



MEMORANDUM

DATE: May 20, 2019

TO: USAID/Afghanistan Mission Director, Peter Natiello

FROM: USAID OIG Middle East and Eastern Europe (ME&EE) Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Financial Audit of Costs Incurred by Roots of Peace, Under the Commercial and Agriculture Marketing Program in Afghanistan, Cooperative Agreement AID-306-A-00-10-00512, January 1, 2016, to December 31, 2017 (8-306-19-026-N)

This memorandum transmits the final audit report on financial audit of costs incurred by Roots of Peace (ROP), under the commercial and agriculture program in Afghanistan, cooperative agreement AID-306-A-00-10-00512, January 1, 2016, to December 31, 2017. The USAID-Afghanistan contracted with the independent certified public accounting firm CohnReznick to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on ROP's schedule of costs incurred; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of costs incurred for the period audited, was presented fairly, in all material respects; (2) evaluate the ROP's internal controls; (3) determine whether ROP complied with award terms and applicable laws and regulations; (4) verify that the correct indirect cost rate(s) have been applied in accordance with terms of the award and the NICRA; and (5) determine if ROP has taken adequate

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.

corrective action on prior external audit report recommendations. To answer the audit objectives, the auditors performed the subject audit that covered \$6,528,266 for the period from January 1, 2016, to December 31, 2017.

The audit firm concluded the schedule of cost incurred presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$98,084 in ineligible questioned costs (\$2,011 direct cost and \$96,073 indirect cost); the auditors didn't identify any material weaknesses but identified six significant deficiencies in internal control; and the auditors identified two instances of material noncompliance related to incorrect overhead NICRA and reporting compliance. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID-Afghanistan determine if the recipient addressed the issues noted.

To address the findings identified in the report, the auditors made recommendation to the auditee. We agree and recommend that USAID/Afghanistan do the following.

Recommendation I. Determine the allowability of \$98,084 in ineligible questioned costs detailed on pages 31 – 44 of the audit report and recover any amount that is unallowable.

Recommendation II. Verify that Roots of Peace corrects the two instances of material noncompliance detailed on pages 35&36 and 45&46 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. 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").