

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-27 Financial Audit

State's Third Party Monitoring and Oversight of Its Conventional Weapons Destruction Program in Afghanistan: Audit of Costs Incurred by Norwegian People's Aid



JUNE
2022

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On September 27, 2017, the U.S. Department of State (State) awarded a \$1,000,000 cooperative agreement to Norwegian People's Aid (NPA) to support the third party monitoring and oversight of State's Conventional Weapons Destruction (CWD) program in Afghanistan. The program's objectives were to provide personnel, resources, supplies, and grant management and advisory services to 15 or more of State's CWD projects. State modified the contract nine times; the total award amount increased to \$11,505,605, and the period of performance extended from August 31, 2018, to July 15, 2022.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$8,827,764 in costs charged to the agreement from September 27, 2017, through July 15, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in NPA's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether NPA has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of NPA's Special Purpose Financial Statement (SPFS). See Davis Farr's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

June 2022

State's Third Party Monitoring and Oversight of Its Conventional Weapons Destruction Program in Afghanistan: Audit of Costs Incurred by Norwegian People's Aid

SIGAR 22-27-FA

WHAT SIGAR FOUND

Davis Farr did not find any material weaknesses or significant deficiencies in NPA's internal controls, or any instances of noncompliance with the terms and conditions of the agreement. Accordingly, the auditors did not find any questioned costs.

Davis Farr reviewed eight prior audit reports that were relevant to NPA's agreement. Of those, three had 19 findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. Davis Farr performed follow-up procedures and concluded that NPA had taken adequate corrective actions on all 19 findings.

Davis Farr issued an unmodified opinion on NPA's SPFS, noting it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Davis Farr did not report any findings specific to the SPFS of the agreement under review. Therefore, SIGAR is not making any recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

June 1, 2022

The Honorable Antony J. Blinken
Secretary of State

Ms. Jessica Lewis
Assistant Secretary, Bureau of Political-Military Affairs

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by the Norwegian People's Aid (NPA) under a U.S. Department of State (State) cooperative agreement to support the third party monitoring and oversight of State's Conventional Weapons Destruction (CWD) program in Afghanistan.¹ The program's objectives were to provide personnel, resources, supplies, and grant management and advisory services to 15 or more of State's CWD projects. Davis Farr reviewed \$8,827,764 in costs charged to the agreement from September 27, 2017, through July 15, 2021. Our contract with Davis Farr required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, Davis Farr did not report any findings related to the agreement under review. Therefore, SIGAR is not making any recommendations.

Davis Farr discusses the results of the audit in detail in the attached report. We reviewed Davis Farr's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on NPA's Special Purpose Financial Statement. We also express no opinion on the effectiveness of NPA's internal control or compliance with the agreement, laws, and regulations. Davis Farr is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-232)

¹ The agreement number is S-PMWRA-17-CA-1063

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Third Party Monitoring and Oversight of U.S. Department of State
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March 29, 2022

Enclosed is the final report on the financial audit of costs incurred by Norwegian People's Aid (NPA) under the U.S. Department of State Cooperative Agreement No. S-PMWRA-17-CA-1063 to support the Third Party Monitoring and Oversight of U.S. Department of State Conventional Weapons Destruction Program in Afghanistan. The audit covers the period September 27, 2017 through July 15, 2021.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback and interpretations from the NPA, the Special Inspector General for Afghanistan Reconstruction and the U.S. Department of State. There were no findings or questioned costs identified as a result of our audit.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

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Cooperative Agreement No. S-PMWRA-17-CA-1063
Third Party Monitoring and Oversight of U.S. Department of State
Conventional Weapons Destruction Program in Afghanistan

For the period September 27, 2017 through July 15, 2021

Background

On September 27, 2017, the U. S. Department of State (DOS) awarded Cooperative Agreement No. S-PMWRA-17-CA-1063 (**Agreement**) to Norwegian People's Aid (NPA) for the Third Party Monitoring and Oversight of the DOS Conventional Weapons Destruction (CWD) Program in Afghanistan. The principal goal of the program was to monitor, mentor and develop the DOS-funded CWD program in Afghanistan in close cooperation with the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) and the U.S. Embassy – Kabul. The objectives of the Agreement include:

- Provide personnel, resources and supplies required for successful operations associated with this Project;
- Provide grant management support to DOS-funded grantees;
- Provide technical advisory support of both planning and development of 15 or more DOS-funded CWD projects and technical site visits if DOS-funded grant recipients; and
- Provide senior Explosive Ordinance Disposal (EOD) technical advisory support;

The initial awarded amount was \$1,000,000 for the period of performance from September 27, 2017, through August 31, 2018 plus two option years. After nine modifications to the Agreement, the total funding increased to \$11,505,605, and the period of performance was extended from August 31, 2018, through July 15, 2022.

NPA is a politically independent membership-based organization working in Norway and in more than 30 countries around the world. **Founded in 1939 as the labor movement's humanitarian solidarity organization, NPA aims to improve people's living conditions and to create a democratic, just and safe society. NPA's international work covers three core areas: mine action and disarmament, development and humanitarian relief aid.**

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for **Afghanistan Reconstruction (SIGAR) to conduct a financial audit of NPA's Special Purpose Financial Statement (SPFS) for costs incurred under the Agreement for the period September 27, 2017, through July 15, 2021. Total costs reported by NPA were \$8,827,764.**

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

The objectives of the audit include the following:

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- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether NPA's SPFS for the Agreement presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the Agreement and generally accepted accounting principles or other comprehensive basis of accounting.
- *Internal Controls* – Evaluate and obtain a sufficient understanding of NPA's internal control related to the Agreement; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether NPA complied, in all material respects, with the Agreement requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the Agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether NPA has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included \$8,827,764 of actual costs incurred for the period September 27, 2017 through July 15, 2021. The period of performance of the Agreement is not yet complete. Our testing of the indirect cost rates was limited to verifying that the rates were calculated using the rates identified in the Negotiated Indirect Cost Rate Agreement (NICRA) approved by U.S Department of the Interior, Interior Business Center.

Methodology

To accomplish the objectives of this audit, we designed our audit procedures to include the following:

Entrance Conference

An entrance conference was held via conference call on October 20, 2021. Participants included representatives of Davis Farr, NPA, SIGAR and DOS.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of NPA;
- Reviewed the Agreement and all modifications to date;

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- Reviewed sections of the Code of Federal Regulations section 2 CFR Parts 200 and 600, as applicable to the Agreement;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and transactions that were considered to be high, moderate, or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:
 - For accounts that appear to contain unallowable and restricted items according to the terms of the Agreement, 2 CFR Part 200 and any other applicable regulations, we sampled 100% of the transactions.
 - For high risk cost categories, we sampled transactions greater than \$44,100, and additional transactions below \$44,100 to ensure that at least 50% of the total amount expended for each cost category was sampled.
 - For moderate risk categories, we sampled transactions greater than \$88,200, and additional transactions below \$88,200 to ensure that at least 20% of the total amount expended for each cost category was sampled.
 - Low risk categories consisted of supplies, financial gain/loss and indirect costs. For supplies and financial gain/loss, we sampled transactions to ensure that at least 10% of the total amount expended was sampled. No sample was selected for indirect costs as we tested the proper application of the indirect cost rates. This included reviewing the NICRA to ensure that NPA's indirect costs did not exceed the approved rates.

Internal Control Related to the SPFS

We reviewed NPA's internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by NPA and conducted testing of select key controls to understand if they were implemented as designed and operating effectively.

Compliance with Agreement Requirements and Applicable Laws and Regulations

We reviewed the Agreement and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Agreement requirements and laws and regulations.

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Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, NPA and DOS and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Agreement, modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Agreement, and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on February 3, 2022 via conference call. Participants included representatives from Davis Farr, NPA, SIGAR and DOS. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by NPA under the Agreement with DOS identified the following results:

Auditor's Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. There were no findings or questioned costs identified as a result of the audit.

Summary of Findings and Questioned Costs

There were no findings or questioned costs identified as a result of the audit.

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered NPA's **internal control over financial reporting and performed tests of**

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those controls. The results of our tests disclosed no internal control weaknesses required to be reported under *Government Auditing Standards*. See **Independent Auditor's Report on Internal Control** on page 12.

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of **NPA's** compliance with certain provisions of the Agreement and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed no instances of noncompliance related to this audit. See **Independent Auditor's Report on Compliance** on page 14.

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

Review of Prior Findings and Recommendations

We requested from NPA, SIGAR and DOS copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to **NPA's activities under** the Agreement. We identified eight audit reports, three of which contained 19 findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that NPA has taken adequate corrective actions on all prior findings. See the Status of Prior Findings on page 16 for a detailed description of the prior findings and recommendations.

INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT

Norwegian People's Aid
Stortorvet 10, 4. Floor
0155 Oslo, Norway

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

Report on the Special Purpose Financial Statement

We have audited the accompanying Special Purpose Financial Statement of Norwegian **People's Aid** (NPA) under Cooperative Agreement No. S-PMWRA-17-CA-1063 with the U.S. Department of State (DOS) for the Third Party Monitoring and Oversight of United States Department of State Conventional Weapons Destruction Program in Afghanistan for the period September 27, 2017 through July 15, 2021, and the related notes to the Special Purpose Financial Statement.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the methods of preparation described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements (including the Special Purpose Financial Statement) that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Special Purpose Financial Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on **the auditor's judgment, including** the assessment of the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error. In making those risk **assessments, the auditor considers internal control relevant to the entity's preparation and** fair presentation of the Special Purpose Financial Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing **an opinion on the effectiveness of the entity's internal control. Accordingly, we express no**

Norwegian People's Aid

Stortorvet 10, 4. Floor
0155 Oslo, Norway

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Financial Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Special Purpose Financial Statement referred to above presents fairly, in all material respects, the respective revenue received and costs incurred by NPA under the Cooperative Agreement for the period September 27, 2017 through July 15, 2021 in accordance with the basis of accounting described in Note 2.

Restriction on Use

This report is intended for the information of NPA, DOS, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 29, 2022 on our consideration of NPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NPA's internal control over financial reporting and compliance.

Darin Funnell

Irvine, California
March 29, 2022

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 Third Party Monitoring and Oversight of U.S. Department of State
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Special Purpose Financial Statement

For the Period September 27, 2017 through July 15, 2021

	Budget	Actual	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
SPMWRA17CA1063	\$ 9,005,605	\$ 8,827,764	\$ -	\$ -	\$ -	(3)
Total revenues	9,005,605	8,827,764	-	-	-	
Costs incurred:						
Personnel	2,460,328	2,369,738	-	-	-	
Fringe benefits	1,950,762	1,952,427	-	-	-	
Travel	411,795	316,979	-	-	-	
Equipment	183,865	177,845	-	-	-	
Supplies	173,720	170,704	-	-	-	
Contractual	1,208,977	1,231,704	-	-	-	
Other	1,816,579	1,917,220	-	-	-	
Agio financial gain/(losses)	(17,429)	(21,493)	-	-	-	
Indirect charges	817,008	712,640	-	-	-	(4)
Total costs incurred	9,005,605	8,827,764	-	-	-	
Outstanding fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	(5)

See Notes to Special Purpose Financial Statement

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Notes to Special Purpose Financial Statement¹

For the period September 27, 2017 through July 15, 2021

(1) Background

On September 27, 2017, the U. S. Department of State (DOS) awarded Cooperative Agreement No. S-PMWRA-17-CA-1063 (**Agreement**) to **Norwegian People's Aid (NPA)** for the Third Party Monitoring and Oversight of the DOS Conventional Weapons Destruction (CWD) Program in Afghanistan Project (Project). The principal goal of the Project is to monitor, mentor and develop the DOS-funded CWD program in Afghanistan in close cooperation with the Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement (PM/WRA) and the U.S. Embassy – Kabul. The objectives of the Agreement include:

- Provide personnel, resources and supplies required for successful operations associated with this Project;
- Provide grant management support to DOS-funded grantees;
- Provide technical advisory support of both planning and development of 15 or more DOS-funded CWD projects and technical site visits if DOS-funded grant recipients; and
- Provide senior Explosive Ordinance Disposal (EOD) technical advisory support;

The initial awarded amount was \$1,000,000 for the period of performance from September 27, 2017, through August 31, 2018 plus two option years. After nine modifications to the agreement, the total funding increased to \$11,505,605, and the period of performance was extended from August 31, 2018, through July 15, 2022.

NPA is a politically independent membership-based organization working in Norway and in **more than 30 countries around the world**. **Founded in 1939 as the labor movement's humanitarian solidarity organization, NPA aims to improve people's living conditions and to create a democratic, just and safe society. NPA's international work covers three core areas:** mine action and disarmament, development, and humanitarian relief aid.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for the Project for the period September 27, 2017 through July 15, 2022. Because the SPFS presents only a selected portion of the operations of NPA, it is not intended to and does not present the financial position, changes in financial position, or cash flows of NPA. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America, and is specific to the aforementioned Agreement.

¹ The Notes to the Special Purpose Financial Statement with a numeric identifier are the responsibility of NPA.

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Notes to Special Purpose Financial Statement

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Revenues and expenses on the SPFS are reported on the accrual basis of accounting. Revenues are recognized when earned. Expenses are recognized following the cost principles contained in 2 CFR 200 Subpart E, wherein certain types of expenses are not allowable or are limited as to reimbursement.

Currency

The SPFS is presented in U.S. dollars. NPA converts any expenses that were paid in Afghani (local currency) into U.S. dollars (reporting currency) by using the last actual conversion rate for transfers made to move funds between its U.S. dollar account and the Afghani account.

(3) Revenue

NPA reported revenue of \$8,827,764 for the period September 27, 2017 through July 15, 2021.

(5) Indirect Costs

NPA's indirect costs were reviewed and approved by the U.S. Department of the Interior, Interior Business Center in a Negotiated Indirect Cost Rate Agreement (NICRA) dated June 20, 2019. The following indirect cost rates were applicable to the Agreement:

<u>Type</u>	<u>Effective Period</u>	<u>Rate</u>
Final	1/1/17 – 12/31/17	9.21%
Predetermined	1/1/18 – 12/31/18	9.50%
Predetermined	1/1/19 – 12/31/19	9.50%
Predetermined	1/1/20 – 12/31/20	9.50%

The indirect cost rate is applied to total direct costs, less capital expenditures and the portion of subawards in excess of the first \$25,000.

(6) Outstanding Fund Balance

As of January 31, 2020, there was no outstanding fund balance under the Cooperative Agreement as the SPFS is prepared under the accrual basis of accounting described in Note 2.

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Notes to Special Purpose Financial Statement

(Continued)

(7) Subsequent Events

NPA has evaluated subsequent events through March 29, 2022, which is the date the SPFS was available to be issued. There were no events subsequent to this date that would impact the SPFS.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Norwegian People's Aid
Stortorvet 10, 4. Floor
0155 Oslo, Norway

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of **Norwegian People's Aid** (NPA) under Cooperative Agreement No. S-PMWRA-17-CA-1063 with the U.S. Department of State (DOS) for the Third Party Monitoring and Oversight of United States Department of State Conventional Weapons Destruction Program for the period September 27, 2017 through July 15, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered NPA's internal control over financial reporting (internal control) as a basis for designing audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of NPA's internal control. Accordingly, we do not express an opinion on the effectiveness of NPA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

Norwegian People's Aid

Stortorvet 10, 4. Floor
0155 Oslo, Norway

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* **in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.**

This report is intended for the information of NPA, DOS, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.



Irvine, California
March 29, 2022

REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Norwegian People's Aid

Stortorvet 10, 4. Floor
0155 Oslo, Norway

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of **Norwegian People's Aid** (NPA) under Cooperative Agreement No. S-PMWRA-17-CA-1063 (Agreement) with the U.S. Department of State (DOS) for the Third Party Monitoring and Oversight of United States Department of State Conventional Weapons Destruction Program for the period September 27, 2017 through July 15, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated March 29, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NPA's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned Agreement, noncompliance with which could have a direct and material effect on the determination of Special Purpose Financial Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the entity's internal control**. Accordingly, this communication is not suitable for any other purpose.

Norwegian People's Aid

Stortorvet 10, 4. Floor
0155 Oslo, Norway

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

This report is intended for the information of NPA, DOS, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Darin Funnell

Irvine, California
March 29, 2022

NORWEGIAN PEOPLE'S AID

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1063
Third Party Monitoring and Oversight of U.S. Department of State
Conventional Weapons Destruction Program in Afghanistan

Status of Prior Audit Findings

For the period September 27, 2017 through July 15, 2021

We requested from NPA, SIGAR and DOS copies of any prior engagements including audits, reviews, attestation engagements and other studies that relate to NPA's activities under the Agreement. We reviewed eight prior audit reports, which consisted of four annual financial audits and four audits of federal programs in accordance with Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Of these reports, there were three management letters associated with the annual financial reports that contained findings. We have performed follow up procedures including discussion with management, reviewed the revised policies and procedures, and conducted testing of similar areas surrounding these issues. Accordingly, we have concluded that NPA has taken adequate corrective actions on all prior findings and these findings were not repeated under this audit. The summary of prior audit findings that could have a potential material effect on the SPFS are listed below:

Management Letter Issued in Conjunction with Audit of Financial Statements of NPA for the year ended December 31, 2020, which was conducted by RSM Avais Hyder Liaquat Nauman, Chartered Accountants, dated February 28, 2021

- Finding 1: Cut-off Issue: The audit firm noted that some of the expenses which were incurred in 2019 had been incorrectly recorded in 2020.

Status: We tested 914 transactions and noted that all costs were reported in the correct period. As such, the corrective action has been adequately implemented.

- Finding 2: Purchase Requisition Issued After Purchase Order: The audit firm noted that one purchase requisition was issued after the purchase order was issued.

Status: We tested 186 transactions and noted that the procurement process was properly followed. As such, the corrective action has been adequately implemented.

- Finding 3: Internal Audit: The audit firm noted that there is no internal auditor/internal audit department that could evaluate and improve the effectiveness of risk management, control, and governance processes.

Status: NPA has implemented an internal audit function that is outsourced to PriceWaterhouseCoopers, **which reports directly to NPA's board as NPA does not have an audit committee**. As such, the corrective action has been adequately implemented.

- Finding 4: Tax Clearance Certificate: The audit firm noted that a tax clearance certificate was not provided.

Status: We observed that NPA has received the tax certificate and has evidence of paying all applicable taxes. As such, the corrective action has been adequately implemented.

NORWEGIAN PEOPLE'S AID

Financial Audit of Costs Incurred Under
Cooperative Agreement No. S-PMWRA-17-CA-1063
Third Party Monitoring and Oversight of U.S. Department of State
Conventional Weapons Destruction Program in Afghanistan

Status of Prior Audit Findings

(Continued)

Management Letter Issued in Conjunction with Audit of Financial Statements of NPA for the year ended December 31, 2019, which was conducted by RSM Avais Hyder Liaquat Nauman, Chartered Accountants, dated February 18, 2020

- Finding 1: Supporting Documentation Not Backed Up: The audit firm noted that NPA did not back up technical and financial reports.

Status: We inquired of management and observed **NPA's** new shared system. NPA now keeps both hard and electronic copies of the booked vouchers. All vouchers are signed, posted, scanned, and uploaded into NPA's SharePoint and hard copy originals are filed. This **finding was not repeated in the subsequent year's audit.** As such, the corrective action has been adequately implemented.

- Finding 2: Internal Audit: The audit firm noted that there is no internal auditor/internal audit department that could evaluate and improve the effectiveness of risk management, control, and governance processes.

Status: NPA has implemented an internal audit function that is outsourced to PriceWaterhouseCoopers, which reports directly to NPA's board as NPA does not have an audit committee. As such, the corrective action has been adequately implemented.

- Finding 3: Cash Disbursements Not Marked as Paid: The audit firm noted that supporting documentation was not marked as paid or defaced to prevent reuse.

Status: We tested 914 transactions and noted that all transactions were marked as paid. As such, the corrective action has been adequately implemented.

- Finding 4: Lack of Access to Bank Statements: The audit firm did not have access to bank statements during its audit and thus was unable to trace transactions to bank statements.

Status: We reviewed the bank statements and performed bank reconciliation testing to ensure the records were properly maintained at all levels according to the NPA's policies and procedures. As such, the corrective action has been adequately implemented.

- Finding 5: Lack of Supporting Documentation for Cash Disbursements: The audit firm noted that supporting documents were not attached to vouchers of common expenses.

Status: We tested 514 transactions and noted that supporting documentation was attached to all vouchers. As such, the corrective action has been adequately implemented.

NORWEGIAN PEOPLE'S AID

Financial Audit of Costs Incurred Under
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Third Party Monitoring and Oversight of U.S. Department of State
Conventional Weapons Destruction Program in Afghanistan

Status of Prior Audit Findings

(Continued)

Management Letter Issued in Conjunction with Audit of Financial Statements of NPA for the year ended December 31, 2018, which was conducted by RSM Avais Hyder Liaquat Nauman, Chartered Accountants, dated March 20, 2019

- Finding 1: Supporting Documentation Not Backed Up: The audit firm noted that NPA did not back up technical and financial reports.

Status: We inquired of management and observed **NPA's** new shared system. NPA now keeps both hard and electronic copies of the booked vouchers. All vouchers are signed, posted, scanned, and uploaded into NPA's SharePoint and hard copy originals are filed. This **finding was not repeated in the subsequent year's audit.** As such, the corrective action has been adequately implemented.

- Finding 2: Internal Audit: The audit firm noted that there is no internal auditor/internal audit department that could evaluate and improve the effectiveness of risk management, control, and governance processes.

Status: NPA has implemented an internal audit function that is outsourced to PriceWaterhouseCoopers, which reports directly to NPA's board as NPA does not have an audit committee. As such, the corrective action has been adequately implemented.

- Finding 3: Segregation of Duties: The audit firm noted lack of segregation of duties in some of the vouchers during the process of its preparation and authorization.

Status: We tested 514 transactions and noted that all transactions were properly authorized. As such, the corrective action has been adequately implemented.

- Finding 4: Cash Management: The audit firm noted that some cash receipts are signed by the Finance Manager instead of a cashier.

Status: We tested 309 transactions and noted that all transactions were signed by cashier and Finance Manager. As such, the corrective action has been adequately implemented.

- Finding 5: Cash Management: The audit firm noted the organization has not defined any limit of cash that should be in the custody of cashier.

Status: NPA has implemented a petty cash limit of \$200; the cashier is responsible for maintaining and dispersing cash from the Petty Cash funds. As such, the corrective action has been adequately implemented.

- Finding 6: Lack of Access to Bank Statements: The audit firm did not have access to bank statements during its audit and thus was unable to trace transactions to bank statements.

NORWEGIAN PEOPLE'S AID

Financial Audit of Costs Incurred Under
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Status of Prior Audit Findings

(Continued)

Status: We reviewed the bank statements and performed bank reconciliation testing to ensure the records were properly maintained at all levels according to the NPA's policies and procedures. As such, the corrective action has been adequately implemented.

- Finding 7: Unable to Verify Opening Balances: The audit firm could not verify the opening balances because the previous year balances were not audited by component auditor for the group audit purpose.

Status: We reviewed the bank statements and performed bank reconciliation testing, to ensure the records were properly maintained at all levels according to the NPA's policies and procedures. As such, the corrective action has been adequately implemented.

- Finding 8: Prepayments and Payments Netted Instead of Recording at Gross: The audit firm observed that the organization has recorded payables for expenses and prepayments to suppliers in a single account.

Status: We tested 914 transactions and noted that all transactions were properly labeled by individual accounts. As such, the corrective action has been adequately implemented.

- Finding 10: No Documentation for Costs incurred by Head Office: The audit firm observed that supporting documents were not attached with the vouchers of variable common expenses.

Status: We tested 914 transactions and determined that none were missing supporting documentation. As such, the corrective action has been adequately implemented.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

SIGAR's Mission

Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202