



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

AUG 10 2011

MEMORANDUM

TO: PM/WRA – Thomas P. Kodiak

FROM: OIG/AUD – Evelyn R. Klemstine 

SUBJECT: Audit of Norwegian People's Aid Under Department of State and U.S. Agency for International Development Multiple Agreements for Year Ended December 31, 2007 (AUD/CG-11-40)

The subject report is attached for your review and action. As the action office, please provide, within 30 days of the date of this memorandum, a response to the Department of State, Office of Inspector General (OIG), to the recommendation included in this memorandum. Your response should also include information on actions taken or planned for the questioned costs identified in the report. Actions taken or planned are subject to followup and reporting in accordance with the attached compliance response information.

The audit was performed by an independent public accountant at the request of the U.S. Agency for International Development (USAID), Office of Inspector General. The report also addresses internal control weaknesses and other issues of noncompliance with the terms of the grant agreement and applicable laws and regulations that require corrective action by the grantee. However, the reported internal control weaknesses for Department grants are similar to those reported for USAID grants in the subject report. USAID compliance staff have contacted the Norwegian People's Aid and requested action to correct the control deficiencies. OIG, in coordination with USAID's OIG, will monitor the corrective actions by the Norwegian People's Aid and keep you informed of the progress to implement the independent public accountant's recommendations on internal controls and issues of noncompliance.

**Recommendation 1:** OIG recommends that the Grants Officer, Bureau of Political-Military Affairs, Office of Weapons Abatement, issue a final determination on the allowability of questioned costs of \$3,313 for Grant Awards S-PMWRA-06-GR-048 (\$3,213) and S-PMWRA-07-GR-07 (\$100). If the costs are disallowed, the responsible official should ensure that the Norwegian People's Aid reimburses the Department of State.

If you have any questions, please contact (b) (6)

(b) (6)

Attachments: As stated.

cc: A/LM/AQM – (b) (6)  
PM/EX – (b) (6)  
PM/WRA – (b) (6)  
PM/WRA – (b) (6)  
USAID/M/OAA/CAS – (b) (6)

## NORWEGIAN PEOPLE'S AID

### RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER FOR THE YEAR ENDED DECEMBER 31, 2007

#### 1. INTRODUCTION TO NORWEGIAN PEOPLE'S AID

Norwegian People's Aid (NPA) is a non-governmental organization (NGO) located in Oslo, Norway. NPA is a membership governed organization, which stands on four pillars of equal worth: youth work, health and rescue work, socially targeted work and international work. NPA bases much of its activity on members' voluntary work.

In NPA's national, international youth, and health and rescue work, the following areas are promoted:

- The fight against oppression, poverty and unjust distribution.
- The fight against racism and discrimination.
- Work for equality and against violence and injustice.
- Prevention, voluntary engagement and competence building.

This report is with respect to the U.S. Government funded programs in South Sudan, Angola, and Cambodia. The programs were managed by NPA's field offices located in Nairobi, Kenya, Juba, South Sudan, Luanda, Angola and Phnom Penh, Cambodia.

#### 2. DESCRIPTION OF THE U.S. GOVERNMENT FUNDED AWARDS

Following is a description of the active grant awards under which NPA incurred expenditures during the year ended December 31, 2007:

- **Award # DFD-G-00-07-00038-00**

In January of 2007, the United States Agency for International Development, Office of Acquisition and Assistance, awarded NPA \$4,671,128 under Grant # DFD-G-00-07-00038-00, for the period January 1, 2007 through December 31, 2007. The main purpose of the grant is to provide support for a program to increase agricultural production for targeted households through the adoption of improved techniques and technologies in Sudan. Based upon the objectives stated in the award, the project is expected to achieve the following outcomes:

- Contribute to the right of the rural communities in South Sudan to improve livelihoods.
- To make available urgently needed non-food items to minimize livelihood stress.

There has been one modification to this grant, which increased USAID funding to \$5,070,687, as follows:

|                      | <u>Year</u> | <u>US\$</u>                      |
|----------------------|-------------|----------------------------------|
| Initial award        | 2007        | \$4,671,128                      |
| Modification No. 1   | 2007        | <u>399,559</u>                   |
| <b>TOTAL FUNDING</b> |             | <b><u><u>\$5,070,687</u></u></b> |

- **Award # DFD-G-00-06-00070-00**

In March, 2006, the United States Agency for International Development, Office of Acquisition and Assistance, awarded NPA \$6,509,880 under Grant # DFD-G-00-06-00070-00, for the period January 1, 2006 through December 31, 2006.

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. DESCRIPTION OF THE U.S. GOVERNMENT FUNDED AWARDS (Continued)**

• **Award # DFD-G-00-06-00070-00 (continued)**

The main purpose of the grant is to provide support for a program to contribute to the right of poor rural communities of southern Sudan to have sustainable livelihoods. Based upon the objectives stated in the award, the project is expected to achieve the following outcomes:

- Food Security/Agriculture;
- Procure relief commodities; and
- Risk reduction.

On December 22, 2006, USAID modified the agreement and extended the completion date of the award to April 30, 2007.

• **Award # FFP-A-00-04-00021-00**

In January of 2004, the United States Agency for International Development, Bureau for Democracy, Conflict and Humanitarian Assistance, awarded NPA \$9,423,316 under Grant # FFP-A-00-04-00021-00, for the period January 1, 2004 through December 31, 2004. The main purpose of the grant is to donate agricultural commodities and to pay related support costs for emergency food security programs in eastern and western corridors of South Sudan.

There have been nine modifications to this grant, which revised the completion date to December 31, 2007 and which increased USAID funding to \$44,249,583, as follows:

|                      | <u>Year</u> | <u>US\$</u>                |
|----------------------|-------------|----------------------------|
| Initial award        | 2004        | \$ 9,423,316               |
| Modification No. 1   | 2004        | 1,094,152                  |
| Modification No. 2   | 2004        | 5,011,600                  |
| Modification No. 3   | 2005        | 6,358,276                  |
| Modification No. 4   | 2005        | 4,401,300                  |
| Modification No. 5   | 2005        | 4,517,639                  |
| Modification No. 6   | 2006        | 4,000,000                  |
| Modification No. 7   | 2006        | 9,443,300                  |
| Modification No. 8   | 2006        | -                          |
| Modification No. 9   | 2007        | -                          |
| <b>TOTAL FUNDING</b> |             | <b><u>\$44,249,583</u></b> |

• **Award #S-PMWRA-06-GR-014**

In April of 2006, the U.S. Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded NPA \$700,000 under Grant # S-PMWRA-06-GR-014, for the period March 1, 2006 through February 28, 2007. The main purpose of the grant is to implement a system that can secure a fast and cost effective way of opening up a road network in South Sudan and allow repatriation of refugees and Internally Displaced Persons (IDPs) to take place in a safer manner.

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. DESCRIPTION OF THE U.S. GOVERNMENT FUNDED AWARDS (Continued)**

• **Award #S-PMWRA-06-GR-014 (continued)**

Based upon the objectives stated in the award, the project is expected to achieve the following outcomes:

- Land cleared in high impact areas of South Sudan;
- People in NPA areas of operation receive increased knowledge about the mine risk situation in their communities;
- A comprehensive mine action capacity is established; and
- NPA conducts its operations in compliance with IMAS.

• **Award #S-PMWRA-07-GR-064**

In June of 2007, the U.S. Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded NPA \$100,000 under Grant # S-PMWRA-07-GR-064, for the period June 1, 2007 through May 31, 2008. The main purpose of the grant is for empowering CMAA and competence building of South Sudan demining commission within survey, task impact assessment and mapping.

• **Award No. S-PMWRA-06-GR-048**

In 2006, U.S. Department of State Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded Norwegian Peoples Aid \$1,672,000 under Grant # S-PMWRA-06-GR-048 to provide support for UXO capacity building in Laos, for the period August 1, 2006 to July 31, 2007. During 2007, USDOS granted an additional \$165,000 and granted a two-month extension. Therefore, the revised completion date is September 30, 2007.

The project encompasses the following provisions and objectives:

- Provide 1 Financial Advisor, 1 Quality Management Advisor and 2 EOD Technical Advisors in support to the UXO LAO Programme;
- Local support staff – 5 persons to provide support services to these projects;
- A monitoring team to conduct monitoring visits two (or three) times over the period of one year; and
- Sub-contracting to UXO LAO staff in the Southern provinces of Savannakhet and Champassak.

The following is a summary of the current obligated funding:

|                      | <u>Year</u> | <u>US\$</u>               |
|----------------------|-------------|---------------------------|
| Initial award        | 2006        | \$1,672,000               |
| Modification         | 2007        | <u>165,000</u>            |
| <b>TOTAL FUNDING</b> |             | <b><u>\$1,837,000</u></b> |

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. DESCRIPTION OF THE U.S. GOVERNMENT FUNDED AWARDS (Continued)**

• **Award No. S-PMWRA-06-GR-056**

In 2006, U.S. Department of State Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded Norwegian Peoples Aid \$38,404 under grant number S-PMWRA-06-GR-056 to provide support, research and development of CMAC detection dogs, for the period April 1, 2006 to September 30, 2007.

The project encompasses the following provisions and objectives:

- Collect information regarding operational environments in regards to UXO clearance.
- Research and compare operational methods with other mine and UXO affected countries
- Gathering and compare information on different training methodologies for training of detection dogs.
- Share information from CMAC's long-term experience in mine and UXO clearance.

The following is a summary of the current obligated funding:

|                      | <u>Year</u> | <u>US\$</u>                    |
|----------------------|-------------|--------------------------------|
| Initial award        | 2006        | <u>\$ 38,404</u>               |
| <b>TOTAL FUNDING</b> |             | <b><u><u>\$ 38,404</u></u></b> |

• **Award No. S-PMWRA-07-GR-077**

In 2007, U.S. Department of State Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded Norwegian Peoples Aid \$99,914 under grant number S-PMWRA-07-GR-077 to develop the national capacity of the Cambodia Mine Action Victims Assistance Authority (CMAA) by developing the collection, management, and dissemination of information, from, with, and to the other mine action stakeholders in the country, for the period April 27, 2007 to January 31, 2008.

The project encompasses the following provisions and objectives:

- Build a national and centralized database that will efficiently and transparently manage the information flow between CMAA and other mine action stakeholders.
- Capacity building of national database staff, so they maintain a sustainable routine to process and manage mine action information.
- Capacity building CMAA and CMAC information and reporting systems by introducing compatible formats and information exchange mechanisms.
- Establishing an information-friendly operations room within CMAA that allows the planning, prioritization and monitoring of all mine action activities in the country.

The following is a summary of the current obligated funding:

|                      | <u>Year</u> | <u>US\$</u>                    |
|----------------------|-------------|--------------------------------|
| Initial award        | 2007        | <u>\$ 99,914</u>               |
| <b>TOTAL FUNDING</b> |             | <b><u><u>\$ 99,914</u></u></b> |

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. DESCRIPTION OF THE U.S. GOVERNMENT FUNDED AWARDS (Continued)**

• **Award # S-PMWRA-06-GR-004**

In 2006, the United States Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded NPA \$1,550,000 under Grant # S-PMWRA-06-GR-004, for the period May 1, 2006 through April 30, 2007. The main purpose of the grant is to protect victims of conflict and restore access to land and infrastructure through:

- Increasing available land for subsistence and commercial agricultural cultivation.
- Allow free movement and settlement of populations.
- Contribute to improvement of physical infrastructure and access (roads, bridges, schools, etc.) to promote an increased movement and exchange of goods among communities.

Based upon the objectives stated in the award, the project is expected to achieve the following outcomes:

- Return 660,000 sqm of cleared land for safe use by local communities.
- Clear 80 km of road.
- Eliminate mine/UXO threat for 300 families.
- Complete 100 spot tasks.

|                      | <u>Year</u> | <u>US\$</u>               |
|----------------------|-------------|---------------------------|
| Initial award        | 2006        | <u>\$1,550,000</u>        |
| <b>TOTAL FUNDING</b> |             | <b><u>\$1,550,000</u></b> |

• **Award # S-PMWRA-07-GR-014**

In 2007, the United States Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded NPA \$775,002 under Grant # S-PMWRA-07-GR-014, for the period May 1, 2007 through April 30, 2008.

The main purpose of the grant is to protect victims of conflict and restore access to land and infrastructure through:

- Increasing available land for subsistence and commercial agricultural cultivation.
- Allow free movement and settlement of populations.
- Contribute to improvement of physical infrastructure and access (roads, bridges, schools, etc.) to promote an increased movement and exchange of goods among communities.

Based upon the objectives stated in the award, the project is expected to achieve the following outcomes:

- Return 660,000 sqm of cleared land for safe use by local communities.
- Clear 80 km of road.
- Eliminate mine/UXO threat for 300 families.
- Complete 100 spot tasks.

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**2. DESCRIPTION OF THE U.S. GOVERNMENT FUNDED AWARDS (Continued)**

• **Award # S-PMWRA-07-GR-014 (continued)**

There were two modifications to this grant, which increased USAID funding to \$1,550,000, as follows:

|                      | <u>Year</u> | <u>US\$</u>                      |
|----------------------|-------------|----------------------------------|
| Initial award        | 2007        | \$ 775,002                       |
| Modification No. 1   | 2007        | 469,411                          |
| Modification No. 2   | 2007        | <u>305,587</u>                   |
| <b>TOTAL FUNDING</b> |             | <b><u><u>\$1,550,000</u></u></b> |

**3. PERIOD OF AUDIT**

In accordance with the terms of reference for the audit, this report covers the year ended December 31, 2007.

**4. OBJECTIVES AND SCOPE OF AUDIT**

Our audit of the fund accountability statements of NPA's United States awards, for the year ended December 31, 2007, was performed in accordance with United States Government Auditing Standards and the Guidelines for Financial Audits Contracted by Foreign Recipients, in order for us to express an opinion on the fund accountability statements. Please refer to point 6 below and page I-3 of the accompanying report for our opinion on the fund accountability statements.

**5. PROCEDURES PERFORMED**

As required by United States Government Auditing Standards and the Guidelines for Financial Audits Contracted by Foreign Recipients, we performed audit procedures to evaluate the effectiveness of the design and operation of the internal controls that we considered relevant to preventing or detecting material noncompliance with the compliance requirements applicable to each of NPA's U.S. Government awards.

Our audit procedures included examining the underlying documentation, which supported the financial transactions recorded as expenditures against the U.S. Government awards. Our selection of items, which we examined, was based upon a random sample of transactions as well as the materiality of certain transactions.

**6. AUDIT RESULTS**

***Fund Accountability Statements:***

- Our opinion on the fund accountability statements for the year ended December 31, 2007 was qualified based upon the amount of the questioned costs. Please refer to page I-3 of the accompanying report for our full opinion.

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**6. AUDIT RESULTS (Continued)**

***Questioned Costs:***

- Our 2007 audit included both ineligible and unsupported questioned costs. Following is a summary the questioned costs identified during our audit process.

|                              | Questioned Costs |             |
|------------------------------|------------------|-------------|
|                              | Ineligible       | Unsupported |
| Award # DFD-G-00-07-00038-00 | \$ -             | \$ -        |
| Award # DFD-G-00-06-00070-00 | \$ -             | \$ -        |
| Award # FFP-A-00-04-00021-00 | \$ -             | \$ -        |
| Award # S-PMWRA-06-GR-014    | \$ -             | \$ -        |
| Award # S-PMWRA-07-GR-064    | \$ -             | \$ -        |
| Award # S-PMWRA-06-GR-048    | \$ 1,479         | \$ 1,734    |
| Award # S-PMWRA-06-GR-056    | \$ -             | \$ -        |
| Award # S-PMWRA-07-GR-077    | \$ 100           | \$ -        |
| Award # S-PMWRA-06-GR-004    | \$ -             | \$ -        |
| Award # S-PMWRA-07-GR-014    | \$ -             | \$ -        |

***Report on Internal Controls (Please refer to Sections II and IV of our report):***

- We noted the following material weaknesses:
  - Noncompliance with established procurement policies (Sudan, Angola).
  - Significant journal entries which were not properly supported (Sudan, Angola).
  - Timesheets were incomplete, not signed, not approved and there were instances where time charged to the awards did not correspond to hours indicated on timesheets (Sudan, Angola).
  - Noncompliance with established sub-recipient monitoring policies (Sudan).
  - Cash management: Bank reconciliations were not properly completed, reviewed or approved and petty cash counts were not properly conducted or accurate (Sudan).
  
- We noted the following significant deficiencies:
  - Inventory was not properly controlled (Sudan).
  - Personnel files were incomplete (Sudan, Angola).
  - Payments to local staff not properly supported (Sudan).
  - The field office accounting policies and procedures manual was outdated (Sudan).
  - Competency of the accounting staff should be evaluated (Kenya).
  - Financial records were not properly filed and difficult to locate (Sudan).
  - Numerous instances of payment vouchers not properly signed and dated (Sudan).
  - Non-compliance with anti-terrorism provisions of grant awards (Sudan, Angola).
  - Allocation of shared costs were not formally documented-cleared (Angola).
  - Split costs between donors were not formally documented-cleared (Angola).
  - Salary sheets not signed (Angola, Cambodia).
  - Travel documents missing (Cambodia).

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**6. AUDIT RESULTS (Continued)**

***Report on Internal Controls (Please refer to Sections II and IV of our report) (continued):***

- We noted the following other areas of concern:
  - Numerous instances where similar transactions were coded differently in the accounting system (Sudan).
  - Quarterly financial reports not submitted on a timely basis (Sudan, Angola).
  - Instances of bank reconciliations not being signed by reviewer (Angola).
  - Employee attendance sheets not signed (Cambodia).
  - Conflict of interest statements (Angola).
  - Request of funds (Angola).
  - Documentation of Clearing and Handling Costs at Port in Luanda (Angola).
  - Whistleblower policy (Angola).

***Report on Compliance (Please refer to Sections III and IV of our report)***

- We noted the following material instances of non-compliance:
  - Noncompliance with established procurement policies (Sudan, Angola).
  - Noncompliance with established sub-recipient monitoring policies (Sudan).
  - Noncompliance with Anti-terrorism provisions (Sudan, Angola)

**7. INDIRECT COST RATES**

Indirect costs were charged to U.S. Government awards based upon NPA's actual rate of 14.86% for the year ended December 31, 2007. Please refer to Section VI of the accompanying report for the calculation of NPA's 2007 indirect rate audited by other auditors.

**8. COST-SHARING**

Based on our review, nothing came to our attention that caused us to believe that NPA did not fairly present the cost-sharing schedule. Please refer to Section V of our report for the full Cost-Sharing Schedule.

**NORWEGIAN PEOPLE'S AID  
UNITED STATES GOVERNMENT PROGRAMS**

**AUDIT REPORT**

**FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**AS OF DECEMBER 31, 2007**

# NORWEGIAN PEOPLE'S AID

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**FINANCIAL STATEMENTS**

**NORWEGIAN PEOPLE'S AID  
UNITED STATES GOVERNMENT PROGRAMS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

# NORWEGIAN PEOPLE'S AID

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Norwegian People's Aid  
Oslo, Norway

We have audited the accompanying fund accountability statements of Norwegian People's Aid (NPA) for the year ended December 31, 2007. These fund accountability statements are the responsibility of NPA's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the fund accountability statements in accordance with *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The results of our tests disclosed the following questioned costs as detailed in the fund accountability statements and in note 2 to the fund accountability statements: (1) \$1,579 of costs that are explicitly questioned because they are either outside the dates of the awards or did not comply with the requirements stipulated in the grant awards for such costs; and (2) \$1,734 of costs which were not supported with adequate documentation

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraph, the fund accountability statements referred to above present fairly, in all material respects, costs incurred and reimbursed by the United States Government funding agencies for the year ended December 31, 2007, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1.

In accordance with *U.S. Government Auditing Standards*, we have also issued our reports dated November 9, 2009, on our consideration of NPA's internal control over financial reporting and our tests of compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

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This report is intended for the information of Norwegian People's Aid and the U.S. Government funding agencies. However, upon release by the funding agencies, this report is a matter of public record and its distribution is not limited.

November 9, 2009

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## NORWEGIAN PEOPLE'S AID

SUMMARY FUND ACCOUNTABILITY STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2007

|                                                                 | 2007             |                 |                         |                                       |                          |
|-----------------------------------------------------------------|------------------|-----------------|-------------------------|---------------------------------------|--------------------------|
|                                                                 | Questioned Costs |                 |                         | Expenditures<br>in Excess of<br>Award | Eligible                 |
|                                                                 | Actual           | Ineligible      | Unsupported<br>(Note 4) |                                       |                          |
| <b><u>CASH RECEIPTS</u></b>                                     |                  |                 |                         |                                       |                          |
| Award # DFD-G-00-07-00038-00                                    | \$ (4,671,128)   | \$ -            | \$ -                    | \$ -                                  | \$ (4,671,128)           |
| Award # DFD-G-00-06-00070-00                                    | (831,964)        | -               | -                       | -                                     | (831,964)                |
| Award # FFP-A-00-04-00021-00                                    | (7,827,300)      | -               | -                       | -                                     | (7,827,300)              |
| Award # S-PMWRA-06-GR-014                                       | -                | -               | -                       | -                                     | -                        |
| Award # S-PMWRA-07-GR-064                                       | -                | -               | -                       | -                                     | -                        |
| Award # S-PMWRA-06-GR-048                                       | (1,419,000)      | -               | -                       | -                                     | (1,419,000)              |
| Award # S-PMWRA-06-GR-056                                       | -                | -               | -                       | -                                     | -                        |
| Award # S-PMWRA-07-GR-077                                       | (99,914)         | -               | -                       | -                                     | (99,914)                 |
| Award # S-PMWRA-06-GR-004                                       | (25,000)         | -               | -                       | -                                     | (25,000)                 |
| Award # S-PMWRA-07-GR-014                                       | (1,244,413)      | -               | -                       | -                                     | (1,244,413)              |
| Total cash receipts                                             | (16,118,719)     | -               | -                       | -                                     | (16,118,719)             |
| <b><u>IN KIND CONTRIBUTIONS</u></b>                             |                  |                 |                         |                                       |                          |
| Award # FFP-A-00-04-00021-00                                    | (3,258,300)      | -               | -                       | -                                     | (3,258,300)              |
| <b><u>COSTS INCURRED</u></b>                                    |                  |                 |                         |                                       |                          |
| Award # DFD-G-00-07-00038-00                                    | 5,070,687        | -               | -                       | -                                     | 5,070,687                |
| Award # DFD-G-00-06-00070-00                                    | 417,955          | -               | -                       | -                                     | 417,955                  |
| Award # FFP-A-00-04-00021-00                                    | 11,476,838       | -               | -                       | -                                     | 11,476,838               |
| Award # S-PMWRA-06-GR-014                                       | 165,104          | -               | -                       | -                                     | 165,104                  |
| Award # S-PMWRA-07-GR-064                                       | 108,680          | -               | -                       | 8,680                                 | 100,000                  |
| Award # S-PMWRA-06-GR-048                                       | 1,224,720        | 1,479           | 1,734                   | 63,700                                | 1,157,807                |
| Award # S-PMWRA-06-GR-056                                       | 13,648           | -               | -                       | -                                     | 13,648                   |
| Award # S-PMWRA-07-GR-077                                       | 33,266           | 100             | -                       | -                                     | 33,166                   |
| Award # S-PMWRA-06-GR-004                                       | 415,417          | -               | -                       | 7,072                                 | 408,345                  |
| Award # S-PMWRA-07-GR-014                                       | 1,179,779        | -               | -                       | -                                     | 1,179,779                |
| Total costs incurred                                            | 20,106,094       | <b>\$ 1,579</b> | <b>\$ 1,734</b>         | <b>\$ 79,452</b>                      | 20,023,329               |
| Excess of expenditures over receipts                            |                  |                 |                         |                                       | 646,310                  |
| Balance due from (to) U.S. Government<br>at beginning of year   |                  |                 |                         |                                       | (316,864)                |
| <b>BALANCE DUE FROM (TO) U.S. GOVERNMENT<br/>AT END OF YEAR</b> |                  |                 |                         |                                       | <b><u>\$ 329,446</u></b> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # DFD-G-00-07-00038-00  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Award # DFD-G-00-07-00038-00 - Sudan

Period of Performance: January 1, 2007 to December 31, 2007

Total Amount Awarded: \$5,070,687

Total Obligated Amount: \$5,070,687

|                                                        |                                 |
|--------------------------------------------------------|---------------------------------|
| Balance Due from(to) USAID at December 31, 2006        | \$ -                            |
| Receipts                                               | (4,671,128)                     |
| Eligible Expenditures                                  | <u>5,070,687</u>                |
| <b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2007</b> | <b><u><u>\$ 399,559</u></u></b> |

|                                                | <u>Actual</u>      | <u>Questioned Costs<br/>(Note 2)</u> |                    | <u>Total<br/>Eligible</u> | <u>* Non<br/>Compliance</u> | <u>Total<br/>Cumulative</u> | <u>Budget</u>      | <u>Variance</u> |
|------------------------------------------------|--------------------|--------------------------------------|--------------------|---------------------------|-----------------------------|-----------------------------|--------------------|-----------------|
|                                                |                    | <u>Ineligible</u>                    | <u>Unsupported</u> |                           |                             |                             |                    |                 |
| Food Security and<br>Rural Livelihoods<br>OFDA | <u>\$5,070,687</u> | <u>\$ -</u>                          | <u>\$ -</u>        | <u>\$5,070,687</u>        | <u>\$57,055</u>             | <u>\$5,070,687</u>          | <u>\$5,070,687</u> | <u>\$ -</u>     |

\*The amounts indicated above were not in compliance with NPA's established procurement policies. The amounts have not been categorized as questioned costs due to the fact that proper contracts, invoices and other supporting documentation was available for inspection. However, please refer to our finding on "Procurement Documentation" in Section IV of our report.

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # DFD-G-00-06-00070-00  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Award # DFD-G-00-06-00070-00 - Sudan

Period of Performance: January 1, 2006 to April 30, 2007

Total Amount Awarded: \$6,509,880

Total Obligated Amount: \$6,509,880

|                                                        |                                  |
|--------------------------------------------------------|----------------------------------|
| Balance Due from(to) USAID at December 31, 2006        | \$ 384,595                       |
| Receipts                                               | (831,964)                        |
| Eligible Expenditures                                  | <u>417,955</u>                   |
| <b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2007</b> | <b><u><u>\$ (29,414)</u></u></b> |

|                                                | <u>Actual</u>    | <u>Questioned Costs<br/>(Note 2)</u> |                    | <u>Total<br/>Eligible</u> | <u>2006<br/>Cumulative</u> | <u>Total<br/>Cumulative</u> | <u>Budget</u>      | <u>Variance</u>   |
|------------------------------------------------|------------------|--------------------------------------|--------------------|---------------------------|----------------------------|-----------------------------|--------------------|-------------------|
|                                                |                  | <u>Ineligible</u>                    | <u>Unsupported</u> |                           |                            |                             |                    |                   |
| Food Security and<br>Rural Livelihoods<br>OFDA | <u>\$417,955</u> | <u>\$ -</u>                          | <u>\$ -</u>        | <u>\$417,955</u>          | <u>\$ 6,062,511</u>        | <u>\$6,480,466</u>          | <u>\$6,509,880</u> | <u>\$(29,414)</u> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # FFP-A-00-04-00021-00  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Award # FFP-A-00-04-00021-00 - Sudan

Period of Performance: January 1, 2004 to December 31, 2007

Total Estimated Amount Awarded: \$44,249,583

Total Obligated Amount: \$44,249,583

In-Kind: \$12,482,400  
Inland Freight: \$ 8,651,100  
ITSH and 202e: \$23,116,083

|                                                        | <u>Cash</u>              | <u>In-Kind</u>     |
|--------------------------------------------------------|--------------------------|--------------------|
| Balance Due from(to) USAID at December 31, 2006        | \$ (125,153)             | \$ -               |
| Receipts                                               | (7,827,300)              | (3,258,300)        |
| Eligible Expenditures:                                 |                          |                    |
| In-Kind                                                | -                        | 3,258,300          |
| Inland Freight                                         | 2,070,378                | -                  |
| ITSH and 202e                                          | 6,148,160                | -                  |
| <b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2007</b> | <b><u>\$ 266,085</u></b> | <b><u>\$ -</u></b> |

|                                                       | <u>Actual</u>              | <u>Questioned Costs</u><br><u>(Note 2)</u> |                    | <u>Total</u><br><u>Eligible</u> | <u>* Non</u><br><u>Compliance</u> | <u>2006</u><br><u>Cumulative</u> | <u>Total</u><br><u>Cumulative</u> | <u>Budget</u>              | <u>Variance</u>             |
|-------------------------------------------------------|----------------------------|--------------------------------------------|--------------------|---------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------|-----------------------------|
|                                                       |                            | <u>Ineligible</u>                          | <u>Unsupported</u> |                                 |                                   |                                  |                                   |                            |                             |
| In-Kind:                                              |                            |                                            |                    |                                 |                                   |                                  |                                   |                            |                             |
| Commodity value                                       | \$ 2,005,700               | \$ -                                       | \$ -               | \$ 2,005,700                    | \$ -                              | \$ 5,584,200                     | \$ 7,589,900                      | \$ 7,510,600               | \$ 79,300                   |
| Ocean freight                                         | 1,252,600                  | -                                          | -                  | 1,252,600                       | -                                 | 3,642,400                        | 4,895,000                         | 4,971,800                  | (76,800)                    |
|                                                       | <u>3,258,300</u>           | <u>-</u>                                   | <u>-</u>           | <u>3,258,300</u>                | <u>-</u>                          | <u>9,226,600</u>                 | <u>12,484,900</u>                 | <u>12,482,400</u>          | <u>2,500</u>                |
| Inland Freight                                        | <u>2,070,378</u>           | <u>-</u>                                   | <u>-</u>           | <u>2,070,378</u>                | <u>594,864</u>                    | <u>4,985,121</u>                 | <u>7,055,499</u>                  | <u>8,651,100</u>           | <u>(1,595,601)</u>          |
| Internal Transport,<br>Storage and<br>Handling (ITSH) | 5,520,878                  | -                                          | -                  | 5,520,878                       | 213,799                           | 14,526,924                       | 20,047,802                        | 21,337,791                 | (1,289,989)                 |
| Rehabilitation of<br>Rural Access<br>Roads (202e)     | 627,282                    | -                                          | -                  | 627,282                         | -                                 | 1,129,892                        | 1,757,174                         | 1,778,292                  | (21,118)                    |
|                                                       | <u>6,148,160</u>           | <u>-</u>                                   | <u>-</u>           | <u>6,148,160</u>                | <u>213,799</u>                    | <u>15,656,816</u>                | <u>21,804,976</u>                 | <u>23,116,083</u>          | <u>(1,311,107)</u>          |
| <b>TOTAL</b>                                          | <b><u>\$11,476,838</u></b> | <b><u>\$ -</u></b>                         | <b><u>\$ -</u></b> | <b><u>\$11,476,838</u></b>      | <b><u>\$808,663</u></b>           | <b><u>\$29,868,537</u></b>       | <b><u>\$41,345,375</u></b>        | <b><u>\$44,249,583</u></b> | <b><u>\$(2,904,208)</u></b> |

\*The amounts indicated above were not in compliance with NPA's established procurement policies. The amounts have not been categorized as questioned costs due to the fact that proper contracts, invoices and other supporting documentation was available for inspection. However, please refer to our finding on "Procurement Documentation" in Section IV of our report.

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-06-GR-014  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-06-GR-014 - Sudan

Period of Performance: March 1, 2006 to February 28, 2007

Total Amount Awarded: \$700,000

Total Obligated Amount: \$700,000

|                                                           |                    |
|-----------------------------------------------------------|--------------------|
| Balance Due from(to) U.S. DOS at December 31, 2006        | \$ (165,104)       |
| Receipts                                                  | -                  |
| Eligible Expenditures                                     | <u>165,104</u>     |
| <b>BALANCE DUE FROM(TO) U.S. DOS AT DECEMBER 31, 2007</b> | <b><u>\$ -</u></b> |

|                      | Actual           | Questioned Costs<br>(Note 2) |             | Total<br>Eligible | 2006<br>Cumulative | Total<br>Cumulative | Budget           | Variance    |
|----------------------|------------------|------------------------------|-------------|-------------------|--------------------|---------------------|------------------|-------------|
|                      |                  | Ineligible                   | Unsupported |                   |                    |                     |                  |             |
| Mine Action in Sudan | <u>\$165,104</u> | <u>\$ -</u>                  | <u>\$ -</u> | <u>\$165,104</u>  | <u>\$534,896</u>   | <u>\$700,000</u>    | <u>\$700,000</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-07-GR-064  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-07-GR-064 - Sudan

Period of Performance: June 1, 2007 to May 31, 2008

Total Amount Awarded: \$100,000

Total Obligated Amount: \$100,000

|                                                           |                                |
|-----------------------------------------------------------|--------------------------------|
| Balance Due from(to) U.S. DOS at December 31, 2006        | \$ -                           |
| Receipts                                                  | -                              |
| Eligible Expenditures                                     | 108,680                        |
| Expenditures in Excess of Award                           | <u>(8,680)</u>                 |
| <b>BALANCE DUE FROM(TO) U.S. DOS AT DECEMBER 31, 2007</b> | <b><u><u>\$100,000</u></u></b> |

|                      | Actual           | Questioned Costs<br>(Note 2) |             | Total<br>Eligible | Total<br>Cumulative | Budget           | Variance       |
|----------------------|------------------|------------------------------|-------------|-------------------|---------------------|------------------|----------------|
|                      |                  | Ineligible                   | Unsupported |                   |                     |                  |                |
| Mine Action in Sudan | <u>\$108,680</u> | <u>\$ -</u>                  | <u>\$ -</u> | <u>\$108,680</u>  | <u>\$108,680</u>    | <u>\$100,000</u> | <u>\$8,680</u> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-06-GR-048  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award #S-PMWRA-06-GR-048 - Cambodia

Period of Performance: August 1, 2006 to September 30, 2007

Total Amount Awarded: \$1,837,000

Total Obligated Amount: \$1,837,000

|                                                           |                    |
|-----------------------------------------------------------|--------------------|
| Balance due from(to) U.S. DOS at December 31, 2006        | \$ 261,193         |
| Receipts                                                  | (1,419,000)        |
| Eligible Expenditures                                     | 1,221,507          |
| Expenditures in Excess of Award                           | <u>(63,700)</u>    |
| <b>BALANCE DUE FROM(TO) U.S. DOS AT DECEMBER 31, 2007</b> | <b><u>\$ -</u></b> |

|                            | Actual                    | Questioned Costs<br>(Note 2) |                       | Total<br>Eligible         | 2006<br>Cumulative      | Total<br>Cumulative       | Budget                    | Variance                |
|----------------------------|---------------------------|------------------------------|-----------------------|---------------------------|-------------------------|---------------------------|---------------------------|-------------------------|
|                            |                           | Ineligible                   | Unsupported           |                           |                         |                           |                           |                         |
| Direct costs:              |                           |                              |                       |                           |                         |                           |                           |                         |
| Personnel costs            | \$ 171,756                | \$ -                         | \$ -                  | \$ 171,756                | \$120,620               | \$ 292,376                | \$ 320,091                | \$(27,715)              |
| Contractual                | 842,480                   | -                            | -                     | 842,480                   | 428,894                 | 1,271,374                 | 1,313,374                 | (42,000)                |
| Other                      | 52,037                    | 1,288                        | 1,510                 | 49,239                    | 40,524                  | 89,763                    | 45,141                    | 44,622                  |
| Total direct costs         | 1,066,273                 | 1,288                        | 1,510                 | 1,063,475                 | 590,038                 | 1,653,513                 | 1,678,606                 | (25,093)                |
| Indirect costs<br>(Note 3) | 158,447                   | 191                          | 224                   | 158,032                   | 89,155                  | 247,187                   | 158,394                   | 88,793                  |
| <b>TOTAL</b>               | <b><u>\$1,224,720</u></b> | <b><u>\$1,479</u></b>        | <b><u>\$1,734</u></b> | <b><u>\$1,221,507</u></b> | <b><u>\$679,193</u></b> | <b><u>\$1,900,700</u></b> | <b><u>\$1,837,000</u></b> | <b><u>\$ 63,700</u></b> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-06-GR-056  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award #S-PMWRA-06-GR-056 - Cambodia

Period of Performance: April 1, 2006 to September 30, 2007

Total Amount Awarded: \$38,404

Total obligated amount: \$38,404

|                                                           |                                 |
|-----------------------------------------------------------|---------------------------------|
| Balance due from(to) U.S. DOS at December 31, 2006        | \$ (25,468)                     |
| Receipts                                                  | -                               |
| Eligible Expenditures                                     | <u>13,648</u>                   |
| <b>BALANCE DUE FROM(TO) U.S. DOS AT DECEMBER 31, 2007</b> | <b><u><u>\$(11,820)</u></u></b> |

|                            | Actual          | Questioned Costs<br>(Note 2) |             | Total<br>Eligible | 2006<br>Cumulative | Total<br>Cumulative | Budget          | Variance          |
|----------------------------|-----------------|------------------------------|-------------|-------------------|--------------------|---------------------|-----------------|-------------------|
|                            |                 | Ineligible                   | Unsupported |                   |                    |                     |                 |                   |
| Travel                     | \$11,882        | \$ -                         | \$ -        | \$11,882          | \$11,238           | \$23,120            | \$35,725        | \$(12,605)        |
| Indirect costs<br>(Note 3) | 1,766           | -                            | -           | 1,766             | 1,698              | 3,464               | 2,679           | 785               |
| <b>TOTAL</b>               | <b>\$13,648</b> | <b>\$ -</b>                  | <b>\$ -</b> | <b>\$13,648</b>   | <b>\$12,936</b>    | <b>\$26,584</b>     | <b>\$38,404</b> | <b>\$(11,820)</b> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-07-GR-077  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award #S-PMWRA-07-GR-077 - Cambodia

Period of Performance: April 27, 2007 to January 31, 2008

Total Amount Awarded: \$99,914

Total obligated amount: \$99,914

Cost-share required: \$132,135

|                                                           |                                 |
|-----------------------------------------------------------|---------------------------------|
| Balance due from(to) U.S. DOS at December 31, 2006        | \$ -                            |
| Receipts                                                  | (99,914)                        |
| Eligible Expenditures                                     | <u>33,166</u>                   |
| <b>BALANCE DUE FROM(TO) U.S. DOS AT DECEMBER 31, 2007</b> | <b><u><u>\$(66,748)</u></u></b> |

|                            | Actual                 | Questioned Costs<br>(Note 2) |                    | Total<br>Eligible      | Total<br>Cumulative    | Budget                 | Variance                 |
|----------------------------|------------------------|------------------------------|--------------------|------------------------|------------------------|------------------------|--------------------------|
|                            |                        | Ineligible                   | Unsupported        |                        |                        |                        |                          |
| Direct costs:              |                        |                              |                    |                        |                        |                        |                          |
| Personnel                  | \$12,708               | \$ -                         | \$ -               | \$12,708               | \$12,708               | \$47,285               | \$(34,577)               |
| Travel                     | 541                    | -                            | -                  | 541                    | 541                    | 1,488                  | (947)                    |
| Equipment                  | 14,067                 | -                            | -                  | 14,067                 | 14,067                 | 23,123                 | (9,056)                  |
| Supplies                   | 522                    | -                            | -                  | 522                    | 522                    | 5,345                  | (4,823)                  |
| Running costs              | <u>1,124</u>           | <u>87</u>                    | <u>-</u>           | <u>1,037</u>           | <u>1,037</u>           | <u>8,891</u>           | <u>(7,854)</u>           |
| Total direct costs         | 28,962                 | 87                           | -                  | 28,875                 | 28,875                 | 86,132                 | (57,257)                 |
| Indirect costs<br>(Note 3) | <u>4,304</u>           | <u>13</u>                    | <u>-</u>           | <u>4,291</u>           | <u>4,291</u>           | <u>13,782</u>          | <u>(9,491)</u>           |
| <b>TOTAL</b>               | <b><u>\$33,266</u></b> | <b><u>\$100</u></b>          | <b><u>\$ -</u></b> | <b><u>\$33,166</u></b> | <b><u>\$33,166</u></b> | <b><u>\$99,914</u></b> | <b><u>\$(66,748)</u></b> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-06-GR-004  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-06-GR-004 - Angola

Period of Performance: May 1, 2006 to April 30, 2007

Total Amount Awarded: \$1,550,000

Total Obligated Amount: \$1,550,000

|                                                        |                    |
|--------------------------------------------------------|--------------------|
| Balance Due from(to) USDOS at December 31, 2006        | \$ (383,345)       |
| Receipts                                               | (25,000)           |
| Eligible Expenditures                                  | 415,417            |
| Expenditures in Excess of Award                        | <u>(7,072)</u>     |
| <b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2007</b> | <b><u>\$ -</u></b> |

|                       | <b>Questioned Costs<br/>(Note 2)</b> |                   | <b>Total<br/>Eligible</b> | <b>2006<br/>Cumulative</b> | <b>Total<br/>Cumulative</b> | <b>Budget</b>      | <b>Variance</b>    |                |
|-----------------------|--------------------------------------|-------------------|---------------------------|----------------------------|-----------------------------|--------------------|--------------------|----------------|
|                       | <u>Actual</u>                        | <u>Ineligible</u> | <u>Unsupported</u>        |                            |                             |                    |                    |                |
| Mine Action in Angola | <u>\$415,417</u>                     | <u>\$ -</u>       | <u>\$ -</u>               | <u>\$415,417</u>           | <u>\$1,141,655</u>          | <u>\$1,557,072</u> | <u>\$1,550,000</u> | <u>\$7,072</u> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-07-GR-014  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-07-GR-014 – Angola

Period of Performance: May 1, 2007 to April 30, 2008

Total Amount Awarded: \$1,550,000

Total Obligated Amount: \$1,550,000

|                                                        |                           |
|--------------------------------------------------------|---------------------------|
| Balance Due from(to) USDOS at December 31, 2006        | \$ -                      |
| Receipts                                               | (1,244,413)               |
| Eligible Expenditures                                  | <u>1,179,779</u>          |
| <b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2007</b> | <b><u>\$ (64,634)</u></b> |

|                       | <u>Actual</u>      | <u>Questioned Costs<br/>(Note 2)</u> |                    | <u>Total<br/>Eligible</u> | <u>Total<br/>Cumulative</u> | <u>Budget</u>      | <u>Variance</u>  |
|-----------------------|--------------------|--------------------------------------|--------------------|---------------------------|-----------------------------|--------------------|------------------|
|                       |                    | <u>Ineligible</u>                    | <u>Unsupported</u> |                           |                             |                    |                  |
| Mine Action in Angola | <u>\$1,179,779</u> | <u>\$ -</u>                          | <u>\$ -</u>        | <u>\$1,179,779</u>        | <u>\$1,179,779</u>          | <u>\$1,550,000</u> | <u>\$370,221</u> |

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # DFD-G-00-05-00021-00  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Award # DFD-G-00-05-00021-00 - Sudan

Period of Performance: January 1, 2005 to September 30, 2006

Total Amount Awarded: \$7,497,238

Total Obligated Amount: \$7,497,238

Total Cost Share: \$1,459,387

|                                                        |                           |
|--------------------------------------------------------|---------------------------|
| Balance Due from(to) USAID at December 31, 2006        | \$ (263,582)              |
| Receipts                                               | -                         |
| Eligible Expenditures                                  | -                         |
| <b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2007</b> | <b><u>\$(263,582)</u></b> |

**NORWEGIAN PEOPLE'S AID**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Norwegian People's Aid (NPA) is a non-governmental organization (NGO) located in Oslo, Norway. NPA is a membership governed organization, which stands on four pillars of equal worth: youth work, health and rescue work, socially targeted work and international work. NPA bases much of its activity on members' voluntary work.

In NPA's national, international youth, and health and rescue work, the following areas are promoted:

- The fight against oppression, poverty and unjust distribution.
- The fight against racism and discrimination.
- Work for equality and against violence and injustice.
- Prevention, voluntary engagement and competence building.

Basis of presentation -

The accompanying fund accountability statements have been prepared on the accrual basis of accounting and present only the transactions of NPA's program grants and contracts with the United States Government. Accordingly, the fund accountability statements are not intended to present fairly all transactions of NPA taken as a whole.

Property and equipment -

NPA's policy is to expense all property and equipment acquired with U.S. Government funding and charge it to the corresponding grant award. Title to the property and equipment vests to NPA in accordance with the standard provisions.

Currency valuation -

NPA's financial transactions are recorded using the Norwegian Kroner. NPA's policy is to convert all monthly revenue and expense transactions incurred in foreign currencies using a weighted average; and to convert all foreign currency assets and liabilities at the end of the month using the spot rate on the last day of the month between the Kroner and the foreign currencies.

For purposes of the accompanying fund accountability statements, all revenue and expense transactions have been converted to the United States Dollar using a monthly weighted average methodology between the Kroner and the Dollar.

Fund balance -

The amounts reported in the accompanying fund accountability statements as amounts due from(to) the United States Government represent the fund balance of each respective grant award as of December 31, 2007.

**2. INELIGIBLE AND UNSUPPORTED COSTS**

Ineligible costs consist of expenses included in grant expenditures that did not meet certain criteria stipulated in the provisions of the grant awards. Unsupported costs consist of expenses included in grant expenditures that did not have appropriate documentation to support the expense.

**NORWEGIAN PEOPLE'S AID**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**2. INELIGIBLE AND UNSUPPORTED COSTS (Continued)**

Following is a summary, by grant, of the ineligible and unsupported costs:

| <b>Grant # S-PMWRA-06-GR-048</b> |                   |                    |
|----------------------------------|-------------------|--------------------|
| <b>Distribution</b>              | <b>Ineligible</b> | <b>Unsupported</b> |
| Other                            | \$ 1,288          | \$ 1,510           |
| Indirect (Note 3)                | 191               | 224                |
|                                  | <b>\$ 1,479</b>   | <b>\$ 1,734</b>    |

| <b>Grant # S-PMWRA-07-GR-077</b> |                   |                    |
|----------------------------------|-------------------|--------------------|
| <b>Distribution</b>              | <b>Ineligible</b> | <b>Unsupported</b> |
| Running costs                    | \$ 87             | \$ -               |
| Indirect (Note 3)                | 13                | -                  |
|                                  | <b>\$ 100</b>     | <b>\$ -</b>        |

**3. INDIRECT CHARGES**

The accompanying indirect charges have been calculated using NPA's actual indirect rates for the year ended December 31, 2007 of 14.86%. On certain grant agreements, the cumulative indirect costs charged exceeded the indirect budget line item as proposed by NPA. However, the formal grant awards stipulated grant budgets by objective rather than by specific line item.

The accompanying fund accountability statements reflect the indirect costs calculated on all costs except the sub-contract amounts.



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT  
ON THE INTERNAL CONTROL STRUCTURE**

To the Board of Directors  
Norwegian People's Aid  
Oslo, Norway

We have audited the fund accountability statements of Norwegian People's Aid's (NPA) as of and for the year ended December 31, 2007, and have issued our report thereon dated November 9, 2009.

We conducted our audit in accordance with U.S. *Government Auditing Standards*, issued by the Comptroller General of the United States. In planning and performing our audit, we considered NPA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NPA's internal control. Accordingly, we do not express an opinion on the effectiveness of NPA's internal control.

Our consideration of NPA's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in NPA's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in NPA's internal control that we considered to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in NPA's 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 NPA's internal control, such that there is a reasonable possibility that a material misstatement of NPA's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in NPA's internal control be material weaknesses:

**MATERIAL WEAKNESSES**

Sudan:

- *NPA did not adhere to its established procurement policies and procedures (please refer to our comments titled "Procurement of Seeds" and "Procurement Documentation" in Section IV-Independent Auditors' Report on Findings and Recommendations).*
- *Significant journal entries were made which were not properly supported (please refer to our comment titled "Journal Entries" in Section IV-Independent Auditors' Report on Findings and Recommendations).*

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- *Timesheets were incomplete and there were instances where the amount of salary expense charged to the U.S. Government award did not correspond to the hours indicated on the timesheets (please refer to our comment titled “Timesheets” Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *NPA did not properly monitor funds advanced to sub-recipients (please refer to our comment titled “Partner and Sub-Recipient Monitoring” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *Bank reconciliations were not properly completed, reviewed or approved and petty cash counts were not properly conducted or accurate (please refer to our comments titled “Cash Management” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*

Angola:

- *Significant journal entries were made which were not properly supported (please refer to our comment titled “Journal Entries” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *Timesheets were missing or incomplete (please refer to our comment titled “Timesheets” Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *NPA did not adhere to its established procurement policies and procedures for the purchase of equipment (please refer to our comments titled “Procurement of Equipment” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*

## **SIGNIFICANT DEFICIENCIES**

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 the attention by those charged with governance. We consider the following deficiencies in NPA’s internal control to be significant deficiencies:

Sudan:

- *Inventory was not properly controlled (please refer to our comment titled “Control of Inventory” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *Personnel files were incomplete (please refer to our comment titled “Personnel Contracts” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *Payments were made to local staff without proper documentation (please refer to our comment titled “Payment of Local Staff Salaries” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *The field office accounting policy and procedures manual was outdated (please refer to our comment titled “Accounting Policies and Procedures Manual” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*
- *Competency of the accounting staff should be evaluated (please refer to our comment titled “Staffing of the Field Office Accounting Department” in Section IV-Independent Auditors’ Report on Findings and Recommendations).*

Sudan (continued):

- *Financial records were not properly filed and difficult to locate (please refer to our comment titled "Organization of Financial Documents" in Section IV-Independent Auditors' Report on Findings and Recommendations).*
- *Numerous instances of payment vouchers not properly signed and dated (please refer to our comment titled "Internal Payment Vouchers" in Section IV-Independent Auditors' Report on Findings and Recommendations).*
- *Instances of non-compliance with USAID's special grant provision on anti-terrorism (Please refer to our comment titled "Compliance with Anti-terrorism Provision" in Section IV-Independent Auditors' Report on Findings and Recommendations).*

Angola:

- *Salary Sheets were not signed by either the employees or their supervisors (please refer to our comment titled "Salary Sheets" in Section IV-Independent Auditors Report on Findings and Recommendations).*
- *Personnel files were incomplete (please refer to our comment titled "Personnel Contracts" in Section IV-Independent Auditors Report on Findings and Recommendations).*
- *Instances where costs were split between donors without proper documentation (Please refer to our comment titled "Allocation of Costs between Donors" in Section IV-Independent Auditors Report on Findings and Recommendations).*
- *Instance of shared costs that were not formally documented (Please refer to our finding titled "Allocation of Shared Costs" in Section IV-Independent Auditors' Report on Findings and Recommendations).*

Cambodia:

- *We noted an instance where documentation to support the travel expense was missing (please refer to our comment titled "Travel Documentation" in Section IV-Independent Auditors' Report on Findings and Recommendations).*
- *We noted certain employee monthly salary sheets were not signed by either the employees or their supervisors (please refer to our comment titled "Salary Sheets" in Section IV-Independent Auditors' Report on Findings and Recommendations).*

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We also noted other matters involving the internal control structure and its operation that we have reported November 9, 2009 (please refer to Section IV-Independent Auditors' Report on Findings and Recommendations).

This report is intended for the information of Norwegian People's Aid and the U.S. Government funding agencies. However, upon release by the funding agencies, this report is a matter of public record and its distribution is not limited.



November 9, 2009



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**

To the Board of Directors  
Norwegian People's Aid  
Oslo, Norway

We have audited the fund accountability statements of Norwegian People's Aid (NPA) as of and for the year ended December 31, 2007, and have issued our report thereon dated November 9, 2009.

We conducted our audit in accordance with U.S. *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statements are free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statements amounts.

Compliance with agreement terms and laws and regulations applicable to NPA is the responsibility of NPA's management. As part of obtaining reasonable assurance about whether the fund accountability statements are free of material misstatement, we performed tests of NPA's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statements. The results of our audit disclosed the following material instance of noncompliance (please refer to section IV of our report for management's responses to our findings):

**Sudan**

**Procurement of Seeds**

**December 31, 2007 Condition:** Our audit testwork over the USAID awards for the year ended December 31, 2007 revealed that NPA did not follow their procurement policies and procedures when purchasing seeds under the USAID awards.

**Criteria:** Subpart C of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", Sections .45 and .46, require that, for all procurement of goods and services, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability. In addition, procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

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**Questioned Costs:** The costs associated with this condition were supported by invoices and the required seed certificates and thus, have not been questioned, but have been highlighted and identified as not being in compliance with NPA' procurement policies in the accompanying fund accountability statements.

**Context, Effect and Cause:** NPA-Sudan did not adhere to established guidelines with respect to the procurement process. Certain goods and services may have been purchased at above prevailing market prices.

**Recommendation:** We continue to recommend that the individuals responsible for the procurement of seeds be aware of the U.S. Government regulations before procuring the seeds. If it is deemed too difficult to procure the proper certificates, we recommend that the staff responsible for procuring the seeds request a waiver from USAID (this is generally done at the time a proposal is submitted to USAID).

### **Procurement Documentation**

**December 31, 2007 Condition:** As a result of our audit testwork over NPA-Sudan's procurement process, we noted the following deficiencies:

- Non-compliance with established NPA procurement policies (including the receipt of bids and the review and acceptance by procurement committee);
- Sole source justification was not documented;
- Justification for selection of vendors was not documented.

**Criteria:** Subpart C of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", Sections .45 and .46, require that, for all procurement of goods and services, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability. In addition, procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

**Questioned Costs:** The costs associated with this condition were supported by invoices and thus, have not been questioned, but have been highlighted and identified as not being in compliance with NPA' procurement policies in the accompanying fund accountability statements.

**Context, Effect and Cause:** NPA-Sudan did not adhere to established guidelines with respect to the procurement process. Certain goods and services may have been purchased at above prevailing market prices.

**Recommendation:** We strongly recommend that all employees responsible for the procurement of goods and services be reminded of NPA's current procurement policies. All responsible employees should also be reminded of the fact that non-compliance with such policies may put NPA at risk of returning U.S. Government funds, which were used to pay for goods and services for which NPA did not adhere to its procurement policies.

### **Partner and Sub-Recipient Monitoring**

**December 31, 2007 Condition:** Based upon our audit testwork over the monitoring and accounting for sub-recipient transactions, we noted the following:

- Advances to partners/sub-recipients not properly reconciled;
- Site visits not documented;
- Documentation of selection process not documented;

- Agreements between the partners/sub-recipients and NPA not signed;
- Financial reports not submitted by partners/sub-recipients;
- Lack of documentation to support partner/sub-recipient expenditures.

**Criteria:** Subpart C of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", Section .51, states that recipients are responsible for managing and monitoring each project, program, sub-award, function or activity funded by each Federal award.

**Questioned Costs:** None noted.

**Context, Effect and Cause:** The failure by NPA to adhere to strict policies and procedures with respect to the monitoring of sub-grantees greatly enhances the possibility of errors, omissions, and unallowable expenditures being incurred by the sub-recipients.

**Recommendation:** Based upon the aforementioned findings noted above, we strongly recommend that the management of NPA implement strict policies and procedures with respect to the monitoring of partners/sub-recipients. Additionally, we recommend that the staff of NPA be notified of such policies and procedures and that the HO staff follow-up with the field staff to ensure that the partner/sub-recipient monitoring is being conducted in accordance with the policies and procedures.

### **Compliance with Anti-Terrorism Provision**

**December 31, 2007 Condition:** Our audit testwork over Norwegian People's Aid's U.S. Agency for International Development grants revealed that Norwegian People's Aid did not comply with the special grant provision on "anti-terrorism".

**Criteria:** As outlined in each USAID award, recipients of U.S. Government funds must adhere to the United States Government's requirements on screening all potential vendors, suppliers and sub-contractors/grantees against the United States Department of States Terrorism watch list. The screening of all potential vendors, suppliers and sub-contractors/grantees must be documented in writing.

**Questioned Costs:** None noted

**Context, Effect and Cause:** Failure to screen potential vendors, suppliers and sub-contractors/grantees against the terrorism watch list enhances the possibility that U.S. Government funds may inadvertently be provided to individuals or organizations deemed to be terrorists by the United States Government.

**Recommendation:** We continue to recommend that all contractors and employees paid by funds provided by USAID be properly screened to ensure that Norwegian People's Aid is not funding terrorists or terrorist organizations as defined by the U.S. Government.

## **Angola**

### **Procurement Documentation**

**December 31, 2007 Condition:** Our audit revealed that NPA-Angola did not properly document the procurement of equipment purchased with U.S. Department of State funds in accordance with policies and procedures.

**Criteria:** Subpart C of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", Sections .45 and .46, require that, for all procurement of goods and services, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts.

Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability. In addition, procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

**Questioned Costs:** The costs associated with this condition were supported by invoices and thus have not been questioned in the accompanying fund accountability statements.

**Context, Effect and Cause:** NPA-Sudan did not adhere to established guidelines with respect to the procurement process. Certain goods and services may have been purchased at above prevailing market prices.

**Recommendation:** We strongly recommend that all employees responsible for the procurement of goods and services be reminded of NPA's current procurement policies. All responsible employees should also be reminded of the fact that non-compliance with such policies may put NPA at risk of returning U.S. Government funds, which were used to pay for goods and services for which NPA did not adhere to its procurement policies.

#### **Allocation of Costs between Donors and Allocation of Shared Costs**

**2006 Condition:** NPA-Angola established a percentage methodology in order to allocate costs between different donors. The current methodology is based upon a head count of staff working on projects funded by different donors. However, the allocation percentage was based on information effective through 2005 and was not adjusted to reflect changes during the current year. In addition, our audit work revealed that shared costs continued to be based upon an estimated percentage.

**Criteria:** Recipients of U.S. Government funds are required to maintain an appropriate system of internal control. An appropriate system of internal control would encompass policies and procedures which would allow for the proper segregation of costs based on a formally documented methodology.

**Questioned Costs:** None noted

**Context, Effect and Cause:** Without a formal policy which establishes how certain shared costs are to be allocated between donors there exists the possibility that certain the U.S. Government may be charged in appropriate or excess costs.

**2006 Recommendation:** We recommend NPA-Angola establish procedures to review and revise, if necessary, their cost allocations during the year. In addition, with the implementation of timesheets in February, 2006, we strongly recommend that the shared costs be allocated based upon actual percentages calculated from actual time reported on the timesheets.

**December 31, 2007 Status:** NPA Angola established a cost allocation methodology based on staff counts. These costs are allocated on a regular basis. Equipment costs are allocated based on the location and funder. In addition, NPA-Angola created a pool of shared costs to allocate among its donors. This allocation is done on a monthly basis and is based on actual costs.

#### **Compliance with Anti-Terrorism Provision**

**December 31, 2007 Condition:** Our audit testwork over NPA's U.S. Department of State (USDOS) grants revealed that NPA-Angola did not comply with Executive Order 13224, Blocking Property and Prohibiting Transactions Who Commit, Threaten to Commit, or Support Terrorism.

**Criteria:** As outlined in each USDOS award, recipients of U.S. Government funds must adhere to the United States Government's requirements on screening all potential vendors, suppliers and sub-contractors/grantees against the United States Department of States Terrorism watch list. The screening of all potential vendors, suppliers and sub-contractors/grantees must be documented in writing.

**Questioned Costs:** None noted

**Context, Effect and Cause:** Failure to screen potential vendors, suppliers and sub-contractors/grantees against the terrorism watch list enhances the possibility that U.S. Government funds may inadvertently be provided to individuals or organizations deemed to be terrorists by the United States Government.

**Recommendation:** We recommend that all contractors and employees paid by funds provided by USDOS be properly screened to ensure that NPA is not funding terrorists or terrorist organizations as defined by the U.S. Government.

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We considered the material instance of noncompliance in forming our opinion on whether NPA's 2007 fund accountability statements are presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the fund accountability statements, and this report does not affect our report on the fund accountability statements dated November 9, 2009.

We also noted certain immaterial instances of noncompliance that we have reported to the management of NPA in our report on findings and recommendations dated November 9, 2009 (Please refer to Section IV-Independent Auditors' Report on Findings and Recommendations).

This report is intended for the information of Norwegian People's Aid and the U.S. Government funding agencies. However, upon release by the funding agencies, this report is a matter of public record and its distribution is not limited.

*Gelman Rosenberg & Freedman*

November 9, 2009



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT  
ON FINDINGS AND RECOMMENDATIONS**

To the Board of Directors  
Norwegian People's Aid  
Oslo, Norway

We have audited the fund accountability statements of Norwegian People's Aid (NPA) as of and for the year ended December 31, 2007, and have issued our report thereon dated November 9, 2009.

With the issuance of Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) in May 2006, internal control findings are to be reported as either "Significant Deficiencies" or "Material Weaknesses". Accordingly, the following paragraphs will define "Significant Deficiency" and "Material Weakness". However, because we do not believe that all matters raised in our communication are easily categorized into the two aforementioned titles, we have added a section titled "Other Areas of Concern".

In planning and performing our audit of the fund accountability statements of NPA as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered NPA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund accountability statements, but not for the purpose of expressing an opinion on the effectiveness of NPA's internal control. Accordingly, we do not express an opinion on the effectiveness of NPA's internal control.

Our consideration of NPA's internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in NPA's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in NPA's internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects NPA's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of NPA's fund accountability statements that is more than inconsequential will not be prevented or detected by NPA's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the fund accountability statements will not be prevented or detected by NPA's internal control.

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We identified certain deficiencies in NPA's internal control that we consider to be material weaknesses, as defined above.

## **MATERIAL WEAKNESSES**

### **(SUDAN)**

#### **Procurement of Seeds**

**December 31, 2005 Comment:** Our audit testwork disclosed that Norwegian People's Aid - Kenya (NPA-Kenya) purchased various seeds during 2003 and could not provide all of the required seed certificates. Awards from the U.S. Government stipulate that certain seed certificates are required to be obtained at the time seeds are purchased. We recommend that NPA-Kenya advise all individuals who have the responsibility for purchasing seeds of the U.S. Government regulations relevant to the purchase of seeds.

**December 31, 2006 and 2007 Comment:** Our audit testwork over the USAID awards for the years ended December 31, 2006 revealed that once again, NPA did not procure the required seed certificates mandated by the terms and conditions of the USAID awards. However, our audit testwork revealed that while NPA procured the required certificates in 2007, they did not follow NPA's established procurement policies and procedures. We continue to recommend that the individuals responsible for the procurement of seeds be aware of the U.S. Government regulations before procuring the seeds. If it is deemed too difficult to procure the proper certificates, we recommend that the staff responsible for procuring the seeds request a waiver from USAID (this is generally done at the time a proposal is submitted to USAID). In addition, we strongly recommend that all items being procured by NPA be completed within NPA's stipulated procurement policies and procedures.

**Management Response:** This is an ongoing challenge and we recognize that since this is an ongoing problem which is difficult to solve, we will in future ensure a waiver from USAID at the time a proposal is submitted. We will incorporate this instruction in our procedural manual for USAID.

#### **Journal Entries**

**December 31, 2005 Comment:** Our audit testwork revealed that numerous adjusting journal entries were made throughout the fiscal year which was not supported with appropriate documentation. While we were ultimately satisfied with the documentation which supported the entries, we strongly recommend that proper documentation to support the purpose of the adjusting entry be attached to the entry and filed in either chronological or numerical order. Proper documentation would consist of a written purpose for the entry as well as copies of the original source documentation (i.e. invoices, purchase orders or contracts). In addition, we strongly recommend that all adjusting journal entries be reviewed and approved.

**December 31, 2006 and 2007 Comment:** Our 2006 and 2007 audit testwork revealed that significant journal entries were made throughout the fiscal years without proper supporting documentation. In addition, the purpose for the entries was generally not well documented. We strongly recommend that all journal entries posted to the general ledger contain a description of why the entries were proposed as well as copies of the original source documentation (i.e. invoices, purchase orders, contracts, etc.) which would support the entries.

**Management Response:** Due to the complexity of the program, different locations, long distances and time lags, there is a challenge with supporting documentations being filed at the correct time and in the correct location. 2009 will be a Sudan based operation with new staff and strengthening in the control functions to ensure accuracy and accountability in all our journal entries. Head Office will also during the transfer be present for training and capacity building in addition to various control functions to ensure compliance in the future.

## Timesheets

**December 31, 2005 Comment:** Our review of timesheets revealed the following:

- Instances where employees did not sign their timesheets;
- Instances where timesheets were not signed by a supervisor indicating review and approval;
- Instances where hours recorded did not add across or down on the timesheets;
- Instances where it appeared employees recorded the same hours for the same days for each month worked.

Based upon the aforementioned, we recommend that all employees be reminded of, on a monthly basis, the importance of filling out timesheets properly (i.e. hours worked by function, by day, signing and dating the timesheets in ink). We also recommend that the supervisors and the accounting staff be more diligent in their review of the timesheets.

**December 31, 2006 and 2007 Comment:** Our examination of the timesheet process during the fiscal years ending December 31, 2006 and 2007 revealed the following:

- Instances where timesheets were not completed;
- Instances where employees did not sign their timesheets;
- Instances where timesheets were not signed by a supervisor indicating review and approval;
- Instances where timesheets did not indicate the programs worked on during the month;
- Instances where the salary expense recorded in the general ledger did not match the salary expense which should have been recorded in the general ledger based upon the hours recorded on the timesheets.

Based upon the aforementioned, we continue to recommend that all employees be continually reminded of the importance of completing accurate timesheets. We also recommend that all supervisors be reminded that all timesheets should be signed and dated indicating a proper review and approval. In addition, the accounting staff should also be more diligent in how salary expense is recorded in the general ledger (all costs should be supported by the hours reported on the timesheets by the employees).

**Management Response:** We agree with the comments and looking into the time sheet challenge will be one of the main jobs of the new HR function and the new administration manager. However, one of the main tasks will be competence building on the part of the management team to ensure diligence in the reviewing and approval processes.

## Procurement Documentation

**December 31, 2005 Comment:** During the course of our audit testwork, we reviewed NPA-Kenya's compliance with their current procurement policies. As a result of our review, we noted that the reason for the selection of a particular vendor was not noted. In addition, when there were instances of equipment purchased without bids, there was no documentation to support the sole source justification. Accordingly, we strongly recommend that at the conclusion of the procurement process, the reason for the selection of a particular vendor be documented in writing. Additionally, we suggest that when the current procurement policy is not followed and the vendor is selected on a sole source basis, such reasoning should be documented in writing and kept on file with the other equipment procurement files.

**December 31, 2006 and 2007 Comment:** As a result of our audit testwork over NPA-Sudan's procurement process, we noted the following deficiencies:

- Non-compliance with established NPA procurement policies (including the receipt of bids and the review and acceptance by procurement committee);
- Sole source justification was not documented;
- Justification for selection of vendors was not documented.

We strongly recommend that all employees responsible for the procurement of goods and services be reminded of NPA's current procurement policies. All responsible employees should also be reminded of the fact that non-compliance with such policies may put NPA at risk of returning U.S. Government funds, which were used to pay for goods and services for which NPA did not adhere to its procurement policies.

**Management Response:** We agree with the comments and as a consequence of the audit and our own internal investigations various changes have been implemented. The guidelines have been updated especially in the area of logistics and anti-corruption measures and training in the guidelines and general competence building in the area of logistics and procurement have been carried out. The logistics structure has been reviewed and further logistics support has been identified. A bidding committee is in place and the result and feedback from the committee will be reported to management both in Sudan and in Oslo. We have also established a global procurement office which will be run from Oslo and the Sudan office have been commanded to ensure that the supplier lists are updated at all times. This area will have a special focus during the next couple of years with frequent HQ visits and training sessions to ensure future compliance.

### **Partner and Sub-Recipient Monitoring**

**December 31, 2006 and 2007 Comment:** Based upon our audit testwork over the monitoring and accounting for sub-recipient transactions, we noted the following:

- Advances to partners/sub-recipients not properly reconciled;
- Site visits not documented;
- Documentation of selection process not documented;
- Agreements between the partners/sub-recipients and NPA not signed;
- Financial reports not submitted by partners/sub-recipients;
- Lack of documentation to support partner/sub-recipient expenditures.

Based upon the aforementioned items, we strongly recommend that the management of NPA implement strict policies and procedures with respect to the monitoring of partners/sub-recipients. Additionally, we recommend that the staff of NPA be notified of such policies and procedures and that the HO staff follow-up with the field staff to ensure that the partner/sub-recipient monitoring is being conducted in accordance with the policies and procedures.

**Management Response:** Sudan is a developing country and our partners are developing structures and new methods. We recognize that further training and competence building is necessary to ensure that they follow procedures and policies. It will be the task of the new chief accountant in Sudan to monitor the partners in respect of policies and procedures as well as accounting traceability and accountability.

### **Cash Management**

**December 31, 2005 Comment:** Our review of the monthly bank reconciliations in NPA-Kenya revealed significant reconciling differences, which staff indicated were a result of incorrect journal entries (please refer to our comment on Journal Entries). Accordingly, we strongly recommend that all bank reconciliations be properly reconciled at the end of each month and all reconciling differences researched and adjusted, if necessary. In addition, we recommend that all bank reconciliations be reviewed and approved by either the local Finance Manager (as long as the individual is not involved in the reconciliation process) and or the Country Representative.

**December 31, 2006 and 2007 Status:** Our review of the monthly bank reconciliations in Kenya revealed significant reconciling differences which staff indicated were a result of incorrect journal entries (please refer to our comment on Journal Entries). Accordingly, we strongly recommend that all bank reconciliations be properly reconciled at the end of each month and all reconciling differences researched and adjusted, if necessary. In addition we recommend that all bank reconciliations be reviewed and approved by either the local finance manager (as long as the individual is not involved in the reconciliation process) and or the Country Representative.

We also noted that during our audit testwork conducted in Juba and Yei, South Sudan, it came to our attention that the petty cash counts were not accurate. Accordingly, we recommend that the petty cash accounts be counted by two individuals on a weekly basis as well as on the last day of each month. All counts should then be reviewed and approved by either the Finance Manager or the Country Representative. In addition, the cash counts conducted at the end of each month should then be reconciled to the petty cash account balances within the general ledger. Additionally, to enhance the controls over petty cash, we suggest the Country Representative conduct surprise cash counts at least once a month.

**Management Response:** During 2009, a new checking list has been introduced in respect of all balance sheet reconciliations, which is signed off by the finance manager and the Country Director. The form is sent to Oslo where any deviation is addressed by management. In addition, during the next six months also require a copy of the reconciliations to ensure that there are not too many open items. We will also introduce a new banking system with internet banking against Oslo.

## (ANGOLA)

### Journal Entries

**December 31, 2007 Comment:** Our review of the adjusting journal entries posted to the general ledger for the NPA-Angola programs revealed a lack of an explanation supporting the reason for the entries. We recommend that all journal entries clearly indicate the explanation for the entry. In addition, we recommend all journals be signed to indicate review and approval.

**Management Response:** The management agrees, and will follow the recommendation.

### Timesheets

**December 31, 2005 Comment:** Our audit disclosed that NPA-Angola employees did not keep daily timesheets indicating the respective projects that they were working on during the time period under audit. While the U.S. Department of State grant was confined to one area of Angola (Cuanza Sul province), and the Base Manager reported which employees were working directly on the "Mine Action Project" each month, we strongly recommend that Norwegian People's Aid implement a time keeping system which would require all employees to report the project on which they were working each day.

**December 31, 2006 Comment:** During February, 2006 NPA-Angola implemented the use of standardized timesheets. Our testwork over timesheets revealed the following:

- Multiple timesheets were not signed by the employee.
- Timesheets did not indicate all hours worked for the period.
- Timesheets did not indicate the hours taken for vacation, sick or holiday leave.
- One timesheet was not signed by a supervisor to indicate review and approval.

Based upon the aforementioned items, we recommend the following:

- All timesheets should be signed and dated, in ink, by the employee and their supervisor.
- All timesheets should indicate total hours worked, including total hours for vacation, sick, and holiday leave.

**December 31, 2007 Status:** We noted that timesheets have been revised to document all hours worked. Our testwork over timesheets revealed the following:

- Missing 2 timesheets (total of \$515), however, amounts not questioned since we were able to trace amount paid to contractual agreements and verify that location of where employees were working was funded strictly by DOS.
- Timesheets missing employee signature.
- Timesheets missing supervisor signature.

**Management Response:** As mentioned above, we will introduce a new template for timesheets and implement it in the base and at HQ Luanda. The Mine action management will also collect the sheets from the bases on a monthly basis, and make sure that the above requirements are followed up in the base.

### **Procurement of Equipment**

**December 31, 2007 Comment:** Our audit revealed that NPA-Angola did not properly document the procurement of equipment purchased with U.S. Department of State funds in accordance with policies and procedures. We strongly recommend that all employees responsible for the procurement of goods and services be reminded of NPA's current procurement policies. All responsible employees should also be reminded of the fact that non-compliance with such policies may put NPA at risk of returning U.S. Government funds, which were used to pay for goods and services for which NPA did not adhere to its procurement policies.

**Management Response:** The management agrees, and will follow the recommendation.

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## **SIGNIFICANT DEFICIENCIES**

### **(SUDAN)**

#### **Control of Inventory**

**December 31, 2005 Comment:** Our review of various inventory cycles and related controls revealed the following:

- Certain inventory stores lacked bin control cards (general equipment store).
- Certain inventory stores lacked up to date inventory lists (medical supplies) or the inventory list did not exist (vehicles parts, general equipment store).
- Unit costs were not clearly documented on inventory lists or related inventory documents.
- The inventory process lacked identification numbers and proper documentation supporting distribution and use of inventory. Issue notes or inventory distributions reports filed by team did not clearly identify the items issued from any store. Vehicle spare parts were identified on vehicle job cards, however lacked the part number related to the bin cards.
- Inventory lists are not reviewed by management on a regular basis.

Subpart C of Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutes of Higher Education, Hospitals, and Other Non-Profit Organizations," requires that recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include but not be limited to the following:

- (1) Equipment records shall be maintained accurately and shall include the following information.
  - (i) A description of the equipment.
  - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
  - (iii) Source of the equipment, including the award number.
  - (iv) Whether title vests in the recipient or the Federal government.
  - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
  - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal government).

- (vii) Location and condition of the equipment and the date the information was reported.
  - (viii) Unit acquisition cost.
  - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where recipient compensates the Federal awarding agency for its share.
- (2) Equipment owned by the Federal government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years (we strongly recommend annually).  
Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
- (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal government, the recipient shall promptly notify the Federal awarding agency.
- (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- (6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

**December 31, 2006 and 2007 Comment:** Based upon our audit testwork performed over the inventory cycle, we noted several of the same issues reported in our 2005 comment. Accordingly, we continue to emphasize the importance of properly maintaining control of the inventory.

**Management Response:** Management recognizes the challenges in respect of fixed assets and inventory. All fixed assets are entered into the accounting program according to US and NPA guidelines. In addition, a count is done at the close of every year to ensure correct FA and stock according to the accounts and physical count. We will introduce a 10% regime in 2010, whereby 10% of stock and inventory is counted every month, so in addition to the year-end count, an inventory of all fixed assets and stock will be done during the year. In respect of inventory, we have a manual system at present, but will introduce a new module in our accounting program, which will ensure tracking of all deliveries also in and out of stock.

#### **Personnel Contracts**

**December 31, 2005 Comment:** Our audit testwork over payroll revealed that certain personnel files were not complete and up-to-date. We recommend that management review all personnel files to ensure that all employee contracts are current and up-to-date.

**December 31, 2006 and 2007 Comment:** Our audit testwork over the payroll cycle revealed that the personnel files for the years ending December 31, 2006 and 2007 continued to be incomplete. We continue to recommend that management review all personnel files to ensure that all employee personnel files are complete and up-to-date.

**Management Response:** Sudan is our largest program, and have in addition employees in a number of different locations which make central guidelines and focus on this area vital in addition to local follow up.

During 2008 and 2009 we will centralize the HR operation in Juba and will in addition employ an administration manager who will be in charge of HR centrally and write new guidelines to ensure local follow up on the personnel contracts and timesheets.

### **Payment of Local Staff Salaries**

**December 31, 2006 and 2007 Comment:** During the course of our 2006 and 2007 audit testwork, we noted instances where certain payments were made to employees without verification of receipt and instances where one employee would receive funds on behalf of other employees without verification that the other employees ultimately received such funds. We recommend that all payments to employees evidenced by a signed receipt from the employee. We also strongly recommend that when one employee receives funds which are to be distributed to other employees, documentation to verify that each employee ultimately received their funds be received from each employee and maintained with the accounting records which supported the original payment of the funds to the single employee.

**Management Response:** We will alter our procedures in lieu of the comments to ensure supporting and original documentation on receipt of salary to the single employee.

### **Accounting Policies and Procedures Manual**

**December 31, 2006 and 2007 Comment:** During our 2006 and 2007 audit work, we noted that the field office accounting policies and procedures manual was outdated. Accordingly, we recommend that the management of Norwegian People's Aid revise and update the current field office accounting policies and procedures manual. Once the revision is complete we recommend that the appropriate staff members receive a copy and be required to sign a document indicating they have read and understand the manual.

**Management Response:** NPA have established and rolled out completely new central guidelines for finance and logistics and it will be the task of local management to now update the current field office policies in compliance with the central guidelines. This is a task for 2009.

### **Staffing of the Field Office Accounting Department**

**December 31, 2006 and 2007 Comment:** As evidenced by the comments in our 2006 and 2007 audit report we believe the competency of the entire field office accounting staff be re-assessed as well as the resources required to properly staff the field office accounting department. It is our belief that the field office accounting department must be supervised by an individual with several years experience as a finance manager at a field office. Additionally, while the number of individuals currently employed within the field office accounting department may be correct for an operation the size of Norwegian People's Aid's South Sudan program, we recommend that each position description be reviewed to ensure the current individual is capable of performing the required functions of the position.

**Management Response:** NPA have an almost new financial management in place with new task and new organization to ensure a better functioning accounting department. With the move to Sudan, i.e. the closure of Nairobi as a main accounting office, we will be closing to the activities which will help to ensure better accounting practices. In addition, there will be training sessions with both program and accounting staff to raise competence in the accounting area.

### **Organization of Financial Documents**

**December 31, 2006 and 2007 Comment:** Our audit revealed that the field office financial records pertaining to fiscal years 2006 and 2007 were not filed in a consistent manner and at times were difficult to locate. We strongly recommend that the members of the finance and accounting department be more diligent in the filing of the documents which support the accounting transactions for the South Sudan programs.

**Management Response:** This we hope is a passing problem which has come about with change in staff and the distance from Nairobi to the program. NPA have excellent filing procedures which will in future be adopted by the program under the guidance of the new administration manager and financial manager.

### **Internal Payment Vouchers**

**December 31, 2006 and 2007 Comment:** During the course of our 2006 and 2007 audit, we noted numerous instances in which Norwegian People's Aid 's internal payment vouchers were not signed and dated indicating approval. We strongly suggest that all payment vouchers be signed and dated by the appropriate individuals indicating approval for payment. In addition, we recommend that members of the accounting department be notified that payments are not to be processed until a signed and dated payment voucher is received by the accounting department.

**Management Response:** Management agrees and will comply.

### **Compliance with Anti-Terrorism Provision**

**December 31, 2005 Comment:** During the course of our audit, it came to our attention that Norwegian People's Aid did not have a formal policy documenting compliance with the United States Agency for International Development's special grant provision on "anti-terrorism". Accordingly, we recommend that Norwegian People's Aid purchase web based software that is linked to the U.S. Government's list of terrorists and terrorists' organizations. Additionally, management of Norwegian People's Aid should document that all contractors and employees paid by funds provided by USAID have been properly screened through the web based software to ensure that Norwegian People's Aid is not funding any terrorist or terrorists' organization.

**December 31, 2006 and 2007 Comment:** Our audit testwork over Norwegian People's Aid's U.S. Agency for International Development grants revealed that Norwegian People's Aid did not comply with the special grant provision on "anti-terrorism". We continue to recommend that all contractors and employees paid by funds provided by USAID be properly screened to ensure that Norwegian People's Aid is not funding terrorists or terrorist organizations as defined by the U.S. Government.

**Management Response:** We recognized a WEB package for complying with the anti-terrorism requirements was necessary and such a package was purchased in the beginning of 2008 and during 2008 all our suppliers, employees and partners went through the screening and there were no 'hits'. We will do the screening now on a regular basis and have designated the responsibility to an HO controller.

### **(ANGOLA)**

#### **Salary Sheets**

**December 31, 2005 Comment:** Our review of the local staff salary sheets revealed several instances where monthly salary sheets were missing (reported as questioned costs) and numerous instances where other employees signed the salary sheets indicating they picked up the monthly salary for the intended employee (however, no further documentation was on file indicating that the actual employee received their monthly salary). Accordingly, we recommend that the payroll accountant be more diligent in reviewing the submission of the monthly salary sheets to ensure that signed salary sheets are submitted for all employees who were paid. In addition, we recommend that only a few individuals be permitted to pick-up the monthly salary for other employees, and upon distribution of the payroll, the individuals obtain signed receipts from each employee indicating that they received their monthly salary.

**December 31, 2006 Comment:** We continued to note instances where monthly salary sheets were missing. We continue to recommend that the payroll accountant be more diligent in reviewing the submission of the monthly salary sheets.

**December 31, 2007 Status:** We noted no instances where the salary sheets were missing. We noted two instances where the salary sheet was not signed. We noted no exceptions of employees signing the salary sheets for other employees.

## Personnel Contracts

**December 31, 2005 Comment:** Our review of certain personnel contracts (14) revealed that one contract did not contain the appropriate documentation (an amendment to the original contract) to support the current annual salary. Accordingly, we suggest that all personnel contracts be reviewed to ensure that all contracts are current, up to date and correspond to the amount of salary that each employee is currently being paid.

**December 31, 2006 Comment:** Our review of certain personnel contracts (17) indicated that none of the contracts tested supported the payment of the employees' current annual salary. We strongly recommend that all personnel contracts be reviewed to ensure that salary information is current and up to date.

**December 31, 2007 Status:** We noted missing contracts and were unable to verify amounts paid.

**Management Response:** NPA regrets the fact that the abovementioned documentation was not available in the personnel files during the time of the audit. The differences found during the audit, was due to the last general salary adjustment. Each file should have a copy of the individual letter going out to the employees. These copies are all available in the administration department, but unfortunately, they had not been distributed to their respective folders at the time of the audit.

## Allocation of Costs Between Donors

**December 31, 2005 Comment:** Our examination revealed instances where costs were incurred/purchased from one vendor and were charged to several donors without documentation as to how or why the costs were allocated. We suggest that when costs are incurred/purchased from one vendor and are attributable to several donors, the accounting staff note on the voucher or the invoice the reason for the allocation of the costs. In addition, we recommend the Chief Accountant review the allocations to ensure accuracy and consistency.

**December 31, 2006 Comment:** NPA-Angola established a percentage methodology in order to allocate costs between different donors. The current methodology is based upon a head count of staff working on projects funded by different donors. However, the allocation percentage was based on information effective through 2005 and was not adjusted to reflect changes during the current year. We recommend NPA-Angola establish procedures to review and revise, if necessary, their cost allocations during the year.

We continue to recommend the Chief Accountant review the allocations to ensure accuracy and consistency.

**December 31, 2007 Status:** NPA Angola has established a cost allocation methodology based on staff counts. These costs are allocated on a regular basis. Equipment costs are allocated based on the location and funder.

## Allocation of Shared Costs

**December 31, 2005 Comment:** During the course of our examination we noted that costs incurred by the Luanda office's Mine Action Department, Development Program Department, Logistics Department and the Administration Department were not allocated in a consistent manner between donors. In addition, we noted that shared costs for the aforementioned departments were not allocated during the period January 1, 2005 through April 30, 2006. While the methodology for allocating the shared costs may have been appropriate, we suggest that Norwegian People's Aid consider allocating the shared costs based upon actual time expended under each program as reported on the monthly timesheets. We also recommend that the allocation of shared costs be completed by the 15<sup>th</sup> day of the following month for the previous month.

**December 31, 2006 Comment:** Our audit revealed that shared costs continued to be based upon an estimated percentage. With the implementation of timesheets in February, 2006, we strongly recommend that the shared costs be allocated based upon actual percentages calculated from actual time reported on the timesheets.

**December 31, 2007 Status:** NPA-Angola has created a pool of shared costs to allocate among its donors. This allocation is done on a monthly basis and is based on actual costs.

#### **Compliance with Anti-Terrorism Provision, Suspension and Debarment**

**December 31, 2007 Comment:** Our audit testwork over NPA's U.S. Department of State grants revealed that NPA-Angola did not comply with Executive Order 13224, Blocking Property and Prohibiting Transactions Who Commit, Threaten to Commit, or Support Terrorism. We recommend that all contractors and employees paid by funds provided by USDOS be properly screened to ensure that NPA is not funding terrorists or terrorist organizations as defined by the U.S. Government.

Subsequent to the period under our audit, NPA's home office has implemented software to document compliance with these provisions. We recommend this software be accessible to the NPA-Angola field office in order to comply with these provisions.

**Management Response:** The management agrees, and will follow the recommendation.

### **(CAMBODIA)**

#### **Procurement**

**December 31, 2006 Comment:** Our audit testwork revealed that Norwegian People's Aid - Cambodia purchased computer equipment and de-mining equipment in Laos for which sole source justification was not documented, however, it should be noted that such purchases were made prior to the issuance of our prior year audit report which recommended the documentation of the sole source procurement process. Accordingly, we continue to recommend that a memorandum be drafted and kept on file, which specifies the justification for the sole source procurement of all equipment purchased.

**December 31, 2007 Status:** Our audit testwork revealed that the procurement process was properly documented and supported.

#### **Travel Documentation**

**December 31, 2006 Comment:** Our audit testwork revealed improvements in the documentation of travel expenses, however, we noted several instances where documentation to support the airline travel was missing. We continue to recommend that all employees submit either the used ticket stub or the boarding passes as evidence that the airline ticket was used.

**December 31, 2007 Status:** Our audit revealed one instance in which documentation to support the travel expenses was missing. We recommend that all employees of NPA-Cambodia be reminded of the importance of providing documentation to support the actual travel costs at the conclusion of travel.

**Management Response:** Improvement took place in the travel documentation following the initial audit. Please note that the used ticket and boarding passes are not with the invoice for the purchase of the plant ticket, but more often with the statement of travel expenses prepared after the trip.

#### **Salary Sheets**

**December 31, 2006 Comment:** Our audit testwork disclosed instances where salary sheets were not signed by either the employee or the supervisor. While we understand that certain employees are working in Laos and paid out of the Cambodia office, we recommend, if possible, all salary sheets be signed and dated by both the employee and the supervisor based upon the fact that the salary sheets indicate receipt of payment by the employee.

**December 31, 2007 Status:** As a result of our audit work, we once again noted several instances where the monthly salary sheets were not signed by the employee or their supervisor. We suggest that all employees be reminded of the importance of signing and dating salary sheets indicating that monthly salary payments have been received.

**Management Response:** All salary payments made in Lao are properly documented and signed. It is not possible for Employee to sign when the payment is directly made to a bank account abroad but the transferred documents and bank statements confirm the payment made by NPA Cambodia.

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## OTHER AREAS OF CONCERN

### (SUDAN)

#### Classification of Expenses

**December 31, 2005 Comment:** Our audit testwork revealed numerous instances where similar transactions were not classified under the same accounts. We strongly recommend that the accounting staff be more diligent in their classification and posting of expenses within the general ledger.

**December 31, 2006 and 2007 Comment:** Our audit testwork for 2006 and 2007 again revealed instances where similar transactions were posted to different accounts within the general ledger. We continue to recommend the accounting staff be more diligent in their classification and posting of expenses within the general ledger.

**Management Response:** We agree and will ensure training of staff and have also employed new controller staff and senior accounting staff who will be responsible for monitoring and not at least the quality of the work.

#### Submission of Quarterly Financial Reports

**December 31, 2006 and 2007 Comment:** Our audit testwork disclosed instances in which Norwegian People's Aid did not submit quarterly financial reports by the deadlines stipulated in the grant agreements. We recommend Norwegian People's Aid submit all financial reports by the required due dates in accordance with U.S. Government regulations.

**Management Response:** Management agrees and will ensure compliance with guidelines with regard to reporting.

### (ANGOLA)

#### Cash Counts

**December 31, 2005 Comment:** At the present time, cash counts are not conducted at the end of the month at each of NPA-Angola's bases. To improve the internal control over cash, we strongly recommend that the Base Manager or the Administrator at each base conduct end of month cash counts and send the documented cash count with the monthly daily cash log to Luanda. Such procedures will ensure that cash is properly reconciled and accounted for at the end of each month. In addition, we suggest that a member of the Luanda finance department conduct "surprise" cash counts on occasion.

**December 31, 2006 Comment:** Our audit revealed that the monthly cash counts performed at the bases were poorly documented. In addition, no "surprise" counts were performed during the period of our audit. Accordingly, we continue to recommend that monthly cash counts be properly documented and that "surprise" cash counts be done on occasion.

**December 31, 2007 Status:** We noted monthly cash counts are being performed and documented at the bases.

### **Bank Reconciliations**

**December 31, 2005 Comment:** Our audit revealed that the bank account in Luanda was not properly reconciled in a timely manner. To ensure that cash is properly stated and that all financial transactions have been properly recorded in the general ledger we strongly recommend that the bank account be properly reconciled to the general ledger in a timely manner. We suggest that the reconciliations be completed within seven days upon receipt of the bank statement. Additionally, we recommend that all reconciliations be reviewed and approved by the Finance Director. The reconciliations should be signed by the individual who prepares the reconciliation as well as the Finance Director (indicates approval).

**December 31, 2006 Comment:** NPA-Angola has improved their bank reconciliation procedures. However, we continue to recommend that bank reconciliations be prepared in a timely manner.

**December 31, 2007 Status:** Our testwork noted the bank reconciliations are being prepared in a timely manner. In general the reconciliations are signed by the person who prepared them and the reviewer; however, we noted instances where the reconciliation was not signed by the reviewer. We continue to recommend all reconciliations be signed by the reviewer as part of proper internal controls.

**Management Response:** The management agrees with the comments, and will seek to further improve the bank reconciliation procedures.

### **Fixed Asset Ledger**

**December 31, 2005 Comment:** Our audit disclosed that the Logistics office of NPA-Angola maintains a ledger of all assets purchased with donor funds; however, the ledger does not indicate the donor funds used to purchase specific assets. To comply with U.S. Government regulations, we recommend that the current fixed asset ledger be updated to indicate which donor funds were used to purchase which fixed assets. In addition, we suggest that the ledger be updated on a monthly basis (for all purchases in excess of \$5,000) and reconciled with the accounting records.

**December 31, 2006 Comment:** We reviewed the updated assets ledger and noted that the ledger still does not indicate the source of funds (donor) which was used to purchase the assets. We continue to recommend that the Logistics office update the assets ledger to indicate the sources of funds used when purchasing the assets.

**December 31, 2007 Status:** NPA-Angola has revised its fixed asset register to indicate which donor funds were used to purchase the fixed assets. We noted the register continues to include items for which the donor is unknown; however, all additions to the list include donor identification.

### **Severance Liability**

**December 31, 2005 Comment:** During the course of our audit we analytically reviewed the calculation of the severance liability for all local staff employees working in the Cuanza Sul province. Based upon discussions with the HR Director in Angola, we believe the liability for local staff severance as mandated by current Angolan law is materially understated. Accordingly, we recommend that the payroll accountant maintain a worksheet that identifies the accumulated liability by individual employee. The worksheet should be updated on a monthly basis (quarterly at a minimum) and the increase or decrease in the liability should be charged/allocated to the appropriate donors based upon the programs/projects that the employees are currently working on as identified on their daily time records.

**December 31, 2006 Comment:** During the course of our audit testwork, we were informed that the severance liability was reviewed and adjusted as necessary during the 2005 and 2006 fiscal years. However, we were unable to verify the liability during our audit. We strongly recommend that a detailed schedule of the potential liability by employee be maintained by employees and updated on a quarterly or semi-annually basis.

**December 31, 2007 Status:** We noted NPA-Angola accrues for severance on a monthly basis as part of its payroll process. This is calculated by employees on a monthly basis.

### **Submission of Required Financial Reports**

**December 31, 2005 Comment:** Our audit testwork disclosed that the required U.S. Government financial forms were not submitted with quarterly financial information (one report covered five months and one report covered two months). In addition, we noted that NPA-Angola did not have documented the dates on which the reports were submitted. Accordingly, we recommend that all required financial reports be submitted for only quarterly periods (those ending on the last day of the month of March, June, September and December) and that NPA-Angola maintain documentation which supports the date the reports were submitted.

Our audit also revealed that a final inventory of equipment list was not submitted to the U.S. Government within 30 days after the completion of the audit as stipulated in the grant agreement. We recommend that NPA-Angola compile a list of equipment purchased with U.S. Government funds and submit the list as soon as possible.

In addition, for all future U.S. Government grants, we recommend that Norwegian People's Aid identify all required financial and programmatic filings as detailed in the grant agreements and maintain a calendar which will ensure that the filings are completed in a timely manner.

**December 31, 2006 Comment:** Our audit testwork disclosed two required financial reports that were not submitted in a timely manner. We continue to recommend that all required financial reports be submitted within the required time of 30 days after the quarter end.

In addition, we continue to recommend that a final inventory of equipment list be submitted to the U.S. Government within 30 days after the completion of the grant.

**December 31, 2007 Status:** We noted financial reports continue to be submitted late for 2007.

**Management Response:** Management agrees and will ensure compliance with guidelines with regard to reporting.

### **Signature Authority**

**December 31, 2006 Comment:** Our audit disclosed that no individuals from the office in Oslo have signature authority over the bank accounts in Angola. To improve that existing controls over the bank accounts in Angola, we recommend that the CFO, or her designee, of NPA have signature authority on all bank accounts.

**December 31, 2007 Status:** We noted that NPA-Angola bank accounts include home office signature authority.

### **Formal Bank Reconciliations**

**December 31, 2006 Comment:** During the course of our audit, it came to our attention that one bank account was not properly reconciled during the year (certain transactions were not recorded in the ledger). Because the account has not had any activity since April, 2006, we recommend closing the account. Should the account remain open, we recommend formal reconciliations be performed to ensure all activity is recorded in the general ledger.

**December 31, 2007 Status:** Formal bank reconciliations are being prepared for all accounts.

### **Drug-Free Workplace Documentation**

**December 31, 2006 Comment:** The current United States Department of State (USDOS) awards require that NPA-Angola maintain a drug-free workplace. Our audit revealed that NPA-Angola does not have a documented drug-free workplace policy. Accordingly, we recommend that NPA-Angola adopt, implement and document a drug-free workplace policy. The policy should be incorporated into the current employee manual. In addition, we recommend that all employees document receipt of and acknowledge the contents of the manual. Such documentation should be maintained in each employee's personnel file.

**December 31, 2007 Status:** NPA-Angola has a drug-free workplace policy included in the code of conduct, which is signed whenever a new contract is signed, including the conflict of interest policy.

### **Conflict of Interest Statements**

**December 31, 2007 Comment:** NPA-Angola staff do not sign annual conflict of interest statements. In order to maintain best practices, we recommend annual conflict of interest statements be signed annually and maintained in the employee personnel files.

**Management Response:** The management agrees, and will follow the recommendation.

### **Request of Funds**

**December 31, 2007 Comment:** NPA-Angola does not prepare a formal request for funds to be transferred from the home office to Angola. We recommend considering the preparation of a formal request and documentation to support this request.

**Management Response:** The management agrees, and will follow the recommendation.

### **Documentation of Clearing and Handling Costs at Port in Luanda**

**December 31, 2007 Comment:** NPA-Angola paid clearing and handling costs (aggregate amount of \$17,229) to certain vendors for equipment, supplies and replacement parts for vehicles. Such costs were necessary in order to release the equipment, supplies and replacement parts from the secured port. Our audit work revealed that the supporting documentation for these payments was not consistently linked to specific purchases. We recommend that the payment of such clearing and handling costs clearly specify the equipment, supplies or replacement parts for which the payments are intended.

**Management Response:** The management agrees, and will follow the recommendation.

### **Whistleblower Policy**

**December 31, 2007 Comment:** NPA-Angola does not have a clearly documented whistleblower policy that is disseminated to staff. We recommend NPA-Angola develop and train staff on this policy.

**Management Response:** The management agrees, and will follow the recommendation.

## **(CAMBODIA)**

### **Employee Attendance Sheets**

**December 31, 2005 Comment:** During the course of our audit testwork, it came to our attention that employee attendance sheets were not signed by the employees on the days in which they did not work. In addition, the employee attendance sheets were not signed by a supervisor, indicating review and approval. Accordingly, we recommend that the employees sign the attendance sheet for each work day of the month, whether they worked the day or not. We also recommend that all attendance sheets be reviewed, approved, signed and dated by a supervisor.

**December 31, 2006 Status:** We continue to note that attendance sheets are not signed by employees on the days in which they did not work. We continue to recommend that the employees sign the attendance sheet for each day of the month, whether they worked or not.

In addition, we found several instances where attendance sheets were not signed by employees or approved by supervisors. We also noted two instances where monthly attendance sheets were not completed. To be in accordance with U.S. Government regulations, we recommend NPA ensure that all attendance sheets be completed, signed by the employee and signed and dated by a supervisor. As a further control we suggest that the monthly attendance sheets be amended so that the employees note which project number they are working on each day.

**Management Response:** Note and Accepted: All staff paid by this US Funding are working for only one project (100% of their time), the project of "Capacity Building support to UXO Lao"

#### **Drug-Free Workplace**

**December 31, 2006 Comment:** The current United States Department of State (USDOS) awards require that NPA-Cambodia maintain a drug-free workplace. Our audit revealed that NPA-Cambodia does not have a documented drug-free workplace policy. Accordingly, we recommend that NPA-Cambodia adopt, implement and document a drug-free workplace policy. The policy should be incorporated into the current employee manual. In addition, we recommend that all employees document receipt of and acknowledge the contents of the manual. Such documentation should be maintained in each personnel file.

**December 31, 2007 Status:** Based upon discussions with the Finance Manager as well as our audit work, we noted that a Code of Conduct, which addresses workplace behavior, was adopted by NPA-Cambodia. A copy of the Code of Conduct was distributed to all employees.

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This report is intended for the information of Norwegian People's Aid and the U.S. Government funding agencies. However, upon release by the funding agencies, this report is a matter of public record and its distribution is not limited.

*Gelman Rosenberg & Freedman*

November 9, 2009

**COST-SHARING SCHEDULE**

**NORWEGIAN PEOPLE'S AID  
UNITED STATES GOVERNMENT PROGRAMS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NORWEGIAN PEOPLE'S AID**

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REVIEW REPORT  
ON THE COST-SHARING SCHEDULE**

To the Board of Directors  
Norwegian People's Aid  
Oslo, Norway

We have reviewed the accompanying cost-sharing schedule of Norwegian People's Aid (NPA) for the year ended December 31, 2007. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA). The purpose of our review was to determine if the cost-sharing schedule is fairly presented in accordance with the basis of accounting described in the accompanying Note to Cost-Sharing Schedule and to determine if the cost-sharing contributions were provided in accordance with the terms of the agreement. We also considered NPA's internal control related to the provision of and accounting for cost-sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that NPA did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule. Furthermore, nothing came to our attention that causes us to believe that NPA has not provided and accounted for cost-sharing contributions, in all material respects, in accordance with the terms of agreement.

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This report is intended for the information of Norwegian People's Aid and the U.S. Government funding agencies. However, upon release by the funding agencies, this report is a matter of public record and its distribution is not limited.

*Gelman Rosenberg & Freedman*

November 9, 2009

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**NORWEGIAN PEOPLE'S AID**  
**COST-SHARING SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

|                                    | 2007   |            |             | Cumulative |           |             |
|------------------------------------|--------|------------|-------------|------------|-----------|-------------|
|                                    | Actual | Ineligible | Unsupported | Actual     | Budget    | Variance    |
| CASH: U.S. DOS # S-PMWRA-07-GR-077 | \$ -   | \$ -       | \$ -        | \$ -       | \$132,135 | \$(132,135) |

**NORWEGIAN PEOPLE'S AID**  
**NOTE TO COST-SHARING SCHEDULE**  
**DECEMBER 31, 2007**

**1. BASIS OF PRESENTATION**

The accompanying cost-sharing schedule has been prepared on the accrual basis of accounting, and presents only the transactions of Norwegian People's Aid's cost-sharing grants applicable to the requirements of certain United States Agency for International Development awards. Accordingly, the cost-sharing schedule is not intended to present fairly all transactions of Norwegian People's Aid as a whole.

**NORWEGIAN PEOPLE'S AID  
UNITED STATES GOVERNMENT PROGRAMS**

**REPORT ON  
INDIRECT RATE CALCULATION**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**NORWEGIAN PEOPLE'S AID**

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## *Report on Schedule of Computation of Indirect Cost Rate*

The Board of Directors  
Norwegian People's Aid  
P.O.Box 8844 Youngstorget  
N-0028 Oslo  
Norway

Our audit of the financial statements of Norwegian People's Aid for the year ended 31 December 2007 was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached schedule of computation of indirect cost rate for 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Oslo, 5 December 2008  
KPMG AS

Asbjørn Næss  
*Partner*

Offices in:

|          |              |              |
|----------|--------------|--------------|
| Oslo     | Haugesund    | Sandefjord   |
| Bodø     | Kristiansand | Sandnessjøen |
| Alta     | Larvik       | Stavanger    |
| Arendal  | Lillehammer  | Stord        |
| Bergen   | Mo i Rana    | Tromsø       |
| Elverum  | Molde        | Trondheim    |
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Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Norsk Folkehjelp

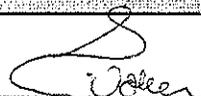
All numbers are in NOK

Schedule of computation of indirect cost rate

For the year ended december 2007

| Note   | Description                                             |       | Expenses           | Exclusions/ Unallowable Expenses | Direct Cost Base   | Indirect Cost Pool |
|--------|---------------------------------------------------------|-------|--------------------|----------------------------------|--------------------|--------------------|
|        | Bad debt expence                                        | -0,02 | -115 699           | -115 699                         | -115 699           |                    |
|        | Depreciation                                            | 0,40  | 2 710 199          |                                  | 28 351             | 2 681 848          |
| Note 1 | Employee moral, health and welfare                      | 1,94  | 12 983 745         |                                  | 11 176 989         | 1 806 755          |
| Note 2 | Entertainment                                           | 0,13  | 846 857            | 846 857                          | 846 857            |                    |
|        | Equipment rental                                        | 0,49  | 3 268 291          |                                  | 2 618 366          | 649 925            |
|        | Equipment/ capex - non depreciation                     | 7,94  | 53 199 795         |                                  | 51 008 597         | 2 191 198          |
|        | Fringe benefits (Employee benefits)                     | 3,74  | 25 097 382         | 1 179 591                        | 20 073 067         | 5 024 315          |
|        | Fund raising                                            | 8,23  | 55 137 912         | 55 137 912                       | 55 137 912         |                    |
|        | Insurance                                               | 0,17  | 1 160 957          |                                  | 644 569            | 516 388            |
| Note 3 | Materials & supplies                                    | 3,86  | 25 859 648         |                                  | 25 187 097         | 672 551            |
|        | Occupancy & cleaning                                    | 3,12  | 20 883 426         |                                  | 18 715 706         | 2 167 721          |
|        | Office supplies                                         | 0,53  | 3 578 234          |                                  | 2 246 165          | 1 333 070          |
|        | Postage, shipping & transport                           | 4,25  | 28 514 968         |                                  | 25 887 930         | 2 627 038          |
|        | Printing & duplicating                                  | 0,51  | 3 408 524          |                                  | 3 066 067          | 342 456            |
| Note 4 | Professional expences                                   | 3,19  | 21 362 138         |                                  | 14 268 357         | 7 093 781          |
| Note 5 | Recruitment                                             | 0,08  | 535 690            |                                  | 197 446            | 338 244            |
| Note 6 | Repairs & maintenance                                   | 1,60  | 10 732 063         |                                  | 7 854 394          | 2 877 669          |
|        | Salaries & wages                                        | 31,30 | 209 826 437        |                                  | 163 699 130        | 46 127 307         |
| Note 7 | Sub contractors                                         | 21,18 | 141 959 659        |                                  | 141 959 659        |                    |
|        | Telephone                                               | 1,19  | 7 947 324          |                                  | 4 533 910          | 3 413 414          |
|        | Training & education                                    | 1,94  | 13 005 695         | 200 000                          | 12 961 124         | 44 571             |
|        | Travel                                                  | 4,05  | 27 126 942         |                                  | 21 149 657         | 5 977 285          |
|        | Miscellaneous                                           | 0,20  | 1 323 815          |                                  | 457 718            | 866 097            |
|        | <b>Total applicable Nicra cost</b>                      |       | <b>670 355 001</b> | <b>57 248 662</b>                | <b>583 603 369</b> | <b>86 751 632</b>  |
| Note 8 | Redundant costs not applicable to Nicra                 |       | 274 264            |                                  |                    |                    |
| Note 9 | Exclusion of USAID Grants with no NICRA allocation      |       | 64 685 384         |                                  |                    |                    |
|        | <b>Total cost transparent to the Year End Statement</b> |       | <b>735 314 650</b> |                                  |                    |                    |

|                                 |   |             |         |
|---------------------------------|---|-------------|---------|
| Indirect cost rate calculation: |   |             |         |
| Indirect Cost                   | = | 86 751 632  | 14,86 % |
| Direct cost base                |   | 583 603 369 |         |



Sign: Eli Voksø, Head of Finance and Administration NFA