  
Foreign Agricultural Service

USDA is an Equal Opportunity Employer

## Attachment E – USDA Approved Budget Revision

OGSM: FCC-306-2010/028-00-D  
GSM: FCC-306-2012/028-00  
COUNTRY: AFGHANISTAN

AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA  
AND  
AMERICAN SOYBEAN ASSOCIATION  
FOR THE PROVISION OF AGRICULTURAL COMMODITIES  
THROUGH THE FOOD FOR PROGRESS ACT  
AMENDMENT IV

Agreement No. OGSM: FCC-306-2010/028-00, dated September 30, 2010, between the Commodity Credit Corporation and the American Soybean Association, and amended on December 15, 2010, June 19, 2012, and September 18, 2012, is hereby further amended as follows:

1. By deleting Part I, Paragraph D and replacing it with the following:

“D. The donated commodities to be made available under this Agreement are as follows:

Commodity	Packaging	Commodity Use	Maximum Quantity Metric Tons (MT)	Estimated Arrival At U.S. Port(s)
Soy Flour, Defatted	50 kg bag	Direct Distribution	80	12/2010
Soybean Oil	4 ltr pl jug	Monetization	13,140	12/2010 to 1/2013
Soybeans	50 kg bag	Direct Distribution and Barter	2,000	3/2012
Soybeans	50 kg bag	Direct Distribution and Barter	2,000	1/2013
<b>Total</b>			<b>17,220</b>	



The donated commodities will be in accordance with the specifications in Attachment B, which is attached hereto and made a part of this Agreement. CCC may, at its option, substitute packaging of a different size or type or both. CCC may, but is not required to, provide extra bags for donated commodities that are packaged if the Participant requests them at the time that it submits its order for delivery of such donated commodities."

2. By deleting Attachment A of the Agreement and replacing it with the attached Attachment A - MODIFICATION III.

3. By deleting Attachment C of the Agreement and replacing it with the attached Attachment C - MODIFICATION III


All other provisions of the agreement remain the same.

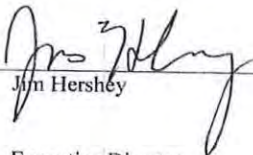
This amendment shall be effective upon signature by both parties.

In witness whereof, the representatives of the parties, duly authorized for the purpose, have signed this amendment.

FOR THE GOVERNMENT OF  
THE UNITED STATES OF AMERICA

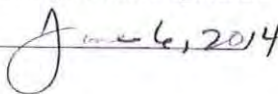
FOR AMERICAN SOYBEAN  
ASSOCIATION

By:   
Roger P. Mireles

By:   
Jyn Hershey

Title:  
Acting Deputy Administrator  
Office of Capacity Building  
and Development,  
Foreign Agricultural Service,  
U.S. Department of Agriculture

Title:  
Executive Director

Date:  June 6, 2014

Date: May 6, 2014

**ATTACHMENT A – MODIFICATION III  
PLAN OF OPERATION  
FOOD FOR PROGRESS  
FY 2010**

**1. NAME AND ADDRESS OF APPLICANT**

American Soybean Association

12125 Woodcrest Executive Drive, Ste. 100  
St. Louis, MO. 63141

Contact at U.S. Headquarters  
Jim Hershey  
Executive Director  
Tel. (314) 576-1770  
Fax. (314) 576-2786  
Email: [jhershey@soy.org](mailto:jhershey@soy.org)

Contact in Afghanistan



**2. COUNTRY OF DONATION**

Afghanistan

**3. PROGRAM DESCRIPTION**

**(a) Activity Objectives**

**Monetization**

ASA monetized 13,140 MT of soybean oil, and, over a period of approximately 51 months, will use the proceeds from such sale to implement the following activities in Afghanistan:

- **Renovate or Construct Irrigation Systems and Rehabilitate Farm-to-Market Roadways** to allow for greater water flows to reach targeted fields and to connect agricultural producing communities to provincial, regional, and national markets.
- **Provide Micro-credit** to support the extension of credit for the purchase of agricultural inputs and facilitate income generating trade that will complement food production and marketing.
- **Provide Technical Support and Training** in the production of soybeans as a rotation crop.



- **Provide Marketing Assistance** to develop, package and market various foods produced by a newly-established protein processing facility.
- **Establish an Oilseed Association** to bring together multiple stakeholders, including government representatives, producers, processors, wholesalers, traders, and academics.
- **Establish a Protein Processing Facility** to process soybeans into flour.
- **Conduct a Consumer Awareness Campaign** to increase knowledge of general nutrition and the health benefits of soy.
- **Conduct Cooking Seminars and Support Bakeries** to increase nutritional knowledge and ability to utilize soy in cooked foods, including *naan* bread.
- **Conduct Nutrition Impact Surveys** to determine the nutritional impact on those individuals who are participating under a direct feeding activity.
- **Conduct Feeding Trials** to determine the most efficient feed for poultry and livestock.
- **Support the Existing Commercial Seed Production Structure** to increase the supply of locally available soybean seeds.

#### **Direct Distribution of Soy Flour**

During the first year of activities under the agreement, ASA, through its subrecipient, distributed 80 metric tons (MT) of defatted soy flour to 5,000 vulnerable, pregnant, or lactating women and their families during the winter months. Each family received 4 kilograms of soy flour per month for a period of four months (120 days per year). This ration provided on average 22 grams of soy flour per person per day.

#### **Barter of Soybeans and Direct Distribution of Soy Flour**

ASA will process 4,000 MT of soybeans over three years through a newly established, self-contained protein processing facility that it will purchase with monetization proceeds under this agreement. The 4,000 MT of processed soybeans will produce the following products and quantities:

- 800 MT splits and foreign matter (20 percent). A large amount can be re-processed for non-human meal or animal feed. There is a true 2-3 percent loss for things like rocks, glass, etc.
- 2,400 MT soy flour or soybean meal (60 percent) depending on what is chosen to produce. Again, meal numbers are boosted by the fact that splits are mixed back in.
- 480 MT oil (12 percent)
- 200 MT hulls (5 percent). These are not loss, but are sold at very low cost to cattle farms.
- 120 MT (3 percent) moisture and processing loss. The product retains some moisture but some weight is lost in processing.

ASA will distribute the processed products in the following manner. ASA distributed a total of 215 MT of soy flour (80 MT used for one winter ration, 45 MT used for a second winter ration, and 90 MT used in cooking seminars) over a period of three years. ASA provided the remaining 240 MT of soy flour to identified non-governmental organization(s) (NGO) as a donation for distribution to vulnerable populations in Afghanistan and will distribute 45 MT of soy flour to identified NGOs as a donation for distribution to vulnerable populations in Afghanistan in the final year of the project. Remaining quantities of soy flour or soybean meal and other products will be commercially sold to cover overhead costs of the processing facility. This includes approximately 1,900 MT soy flour or soybean meal, 800 MT splits, 480 MT oil, and 200 MT hulls.

ASA provided a ration of soy flour to 5,000 vulnerable, pregnant, or lactating women and their families for a period of four months (120 days per year) during one winter. ASA provided a ration of soy flour to 2,812 vulnerable, pregnant, or lactating women and their families for a period of four months (120 days per year) during a second winter. A woman could be eligible to receive rations for multiple winters, provided that she was vulnerable, pregnant, or lactating during each winter in which she received a ration. ASA also distributed soy flour to 10,000 vulnerable, pregnant, or lactating women at ASA-sponsored cooking seminars. The distribution consisted of the soy flour that was used during the actual cooking seminars as well as soy flour that was given to each vulnerable, pregnant, or lactating woman at the conclusion of each seminar for home use. The cooking seminars are part of an ASA effort, funded through monetization proceeds, to instruct vulnerable, pregnant, or lactating women on the proper utilization of soy flour in the home production of *naan* (local style bread), as well as the various ways that soybeans can be prepared and consumed.

#### (b) Method of Choosing Beneficiaries

ASA selected geographic areas within northern Afghanistan to carry out its activities under this agreement by using information from the following sources:

- Afghanistan Investment Support Agency;
- Nutrition, maternal and child mortality statistics, UNICEF, The State of the World's Children 2009;
- Government of Afghanistan, Afghanistan National Development Strategy;
- Government of Afghanistan Ministry of Rural Rehabilitation and Development, Provincial Development Plans for Baghlan and Takhar;
- Government of Afghanistan Ministry of Agriculture, Irrigation, and Livestock; and
- Government of Afghanistan Ministry of Women's Affairs.

#### For Irrigation, Road Rehabilitation, and Micro-credit Activities

ASA, directly and through its subrecipient(s), will work with provincial governments, the representatives of the Ministry of Agriculture, the Ministry of Reconstruction and Rural Development, the Ministry of Economics, and the community leaders to select the most appropriate beneficiaries, i.e., farmers and farming communities, for participation. After



surveying farmers to determine their nutrition, income, asset, and household situation, ASA will give priority for the irrigation and road rehabilitation activities to those communities populated by farmers, and will give credit for the micro-credit activities to farmer beneficiaries, who meet all or most of the following criteria:

- Are members of food-insecure households;
- Live in the targeted community and demonstrate family stability;
- Have access to land and a water source;
- Demonstrate knowledge and ability to participate in a sustainable program;
- Hold small farms and are involved in agricultural production of two to four acres;
- Farm as a primary source of household income;
- Have a household income that does not exceed US \$2.00 per day;
- Have the capacity either through labor or access to capital to implement improved farming practices;
- Will voluntarily participate in the project activities;
- Will work collaboratively and collectively with other farmer families, especially in the marketing of farm produce; and
- Will adopt innovative practices and produce targeted integrated agricultural commodities for marketing.

ASA, directly and through its subrecipient(s), will identify craftsmen who live in proximity to the targeted farming communities and support farming efforts through their work. After surveying the communities and the impact of such complementary work on the sustainability of farming, ASA will select craftsman beneficiaries for the micro-credit activity by giving priority to craftsmen who meet all or most of the following criteria:

- Are members of food insecure households;
- Live in the targeted community and demonstrate family stability;
- Their work has been deemed by farmers to be essential for sustainability of farming, i.e., those who make shovels, wheelbarrows, etc.;
- Have a household income that is at or below the extreme poverty threshold;
- Will voluntarily participate in the project activities; and
- Will work collaboratively and collectively with the farmer families to produce the proper tools.

Women will receive priority in the selection process for income-generating activities.

#### For Production Activities

Production activities will center on smallholder farmers, and on a small group of large-scale farmers.

ASA, directly and through its subrecipient(s), will work with provincial and district authorities, local representatives of the Ministry of Agriculture, Irrigation, and Livestock, and local university faculty working in the field of agriculture to select the neediest farming families for participation in smallholder farm activities. After surveying farming families to determine their

nutrition, income, asset, and household situation, ASA will give priority to those farming families that meet all or most of the following criteria:

- Household is female-headed;
- Farmers have been successful in raising diverse crops, including grains, legumes, and oilseeds;
- Families have 2 or more children in residence;
- Farmers own or have access to at least 1/2 acre of land (1 acre = 2 *jeribs*);
- Farmers have the capability and willingness to try new crops; and
- Resident family members are physically able to plant and harvest crops.

In addition, ASA will target large scale farmers in 2014. These farmers will be primarily, but not necessarily exclusively, located near the processing facility in Mazar-e-Sharif in Balkh province. ASA will give priority to large scale farmers who meet all or most of the following criteria:

- Farmers have been successful in raising diverse crops, including grains, legumes, and oilseeds;
- Farmers have access to mechanized equipment and capital;
- Farmers have the capability and willingness to try new crops; and
- Resident family members are physically able to plant and harvest crops.

#### For Direct Distribution

ASA, directly and through its subrecipient(s), will work with the Ministry of Women's Affairs, along with local and provincial leaders, to select the neediest pregnant, lactating, and vulnerable women and their families for participation. After surveying the pregnant, lactating, and vulnerable women to determine their nutrition, income, assets, and household situation, ASA will give priority to those women who meet all or most of the following criteria:

- Women who will receive a winter ration are vulnerable, pregnant, or lactating;
- Women are the head of a household;
- Women have 2 or more children in residence; and
- Women have no income source.

#### For Companies

ASA will provide technical assistance to targeted companies, including but not limited to millers, bakers, and flour merchants based on the following criteria:

- Companies have sufficient processing capacity (larger companies will generally be targeted before smaller ones);
- Companies have products for commercial sale; and
- Companies are willing to try new ingredients or formulations and to accept food technologists on premises.



**(c) Program Administration**

ASA will dedicate 15 in-country staff and 2 full time and 7 part time staff based in the U.S. to implement this agreement.

**(d) Expected Contributions**

All costs for this program not covered by resources provided by CCC will be borne by ASA.

**(e) Subrecipients**

ASA will select one or more subrecipients from among local organizations that have the following:

- Experience operating in the targeted region;
- Experience working with ASA;
- Demonstrated experience in agricultural projects; and
- Demonstrated management experience in handling financial matters.

ASA will enter into an agreement with each subrecipient that will set forth the responsibilities of both parties. ASA will consult with CCC prior to the selection of any subrecipient and provide a copy to CCC of each signed agreement with a subrecipient.

**(f) Governmental or Non-governmental Entities**

ASA will work directly with the following entities:

- Government of Afghanistan Ministry of Women's Affairs;
- Government of Afghanistan Ministry of Agriculture, Irrigation, and Livestock;
- Government of Afghanistan Ministry of Reconstruction and Rural Development; and
- Government of Afghanistan Ministry of Economics.

**(h) Criteria for Measuring Progress**

Monetization completion date: November 2012

Anticipated activity completion date: December 31, 2014

Table I  
MONETIZATION

Activity Objectives	Type and Number of Beneficiaries	Progress Measures
<b>Renovate or Construct Irrigation Systems and Rehabilitate Farm-to-Market Roadways</b>	-Direct: 15,000 farmers and unemployed laborers -Indirect: 75,000 farming family members and unemployed laborers	<b>Outputs:</b> -Mobilize or establish one agricultural extension and water management committee in at least six communities -Rebuild and rehabilitate eleven irrigation systems -Improve 51 km of tertiary access to market roads -Employ 200 unskilled laborers, each for a period of fifteen months -Inject \$463,200 in local markets through provision of cash-for-work employment  <b>Outcomes:</b> -Improve the productivity of the land by at least 100% -Provide irrigation water for 6 communities -Increase the purchasing power of 200 families by 400% -Enhance agricultural trade by 50% -Increase farmers' income by 50% by the end of the second harvest -Increase farmers' income by an additional 5% beyond the third harvest
<b>Provide Micro-credit</b>	-Direct: 800 farmers and artisans	<b>Outputs:</b> -Provide 800 loans, at an average of \$400/loan, for agriculture-related activities that increase the return on locally produced crops and livestock



	- Indirect: 4,000 family members of farmers and artisans	<b>Outcomes:</b> -Increase income of the participants by an additional 25% by the second harvest  -Increase income of the participants by an additional 5%-10% beyond the second harvest
<b>Provide Technical Support and Training</b>	-Direct: 9,900 farmers  -Indirect: 49,500 family members of farmers	<b>2011-2013 Outputs</b> -Develop a curriculum for trainers and trainees  -Train 90 core trainers and 9,000 farmers  -Establish and institute a system for measuring yields in five percent of farms monitored  -Establish approximately 90 demonstration plots  <b>2014 Outputs:</b> -Plant 4,000 jeribs with soybeans  -Procure 15 threshers, 15 field cultivators, 15 two row planters, 15 push weeders, and spare parts for 15 participating coops  -Train 900 farmers to grow soy  - 14 DAIL Cooperative Extensionists trained in soy production  -Visit each targeted farmer 5 times throughout the growing season  -15 training sessions will be held in 2014  -15 field days- demonstrating the value of using two-row planters in raised beds- slated for May 2014  -15 field days- demonstrating improved practices- slated for August 2014

		<p>-15 field days- demonstrating efficacy of machine harvesting- slated for mid-late September</p> <p>- Naan with 5% soy flour will be served at each training session and field day</p> <p>- 30% of the farmer recruitment costs in Balkh, 100% of collection costs, and 100% of costs for a Project/ External Relations Manager supported by the Afghan Soybean Factory (ASF)</p> <p><b>2011-2013 Outcomes</b></p> <p>-Increase quantities of soy grown from approximately 500 acres to 4,500 acres</p> <p>-Increase yields by 30 percent</p> <p><b>2014 Outcomes:</b></p> <p>- Produce 1,200 MT of soybeans</p> <p>- Farmers sell 90% of production to the factory</p> <p>- 60% of farmers sign letters of intent to grow soybeans in 2015</p> <p>-75% increase in knowledge on the usefulness of soy based on pre and post tests</p>
Provide Marketing Assistance	<p>-Direct: 112 staff or employees of targeted companies</p> <p>-Indirect: 224 staff members or employees of targeted companies</p>	<p><b>Outputs:</b></p> <p>-Conduct 14 technical assistance trips</p> <p>-Conduct 2 technical seminars</p> <p>-Provide technical assistance to established protein processing facility</p> <p><b>Outcomes</b></p> <p>-90% of targeted companies report increased knowledge of soy following receipt of a technical assistance visit</p> <p>-Increased demand for soy products as reported by companies that received technical assistance</p>



		-5 companies will utilize soy in their commercially available products
<b>Establish an Oilseed Association</b>	<p>-Direct: 50 producers, processors, wholesalers</p> <p>-Indirect: 50 farmers</p>	<p><b>Outputs</b></p> <p>-Establish and register one national oilseed association</p> <p><b>Outcomes</b></p> <p>-Association established and registered, with strategic plan and membership structure in place</p> <p>-Association offering services of value to members</p> <p>-Association able to recover costs for services</p>
<b>Establish a Protein Processing Facility</b>	<p>- Direct: 20 employees and 1,000 contract farmers</p> <p>-Indirect: 5,100 family members of employees and contract farmers</p>	<p><b>2011-2013 Outputs:</b></p> <p>-Procure, transport, commission, and staff a protein processing facility, the Afghan Soy Factory (ASF)</p> <p>-Institute standard operating procedures and production schedule</p> <p>-Develop and process 3 products for commercial sale</p> <p><b>2014 Outputs:</b></p> <p>- Provide hands-on marketing training to the facility staff</p> <p>- Provide training on HACCP procedures</p> <p>- Develop a comprehensive transition plan that includes a focus on accounting, management, marketing, processing, and sustainability</p> <p>- Hire a Project Manager to strengthen the link between the facility and growers.</p> <p><b>Outcomes:</b></p> <p>-Protein processing facility is profitable and has relationships with buyers and growers</p>

		<ul style="list-style-type: none"> <li>-10% increase in commercial sales of soybean meal, soy flour, and soybean oil.</li> <li>-Factory will be compliant with HAACP procedures</li> <li>- Factory has equipment to produce crude and refined oil, flour, and soybean meal</li> <li>- Processing plant has established relationships with the DAIL Cooperative Department in Balkh Province to provide extension outreach to their identified cooperative members</li> </ul>
<b>Conduct a Consumer Awareness Campaign</b>	-Direct: 150,000 consumers	<p><b>Outputs:</b></p> <ul style="list-style-type: none"> <li>-Complete a report on the perceptions of soy flour and soy-enriched <i>naan</i> among the public and targeted bakers in Kabul and Mazar</li> <li>-Print and distribute point-of-sale materials (banners, signs, posters) to 60 large bakeries in Mazar and Kabul</li> <li>-60 large bakeries in Mazar and Kabul provide taste testing of soy fortified <i>naan</i> at their bakery</li> </ul> <p><b>Outcomes:</b></p> <ul style="list-style-type: none"> <li>- 50% increase in consumer awareness about the benefits of soy based on survey results from 60 large bakeries being targeted</li> <li>-100% increase in consumption of soy enhanced <i>naan</i> based on survey results from 60 large bakeries</li> </ul>
<b>Conduct Cooking Seminars and Support Bakeries</b>	-Direct: 10,000 pregnant, lactating or vulnerable women*	<p><b>Outputs:</b></p> <ul style="list-style-type: none"> <li>-Organize cooking seminars for 10,000 pregnant, lactating or vulnerable women</li> <li>-Support start-up of 20 women-owned community bakeries</li> </ul>



	-Indirect: 50,000 families of pregnant, lactating or vulnerable women	<b>Outcomes:</b> -Increased knowledge of general nutrition -Increased knowledge of the nutritional benefits of soy -Increased soy consumption -20 women-owned bakeries operating commercially
<b>Conduct Nutrition Impact Surveys</b>	-Direct: 300 pregnant or lactating women and their families	<b>Outputs:</b> -Build one set of surveys and protocols with training materials for nutritional impact measurement and food distribution acceptance and uses -Conduct training for two teams of 10 data collectors -Conduct baseline and follow-up data collection annually on approximately 300 selected beneficiaries -Provide outcome reports annually <b>Outcomes:</b> -Maintenance or improvement in nutritional impact indicators for targeted beneficiaries -Improved utilization by targeted beneficiaries of the foods distributed -Improved knowledge by targeted beneficiaries of the nutritional value of foods distributed
<b>Conduct Feeding Trials</b>	-Direct: 4 targeted farmers -Indirect: 5,000 farmers	<b>Outputs:</b> -Four feeding trials completed (at least one dairy trial, and up to three with poultry) <b>Outcomes:</b> -Best poultry and livestock feed formulation determined and information disseminated -Increased used of soybean meal in feeds

<b>Support the Existing Commercial Seed Production Structure</b>	-Direct: 900 farmers -Indirect: 4,500	<b>Outputs:</b> -In 2014, procure 45 MT of commercially locally available seed  <b>Outcomes:</b> -Demonstrated commercial demand for locally available seed
--	--	---

<b>DIRECT DISTRIBUTION</b>		
<b>Distribute Soy Flour</b>	-Direct: At least 10,000 pregnant, lactating or vulnerable women*  -Indirect: At least 50,000 family members of pregnant or lactating women	<b>Outputs:</b> -Distribute 8.5kg of soy flour to 10,000 pregnant, lactating or vulnerable women following their participation in cooking seminars  -Distribute 4 kg of soy flour for winter family ration to 5,000 pregnant, lactating, or vulnerable women during two winters  <b>Outcomes:</b> -Increased knowledge of general nutrition -Increased knowledge of the nutritional benefits of soy -Increased soy consumption -Nutritional status of targeted families is maintained or improved
<b>BARTER</b>		
<b>Barter 4,000 Metric Tons of Soybeans</b>	Direct: 34,200 vulnerable beneficiaries	<b>Outputs:</b> -500 MT locally processed soy flour for distribution throughout the life of the program. 90 MT will be used for cooking seminars. 125 MT will be used for winter ration distributions. The remaining 285 MT will be used to benefit 5,700 families (34,200 individuals). -Remaining soybeans will be processed into



		soybean meal, crude de-gummed soybean oil, and low fat soy flour, and used as payment for processing services and sold commercially by the protein processing facility to help cover its operational costs.  <b>Outcomes:</b> -Improved quality of distributed food basket  -Increased availability of high quality protein source  -Funds from sale by protein processing facility of soybean meal, crude de-gummed soybean oil, and soy flour received in barter help cover operational costs of protein processing facility
<b>Total Beneficiaries</b>	<b>Direct:</b>	232,286
	<b>Indirect:</b>	243,374

\* Note: Although 5,000 women will receive winter rations each year, the composition of this group of women will change as the women's eligibility status changes. In the second year, some new beneficiaries will replace others who are no longer eligible. All of the women who receive winter rations (up to 10,000) will also participate in the cooking seminars and receive soy flour as a result of this participation.

#### 4. USE OF FUNDS OR GOODS AND SERVICES GENERATED

##### (a) Quantity and Type of Commodities to be Sold or Bartered

Table II

Commodity	Amount Monetized	Amount Bartered
Soybean oil	13,138.799 MT (Actual)	0 MT
Soybeans		3,989.346 MT (Actual)
<b>TOTAL</b>	<b>13,138 MT</b>	<b>3,989 MT</b>

**(b) Amount of Sale Proceeds Anticipated****Table III**

	Amount Sold (MT)	Average Sales Price Per Ton	Proceeds
Soybean oil	13,138.799 MT (Actual)	\$1,416.25 (Actual)	\$18,607,839.43
<b>TOTAL</b>	13,138.799 MT	\$1,416.25	\$18,607,839.43

**(c) Private Sector Participation in the Sale of Commodities**

The Director, Food Assistance Division, FAS, gave written approval for ASA to sell some of the soybean oil in Dubai, provided that, in its contract with each buyer of such oil, ASA required the buyer to transport the soybean oil to Kabul, Afghanistan.

ASA kept the local U.S. Embassy informed throughout the sale process. ASA provided in its sale contracts that the buyers will be responsible for the payment of any duties or taxes imposed on the commodities.

**(d) Anticipated Use of Sale Proceeds**

Subject to Part II, Item III, Paragraph B, ASA will use proceeds as set forth in the following table and in Attachment C:

Activities	Dollar Amount of Proceeds
Renovate or Construct Irrigation Systems and Rehabilitate Farm-to-Market Roadways	3,650,000.00
Provide Micro-credit	550,000.00
Provide Technical Support and Training	3,329,000.00
Provide Marketing Assistance	285,554.00
Establish an Oilseed Association	151,000.00
Establish a Protein Processing Facility	3,161,637.00
Conduct a Consumer Awareness Campaign	47,000.00
Conduct Cooking Seminars and Support Bakeries	320,000.00
Conduct Nutrition Impact Surveys	515,000.00



Conduct Feeding Trials	19,559.65
Support the Existing Commercial Seed Production Structure	\$0.00
<b>Total Proceeds for Activities</b>	<b>12,028,750.65</b>

If actual proceeds differ from the anticipated amount or ASA uses less than the total amount that is specified in Attachment C under "Grand Total Costs" approved for monetization proceeds, ASA will apply the difference to increase or reduce the amount of proceeds allocated to one or more of the activities listed in the table above and make necessary adjustments to any indirect costs associated with such activity(ies), or ASA will return the unused funds to CCC.

#### **Renovate or Construct Irrigation Systems and Rehabilitate Farm-to-Market Roadways**

ASA, directly and through its subrecipient(s), will renovate or construct eleven irrigation systems that have been identified as part of the Provincial government and United Nations Assistance Mission in Afghanistan's (UNAMA) priority list of projects. This may include the following three types of irrigation systems: i) flood irrigation systems with concrete ditches typically used for rice and grain fields, ii) spray irrigation systems with water-carrying pipes that are typically used on land fed by rain, where legumes are generally the crop grown, and iii) drip irrigation also with water-carrying pipes. ASA will make maximum use of manual labor in carrying out this activity, and all unskilled labor will be hired from the beneficiary communities. To the degree possible, materials will be purchased locally. Where local purchases may create a negative market impact, materials will be imported.

ASA, directly and through its subrecipient(s), will rehabilitate approximately 51 km of roads that will connect agricultural-producing communities to provincial, regional and national markets. Targeted roads will be graded and graveled with 5m width and an average of 20cm thickness. Rehabilitated roads will have a slope on both sides to drain rain water to redirect water off the roads. Ditches will be dug alongside the road and, where roads intersect water streams, concrete overpasses will be constructed. There will be no further actions in 2014 of this activity.

#### **Provide Micro-credit**

ASA, directly and through its subrecipient(s), will provide small scale loans to 800 families. The loans will primarily support the extension of credit for the purchase of agricultural inputs, the development of local craftsmen (tinsmiths and blacksmiths) to support the agricultural economy, and the development of post-harvest activities to increase the return on locally produced crops and livestock. This could include drying, storing, processing and transportation facilities. The number of loans that will be available for craftsmen will not exceed 50 loans out of a total of approximately 800 loans.

For loan-repayment and performance accountability, the borrowers will be divided into solidarity groups. The actual size of each loan will vary based on the client's capacity, but the average size per loan is estimated to be about \$400. Borrowers that build strong credit and demonstrate success may receive additional loans.

Though funding for micro-credit will not extend into 2014 from this program, ASA's subrecipient, Shelter for Life, will continue to provide micro-credit loans using alternative funding sources. Shelter for Life will continue to provide micro-credit services using the same structure for loan approval, receipt, and collection as they have done as part of this program.

#### **Provide Technical Support and Training**

ASA, directly and through its subrecipient(s), will use a cascading train-the-trainers model to provide agricultural training, with a focus on soybean production, to farmers, and extension workers. ASA will draw upon expertise from multiple sources to develop the curriculum for this training, with topics that will include seed selection, soil quality, moisture needs, fertilization, planting and cultivating, harvesting, cleaning, storage, etc. ASA will offer an initial course with additional technical follow-up provided at various time intervals. Each participant will receive a certificate upon completion of the training. The training in 2014 is expected to include, at a minimum, (1) cultivation techniques including field preparation, planting, weeding, watering, and harvest; (2) farm family information about the benefits "why soybeans?" of growing soybeans including benefits to soil, benefits for animal nutrition and human nutrition; and (3) proper seed saving techniques to assure adequate seed for next season or incentives to sell extra production to ASF. In 2014, each targeted farmer will receive 5 visits from an extension agent throughout the growing season. Each farmer will receive 5 visits from an ASA extension agent. Visits may be conducted by the ASA extension agent alone, or in partnership with DAIL and/or ASF extension agents. In joint visits, ASA extension agents will serve in a supervisory/ trainer capacity.

For the 2014 production year, ASA will bring on additional support to enhance production yields. ASA will add two new management positions, a Production Manager and a Lead Agronomist. In addition, approximately seven local agronomists will be brought on board at the provincial level and will report up to the Production Manager. ASA will focus on the Balkh provinces.

In Balkh, ASA will provide technical assistance and resources to encourage farmers to plant 4,000 jeribs, with an expected yield of 1,200 MT of soybeans in 2014. ASA will work with the DAIL Balkh Cooperative Department and at least two cooperatives in each of the key districts where irrigation is plentiful. These include Shulgara, Balkh, Dehdadi, Chemtal, Shortepa and Qeldar. ASA will target larger growers in Balkh. Many will be cooperative members; others will be identified by the Afghan Soybean Factory (ASF). The minimum number of jeribs planted by cooperative farmers will be three. The minimum number of jeribs planted by the processing facility identified farmers will be fifty. The planting date will range from May (for first crop planting) through June for rotation with the wheat crop. The soybean input packages for Balkh will include soybean seed, DAP, and inoculant. ASA will dedicate 5 local agronomists plus an agronomy manager to efforts in Balkh.

ASA will provide cooperatives and other service provider with threshers with 4 wheel tractors, field cultivators, two row planters, push weeders, and spare parts. ASA will also provide support to farmers to ensure access to these threshers with 4 wheel tractors, field cultivators, two row planters, push weeders, and spare parts. ASA will give the mechanized equipment to



cooperatives or other service providers that have farmers participating in the production component. Recipients of the equipment will enter into contracts requiring that farmers will be able to access equipment by paying a small fee through their regular cooperative structure.

In 2014, the ASF will support 30 percent (amounting to \$3,000) of the farmer recruitment in Balkh, and 100 percent of collection costs (amounting to \$787,500 for 1500 MT soybeans, and an estimated \$15,000 for transportation and staffing). The ASF will hire and pay 100 percent for a competent Project/External Relations Manager (amounting to \$7,200 per annum) who will work with the SARAI farmers in production. ASA will require that ASF, in collaboration with ASA and ANSOR, will require farmers to hold back seed for the 2015 production year. This will include receipt of the soybeans from the field, cleaning, bagging and storage of the soybeans for seed the next year. Amounts of seed to hold back will vary depending on land holding size. The ASF, in collaboration with ASA and ANSOR, will also work to recruit new farmers to plant in the 2015 production year.

In 2014, ASA will provide soy use instruction to farmers growing soy in order to increase soy flour demand at the household level and increase farmer retention in the production and purchase of soy.

ASA will conduct a survey in the Takhar and Kunduz provinces during 2014 to determine if any of the 9,000 farmers trained in growing soybeans are continuing soybean production even without the inputs from ASA. The results will be reported to USDA.

#### **Provide Marketing Assistance**

ASA, directly and through its subrecipient(s), will provide technical assistance to processing facilities, millers, bakers, flour merchants, and feed producers that are interested in utilizing soy-based ingredients in their products. Depending on the identified needs of each business, ASA will provide technical assistance in the basic processing of soy oil, extruded or expelled soy flour, or soy protein; new product development; packaging and storage (options to extend shelf life and minimize loss during transport); and marketing (increasing awareness of the economic and nutritional benefits of soy). Technical seminars will also be arranged to provide group training to targeted zirandas (local small bakeries), flour merchants, livestock/poultry farmers, or food/feed processors. ASA will conduct 14 technical assistance trips over the life of the program. During each trip into Afghanistan, consultants will visit between 5-10 targeted businesses. While a technical assistance visit is typically one day, some businesses may require more time than others, depending on their needs. Technical seminars will be organized during technical assistance trips. In addition, ASA and subrecipients will work with the Afghan Soybean Factory (ASF) to develop a marketing plan which includes training, marketing, and sales support.

#### **Establish an Oilseed Association**

ASA, directly and through its subrecipient(s), will establish an oilseed association, bringing together multiple stakeholders, including government representatives, producers, processors, wholesalers, traders, and academics. Specific activities will include establishing an executive committee, providing training on association development to the executive committee,

facilitating a strategic planning process to create a membership drive, hosting conferences or technical seminars, recommending policies to the Government of Afghanistan, conducting promotions, developing a communications strategy, and creating an association website. No further activities will occur in 2014.

#### **Establish a Protein Processing Facility**

ASA, directly and through its subrecipient(s), will commission, procure, and transport a self-contained, protein processing facility. ASA will purchase the facility from SALT, a 501(c)(3) organization that is headquartered in Grinnell, Iowa, and registered in Afghanistan. SALT's core services include processing facility design, fabrication, and set-up; contract farming; food and feed processing; training of processing facility personnel; and soy production. In addition to fabricating processing facilities, SALT establishes and supports sustainable agribusinesses in lesser developed countries, specializing in agribusinesses that utilize soy and other locally grown products for human food and animal feed. ASA will arrange for SALT to manage and monitor the protein processing facility. This facility will process soybeans bartered under this grant over four years, yielding low fat soy flour for a direct distribution activity under this grant in year 2 and 3. The facility will also produce soybean meal for animal feed and crude de-gummed soybean oil, in addition to hulls. The protein processing facility, operating at full capacity, will employ a miller, business manager, and at least 18 unskilled laborers. SALT will also introduce HACCP procedures, and train facility staff to be completely sufficient at running the facility and continuing to process food grade products.

In addition to providing technical support, ASA, directly and through its subrecipient(s) will also provide marketing support to the facility. This includes working with processing facility staff to aggressively conduct outreach to potential buyers, including feed processors, poultry farms, livestock farmers, flour millers, flour merchants, bakers, flour merchants, etc. Emphasis will focus on understanding the process of marketing and technical knowledge and functional properties.

ASA, directly and through its subrecipient(s) of ASF will provide additional support to farmers through farmer visits. Emphasis will focus on the quality of soybean needed by the facility, and include topics such as color, protein content, foreign matter, moisture, irrigation, soil quality, etc. This will also include the creation of a more systematic approach between farmers and the facility.

Under the final year of the project, ASA will work closely with the local Afghan partner to help them strengthen their general management and operating systems necessary for future sustainability. A key outcome will be the development of a transition plan that sets out the future strategy and financial development of the factory for the next several years. ASA will assist with defining terms and obtaining agreement on details of the transition and end of the program. The plan will include hiring a senior staff member to foster relationships with farmers and MAIL/DAIL officials; strengthening the link between farmers and the facility especially recruitment of farmers, collection of soybeans and payment procedures; and possible investment in a feed mill and/or vegetable oil refining equipment.



ASA will provide support to help the partner strengthen their key administrative areas of staffing, sales/marketing, client acquisition/retention, financial planning and accounting, record keeping/management, sales and financial reporting, sales forecasting, and sourcing of locally available raw materials.

ASA will work with the factory production manager to implement proper procedures to optimize plant efficiency and processing flow/output. This will include following production and maintenance schedules; regular facility and equipment inspections; timely equipment modifications and repairs; proper practices for raw material/finished goods storage and handling; regular and sustainable sample testing; and strengthening warehousing controls.

ASA will revise its agreements with ASF and SALT to include details on the disposition of equipment and other responsibilities with the phaseout of ASA's participation in the plant. The agreement will include provisions such as the sale of the equipment to ASF, additional investments required of ASF, and continued technical assistance to farmers. USDA must approve the revised agreements with SALT and the ASF.

#### **Conduct a Consumer Awareness Campaign**

ASA will complete a report on the perceptions of soy flour and soy-enriched *naan* among the public and targeted bakers in Kabul and Mazar. Based on the findings of the report, ASA will develop a consumer awareness campaign targeting 60 large bakeries in Mazar and Kabul. This campaign will be in the form of "Point of Purchase" marketing materials for these bakeries. The marketing materials will take the form of banners which hang in the bakeries (in bright colors), signs for the windows, and posters for the interior bakery walls. These materials will inform the bakery customers that (all of these attribute will come from baking study data):

- Soy flour is being incorporated at the rate of 5%
- The importance of protein for health in both adults and children
- Shelf life is extended by at least 8 hours (the soy *naan* stays soft and tender for 8 hours after baking; ordinary *naan* stales, becomes extremely hard and difficult to eat after 5 hours)
- Flavor/taste of *naan* is improved; taste testers in the baking study reported a sweeter, nuttier flavor; much improved from 100% wheat *naan*.

ASA will have taste testing at the bakeries with customers. That is, the baker and staff will have small pieces of *naan* available to customers as they enter the bakery so that they can see for themselves the facts as shown by the marketing materials.

ASA will train the bakers to discuss the items from the campaign with the customers. ASA will also train the bakers to share samples of the soy *naan* and to ask customers for their feedback. ASA will ensure cooperation with the Baking Associations in each city.

#### **Conduct Cooking Seminars and Support Bakeries**

ASA, directly and through its subrecipient(s), will complement the direct feeding activity under this grant by providing basic training on the utilization of soy flour in the home production of *naan* (a local style bread). ASA will also conduct seminars on basic nutrition, including

informational seminars about nutrition for pregnant and lactating woman, breastfeeding, complementary feeding for children aged 6-24 months, nutrition in the lifecycle, and diet diversity. To increase sustainability and link awareness activities to the marketing of local soy products, ASA will also support the start-up of 20 women-owned bakeries for the production of soy-fortified *naan*. ASA will select the women through an application process, with bakeries going into communities that are receiving direct distributions of soy flour. These bakeries will also receive some of the bartered soy flour to be included in a specially baked *naan* for women and children.

#### **Conduct Nutrition Impact Surveys**

ASA will conduct baseline and follow-up surveys to determine the nutritional impact for a geographically representative sample of at least 300 beneficiaries who are participating in one of the direct distributions of soy flour during the winter months. The direct distribution of rations falls under this activity's budget. In implementing the surveys, ASA will draft the survey questionnaire and measurement protocol, assist with training data collectors, assist with data collection, analyze the data, and provide a final report. The same tools will be used for both the baseline and follow-up survey, allowing for comparisons. Basic data that will be collected will include demographic data, objective measures (such as height, weight, mid-upper arm circumference, and presence of edema), and subjective and other indicators of nutritional and health status (such as symptoms of respiratory disease and diarrhea, dietary information, and how the distributed foods are accepted and used in the household).

#### **Conduct Feeding Trials**

ASA will conduct four feeding trials that demonstrate the benefit of soy in poultry and/or livestock feed. Various formulations will be tried using soybean meal from the processing facility and locally available ingredients. ASA will disseminate the feeding trial results through various means, including through technical assistance visits, technical seminars, and through extension agents and provincial agronomists.

#### **Support the Existing Commercial Seed Production Structure**

ASA, directly and through its subrecipient(s), will support the existing commercial seed production structure. In 2014, ASA will procure as much commercial locally available soybean seed as possible for distribution to targeted farmers in Balkh. Remaining needed quantities that are unavailable will be imported. This line item has zero dollars attached to it, because all production associated costs are in the production activity line item.

### **5. HANDLING OF DONATED COMMODITIES**

#### **(a) Internal Transportation**

ASA received the soybeans and donated soy flour at a permanent, safe storage warehouse in Kabul. This warehouse had approximately 2,000 square meters of space, with a roof, doors, cement, walls, locks, cranes, guards, warehouse management, and a surrounding wall with gates and guards. The warehouse has been used since 2006-2007 to store and distribute soybean oil to



buyers in Afghanistan. There have been no incidences of theft or attack on this facility by insurgents.

ASA arranged for the donated soy flour used for direct distribution to be moved from Kabul to Baghlan and Takhar by a commercial transporter hired for this purpose. Larger quantities of commodities were moved using tractor-trailers, with the commodities put into containers. Smaller quantities of commodities were moved by commercial transport vehicles that have flat bottoms, with tarpaulins put both under and on top of the commodities to protect them from the elements, dirt and grit.

ASA arranged for the soybeans were processed to be transported from Kabul to interim storage facilities and then to the protein processing facility. The interim storage was a safe storage warehouse with a roof, doors, cement, walls, locks, guards, and warehouse management. Once the soybeans are processed, the resulting soy flour, soybean meal, and/or soybean oil will be stored on-site at the processing facility until ASA arranges for the soy flour that will not be retained by the processing facility to be either transported to warehouses in Takhar for distribution by ASA or transferred to a designated NGO warehouse. Larger quantities of the soy flour were transported in containers in commercial tractor-trailers. Smaller quantities of soy flour will be moved by commercial transport vehicles that have flat bottoms, with tarpaulins put both under and on top of the commodities to protect them from the elements, dirt and grit.

ASA identified safe, clean and sufficient warehouses in Takhar in which to store the donated and the processed soy flour. ASA arranged for warehouse management, accounting for inventory, guards, and loading and unloading equipment. The soy flour will be stored on wooden pallets in 1 MT sizes (approximately 25 bags per pallet). Soy flour found in poor condition will be segregated, while soy flour requiring repackaging will be repacked in the warehouse to prevent losses.

ASA arranged for the soy flour to be distributed monthly during the winter months. For areas that may be difficult to reach, 4 x 4 pick-up trucks were used to transport small quantities of the product. When pick-ups were involved in transportation, commodities placed in the body were tightly secured to prevent rattling and the consequent waste through leakage. Tarpaulins were used to cover the commodities for protection against rain and sun.

**(b) Reprocessing or Repackaging**

ASA arranged for any soy flour that is donated to be repackaged prior to final distribution. This was done using basic scales and locally available bags that beneficiaries were able to carry.

**Attachment C – Modification III  
American Soybean Association  
(FY 2010)**

Country: Afghanistan  
Agreement #: FCC-306-2010/028-00  
Budget #: 2010-282  
Amendment: 3

Item	Total Appr. Mon. \$	Total Appr. USDA \$	Total Approved All Funds
Direct Costs:			
Flexible Spending Items			
	\$54,184.00	\$0.00	\$54,184.00
Benefits	\$611,238.00	\$134,384.00	\$745,622.00
Equip. Leases	\$17,120.00	\$0.00	\$17,120.00
Equip. Purchases	\$37,716.00	\$2,969.00	\$40,685.00
Equipment	\$18,473.00	\$727.00	\$19,200.00
Office	\$368,285.00	\$70,520.00	\$438,805.00
Office - US HQ	\$60,815.00	\$1,654.00	\$62,469.00
Prof. Services	\$1,153,152.00	\$210,293.00	\$1,363,445.00
Salaries	\$1,513,218.00	\$461,772.00	\$1,974,990.00
Travel	\$219,582.00	\$27,617.00	\$247,199.00
Total Flexible Spending Items	\$4,053,783.00	\$909,936.00	\$4,963,719.00
ITSH	\$1,945,667.00	\$0.00	\$1,945,667.00
Activities	\$12,029,527.00	\$0.00	\$12,029,527.00
TOTAL DIRECT COSTS:	\$18,028,977.00	\$909,936.00	\$18,938,913.00
TOTAL INDIRECT COSTS:	\$578,863.00	\$61,714.00	\$640,577.00
GRAND TOTAL COSTS:	\$18,607,840.00	\$971,650.00	\$19,579,490.00



## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

## Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

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

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

- 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 Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

## Public Affairs

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