

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

SIGAR 24-14 Financial Audit

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

In accordance with legal requirements, SIGAR has redacted from this report certain information because it is proprietary, could impact public safety, privacy, or security, or is otherwise sensitive.



FEBRUARY  
2024

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT THE AUDIT REVIEWED

On January 28, 2020, the U.S. Agency for International Development (USAID) awarded a 3-year, \$30,000,000 cooperative agreement to Roots of Peace (a not-for-profit humanitarian organization) to support the Agriculture Marketing Program in Afghanistan. The objective of the program was to improve the livelihoods of Afghan exporters and farmers by expanding the number of export products and developing new markets for Afghan exports. USAID modified the agreement seven times; the modifications did not affect the total award amount, but the period of performance was extended to September 30, 2023.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$20,601,111 in costs charged to the agreement from February 1, 2021, through January 31, 2023. 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 agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Roots of Peace has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Roots of Peace's Special Purpose Financial Statement (SPFS). See 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.

February 2024

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

### SIGAR 24-14-FA

### WHAT SIGAR FOUND

Conrad identified one deficiency and three significant deficiencies in Roots of Peace's internal controls, and four instances of noncompliance with the terms of the agreement. For example, Conrad found instances in which Roots of Peace purchased airfare that exceeded the lowest commercial discount airfare. In another example, Conrad tested 14,352 transactions among all direct cost categories and identified 403 instances in which foreign exchange rates were inconsistently applied. SIGAR notified Roots of Peace of the deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and the instances of noncompliance, Conrad identified \$26,717 in total questioned costs, consisting of \$20,535 in ineligible costs—costs prohibited by the agreements and applicable laws and regulations, and \$6,182 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

Category	Ineligible	Unsupported	Total Questioned Costs
Direct Costs	\$17,794	\$5,376	\$23,170
Indirect Costs	\$2,741	\$806	\$3,547
Total Costs	\$20,535	\$6,182	\$26,717

Conrad identified four prior audit reports which contained sixteen findings that could have a material effect on the SPFS. Conrad conducted follow-up procedures and concluded that Roots of Peace had not taken adequate corrective action on two of the sixteen recommendations.

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, \$26,717 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

February 28, 2024

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

Mr. Joel Sandefur  
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 3-year cooperative agreement from the U.S. Agency for International Development (USAID) to support the Agriculture Marketing Program in Afghanistan.<sup>1</sup> The objective of the program was 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 \$20,601,111 in costs charged to the agreement from February 1, 2021, through January 31, 2023. 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, \$26,717 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. We also inquired about Conrad's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Roots of Peace's Special Purpose Financial Statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws and other matters. Conrad is responsible for the attached auditor's report, dated January 24, 2024, and the conclusions expressed therein. However, our review disclosed no instances in which Conrad did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

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

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

(F-277)

<sup>1</sup> The cooperative agreement number is 72030620CA00002.

**Roots of Peace**

Cooperative Agreement No. 72030620CA00002  
Awarded by the United States Agency for International Development  
in support of the Agriculture Marketing Program in Afghanistan

For the Period of February 1, 2021 through January 31, 2023

## Table of Contents

	Page
Transmittal Letter	
Background	1
Work Performed	2
Objectives, Scope, and Methodology	2
Summary of Results	5
Review of Prior Findings and Recommendations	6
Summary of ROP's Responses to Findings	7
Independent Auditor's Report on the Special Purpose Financial Statement	8
Special Purpose Financial Statement	11
Notes to the Special Purpose Financial Statement	12
Notes to Questioned Costs Presented on the Special Purpose Financial Statement	14
Independent Auditor's Report on Internal Control	17
Independent Auditor's Report on Compliance	19
Schedule of Findings and Questioned Costs	21
Status of Prior Audit Findings	31
Appendices:	
Appendix A: ROP's Responses to Audit Findings	36
Appendix B: Auditor's Rebuttal to ROP's Responses to Audit Findings	41



February 6, 2024

Board of Directors  
Roots of Peace  
San Rafael, CA

Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 22202

Conrad LLP (Conrad or we) hereby provides to you our final report, which reflects results from the procedures we completed during our audit of Roots of Peace's Special Purpose Financial Statement under Cooperative Agreement No. 72030620CA00002 awarded by the United States Agency for International Development's Mission to Afghanistan for the period of February 1, 2021 through January 31, 2023, supporting the Agriculture Marketing Program.

On December 11, 2023, we provided SIGAR with a draft report reflecting our audit procedures and results. Roots of Peace (ROP) received a copy of the report on January 9, 2024 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'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 this Award.

Sincerely,

A handwritten signature in blue ink that reads "S Perera".

Sam Perera, CPA, CFE, CITP, CGMA  
Partner

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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#### Background

On January 28, 2020, the United States Agency for International Development's Mission to Afghanistan (USAID/Afghanistan) awarded Cooperative Agreement No. 72030620CA00002 (Award) 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 the achievement of the AMP. To achieve the intended purpose, AMP used five specific strategies:

- 1) Increased Bulk Agriculture Exports to Existing Markets
- 2) Expanded the Number of Export Products
- 3) Developed New Markets for Afghan Exports
- 4) Increased Value-add of Agriculture Exports
- 5) Developed Remote Rural Areas to Support Peace Effort

Roots of Peace is a not-for-profit humanitarian organization that was founded in 1997. The mission of Roots of Peace is to cultivate peace through agriculture by supporting the world's most vulnerable farmers and traders, removing the remnants of war, and restoring agricultural productivity and prosperity. ROP is currently operating in Afghanistan, Vietnam, Guatemala, Angola, Israel/Palestine, and Croatia.

The initial award amount was \$30,000,000, for the period of performance from January 28, 2020, through January 27, 2023. There have been seven modifications to the Cooperative Agreement, none of them had an impact on the total award amount; however, Modification P007 extended the completion date to September 30, 2023. See the *Summary of Award* below.

#### Summary of Award

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	7	No change	09/30/23

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## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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#### **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 Award, as mentioned above, of ROP's Special Purpose Financial Statement (SPFS) for revenue received and costs incurred under the Program totaling \$20,601,111, including \$1,012,289 cost share for the period February 1, 2021 through January 31, 2023.

#### **Objectives, Scope, and Methodology**

##### **Audit Objectives**

The objectives of the audit of the aforementioned award include the following:

- *Special Purpose Financial Statement* – 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 of February 1, 2021 through January 31, 2023, totaling \$20,601,111, including \$1,012,289 cost share, under the Cooperative Agreement. Our testing of the indirect cost charged to the Award 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.

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## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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#### **Audit 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 on July 10, 2023, with representatives of ROP, Conrad, SIGAR, and USAID/Afghanistan participating via conference call. 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. The scope of our audit includes ROP's management and employees, internal and external factors that affected operations, accounting policies and procedures. We gained an understanding of ROP through interviews, observations, and reading policies and procedure manuals. We interviewed top management and employees responsible for significant functions and/or programs. In addition, we reviewed the following:
  - Cooperative Agreement and modifications;
  - Any regulations that were specific to the agreement's requirements, such as 2 CFR 200 Subpart E Cost Principles, 2 CFR 700 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, USAID Automated Directives System (ADS) Chapter 303, Grants and Cooperative Agreements to Non-Government Organizations;
  - Audited financial statements; and
  - Previous SIGAR and USAID financial audit reports.
- Financial reconciliation – obtained and reviewed all financial reports submitted during the audit period and reconciled these reports to the accounting records to ensure all costs were properly recorded.

#### **Special Purpose Financial Statement**

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Cooperative Agreement, and the applicable general ledgers;

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## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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- Documented procedures associated with controlling funds, including bank accounts and bank reconciliations;
- Traced receipt of funds to the accounting records;
- Sampled and tested the costs incurred to ensure the costs were allowable, reasonable, and allocable to the Cooperative Agreement;
- Reviewed personnel costs to ensure they were supported, authorized, reasonable, and allowable; and
- Recalculated the indirect cost using the approved provisional negotiated indirect cost rates to ensure that the rate was accurately applied.

#### Internal Controls Related to the Award

We reviewed ROP's internal controls related to the Award 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 Award Requirements and Applicable Laws and Regulations

We performed tests to determine whether ROP complied, in all material respects, with the Award requirements, 2 CFR 200, 2 CFR 700, ADS 303, and any other applicable laws and regulations. We also identified and reported on instances of material noncompliance with terms of the Cooperative Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.

#### Corrective Action on Prior Findings and Recommendations

We requested prior audit reports from ROP and reviewed these reports to determine if there were any findings and recommendations that could have a material effect on ROP's SPFS. In addition, we also conducted a search online of various governmental websites including SIGAR ([www.sigar.mil](http://www.sigar.mil)), USAID ([www.usaid.gov](http://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, Conrad 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 31.

#### Exit Conference

An exit conference was held on November 28, 2023, via conference call. Participants included representatives from Conrad, ROP, SIGAR, and USAID/Afghanistan. During the exit conference, we discussed the preliminary results of the audit and reporting process.

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## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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#### **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 \$26,717 in total questioned costs, which comprised \$20,535 in ineligible costs and \$6,182 in unsupported 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 control findings were classified as a deficiency, a significant deficiency, or a material weakness based on their impact on ROP's SPFS. In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. In situations in which control and compliance findings pertained to the same matter, the findings were consolidated within a single finding.

#### Internal Controls

Our audit identified four (4) internal control findings. Three (3) internal control findings are considered to be significant deficiencies and one (1) internal control finding is considered to be a deficiency. See *Independent Auditor's Report on Internal Control* on page 17.

#### Compliance

The results of our testing identified four (4) instances of noncompliance. See the *Independent Auditor's Report on Compliance* on page 19.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. ROP self-disclosed two instances of alleged fraud that could have a potential impact on the Program and the SPFS. Based on further discussions with ROP and review of the alleged incidences of fraud, an internal investigation into these allegations was conducted by ROP and the results found that there was no monetary or material effect to the Program or the SPFS during the period under review. As such, there are no further communications warranting additional consideration.

(Continued)

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

Finding Number	Nature of Finding	Matter	Ineligible Costs	Unsupported Costs	Cumulative Questioned Cost
2023-01	Non-compliance and Internal Control – Significant Deficiency	Business class flights were charged to the Program.	\$ 15,991	\$ -	\$ 15,991
2023-02	Non-compliance and Internal Control – Significant Deficiency	Lack of adherence to Micro Procurement Policy.	-	6,182	22,173
2023-03	Non-compliance and Internal Control – Significant Deficiency	Inconsistent foreign exchange rates used to calculate Program costs billed to USAID.	3,250	-	25,423
2023-04	Non-compliance and Internal Control – Deficiency	Ineligible personnel allowance charged to the Program.	1,294	-	26,717
<b>Total Questioned Costs</b>			<b>\$ 20,535</b>	<b>\$ 6,182</b>	<b>\$ 26,717</b>

### Review of Prior Findings and Recommendations

We requested copies of prior audit reports and engagements from ROP, SIGAR, and USAID pertinent to ROP's activities under the Award. We identified four (4) prior audit reports that contained sixteen (16) findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures which included a discussion with management, reviewing evidence of revised policies and procedures or other applicable recommended actions, and performing tests of the similar areas surrounding these issues during our

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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audit. We concluded that ROP had taken adequate corrective actions on fourteen (14) out of the sixteen (16) prior audit findings and associated recommendations. Accordingly, ROP has not 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. See *Status of Prior Audit Findings* on page 31 for a detailed description of the prior findings and recommendations.

### 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 in *Appendix A* to this report):

- (1) **Finding 2023-01:** ROP disagreed with this finding and noted that business class flights were booked due to the Taliban takeover and the COVID-19 pandemic.
- (2) **Finding 2023-02:** ROP disagreed with this finding and noted that their procurement policy does not require three written quotations for individual purchases less than \$500.
- (3) **Finding 2023-03:** ROP agreed with this finding.
- (4) **Finding 2023-04:** ROP agreed with this finding.

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## 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 (SIGAR)  
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 (SPFS) and the related notes to the Special Purpose Financial Statement (Statement), with respect to the Cooperative Agreement No. 72030620CA00002 (Award) awarded by the United States Agency for International Development (USAID) to support the Agriculture Marketing Program (AMP), for the period of February 1, 2021 through January 31, 2023.

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received, costs incurred, and balances for the indicated period of February 1, 2021 through January 31, 2023, in accordance with the terms of the Award and requirements provided by the Office of Special Inspector General for Afghanistan Reconstruction (SIGAR).

### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement section of our report. We are required to be independent of ROP, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis of Presentation and Accounting

We draw attention to Note 2 and 3 to the Special Purpose Financial Statement, which describes the basis of presentation and the basis of 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, 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.

### Responsibilities of Management 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 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 it is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 24, 2024 on our consideration of ROP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, terms of the Award, and other matters. The purpose of these 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 to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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 the United States Congress and 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  
January 24, 2024



## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

#### Special Purpose Financial Statement

	<u>Budget</u>	<u>Actual</u>	Questioned Costs			
			<u>Ineligible</u>	<u>Unsupported</u>	<u>Total</u>	<u>Notes</u>
Revenues:						
<b>Cooperative Agreement No.     72030620CA00002</b>	\$ 23,409,954	\$ 21,814,547				(5)
<b>Revenue Cost Sharing</b>	<u>\$1,012,289</u>	<u>\$1,012,289</u>	\$ -	\$ -	\$ -	
Total revenues	<u>24,422,243</u>	<u>22,826,836</u>	-	-	-	
Costs incurred and Fixed Fee:						
Personnel	5,695,505	5,796,111	-	-	-	
Fringe Benefits	929,917	918,265	3	-	3	(A)
Allowances	1,120,005	1,039,409	1,029	-	1,029	(B)
Travel	86,880	422,187	14,148	-	14,148	(C)
Program Inputs	8,388,339	6,369,524	15	-	15	(D)
Other Direct Costs	1,840,638	1,477,198	1,934	5,376	7,310	(E)
Security	327,710	60,200	292	-	292	(F)
Equipment	85,477	83,194	373	-	373	(G)
Indirect Costs	<u>4,890,483</u>	<u>3,422,734</u>	<u>2,741</u>	<u>806</u>	<u>3,547</u>	(H)
Total Costs incurred	<u>\$ 23,364,954</u>	<u>\$ 19,588,822</u>	<u>\$ 20,535</u>	<u>\$ 6,182</u>	<u>\$ 26,717</u>	
Cost Share		<u>1,012,289</u>				
Total Costs Incurred & Cost Share		<u>20,601,111</u>				
Outstanding fund balance	<u>\$ 1,057,289</u>	<u>\$ 2,225,725</u>				(7)

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 the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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

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##### **(1) Background**

Roots of Peace is a humanitarian, non-profit organization. Founded in 1997, with the vision of removing landmines in war-torn locations and establishing successful agricultural crops in these areas. We have worked to understand the needs of the farmers of a given community and tailor projects to meet their needs to improve their incomes and help establish lasting peace.

The United States Agency for International Development's Mission to Afghanistan (USAID/Afghanistan) awarded Roots of Peace the Agriculture Marketing Program (AMP) Cooperative Agreement in support of these objectives. The Total Estimated Amount (TEA) of this Cooperative Agreement is \$30,000,000. Roots of Peace agreed to expend an amount not less than \$3,828,000 in non-federal funding through cost-sharing with beneficiaries through food safety certifications, sales incentives, trade show pavilions and development of remote rural areas to support peace efforts.

USAID issued a Modification of Assistance, Number P006, to Cooperative Agreement No. 72030620CA00002, dated Aug 30, 2022, to realign the Cooperative Agreement budget, adjust activities and reflect changes to AMP's key personnel. This Special Purpose Finance Statement reflects the budgeted amounts under this Modification of Assistance Number P003.

##### **(2) Basis of Presentation**

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred under Cooperative Agreement No. 72030620CA00002 for the period from February 01, 2021, through January 31, 2023. Because the SPFS presents only a selected portion of the operations of Roots of Peace, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of Roots of Peace. The information in this SPFS 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 award. Therefore, some amounts presented in this SPFS may differ from amounts presented in, or used in, the preparation of the basic financial statements.

##### **(3) Basis of Accounting**

Expenditures and revenue reported on the SPFS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### **(4) Foreign Currency Conversion Method**

For purposes of preparing the SPFS, in Afghanistan, the Afghani is the functional (local) currency. Costs incurred in Afghanistan that are denominated in United States dollars are converted into

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of ROP.

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

**Notes to Special Purpose Financial Statement<sup>1</sup>**  
**(Continued)**

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Afghani using the spot rate as of the effective date of the transaction. Conversions of those transactions back into United States dollars for consolidated financial reporting purposes are based on the average rate for the month, calculated by the accounting system based on the weighted average currency exchange rate of transactions recorded in each month. For this reason, differences in the United States dollar value of transactions as of the effective date of the transaction and the United States dollar value for those transactions in financial reports differ slightly, reflecting differences between the spot rate and the average rate for the month.

**(5) Revenue**

Revenues presented in the SPFS represent the amounts earned through the AMP program for allowable, eligible costs incurred under the Cooperative Agreement during the period presented.

**(6) Costs incurred by Budget Category**

The budget categories and associated amounts presented reflect the budget line items presented within the final, approved contract budget adopted as a component of Cooperative Agreement No. 72030620CA00002.

**(7) Outstanding Fund Balance**

For the period February 01, 2021 through January 31, 2023, AMP received \$21,814,547 in funds from USAID. Expenditures in the same period are \$19,588,822. The difference of \$(2,225,725) is the Outstanding Fund Balance and consists of advances received from USAID that have not yet been spent. This Outstanding Fund Balance represents the amount of cash on hand as of January 31, 2023, to cover expenses in the period beginning February 1, 2023.

**(8) Program Status**

The Agriculture Marketing Program (AMP), Cooperative Agreement No. 72030620CA00002, remains active beyond the audit period. The period of performance for the Cooperative Agreement is scheduled to conclude September 30, 2023.

**(9) Subsequent Events**

Management has performed an analysis of the activities and transactions subsequent to the February 01, 2021 through January 31, 2023, period covered by the SPFS. Management has performed their analysis through January 24, 2024.

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<sup>1</sup> The Notes to the Special Purpose Financial Statement are the responsibility of ROP.

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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

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#### (A) Fringe Benefits

ROP reported a total of \$918,265 for Fringe Benefits for the period of February 1, 2021, to January 31, 2023. During our audit of these costs, we noted twelve (12) instances where an inconsistent foreign exchange rate was applied when calculating fringe benefits, which resulted in ineligible fringe benefit costs of \$3. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

#### (B) Allowance

ROP reported a total of \$1,039,409 for Allowances for the period of February 1, 2021, to January 31, 2023.

During our audit of these costs, we noted the following:

- One (1) instance where ROP overpaid six (6) months of Separate Maintenance Allowance (SMA) to an employee in 2021, resulting in ineligible allowance costs of \$633. See **Finding No. 2023-04** in the *Schedule of Findings and Questioned Costs* section of this report.
- One (1) instance where ROP charged personal storage costs to the program, which resulted in ineligible allowance costs of \$396. See **Finding No. 2023-04** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total ineligible Allowance costs of \$1,029.

#### (C) Travel

ROP reported a total of \$422,187 for Travel for the period of February 1, 2021, to January 31, 2023.

During our audit of these costs, we noted the following:

- Two (2) instances where ROP charged business class airfare to the Program, which resulted in ineligible travel costs of \$13,905. See **Finding No. 2023-01** in the *Schedule of Findings and Questioned Costs* section of this report.
- One hundred and thirty-nine (139) instances where an inconsistent foreign exchange rate was applied when calculating travel costs, which resulted in ineligible travel costs

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<sup>2</sup> 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 the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup> (Continued)

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of \$243. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total ineligible Travel costs of \$14,148.

#### (D) Program Inputs

ROP reported a total of \$6,369,524 for Program Inputs for the period of February 1, 2021 to January 31, 2023. During our audit of these costs, we noted sixty-three (63) instances where an inconsistent foreign exchange rate was applied when calculating program input costs, which resulted in ineligible program input costs of \$15. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

#### (E) Other Direct Costs

ROP reported a total of 1,477,198 for Other Direct Costs for the period of February 1, 2021, to January 31, 2023.

During our audit of these costs, we noted the following:

- Four (4) instances where applicable procurement documentation was missing, which resulted in unsupported costs of \$5,376. See **Finding No. 2023-02** in the *Schedule of Findings and Questioned Costs* section of this report.
- One hundred and eighty-two (182) instances where an inconsistent foreign exchange rate was applied when calculating other direct costs, which resulted in ineligible costs of \$1,934. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

The issues identified above resulted in total questioned Other Direct Costs of \$7,310, consisting of \$1,934 in ineligible costs and \$5,376 in unsupported costs.

#### (F) Security

ROP reported a total of \$60,200 for Security for the period of February 1, 2021 to January 31, 2023. During our audit of these costs, we noted three (3) instances where an inconsistent foreign exchange rate was applied when calculating security costs, which resulted in ineligible program input costs of \$292. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

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<sup>2</sup> 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.

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

**Notes to Questioned Costs Presented on the Special Purpose Financial Statement<sup>2</sup>**  
**(Continued)**

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**(G) Equipment**

ROP reported a total of \$83,194 for Equipment for the period of February 1, 2021 to January 31, 2023. During our audit of these costs, we noted four (4) instances where an inconsistent foreign exchange rate was applied when calculating equipment costs, which resulted in ineligible program input costs of \$373. See **Finding No. 2023-03** in the *Schedule of Findings and Questioned Costs* section of this report.

**(H) Indirect Costs**

ROP reported a total of \$3,422,734 for Indirect Costs for the period of February 1, 2021 to January 31, 2023. The associated indirect costs associated with questioned costs identified in **Notes A through G** above resulted in total questioned Indirect Costs of \$3,547, consisting of \$2,741 in ineligible costs and \$806 in unsupported costs.

Note	Questioned Costs	Fringe Benefits * (22.00% for U.S. Home and Expats and 1.50% for TCN)	Overhead ** (15.00%- 25.97%)	Total Associated Indirect Costs
Totals	\$23,170	\$96	\$3,451	\$3,547

- \* Fringe benefits of 1.50% was applied to the ineligible storage costs of \$396 only. Fringe benefits of 22.00% was applied to the ineligible separate maintenance allowance of \$633 only.
- \*\* Overhead ranges from 15.00% to 25.97% during our audit period based on the final NICRA.

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<sup>2</sup> 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.

(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 (SIGAR)  
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 (Award) in support of the Agriculture Marketing Program for the period of February 1, 2021, to January 31, 2023. We have issued our report thereon dated January 24, 2024 with an unmodified opinion.

### Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement for the period of February 1, 2021, to January 31, 2023, we considered ROP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of ROP's internal control. Accordingly, we do not express an opinion on the effectiveness of ROP's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not

been identified. We identified four (4) deficiencies in internal control as described in the accompanying *Schedule of Findings and Questioned Costs*. Findings 2023-01, 2023-02, 2023-03 are considered to be significant deficiencies and Finding 2023-04 is considered to be a deficiency.

### **ROP's Response to Findings**

ROP's response to the findings identified in our audit is included verbatim at the *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 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 to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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.

The image shows a handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California  
January 24, 2024

(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 (SIGAR)  
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 (Award) in support of the Agriculture Marketing Program, for the period of February 1, 2021, to January 31, 2023. We have issued our report thereon dated January 24, 2024 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 Award, noncompliance with which could have a direct and material effect on the determination of 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 (4) 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 Findings 2023-01, 2023-02, 2023-03, and 2023-04.

### ROP's Response to Findings

ROP's response to the findings identified in our audit is included verbatim at the *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.

## Restriction on Use

This report is intended for the information of Roots of Peace, the United States Agency for International Development's Mission to Afghanistan, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. The 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  
January 24, 2024

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Schedule of Findings and Questioned Costs

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#### **Finding 2023-01: Business Class flights were charged to the Program.**

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

**Condition:** Conrad tested 27 transactions out of 1,636 transactions in the Travel cost category, representing \$86,733 out of a total of \$422,187 for these transactions. Based on our testing, we noted two (2) instances where ROP employees charged business class fares on one or more legs of the flight. In both instances, the support provided did not have a breakdown of the costs for the business class flight leg, as such, the entire airfare amounts are being questioned. In both instances, ROP did not provide evidence that USAID had approved ROP's use of business class flights. This resulted in ineligible costs of \$13,905.

**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..."*

**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."*

**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; 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*

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### **Schedule of Findings and Questioned Costs (Continued)**

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*basis in order for the use of first-class or business class airfare to be allowable in such cases..."*

**Cause:** ROP stated that due to the COVID-19 Pandemic, there were not many options for flights in and out of Afghanistan. ROP did not request approval from the funding agency prior to booking business class flights for travel.

**Effect:** ROP's lack of adherence to their travel policies and procedures, and Federal regulation requirements resulted in the U.S. government overpaying for airfare under the AMP.

**Questioned Costs:** We identified \$13,905 in ineligible costs and \$2,086 in associated indirect costs, which resulted in \$15,991 in total questioned costs.

**Recommendation:**

- 1) We recommend that ROP provide additional evidence to demonstrate that the costs in question were allowable costs to AMP or return \$15,991 or the costs associated with the business leg of the flight to USAID.
- 2) We recommend that ROP develop and implement a policy to ensure that when special circumstances, such as the COVID-19 pandemic arises, and there are not many options for flights in and out of Afghanistan, staff request approval from the funding agency to use business class and document evidence of the approval.

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

**Finding 2023-02: Lack adherence to Micro Procurement Policy.**

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

**Condition:** Conrad tested 56 transactions out of 7,300 transactions in the Other Direct Costs category, representing \$257,182 out of a total \$1,477,198 for these transactions. During our testing to determine if costs incurred under the Cooperative Agreement were adequately supported and allowable, we noted the following purchases were in violation of ROP's Procurement Policy for micro, aggregated, and small purchases:

Procurement Level	Description	Unsupported Costs	Associated Indirect Costs	Total Questioned Costs
Micro	Two (2) instances where evidence of market pricing was not provided for fuel and maintenance charges.	\$ 1,240	\$ 186	\$ 1,426
Micro (Aggregate)	One (1) instance of missing market survey documentation, multiple invoices were from the same vendor for purchasing calling cards, which in aggregate exceeded ROP's micro purchase threshold of \$500.	536	80	616
Small	One (1) instance where written quotes were not provided to show competitive bidding.	3,600	540	4,140
<b>Totals</b>		<b>\$ 5,376</b>	<b>\$ 806</b>	<b>\$ 6,182</b>

**Criteria:**

**ROP's Procurement Policy**, states the following:

*"Market Pricing is a simple procurement method used for securing services, supplies, or other property that do not aggregate to more than \$500. This amount is the Micro Procurement level. Market Pricing is the simple act of checking the pricing from multiple vendors to determine the best location to receive the lowest price. Procurements cannot be split to avoid the competitive threshold requirements."*

**ROP's Procurement Policy**, states the following:

*"Micro Procurement method is used for procurements less than \$500. Once a PRF has been approved, the Procurement Team can initiate a market survey to determine source for the best price. The market pricing can be done by going to the suppliers and getting the best price option. Three suppliers is a good target. Less than three can be accepted if prices are consistent for the*

(Continued)

**Roots of Peace**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

**Schedule of Findings and Questioned Costs (Continued)**

*good or service. Prices do not have to be written by the vendor, but the Procurement Team needs to document the vendor name and price. The Procurement Team member must sign and date their notes on the Market pricing survey. This should be written and retained with the procurement records."*

**ROP's Procurement Policy**, states the following:

*"Procurement methods are determined by the expected cost of the procurement that is documented on the PRF. The procurement requirements for each method are listed below, then described in further detail in sections following the table. As the procurement amount increases, the amount of documentation and number of approval stages also increase. ROP does not follow USG procurement thresholds. ROP's thresholds are lower than USG thresholds, therefore exceed USG requirements. ROP has elected to have these small thresholds to better control procurement practices in our program countries."*

**TABLE 1: PROCUREMENT LEVELS**

		Micro	Small	Medium	Large	Sole Source
Reference section below		Section 5.2	Section 5.3	Section 5.4	Section 5.5	Section 5.6
Value Threshold		\$1 - \$500	\$501- \$5,000	\$5,001- \$25,000	>\$25,000	> \$5,000
Transaction Approval Level		DCOP or COP	DCOP or COP	COP	Program Director, CEO	Senior VP Programs, CEO
Purchase Requisition Form	3.2.1	✓	✓	✓	✓	✓
Market Pricing	3.2.2	✓				
Written quotes	3.2.3		✓			

**2 CFR 200.319, Competition**, states in part:

*"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements..."*

**2 CFR 200.404, Reasonable Costs**, states in part:

*"A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:...*

*(c) Market prices for comparable goods or services for the geographic area.*

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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*(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.*

*(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost."*

**Cause:** ROP management did not ensure the staff followed their micro-purchase procurement policies and procedures that required a market survey to determine the best price. ROP stated that during the COVID-19 pandemic, there were health and safety concerns for ROP to conduct market surveys.

**Effect:** ROP not adhering to its procurement policies on micro-purchases may have increased the risk for non-competitive purchases which allows room for fraud, waste, and abuse and may have resulted in the U.S. government overpaying for goods and services.

**Questioned Costs:** We identified \$5,376 in unsupported costs and \$806 in associated indirect costs, which resulted in \$6,182 in total questioned costs.

**Recommendation:**

(1) We recommend that ROP provide sufficient documentation demonstrating that price reasonableness checks were performed for the transactions or return the questioned costs of \$6,182.

(2) We recommend that ROP develop routine monitoring by management to review the procurement actions executed by field employees to ensure adherence to procurement policies and procedures for micro-purchases.

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

**Finding 2023-03: Inconsistent foreign exchange rates were used to calculate Program costs billed to USAID.**

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

**Condition:** During our testing to determine the allowability and support adequacy of costs incurred among all direct cost categories, we noted a discrepancy in the costs reported to USAID and the US Dollars (USD) amount stated in the vendor's invoice. ROP made payments to the vendors sometimes in USD and sometimes converted the USD amount to Afghanis (AFN) using the daily rate at the time of the payment to pay the vendors. The USD payment was then converted into Afghanis using the daily rate and recorded in ROP's Afghanistan subsidiary records. For the amount paid in Afghanis, that amount was also recorded in the ROP's Afghanistan subsidiary records. However, the monthly ROP Income Statement translated AFN amounts into US Dollars using one rate, the monthly average rate, for all AFN transactions in each month. Due to the daily rate and the monthly rate differing, the US Dollar amount included in ROP's income statement, the general ledger transactions, and the USAID billings is sometimes higher or lower than the USD amount per the vendor's invoice. Conrad expanded to the entire population for all cost categories and noted the consolidated amount resulted in a higher billing amount and ineligible costs to USAID in cost categories as follows:

Cost Category	Populations	Instances	Questioned Cost
Fringe Benefits	4,061	12	\$ 3
Travel	1,636	139	243
Program Inputs	1,269	63	15
Other Direct Costs	7,300	182	1,934
Security	10	3	292
Equipment	76	4	373
<b>Totals:</b>	<b>14,352</b>	<b>403</b>	<b>\$ 2,860</b>

**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"*

(Continued)



## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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

*"13.2 Exchange Rate Gain and Losses*

*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 USDs or vendor invoices and employee agreements in USD, 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 USDs 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 overcharged to the Cooperative Agreement.

**Questioned Costs:** We identified \$2,860 in ineligible costs and \$390 in associated indirect costs, which resulted in \$3,250 in total questioned costs.

**Recommendation:**

- 1) We recommend that ROP return USAID \$3,250 in questioned 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 when transactions are paid overseas using USDs or vendor invoices and employee agreements are in USD that no foreign conversion should be applied.

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Schedule of Findings and Questioned Costs (Continued)

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#### **Finding 2023-04: Ineligible fringe benefits and allowances were charged to the Program.**

**Nature of Finding:** Non-Compliance and Internal Control – Deficiency

**Condition:** Conrad tested 240 transactions out of 6,887 transactions in the Allowances cost category, representing \$100,572 out of a total \$1,039,409 for these transactions. During our testing to determine the allowability and support adequacy of costs incurred, we noted 2 instances of ineligible allowance transactions as following:

- In one (1) instance, Separate Maintenance Allowance (SMA) was overcharged to the Program. ROP erroneously overpaid 6 months of SMA to an employee in 2021. ROP identified the error and created a reversing entry for the overpaid amount in its General Ledger in 2021. However, the reversed entry incorrectly excludes one month overpaid SMA by mistake. This resulted in an ineligible cost of \$633.
- In one (1) instance, ROP reimbursed an employee for personal storage costs. Per ROP's policy, storage of personal effects is the responsibility of the employee and is not reimbursable. This resulted in total questioned costs of \$396.

These instances resulted in total questioned costs of \$1,029.

**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*

(Continued)

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

#### **Schedule of Findings and Questioned Costs (Continued)**

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*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...*

**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..."*

**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:** Due to administrative oversight, ROP's finance team did not follow the steps outlined 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. Furthermore, ROP does not provide training updates to ensure that all staff are informed of updates in the policies and procedures. For the ineligible cost related to employee storage, ROP stated that the cost was incurred prior to Conrad identifying the same finding in the prior SIGAR audit on this program, and the corrective actions were implemented.

**Effect:** ROP's lack of adherence to their policies and procedures and Federal regulation requirements resulted the U.S. government overpaid to the AMP.

**Questioned Costs:** We identified \$1,029 in ineligible costs and \$265 in associated indirect costs, which resulted in \$1,294 in total questioned costs.

#### **Recommendation:**

- 1) We recommend that ROP provide additional evidence to demonstrate that the costs in question were allowable to AMP or return \$1,294 in ineligible costs.

(Continued)

## **Roots of Peace**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### **Schedule of Findings and Questioned Costs (Continued)**

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- 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 the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Status of Prior Audit Findings

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We requested prior audit reports, evaluations, and reviews from ROP, SIGAR, and USAID pertaining to Grant Agreement activities under this audit. We identified four prior audit reports which contained sixteen findings and associated recommendations that could have a material effect on the SPFS or other financial data significant to the audit objectives. We conducted follow-up procedures, including discussion with ROP's management, and performed testing of similar activities during our audit. We have summarized the results of our procedures below:

1. **Report: SIGAR Financial Audit 22-25, 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**

**Finding 2022-01:** Unallowable Costs were Charged to AMP – Conrad noted three transactions in Travel (Premium and Business class airfare), three transactions in Other Direct Costs (Late Penalty Fee, Alcohol, and Excess Bank Fees), sampled employees for Fringe Benefits (Wrong Rate Applied), and one transaction in Allowances (Reimbursed Personal Storage Costs) that resulted in a total of \$14,272 total ineligible costs.

**Status:** For the current engagement, Conrad reviewed ROP's general ledger and tested travel, other direct costs, fringe benefit, and allowance transactions for the audit period. Based on Conrad's testing, Conrad found the same issue in travel, the same personal storage reimbursement issue in Allowances, as well as a new issue regarding overcharged separate maintenance allowance. This issue is described in **Findings 2023-01 and 2023-04**. Conrad concluded that adequate corrective action was not taken with respect to this matter.

**Finding 2022-02:** ROP did not Comply with NTA Requirements – Conrad noted ten instances related to four employees where ROP did not follow and comply with Afghanistan's National Technical Assistance Salary Scale (NTA) requirements, resulting in \$2,754 in questioned costs.

**Status:** For the current engagement, Conrad reviewed Personnel Samples and this issue was not repeated. As such, Conrad concluded that ROP has taken adequate corrective action on this finding.

**Finding 2022-03:** Inconsistent Foreign Exchange Rates were Used to Calculate Program Costs Billed to USAID – Conrad noted that ROP made payments in US dollars to certain vendors, and the transaction was converted into Afghanis using the current daily rate. However, during the month end reconciliation, ROP's accounting system automatically converted all transactions record in the Afghanistan subsidiary back into U.S. dollars using a month average rate, which was billed to the AMP project, resulting in an over-charge to the project. This resulted in questioned costs of \$2,326.

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Status of Prior Audit Findings (Continued)

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**Status:** For the current Engagement, Conrad reviewed ROP's general ledger and tested transactions which showed an amount charged to the general ledger that is more than the USD amount paid per the invoice. This issue is described in **Finding 2023-03**. Conrad concluded that adequate corrective action was not taken with respect to this matter.

**Finding 2022-04:** Lack of Procedures to Verify Vendor Eligibility in Cases Where a Vendor's Name Matches a Name on the Exclusion List – Conrad noted one 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 this finding. ROP submitted another exclusion check with an explanation stating the individual identified was from a different province, however, ROP was not able to provide evidence of where the vendor was from. This resulted in questioned costs of \$47.

**Status:** For the current engagement, Conrad reviewed the general ledger and tested samples to ensure vendors were not on the SAM.gov exclusion list. Based on our review, this issue was not repeated. As such, Conrad concluded that ROP has taken adequate corrective action on this finding.

2. **Report: SIGAR Financial Audit 21-24, Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512 Commercial Horticultural and Agricultural Marketing Program (CHAMP) for the Period: January 1, 2019, through 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 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:** For the current engagement, ROP incurred a total of \$1,012,289 in cost share expenses during the current audit period. Based on ROP's response and the testing performed during this audit, we concluded that ROP has taken adequate corrective action on this finding.

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Status of Prior Audit Findings (Continued)

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3. **Report: USAID's Financial Audit of Costs Incurred for Afghanistan by Roots of Peace under the Commercial Horticulture and Agriculture Marketing Program (CHAMP) for 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 Conrad's testing, this issue was not repeated. As such, Conrad concluded that ROP has taken adequate corrective action on this finding.

**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 inputs 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.

**Status:** For the current engagement, Conrad reviewed the NICRA letter and indirect costs charged for the audit period. 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

(Continued)

## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Status of Prior Audit Findings (Continued)

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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. 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. 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. 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)



## Roots of Peace

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

### Status of Prior Audit Findings (Continued)

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4. **Report: SIGAR Financial Audit 17-39, Financial Audit of Costs Incurred Under Cooperative Agreement No. 306-A-00-10-00512-00 Commercial Horticulture and Agriculture Marketing Program (CHAMP) for the Period: January 1 through 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.

**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. As such, the corrective action has been adequately implemented.

(Continued)

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

#### ROP's Responses to Audit Findings

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Included on the following pages are ROP's responses received to the findings identified in this report.

#### **Finding 2023-01: Business Class flights were charged to the Program.**

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

**Condition:** Conrad tested 27 transactions out of 1,636 transactions in the Travel cost category, representing \$86,733 out of a total of \$422,187 for these transactions. Based on our testing, we noted two (2) instances where ROP employees charged business class airfares on one or more legs of the flight. In both instances, the support provided did not have a breakdown of the costs for the business class flight leg, as such, the entire airfare amounts are being questioned. In both instances, ROP did not provide evidence that USAID had approved ROP's use of business class flights. This resulted in ineligible costs of \$13,905.

ROP Response:

Business Class Travel – [REDACTED]

Roots of Peace does not agree with the auditor regarding the business class travel for [REDACTED] during the exodus from Kabul prior to the Taliban take-over.

ROP management made a reasonable decision to allow the purchase of one business class seat of the four air legs back home. At the time, ROP management had ordered all expatriates out of Afghanistan immediately for their protection. The USAID approval for this travel states: The approval is an approval of travel request and not an approval of the reasonableness of the cost cited. ROP is responsible for ensuring costs are reasonable and in accordance with your travel policy and the CFR." ROP travel policy directs our team to fly with Economy seats, but ROP management made a decision on this case to approve business class travel on one of the eight travel legs of [REDACTED] flights. Due to the large-scale exodus of people trying to leave Kabul, flights were scarce. The Taliban had already overthrown a few provinces in the northwest. Our travel agent could not find economy class seats for one leg of the travel (travel agent emails document this). Rather than delay the departure of [REDACTED] or possibly strand [REDACTED] in Kabul after the Taliban arrival, ROP management approved his immediate departure. The cost of the total tickets did not exceed the amount from approved by USAID. ROP believes we acted responsibly in spending USAID money to protect our employee. The extra amount of this single flight at business rather than economy is estimated to be as Follows:

**Roots of Peace**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

**ROP's Responses to Audit Findings (Continued)**

(Business costs charged to USAID compared to Economy)			
T-02			
	Total charged	\$	7,225.55
Emirate	Premium costs charged	\$	7,225.55
Emirate	Economy class costs charged	\$	6,306.00
	Difference	\$	919.55
Total amount overcharged to USAID		\$	919.55
Total amount overcharged to USAID		\$	919.55

Business Class Travel – [REDACTED]

Given the heightened risks associated with air travel during the peak of the pandemic, ROP management made a deliberate decision to approve business class travel for [REDACTED]. ROP believe that this decision aligns with ROP's commitment to prioritizing employee well-being and ensuring that operational requirements are met in a responsible manner. Placing the staff in economy would put them at risk, reduce the team effectiveness and discourage the needed travel.

**Finding 2023-02: Lack adherence to Micro Procurement Policy.**

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

**Condition:** Conrad tested 56 transactions out of 7,300 transactions in the Other Direct Costs category, representing \$257,182 out of a total \$1,477,198 for these transactions. During our testing to determine if costs incurred under the Cooperative Agreement were adequately supported and allowable, we noted four (4) instances where the relevant procurement documentation such as market survey and supplier's quotations, were not provided.

(Continued)

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

#### ROP's Responses to Audit Findings (Continued)

Procurement Level	Description	Unsupported Costs	Associated Indirect Costs	Total Questioned Costs
Micro	Three (3) instances where evidence of market pricing was not provided for calling cards, fuel, and maintenance charges.	\$ 1,776	\$ 266	\$ 2,042
Small	One (1) instance where written quotes were not provided to show competitive bidding.	3,600	540	4,140
<b>Totals</b>		<b>\$ 5,376</b>	<b>\$ 806</b>	<b>\$ 6,182</b>

#### ROP Response:

##### Calling Cards – Micro

Calling cards are purchases involving transactions ranging from \$20 to \$100. ROP procurement policy for transactions under \$500 is to use our Micro Procurement method. In this method, written quotations are not necessary. Multiple separate transactions made in disparate regions of the country were bundled together as one transaction for entry into NetSuite. These transactions were done with different vendors in different locations. Therefore, we did not dodge a more restrictive procurement method by disaggregating the transaction. Rather it was many small transactions.

##### Fuel Purchases: -Micro

The procurement of fuel for motorbikes and maintenance, which was conducted through multiple separate invoices, each with amounts below \$500. As per ROP policy, specifically article number 4.3.3, the requirement for obtaining three written quotations or prices is applicable only for procurements exceeding \$500. In the case of the fuel and maintenance procurement, the individual invoice amounts were below this threshold, and therefore, they fell under the category of micro purchases. ROP ensured that the procurement process was in compliance with ROP policies and procedures, and the invoices have been appropriately documented for audit purposes.

##### Recruitment -Small

Roots of Peace's home office had a longstanding and professional business relationship with the recruitment agency. Given that the recruitment was initiated during the COVID lockdown when everyone was working remotely, Roots of Peace management opted to directly signed a contract with the company for the recruitment of a compliance director. This approach was driven by the existing relationship and the challenging circumstances brought about by the pandemic, which necessitated a more direct and

(Continued)

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

#### ROP's Responses to Audit Findings (Continued)

immediate method of recruitment. The decision was made in the best interest of the organization's needs and was conducted in a manner that was consistent with the unique circumstances at the time.

**Finding 2023-03: Inconsistent foreign exchange rates were used to calculate Program costs billed to USAID.**

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

**Condition:** During our testing to determine the allowability and support adequacy of costs incurred among all direct cost categories, we noted a discrepancy in the costs reported to

USAID and the US Dollars (USD) amount stated in the vendor's invoice. ROP made payments to the vendors sometimes in USD and sometimes converted the USD amount to Afghanis (AFN) using the daily rate at the time of the payment to pay the vendors. The USD payment was then converted into Afghanis using the daily rate and recorded in ROP's Afghanistan subsidiary records. For the amount paid in Afghanis, that amount was also recorded in the ROP's Afghanistan subsidiary records. However, the monthly ROP Income Statement translated AFN amounts into US Dollars using one rate, the monthly average rate, for all AFN transactions in each month. Due to the daily rate and the monthly rate differing, the US Dollar amount included in ROP's income statement, the general ledger transactions, and the USAID billings is sometimes higher or lower than the USD amount per the vendor's invoice. Conrad expanded to the entire population for all cost categories and noted the consolidated amount resulted in a higher billing amount and ineligible costs to USAID in cost categories as follows:

Cost Category	Populations	Instances	Questioned Cost
Fringe Benefits	4,061	12	\$ 3
Travel	1,636	139	243
Program Inputs	1,269	63	15
Other Direct Costs	7,300	182	1,934
Security	10	3	292
Equipment	76	4	373
<b>Totals:</b>	<b>14,352</b>	<b>403</b>	<b>\$ 2,860</b>

ROP Response:

- ROP agrees with the auditors on ineligible fringe benefit exchange variance \$3.
- ROP agrees with the auditors on ineligible fringe benefit exchange variance \$243.
- ROP agrees with the auditors on ineligible fringe benefit exchange variance of \$15.
- ROP Response: ROP agrees with the auditors on ineligible fringe benefit exchange variance of

(Continued)

## Roots of Peace

### Financial Audit of the Special Purpose Financial Statements for Cooperative Agreement No. 72030620CA00002 Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

#### ROP's Responses to Audit Findings (Continued)

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\$1,934.

- ROP agrees with the auditors on ineligible fringe benefit exchange variance of \$292.
- ROP agrees with the auditors on ineligible fringe benefit exchange variance of \$373.

#### **Finding 2023-04: Ineligible fringe benefits and allowances were charged to the Program.**

**Nature of Finding:** Non-Compliance and Internal Control – Deficiency

**Condition:** Conrad tested 240 transactions out of 6,887 transactions in the Allowances cost category, representing \$100,572 out of a total \$1,039,409 for these transactions. During our testing to determine the allowability and support adequacy of costs incurred, we noted 2 instances of ineligible allowance transactions as following:

- a) In one (1) instance, Separate Maintenance Allowance (SMA) was overcharged to the Program. ROP erroneously overpaid 6 months of SMA to an employee in 2021. ROP identified the error and created a reversing entry for the overpaid amount in its General Ledger in 2021. However, the reversed entry incorrectly excludes one month overpaid SMA by mistake. This resulted in an ineligible cost of \$633.

ROP Response:

ROP agrees with the auditors on ineligible Separate maintenance allowance costs were billed to the donor for \$633.

- b) In one (1) instance, ROP reimbursed an employee for personal storage costs. Per ROP's policy, storage of personal effects is the responsibility of the employee and is not reimbursable. This resulted in total questioned costs of \$396. These instances resulted in total questioned costs of \$1,029.

ROP Response:

ROP agrees with the auditors on ineligible Personal storage cost were billed to the donor for \$396.

(Continued)

**Roots of Peace****Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program**

For the Period of February 1, 2021 through January 31, 2023

**Auditor's Rebuttal to ROP's Responses to Audit Findings**

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Roots of Peace (ROP) disagreed with the questioned costs for Finding 2023-01 and Finding 2023-02; and agreed with the questioned costs for Finding 2023-03 and Finding 2023-04. Auditor's rebuttal to ROP's responses received related to the audit findings identified in this report are presented below:

**(1) Finding 2023-01:**

ROP did not agree with the issue identified for Travel in **Finding No. 2023-01** where ROP charged business class airfare to the Program. ROP management approved business class flights for employees leaving Afghanistan during the Taliban takeover and traveling during the peak of the COVID-19 pandemic. ROP stated that due to the large-scale exodus of Kabul, flights were scarce, and their travel agent was unable to find economy class seats for one leg of the trip. In addition, ROP stated the questioned amount for this issue should be \$920 rather than \$7,226 and provided a calculation of the difference between the amount charged and an economy class flight. For the employee traveling during the COVID-19 pandemic, ROP made the decision to approve business class travel to prioritize the employee's well-being.

**Auditor's Rebuttal:**

ROP did not obtain sufficient approval from the funding agency prior to charging ineligible costs to the Program. We did receive support for approval from the funding agency for both flights, however, the request and approval did not specifically state the employee will be flying and charging for business class flights.

We also reviewed the support from ROP showing a net overcharge of \$920 from the difference between the total charge of \$7,223 and an economy class flight of \$6,306. The support was not accepted as a reliable source for comparison as the quote for the economy class flight of \$6,306 reflects the price of a similar economy class flight as of November 2023 and cannot be used to substantiate flight costs in 2021.

As such, our finding and recommendations remained unchanged.

**(2) Finding 2023-02:**

ROP did not agree with the issue identified for ODC in **Finding No. 2023-02** where procurement documentation was not provided. Of the four (4) instances identified during the audit, two (2) of the instances are related to calling cards and fuel purchases where ROP stated that multiple separate transactions were bundled into one (1) transaction into their accounting system. Each cost was less than ROP's procurement threshold of \$500 and does not require three (3) written quotations. For the recruitment cost, ROP stated they had a longstanding relationship with the recruitment agency and opted to directly sign a contract with the recruitment agency due to the challenging circumstances of the COVID-19 pandemic.

(Continued)

**Roots of Peace**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

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**Auditor's Rebuttal to ROP's Responses to Audit Findings (Continued)**

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**Auditor's Rebuttal:**

ROP's Procurement Policy states that market pricing is required for micro purchases to determine the source for the best price. In two (2) instances, purchases for fuel and maintenance charges were less than \$500 and fell under the micro purchase threshold. Although three (3) written quotations are not required for these purchases, ROP is still required to conduct and document their market survey to determine price reasonableness in accordance with ROP's Procurement Policy.

In one (1) instance, relating to the purchasing of calling cards, multiple invoices from the same vendor exceeded ROP's micro purchase threshold of \$500. For this instance, ROP did not provide documentation of market pricing nor three (3) written quotations to support competitive bidding as required per their policy.

For the instance regarding recruitment costs, the purchase is above the \$500 micro purchase threshold and falls under the small purchase procurement threshold which requires three (3) written quotations. ROP failed to follow their procurement policy due to their previous relationship with the recruitment agency.

In response to ROP management's comment we have supplemented the criteria presented with additional criteria from ROP's policies. Our recommendations remain unchanged.

**(3) Finding 2023-03:**

ROP acknowledged the issues identified in **Finding No. 2023-03** where an inconsistent foreign exchange rate was applied when calculating costs in various cost categories.

**Auditor's Rebuttal:**

Based on ROP's management response, Conrad concludes that ROP concurred with the finding. As such, no rebuttal is deemed necessary.

**(4) Finding 2023-04:**

ROP acknowledged the issues for Allowance where ROP overpaid six (6) months of Separate Maintenance Allowance (SMA) to an employee in 2021 and charged personal storage costs to the Program identified in **Finding No. 2023-04**.

(Continued)



**Roots of Peace**

Financial Audit of the Special Purpose Financial Statements for  
Cooperative Agreement No. 72030620CA00002  
Agriculture Marketing Program

For the Period of February 1, 2021 through January 31, 2023

**Auditor's Rebuttal to ROP's Responses to Audit Findings (Continued)**

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**Auditor's Rebuttal:**

Based on ROP's management response, Conrad concludes that ROP concurred with the finding. As such, no rebuttal is deemed necessary.

## SIGAR's Mission

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- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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## SIGAR's Mission

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