



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

MAR 21 2012

MEMORANDUM

TO: PM/WRA – Thomas 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, 2009 (AUD/CG-12-20)

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), 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 carried out by an independent public accountant at the request of the U.S. Agency for International Development (USAID) OIG. 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 taken by the Norwegian People's Aid and keep you informed of the progress to implement the independent public accountant's recommendation on internal controls and issues of noncompliance.

**Recommendation 1.** OIG recommends that the Grants Officer, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, issue a final determination on the allowability of questioned costs of \$77,819 for Grant Awards S-PMWRA-09-GR-012 (\$51,740 – unsupported costs), S-PMWRA-09-GR-004 (\$11,912 – unsupported costs), and S-PMWRA-08-GR-013 (\$14,167 – ineligible costs). If the costs are disallowed, the Grants Officer should ensure that the Norwegian People's Aid reimburses the Department of State for those costs.

If you have any questions, please contact Richard Astor, Director, Grants and Contracts Division, at (703) 284-2601 or by email at [astorr@state.gov](mailto:astorr@state.gov).

Attachments: As stated.

cc: PM/EX – (b) (6) [redacted]  
PM/WRA – (b) (6) [redacted]  
PM/WRA – (b) (6) [redacted]  
USAID/M/OAA/CAS – (b) (6) [redacted]

## NORWEGIAN PEOPLE'S AID

### RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER FOR THE YEAR ENDED DECEMBER 31, 2009

#### 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, Tbilisi, Georgia, Luanda, Angola, Vientiane, Laos 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, 2009:

▪ **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 program in eastern and western corridors of South Sudan.

There have been thirteen modifications to this grant, which revised the completion date to June 30, 2010, and which increased USAID funding to \$65,588,100, 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	-
Modification No.10	2008	8,880,717
Modification No.11	2009	-
Modification No.12	2009	6,167,100
Modification No.13	2009	6,290,700
<b>TOTAL FUNDING</b>		<b><u>\$65,588,100</u></b>

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

▪ **Award # DFD-G-00-09-00097-00**

In February of 2009, the United States Agency for International Development, Office of Acquisition and Assistance, awarded NPA \$1,494,996 under Grant # DFD-G-00-09-00097-00 for the period February 1, 2009 through January 31, 2010. The main purpose of the grant is to provide support for a program to strengthen capacity of rural communities in Southern Sudan to achieve improved livelihoods. Based upon the objective stated in the award, the project is expected to increase agricultural production for targeted households through adoption of improved techniques and technologies.

The following is a summary of the current obligated funding:

	<u>Year</u>	<u>US\$</u>
Initial award	2009	<u>\$1,494,996</u>
<b>TOTAL FUNDING</b>		<b><u>\$1,494,996</u></b>

▪ **Award #S-PMWRA-08-GR-036**

In June of 2008, the U.S. Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded NPA \$650,000 under Grant # S-PMWRA-08-GR-036 for the period June 1, 2008 through May 31, 2009. The main purpose of the grant is to contribute to the operational funding and support of two mobile explosive ordinance disposal (EOD) teams and one battle area clearance (BAC) team for twelve months.

The following is a summary of the current obligated funding:

	<u>Year</u>	<u>US\$</u>
Initial award	2008	<u>\$ 650,000</u>
<b>TOTAL FUNDING</b>		<b><u>\$ 650,000</u></b>

▪ **Award #S-PMWRA-09-GR-012**

In June of 2009, the U.S. Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded NPA \$1,000,000 under Grant # S-PMWRA-09-GR-012 for the period June 1, 2009 through May 31, 2010. The main purpose of the grant is to contribute to the operational funding and support of explosive ordinance disposal (EOD) and battle area clearance (BAC) and technical survey.

The following is a summary of the current obligated funding:

	<u>Year</u>	<u>US\$</u>
Initial award	2009	<u>\$1,000,000</u>
<b>TOTAL FUNDING</b>		<b><u>\$1,000,000</u></b>

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

▪ **Award # S-PMWRA-09-GR-112**

In June of 2009, the U.S. Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded NPA \$400,000 under Grant # S-PMWRA-09-GR-112 for the period September 18, 2009 through August 31, 2010. The main purpose of the grant is to support "NPA UXO Survey and Clearance in Lao PDR". The principle objective of this grant will be to conduct UXO survey and clearance operations in Sekong Province Lao PDR.

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

- Mitigate the risk to community livelihoods in all affected villages within the NPA Area of Operations.
- The National Regulatory Authority has a clearer view as to the scale of the ERW problem in Sekong Province.

There has been one modification to this grant, which revised the completion date to November 30, 2010. The following is a summary of the current obligated funding:

	<u>Year</u>	<u>US\$</u>
Initial award	2009	<u>\$400,000</u>
<b>TOTAL FUNDING</b>		<b><u>\$400,000</u></b>

▪ **Award #S-PMWRA-09-GR-121**

In June of 2009, the U.S. Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded NPA \$168,362 under Grant # S-PMWRA-09-GR-121 for the period September 30, 2009 through March 31, 2010. The main purpose of the grant is to support the Poti Harbour Survey in Georgia.

The following is a summary of the current obligated funding:

	<u>Year</u>	<u>US\$</u>
Initial award	2009	<u>\$168,362</u>
<b>TOTAL FUNDING</b>		<b><u>\$168,362</u></b>

▪ **Award # S-PMWRA-08-GR-013**

In 2008, the United States Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded NPA \$1,426,721 under Grant # S-PMWRA-08-GR-013, for the period May 1, 2008 through April 30, 2009. The main purpose of the grant is to protect victims of conflict and restore access to land and infrastructure through the following:

- Increasing available land for economic and social development.
- 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.

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

▪ **Award # S-PMWRA-08-GR-013 (continued)**

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

- Release 750,000 sqm of suspect land.
- Area reduction of 120 suspect hazard areas.
- Updated clearance priorities for 75 impacted communities.
- Complete 150 spot tasks.

	Year	US\$
Initial award	2008	\$1,426,721
<b>TOTAL FUNDING</b>		<b>\$1,426,721</b>

▪ **Award # S-PMWRA-09-GR-004**

In 2009, the United States Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded NPA \$1,426,721 under Grant # S-PMWRA-09-GR-004, for the period May 1, 2009 through April 30, 2010. The main purpose of the grant is to protect victims of conflict and restore access to land and infrastructure through the following:

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

The following is a summary of the current obligated funding:

	Year	US\$
Initial award	2009	\$1,426,721
<b>TOTAL FUNDING</b>		<b>\$1,426,721</b>

▪ **Award # S-PMWRA-08-GR-088**

In 2008, U.S. Department of State Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded NPA \$35,000 under grant number S-PMWRA-08-GR-088 to purchase an ambulance to provide emergency medical trauma support for the NPA Rapid Response Explosive Ordnance (EOD) and Project RENEW Rapid Response EOD teams that are operating in Quang Tri Province, Vietnam, in accord with International Mine Action Standards for the period July 1, 2008 to June 30, 2009.

The following is a summary of the current obligated funding:

	Year	US\$
Initial award	2008	\$ 35,000
<b>TOTAL FUNDING</b>		<b>\$ 35,000</b>

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

▪ **Award # S-PMWRA-08-GR-089**

In 2008, U.S. Department of State Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded NPA \$99,976 under grant number S-PMWRA-08-GR-089 to develop the national capacity of the Cambodian Mine Action and Victims Authority (CMAA) by developing the collection, management and dissemination of information, from, with and to other mine action stakeholders in the country for the period May 1, 2008 to April 30, 2009.

The project encompasses the following provisions and objectives:

- Maintain and further develop the centralized national database that will efficiently and transparently manage the information flow between CMAA and other mine action stakeholders.
- Continue with capacity development of national database staff, so they can maintain a sustainable routine to process and manage mine action information.
- Capacity building CMAA, CMAC, RCAF and other local operators information and reporting systems by implementing compatible formats and information exchange mechanisms.
- Maintaining 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	2008	<u>\$ 99,976</u>
<b>TOTAL FUNDING</b>		<b><u>\$ 99,976</u></b>

**3. PERIOD OF AUDIT**

In accordance with the terms of reference for the audit, this report covers the year ended December 31, 2009.

**4. OBJECTIVES AND SCOPE OF AUDIT**

Our audit of the fund accountability statements of NPA's United States Agency for International Development (USAID) and United States Department of State (USDOS) awards, for the year ended December 31, 2009, was performed in accordance with United States Government Audit 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 Audit 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.

NORWEGIAN PEOPLE'S AID

RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2009

5. PROCEDURES PERFORMED (Continued)

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, 2009 was qualified based upon the amount of the questioned costs. Please refer to page I-3 of the accompanying report for our full opinion.

**Questioned Costs:**

Our 2009 audit included both ineligible and unsupported questioned costs. Following is a summary of the questioned costs identified during our audit process.

	Questioned Costs	
	Ineligible	Unsupported
Award # FFP-A-00-04-00021-00	\$ -	\$ 19,216
Award # DFD-G-00-09-00097-00	\$ -	\$ 13,721
Award # S-PMWRA-08-GR-036	\$ -	\$ -
Award # S-PMWRA-09-GR-012	\$ -	\$ 51,740
Award # S-PMWRA-09-GR-121	\$ -	\$ -
Award # S-PMWRA-09-GR-112	\$ -	\$ -
Award # S-PMWRA-09-GR-004	\$ -	\$ 11,912
Award # S-PMWRA-08-GR-013	\$ 14,167	\$ -
Award # S-PMWRA-08-GR-088	\$ -	\$ -
Award # S-PMWRA-08-GR-089	\$ -	\$ -

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

We noted the following material weaknesses:

- Noncompliance with established procurement policies (Sudan).
- Significant journal entries which were not properly supported (Sudan).
- 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).
- Financial records were not properly filed and difficult to locate (Sudan).
- Numerous instances of payment vouchers not properly signed and dated (Sudan).

**NORWEGIAN PEOPLE'S AID**

**RECIPIENT CONTRACTED AUDIT TRANSMITTAL LETTER  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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:

- Reconciliation and reporting of employee travel advances (Sudan).
- Numerous instances where similar transactions were coded differently in the accounting system (Sudan).
- Quarterly financial reports not submitted on a timely basis (Sudan).
- Instances of bank reconciliations not being signed by reviewer (Angola).
- Conflict-of-interest statements (Angola, Laos, Georgia).
- Request of funds (Angola).
- Whistleblower policy (Angola).
- Timely remittance of tax payments (Laos).
- Travel documentation missing (Georgia).

***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).
- Noncompliance with established sub-recipient monitoring policies (Sudan).

**7. INDIRECT COST RATES**

Indirect costs were charged to U.S. Government awards based upon NPA's actual rate of 14.15% for the year ended December 31, 2009. Please refer to Section VI of the accompanying report for the calculation of NPA's 2009 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, 2009**

# NORWEGIAN PEOPLE'S AID

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

**FOR THE YEAR ENDED DECEMBER 31, 2009**

# 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, 2009. 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) \$14,167 of costs that are explicitly questioned because they are either outside the dates of the awards or were not in compliance with the requirements stipulated in the grant awards for such costs; and (2) \$96,589 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, 2009, 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 16, 2011, 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 16, 2011

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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, 2009

	Actual	Questioned Costs (Note 2)		Eligible
		Ineligible	Unsupported	
<b><u>CASH RECEIPTS</u></b>				
Award # FFP-A-00-04-00021-00	\$(2,793,600)	\$ -	\$ -	\$(2,793,600)
Award # DFD-G-00-09-00097-00	(1,000,000)	-	-	(1,000,000)
Award # S-PMWRA-08-GR-036	(350,000)	-	-	(350,000)
Award # S-PMWRA-09-GR-121	(50,000)	-	-	(50,000)
Award # S-PMWRA-09-GR-013	(676,721)	-	-	(676,721)
Award # S-PMWRA-08-GR-004	(1,176,721)	-	-	(1,176,721)
Award # S-PMWRA-08-GR-088	(35,000)	-	-	(35,000)
Award # S-PMWRA-08-GR-089	(83,769)	-	-	(83,769)
Total cash receipts	(6,165,811)	-	-	(6,165,811)
<b><u>AGRICULTURAL COMMODITIES</u></b>				
Award # FFP-A-00-04-00021-00	(1,175,800)	-	-	(1,175,800)
<b><u>COSTS INCURRED</u></b>				
Award # FFP-A-00-04-00021-00	6,644,872	-	19,216	6,625,656
Award # DFD-G-00-09-00097-00	1,471,440	-	13,721	1,457,719
Award # S-PMWRA-08-GR-036	79,101	-	-	79,101
Award # S-PMWRA-09-GR-012	360,919	-	51,740	309,179
Award # S-PMWRA-09-GR-112	26,087	-	-	26,087
Award # S-PMWRA-09-GR-121	56,424	-	-	56,424
Award # S-PMWRA-08-GR-013	426,875	14,167	-	412,708
Award # S-PMWRA-09-GR-004	795,087	-	11,912	783,175
Award # S-PMWRA-08-GR-088	19,060	-	-	19,060
Award # S-PMWRA-08-GR-089	49,361	-	-	49,361
Total costs incurred	9,929,226	14,167	96,589	9,818,470
Excess of expenditures over receipts				2,476,859
Balance due from (to) U.S. Government at beginning of year				3,031,357
<b>BALANCE DUE FROM (TO) U.S. GOVERNMENT AT END OF YEAR</b>				<b>\$ 5,508,216</b>

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # FFP-A-00-04-00021-00  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

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

Period of Performance: January 1, 2004 to June 30, 2010

Total Estimated Amount Awarded: \$65,588,100

Total Obligated Amount (including value of agricultural commodities and inland freight): \$34,361,639

Agricultural Commodities: \$18,560,661  
Inland Freight: \$12,665,800  
ITSH and 202e: \$34,361,639

	<u>Cash</u>	<u>Agricultural Commodities</u>
Total Cost-Sharing Amount: \$4,280,422		
	\$	
Balance Due from(to) USAID at December 31, 2008	2,758,935	\$ -
Receipts:		
Cash	(2,793,600)	-
Value of Agricultural Commodities and Ocean Freight	-	(1,175,800)
Eligible Expenditures:		
Agricultural Commodities	-	1,175,800
Inland Freight	994,724	-
ITSH and 202e	4,455,132	-
	\$	
<b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2009</b>	<b>5,415,191</b>	<b>\$ -</b>

	<u>Actual</u>	<u>Questioned Costs (Note 2)</u>		<u>Total Eligible</u>	<u>2008 Cumulative</u>	<u>Total Cumulative</u>	<u>Budget</u>	<u>Variance</u>
		<u>Ineligible</u>	<u>Unsupported</u>					
Agricultural Commodities:								
Commodity Value	\$ 654,200	\$ -	\$ -	\$ 654,200	\$ 9,520,200	\$ 10,174,400	\$ 11,551,561	\$ (1,377,161)
Ocean Freight	521,600	-	-	521,600	5,792,800	6,314,400	7,009,100	(694,700)
	<u>1,175,800</u>	<u>-</u>	<u>-</u>	<u>1,175,800</u>	<u>15,313,000</u>	<u>16,488,800</u>	<u>18,560,661</u>	<u>(2,071,861)</u>
Inland Freight	994,724	-	-	994,724	9,409,738	10,404,462	12,665,800	(2,261,338)
Internal Transport, Storage and Handling (ITSH)	3,798,905	-	19,216	3,779,689	23,649,047	27,428,736	30,381,337	(2,952,601)
Rehabilitation of Rural Access Roads (202e)	675,443	-	-	675,443	2,440,040	3,115,483	3,980,302	(864,819)
	<u>4,474,348</u>	<u>-</u>	<u>19,216</u>	<u>4,455,132</u>	<u>26,089,087</u>	<u>30,544,219</u>	<u>34,361,639</u>	<u>(3,817,420)</u>
<b>TOTAL</b>	<b><u>\$6,644,872</u></b>	<b><u>\$ -</u></b>	<b><u>\$19,216</u></b>	<b><u>\$6,625,656</u></b>	<b><u>\$50,811,825</u></b>	<b><u>\$57,437,481</u></b>	<b><u>\$65,588,100</u></b>	<b><u>\$(8,150,619)</u></b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # DFD-G-00-09-00097-00  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Grant # DFD-G-00-09-00097-00 - Sudan

Period of Performance: February 1, 2009 to January 31, 2010

Total Amount Awarded: \$1,494,996

Total Obligated Amount: \$1,494,996

Balance Due from(to) USAID at December 31, 2008	\$ -
Receipts	(1,000,000)
Eligible Expenditures	<u>1,457,719</u>
<b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2009</b>	<b><u>\$ 457,719</u></b>

	<u>Actual</u>	<u>Questioned Costs (Note 2)</u>	<u>Total</u>	<u>Total</u>	<u>Budget</u>	<u>Variance</u>
		<u>Ineligible</u>	<u>Unsupported</u>	<u>Eligible</u>		
Agriculture and Food Security	<u>\$1,471,440</u>	<u>\$ -</u>	<u>\$13,721</u>	<u>\$1,457,719</u>	<u>\$1,494,996</u>	<u>\$(37,277)</u>

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, 2009**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Grant # 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, 2008	\$ (29,414)
Receipts	-
Eligible Expenditures	-
<b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2009</b>	<b><u>\$(29,414)</u></b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # DFD-G-00-08-00053-00  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

Grant # DFD-G-00-08-00053-00 - Sudan

Period of Performance: January 1, 2008 to December 31, 2008

Total Amount Awarded: \$2,997,755

Total Obligated Amount: \$2,997,755

Balance Due from(to) USAID at December 31, 2008	\$ (17,083)
Receipts	-
Eligible Expenditures	-
<b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2009</b>	<b><u>\$ (17,083)</u></b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-08-GR-036  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Grant # S-PMWRA-08-GR-036 - Sudan

Period of Performance: June 1, 2008 to May 31, 2009

Total Amount Awarded: \$650,000

Total Obligated Amount: \$650,000

Balance Due from(to) USDOS at December 31, 2008	\$ 279,219
Receipts	(350,000)
Eligible Expenditures	<u>79,101</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$ 8,320</u></b>

	<u>Questioned Costs (Note 2)</u>		<u>Total Eligible</u>	<u>2008 Cumulative</u>	<u>Total Cumulative</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>	<u>Ineligible</u>					
Support Two Mobile (EOD) Teams and One Battle Area Clearance (BAC) Team	<u>\$79,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$79,101</u>	<u>\$579,219</u>	<u>\$650,000</u>	<u>\$ 8,320</u>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-09-GR-012  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Grant # S-PMWRA-09-GR-012 - Sudan

Period of Performance: June 1, 2009 to May 31, 2010

Total Amount Awarded: \$1,000,000

Total Obligated Amount: \$1,000,000

Balance Due from(to) USDOS at December 31, 2008	\$ -
Receipts	-
Eligible Expenditures	<u>309,179</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$309,179</u></b>

	<u>Questioned Costs (Note 2)</u>		<u>Total</u>	<u>Total</u>	<u>Budget</u>	<u>Variance</u>	
	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Eligible</u>			<u>Cumulative</u>
EOD/BAC Clearance and Technical Survey – Sudan	<u>\$360,919</u>	<u>\$ -</u>	<u>\$ 51,740</u>	<u>\$309,179</u>	<u>\$309,179</u>	<u>\$1,000,000</u>	<u>\$(690,821)</u>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-09-GR-112  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-09-GR-112 - Laos

Period of Performance: September 18, 2009 to November 30, 2010

Total Amount Awarded: \$ 400,000

Total Obligated Amount: \$ 400,000

Balance Due from(to) USDOS at December 31, 2008	\$ -
Receipts	-
Eligible Expenditures	<u>26,087</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$26,087</u></b>

	Actual	Questioned Costs (Note 2)		Total Eligible	Total Cumulative	Budget	Variance
		Ineligible	Unsupported				
Personnel	\$16,084	\$ -	\$ -	\$16,084	\$16,084	\$136,200	\$(120,116)
Equipment	-	-	-	-	-	92,000	(92,000)
Supplies	-	-	-	-	-	54,920	(54,920)
Other	6,769	-	-	6,769	6,769	61,500	(54,731)
Total Direct	22,853	-	-	22,853	22,853	344,620	(321,767)
Indirect Costs (Note 3)	3,234	-	-	3,234	3,234	55,380	52,146
<b>TOTAL</b>	<b>\$26,087</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$26,087</b>	<b>\$26,087</b>	<b>\$400,000</b>	<b>\$(269,621)</b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-09-GR-121  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-09-GR-121 - Georgia

Period of Performance: September 30, 2009 to March 31, 2010

Total Amount Awarded: \$168,362

Total Obligated Amount: \$168,362

Balance Due from(to) USDOS at December 31, 2008	\$ -
Receipts	(50,000)
Eligible Expenditures	<u>56,424</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$ 6,424</u></b>

	Actual	Questioned Costs (Note 2)		Total Eligible	Total Cumulative	Budget	Variance
		Ineligible	Unsupported				
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,475	\$ (43,475)
Travel	12,457	-	-	12,457	12,457	15,000	(2,543)
Equipment	33,922	-	-	33,922	33,922	69,600	(35,678)
Supplies	800	-	-	800	800	4,350	(3,550)
Running Costs/Other	<u>2,251</u>	<u>-</u>	<u>-</u>	<u>2,251</u>	<u>2,251</u>	<u>12,715</u>	<u>(10,464)</u>
Total Direct	49,430	-	-	49,430	49,430	145,140	(95,710)
Indirect Costs (Note 3)	<u>6,994</u>	<u>-</u>	<u>-</u>	<u>6,994</u>	<u>6,994</u>	<u>23,222</u>	<u>(16,228)</u>
<b>TOTAL</b>	<b><u>\$56,424</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$56,424</u></b>	<b><u>\$56,424</u></b>	<b><u>\$168,362</u></b>	<b><u>\$(111,938)</u></b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-08-GR-013  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Award # S-PMWRA-08-GR-013 - Angola

Period of Performance: May 1, 2008 to April 30, 2009

Total Amount Awarded: \$1,426,721

Total Obligated Amount: \$1,426,721

Balance Due from(to) USDOS at December 31, 2008	\$ 242,298
Receipts	(676,721)
Eligible Expenditures	<u>412,708</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$ (21,715)</u></b>

	Actual	Questioned Costs (Note 2)		Total Eligible	2008 Cumulative	Total Cumulative	Budget	Variance
		Ineligible	Unsupported					
Personnel	\$280,086	\$ -	\$ -	\$280,086	\$623,064	\$ 903,150	\$ 874,625	\$ 28,525
Supplies	9,545	-	-	9,545	75,219	84,764	83,131	1,633
Other	84,329	12,411	-	71,918	147,177	219,095	261,664	(42,569)
Total Direct	373,960	12,411	-	361,549	845,460	1,207,009	1,219,420	(12,411)
Indirect Costs (Note 3)	52,915	1,756	-	51,159	146,838	197,997	207,301	(9,304)
<b>TOTAL</b>	<b><u>\$426,875</u></b>	<b><u>\$14,167</u></b>	<b><u>\$ -</u></b>	<b><u>\$412,708</u></b>	<b><u>\$992,298</u></b>	<b><u>\$1,405,006</u></b>	<b><u>\$1,426,721</u></b>	<b><u>\$(21,715)</u></b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-09-GR-004  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Award #S-PMWRA-09-GR-004 - Angola

Period of Performance: May 1, 2009 to April 30, 2010

Total Amount Awarded: \$1,426,721

Total Obligated Amount: \$1,426,721

Balance Due from(to) USDOS at December 31, 2008	\$ -
Receipts	(1,176,721)
Eligible Expenditures	<u>783,175</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$ (393,546)</u></b>

	Actual	Questioned Costs (Note 2)		Total Eligible	Total Cumulative	Budget	Variance
		Ineligible	Unsupported				
Personnel	\$534,405	\$ -	\$10,435	\$523,970	\$523,970	\$ 873,011	\$(349,041)
Supplies	41,747	-	-	41,747	41,747	102,486	(60,739)
Other	120,376	-	-	120,376	120,376	254,434	(134,058)
Total Direct	696,528	-	10,435	686,093	686,093	1,229,931	(543,838)
Indirect Costs (Note 3)	98,559	-	1,477	97,082	97,082	196,790	(99,708)
<b>TOTAL</b>	<b><u>\$795,097</u></b>	<b><u>\$ -</u></b>	<b><u>\$11,912</u></b>	<b><u>\$783,175</u></b>	<b><u>\$783,175</u></b>	<b><u>\$1,426,721</u></b>	<b><u>\$(643,546)</u></b>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-08-GR-088  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Award #S-PMWRA-08-GR-088 - Cambodia

Period of Performance: July 1, 2008 to June 30, 2009

Total Amount Awarded: \$35,000

Total Obligated Amount: \$35,000

Balance Due from(to) USDOS at December 31, 2008	\$ 15,940
Receipts	(35,000)
Eligible Expenditures	<u>19,060</u>
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$ -</u></b>

	<u>Actual</u>	<u>Questioned Costs (Note 2)</u>		<u>Total Eligible</u>	<u>2008 Cumulative</u>	<u>Total Cumulative</u>	<u>Budget</u>	<u>Variance</u>
		<u>Ineligible</u>	<u>Unsupported</u>					
Purchase of Ambulance	<u>\$19,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,060</u>	<u>\$15,940</u>	<u>\$35,000</u>	<u>\$35,000</u>	<u>\$ -</u>

See accompanying notes to financial statements.

## NORWEGIAN PEOPLE'S AID

**FUND ACCOUNTABILITY STATEMENT FOR GRANT # S-PMWRA-08-GR-089  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**UNITED STATES DEPARTMENT OF STATE**

Award #S-PMWRA-08-GR-089 - Cambodia

Period of Performance: May 1, 2008 to April 30, 2009

Total Amount Awarded: \$99,976

Total Obligated Amount: \$99,976

Balance Due from(to) USDOS at December 31, 2008	\$ 48,928
Receipts	(83,769)
Eligible Expenditures	<u>49,361</u>
<b>BALANCE DUE FROM (TO) USDOS AT DECEMBER 31, 2009</b>	<b><u>\$ 14,520</u></b>

	Actual	Questioned Costs (Note 2)		Total Eligible	2008 Cumulative	Total Cumulative	Budget	Variance
		Ineligible	Unsupported					
Personnel	\$36,719	\$ -	\$ -	\$36,719	\$23,948	\$60,667	\$60,134	\$ 533
Equipment	4	-	-	4	15,976	15,980	15,350	630
Supplies	687	-	-	687	1,138	1,825	2,100	(275)
Running Costs/Other	5,832	-	-	5,832	1,876	7,708	8,604	(896)
Total Direct	43,242	-	-	43,242	42,938	86,180	86,188	(8)
Indirect Costs (Note 3)	6,119	-	-	6,119	5,990	12,109	13,788	(1,679)
<b>TOTAL</b>	<b>\$49,361</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$49,361</b>	<b>\$48,928</b>	<b>\$98,289</b>	<b>\$99,976</b>	<b>\$(1,687)</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, 2009**

**UNITED STATES DEPARTMENT OF STATE**

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

Period of Performance: April 27, 2007 to April 30, 2008

Total Amount Awarded: \$99,914

Total Obligated Amount: \$99,914

Cost Share Required: \$132,135

Balance Due from(to) USDOS at December 31, 2008	\$ (5,951)
Receipts	-
Eligible Expenditures	-
<b>BALANCE DUE FROM(TO) USDOS AT DECEMBER 31, 2009</b>	<b><u><u>\$ (5,951)</u></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, 2009**

**UNITED STATES DEPARTMENT OF STATE**

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

Period of Performance: April 1, 2006 to March 31, 2008

Total Amount Awarded: \$38,404

Total Obligated Amount: \$38,404

Balance Due from USDOS at December 31, 2008	\$2,067
Receipts	-
Eligible Expenditures	-
<b>BALANCE DUE FROM USDOS AT DECEMBER 31, 2009</b>	<b><u>\$2,067</u></b>

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, 2009**

**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, 2008	\$ (263,582)
Receipts	-
Eligible Expenditures	-
<b>BALANCE DUE FROM(TO) USAID AT DECEMBER 31, 2009</b>	<b><u>\$(263,582)</u></b>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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 Agency for International Development (USAID) and Department of State (USDOS) represent the fund balance of each respective grant award as of December 31, 2009.

**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.

**NORWEGIAN PEOPLE'S AID**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

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

Unsupported costs consist of expenses included in grant expenditures that did not have appropriate documentation to support the expense. Following is a summary, by grant, of the ineligible and unsupported costs:

<b>FFP-A-00-04-00021-00</b>	
<b>Unsupported:</b>	
Personnel	<u><b>\$19,216</b></u>
<b>DFD-G-00-09-00097-00</b>	
<b>Unsupported:</b>	
Personnel	\$12,021
Indirect (Note 3)	<u>1,700</u>
	<u><b>\$13,721</b></u>
<b>S-PMWRA-09-GR-012</b>	
<b>Unsupported:</b>	
Purchase of vehicle	\$45,326
Indirect (Note 3)	<u>6,414</u>
	<u><b>\$51,740</b></u>
<b>S-PMWRA-08-GR-013</b>	
<b>Ineligible:</b>	
Other	\$12,411
Indirect (Note 3)	<u>1,756</u>
	<u><b>\$14,167</b></u>
<b>S-PMWRA-09-GR-004</b>	
<b>Unsupported:</b>	
Personnel	\$10,435
Indirect (Note 3)	<u>1,477</u>
	<u><b>\$11,912</b></u>

**NORWEGIAN PEOPLE'S AID**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**3. INDIRECT CHARGES**

The accompanying indirect charges have been calculated using NPA's actual indirect rates for the year ended December 31, 2009 of 14.15%. 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 INTERNAL CONTROL**

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, 2009, and have issued our report thereon dated November 16, 2011. We have also reviewed the separate cost-sharing contributions schedule.

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 to 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).*
- *Cash Management: bank reconciliations were not properly completed, reviewed or approved and petty cash counts were not properly conducted or accurate (please refer to our comment titled "Cash Management" in Section IV-Independent Auditors' Report on Findings and Recommendations).*

Angola:

- *Timesheets were missing or incomplete (please refer to our comment titled "Timesheets" Section IV-Independent Auditors' Report on Findings and Recommendations).*

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### 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).*
- *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).*

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We also noted other matters involving the internal control and its operation that we have reported in a separate letter dated November 16, 2011 (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 16, 2011



**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, 2009, and have issued our report thereon dated November 16, 2011. We have also reviewed the separate cost-sharing contributions schedule.

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, 2009 Condition:** Our audit testwork for the year ended December 31, 2009, noted that NPA did not procure the required seed certificates mandated by the terms and conditions of the USAID awards. 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.

**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

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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:** None noted.

**Context, Effect and Cause:** NPA-Sudan did not obtain the required seed certificates as required by the special provisions contained within the grant agreement. Accordingly, such costs are not considered an allowable expense under the U.S. Government award. In addition, by not adhering to established procurement 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, 2009 Condition:** While we noted improvement in the documentation and adherence with established policies and procedures, we continued to note the following:

- Non-compliance with established NPA procurement policies (i.e. documentation of the fact that there was a proper tender procedure for large purchases (in excess of \$40,000));
- 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:** \$51,740 (including indirect costs on the direct costs of \$6,414) under Award # S-PMWRA-09-GR-012.

**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, 2009 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 reconciled in a timely manner;
- Site visits (i.e. monitoring) not documented;
- Financial reports not submitted in a timely manner by partners/sub-recipients;

**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:** While our audit procedures noted that a partner/sub-recipient monitoring policy was established, due to late implementation, site visits were not performed for all partners. We continue to recommend that management work with staff to ensure that the partner/sub-recipient monitoring is being conducted in accordance with the policies and procedures.

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We considered the material instances of noncompliance in forming our opinion on whether NPA's 2009 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 16, 2011.

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 16, 2011 (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 16, 2011



**GELMAN, ROSENBERG & FREEDMAN**  
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**INDEPENDENT AUDITORS' REPORT  
ON FINDINGS AND RECOMMENDATIONS**

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

In planning and performing our audit of the fund accountability statements of Norwegian People's Aid (NPA) as of and for the year ended December 31, 2009, 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 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 such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in NPA's internal control that we consider 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 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 to be material weaknesses:

**MATERIAL WEAKNESSES**

**(SUDAN)**

**Procurement of Seeds**

**December 31, 2005, 2006, 2007 and 2008 Comment:** Our audit testwork over the USAID awards for the years ended December 31, 2005, 2006, 2007 and 2008 revealed that NPA did not procure the required seed certificates mandated by the terms and conditions of the USAID awards. 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).

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**December 31, 2009 Status:** Our audit testwork for the year ended December 31, 2009, noted that NPA did not procure the required seed certificates mandated by the terms and conditions of the USAID awards. 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.

**Management Response:** NPA ensures that all seeds purchased from Uganda and Kenya have the required seed certification. NPA did include in its proposal a waiver request on the need to provide certification for seeds purchased in South Sudan for 2009 in the absence of a government body yet able to provide such certificates. NPA tested seeds to above FAO phytosanitary standards as required for seeds purchased locally in Sudan and the seed test information was made available.

### Journal Entries

**December 31, 2005, 2006, 2007 and 2008 Comment:** Our 2005, 2006, 2007 and 2008 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.

**December 31, 2009 Status:** Our audit testwork for the year ended December 31, 2009 noted several journal entries for expenditures improperly classified in the general ledger. We further noted that these journal entries were not always reviewed and approved. In each instance, NPA-Sudan finance staff was able to explain the nature of the reclassification and/or adjustment. However, we strongly recommend that all adjusting journal entries be reviewed and approved prior to being posted into the general ledger. In addition, we recommend NPA-Sudan finance staff be more diligent in the review of expense classifications prior to entry into the general ledger.

**Management Response:** In general the quality of documentation supporting journal entries improved compared to prior years. However, we faced challenges of wrong classification of costs occasioned by the new staff who we are training in the various field locations. These erroneous classifications had to be corrected as they were detected during internal reviews. Management now reviews and approves expenses before they are booked into the system to minimize on such errors.

### Timesheets

**December 31, 2005, 2006, 2007 and 2008 Comment:** Our examination of the timesheet process during the fiscal years ending December 31, 2005, 2006, 2007 and 2008 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 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).

**December 31, 2009 Status:** Our examination of the timesheet process during the fiscal year ending December 31, 2009 revealed the following:

- Instances where timesheets were missing (7 out of 92 tested)

- For approximately 25% of our sample of timesheets tested, 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.

Accordingly, based upon the aforementioned items, the prior year recommendation is reiterated.

**Management Response:** Time sheet management has been a long-standing challenge, which nevertheless we've endeavored to address over the years; and attained modest progress.

The following approach has been adopted to make further improvements in the area:

- Timesheet form has been revised to make it easier to fill for all staff
- A form for track movement/dispatching and receiving of T/sheets from the field to Head office Juba has been designed.
- A full time officer has been assigned to handle this function and make follow up of T/sheets esp. from the field.
- Timesheets reports will be sent out on a monthly basis to Program Managers to verify all info regarding coding, signatures, and the hours charged.
- This info will then be sent to Finance after verification from PMs.

### **Procurement Documentation**

**December 31, 2005, 2006, 2007 and 2008 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 Norwegian People's Aid at risk of returning U.S. Government funds, which were used to pay for goods and services for which Norwegian People's Aid did not adhere to its procurement policies.

**December 31, 2009 Status:** Although, we noted improvement in the documentation and adherence with established policies and procedures, documentation of the vendor selection process could be improved. Each procurement analysis should include a memo stating the reason why a particular vendor was selected. In addition, for large purchases (in excess of \$40,000), NPA-Sudan should document that a tender notice was published, as required by NPA's current procurement policy.

**Management Response:** In 2008 NPA's head office (HO) developed comprehensive procurement guidelines and trained all procurement personnel globally with constant follow-up to ensure adherence to the policies and guidelines. Further, the main office for the Sudan operations was moved from Nairobi to Sudan to enhance the operations. The move, coupled with the availability of a variety of vendors has made competitive bidding possible. Hence we have registered a remarkable improvement in this area and we are committed to ensure 100% compliance in this area. However, it is necessary to mention that priority was given to areas where huge amounts were involved, like transportation and bulk diesel. In 2011 we have been focusing on the rest of the service areas, such as medical coverage for all staff, personal accident and group life insurance. Management of the Sudan office has also recruited a deputy logistics manager to enhance capacity. One of his roles is to ensure the whole procurement process is followed and appropriately documented.

### **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 Norwegian People's Aid implement strict policies and procedures with respect to the monitoring of partners/sub-recipients. Additionally, we recommend that the staff of Norwegian People's Aid 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.

**December 31, 2008 Comment:** Our audit procedures noted that a partner/sub-recipient monitoring policy was established. However, due to late implementation, site visits were not performed for all partners. We continue to recommend that management work with staff to ensure that the partner/sub-recipient monitoring is being conducted in accordance with the policies and procedures.

**December 31, 2009 Status:** During the current year, there were no new partners and for those partners who cleared prior year advances during the current year, we noted that there were signed partner agreements and adequate documentation to support the reported expenditures.

However, we also noted that partner reporting is not timely, resulting in September 2008 advances not being cleared from NPA books until June of 2010. In addition, none of the four partners tested during fiscal 2009 received a site visit in either 2008 or 2009. We strongly recommend that if NPA continues to work with partner organizations in the future, site visits must be more timely (quarterly is recommended) and the documentation of such visits is crucial to documenting that NPA-Sudan is properly monitoring its partners.

**Management Response:** NPA received partner funds late in 2008 which was targeting Upper Nile state. This is a seasonal area with unique logistical challenges. Besides this we managed to have more than 80% site visits. All site visits were documented and where it was impossible to visit reasons were documented (i.e. bad weather).

However, we are working continuously with our partners and recognize that we need tighter systems for follow-up and competence training with respect to areas such as anti-corruption, internal controls, reporting and bookkeeping. We will begin altering our current partner agreements so that the agreement will include anti-corruption clauses and other internal control points. We have also asked our project managers to look at other methods for following up with partners which is more transparent than the current system.

### **Cash Management**

**December 31, 2006 and 2007 Comment:** 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.

**December 31, 2008 Comment:** Based on our audit testwork conducted in Yei, South Sudan, we noted bank reconciliations and petty cash counts were not properly prepared and reviewed.

**December 31, 2009 Status:** Based upon our 2009 audit testwork, we again noted instances where the bank reconciliations and petty cash counts were not properly prepared and reviewed.

**Management Response:** The relocation of the office from Nairobi to Juba had its challenges as some of the experienced staff did not move to Juba, thus, requiring the hiring of new staff which required significant training. The transition process resulted in having some delays and in having updated cash and bank reconciliations.

Further, in a cash society like Sudan, during the audit periods, cash management is always a challenge. We operate in remote locations which are difficult to access and in addition are not available for control for a large part of the year. This has been and continues to be a challenge for some locations. However, focus has been on this area for years and we are moving towards a more controlled environment with banking facilities in the larger towns. We also ensure that segregation of duties are maintained at all locations with the project managers being responsible for a minimum of monthly cash counts and sign-offs.

With all of that being said, we have implemented the following corrective action plan with respect to cash management:

- The capacity in the finance office has been increased by recruitment of the deputy finance manager;
- Finance staff have now been trained to enhance their competencies;
- Frequent field visits by HO staff have not been formalized;
- Surprise cash counts are regularly performed;
- We are revising our current procedures with respect to cash management so that all locations will have a fixed amount in the cash boxes and all cash ledgers are reconciled against the accounting system on a monthly basis and corrected, if necessary. In addition, we are continuously looking at ways to reduce the amount of actual cash maintained in the cash boxes.

## (ANGOLA)

### Journal Entries

**December 31, 2005 Comment:** Our review of the adjusting journal entries posted to the general ledger for the NPA-Angola programs revealed a lack of supporting documentation supporting the reason for the entries. We strongly recommend that when adjusting journal entries are posted to the general ledger, all entries be supported with written documentation which supports the reason why the entry is being posted as well as copies of the original charge or calculations which support the amounts being posted to the ledger.

**December 31, 2006, 2007 and 2008 Comment:** We noted instances where NPA-Angola had supporting documentation for the purpose of the journal entries; however, the explanation or basis was not present. 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.

**December 31, 2009 Status:** Our audit work revealed that journal entries were appropriately supported with documentation and explanation for the entry was evidenced on the documentation. We consider the prior comment to be cleared.

### 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.

**December 31, 2007 and 2008 Comment:** Our 2007 and 2008 audit work revealed that timesheets have been revised to document all hours worked. However, our audit work disclosed the following:

- Missing timesheets.
- Timesheets missing employee signature.
- Timesheets missing supervisor signature.

Based upon the aforementioned items, we recommend the following:

- The finance and HR departments should be more diligent in their review of the timesheets, thus, ensuring that all employees have completed their monthly timesheets.
- All timesheets should be signed and dated by the employees and the employees' supervisor, thus, indicating a proper review and approval of the timesheets.

**December 31, 2009 Status:** Our 2009 audit work continued to reveal instances of missing timesheets as well as instances where the salary expense recorded in the general ledger did not match the salary expense which should have been recorded based upon the hours recorded on the timesheets.

**Management Response:** We have continued our work to improve the quality of the time sheets and will ensure that all timesheets are present, properly signed by the employees and the supervisor. In addition, all allocations will be reviewed to ensure salary expense is properly allocated based upon time reported on the timesheets.

### **Procurement of Equipment**

**December 31, 2007 and 2008 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.

**December 31, 2009 Status:** Our 2009 audit work did not disclose any instances of non-compliance with NPA's current procurement policies and procedures.

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### **SIGNIFICANT DEFICIENCIES**

A significant deficiency is a deficiency, or a combination of deficiencies, in NPA's internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in NPA's internal control to be significant deficiencies:

#### **(SUDAN)**

##### **Control of Inventory**

**December 31, 2005, 2006 and 2007 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, 2008 Comment:** During our audit testwork for the year ended December 31, 2008, we noted improvement over the control of inventory and corresponding records. However, we believe additional attention is required in this area. We recommend management continue to monitor the progress over the control of inventory.

**December 31, 2009 Status:** During our review of the Juba office inventory records, we again noted improvement with respect to the record keeping, however, we also noted that some of the records were again incomplete. Therefore, we continue to recommend that continued attention be given to NPA-Sudan's inventory record keeping.

**Management Response:** Due to the size of NPA programs in Southern Sudan and the amount of field locations, the collection and analysis of data is still on-going and at the time of audit we were still updating our records. A deputy logistics manager has been recruited with main responsibility to update all inventory and assets lists.

### **Personnel Contracts**

**December 31, 2005, 2006 and 2007 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, 2008 Comment:** Our audit testwork over the payroll cycle once again revealed instances of missing or incomplete personnel files. We continue to recommend management review all personnel files to ensure they are complete and up-to-date.

**December 31, 2009 Status:** Our audit testwork over the payroll cycle once again revealed instances of missing or incomplete personnel files. We continue to recommend management review all personnel files to ensure they are complete and up-to-date.

**Management Response:** In the past we have been having a decentralized system where personnel files are kept in each field location where the staffs work. This system however proved to be ineffective as it takes time to have the information as and when needed. In 2009 NPA started working on centralizing and updating personnel files in Juba, this process is ongoing and will be complete during the 2011 financial year. However, all missing contracts can be traced when required.

### **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.

**December 31, 2008 Comment:** Our 2008 audit noted that the field office accounting policies and procedures manual was in process to be updated.

**December 31, 2009 Status:** The field office accounting policies and procedures manual was issued in 2009.

### **Organization of Financial Documents**

**December 31, 2006 2007 and 2008 Comment:** Our audit revealed that the field office financial records pertaining to fiscal years 2006 2007 and 2008 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.

**December 31, 2009 Status:** Our audit again revealed that the field office financial records pertaining to 2009 were not filed in a consistent manner, thus, resulting in a difficult audit trail. We continue to recommend that the finance and accounting department be more diligent in the filing of financial documents.

**Management Response:** The documents are now filed in our archive in Yei in a chronological order using voucher numbers generated by the accounting software. We consider the system to be efficient. The missing vouchers resulted in moving the sampled vouchers from the archive in Yei to Juba and rearranging them in an order different from the preexisting one (according to account numbers). Most of the vouchers now have been found and scanned.

### **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.

**December 31, 2008 Comment:** During our 2008 audit, we again noted numerous instances of missing signatures and dates in addition to inconsistent use of internal payment vouchers. We continue to recommend management emphasize adherence to internal policies and procedures with respect to processing payments.

**December 31, 2009 Status:** Our 2009 audit disclosed numerous instances of missing signatures and dates in addition to the inconsistent use of internal payment vouchers. We again recommend management of the NPA emphasize the importance of adhering to internal policies and procedures with respect to the processing of payments and the use of internal payment vouchers.

**Management Response:** NPA Sudan has two payment authorization forms one used by Juba head office where major payments take place. This form has to be signed by four people. Another one is used in the field for imprest accounting with two signatures. The mentioned incident is where staff was transferred from Juba to the field and kept using the HO (Juba) form. This makes it look as if it is missing signatures. The management will ensure that such mistakes are not repeated.

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

**December 31, 2005, 2006, 2007 and 2008 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, 2009 Status:** A web based software was purchased in late 2008 and is maintained by a compliance officer in the headquarters office (HO) in Oslo. The compliance officer is responsible for screening all field office employees, partners and suppliers. This process was carried out three times during 2009 and no deviations were noted.

Based upon the volume of transactions, during 2011, HO took the initiative of sharing the software with all field offices and trained relevant personnel on the importance and how to use the software. In 2011, all field offices have access and can screen continuously.

## (CAMBODIA)

### Travel Documentation

**December 31, 2007 Comment:** Our audit revealed two instances where documentation to support the travel expenses was missing. We strongly 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 their travel.

**December 31, 2008 Comment:** As a result of our 2008 audit work, we noted one travel expense that was not properly supported with original receipts. We recommend that all travel costs be properly documented with original receipts.

**December 31, 2009 Status:** Our 2009 audit work did not reveal any instances where travel costs were not properly documented.

## (ANGOLA)

### Personnel Contracts

**December 31, 2005 and 2006 Comment:** Our examination of certain employee contracts revealed that the employee contracts did not contain the appropriate documentation (an amendment to the original contract) to support the employee's 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, 2007 and 2008 Comment:** We continued to note missing contracts and were unable to verify amounts paid to employees agreed to their personnel contracts.

**December 31, 2009 Status:** Based upon our 2009 audit work, we noted considerable improvement with respect to the documentation maintained in the personnel files and that all contracts were current and up-to-date.

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

**December 31, 2007 and 2008 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.

**December 31, 2009 Status:** A web based software was purchased in late 2008 and is maintained by a compliance officer in the headquarters office (HO) in Oslo. The compliance officer is responsible for screening all field office employees, partners and suppliers. This process was carried out three times during 2009 and no deviations were noted.

Based upon the volume of transactions, during 2011, HO took the initiative of sharing the software with all field offices and trained relevant personnel on the importance and how to use the software. In 2011, all field offices have access and can screen continuously.

## OTHER AREAS OF CONCERN

In addition to the aforementioned material weaknesses and significant deficiencies, we noted other areas of concern, that while not considered material weaknesses or significant deficiencies, we believe merit the attention of those charged with governance:

### (SUDAN)

#### Reconciliation and Reporting of Employee Travel Advances

**December 31, 2009 Comment:** Our 2009 audit work revealed that employee travel advances are not properly reconciled on a monthly basis. In addition, our audit work revealed that the NPA-Sudan office does not currently have forms in place to request travel advances or for the clearance of such advances upon completion of travel. We also noted instances in which advances were given in one currency and the clearance of the advance was submitted in a different currency without explanation as to how the receipts related to the claimed expenses or how the exchange rate used was calculated.

**Criteria:** 22 CFR 226 Subpart C Section 21 "Standards for Financial Management Systems" requires recipients of Federal funds to establish financial management systems that will ensure effective control over and accountability for all funds, property and other assets.

**Questioned Costs:** None noted.

**Context, Effect and Cause** Lack of critical internal controls increase risk associated with financial management, and the potential for the misappropriation of funds.

**Recommendation:** Based upon the aforementioned, we recommend that NPA-Sudan adopt and implement forms for all employees to use when requesting travel advances and when submitting the expenses which would clear the advances. All forms should require signatures by the employee and the employee's supervisor which would attest to the appropriateness and truthfulness of reporting.

We also strongly recommend that the finance department ensure that all employee travel advances are reconciled on a monthly basis and that employees with outstanding advances be notified of such balances each month.

**Management Response:** Management agrees with the recommendation and will ensure that this is implemented.

#### Classification of Expenses

**December 31, 2005, 2006 and 2007 Comment:** Our audit testwork for 2005, 2006 and 2007 revealed instances where similar transactions were posted to different accounts within the general ledger. We recommend that the accounting staff be more diligent in their classification and posting of expenses within the general ledger.

**December 31, 2008 Comment:** Our audit testwork for 2008 again noted instances where similar transactions were posted to different accounts within the general ledger. We continue to recommend management be more diligent in its classification of expenses within the general ledger.

**December 31, 2009 Status:** Our audit testwork for 2009 again noted instances where similar transactions were posted to different accounts within the general ledger. We continue to recommend management (specifically the finance department) be more diligent when recording transactions within the general ledger to ensure that similar transactions are recorded in a similar fashion within the general ledger.

**Management Response:** We agree with the comment and will comply.

## Submission of Quarterly Financial Reports

**December 31, 2006 2007 and 2008 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.

**December 31, 2009 Status:** Our 2009 audit work again disclosed instances in which NPA did not submit quarterly financial reports by the deadlines stipulated in the grant agreements. We continue to recommend NPA 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.

### (CAMBODIA)

#### Timesheets

**December 31, 2008 Comment:** During the course of our audit work, we noted one employee whose monthly salary expense was allocated between two projects. While we did not question the cost (based upon discussions with management, the employee and the physical location of the employee, which supported the allocation), we strongly believe that NPA-Cambodia office should implement monthly timesheets in which all employees document the time worked on each program on a daily basis.

**December 31, 2009 Status:** Our 2009 audit work did not disclose any instances in which salary expense was not properly allocated among programs.

### (ANGOLA)

#### 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 and 2008 Comment:** 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.

**December 31, 2009 Status:** Our audit testwork once again revealed that the bank reconciliations were not prepared in a timely manner. We continue to recommend that all bank reconciliations be prepared monthly in a timely manner (within five days after receiving the bank statement) so that any discrepancies can be identified in a timely manner.

**Management Response:** We have improved working practices in line with the procedures to ensure that all reconciliations are prepared in a timely manner and reviewed and approved by an appropriate individual. All reconciliations are signed and dated by the preparer and the reviewer.

## 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 and 2008 Comment:** 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.

**December 31, 2009 Status:** Based upon our 2009 audit work, the current fixed asset ledger is current and up-to-date.

## 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 and 2008 Comment:** We noted financial reports continue to be submitted late for 2007 and 2008.

**December 31, 2009 Status:** NPA has addressed this issue and we did not note any instances of non-compliance with respect to the submission of required financial reports.

### **Conflict-of-Interest Statements**

**December 31, 2007 Comment and 2008 Status:** Our audits disclosed that employees at the NPA-Angola office do not complete conflict-of-interest statements. We believe that best practices within the International NGO community places great emphasis on the completion of annual conflict-of-interest statements by all employees. Accordingly, we recommend that all employees at the NPA-Angola office complete conflict-of-interest statements. In addition, due to the fact that relationships change over time, we believe that all employees should complete conflict-of-interest statements on an annual basis. We also recommend that the Human Resource (HR) Director summarize all conflicts, if any, and distribute the list to those personnel involved in either the procurement or payment for goods and services.

**December 31, 2009 Status:** There was no action taken with respect to our comment during 2009. Accordingly, we continue to recommend that conflict-of-interest statements be completed by all employees on an annual basis.

**Management Response:** We agree with the auditors comment and the Headquarters Office (HO) has issued new guidelines and templates in respect of conflict of interest which will be implemented as soon as possible. All new employees will sign the conflict of interest statement and present employees at renewal of contracts. HO is entering into a program of training within this area and other related issues and will ensure compliance by end of 2012.

### **Request of Funds**

**December 31, 2007 Comment and 2008 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.

**December 31, 2009 Status:** We continued to note that NPA-Angola did not prepare formal requests for funds during 2009. Accordingly, we continue to recommend such formal requests be prepared to properly document the funds being transferred from HO.

**Management Response:** We agree with the comment and will alter our working practices to comply with the request

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

**December 31, 2007 and 2008 Comment:** NPA-Angola paid clearing and handling costs (\$17,229 in 2007 and \$5,537 in 2008) 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.

**December 31, 2009 Status:** Our audit work did not reveal any instances of non-compliance with respect to clearing and handling costs.

### **Whistleblower Policy**

**December 31, 2007 and 2008 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.

**December 31, 2009 Status:** There was no action taken during 2009, however, management has drafted a comprehensive policy and it is expected to be disseminated to all staff in 2011.

**Management Response:** Management agrees, and our expectation is to issue the policy to all staff in the second half of the 2011 fiscal year.

## (LAOS)

### Conflict-of-Interest Statements

**December 31, 2009 Comment:** At the present time, employees at the NPA-Laos office do not complete conflict-of-interest statements. We believe that best practices within the International NGO community places great emphasis on the completion of annual conflict-of-interest statements by all employees.

**Criteria:** 22 CFR 226 Subpart C Section 21 "Standards for Financial Management Systems" requires recipients of Federal funds to establish financial management systems that will ensure effective control over and accountability for all funds, property and other assets.

**Questioned Costs:** None noted.

**Context, Effect and Cause:** The purposes of completing conflict-of-interest statements are to ensure the objectivity and integrity of the work of NPA and its staff members. An effective conflict-of-interest policy helps ensure NPA's compliance with federal and best practices relating to conflicts of interest.

**Recommendation:** We recommend that all employees at the NPA-Laos office complete conflict-of-interest statements. In addition, due to the fact that relationships change over time, we believe that all employees should complete conflict-of-interest statements on an annual basis. We also recommend that the Human Resource (HR) Director summarize all conflicts, if any, and distribute the list to those personnel involved in either the procurement or payment for goods and services.

**Management Response:** We agree with the auditors comment and the Headquarters Office (HO) has issued new guidelines and templates in respect of conflict of interest which will be implemented as soon as possible. All new employees will sign the conflict of interest statement and present employees at renewal of contracts. HO is entering into a program of training within this area and other related issues and will ensure compliance by end of 2012.

### Timely Remittance of Tax Payments

**December 31, 2009 Comment:** The 2009 statutory audit conducted by an independent audit firm revealed that during 2009, the NPA-Laos office did not remit the monthly tax payments in a timely manner (in compliance with Lao law).

**Criteria:** 22 CFR 226 Subpart C Section 21 "Standards for Financial Management Systems" requires recipients of Federal funds to establish financial management systems that will ensure effective control over and accountability for all funds, property and other assets.

**Questioned Costs:** None noted.

**Context, Effect and Cause** Lack of critical internal controls increase risk associated with financial management, and the potential for the misappropriation of funds.

**Recommendation:** Based upon our discussions with management of the NPA-Laos office we understand that the tax payments have been made on a timely basis during the 2011 fiscal year, however, we recommend that management of NPA-Laos implement policies and procedures which would ensure that the finance department has remitted the monthly tax payments by the required due dates.

**Management Response:** During fiscal 2011, NPA-Laos has remitted withheld tax to the revenue authorities on a timely basis and will continue to do so.

## (GEORGIA)

### Travel Documentation

**December 31, 2009 Comment:** Our audit revealed instances where documentation to support the travel expenses (i.e. boarding passes or used plane tickets) was missing.

**Criteria:** 22 CFR 226 Subpart C Section 21 "Standards for Financial Management Systems" requires recipients of Federal funds to establish financial management systems that will ensure effective control over and accountability for all funds, property and other assets.

**Questioned Costs:** None noted

**Context, Effect and Cause** Lack of critical internal controls increase risk associated with financial management, and the potential for the misappropriation of funds.

**Recommendation:** We strongly recommend that all employees of NPA-Georgia be reminded of the importance of providing documentation to support the actual travel costs at the conclusion of their travel.

**Management Response:** NPA endeavors at all times to comply with the guidelines in respect of documented travel, but unfortunately, we have had instances on non-compliance by not having adequate supporting documents. It is the responsibility of the line manager and the accounting staff to ensure adequate documentation is received and accountancy staff has been told not to pay the expense without the proper documentation.

While we have seen great improvements, there are continuing issues which need to be addressed; the latest audit showing instances of boarding passes or ticket stubs missing from the supporting documentation, which will be rectified in the fiscal 2011. Please note that the issue stems mainly from the issuance of electronic air tickets.

### Conflict-of-Interest Statements

**December 31, 2009 Comment:** At the present time, employees at the NPA-Georgia office do not complete conflict-of-interest statements. We believe that best practices within the International NGO community places great emphasis on the completion of annual conflict-of-interest statements by all employees.

**Criteria:** 22 CFR 226 Subpart C Section 21 "Standards for Financial Management Systems" requires recipients of Federal funds to establish financial management systems that will ensure effective control over and accountability for all funds, property and other assets.

**Questioned Costs:** None noted

**Context, Effect and Cause:** The purposes of completing conflict-of-interest statements are to ensure the objectivity and integrity of the work of NPA and its staff members. An effective conflict-of-interest policy helps ensure NPA's compliance with federal and best practices relating to conflicts of interest.

**Recommendation:** We recommend that all employees at the NPA-Georgia offices complete conflict-of-interest statements. In addition, due to the fact that relationships change over time, we believe that all employees should complete conflict-of-interest statements on an annual basis. We also recommend that the Human Resource (HR) Director summarize all conflicts, if any, and distribute the list to those personnel involved in either the procurement or payment for goods and services.

**Management Response:** We agree with the auditors comment and the Headquarters Office (HO) has issued new guidelines and templates in respect of conflict of interest which will be implemented as soon as possible. All new employees will sign the conflict of interest statement and present employees at renewal of contracts. HO is entering into a program of training within this area and other related issues and will ensure compliance by end of 2012.

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 16, 2011

**COST-SHARING SCHEDULE**

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

**FOR THE YEAR ENDED DECEMBER 31, 2009**

# 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, 2009. 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 16, 2011

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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, 2009**

	<u>2009</u>			<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>			
CASH: USAID # FFP-A-00-04-00021-00	<u>\$556,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$556,643</u>	<u>\$4,280,422</u>	<u>\$(3,723,779)</u>

**NORWEGIAN PEOPLE'S AID**  
**NOTE TO COST-SHARING SCHEDULE**  
**DECEMBER 31, 2009**

**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, 2009**

# 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 2009 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 2009 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, 7 July 2011  
KPMG AS

  
Asbjørn Næss  
Partner

Offices in:

Oslo  
Bodø  
Alta  
Arendal  
Bergen  
Elverum  
Finnsnes  
Hamar

Haugesund  
Kristiansand  
Larvik  
Lillehammer  
Mo i Rana  
Molde  
Narvik  
Roros

Sandefjord  
Sandnessjøen  
Stavanger  
Stord  
Tromsø  
Trondheim  
Tønsberg  
Ålesund

VI-3



Norsk Folkehjelp

All numbers are in NOK

Schedule of computation of indirect cost rate

(b) (4)

Note	Description
	Bad debt expense
	Depreciation
	Employee moral, health and welfare
Note 1	Entertainment
	Equipment rental
	Equipment/ capex - non depreciation
	Fringe benefits (Employee benefits)
	Fund raising
	Insurance
	Materials & supplies
	Occupancy & cleaning
	Office supplies
	Postage, shipping & transport
	Printing & duplicating
	Professional expenses
	Recruitment
	Repairs & maintenance
	Salaries & wages
	Sub contractors
	Telephone
	Training & education
	Travel
	Miscellaneous

Total applicable Nicra cost

(b) (4)

Note 2 Redundant costs not applicable to Nicra

(b) (4)

Note 3 Exclusion of USAID Grants with no NICRA allocation

34 754 318

Total cost transparent to the Year End Statement

(b) (4)

Indirect cost rate calculation:

Indirect Cost

Direct cost base

=

(b) (4)

=

(b) (4)

Oslo, the 6. of July 2011, CFO Heidi Lombnes

*Heidi Lombnes*



## NOTES TO THE NICRA MODEL 2009

### **Note 1: Entertainment**

Entertainment includes costs related to serving of alcohol and is categorised as not allowable in compliance with circular no. A 122.

### **Note 2: Redundant costs not applicable to Nicra**

In order to achieve performance management targets, NPA allocates costs at project number level in order to evaluate the performance of each project, external office etc.

As a consequence, head office overhead are calculated and booked as a cost at for instance an external office, while the corresponding amount is booked as an income at the head office. There is no net effect of this booking as income and costs are balancing, however, both total costs and total income will increase.

As these redundant costs/incomes has not been eliminated in the annual accounts, the costs connected to will have to be separated and deducted as the corresponding income is not been included in the costs pool.

### **Note 3: Exclusion of United States Government Grants with indirect cost allocation.**

NPA has been awarded and provided services under several grant agreements with the United States Government for which no indirect cost recovery is provided on activities. Accordingly, all direct activity cost incurred for those programs have excluded from the direct cost in the accompanying Statement of Indirect Rate Calculation.