



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **Audit of cash management in MONUC**

**Cash management function needs further  
improvement in MONUC**

**15 October 2009**

**Assignment No. AP2008/620/02**

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United Nations  Nations Unies

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. Allan Doss, Special Representative of the Secretary  
A: General,  
United Nations Organization Mission in the Democratic  
Republic of Congo

DATE: 15 October 2009

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

*Fatoumata*

REFERENCE: IAD: 09-03028

SUBJECT: **Assignment No. AP2008/620/02 – Audit of cash management in MONUC**  
OBJET:

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 recommendation 4 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. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendation 8) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Jun Yamazaki, Assistant-Secretary-General, Controller, OPPBA  
Mr. David Pittfield, Chief, Integrated Support Services, MONUC  
Mr. Hany Abdel-Aziz, Director Mission Support, MONUC  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management  
Mr. Seth Adza, Chief, Audit Response Team, Department of Field Support  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Cash management in MONUC**

OIOS conducted an audit of cash management in the United Nations Mission in the Democratic Republic of Congo (MONUC). The overall objective of the audit was to assess the adequacy of and effectiveness of internal controls over cash management. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Following the audit of cash management in MONUC in 2006 (AP2006/620/05), issues raised by OIOS were mostly addressed. However, in the present audit, OIOS identified the following areas for improvement to further enhance the safety of cash holdings and improve operational efficiency in cash management:

- Opening/closing of vaults and access to the cashiers' offices were not systematically recorded in Kinshasa and field offices;
- Surveillance cameras and bullet-proof glass were yet to be installed in all the cashiers' offices;
- Independent surprise cash counts were not performed in any of the cashier offices;
- Imprest holdings in some field offices exceeded the prescribed ceiling, exposing large amounts of cash to the risk of loss;
- Petty cash for some offices exceeded the monthly requirement leading to idle cash holding and increased risk of loss of cash;
- Approximately \$535,000 for services provided by the Mission to agencies remains outstanding and has been uncollectible; and
- The Standard Operating Procedures for data recovery and business continuity relating to cash management needed to be revised to ensure continuity of operations in the event of disaster.

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

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of cash management in the United Nations Mission in the Democratic Republic of Congo (MONUC). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Based on the projected monthly remittance requirements established by the Chief Finance Officer (CFO), the Department of Management transfers the required funds to the Mission's bank accounts in New York and in the Democratic Republic of Congo (DRC). MONUC received \$425 million and \$406 million during fiscal years ending 30 June 2007 and 2008 respectively. Additionally, the Mission received \$400 million from July 2008 through May 2009.

3. The Mission maintained eight bank accounts within its area of operation and two accounts in New York. Of the eight bank accounts maintained in the Mission area, five were in United States dollar and three were in local currencies. The following table represents fund balances as of 30 June 2008.

**Table 1: Fund Balances as of 30 June 2008\***

Bank Name	# of Accounts	Amount (\$)	%
JP Morgan	1	4,059,389	52
BCDC	5	847,277	11
Citibank	2	2,375,159	30
Stanbic	2	551,063	7
Total	10	7,832,888	100

\* The exchange rate for Congolese Franc and Ugandan Shillings were 550 and 1627 respectively.

4. There are 19 finance offices in the Mission area, including three in Entebbe, Kigali and Pretoria. The total imprest limit for MONUC is \$1,180,000 and the Finance Section held an imprest balance of \$454,564 and \$766,974 as of 30 June 2008 and 31 May 2009 respectively.

5. In accordance with Rule 104.8 of the United Nations Financial Regulations and Rules (FRR), various sections and programmes of the Mission in Kampala, Uganda administered petty cash accounts. There were 13 petty cash holders (12 in Kinshasa and 1 in Kampala) with limits ranging from \$200 to \$5000. The total petty cash limit for MONUC for the year 2007-08 was \$30,950.

6. The Mission procures some goods and services on behalf of some UN agencies, programmes and funds and peacekeeping missions. Additionally, the Mission provides services including generators, vehicles, air services etc. to these organizations. The outstanding receivables balance as of 30 June 2008 from these agencies was \$1,113,274 and \$2,440,697 as of 31 May 2009.

7. Comments made by MONUC are shown in *italics*.

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## II. AUDIT OBJECTIVES

8. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over cash management in the following areas:

- (a) Safeguarding of cash;
- (b) Compliance with the relevant regulations, rules, procedures and guidelines; and
- (c) Business continuity and disaster recovery planning.

## III. AUDIT SCOPE AND METHODOLOGY

9. The audit reviewed cash management in the Mission from 1 July 2007 to 31 December 2008.

10. OIOS reviewed documents, analyzed data, interviewed key personnel and conducted site visits to finance offices in Goma, Bukavu, Entebbe and Kisangani.

## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Safeguarding of cash

#### Inadequate controls over vaults

11. As per the Field Finance Procedure Guidelines (FFPG), two persons should open the vault and written records must be kept regarding the opening and closing of the vault. However, the keys for the strong room and the vault in the Cashier's Office in Kinshasa were held only by the Cashier. In the field offices, the keys were held separately by two finance staff, whenever there were at least two international staff available in the Finance Section. Otherwise, one key each was held by a finance staff and a staff member from another section. The register for opening and closing the vaults was not maintained in Kinshasa, Goma, Kisangani and Entebbe, as required.

12. Furthermore, no written procedure was in place for the handover/takeover of swipe cards. Additionally, the alarm system in the Field cashier's offices had passwords for activation but these passwords were not changed periodically. This may affect the security of the offices.

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## Recommendations 1 and 2

The MONUC Office of Mission Support should:

(1) Ensure: (a) there is sufficient control over the access to the vault and strong room (i.e. keys are held by appropriate individuals); and (b) written records are kept regarding the opening and closing of the vault.

(2) Ensure: (a) written records are maintained for entry and exit to the Cashier's Office; (b) procedures are established for the proper handover/takeover of swipe cards when staff leave or return to the Mission; and (c) passwords for the alarm system in the cashiers' offices are changed periodically.

13. *The MONUC Office of Mission Support accepted recommendation 1 and stated that a register is maintained for opening and closing of the vaults in all locations and keys are held by the concerned cashier staff. Recommendation 1 remains open pending confirmation that the keys of the strong room and the vault in Kinshasa office are held by two finance staff.*

14. *The MONUC Office of Mission Support accepted recommendation 2 and stated that a log is in place for recording all entry into and exit from the cashier's office. Staff in possession of the swipe card is now required to hand over the swipe card whenever he/she goes on leave and sign upon return. Change in passwords had been implemented in Kinshasa office and other locations have been instructed to change codes periodically. Recommendation 2 remains open pending confirmation of the periodical change of passwords for alarm systems in all the cashiers' offices.*

### Inadequate security over cashier offices

15. In the previous audit report on cash management (AP2006/620/05), OIOS recommended the use of bullet-proof glass on the windows of the cashiers' offices and the installation of surveillance cameras to record and monitor activities in the offices. Bullet-proof glass was installed in the Kinshasa office but not in the field offices. Surveillance cameras had not been installed at any location. Considering that the field offices in the Eastern Region handle large amounts of cash as there are no banking facilities, the absence of such security measures increases the risk of loss of cash.

### Recommendation 3

(3) The MONUC Office of Mission Support should ensure that bullet-proof glass on windows and surveillance cameras are installed in all cashiers' offices as early as possible, especially in the offices in the Eastern Region.

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16. *The MONUC Office of Mission Support accepted recommendation 3 and stated that safety measures have been fully implemented for Kinshasa while those for Goma, Bunia and Bukavu are scheduled for installation; in other locations where installing bullet proof glass was not feasible, arrangements were made to minimize the risk and safeguard cash holding; further, under the new banking arrangements being introduced, risk of handling cash would be transferred to the bank. Recommendation 3 remains open pending installation of bullet-proof glasses in the windows and surveillance cameras in Goma, Bunia and Bukavu offices and implementation of the new banking arrangements in field offices.*

Lack of independent periodic cash counts

17. The FFIG provides that an officer designated by the CFO should conduct periodic surprise cash counts, including verification of Cash Receipt Vouchers (CRVs), cheques and other financial instruments. Finance officers in the field carried out a daily cash count, but independent surprise cash count of imprest funds was not conducted in any office as required.

**Recommendation 4**

**(4) The MONUC Office of Mission Support should ensure that periodic surprise cash counts are conducted, including verification of Cash Receipt Vouchers, cheques, and other financial instruments as required by the Field Finance Procedure Guidelines.**

18. *The MONUC Office of Mission Support accepted recommendation 4 and stated that surprise cash counts including verification of CRVs, cheques and other financial instruments are carried out both in the regions and in Kinshasa. Records of surprise cash counts are maintained in Kinshasa and the other offices are required to send reports of surprise cash counts to Kinshasa for records. Based on the action taken by Office of Mission Support, recommendation 4 has been closed.*

**B. Compliance with existing regulations, rules, procedures and guidelines.**

19. The Controller established an overall imprest fund limit for the Mission and a specific limit for each field office (see Table 2). OIOS noted that the total amount of imprest funds in some offices significantly exceeded the imprest limit. In three offices, excess cash holding ranged from \$6,533 to \$31,446 (see Table 2). In Mbandaka, excess cash of \$58,000 was held for one week during March 2009. Considering the weaknesses in the safe keeping of cash in the field offices, there is the risk of loss relating to excessive cash holdings. The Mission did not obtain the approval of the Controller for holding cash in excess of the approved limit.

**Table 2: Imprest and Advances Balances as of 30 June 2009**

<b>Office</b>	<b>Imprest Limit (\$)</b>	<b>Imprest Balance (\$)</b>	<b>Advance Balance (\$)</b>	<b>Total (\$)</b>	<b>Excess over Limit (\$)</b>
Mbuji-Mayi	10,000	478	16,045	16,523	6,523
Mbandaka	10,000	7,496	33,950	41,446	31,446
Bandundu	5,000	2,275	14,843	17,118	12,118

**Recommendation 5**

**(5) The MONUC Office of Mission Support should ensure that the imprest cash limit is observed for the total cash holding in the Mission's field offices.**

20. *The MONUC Office of Mission Support accepted recommendation 5 and stated that it is currently reviewing the imprest cash limit with the aim of determining the appropriate level for each location. Recommendation 5 remains open pending determination of revised imprest cash limits for each location and their approval by the Controller.*

**C. Effectiveness of cash management activities**

Ineffective petty cash management

21. The Controller established an overall petty cash level of \$25,000 for the Mission. However, the aggregate level of petty cash held by various offices was \$30,450 as of 31 July 2008. Adequate internal controls were not in place to ensure compliance with the approved overall level of petty cash.

22. The FFIG provide that petty cash level should be based on the requirements for one month of the concerned office/programme and the cash should be replenished at least monthly. However, in some offices the petty cash level equaled to four to six months' requirements. For example, the Communication Information Technology Section (CITS) and the Public Information Division (PID) were holding petty cash of \$3,000 and \$2,000 in excess of their respective monthly requirements. Holding large amounts of cash in unsecured areas increases the risk of loss of cash.

23. No petty cash was established for field offices (except for \$500 for Special Envoy for the LRA affected areas in Kampala). Therefore, field finance offices made many small payments (i.e. up to \$200 for each payment) from the Imprest Cash Account with the same level of controls and documentation as required for payments of larger amounts. For example, in May 2009, at the Bukavu and Goma Field finance offices, 26 per cent and 15 per cent respectively of the payments involved amounts less than \$200 (with some payments as low as \$12). Thus, there is a need for more petty cash accounts to reduce the workload of field finance offices and to improve operational efficiency.

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## Recommendation 6

**(6) The MONUC Office of Mission Support should improve petty cash management by: (a) limiting the petty cash to one month's requirement; (b) ensuring that the overall limit of petty cash is not exceeded; and (c) establishing petty cash in the field offices where justified for expenses of small amounts.**

24. *The MONUC Office of Mission Support accepted recommendation 6 and stated that the implementation is ongoing - all petty cash custodians have been advised to determine their petty cash level based on one month requirement and to evaluate the actual petty cash requirement monthly, the overall petty cash limit has been brought in line with the overall limit and field office managers and senior regional section representatives have been asked to assess their petty cash requirements and if justified petty cash will be established. Recommendations 6 remains open pending determination of petty cash limit for all petty cash fund custodians and establishment of petty cash at the field offices.*

### Significant amounts of receivables are uncollectible

25. The Mission provides services to UN agencies, programmes and funds including generator services, vehicles, fuel, telecommunications and air services etc., and raises claims on post facto basis.

26. Large amounts were outstanding against United Nations Development Programme (UNDP) for services rendered by the Mission. For services provided by UNDP, the Mission pays in advance as per the billing arrangements for such services. However, there is no provision for UNDP to pay in advance for services provided to them by the Mission. This has worked adversely for MONUC. For example, \$278,694 was owed by MONUC from UNDP as of February 2009 for services provided by MONUC, including \$27,795 which was outstanding for more than one year. During the audit, the Mission recovered \$219,533 of the \$278,694 outstanding balance.

27. MONUC faces difficulties in the recovery of its dues from other agencies too. For example, the World Food Programme (WFP) was to pay \$257,346 to MONUC for a search and rescue operation conducted for a missing aircraft in 2006. However, WFP did not respond to repeated requests of MONUC for reimbursement. Besides, the Bureau International Catholique de l'Enfance has acknowledged \$11,162 advanced by MONUC to them but did not submit utilization vouchers.

## Recommendation 7

**(7) The MONUC Office of Mission Support Should: (a) liaise with the Department of Field Support to develop a service agreement with the United Nations Development Programme requiring advance payments from UNDP for services rendered by MONUC; and (b) follow up with the**

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**World Food Programme regarding payments owned to the Mission for services rendered and with Catholique de l'Enfance for reconciliation of advances made**

28. *The MONUC Office of Mission Support accepted recommendation 7 and stated that the Chief of Administrative Services will liaison with DFS to develop a service agreement with the UNDP, and that the Mission would continue to follow up with WFP and the Bureau International Catholique de l'Enfance to recover the outstanding amount. Recommendation 7 remains open pending the establishment of a service agreement with UNDP for advance payments for the services provided by the Mission to UNDP and recovery of the amount due from WFP and Catholique de l'Enfance.*

**D. Business continuity and disaster recovery planning pertaining to cash management**

Absence of updated SOP could affect disaster recovery functions

29. The Finance Section's data is backed up and stored on a shared drive by the Finance Section and CITS on daily basis from the server where the application is installed. There is a time lag between the backup done by the Finance Section and that done by CITS. During this period, the backed up Finance Section data is accessible to all staff in the Finance Section and thus lacked integrity.

30. The Standard Operating Procedures (SOPs) for backup state that backed up tapes at CITS should be randomly checked to ensure the integrity and availability of the data. Audit noticed that verification of the tapes was not properly documented in accordance with the SOP.

31. The Mission does not have an up-to-date SOP for disaster recovery and business continuity. As such, the continuity of the cash management function may be compromised.

**Recommendation 8**

**(8) The MONUC Office of Mission Support should ensure that: (a) backed up financial data in the Finance Office is secure; (b) verification of back up tapes is documented in accordance with the Standard Operating Procedure (SOP) for the backup process; and (c) revised SOPs are established for disaster recovery and business continuity.**

32. *The MONUC Office of Mission Support accepted recommendation 8 and stated that the recommendation is being implemented. Back up of Sun data is maintained in Kinshasa and Entebbe where two offline Sun services have been set up and tested. The SOPs on backup/restore has been revised and restoration of most current back up would ensure business continuity in case of server failure. Besides, in order to secure the back up performed by the Finance*

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*Section, limited access was provided to the back up folder to two staff members only and back up tapes are randomly checked and documented. Recommendation 8 remains open pending verification of documentation of the back up tapes by the CITS.*

## **V. ACKNOWLEDGEMENT**

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

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1.	The MONUC Office of Mission Support should ensure: (a) there is sufficient control over the access to the vault and strong room (i.e. keys are held by appropriate individuals); and (b) written records are kept regarding the opening and closing of the vault.	Compliance	Medium	O	Confirmation that the keys of the strong room and the vault in Kinshasa office are held by two finance section staff.	September 2009
2.	The MONUC Office of Mission Support should ensure that: (a) written records are maintained for entry and exit to the Cashier's Office; (b) procedures are established for the proper handover/takeover of swipe cards when staff leave or return to the Mission; and (c) passwords for the alarm system in the cashiers' offices are changed periodically.	Compliance	Medium	O	Confirmation of the periodical change of passwords for alarm systems in all the Cashiers Offices.	September 2009
3.	The MONUC Office of Mission Support should ensure that bullet-proof glass on windows and surveillance cameras are installed in all cashiers offices as early as possible, especially in the offices in the Eastern Region.	Compliance	Medium	O	Installation of bullet-proof glasses in the windows and surveillance cameras in Goma, Bunia and Bukavu offices and implementation of the new banking arrangements in field offices.	December 2009
4	The MONUC Office of Mission Support should ensure periodic surprise cash counts are conducted, including verification of Cash Receipt Vouchers, cheques and other financial instruments as required by the Field Finance Procedure Guidelines.	Compliance	Medium	C	Recommendation 4 has been closed.	Implemented
5.	The MONUC Office of Mission Support should ensure that the imprest cash limit is observed for the total cash holding in the Mission's Field Offices.	Compliance	Medium	O	Determination of revised imprest cash limits for each location and their approval by the Controller.	October 2009
6	The MONUC Office of Mission Support	Compliance	Medium	O	Determination of petty cash limit for all	November 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
7	<p>should improve petty cash management by: (a) limiting the petty cash to one month's requirement; (b) ensuring that the overall limit of petty cash is not exceeded; and (c) establishing petty cash in the field offices where justified for expenses of small amounts.</p> <p>The MONUC office of Mission Support should: (a) Liaise with the Department of Field Support to develop a service agreement with the United Nations Development Programme and to obtain advance payments for services to be rendered by MONUC; and (b) follow-up with World food Programme regarding payments owed to the Mission for services rendered and with the Bureau International Catholique de l'Enfance for reconciliation of advances made.</p>	Operational	Medium	O	<p>petty cash fund custodians and establishment of petty cash at the field offices.</p> <p>Establishment of a service agreement with UNDP for advance payments for the services to be provided by the Mission to UNDP and recovery of the amount due from WFP and Bureau International Catholique de l'Enfance.</p>	September 2009
8	<p>The MONUC office of Mission Support should ensure that: (a) backed up financial data in the Finance Office is secure; (b) verification of backup tapes is documented in accordance with the Standard Operating Procedure (SOP) for the backup process; and (c) revised SOPs are established for disaster recovery and business continuity.</p>	Compliance	High	O	<p>Verification of documentation process of the back up tapes by the CITS.</p>	September 2009

1. C = closed, O = open

2. Date provided by MONUC Office of Mission Support in response to recommendations.