



MEMORANDUM

DATE: July 30, 2020

TO: USAID/Afghanistan Mission Director, Peter Natiello

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Audit of the Fund Accountability Statement of Roots of Peace, Commercial Horticulture and Agriculture Marketing Program in Afghanistan, Cooperative Agreement 306-A-00-10-00512, January 1 to December 31, 2018 (8-306-20-047-N)

This memorandum transmits the final audit report on the fund accountability statement of Roots of Peace, Commercial Horticulture and Agriculture Marketing Program in Afghanistan, cooperative agreement 306-A-00-10-00512, from January 1 to December 31, 2018.

USAID/Afghanistan contracted with the independent certified public accounting firm Samson T A and Associates, PLLC to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability; internal control effectiveness; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement presents fairly, in all material respects, the funds received and costs incurred and commodities directly procured by USAID for the period audited; (2) evaluate and obtain a sufficient understating of the auditee's internal controls, assessing control risk; and (3) determine whether the auditee complied, in all material respects, with the award terms and applicable laws and regulations that have a direct and material effect on the fund accountability

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

statement. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$8,766,516 for the period from January 1 to December 31, 2018.

The auditors expressed an unmodified opinion on the fund accountability statement and identified questioned costs of \$165,878 (\$9,419 ineligible and \$156,459 unsupported). The auditors also identified \$3,154 of ineligible cost share contribution questioned costs. The auditors did not identify any material internal control weakness but identified seven material instances of noncompliance. Although we are not making a recommendation for the significant deficiencies noted on pages 50 to 52 of the report, we suggest that USAID/Afghanistan determine if Roots of Peace addressed the issues noted. Further, the auditors said that Roots of Peace should be refunded a total amount of \$41,608 representing undercharged indirect costs.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to controller, dated July 30, 2020. Please note that pages 39 to 45 and 53 to 55 of the audit report includes personally identifiable information.

To address the issues identified in the report, we recommend that USAID/Afghanistan:

Recommendation 1: Determine the allowability of \$169,032 in questioned costs (\$12,573 ineligible and \$156,459 unsupported) on pages 39 to 50 and 52 to 55 of the audit report and recover any amount that is unallowable.

Recommendation 2: Verify that Roots of Peace corrects the seven instances of material noncompliance detailed on pages 38 to 50 and 53 to 55 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach the management decisions. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").