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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

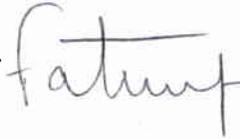
OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Young-Jin Choi
A: Special Representative of the Secretary-General,
United Nations Operation in Côte d'Ivoire

DATE: 22 May 2009

REFERENCE: IAD: 09- 02495

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AP2008/640/02 - Audit of administration of disbursements in UNOCI**

OBJET:

Internal controls over payments of staff entitlements for official travel were weak

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 6, 7 and 8 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that you did not accept recommendation 3. In OIOS' opinion however, this recommendation seeks to address a significant risk area. We are therefore reiterating it and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendation 4), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

EXECUTIVE SUMMARY

Administration of disbursements in UNOCI

OIOS conducted an audit of the administration of disbursements in the United Nations Operations in Côte d'Ivoire (UNOCI). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the payment approval system. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Generally internal controls over disbursements are in place. However, there are opportunities for improvement, as follows:

- The controls over the payment of mission subsistence allowance (MSA) are inadequate. This resulted in overpayments of \$15,850. Subsequent to the audit, action was taken and the amounts have been recovered from staff.
- Procedures to ensure the accuracy of staff attendance records, used as the basis of the payment of MSA, are not operating effectively.
- There was a contravention of the UN Financial Regulations and Rules and the Procurement Manual, as training services costing over \$77,000 were procured without competition. The exception for non-competition was not justified.
- For Quick Impact Projects, the practice of making cheques payable to individual staff of implementing agencies instead to their official bank account exposes the Mission to a higher risk of funds being misappropriated.
- There were delays in replenishing imprest and petty cash resulting in the risk of funds not being available to meet operational requirements.

OIOS made eight recommendations to address the issues identified during the audit to further strengthen existing controls and contribute toward better administration of the disbursements.

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the administration of disbursements in the United Nations Operations in Côte d'Ivoire (UNOCI). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Disbursements Unit, within UNOCI's Finance Section, is responsible for processing vendor invoices, approving payments, replenishing imprest and petty cash accounts, and ensuring compliance with Field Finance Procedure Guidelines (FFPG) and United Nations Financial Regulations and Rules (UNFRR).

3. Table 1 below provides an overview of the trend in disbursement activity in the Mission, which indicates a steady increase since the inception of the Mission.

Table 1: Disbursement by originating section for the 2005 – 2008 fiscal years

Requisitioning section	Fiscal year expenditure (USD \$'000's)			
	2005	2006	2007	2008
Personnel	44,117	63,626	78,849	88,248
Supply	16,155	25,022	28,185	31,547
Engineering and building Management	10,577	12,713	12,808	10,168
General Services	2,178	3,389	7,780	8,197
Communications and Information Technology	4,497	4,545	5,249	3,802
Movement Control	867	2,857	2,950	2,097
Transport	1,138	1,299	1,740	1,484
Others	1,351	1,030	1,240	1,292
Total	80,880	114,481	138,801	146,835

4. Comments made by UNOCI are shown in *italics*.

II. AUDIT OBJECTIVES

5. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over the payment approval system.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered disbursements made during the fiscal years 2005/2006, 2006/2007 and 2007/2008. It focused on those disbursements made under UNOCI's delegation of authority and excluded disbursements managed at United Nations Headquarters in New York, including payments for leasing of aircrafts or goods procured through headquarters systems contracts. It also excluded areas covered in an earlier audit of financial management in UNOCI (AP 2008/640/01).

7. The audit methodology comprised a review of documents and interviews with key personnel.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Inadequate controls over the payment of mission subsistence allowance

Overpayment of mission subsistence allowance

8. According to administrative instruction ST/AI/1997/6, entitled "Mission Subsistence Allowance", staff members on official business outside the mission area are entitled to only the accommodation portion of mission subsistence allowance (MSA) as an addition to the daily subsistence allowance (DSA). A review of claims for official business travels outside the Mission area between November 2007 and May 2008 showed that in 27 cases staff received both DSA and full MSA. In three of the 27 cases, staff members were paid MSA for accommodation in addition to the full MSA and DSA. These irregularities remained undetected for many months until they were pointed out by OIOS during the audit. Recoveries of \$15,850 from staff members were subsequently made.

Recommendation 1

(1) The UNOCI Office of Mission Support should conduct a detailed review of payments of mission subsistence allowance for official travel outside the Mission area since the inception of the Mission to determine if any further overpayments were made, and initiate a recovery, where appropriate.

9. *The UNOCI Office of Mission Support accepted recommendation 1 and stated that the UNOCI Finance Section has reviewed the entitlement of MSA payments for all staff members for official travel outside the Mission area from June 2008 onwards and all overpayments have been recovered. The Finance Section will undertake a detailed review of MSA payments disbursed to staff, since the inception of the Mission, to determine if there are additional inconsistencies. Recommendation 1 remains open pending OIOS' verification that any overpayments of MSA have been recovered, where appropriate.*

Inaccurate attendance records

10. Under the current procedures, staff members responsible for monitoring attendance records maintain attendance sheets that include the details of days absent from the Mission area for official business. On a monthly basis, the attendance sheets are verified by the concerned staff members, certified by section chiefs, and provided to the Personnel Section (PS). The PS consolidates attendance records for all mission staff and furnishes them to the Payroll Unit for MSA disbursement. The consolidated attendance records form the basis for monthly MSA payroll entitlements.

11. In 14 of the 27 cases involving overpayment of MSA referred to in paragraph 12 above, staff members were wrongly marked as present in the Mission area on the attendance sheets submitted to PS. The PS relies on the attendance monitors, the staff and the section chiefs for the accuracy of the attendance sheets.

Recommendation 2

(2) The UNOCI Office of Mission Support should remind staff members, attendance monitors and section chiefs of their responsibility for ensuring correctness of attendance statements before signing them.

12. *The UNOCI Office of Mission Support accepted recommendation 2 and stated that the Personnel Section has put in place a system to monitor travel authorizations by receiving a copy of all approved PT8s, which are sent to PS on a daily basis by the Travel Unit. Training for attendance monitors and section chiefs will be provided by the end of April 2009 in order to eliminate these errors and inconsistencies. Recommendation 2 remains open pending OIOS' verification of the new procedures established.*

Payroll deductions

13. The Payroll Unit and the approving officers are responsible for reviewing attendance records and travel claims before approving MSA disbursement. In 13 of the 27 cases of overpayment of MSA noted in paragraph 12 above, the attendance records correctly reflected staff members as being on official business outside the Mission. However, the Payroll Unit did not recover MSA previously paid for these days for four to eight months. This indicated that attendance records were not properly checked before each MSA disbursement was made and thus there was a risk of double payment of MSA.

Recommendation 3

(3) The UNOCI Office of Mission Support should remind payroll staff to closely check the attendance records and ensure recoveries are effected before approving the Mission Subsistence Allowance payments.

14. *The UNOCI Office of Mission Support did not accept recommendation 3 and stated that the Payroll Unit does not verify staff attendance records. The Personnel Section is responsible for that task and ensures that the records reflect accurate attendance records before sending to the Finance Section for MSA processing. In OIOS' opinion, based on Financial Rule 105.6, the Payroll Unit also has a responsibility to ensure that payroll payments are based on correct underlying attendance records before disbursements are approved and made. If this were done, the 13 double payments would have been prevented. OIOS is therefore requesting the Office of Mission Support to reconsider its response and implement recommendation 3 by strengthening supervisory and approving controls over MSA payments.*

B. Disbursements without adherence to UNFRR

Procurement of training services without adherence to established procedures

15. UNOCI's Integrated Mission Training Centre (IMTC) conducted a ten day 'Certified Training Professional Programme' (CPT) from 19 May to 29 May 2008 for 26 Mission staff members who were engaged in delivering induction training to new staff. The training services, which cost \$77,792, were procured from the Institute of Training and

Development (ITD), Kuala Lumpur, Malaysia. The procurement and disbursement process was however not in accordance with the provisions of UNFRR and UN Procurement Manual as follows:

- The CPT programme was not budgeted for in the 2008-09 fiscal year and thus the training was not based on a needs analysis. The programme was selected without following the United Nations procurement process as the Deputy Chief of IMTC, while looking for a certification programme for herself, came across ITD during her visit to Kuala Lumpur, Malaysia, and later proposed the CPT programme for all training officers of UNOCI.
- No market research was conducted to identify the prospective training providers within the country or surrounding countries.
- Despite e-mail reminders from the Procurement Section to IMTC regarding appropriate procurement procedures to be followed, IMTC did not provide the Procurement Section with the necessary requisition to initiate a formal bidding process as required under Regulation 5.12 of the UNFRR.
- The total cost of training from ITD was \$77,792 including \$59,800 as fees for 26 participants and \$17,992 in travel costs and DSA for two consultants. This procurement was not reviewed by the Local Committee on Contracts (LCC) as required by the Procurement Manual and rules on delegation of procurement authority.
- Upon receipt of ITD's invoice for payment, the Finance Section noted non-compliance with UNFRR and advised IMTC to submit the documents to the Procurement Section to seek *ex post facto* approval of the LCC. The Procurement Section however did not submit the case to the LCC and approved the purchase order invoking exceptions provided under rule 105.16 (a) (vii) and 105.16 (a) (ix) on the grounds of 'exigency' and 'formal solicitation will not give satisfactory results' respectively. OIOS disagrees that there was an exigency for this training and that a formal solicitation may have given satisfactory results.

Recommendation 4

(4) The UNOCI Office of Mission Support should address accountability for the contravention of United Nations Financial Regulations and Rules and the UN Procurement Manual in the selection of the Institute of Training and Development to provide training to the Mission staff members.

16. *The UNOCI Office of Mission Support accepted recommendation 4 and stated that all self-accounting units and section chiefs have been duly informed by an office memorandum to ensure the UN procurement procedures are followed in acquiring goods and services. A note-to-file will be provided by the former Deputy Chief IMTC on the reasons of the selection of the Institute of Training and Development. This note-to-file will further clarify on the basis the vendor was chosen and why the case did not go to the LCC. OIOS notes that the Procurement Section had issued a similar memorandum to the*

Chief of IMTC prior to the requisition for the training services. However, the Chief of IMTC had issued a procurement order to the vendor without routing the requisition through the Procurement Section for competitive bidding. OIOS is therefore reiterating the recommendation that the Office of Mission Support address accountability for the contravention of UNFRR and the UN Procurement Manual in the selection of Institute of Training and Development.

Advance payment of \$4,200 was not in accordance with the UNFRR

17. Financial Rule 105.19 on advance payment states that, except where normal commercial practice or the interests of the United Nations so require, no contract or other form of undertaking shall be made on behalf of the United Nations which requires a payment or payments on account in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed to, the reasons shall be recorded. However, in a separate transaction with the ITD, the Mission made an advance payment of \$4,200 to ITD in respect of a training on 'Certified Talent and Competency Professional Programme' for two staff. OIOS notes that this training was not a budgeted activity. Moreover, the training initially scheduled for June 2008 could not be attended by one of the designated participants but no action was initiated to recover the advanced payment.

18. OIOS was informed that another staff member would benefit from the training in March 2009 to replace the staff member who could not attend, finally partially reducing the balance of the advance payment. Providing advances to vendors is contrary to financial rules, and there is a risk that the requested goods or services may ultimately not be delivered resulting in losses to the UN, if the advance is not recovered.

Recommendation 5

(5) The UNOCI Office of Mission Support should initiate recovery of the balance of the advance paid to the Institute of Training and Development immediately and ensure that future advances to vendors are avoided when not in line with normal commercial practice or the interest of the United Nations.

19. *The UNOCI Office of Mission Support accepted recommendation 5 and stated that such advances will be avoided in the future. The training institute was contacted to provide the invoice to the Finance Section for the recovery of advances.* OIOS noted that the course attended by the replacement staff member was cheaper and a balance still remains in favor of the Mission. Recommendation 5 remains open pending OIOS receipt of documentation showing adjustment/recovery in full of the advance payment to ITD.

C. Inadequate control over payments for QIPs

20. Memoranda of Understanding (MOU) signed with the various implementing partners of Quick Impact Projects (QIPs) did not specify the accounts into which QIP funds should be paid. As a result, a review showed that cheque payments to 10 of the QIPs were made in the personal name of the representatives of implementing agencies instead of to a separate account opened for QIPs or in the name of implementing agencies. The practice of

issuing cheques in the personal names of implementing agencies project managers exposes the Mission to a greater risk of loss of funds through misappropriation.

Recommendation 6

(6) The UNOCI Office of Mission Support should, in consultation with the Office of Legal Affairs in the Mission, review the present Memorandum of Understanding for the implementation of Quick Impact Projects and revise it to include a clause requiring implementing partners to designate bank accounts into which payments would be made.

21. *The UNOCI Office of Mission Support accepted recommendation 6 and stated that they will request that all MoUs clearly provide the payee name and bank account information. In cases where the implementing partner does not have a bank account, the Mission will request that the organization designates a particular person who will receive the funds and be held accountable.* OIOS noted that the Finance Section established a procedure, through interoffice memorandum dated 15 December 2008, ensuring QIPs payments by cheques are made to the implementing agencies' official bank account and not to individuals. Based on the action taken, recommendation 6 has been closed.

D. Delay in approval process to replenish imprest and petty cash

22. According to the FFPG, petty cash accounts are established primarily to provide funds for the purchases of goods/services to meet the Mission's immediate operational requirements which could not otherwise be provided through normal procurement procedures due to the time constraints and the urgency of the requirements. However, there were delays of more than one month in 5 out of 15 monthly petty cash and imprest fund replenishment cases reviewed. These delays occurred in the certification and approval process, after the custodians submitted replenishment requests. No timelines for approval of such funds has been established. There is a risk that delays in replenishing imprest funds might result in cash shortages to meet operational requirements.

Recommendation 7

(7) The UNOCI Office of Mission Support should establish a timeline in which certifying and approving officers act on cash replenishment requests in order to prevent shortages of funds which may hamper the Mission's ability to meet urgent operational requirements.

23. *The UNOCI Office of Mission Support accepted recommendation 7 and stated that all certifying and approving officers were asked to take action within 48 hours of receiving requests. A letter to this effect was sent to all approving/certifying officers on 17 March 2009.* Based on the action taken, recommendation 7 has been closed.

E. General control issues

24. OIOS noted the following inadequacies which identified a need to improve controls:
- All supporting documents were not perforated to prevent their re-presentation for payment; and
 - Filing arrangements of disbursement documents did not easily facilitate their retrieval.

Recommendation 8

(8) The UNOCI Office of Mission Support should ensure that disbursement documents are properly cancelled to avoid their re-presentation, and filing arrangements are improved for easy retrieval of documents.

25. *The UNOCI Office of Mission Support accepted recommendation 8 and stated that the Finance Section will buy a heavy duty perforating machine to ensure disbursement documents are cancelled. Moreover, the General Services Section and Mission Management are working closely to enhance a secured space for archiving finance files. Based on the assurances provided by management and a review of the improvements made, recommendation 8 has been closed.*

V. ACKNOWLEDGEMENT

26. We wish to express our appreciation to the Management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

cc: Mr. Wallace Divine, Chief Mission Support, UNOCI
Mr. Seth Adza, Audit Response Team, Department of Field Support
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
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STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNOCI Office of Mission Support should conduct a detailed review of payments of mission subsistence allowance for official travel outside the Mission area since the inception of the Mission to determine if any further overpayments were made, and initiate a recovery, where appropriate.	Financial	Medium	O	Verification that any overpayments of MSA have been recovered.	30 June 2009
2	The UNOCI Office of Mission Support should remind staff members, attendance monitors and section chiefs of their responsibility for ensuring correctness of attendance statements before signing them.	Operational	Medium	O	Verification that new procedures are established.	April 2009
3	The UNOCI Office of Mission Support should remind payroll staff to closely check the attendance records and ensure recoveries are effected before approving the Mission Subsistence Allowance payments.	Compliance	Medium	O	Reconsider its response and implement recommendation by strengthening supervisory and approving controls over MSA payments.	Not accepted
4	The UNOCI Office of Mission Support should address accountability for the contravention of United Nations Financial Regulations and Rules and the UN Procurement Manual in the selection of the Institute of Training and Development to provide training to the Mission staff members.	Compliance	High	O	Address accountability for the contravention of UNFRR in the selection of Institute of Training and Development.	30 April 2009
5	The UNOCI Office of Mission Support should initiate recovery of the balance of the advance paid to the Institute of Training and Development immediately and ensure that future advances to vendors are avoided when	Compliance	Medium	O	Adjustment/recovery of advance payment to the ITD.	30 April 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
6	they are not in line with normal commercial practice or the interest of the United Nations. The UNOCI Office of Mission Support should, in consultation with the Office of Legal Affairs in the Mission, review the present Memorandum of Understanding for the implementation of the Quick Impact Projects and revise it to include a clause requiring implementing partners to designate bank accounts into which payments would be made.	Compliance	Medium	C	Action taken.	Implemented
7	The UNOCI Office of Mission Support should establish a timeline in which certifying and approving officers act on cash replenishment requests in order to prevent shortages of funds which may hamper the Mission's ability to meet urgent operational requirements.	Compliance	Medium	C	Action taken.	Implemented
8	The UNOCI Office of Mission Support should ensure that disbursement documents are properly cancelled to avoid their re-presentations, and filing arrangements are improved for easy retrieval of documents.	Operational	Medium	C	Action Taken.	Implemented

1. C = closed, O = open

2. Date provided by UNOCI Management in response to recommendations.