

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 17-39 Financial Audit

USAID's Commercial Horticulture and Agriculture Marketing Program: Audit of Costs Incurred by Roots of Peace



APRIL
2017

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On February 1, 2010, the U.S. Agency for International Development (USAID) awarded a \$30.4 million, 4-year cooperative agreement to Roots of Peace to implement the Commercial Horticulture and Agriculture Marketing Program (CHAMP). The program's initial goal was to stimulate growth in Afghanistan's agricultural sector, create jobs, improve livelihoods, and boost the economy by establishing orchards and upgrading vineyards with trellising. The program was later expanded to include commercialization of high value crops through marketing and post-harvest processing. After 17 modifications, the agreement's value increased to \$61.3 million, and the period of performance was extended to December 31, 2019.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed \$5,015,108 charged to the cooperative agreement from January 1 through December 31, 2015. The objectives of the audit were to (1) identify and report on significant deficiencies or material weaknesses in Roots of Peace'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 Roots of Peace has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Roots of Peace's Special Purpose Financial Statement (SPFS). See MHM'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 MHM did not comply, in all material respects, with U.S. generally accepted government auditing standards.

April 2017

USAID's Commercial Horticulture and Agriculture Marketing Program: Audit of Costs Incurred by Roots of Peace

SIGAR 17-39-FA

WHAT THE AUDIT FOUND

MHM identified three significant deficiencies in Roots of Peace's internal controls and two instances of noncompliance with the terms and conditions of the CHAMP cooperative agreement. First, MHM found that Roots of Peace misapplied costs incurred for other programs to CHAMP and recorded indirect costs as direct costs. Second, Roots of Peace incorrectly calculated an employee's danger pay, resulting in a salary overpayment. Last, MHM found that Roots of Peace did not report some 2013 and 2014 cash advances to USAID for reimbursement until 2015.

As a result of these internal control deficiencies and instances of noncompliance, MHM identified \$12,005 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement, applicable laws, or regulations. MHM did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Salaries	\$5,220	\$0	\$5,220
Allowances	\$4,412	\$0	\$4,412
Indirect Costs	\$2,373	\$0	\$2,373
Totals	\$12,005	\$0	\$12,005

MHM reviewed prior audit reports applicable to CHAMP and identified seven findings and recommendations that could have a direct and material effect on the SPFS. Based on its review, MHM determined that Roots of Peace has taken adequate corrective action on six of the seven prior findings and recommendations. MHM's audit repeats a prior finding relating to costs Roots of Peace charged that are not related to the program.

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

WHAT SIGAR RECOMMENDS

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

- Determine the allowability of and recover, as appropriate, \$12,005 in questioned costs identified in the report.**
- Advise Roots of Peace to address the report's three internal control findings.**
- Advise Roots of Peace to address the report's two noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

April 19, 2017

Mr. Wade Warren
Acting Administrator, U.S. Agency for International Development

Mr. Herbert Smith
USAID Mission Director for Afghanistan

We contracted with Mayer Hoffman McCann (MHM) to audit the costs incurred by Roots of Peace under a U.S. Agency for International Development (USAID) cooperative agreement to support the Commercial Horticulture and Agriculture Marketing Program (CHAMP).¹ MHM's audit covered \$5,015,108 in expenditures charged to the agreement from January 1 through December 31, 2015. Our contract with MHM required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$12,005 in total questioned costs identified in the report.**
- 2. Advise Roots of Peace to address the report's three internal control findings.**
- 3. Advise Roots of Peace to address the report's two noncompliance findings.**

The results of MHM's audit are in the attached report. We reviewed MHM'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 Roots of Peace's Special Purpose Financial Statement. We also express no opinion on the effectiveness of Roots of Peace's internal control or compliance with the agreement, laws, and regulations. MHM is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances where MHM 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-094)

¹ USAID awarded cooperative agreement no. 306-A-00-10-00512-00 to Roots of Peace to implement CHAMP, which was intended to stimulate growth in Afghanistan's agricultural sector, create jobs, improve livelihoods, and boost the economy by establishing orchards and upgrading vineyards with trellising.

ROOTS OF PEACE

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-10-00512-00
Commercial Horticulture and Agriculture
Marketing Program (CHAMP)

For the Period January 1, 2015 through December 31, 2015

ROOTS OF PEACE

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

For the Period January 1, 2015 through December 31, 2015

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

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March 31, 2017

Enclosed is the final report on the financial audit of costs incurred under Cooperative Agreement No. 306-A-00-10-00512-00, awarded by the United States Agency for International Development to Roots of Peace (“RoP”) for implementation of the Commercial Horticulture and Agriculture Marketing Program in Afghanistan. The audit covers the period January 1, 2015 through December 31, 2015.

The following items are included in the report:

- Summary
- Independent Auditor’s Report on Special Purpose Financial Statement
- Special Purpose Financial Statement
- Notes to Special Purpose Financial Statement
- Notes to Questioned Costs Presented on Special Purpose Financial Statement
- Report on Internal Control Over Financial Reporting Based on an Audit of the Special Purpose Financial Statement Performed in Accordance with *Government Auditing Standards*
- Report on Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statement Performed in Accordance with *Government Auditing Standards*
- Status of Prior Findings
- Detailed Audit Findings
- RoP’s Response to Findings

Sincerely,

MAYER HOFFMAN McCANN P.C.

A handwritten signature in blue ink, appearing to read 'Marcus D. Davis', is written over a horizontal line.

Marcus D. Davis, CPA
Shareholder

ROOTS OF PEACE

Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 CHAMP

For the Period January 1, 2015 through December 31, 2015

Background

On February 1, 2010, the United States Agency for International Development (“USAID”) awarded Cooperative Agreement No. 306-A-00-10-00512-00 (“Cooperative Agreement”) to Roots of Peace (“RoP”) for implementation of the Commercial Horticulture and Agriculture Marketing Program (“CHAMP”) in Afghanistan. The Cooperative Agreement was in the original amount of \$30,420,241 and required \$4,491,941 in cost-sharing. The Cooperative Agreement was awarded with an original period of performance of four years, from February 1, 2010 through January 31, 2014. The Cooperative Agreement was modified 17 times increasing the total amount to \$61,294,445, requiring \$9,659,953 in cost-sharing, and extending the period of performance through December 31, 2019. Some of the more significant modifications that had an impact on the original Cooperative Agreement are described below:

<u>Modification No.</u>	<u>Effective Date</u>	<u>Significance</u>
6	06/07/12	Increased the total award amount by \$9,899,898 to \$40,320,139, extended the period of performance to December 30, 2014, and revised the program description to include expanded activities.
13	12/30/14	Increased the total award amount by \$4,976,045 to \$45,296,184, and extended the period of performance to December 30, 2016.
17	10/10/16	Increased the total award amount by \$15,998,260 to \$61,294,445, increased the cost-sharing requirement by \$5,168,012 to \$9,659,953, and extended the period of performance to December 30, 2019.

The goal of CHAMP is to stimulate growth in Afghanistan’s agricultural sector, create jobs, improve livelihoods, and boost the economy. RoP’s activities under CHAMP initially involved establishing 7,865 hectares of new orchards in existing annual crop areas and upgrading vineyards in the southern region with 1,330 hectares of trellising. In June 2012, the program was expanded to include commercialization of high value crops through activities such as marketing and post-harvest processing.

RoP, a U.S. company, was founded in 1997 and is based in San Rafael, California. The company is a nonprofit organization and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. RoP’s mission is to remove landmines and unexploded ordinance from soil. RoP works with private sector and international agencies to revitalize a country’s agricultural sector by bringing demined land back into productive agriculture use.

ROOTS OF PEACE

Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 CHAMP

For the Period January 1, 2015 through December 31, 2015

Work Performed

Mayer Hoffman McCann P.C. (“MHM”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of RoP’s Special Purpose Financial Statement (“SPFS”) for costs incurred under the Cooperative Agreement for the period January 1, 2015 through December 31, 2015.

Objectives, Scope and Methodology

Objectives Defined by SIGAR

The objectives of the audit include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion as to whether RoP’s SPFS for the Cooperative 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 or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of RoP’s internal control related to the Cooperative Agreement; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether RoP complied, in all material respects, with the Cooperative Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether RoP has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the special purpose financial statement or other financial data significant to the audit objectives.

Scope

The scope of this audit included all costs incurred during the period January 1, 2015 through December 31, 2015 under the Cooperative Agreement, the total of which was \$5,015,108. Our testing of indirect costs was limited to determining that the indirect costs were calculated using the correct final or provisional indirect cost rate, as applicable for the given fiscal year, as approved by USAID.

ROOTS OF PEACE

Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 CHAMP

For the Period January 1, 2015 through December 31, 2015

Methodology

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

Entrance Conference

An entrance conference was held via conference call on October 6, 2016. Participants included representatives of MHM, RoP, SIGAR and USAID.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of ROP;
- Reviewed the Cooperative Agreement and all modifications;
- Reviewed regulations specific to USAID that are applicable to the Cooperative Agreement;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high or medium to low risk for inclusion in our test of transactions. None of the populations were homogeneous in nature, thus statistical sampling was not used. All samples were selected on a judgmental basis. Our sampling methodology for judgmental samples was as follows:
 - For accounts that appeared to contain unallowable and restricted items according to the terms of the Agreement, Office of Management and Budget (OMB) Circular A-122 and any other applicable regulations, we tested 100% of the transactions.
 - For related party transactions, we tested 100% of the transactions.
 - For high risk cost categories, we sampled transactions greater than \$25,500 not to exceed 50% of the total amount expended for each cost category
 - For medium risk cost categories, we sampled transactions greater than \$51,000 not to exceed 20% of the total amount expended for each cost category.

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Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 CHAMP

For the Period January 1, 2015 through December 31, 2015

- For low risk cost categories, we sampled transactions that are greater than \$51,000 not to exceed 10% of the total amount expended for each cost category, not to exceed 50 transactions in total for all accounts comprising low risk cost categories.

If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Project Director as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Internal Control Related to the SPFS

We reviewed RoP's internal controls related to the SPFS. This review was accomplished through interviews with management and key personnel, review of policies and procedures, identifying key controls within significant transaction cycles, and testing those key controls.

Compliance with Agreement Requirements and Applicable Laws and Regulations

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

Corrective Action on Prior Findings and Recommendations

We requested all reports from previous engagements in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreement, modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Cooperative and reasonable.

Exit Conference

An exit conference was held on February 6, 2017 via conference call. Participants included representatives from MHM, RoP, SIGAR and USAID. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

ROOTS OF PEACE

Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 CHAMP

For the Period January 1, 2015 through December 31, 2015

Summary of Results

Our audit of the costs incurred by RoP under the Cooperative Agreement with USAID identified the following audit results. Findings are classified as internal control, compliance or a combination of internal control and compliance.

Auditor's Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. We also identified \$12,005 of questioned costs under the Cooperative Agreement. A summary of findings and questioned costs is as follows:

Summary of Findings and Questioned Costs

Finding Number	Nature of Finding	Matter	Questioned Costs	Total Cumulative Questioned Cost
2017-1	Internal control – significant deficiency Compliance	Costs not related to CHAMP and indirect costs charged as direct	\$6,506	\$6,506
2017-2	Internal control – significant deficiency Compliance	Danger pay was incorrectly calculated	\$5,499	\$12,005
2017-3	Internal control – significant deficiency	Timely reconciliation of cash advances	\$0	\$12,005

Internal Control Findings

Our audit discovered three internal control findings, all of which are classified as significant deficiencies. See Independent Auditor's Report on Internal Control on page 15. The complete management responses from RoP to each of the internal control findings can be found in Appendix A to this report.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of its compliance with certain provisions of the Cooperative Agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the

ROOTS OF PEACE

Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 CHAMP

For the Period January 1, 2015 through December 31, 2015

determination of the SPFS. The results of our tests disclosed two instances of noncompliance related to this audit. See Independent Auditor's Report on Compliance on page 17. The complete management responses from RoP to each of the compliance findings can be found in Appendix A to this report.

Review of Prior Findings and Recommendations

We requested copies of prior engagements including audits, reviews and evaluations pertinent to RoP's activities under the Cooperative Agreement. We identified seven findings and recommendations from prior engagements that could have a material effect on the SPFS and reviewed the corrective actions taken to address the findings and recommendations. RoP has taken adequate corrective action on six of the seven prior findings and recommendations. The one finding for which adequate corrective action was not taken relates to costs charged that were not related to the program. We identified a similar condition as part of our audit. See the Status of Prior Findings on page 19 for a detailed description of the prior findings and recommendations.

Summary of RoP's Response to Findings

RoP agrees with all of the findings and recommendations. The complete responses received can be found in Appendix A to this report.



INDEPENDENT AUDITOR’S REPORT ON SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Roots of Peace
San Rafael, California

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Roots of Peace (“RoP”) under Cooperative Agreement No. 306-A-00-10-00512-00 (“Cooperative Agreement”), with the United States Agency for International Development (“USAID”) for implementation of the Commercial Horticulture and Agriculture Marketing Program (“CHAMP”) for the period January 1, 2015 through December 31, 2015, and the related notes to the Special Purpose Financial Statement.

Management’s Responsibility for the Special Purpose Financial Statement

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Special Purpose Financial Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Financial Statement.

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

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by RoP under the Cooperative Agreement for the period January 1, 2015 through December 31, 2015 in accordance with the basis of accounting described in Note 2.

Restriction on Use

This report is intended for the information of Roots of Peace, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 31, 2017 on our consideration of RoP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RoP's internal control over financial reporting and compliance.



Irvine, California
March 31, 2017

ROOTS OF PEACE

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Special Purpose Financial Statement

For the Period January 1, 2015 through December 31, 2015

	CHAMP	2015	Questioned Costs		Total	Notes
	Budget	Expenditures	Ineligible	Unsupported		
Revenues:						
306-A-00-10-00512-00	\$ 61,294,445	\$ 5,015,108	\$ -	\$ -	\$ -	(3)
Total revenues	<u>61,294,445</u>	<u>5,015,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Salaries	15,841,841	1,546,246	(5,220)	-	(5,220)	(A)
Fringe benefits	2,079,701	340,436	-	-	-	
Travel, transportation and per diem	1,980,283	119,909	-	-	-	
Allowances	3,131,986	432,436	(4,412)	-	(4,412)	(B)
Equipment	796,405	14,984	-	-	-	
Subgrantees/subcontracts	2,829,486	(8,482)	-	-	-	(4)
Other direct costs	3,923,612	584,564	-	-	-	
Program inputs	19,234,815	566,586	-	-	-	
Indirect costs	<u>11,476,316</u>	<u>1,418,429</u>	<u>(2,373)</u>	<u>-</u>	<u>(2,373)</u>	(5),(C)
Total costs incurred	<u>61,294,445</u>	<u>5,015,108</u>	<u>(12,005)</u>	<u>-</u>	<u>(12,005)</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,005)</u>	<u>\$ -</u>	<u>\$ (12,005)</u>	(6),(D)
Cost-sharing	<u>\$ 9,659,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(7)

See Notes to Special Purpose Financial Statement
and Notes to Questioned Costs Presented on Special Purpose Financial Statement

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Notes to Special Purpose Financial Statement¹

For the Period January 1, 2015 through December 31, 2015

(1) **Background**

On February 1, 2010, the United States Agency for International Development (“USAID”) awarded Cooperative Agreement No. 306-A-00-10-00512-00 (“Cooperative Agreement”) to Roots of Peace (“RoP”) for the implementation of the Commercial Horticulture and Agriculture Marketing Program (“CHAMP”). The goal of CHAMP is to stimulate growth in Afghanistan’s agricultural sector, create jobs, improve livelihoods and boost the Afghan economy.

The Cooperative Agreement was in the original amount of \$30,420,241 and required \$4,491,941 in cost-sharing. The Cooperative Agreement was awarded with an original period of performance of four years, from February 1, 2010 through January 31, 2014. The Cooperative Agreement was modified 17 times increasing the total amount to \$61,294,445, requiring \$9,659,953 in cost-sharing, and extending the period of performance through December 31, 2019.

(2) **Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying Special Purpose Financial Statement (“SPFS”) includes costs incurred for CHAMP initiatives under the Cooperative Agreement for the period January 1, 2015 through December 31, 2015. Because the SPFS presents only a selected portion of the operations of RoP, it is not intended to and does not present the financial position, changes in financial position, or cash flows of RoP. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned Cooperative Agreement.

Basis of Accounting

Expenditures reported on the SPFS are required to be presented in accordance with accounting principles generally accepted in the United States of America and, therefore, are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Office of Management and Budget (“OMB”) Circular A-122, *Cost Principles for Non-Profit Organizations*.

Currency

All amounts presented are shown in U.S. dollars, the reporting currency of RoP. RoP converts its expenses that were paid in Afghanis (local currency) into U.S. dollars (reporting currency) by applying the weighted average monthly rate based upon the bank rates used to transfer funds between U.S. dollars and Afghanis.

¹ The Notes to the Special Purpose Financial Statement are the responsibility of RoP.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Notes to Special Purpose Financial Statement

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Budget

The budget categories presented and associated amounts reflect the budget line items included within the final, USAID-approved Cooperative Agreement budget. The budget represents the entire budget for the Cooperative Agreement. There was no specific budget for the period January 1, 2015 through December 31, 2015.

(3) Revenue

As of December 31, 2015, RoP has reported \$5,015,108 in revenue. This revenue equals the estimated total expenditures and fees invoiced to USAID for the period January 1, 2015 through December 31, 2015.

(4) Subgrantees/Subcontracts

As of December 31, 2015, RoP reported subgrantees/subcontracts costs of \$(8,482). RoP did not incur any subgrantees/subcontracts costs during the period January 1, 2015 through December 31, 2015. The negative amount was a result of a reversal entry posted by RoP.

(5) Indirect Cost

RoP's most recent negotiated indirect cost rates were approved on December 4, 2014, and the indirect cost rates applicable to period January 1, 2015 through December 31, 2015 were as follows. RoP did not have an approved final rate for this period. As such, RoP continued to use the approved provisional rate during the period.

<u>Effective Period</u>			<u>Indirect Cost Rates</u>			
<u>Type</u>	<u>From</u>	<u>Through</u>	Fringe Benefit U.S. Home Expatriate <u>(a)</u>	Fringe Benefit TCN Staff <u>(b)</u>	Overhead <u>(c)</u>	Subcontract <u>(d)</u>
Provisional	1/1/13	12/31/15	40.69%	17.85%	26.78%	3.45%

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Notes to Special Purpose Financial Statement

(Continued)

(5) Indirect Cost (Continued)

The basis of allocation for the indirect costs is as follows:

- (a) Total Home Office and expatriate field direct labor dollars
- (b) Total Third Country National (TCN) professional field direct labor dollars
- (c) Total direct costs incurred excluding overhead, general and administration, subcontract administration, subcontracts, subagreements and subgrants; includes fundraising costs
- (d) Subcontracts, subagreements and subgrants

(6) Outstanding Fund Balance

As of December 31, 2015, there was no outstanding fund balance under the Agreement as the SPFS is prepared under the accrual basis of accounting described in Note 2.

(7) Cost-Sharing

The Cooperative Agreement requires \$9,659,953 in cost-sharing. As of December 31, 2015, RoP did not report any cost-sharing expenses.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Notes to Questioned Costs Presented on Special Purpose Financial Statement²

For the Period January 1, 2015 through December 31, 2015

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are deemed to not be allowable in accordance with the terms of the Cooperative Agreement and applicable laws and regulations. Unsupported costs are those costs for which no or inadequate supporting documentation was provided for our review.

(A) Salaries

RoP reported salaries costs in the amount of \$1,546,246 for the period, January 1, 2015 through December 31, 2015. During our audit of these costs, we noted \$2,620 in costs that were charged to CHAMP, but which were applicable to a different RoP program. We also noted \$2,600 of indirect costs were charged as direct costs. These incorrectly charged costs resulted in \$5,220 of ineligible salaries costs. See Finding Number 2017-1. Also see Note C for the associated indirect costs.

(B) Allowances

RoP reported allowances in the amount of \$432,436 for the period January 1, 2015 through December 31, 2015. During our audit of these costs, we noted that danger pay was overpaid in the amount of \$4,412. See Finding Number 2017-2. Also see Note C for the associated indirect costs.

(C) Indirect Cost

RoP reported indirect costs in the amount of \$1,418,429 for the period January 1, 2015 through December 31, 2015. The indirect costs rates described in Note 5 to the Special Purpose Financial Statement were applied to the associated questioned costs identified in Notes A and B, resulting in the following questioned indirect costs.

<u>Finding Number</u>	<u>Observation</u>	<u>Questioned Costs</u>
Ineligible costs:		
2017-1	Costs charged to incorrect program and indirect costs charged as direct costs	\$1,286
2017-2	Danger pay incorrectly calculated	<u>1,087</u>
Total ineligible costs		<u>2,373</u>
Total questioned indirect costs		<u>\$2,373</u>

² The Notes to Questioned Costs on Special Purpose Financial Statement were prepared by the auditor for informational purposes only and as such are not part of the audited Special Purpose Financial Statement.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Notes to Questioned Costs Presented on Special Purpose Financial Statement

(Continued)

(D) **Outstanding Fund Balance**

The total outstanding fund balance as of December 31, 2015 in the amount of \$(12,005) represents the total ineligible costs identified as part of the audit.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Roots of Peace
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of Roots of Peace ("RoP") representing revenues received and costs incurred under Cooperative Agreement No. 306-A-00-10-00512-00 ("Cooperative Agreement") with the United States Agency for International Development ("USAID") for the implementation of the Commercial Horticulture and Agriculture Marketing Program ("CHAMP") for the period January 1, 2015 through December 31, 2015, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered RoP's internal control over financial reporting (internal control) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of RoP's internal control. Accordingly, we do not express an opinion on the effectiveness of RoP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Detailed Audit Findings and Findings 2017-1, 2017-2 and 2017-3 that we consider to be significant deficiencies.

RoP's Response to Findings

RoP's response to the findings identified in our audit is included verbatim in Appendix A. RoP's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information of Roots of Peace, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

A handwritten signature in blue ink, appearing to read "Mayer Hoffman M. C. P.", is written across the page.

Irvine, California
March 31, 2017



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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Roots of Peace
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of Roots of Peace ("RoP"), representing revenues received and costs incurred under Cooperative Agreement No. 306-A-00-10-00512-00 ("Cooperative Agreement") with the United States Agency for International Development ("USAID") for the Commercial Horticulture and Agriculture Marketing Program ("CHAMP") for the period January 1, 2015 through December 31, 2015, and the related Notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 31, 2017. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RoP's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and the aforementioned Cooperative Agreement, noncompliance with which could have a direct and material effect on the determination of Special Purpose Financial Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. As we performed our testing, we considered whether the information obtained during our testing indicated the possibility of fraud or abuse. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Detailed Audit Findings as Findings 2017-1 and 2017-2.

RoP's Response to Findings

RoP's response to the findings identified in our audit is included verbatim in Appendix A. RoP's response was not subjected to the auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information of Roots of Peace, the United States Agency for International Development, and the Special Inspector General for Afghanistan Reconstruction, and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Irvine, California
March 31, 2017

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Status of Prior Findings

For the Period January 1, 2015 through December 31, 2015

We requested copies of prior engagements including audits, reviews and evaluations pertinent to RoP's activities under the program. We reviewed the corrective actions taken to address findings and recommendations from prior engagements that could have a material effect on the SPFS. There were two prior engagements with findings and recommendations that were included in the scope of our audit. These engagements identified seven findings with a potential material effect on the SPFS and/or control deficiencies effect on the Cooperative Agreement. Based on our review, adequate corrective actions were implemented on six of the seven prior findings.

USAID Office of Inspector General's ("OIG's") Audit Report No. F-306-16-012-N, Audit of Costs Incurred under CHAMP and AGREED

There were five findings and recommendations identified in USAID OIG's Audit Report No. F-306-16-012N, which was performed by Davis and Associates. The period covered by the audit was January 1, 2012 through December 31, 2014 for CHAMP, and July 17, 2012 through December 31, 2014 for AGREED. Based upon our review, adequate corrective action was taken on all four findings and recommendations as described below.

- (1) The auditors noted that insufficient documentation was provided to support consultant, personnel, and travel costs for the AGREED program. During our testing of costs charged to CHAMP, all transactions selected for testing were adequately supported. As such, the correction action has been adequately implemented.
- (2) The auditors noted that there was lack of proof of open and free competition, or a sole source justification memo prepared at the time of the procurement, for costs related to guest house rent vendor for the AGREED program. Our testing of procurement indicated that RoP followed proper procurement procedures without exception. As such, the corrective action has been adequately implemented.
- (3) The auditors noted that there was insufficient documentation to support personnel and travel costs for CHAMP. In addition, costs related to another RoP program were erroneously charged to CHAMP. During our testing of costs charged to CHAMP, all transactions selected for testing were adequately supported. However, we did note one instance in which a transaction was incorrectly charged to CHAMP. As such, the correction action for a portion of this finding has not been adequately implemented. See Finding 2017-1 in the Detailed Audit Findings section of this report.
- (4) The auditors noted that certain transactions lacked proof of open and free competition, or a sole source justification memo prepared at the time of the procurement, for costs related to the office rent vendor for CHAMP. Our testing of procurement indicated that RoP followed proper procurement procedures without exception. As such, the corrective action has been adequately implemented.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Status of Prior Audit Findings

(Continued)

- (5) The auditors noted that while taxes were withheld from payments to subcontractors and vendor, there was no evidence that the tax payments were remitted to the Afghanistan Ministry of Finance. Our testing of payments noted that tax payments were remitted to the Afghanistan Ministry of Finance as required. As such, the corrective action has been adequately implemented.

RoP's Financial Statement Audit and OMB Circular A-133 Audit

There were two findings identified in the annual financial audit and single audit for the year ended December 31, 2014 performed by Harrington Group, Certified Public Accountants, LLP. Based upon our review, adequate corrective action was taken on both findings as described below.

- (1) The auditors noted that several journal entries were required to be prepared as part of the audit, and recommended that RoP perform monthly reconciliations of significant balance sheet, revenue and expense accounts. Per our discussions with RoP management, monthly reconciliations are being performed. As such, the corrective action has been adequately implemented.
- (2) The data collection form for the single audit for the year ended December 31, 2014 was not filed within nine months following the end of RoP's fiscal year. We reviewed that the data collection form for the year ended December 31, 2015 was filed timely. As such, the corrective action has been adequately implemented.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Detailed Audit Findings

For the Period January 1, 2015 through December 31, 2015

Finding Number 2017-1: Costs Not Related to CHAMP and Indirect Costs Charged as Direct

Nature of Finding:

Internal control – significant deficiency
Compliance

Condition:

RoP incorrectly charged a payment for an employee bonus in the amount of \$2,620 to CHAMP. This payment should have been charged to another RoP program, Afghan Agriculture Research and Extension Development (AGRED). Additionally, RoP coded \$2,600 in payments for income taxes to the Government of Afghanistan to salaries, instead of recording these costs as general administration. Total costs not related to CHAMP and indirect costs charged as direct were \$5,220.

Criteria:

2 CFR 200.403, *Factors affecting allowability of costs*, states, in part:

“...costs must meet the following general criteria in order to be allowable under Federal award:

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period...”

Cause:

The bonus was paid in 2015 but was related to the AGRED program, which ended in 2014. The employee posting the entry was a CHAMP employee who incorrectly entered the amount into the CHAMP program. The taxes were entered as salaries instead of general administration due to human error and a lack of adequate supervisory review over the data entry.

Effect:

Reporting costs not related to the program and indirect costs as direct costs raises concerns about the propriety of RoP's billing and the extent of such charges. It also raises concerns that other non-program related costs and indirect costs incorrectly charged as direct costs may have been incurred and reported.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Detailed Audit Findings

(Continued)

Questioned Costs:

Total questioned salaries costs, including the associated indirect costs, resulting from charging non-program costs to CHAMP and indirect costs as direct costs is as follows:

<u>Cost Category</u>	<u>Questioned Costs</u>
Salaries	\$5,220
Indirect costs	<u>1,286</u>
Total ineligible costs	<u>\$6,506</u>

Recommendation:

- (1) We recommend that RoP return \$6,506 to USAID for ineligible costs.
- (2) We recommend that RoP provide training to its employees and require adequate supervisory review to ensure that only program-related costs are charged to CHAMP, and that indirect costs are not recorded to direct cost categories.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Detailed Audit Findings

(Continued)

Finding Number 2017-2: Danger Pay Incorrectly Calculated

Nature of Finding:

Internal control – significant deficiency
Compliance

Condition:

Danger pay was incorrectly calculated for one individual for a period of 12 days while in Kabul, Afghanistan. Danger pay was calculated at 100% of salary, when it should have been calculated at 35% of salary. This resulted in an overpayment of danger pay in the amount of \$4,412.

Criteria:

Department of State Standardized Regulations (DSSR), Chapter 650, *Danger Pay Allowance*, Section 651, *Definitions*, states, in part:

“...a. “Danger Pay Allowance” means the additional compensation of up to 35 percent over basic compensation granted to employees...for services at designated danger posts...”

DSSR, Chapter 650, *Danger Pay Allowance*, Section 652, *Scope*, states, in part:

“a. The danger pay allowance is designed to provide additional compensation above basic compensation to all U.S. Government civilian employees, including Chiefs of Mission, for service at places in foreign areas where there exist conditions of civil insurrection, civil war, terrorism or wartime conditions which threaten physical harm or imminent danger to the health or well-being of an employee...”

The danger pay allowance as indicated in the DSSR for Kabul, Afghanistan is 35% of basic compensation.

Cause:

The danger pay was incorrectly calculated due to human error in the input of payroll data into a payroll spreadsheet which serves as the source document for entering payroll data into the system. A lack of adequate management oversight of the payroll calculation process resulted in the error in calculation being overlooked.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Detailed Audit Findings

(Continued)

Effect:

Charging danger pay allowances in excess of rates established per the DSSR raises concerns about the propriety of RoP's billing and the extent of such charges. It also raises concerns that danger pay paid to other employees was incorrectly calculated and charged to the Cooperative Agreement.

Questioned Costs:

Total questioned allowances, including the associated indirect costs, resulting from the incorrect calculation of danger pay is as follows:

<u>Cost Category</u>	<u>Questioned Costs</u>
Allowances	\$4,412
Indirect costs	<u>1,087</u>
Total ineligible costs	<u>\$5,499</u>

Recommendation:

- (1) We recommend that RoP return \$5,499 to USAID for ineligible costs.
- (2) We recommend that RoP provide training to its employees and require adequate supervisory review to ensure that allowances are correctly calculated.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Detailed Audit Findings

(Continued)

Finding Number 2017-3: Timely Reconciliation of Cash Advances

Nature of Finding:

Internal control – significant deficiency

Condition:

Of the 159 total transactions tested, 36 transactions were incurred prior to January 1, 2015. These transactions consisted of cash advances to employees to make vendor purchases during calendar years 2013 and 2014. These advances were reconciled by RoP in calendar year 2015 and recorded as an expenditure at the time of reconciliation. Although the transactions represent allowable costs that can be charged to CHAMP, the costs were not reported in the proper period.

Criteria:

2 CFR 200.302, *Financial management*, states, in part:

“(b) The financial management system of each non-federal entity must provide for...

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program...”

Cause:

RoP does not have formal policies addressing the issuance of cash advances and the timely submission of receipts and reconciliation of cash advances for in country purchases.

Effect:

Failure to reconcile cash advances timely could result in cash being lost or stolen. Additionally, management may not be able to perform a timely review of the expenditures to ensure costs are reasonable, allowable and allocable in accordance with federal regulations. Given that many payments are made in cash, the risk of misappropriated funds is elevated and the timely reconciliation of advances is critical to support that funds were used for their intended purpose.

Questioned Costs:

No costs were questioned as adequate documentation existed to support the expenditure, and the expenditure was not claimed in a previous year.

ROOTS OF PEACE

Financial Audit of Costs Incurred under
Cooperative Agreement No. 306-A-00-10-00512-00
CHAMP

Detailed Audit Findings

(Continued)

Recommendation:

We recommend that RoP develop policies and procedures governing the use of cash advances for purchases of goods and/or services, as well as the timely reconciliation of the cash advances, and that training be provided to all employees.



March 30, 2017

Mayer Hoffman McCann P.C.
2301 Dupont Drive, Suite 200
Irvine, California 92612

Re: Roots of Peace Response to Findings in 2015 Financial Audit of Cooperative Agreement No. 306-A-00-10-00512-0

Dear Erick,
Please find our management responses to the audit issues below.

Page 6 Management Response:

Roots of Peace agrees with all the findings by the auditors for the audit of the 2015 Financial Audit of Cooperative Agreement No. 306-A-00-10-00512-00.

Page 27 Management Response:

Finding Number 2017-1: Costs not related to CHAMP and Indirect Costs charged as Direct

Roots of Peace agrees with all the findings by the auditors on this finding and we have reversed this transaction from being charged to USAID CHAMP Program to indirect. Therefore, we do not need to return funds to USAID. If USAID would prefer that we send a check for this amount, then please invoice us for the amount. We also agree with the recommendations of the auditors to improve our training and supervision to insure only program related expenses are charged to the program. In addition, Roots of Peace will perform pre-audit reviews of all program expenses to verify the expenses are correctly charged to the correct program or indirect account.

Finding Number 2017-2: Danger Pay Incorrectly Calculated

Roots of Peace agrees with the findings by the auditors and we have corrected this transaction and our billing to USAID CHAMP Program. Therefore, we do not need to return funds to USAID. If USAID would prefer that we send a check for this amount, then please invoice us for the amount. We also agree with the recommendations of the auditors to improve our training and supervision to insure only program related expenses are charged to the program. In addition, Roots of Peace will perform checks on our spreadsheet calculations during our pre-audit checks prior to the next audit.

Finding Number 2017-3: Timely Reconciliation of Cash Advances

Roots of Peace agrees with the findings by the auditors. We also agree with the recommendations of the auditors to improve our policies and procedures governing cash

advances. We have already acted to restrict the use of cash advances and now only provide advances for small cash purchases. We are researching the use of Mobile Money applications so that we can eliminate the use of cash advances totally. We have integrated a review of outstanding cash advances into our monthly financial closing procedure to insure advances are cleared in a timely basis. Roots of Peace is caught up on these older advances and will stay current.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Kuhn". The signature is written in a cursive, flowing style.

Gary Kuhn
President

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.

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

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

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