

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-25 Financial Audit

USAID's Agriculture Marketing Program
in Afghanistan: Audit of Costs Incurred
by Roots of Peace



MAY
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On January 28, 2020, the U.S. Agency for International Development's (USAID) awarded a 3-year cooperative agreement to Roots of Peace (not-for-profit humanitarian organization) to support the Agriculture Marketing Program in Afghanistan. The objective of the program is to improve the livelihoods of Afghan exporters and farmers by expanding the number of export products and developing new markets for Afghan exports. The initial obligated amount for the agreement was \$5,000,000; after three modifications, the total obligation increased to \$15,000,000. The agreement's period of performance is ongoing and spans from January 28, 2020, through January 27, 2023.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$6,006,035 in costs charged to the agreement from January 28, 2020, through January 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Roots of Peace's internal controls related to the cooperative agreement; (2) identify and report on instances of material noncompliance with the terms of the cooperative 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 Conrad's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

May 2022

USAID's Agriculture Marketing Program in Afghanistan: Audit of Costs Incurred by Roots of Peace

SIGAR 22-25-FA

WHAT SIGAR FOUND

Conrad identified four significant deficiencies in Roots of Peace's internal controls and four instances of noncompliance with the terms of the cooperative agreement. For example, Conrad questioned \$7,654 in travel costs charged to USAID because Roots of Peace purchased airfares in excess of the lowest commercial discount airfare, and inconsistently applied foreign exchange rates. Conrad also found that Roots of Peace charged personnel costs in excess of Afghanistan's National Technical Assistance Salary Scale requirements, resulting in \$2,754 in questioned costs.

The internal control deficiencies and instances of noncompliance resulted in \$20,653 in total questioned costs, consisting entirely of ineligible costs—costs prohibited by the agreement and applicable laws and regulations. Conrad 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
Direct Costs	\$16,055	\$0	\$16,055
Indirect Costs	\$4,598	\$0	\$4,598
Total Costs	\$20,653	\$0	\$20,653

Conrad identified three prior audit reports that were relevant to the Roots of Peace cooperative agreement. The reports had twelve findings that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that Roots of Peace took adequate corrective action on all twelve of the findings.

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

WHAT SIGAR RECOMMENDS

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

- 1. Determine the allowability of and recover, as appropriate, \$20,653 in questioned costs identified in the report.**
- 2. Advise Roots of Peace to address the report's four internal control findings.**
- 3. Advise Roots of Peace to address the report's four noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

May 16, 2022

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Mr. Peter Duffy
Mission Director, U.S. Agency for International Development

We contracted with Conrad LLP (Conrad) to audit the costs incurred by Roots of Peace under a cooperative agreement from the U.S. Agency for International Development's (USAID) to support the Agriculture Marketing Program in Afghanistan.¹ The objective of the program is to improve the livelihoods of Afghan exporters and farmers by expanding the number of export products and developing new markets for Afghan exports. Conrad reviewed \$6,006,035 in costs charged to the agreement from January 28, 2020, through January 31, 2021. Our contract with Conrad required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

- 1. Determine the allowability of and recover, as appropriate, \$20,653 in questioned costs identified in the report.**
- 2. Advise Roots of Peace to address the report's four internal control findings.**
- 3. Advise Roots of Peace to address the report's four noncompliance findings.**

Conrad discusses the results of the audit in detail in the attached report. We reviewed Conrad'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. Conrad is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-212)

¹ The cooperative agreement number is 72030620CA00002.

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
Awarded by the United States Agency for International Development's mission in
Afghanistan
Supporting the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

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March 29, 2022

Board of Directors
Roots of Peace
San Rafael, CA

Special Inspector General for Afghanistan Reconstruction ("SIGAR")
Arlington, VA

Conrad LLP (referred to as "Conrad" or "we") hereby provides to you our final report, which reflects results from the procedures we completed during our audit of the Roots of Peace ("RoP") Special Purpose Financial Statement for costs incurred under Cooperative Agreement No. 72030620CA00002 ("Cooperative Agreement") awarded by the United States Agency for International Development's mission in Afghanistan for the period of January 28, 2020 through January 31, 2021, supporting the Agriculture Marketing Program ("AMP").

On January 26, 2022, we provided SIGAR with a draft report reflecting our audit procedures and results. RoP received a copy of the report on February 25, 2022 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 RoP. RoP'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 the Cooperative Agreement.

Sincerely,

A handwritten signature in blue ink that reads "S Perera". The signature is written in a cursive style and is underlined.

Sam Perera, CPA, CFE, CITP, CGMA
Partner

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Background

On January 28, 2020, the United States Agency for International Development's mission in Afghanistan ("USAID/Afghanistan") awarded Cooperative Agreement No. 72030620CA00002 ("Cooperative Agreement") to Roots of Peace ("RoP") in support of the Agriculture Marketing Program ("AMP" or "Program").

The AMP's intended purpose is to improve the livelihoods of Afghan exporters and farmers by expanding the number of export products and developing new markets for Afghan exports. RoP has been tasked with the responsibility of ensuring achievement of the AMP. To achieve the intended purpose, AMP will utilize five specific strategies:

- (1) Increase Bulk Agriculture Exports to Existing Markets
- (2) Expand the Number of Export Products
- (3) Develop New Markets for Afghan Exports
- (4) Increase Value-add of Agriculture Exports
- (5) Development of Remote Rural Areas to Support Peace Effort

Roots of Peace is a not-for-profit humanitarian organization that was founded in 1997. The goal of Roots of Peace is to transform minefields into sustainable agricultural farmland which will assist in empowering families living in war-torn regions that could lead to export and trade. Currently, Roots of Peace is based in San Rafael, California and has overseas offices in Afghanistan, Vietnam, and the United Kingdom.

As detailed in the *Summary of Cooperative Agreement* below, the initial approved budget was \$30,000,000 for a period of performance commencing January 28, 2020 and ending January 27, 2023 with an obligated amount of \$5,000,000. Subsequently, there were three (3) modifications which modified the language of the "Financial Reporting" section of the Cooperative Agreement, increased the obligated amount from \$5,000,000 to \$15,000,000 effective September 30, 2020, and realigned the Cooperative Agreement budget.

Summary of Cooperative Agreement

Cooperative Agreement Number	Original Budget and Period of Performance			Modified Budget and Period of Performance		
	Original Approved Budget (\$)	Start Date	End Date	No. of Modifications	Final Approved Budget (\$)	End Date
72030620CA00002	\$30,000,000	01/28/20	01/27/23	3	No change	No Change

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Work Performed

Conrad LLP (“Conrad”) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (“SIGAR”) to conduct a financial audit of the Cooperative Agreement, as mentioned above, of Roots of Peace’s Special Purpose Financial Statement (“SPFS”) for costs incurred under the cooperative agreement totaling \$6,006,035 for the period January 28, 2020 through January 31, 2021.

Objectives, Scope, and Methodology

Audit Objectives

The objectives of the audit of the aforementioned Cooperative Agreement include the following:

- *Special Purpose Financial Statement (“SPFS”)* – Express an opinion on whether RoP’s SPFS for the award presents fairly, in all material respects, the revenues received, costs incurred, items directly procured by the U.S. Government, and the 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 sufficient understanding of RoP’s internal controls related to the award, 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 award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *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 SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included all costs incurred during the period January 28, 2020 through January 31, 2021 totaling \$6,006,035 under the Cooperative Agreement. Our testing of indirect cost was limited to determining that the indirect cost was calculated using the correct revised negotiated indirect cost rates or provisional indirect cost rates, as applicable for the given fiscal year, as approved in the Negotiated Indirect Cost Rate Agreement (“NICRA”) and subsequent applicable amendments.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

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 August 12, 2021 with representatives from RoP, Conrad, SIGAR, and USAID. The purpose of the entrance conference was to discuss the nature, timing, and extent of audit work to be performed, establish key contacts throughout the engagement, and schedule status briefings. We also discussed the timeframe for the completion of the audit.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of RoP;
- Reviewed the Cooperative Agreement and all modifications;
- Reviewed specific USAID/Afghanistan regulations that are applicable to the Cooperative Agreement;
- Performed a financial reconciliation; and
- Selected samples based on our sampling techniques. Based on our approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports. 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 to medium to low risk for inclusion in our test of transactions. None of the populations were homogeneous in nature, which means none of the costs were identical 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 Cooperative Agreement, 2 Code of Federal Regulations Part 200 (“2 CFR 200”), 2 Code of Federal Regulations Part 700 (“2 CFR 700”), and any other applicable regulations, we tested 100% of the transactions.
 - For related party transactions, we did not identify any related party transactions.
 - High risk cost categories – sample transactions that are greater than \$17,500 not to exceed 30% of the total amount expended for each cost category.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

- Medium risk cost categories – sample transactions that are greater than \$35,000 not to exceed 20% of the total amount expended for each cost category.
- Low risk cost categories – sample transactions that are greater than \$35,000 not to exceed 10% of the total amount expended for each cost category, and not to exceed 50 transactions in total for all accounts comprising low risk categories.

Internal Controls Related to the Cooperative Agreement

We reviewed RoP's internal controls related to the Cooperative Agreement to gain an understanding of the implemented system of internal control to obtain reasonable assurance of RoP's financial reporting function and compliance with applicable laws and regulations. This review was accomplished through interviews with management and key personnel, reviewing policies and procedures, and identifying key controls within significant transaction cycles and testing those key controls.

Compliance with the Cooperative Agreement Requirements and Applicable Laws and Regulations

We performed tests to determine whether RoP complied, in all material respects, with the Cooperative Agreement requirements, 2 CFR 200, 2 CFR 700, and any other applicable laws and regulations. We also identified and reported 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

We requested from RoP to identify previous engagements that could have a material effect on RoP's SPFS. In addition, we conducted a search online of various governmental websites including SIGAR (www.sigar.mil), USAID (www.usaid.gov), and other applicable Federal agencies, to identify previous engagements that could have a material effect on RoP's SPFS. For those engagements, we evaluated the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the *Status of Prior Audit Findings* section on page 34.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreement and applicable general ledger;
- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Reviewed personnel costs to ensure they are supported, authorized, reasonable, and allowable; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Cooperative Agreement, and reasonable.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Exit Conference

An exit conference was held on January 14, 2022 via conference call. Participants included representatives from Conrad, RoP, SIGAR, and USAID. During the exit conference, we discussed the preliminary results of the audit and reporting process.

Summary of Results

We have summarized the details of these results in the *Findings and Questioned Costs* subsection below. Our summary is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety.

Auditor's Opinion on the SPFS

Conrad issued an unmodified opinion on the fairness of the presentation of the SPFS. We identified \$20,653 in total questioned costs, which is all comprised of ineligible costs. Ineligible costs are explicitly questioned because they are unreasonable, prohibited by the Cooperative Agreement's provisions or applicable laws and regulations, or not related to the Cooperative Agreement. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

Internal Controls and Compliance

Conrad also reported on RoP's internal controls over financial reporting and compliance with laws, rules, and regulations, and the terms and conditions of the Cooperative Agreement. We identified four significant deficiencies and four non-compliance issues. In performing our testing, we considered whether the information obtained resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing. However, RoP self-disclosed one instance of wire fraud that could have potentially impacted AMP and the SPFS. According to RoP, a financial loss was suffered due to an apparent sophisticated email hacking and wire fraud scheme perpetrated against RoP and was not due to any involvement or negligence on the part of RoP. Based on further discussions with RoP and review of the fraud, an internal investigation into this matter was completed and the results found that there was no effect to AMP or the SPFS during the period under review. As such, there are no further communications warranting additional consideration. The following summarizes the audit results.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2022-01	Non-Compliance; Internal Control – Significant Deficiency	Unallowable costs were charged to AMP	\$ 14,272	\$ -	\$ 14,272
2022-02	Non-Compliance; Internal Control – Significant Deficiency	RoP did not comply with NTA requirements	3,434	-	17,706
2022-03	Non-Compliance; Internal Control – Significant Deficiency	Inconsistent foreign exchange rates were used to calculate program costs billed to USAID	2,900	-	20,606
2022-04	Non-Compliance; Internal Control - Significant Deficiency	Lack of Procedures to Verify Vendor Eligibility in Cases Where a Vendor's Name Matches a Name on the Exclusion List	47	-	20,653
Total Questioned Costs			\$ 20,653	\$ -	\$ 20,653

Review of Prior Findings and Recommendations

Based on our request and search of prior engagements pertinent to RoP's activities under the Cooperative Agreement, we identified three prior engagements identifying twelve (12) combined findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. We have reviewed the corrective actions taken to address these findings and recommendations. Our review procedures included holding discussions with management regarding corrective actions taken, reviewing evidence of revised policies and procedures or other applicable recommended actions, as well as conducting tests of items similar to those found in the prior findings. Based on our review, RoP has taken adequate corrective actions on the 12 prior findings; however, a travel related issue was identified during this engagement. See *Status of Prior Audit Findings* on page 34 for a detailed description of the prior findings and recommendations.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Summary of RoP's Responses to Findings

The following represents a summary of the responses provided by RoP to the findings identified in this report. The complete responses received can be found at the **Appendix A** starting at page 38 of this report.

- (1) **Finding 2022-01:** RoP stated the following responses:
 - a. For Travel, RoP disagrees with the amount of ineligible costs being questioned but did not indicate if it agrees/disagrees with the condition of the finding.
 - b. For ODC, RoP agrees with the alcohol and excess bank fee costs identified; however, RoP does not agree with the late penalty fee identified as it was beyond their control due to COVID and delays within the Ministry of Interior Affairs.
 - c. For Fringe Benefits, RoP agrees with the excess medical allowance costs identified.
 - d. For Allowances, RoP does not agree that the storage costs identified as the storage costs were allowed per their policy.
- (2) **Finding 2022-02:** RoP concurred with the ineligible cost finding of \$3,434 related to not complying with the NTA requirements which resulted in excess personnel costs being charged.
- (3) **Finding 2022-03:** RoP agrees with the ineligible cost finding of \$2,900 related to the inconsistent foreign exchange rates being used to calculate Program costs billed to USAID and had refunded the amount to USAID. However, RoP did not agree with auditor's recommendations #2 and #3 which recommend the implementation of systems controls and procedures to ensure incorrect exchange rates are avoided as they stated that such system controls and procedures were already in place.
- (4) **Finding 2022-04:** RoP neither explicitly agrees nor disagrees with the eligible costs identified and that there is a lack of procedures to verify vendor eligibility in cases where a vendor's name matches a name on the exclusion list. RoP stated that the local trucker hired in this case was not the individual identified on the excluded party list as they were living in a different province than the individual identified but this evidence was not documented.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

Board of Directors
Roots of Peace
San Rafael, CA

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

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Roots of Peace ("RoP") and the related notes to the Special Purpose Financial Statement, with respect to Cooperative Agreement No. 72030620CA00002 awarded by the United States Agency for International Development/Afghanistan ("USAID"), for the period of January 28, 2020 through January 31, 2021.

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 requirements provided by the Office of the Special Inspector General of Afghanistan Reconstruction ("SIGAR"). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 RoP'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 RoP'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 revenues earned, costs incurred, and balances for the indicated period in accordance with the terms of the Cooperative Agreement for the period January 28, 2020 through January 31, 2021 and in conformity with the basis of accounting described in Note 2.

Basis of Presentation and Accounting

We draw attention to Note 2 to the Special Purpose Financial Statement, which describes the basis of presentation and accounting. As described in Note 2 to the Special Purpose Financial Statement, the statement is prepared by RoP on the basis of the requirements provided by SIGAR and the Cooperative Agreement, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 24, 2022 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 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.

Restriction on Use

This report is intended for the information of Roots of Peace, the United States Agency for International Development's mission in Afghanistan, 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 release to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriate or otherwise made available for the reconstruction of Afghanistan.



Lake Forest, California
March 24, 2022

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>			<u>Notes</u>
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	
Revenues:						
Cooperative Agreement No. 72030620CA00002	<u>\$6,125,020</u>	<u>\$6,282,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(3)
Total revenues	<u>6,125,020</u>	<u>6,282,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Personnel	2,530,145	2,544,868	2,754	-	2,754	(A)
Fringe benefits	429,039	345,705	1,871	-	1,871	(A)
Allowances	260,441	328,640	384	-	384	(A)
Travel	150,790	144,642	7,654	-	7,654	(B)
Program inputs	703,782	637,604	38	-	38	(C)
Other direct costs	639,499	605,481	3,354	-	3,354	(D)
Security	91,453	96,330	-	-	-	
Equipment	107,443	113,423	379	-	379	(E)
Indirect costs	<u>1,212,428</u>	<u>1,189,342</u>	<u>4,219</u>	<u>-</u>	<u>4,219</u>	(F)
Total costs	<u>6,125,020</u>	<u>6,006,035</u>	<u>\$ 20,653</u>	<u>\$ -</u>	<u>\$ 20,653</u>	
Outstanding fund balance	<u>\$ -</u>	<u>\$ 276,839</u>				

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

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Special Purpose Financial Statement¹

(1) **Organization Status and Operation during the Audit Period**

Roots of Peace was founded in 1997 by Heidi Kuhn. The mission of the organization is to remove the hazard of landmines and unexploded ordinance from the soil. Roots of Peace works with the private sector and international agencies to revitalize the country's agricultural sector by bringing demined land back into productive agricultural use and creating a harvest of hope for communities in landmine affected countries.

Impact of and Response to the COVID-19 Virus

Roots of Peace has been adversely affected by the novel strain of coronavirus ("COVID-19") outbreak. In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious virus, which has continued to spread, has adversely affected workforces, program beneficiaries and economies. Our teams in program countries and in the USA have been in lockdown mode multiple times throughout the Audit Period. Activities which depend on in-person gatherings and travel, such as Trade Shows, were more severely impacted than were other types of activities.

In response to this outbreak, Roots of Peace reduced its office operations to essential staff and activities beginning in February 2020. In Afghanistan, field operations were curtailed for the team to continue operations via Internet. Tools like Zoom, Teams, SharePoint and Asana helped its operations to continue.

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

Basis of Presentation

The accompanying Special Purpose Financial Statement ("SPFS" or "Statement") have been prepared on the accrual basis of accounting. Because the Statement presents only a selected portion of the operations of RoP it is not intended to and does not present the financial position, changes in net assets, or cash flows of RoP. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal 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 The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 (Uniform Guidance), Subpart E – Cost Principles, and 2 CFR 700.

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. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Special Purpose Financial Statement

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Property and Equipment

AMP property and equipment has been expensed to program cost. AMP assets previously capitalized have been fully depreciated prior to the start of the Audit Period. Roots of Peace maintains a detailed record of all AMP assets purchased with program funds and conducts physical inventories on a regular basis.

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Foreign Currency Translation

In accordance with ASC 830, Roots of Peace uses a “functional-currency approach” in which all transactions are first measured in the currency of the primary economic environment in which the reporting entity operates (i.e., the functional currency) and then translated into the reporting currency for consolidated financial reports.

With the implementation of a new financial system, NetSuite, replacing Abila, Roots of Peace set up multiple subsidiaries. Roots of Peace reports its consolidated results in USD. The functional currency of the Afghanistan subsidiary is the AFN. Each USD transaction in the Afghanistan subsidiary is a foreign currency transaction in that subsidiary and is remeasured into AFN on the date it is entered into NetSuite. During the Audit Period, NetSuite obtained the daily exchange rate automatically from the web. Monthly financial statements translate the Afghanistan subsidiary’s AFN results into USD based on the average rate for the reporting period. Because the average rate does not equal the daily rate for a particular transaction, there are differences between the USD amount recorded when a revenue or expense is recorded in the Afghanistan subsidiary (based on the daily rate) and the USD amount included in the Income Statement for that transaction (based on the average rate).

Subsequent to the Audit Period, Roots of Peace established a policy of setting the daily rates in NetSuite equal to the average rate each month. This approach eliminates the differences in USD amounts recorded per transaction (based on the daily rate) and the USD amount for that transaction included in the Income Statement report (based on the average rate).

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Special Purpose Financial Statement

Functional Allocation of Expenses

Costs of providing Roots of Peace's programs and other activities are presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Program services are defined as the activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the organization exists. Supporting activities include management and general activities and fund-raising activities.

The rollup of expenses into the categories presented in the Special Purpose Financial Statement are defined to align with the expense categories as defined in the Award, consistent with oversight, regulatory, grant and other compliance requirements.

(3) Revenue Recognition

Roots of Peace recognizes program revenues when the organization has incurred expenditures in compliance with the specific provisions of the award. Amounts received from USAID are recorded as a deferred revenue liability when received and recognized as revenue based on expenditures incurred.

(4) Cost Sharing

Roots of Peace incorporates a cost share component to all programs to engage program participants in a more sustainable manner and encourage them to be investors as opposed to recipients. Cost sharing is sometimes required by the donor as a condition for making an award and is recorded at fair value in the period received. It is recorded as a separate income line item. There was no cost share component during the Audit Period, January 28, 2020 through January 31, 2021.

(5) Costs Incurred by Budget Category

The budget categories presented, and associated amounts reflect the budget line items presented, are within the final USAID/Afghanistan approved budgets through the Cooperative Agreement No. 72030620CA00002. Actual expenditures match the approved budget categories for the Cooperative Agreement. The budget amount covers the first year of an initial three-year base period of the award.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under Cooperative Agreement No. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Special Purpose Financial Statement

Costs Incurred

Personnel	\$ 2,544,868
Fringe benefits	345,705
Allowances	328,640
Travel	144,642
Program inputs	637,604
Other direct costs	605,481
Security	96,330
Equipment	113,423
Indirect Costs	<u>1,189,342</u> (*)
Total Costs Billed	<u>\$ 6,006,035</u>

(*) Indirect costs are reported based on the Roots of Peace NICRA as shown below:

Type	Date Issued	Effective Period		Fringe Benefits U.S. Home/Expatriate	Fringe Benefits TCN Staff	Overhead
		From	Through			
Provisional	01/29/2020	01/01/2019	Until Amended	34.10%	4.55%	24.68%

(6) Balance

The Outstanding Fund Balance presented on the Statement represents the difference between revenues received from USAID and costs billed such that an amount greater than \$0 would reflect that USAID advances received exceed the costs billed or charged to the Agreement and an amount less than \$0 would indicate that costs have been billed, but are pending additional evaluation before a final determination of allowability and amount of reimbursement may be made. As of the end of the Audit Period, January 31, 2021, the Outstanding Fund Balance is \$276,839, which is recorded as deferred revenue and consists of funds on hand to support program activities in subsequent periods.

(7) Currency

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

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Special Purpose Financial Statement

(8) Program Status

The AMP Cooperative Agreement remains active to date. The period of performance for the Cooperative Agreement No. 72030620C00002 is scheduled to conclude on January 27, 2023.

(9) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the January 28, 2020 through January 31, 2021, period covered by the Statement. Management has performed their analysis through March 24, 2022.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

(A) Personnel, Fringe Benefits, and Allowances

RoP reported a total combined cost of \$3,219,213, consisting of \$2,544,868 for personnel, \$345,705 for fringe benefits, and \$328,640 for allowances for the period of January 28, 2020 through January 31, 2021. During our audit of these costs, we noted:

- 1) Ten (10) instances where employees were paid above the NTA salary amount, which resulted in ineligible personnel costs of \$2,754. See **Finding No. 2022-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- 2) Three-Hundred Fourteen (314) instances where incorrect employee medical allowances were charged, which resulted in ineligible fringe benefit costs of \$1,871. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- 3) One (1) instance where RoP charged personal storage costs to the program, which resulted in ineligible allowance costs of \$384. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified resulted in total combined ineligible costs of \$5,009.

(B) Travel

RoP reported a total of \$144,642 for travel costs for the period of January 28, 2020 through January 31, 2021. During our audit of these costs, we noted:

- 1) Two (2) instances where RoP charged premium economy and comfort+ airfare, and one (1) instance where RoP charged business class airfare, which resulted in ineligible travel costs of \$7,390. See **Finding No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- 2) One-Hundred Ten (110) instances where an inconsistent foreign exchange rate was applied when calculating program travel costs, which resulted in ineligible travel costs of \$264. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified resulted in total combined ineligible cost of \$7,654.

² The Notes to Questioned Costs presented on the 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. 72030620CA00002 to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Questioned Costs Presented on Special Purpose Financial Statement

(C) Program Inputs

RoP reported a total of \$637,604 for program input costs for the period of January 28, 2020 through January 31, 2021. During our audit of these costs, we noted that RoP hired a vendor that appeared on the SAM.gov/OFAC exclusion list, which resulted in ineligible program input costs of \$38. See **Finding No. 2022-04** in the *Schedule of Findings and Questioned Costs* section of this report.

(D) Other Direct Costs

RoP reported a total of \$605,481 for other direct costs for the period of January 28, 2020 through January 31, 2021. During our audit of these costs, we noted:

- 1) One (1) instance where alcohol was charged to the program, which resulted in ineligible other direct costs of \$100. See **Findings No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- 2) One (1) instance where RoP overcharged bank fees to the program, which resulted in ineligible other direct costs of \$7. See **Findings No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- 3) One (1) instance where RoP charged late fee penalties assessed on license renewals of armored vehicles to the program, which resulted in ineligible other direct costs of \$1,564. See **Findings No. 2022-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- 4) Two-Hundred Thirty-One (231) instances where an inconsistent foreign exchange rate was applied when calculating other direct program costs, which resulted in ineligible other direct costs of \$1,683. See **Findings No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified resulted in total combined ineligible cost of \$3,354.

(E) Equipment

RoP reported a total of \$113,423 for equipment costs for the period of January 28, 2020 through January 31, 2021. During our audit of these costs, we noted fourteen (14) instances where an inconsistent foreign exchange rate was applied when calculating equipment program costs, which resulted in ineligible equipment costs of \$379. See **Finding No. 2022-03** in the *Schedule of Findings and Questioned Costs* section of this report.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Notes to Questioned Costs Presented on Special Purpose Financial Statement

(F) Indirect Costs

RoP reported a total of \$1,189,342 for Indirect Costs for the period of January 28, 2020 through January 31, 2021. The indirect costs associated with questioned costs identified in **Notes A through E** above resulted in total ineligible indirect costs of \$4,219, see below:

Note	Questioned Costs	Fringe Benefits * (34.10% for U.S. Home and Expats and 4.55% for TCN)	Overhead ** (24.68%)	Total Associated Indirect Costs
A	\$ 5,009	\$ 131	\$ 1,269	\$ 1,400
B	7,654	-	1,889	1,889
C	38	-	9	9
D	3,354	-	828	828
E	379	-	93	93
Totals	\$ 16,434	\$ 131	\$ 4,088	\$ 4,219

- * Fringe benefits of 34.10% was applied to the ineligible storage costs of \$384 only.
**Overhead of 24.68% was applied to the total base questioned costs. However, for Note A, the base questioned costs also included the \$131 in fringe benefits.

(Continued)



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors
Roots of Peace
San Rafael, CA

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by Roots of Peace ("RoP") under Cooperative Agreement No. 72030620CA00002, Agriculture Marketing Program ("AMP"), for the period January 28, 2020 through January 31, 2021. We have issued our report thereon dated March 24, 2022 with an unmodified opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement of RoP for the period of January 28, 2020 through January 31, 2021, we obtained an understanding of RoP's internal control. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Special Purpose Financial Statement and not to provide an opinion on RoP's internal control. Accordingly, we do not express such an opinion.

Our consideration of RoP's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

(Continued)

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as item **2022-01**, **2022-02**, **2022-03**, and **2022-04** to be significant deficiencies.

Roots of Peace'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.

Restriction on Use

This report is intended for the information of Roots of Peace, the United States Agency for International Development's mission in Afghanistan, 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.



Lake Forest, California
March 24, 2022

(Continued)



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Roots of Peace
San Rafael, CA

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

We have audited, the Special Purpose Financial Statement ("Statement") and related notes to the Statement, 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, by Roots of Peace ("RoP") under Cooperative Agreement No. 72030620CA00002, Agriculture Marketing Program ("AMP"), for the period January 28, 2020 through January 31, 2021. We have issued our report thereon dated March 24, 2022 with an unmodified opinion.

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. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items **2022-01, 2022-02, 2022-03, and 2022-04**.

Roots of Peace'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 compliance. Accordingly, this communication is not suitable for any other purpose.

(Continued)

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Restriction on Use

This report is intended for the information of Roots of Peace, the United States Agency for International Development's mission in Afghanistan, 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.

Conrad LLP

Lake Forest, California
March 24, 2022

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs

Finding 2022-01: Unallowable Costs were Charged to AMP

Nature of Finding: Non-Compliance; Internal Control – Significant Deficiency

Condition: During our testing to determine if costs incurred under the Cooperative Agreement were adequately supported, accurate, properly approved, and allowable, we noted the following:

- 1) Travel - Conrad judgmentally selected a sample of 22 transactions valued at \$34,882 out of a population of 321 valued at \$144,642. Based on our testing, we noted two (2) instances where RoP employees charged premium economy and comfort+ class airfares and one (1) instance where an employee charged business class airfare. RoP did not provide documents to justify why the premium and business class airfares were charged rather than the basic least expensive class. This resulted in ineligible costs of \$7,390.
- 2) Other Direct Costs – Conrad judgmentally selected a sample of 68 transactions valued at \$246,891 out of a population of 1,152 valued at \$605,481. Based on our testing, we noted:
 - a. One (1) instance where RoP charged late penalty fees related to armored vehicle license renewals, resulting in ineligible costs of \$1,564.
 - b. One (1) instance where RoP charged alcohol costs to AMP, resulting in ineligible costs of \$100.
 - c. One (1) instance where RoP charged bank fees in excess of actuals to AMP, resulting in ineligible costs of \$7.
- 3) Fringe Benefits (Medical Allowance) – Conrad judgmentally selected a sample of 90 transactions valued at \$3,935 out of a population of 794 valued at \$345,705. Pursuant to RoP's employee handbook, the authorized medical allowance amount for an employee is 2.5% of an employee's annual salary or \$350 per year (which equates to approximately \$29 per month), whichever amount is greater. Based on our review of medical allowances charged for the sampled employees who were entitled to the \$350 per year, we noted that RoP paid and charged \$35 for five months during 2020, which was not in accordance with RoP's policies. Given the significant error rate identified, Conrad expanded the analysis to the entire population of employees who were entitled to the \$350 per year medical allowance claimed under AMP. This expanded analysis identified ineligible costs of \$1,871.
- 4) Allowances – Conrad judgmentally selected a sample of 134 transactions valued at \$47,716 out of a population of 1,766 valued at \$328,640. Based on our testing, we noted one (1) instance where RoP reimbursed an employee for personal storage costs. Pursuant to RoP's personnel policy, storage of personal effects is the responsibility of the employee and is not reimbursable. This resulted in ineligible costs of \$384.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Criteria:

RoP's Finance and Accounting Procedure Manual, states in part:

“10.1 Transaction Reviews

By signing for financial review, the reviewer is confirming that: Expenditure or request is allowable, reasonable and allocable:

- *Allowable Charges: For a cost to be allowable it must conform to:*
 - *Terms and conditions of the agreement*
 - *OMB Circular A-21 (federal and state awards)...*

There are also some specific points to identify allowability, reasonability of expenses:

- *The expenditure follows Roots of Peace and donor policies*
- *The calculations are correct*
- *The required supporting documentation is in order and adequately explains the transaction*

10.2 Transaction review and payments process

Document received by finance department must be reviewed by Finance team within two business days. This review should be according to ROP finance checklist and procurement procedure. In case of any issue the Field Finance Manager or Deputy Finance Director have to inform the related department in writing on the major non-compliance findings, error and request to clarify or submit missing document from relevant department for further process. The Field Finance Manager is also responsible to record any financial error found during the review by transaction number and send a copy of the findings to Finance Director in monthly basis...”

Cooperative Agreement, Attachment C – Standard Provisions, states in part:

“M17. Travel and International Air Transportation

a. Travel Costs – In event that the cost for air fare exceeds the customary standard commercial airfare (coach or equivalent) or the lowest commercial discount airfare, the recipient must document one of the allowable exceptions from the applicable cost principles.”

RoP's Personnel Policy Manual, states in part:

“8.24 Travel to/from Post

Long-term expatriates are eligible for reimbursement of travel related expenses to/from post. ROP may purchase tickets or the employee may purchase the tickets...Airfare is economy class.”

2 CFR 200.475, Travel costs, states in part:

“...(e) Commercial air travel.

(1) Airfare costs in excess of basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would: (i) require circuitous routing; (ii) require travel during unreasonable hours; (iii) excessively prolong travel; (iv) result in additional costs that would offset the transportation savings;

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs (Continued)

or (v) offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business class airfare to be allowable in such cases..."

2 CFR 200.423, Alcoholic beverages, states:

"Costs of alcoholic beverages are unallowable."

2 CFR 200.441, Fines, penalties, damages and other settlements, states:

"Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provision of the Federal award, or with prior written approval of the Federal awarding agency."

RoP's Afghanistan Employee Handbook, states in part:

"B Insurance Benefits

Medical and Dental Allowance: The Organization will provide a medical allowance of 2.5% of an employee's annual salary or \$350 per year, whichever amount is greater. The payment will be made every six months along with the payroll which will be USD \$175. No other claims can be made or will be paid by the employer..."

RoP's Personnel Policy Manual, states in part:

"8.18 Household Effects (HHE) Shipping and Storage

Insurance for the shipment and storage of personal effects is the responsibility of the employee and is not reimbursable. ROP strongly recommends that an employee purchase adequate insurance and have a detailed packing list to accompany the insurance. ROP will facilitate the clearing of an employee's effects through customs and transshipment of the employee's residence at post..."

2 CFR 200.303, Internal Controls, states in part:

"The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..."

Cause: Due to administrative oversight, RoP Finance team did not follow the steps outline in its finance manual to review and approve transactions and payments to ensure that unallowable costs in accordance with Federal requirements and incorrect calculated costs were excluded from AMP.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Effect: RoP's lack of adherence to their policies and procedures, and Federal regulation requirements resulted in ineligible costs being charged to AMP.

Questioned Costs: Ineligible costs identified totaled \$14,272, of which \$2,956 represents associated indirect costs.

SPFS Cost Category	Ineligible Costs	Associated Indirect Costs	Total Ineligible Costs
Fringe Benefits	\$ 1,871	\$ 462	\$ 2,333
Allowances *	384	258	642
Travel	7,390	1,824	9,214
Other Direct Costs	1,671	412	2,083
Totals	\$ 11,316	\$ 2,956	\$ 14,272

* Associated Indirect Costs includes \$131 in fringe benefits charged at 34.10% and \$127 in overhead charged at 24.68% for a total of \$258.

Recommendation:

- 1) We recommend that RoP provide additional evidence to demonstrate that the costs in question are not ineligible to AMP, or return \$14,272 in eligible costs.
- 2) We recommend that RoP provide its staff with training updates to ensure adherence to their internal policies and procedures, and applicable Federal regulation requirements when charging costs to the U.S. Government.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Finding 2022-02: RoP did not Comply with NTA Requirements

Nature of Finding: Non-Compliance; Internal Control – Significant Deficiency

Condition: During our testing of personnel costs incurred under the Cooperative Agreement to determine allowability and support adequacy, Conrad sampled 120 transactions valued at \$333,766 out of a population of \$1,389 transactions valued at \$2,544,868. Based on our testing, we noted ten (10) instances related to four (4) employees where RoP did not follow and comply with Afghanistan’s National Technical Assistance Salary Scale (“NTA”) requirements.

Position	Type of Staff	Amount Charged	Amount per NTA	Questioned Cost
Guard/Cleaner	Local	\$ 898	\$ 219	\$ 679
Driver	Local	1,484	1,367	117
Guard/Cleaner	Local	1,366	703	663
Guard/Cleaner	Local	1,457	162	1,295
Totals		\$ 5,205	\$ 2,451	\$ 2,754

Criteria:

Islamic Republic of Afghanistan – National Technical Assistance Salary Scale and Implementation Guideline, states in part:

“6. Salary Scale for NTA Staff – NTA has right grades, each grade has ten steps. There is a fix interval in each step. The interval is set by a variant multiplier to the original P&G salary of a civil servant. Payment of NTA salaries according to the eight grade system and ten steps within each grade, differs and all factors affecting this salary scale have been considered in this guideline...”

10. Expected Results of the Guideline Implementation – With the implementation of this guideline, NTA staff salaries will be arranged to an extent, and it will be applied on all agencies including the GoA and international donors...”

RoP’s Afghanistan Employee Handbook, states in part:

“(D) Payment of Wages – RoP will follow the NTA Salary Scale and Guideline to offer wages to all our Afghan National employees ...”

Cooperative Agreement, Attachment A – The Schedule, states in part:

“A.17.10. Compensation for Cooperating Country Nationals (CCNS) in Afghanistan – For Non-US Based Assistance Implementing Partners: In accordance with CFR 200.430(b), from the effective date of Implementing Partner Notice #OAA-IP-2016-001, the rates from the National Technical Assistance Salary Scale and Implementation Guideline (NTA) are to be used as the measurement for reasonableness of compensation in the Afghanistan labor market for all Cooperative Country Nationals (CCN)...The implementation of this scale is authorized as follows:

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs

(Continued)

1) Existing CCN personnel who were hired before the effective date of Implementing Partner Notice #OAA-IP-2016-001 may continue to be compensated at their current levels for the life of the award. If these existing CCN personnel change their position or terminate their contract, they must be placed in the appropriate grade under the NTA scale upon assuming the new position or rehire.

2) For current awards, made prior to the effective date of Implementing Partner Notice #OAA-IP-2016-001, the NTA guidelines apply to CCN staff that are hired after the effective date, whether the position and proposed salary was in the award or not.

3) For awards made after the effective date of Implementing Partner Notice #OAA-IP-2016-001, all compensation of CCN staff are required to follow the NTA guidelines.

4) For all awards, regardless of the start date, all CCN personnel currently employed AND embedded directly within a GIROA Ministry should immediately fall under the NTA compensation guidelines and scale.”

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

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...”

Cause: RoP disregarded the NTA pay scale requirements and did not adhere to its employee handbook when granting cost of living adjustments and setting pay rates for 4 employees. RoP granted a cost-of-living adjustment increase for two of the noted employees via modification to their respective employment agreements that exceeded the applicable NTA scale. RoP also established pay rates for two other noted employees in their employment agreement that exceeded the applicable NTA scale.

Effect: As RoP did not adhere to the NTA scale in its employee handbook, ineligible labor costs were charged to AMP.

Questioned Costs: Ineligible costs identified totaled \$3,434, which consists of \$2,754 for salaries and \$680 in associated indirect costs.

Recommendation:

- 1) We recommend that RoP either provide USAID/Afghanistan with support evidencing the allowability of the costs identified above, or return \$3,434 in ineligible costs.
- 2) We recommend that RoP develop and implement additional procedures that when CCN employees are paid in excess of the NTA scale threshold, the excess amount is paid with RoP's private funds, and not charged to the funding agency.

(Continued)

Roots of Peace

Financial Audit of Costs Incurred Under
Cooperative Agreement No. 72030620CA00002
to support the Agriculture Marketing Program

For the period January 28, 2020 through January 31, 2021

Schedule of Findings and Questioned Costs (Continued)

Finding 2022-03: Inconsistent Foreign Exchange Rates were Used to Calculate Program Costs Billed to USAID

Nature of Finding: Non-Compliance; Internal control – Significant Deficiency

Condition: During our testing to determine if costs incurred under the Cooperative Agreement were accurate and allowable for travel, equipment, and other direct costs, it was noted that RoP made payments in US Dollars to certain vendors in Afghanistan, then the transaction was converted into Afghanis using the current daily rate (“Daily Rate”), and the transaction was recorded in RoP’s Afghanistan subsidiary. However, during the month end reconciliation, RoP’s accounting system automatically converted all transactions recorded in the Afghanistan subsidiary back into U.S. dollars using a monthly average rate (“Consolidated Rate”) and billed those amounts to the AMP project which resulted in an over-charge to the project. This issue was discovered during our testing and was discussed with RoP. Based on our discussion, RoP conducted an impact analysis and had identified the total amount over-charged to the AMP project, which is as follows:

SPFS Cost Category	No. of Instances	Questioned Costs
Travel	110	\$ 264
Equipment	14	379
ODC	231	1,683
Total	355	\$ 2,326

Criteria:

RoP’s Finance and Accounting Procedure Manual, states in part:

“10.1 Transaction Reviews

By signing for financial review, the reviewer is confirming that: Expenditure or request is allowable, reasonable and allocable:

- *Allowable Charges: For a cost to be allowable it must conform to:*
 - *Terms and conditions of the agreement*
 - *OMB Circular A-21 (federal and state awards)...*

There are also some specific points to identify allowability, reasonability of expenses:

- *The expenditure follows Roots of Peace and donor policies*
- *The calculations are correct*
- *The required supporting documentation is in order and adequately explains the transaction”*

RoP’s Finance and Accounting Procedure Manual, states in part:

“13.2 Exchange Rate Gain and Losses

(Continued)

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Schedule of Findings and Questioned Costs (Continued)

When payment in a foreign currency has been requested for overseas payments, based on conversion from US dollars, a gain or loss can occur. To minimize this, US currency should be requested in such amounts and with such frequency to limit any such gains or losses.”

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

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...”

Cause: RoP’s accounting software lacked adequate system capabilities to ensure that transactions paid overseas using U.S. Dollars are not converted to the local currency when recorded in the subsidiary ledger to avoid any unnecessary exchange gain or loss. The accounting software also lacked the capability to capture and retain the date of transactions converted to local currency, so that they can be reverted back to U.S. Dollars using the same exchange rate when recorded in the ledger.

Effect: The lack of adequate controls in RoP’s accounting system resulted in incorrect exchange gains being over-charged to the Cooperative Agreement.

Questioned Costs: Ineligible costs identified totaled \$2,900, of which \$574 represents associated indirect costs.

Recommendation:

- 1) We recommend that RoP return USAID \$2,900 in ineligible costs.
- 2) We recommend that RoP develop and implement system controls to ensure incorrect exchange rate gain/loss are avoided when recording the transactions.
- 3) We recommend that RoP develop procedures to ensure that charges related to incorrect exchange rates gain/loss are credited back to the contractor.

(Continued)

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Financial Audit of Costs Incurred Under
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Schedule of Findings and Questioned Costs (Continued)

Finding 2022-04: Lack of Procedures to Verify Vendor Eligibility in Cases Where a Vendor's Name Matches a Name on the Exclusion List

Nature of Finding: Non-Compliance; Internal Control – Significant Deficiency

Condition: Conrad judgmentally selected a sample of 11 program input transactions valued at \$504,834 out of a population of 54 valued at \$637,604. Based on our testing, we noted one (1) transaction where a hired vendor who worked as a driver appeared on the SAM.gov exclusion list. RoP did not take further action to investigate or review if the vendor was the same individual on the exclusion list. During the audit, RoP provided another exclusion check and an explanation stating that the individual identified on the exclusion check was from the Helmand province, which was a different province than the vendor in question. However, RoP was unable to provide evidence of where the vendor was actually from and if the vendor was in fact from a different province. Therefore, Conrad could not determine if the hired vendor was the individual that appeared on the exclusion list. Conrad also conducted a current search in SAM.gov and the individual's name still appeared on the exclusion list.

Criteria:

RoP's Procurement Policy Manual, states:

“3.3.3 Medium Procurements

8. Candidate Review

The Procurement manager must check the background of the winning bidder to make sure they are eligible for U.S. Government procurements per SAM.gov.”

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

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

(g) Be adequately documented...”

Cooperative Agreement, Attachment C – Standard Provisions, states in part:

“M.12 Preventing Terrorist Financing

The recipient must not engage in transactions with, or provide resources or support to, individuals and organizations associated with terrorism, including individuals or entities that appear on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Treasury...”

Cause: RoP does not have procedures in place requiring staff to perform additional background checks on vendors if the name of the hired vendor matches a name on the exclusion list.

Effect: The lack of procedures for verifying the vendors eligibility in cases where the vendor's name matches a name on the exclusion list increases the risk of the U.S. Government funding individuals or organizations on the U.S. Government's exclusion list.

(Continued)

Roots of Peace

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Schedule of Findings and Questioned Costs (Continued)

Questioned Costs: Ineligible costs identified totaled \$47, which consists of \$38 for program input costs and \$9 in associated indirect costs.

Recommendation:

- (1) We recommend that RoP provide further evidence to demonstrate the vendor was not the same individual identified on the exclusion list, or return \$47 in eligible costs.
- (2) We recommend that RoP implement procedures that require staff to perform additional verifications of hired vendors and/or individuals that appear on the SAM.gov exclusion list to ensure that the identified vendor and/or individual are not the same.
- (3) We recommend that if additional verifications cannot be ascertained on vendors with names on the exclusion list, then RoP immediately terminate services and notify the U.S. Government of the issue.

(Continued)

Roots of Peace

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Status of Prior Audit Findings

We requested prior audit reports from RoP, SIGAR, and conducted additional research for any prior engagements including audits, reviews, and evaluations pertinent to RoP's activities. We identified three (3) prior audit reports conducted on behalf of USAID/Afghanistan and SIGAR. Based on our review of these reports, we identified twelve (12) prior findings that could have material effect on the SPFS and other financial data significant to the audit objectives. Our review procedures included a follow up discussion with RoP's management, as well as conducting similar tests surrounding the identified areas during our current audit. We have summarized the results of our procedures below:

(1) Report: Financial Audit of Costs Incurred for Afghanistan by Roots of Peace under the Commercial Horticulture and Agriculture Marketing Program (CHAMP) for the following award: Cooperative Agreement No. AID-306-A-00-10-00512 for the period January 1, 2016 to December 31, 2017

Finding 2018-01: Ineligible Costs: Travel, Transportation, and Per Diem – RoP failed to provide adequate support for \$226 relating to international travel, in which the route was taken from the United States to Afghanistan. The auditor questioned costs related to the flights between two locations as they are not directly allocable to the CHAMP program. The auditor projected these results across the remaining population and questioned additional Travel costs of \$1,785. In addition, \$509 in related Overhead Costs were questioned.

Status: For the current engagement, Conrad reviewed RoP's general ledger and tested travel transaction samples for the audit period. Based on our testing, we did not identify this as a repeated issue; however, we did identify issues related to the charging of premium and business class airfare. See **Finding 2022-01** of this audit report.

Finding 2018-02: Effects Resulting from Misclassified Costs – During the testing of Program Inputs costs, the auditor identified costs that were incorrectly recorded to this account, when they should have been recorded to the Subcontractors account. While these costs were allowable, allocable, and reasonable, the costs should not have been classified as Program Inputs costs. This resulted in questioned costs of \$1,018.

Status: For the current engagement, Conrad reviewed RoP's general ledger and tested Program Input transaction samples for the audit period. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2018-03: Incorrect Overhead NICRA Rate – During the testing of indirect cost to verify that the correct indirect cost rate(s) were applied in accordance with the terms of the award and the NICRA for the period ended December 31, 2016, the auditor noted that the NICRA rate used to calculate the reported amount of overhead for the year ended December 31, 2016 was the provisional rate per the December 4, 2014 NICRA letter instead of the provisional rate per the October 25, 2017 letter. This resulted in an overstatement of overhead for FY 2016 of \$27,914.

(Continued)

Status: For the current engagement, Conrad reviewed the NICRA letter and indirect costs charged for the audit period. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2018-04: Prior Period Overhead True-up Adjustment Error – During the testing of indirect cost to determine whether the allocation base is in compliance with the governing USAID NICRA for the period ended December 31, 2016, it was noted that the true-up applied during the FY2016 related to overhead costs reported during 2010-2015 was incorrectly calculated due to a transposition error noted in the amount used for the base of application for FY2015. This resulted in an overstatement of overhead for FY 2016 of \$38,282.

Status: For the current engagement, Conrad reviewed the NICRA letter and indirect costs charged for the audit period. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2018-05: Excess Fringe Benefit Costs – During the testing of indirect cost to determine whether the allocation base is in compliance with the governing USAID NICRA for the period ended December 31, 2017, it was noted that the base of application include a true-up applied during the FY2017 that was related to fringe benefit costs reported during 2010-2012 but the amount was incorrectly calculated due to the FY2010 portion of the true-up adjustment being recorded at \$90,096; however, after auditor recalculation it was noted that it should have been recorded at \$65,066. This resulted in an overstatement of indirect fringe benefit cost for FY2017 of \$25,030.

Status: For the current engagement, Conrad reviewed the NICRA letter and indirect costs charged for the audit period. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2018-06: Excess Overhead Costs – During the testing of indirect cost to determine whether the allocation base is in compliance with the governing USAID NICRA for the period ended December 31, 2017, it was noted that the base of application include a true-up adjustment for fringe benefit costs reported during 2010-2012. RoP included these costs in the base application used to calculate the FY2017 overhead costs; however, after review of the calculation it was determined that the overhead cost related to the 2010-2012 true-up should have been calculated using each period's applicable overhead rates as opposed to the FY2017 NIRCA rate that was used by RoP. This resulted in an overstatement of overhead cost for FY2017 of \$3,320.

Status: For the current engagement, Conrad reviewed the NICRA letter and indirect costs charged for the audit period. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2018-07: Reporting Compliance – During the Report Compliance testing, it was noted that 2 out of 8 samples selected for the quarterly reports were not submitted within 30 calendar days after the close of the quarter or year, respectively, as required by the Agreement.

Status: For the current engagement, Conrad reviewed the quarterly report submissions. Based on our review, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

(Continued)

(2) Report: SIGAR Financial Audit No. 21-24. Financial audit of costs incurred by Roots of Peace under the following award: Cooperative Agreement No. 306-A-00-10-00512 for the period January 1, 2019 to January 31, 2020

Finding 2020-01: Costs Not Related to CHAMP Charged to Program – RoP incorrectly charged CHAMP for one out of the 66 salary expense transactions tested. This payment was not specifically related to CHAMP and instead should have been charged to RoP's general and administrative expense account, from which the organization-wide overhead rate is calculated. This resulted in questioned costs of \$27,963.

Status: For the current engagement, Conrad reviewed the general ledger and selected a sample of personnel, fringe benefits, allowances, travel, program inputs, other direct costs, security, and equipment transactions for our testing. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2020-02: Recipient Cost Share/Matching Incurred Outside of SPFS Period – Two noted transactions were for in-kind contributions that were incurred prior January 1, 2019, the beginning date of the period covered by the SPFS. RoP prepared its SPFS on the accrual basis of accounting. After the completion of fieldwork, RoP provided evidence that the transactions were not previously reported as recipient cost share/matching to USAID when the in-kind contributions were made.

Status: RoP did not incur any cost sharing costs during the current audit period. RoP stated that they will document their practice of delaying entry of in-kind contributions in their Financial Policy manual and will refer future auditor's to their practice. Based on RoP's response, we concluded that RoP has taken adequate corrective action on this finding.

(3) Report: SIGAR Financial Audit No. 17-39. Financial audit of costs incurred by Roots of Peace under the following award: Cooperative Agreement No. 306-A-00-10-00512-00 for the period January 1, 2015 to December 31, 2015

Finding 2017-01: Costs Not Related to CHAMP and Indirect Costs Charged as Direct – 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.

Status: For the current engagement, Conrad reviewed the general ledger and selected a sample of Personnel, Fringe Benefits, Allowances, Travel, Program Inputs, Other Direct Costs, Security, and Equipment transactions for our testing. Based on our testing, this issue was not repeated. As such, Conrad concluded that RoP has taken adequate corrective action on this finding.

Finding 2017-02: Danger Pay Incorrectly Calculated – 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.

(Continued)

Status: For the current engagement, Conrad tested similar danger payments and found that the issue was not repeated. As such, we concluded that RoP has taken adequate corrective action on this finding.

Finding 2017-03: Timely Reconciliation of Cash Advances – It was noted that 36 transactions tested 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.

Status: For the current engagement, Conrad did not note any instances of cash advance reconciliations during our testing. According to RoP, it has restricted the use of cash advances and now only provides advances for small cash purchases. RoP is in the process of researching the use of Mobile Money applications in order to eliminate the use of cash advances completely. RoP has integrated a review of outstanding cash advances into their monthly financially closing procedure to ensure advances are cleared in a timely basis. RoP has also set up petty cash accounts for AMP in January 2021 in order to prevent the use of cash advances. Based on RoP's response, we concluded that RoP has taken adequate corrective action on this finding.

(Continued)

Roots of Peace

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RoP's Responses to Audit Findings

RoP has provided formal responses to the audit findings identified in this report. These responses have been inserted verbatim as presented below:

SIGAR Audit of USAID AMP Program
Roots of Peace Management Response to Audit Findings
March 16, 2022

Conrad auditors identified four findings which Roots of Peace (ROP) will respond to below.

Finding 2022-01: Unallowable Costs were Charged to AMP

1) Travel

Conrad judgmentally selected a sample of 22 transactions valued at \$34,882 out of a population of 321 valued at \$144,642. Based on our testing, we noted two (2) instances where RoP employees charged premium economy and comfort+ class airfares and one (1) instance where an employee charged business class airfare. RoP did not provide documents to justify why the premium and business class airfares were charged rather than the basic least expensive class. This resulted in ineligible costs of \$7,390.

ROP Response:

ROP Travel Policy

"...not accept travel costs exceeding those of a full-fare economy class ticket."

ROP does not agree with the ineligible costs of \$7,390.

The ineligible costs should be the difference between business/premium and economy class not the full amount:

T-02 Reid Lohr		T-03 Reid Lohr		Tim Bergstrom	
Total charged	\$ 3,729.80	Total charged	\$ 4,982.50	Approved Amount	\$ 7,495.26
Premium costs charged	\$ 2,945.00	Business costs charged	\$ 4,892.50	Business costs charged	\$ 7,495.26
Economy class costs charged	\$ 2,377.00	Similar routing economy fare	\$ 4,402.50	Similar routing economy fare	\$ 7,425.50
Difference	\$ 568.00	Difference	\$ 490.00	Difference	\$ 69.76

Total Ineligible costs \$ 1,127.76

2) Other Direct Costs

Conrad judgmentally selected a sample of 68 transactions valued at \$246,891 out of a population of 1,152 valued at \$605,481. Based on our testing, we noted:

- a. One (1) instance where RoP charged late penalty fees related to armored vehicle license renewals, resulting in ineligible costs of \$1,564.

Roots of Peace

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RoP's Responses to Audit Findings

- b. One (1) instance where RoP charged alcohol costs to AMP, resulting in ineligible costs of \$100.
- c. One (1) instance where RoP charged bank fees in excess of actuals to AMP, resulting in ineligible costs of \$7.

ROP Response:

2a. Late Penalty Fee

ROP does not agree with the auditors on this questioned cost.

A late fee was paid to the Afghan government for renewing B6 Land Cruiser armored permits. The application to renew the permit was submitted in March 2020, however owing to the Covid 19 quarantines and the closure of the government offices, the paperwork to make the payment to the MOIA was received in August 2020, and the payment made to MOIA was paid on August 16th. Even though it was not Roots of Peace's fault, the MOIA imposed a late fee of 120,000 AFN (\$1,564). MOIA was unwilling to waive the late fee. COP and the DCOP authorized payment as we were unable to obtain vehicle permits without paying the late fee. No permits, no vehicle use. ROP understands why the auditors question this cost but working with an Afghanistan that was totally corrupt with COVID was extremely hard. We made the decision to continue working versus stopping our effort.

2b. Alcohol

ROP agrees with the auditors that this charge of \$100 for alcohol is not appropriate.

2c. Excess Bank Fee

ROP agrees with the auditors that this charge of \$7 is in excess of actual expenses and therefore is not appropriate.

3) Fringe Benefits (Medical Allowance)

Conrad judgmentally selected a sample of 90 transactions valued at \$3,935 out of a population of 794 valued at \$345,705. Pursuant to RoP's employee handbook, the authorized medical allowance amount for an employee is 2.5% of an employee's annual salary or \$350 per year (which equates to approximately \$29 per month), whichever amount is greater. Based on our review of medical allowances charged for the sampled employees who were entitled to the \$350 per year, we noted that RoP paid and charged \$35 for five months during 2020, which was not in accordance with RoP's policies. Given the significant error rate identified, Conrad expanded the analysis to the entire population of employees who were entitled to the \$350 per year medical allowance claimed under AMP. This expanded analysis identified ineligible costs of \$1,871.

ROP Response:

ROP agrees with the auditors on this questioned cost.

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RoP's Responses to Audit Findings

4) Allowances

Conrad judgmentally selected a sample of 134 transactions valued at \$47,716 out of a population of 1,766 valued at \$328,640. Based on our testing, we noted one (1) instance where RoP reimbursed an employee for personal storage costs. Pursuant to RoP's personnel policy, storage of personal effects is the responsibility of the employee and is not reimbursable. This resulted in ineligible costs of \$384.

ROP Response:

Storage costs are in our policy. Roots of Peace does not cover shipment of HHE to Afghanistan posting, but it does offer storage cost reimbursement. HHE is Household Effects delivery charges to/from posting. This is separate from Storage Costs. Auditors should refer to Roots of Peace Personnel Policy Section 8.18 Household Effects (HHE) Shipping and Storage.

Finding 2022-02: RoP did not Comply with NTA Requirements

During our testing of personnel costs incurred under the Cooperative Agreement to determine allowability and support adequacy, Conrad sampled 120 transactions valued at \$333,766 out of a population of \$1,389 transactions valued at \$2,544,868. Based on our testing, we noted ten (10) instances related to four (4) employees where RoP did not follow and comply with Afghanistan's National Technical Assistance Salary Scale ("NTA") requirements.

ROP Response:

ROP agrees with the questioned costs.

Finding 2022-03: Inconsistent Foreign Exchange Rates were Used to Calculate Program Costs Billed to USAID

This was an issue which ROP brought to the attention of the auditors. We have already made an entry in July 2021 to correct the expense charged to USAID. It is clearly an issue and we have already corrected the over-charge amount. We do not agree with the recommendation of the auditors to:

- 1) We recommend that RoP return USAID \$2,900 in ineligible costs.
- 2) We recommend that RoP develop and implement system controls to ensure incorrect exchange rate gain/loss are avoided when recording the transactions.
- 3) We recommend that RoP develop procedures to ensure that charges related to incorrect exchange rates gain/loss are credited back to the contractor.

ROP Response:

ROP already found this issue and completed a correction and reported it to the auditors. The \$2,900 has already been "returned" to USAID via a reduction of charged expenses to the program. Therefore, any further action is not necessary. Recommendations 2 and 3 were already in place and proved effective. Auditor's recommendations do not reflect the actual situation where ROP already has system controls and procedures in place.

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RoP's Responses to Audit Findings

Finding 2022-04: Lack of Procedures to Verify Vendor Eligibility in Cases Where a Vendor's Name Matches a Name on the Exclusion List

We did perform a SAM check and found Abdul Rahim on EPLS List before we procured his delivery service once. Our practice is to then check location of person. SAM checks only provide name of the individual and their location and no additional information or support service to investigate possible matches further. OFAC Treasury SDN list and the EPLS list are not effective when common names are involved.

ROP Response:

In this case ROP hired the services of a local trucker. His name is Abdul Rahimi, which is a very common name in Afghanistan. Abdul Rahimi shows up on the EPLS listing. When we find a match on the EPLS listing, we then consider the location of the person. EPLS only provided name and location. The Abdul Rahimi that we hired for a short delivery was living in a different province than the Abdul Rahimi on the Excluded Party listed in EPLS. So we proceeded to use his service. We did not document this check. The amount of money we paid Abdul Rahimi (truck driver) was \$38. ROP will document future name matches and our decision.

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Auditor's Rebuttal to RoP's Responses to Audit Findings

ROP partially disagrees with Finding 2022-01, agrees with finding 2022-02, agrees with finding 2022-03 with the exception of two recommendations, and neither explicitly agrees nor disagrees with Finding 2022-04. Auditor's rebuttal to RoP's responses received related to the audit findings identified in this report are presented below:

(1) **Finding 2022-01:** RoP stated the following responses:

- e. For Travel, RoP disagrees with the amount of ineligible costs being questioned but did not indicate if it agrees/disagrees with the condition of the finding.
- f. For ODC, RoP agrees with the alcohol and excess bank fee costs identified; however, RoP does not agree with the late penalty fee identified as it was beyond their control due to COVID and delays within the Ministry of Interior Affairs.
- g. For Fringe Benefits, RoP agrees with the excess medical allowance costs identified.
- h. For Allowances, RoP does not agree that the storage costs identified as the storage costs were allowed per their policy.

Auditor Rebuttal: Based on our conclusions presented in the report, the following rebuttals to each of the points outlined by RoP is as follows:

- a. As stated in the Travel finding, we noted two (2) instances where RoP employees charged premium economy and comfort+ class airfares and one (1) instance where an employee charged business class airfare. RoP did not provide documents to justify why the premium and business class airfares were charged, resulting in ineligible costs of \$7,390.
 - i. For samples T-02 and T-03, when these issues were discovered and communicated to RoP during the audit, RoP provided a price comparison analysis similar to the ones provided in their response, but the analysis was using a current airfare price in January 2022 with a next day travel date, rather than the historical price when the purchase occurred, which was in late January and early March 2020. Given that the current analysis was approximately two years following the original purchase dates, escalation factors, ongoing pandemic, and the Afghanistan situation that occurred in August 2021, the current analysis does not factually reflect the economy class price in 2020, and does not appear to be reasonable analysis. For instance, a recent search of the similar route for economy is roughly more than \$7,000. Conrad also tried to conduct a search online but could not identified any historic price information with the similar routes.

Roots of Peace

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Auditor's Rebuttal to RoP's Responses to Audit Findings

- ii. For the other airfare, RoP was able to provide support documentation demonstrating that a price comparison was completed during the time of purchase during audit fieldwork and our report only questioned the \$70 as identified.

Our finding, questioned costs, and recommendation remain unchanged.

- b. For the ineligible costs related to ODC:

- i. The justification provided for the late fee penalties is taken in consideration; however, the issue is that RoP did not obtain prior written approval from the funding agency as required by 2 CFR 200.441. As such, the fees charged plus associated indirect costs are deemed ineligible.
- ii. No rebuttal is deemed necessary as it relates to the alcohol costs identified as RoP concurred with the finding and recommendation.
- iii. No rebuttal is deemed necessary as it relates to the bank fees identified as RoP concurred with the finding and recommendation.

Our finding, questioned costs, and recommendation remain unchanged.

- c. No rebuttal is deemed necessary as it relates to the excess medical allowances (Fringe Benefits) identified as RoP concurred with the finding and recommendation.
- d. Based on our review of the support documentation provided for this transaction, we noted that the vendor is an international moving company and the costs incurred were for personal item storage/living quarters-allowance. Section 8.18 (Household Effects (HHE) Shipping and Storage) of RoP's Personnel Policies states, "HHE is not currently covered in Afghanistan...ROP's Finance Department arranges HHE shipments with subcontractors who manage the actual shipment and storage of personal effects." HHE is defined to be "furniture, dishes, linens, libraries, artwork, and similar household furnishings for your personal use." The policy not only addresses shipping, but it also addresses storage which is the same issue presented in the report and the evidence surrounding this cost suggests that this is storage of personal effects consistent with the definition of HHE. As such, the cost charged plus associated indirect costs are deemed ineligible. Our finding, questioned costs, and recommendation remain unchanged.

- (2) **Finding 2022-02:** RoP agrees with the ineligible cost finding of \$3,434 related to not complying with the NTA requirements which resulted in excess personnel costs being charged.

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Auditor's Rebuttal to RoP's Responses to Audit Findings

Auditor Rebuttal: No rebuttal is deemed necessary as RoP concurred with the finding and recommendation.

- (3) **Finding 2022-03:** RoP agrees with the ineligible cost finding of \$2,900 related to the inconsistent foreign exchange rates being used to calculate Program costs billed to USAID and had refunded the amount to USAID. However, RoP did not agree with auditor's recommendations #2 and #3 which recommend the implementation of systems controls and procedures to ensure incorrect exchange rates are avoided as they stated that such system controls and procedures were already in place.

Auditor Rebuttal: RoP did not provide Conrad with evidence of the stated refund. Also, the system controls RoP is referring to was implemented after the audit period and is beyond our audit scope. During fieldwork, they indicated a system change had been put in place but given it was beyond our audit period, we were not able to select transactions beyond our audit period to test and conclude on the effectiveness of the new or changed system. Our finding, questioned costs, and recommendation remain unchanged.

- (4) **Finding 2022-04:** RoP neither explicitly agrees nor disagrees with the eligible costs identified and that there is a lack of procedures to verify vendor eligibility in cases where a vendor's name matches a name on the exclusion list. RoP stated that the local trucker hired in this case was not the individual identified on the excluded party list as they were living in a different province than the individual identified but this evidence was not documented.

Auditor Rebuttal: As stated in the finding, we could not properly determine if RoP's assertion that the individual identified on the exclusion list was not the hired trucker due to RoP's inability to provide appropriate evidence supporting this claim. The exclusion list check provided by RoP and the check conducted by our firm revealed the same results with no other information evidencing a difference in the individual identified. Our finding, questioned costs, and recommendation remain unchanged.

SIGAR's Mission

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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
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- advance U.S. interests in reconstructing Afghanistan.

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SIGAR's Mission

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