



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Payment process in MINURCAT**

**Payments were made without the relevant supporting documents and the settlement of several invoices was delayed due to the failure of certifying officers to provide the relevant supporting documents to the Finance Section**

**13 November 2009**

**Assignment No. AP2009/636/06**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

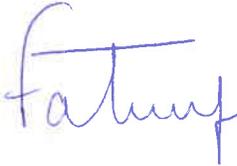
OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. Victor Da Silva Angelo,  
A: Special Representative of the Secretary-General,  
MINURCAT

DATE: 13 Novemehr 2009

REFERENCE: IAD: 09- 03113

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



SUBJECT: **Assignment No. AP2009/636/06 - Audit of payment process in MINURCAT**  
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 recommendations 5-8 and 10 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., recommendations 3 and 11), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Guy Siri, Chief of Mission Support , MINURCAT  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit Secretariat  
Mr. Seth Adza, Chief, Chief, Audit Response Team, Department of Field Support  
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management  
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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### CONTACT INFORMATION

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## **EXECUTIVE SUMMARY**

### **Audit of payment process in MINURCAT**

OIOS conducted an audit of the payment process in the United Nations Mission in the Central African Republic and Chad (MINURCAT). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the Mission's payments. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Internal controls over payments were weak, as follows:

- Prior to making payments, certifying and approving officers did not ensure that goods and services were received;
- Payment of invoices totaling \$3.4 million had been pending for up to six months due to the lack of relevant supporting documents;
- The Disbursement Unit did not have the appropriate tools for tracking vendor invoices and staff claims, resulting in the risk of double and delayed payments; and
- MINURCAT spent \$2 million on official travel, staff security and aircraft crew accommodation. There were no contracts to contain the costs of travels and staff security.

OIOS made recommendations to address the issues identified during the audit and to further strengthen existing controls.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the payment process in the United Nations Mission in the Central African Republic and Chad (MINURCAT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Disbursement Unit (DU) of the Finance Section is responsible for processing vendors' invoices and travel claims, approving payments and replenishing petty cash and imprest accounts. The DU had seven staff. Table 1 below provides the summary of the Mission's expenditures during fiscal years 2007/2008 and 2008/2009. The DU was not responsible for processing payments relating to certain accounts such as the salaries of international staff, which are processed by the Department of Field Support.

**Table 1: Expenditures (in \$) for the fiscal years 2007/2008 and 2008/2009**

Description	2007/2008 (\$)	2008/2009 (\$)
Personnel	12,728,794	80,733,935
Facilities and infrastructure	37,944,935	138,414,387
Transport operations	2,813,805	18,984,657
Communications and information technology	1,992,955	8,520,648
General services	627,111	7,445,184
Others	187,800	670,886
Total	56,295,400	254,769,697

3. Comments made by MINURCAT are shown in *italics*.

## II. AUDIT OBJECTIVES

4. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over the Mission's payments.

## III. AUDIT SCOPE AND METHODOLOGY

5. The audit covered the processing of payments for goods, services and travel claims from 1 September 2007 to 28 February 2009.

6. The audit methodology included a review of relevant procedures, guidelines and records supporting the payment process. Interviews were conducted with certifying and approving officers and with officials concerned in the DU and the Procurement Section.

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## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Efficiency and effectiveness of the payment process**

#### Payments were processed without supporting documentation

7. The disbursement process includes the certification of obligation and approval of payments. The certification process authorizes and substantiates the request for payments, whereas the approval of payments allows for the matching of invoices and claims with previously recorded obligations and relevant supporting documents in compliance with Financial Rules 105.4, 105.7, 105.8 and 105.9. According to Rule 105.6, approving officers are responsible for approving the making of payments once they have ensured that they are properly due and confirming that the necessary services, supplies or equipment have been received in accordance with the contract.

8. OIOS was not provided the Receipt and Inspection (R&I) reports relating to nine invoices amounting to \$1 million. Additionally, five travel claims were processed and paid in the absence of boarding passes. The making of payments without the relevant supporting documents increases the risks of irregularities and financial losses.

9. Owing to the lack of relevant supporting documents, claims totalling \$3.4 million were pending payment, and over \$2.5 million of the total had been pending since June 2008. Furthermore, OIOS determined that the DU took an average of 33 days to process invoices and claims compared to 8 to 10 days set out in the Standard Operating Procedures (SOPs). There was no mechanism in place for the DU to obtain additional evidence from certifying officers for inadequately supported claims. The Mission management explained that these control weaknesses resulted from the lack of adequate training for certifying and approving officers.

#### **Recommendations 1 to 3**

#### **The MINURCAT Office of Mission Support should:**

- (1) Provide training to certifying and approving officers on their functions as outlined under United Nations Financial Regulations and Rules;**
  - (2) Establish a check-list for use by certifying and approving officers to ensure that invoices are supported by relevant documentary evidence; and**
  - (3) Inquire into payments totaling \$1 million without the supporting documents to establish if the related goods and services were received by the Mission.**
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10. *The MINURCAT Office of Mission Support accepted recommendation 1 and indicated that a memorandum reminding all approving and certifying officers of their respective responsibilities would be issued. Recommendation 1 remains open pending the issuance of an official memorandum reminding approving and certifying officers of their respective responsibilities.*

11. *The MINURCAT Office of Mission Support accepted recommendation 2 and stated that guidelines on invoice processing would be issued to all certifying and approving officers. Recommendation 2 remains open pending the issuance of guidelines on invoice processing.*

12. *The MINURCAT Office of Mission Support did not accept recommendation 3 and stated that no R&I reports were required under the contract but it provided the R&I reports of six of the nine invoices referred to in paragraph 8. OIOS notes that the contract does not require R&I reports for the purpose of payments. However, as indicated in paragraph 7 above, under Financial Rule 105.6, the Mission is not allowed to make payments without first ensuring that the payments are properly due, confirming that the necessary services, supplies or equipment have been received in accordance with the contract. OIOS is therefore reiterating recommendation 3 and requesting MINURCAT to reconsider its position.*

#### Disbursement Unit lacks a work plan and performance indicators

13. The DU within the Finance Section is headed by an Officer-in-Charge (OIC) who is supported by six staff. However, the Finance Section lacked managerial tools and mechanisms for the DU to proactively execute its functions. There were no mechanisms for tracking vendors' invoices and claims, resulting in the risk of double and/or delayed payments. The Section did not prepare a work plan translating its responsibilities into objectives, expected accomplishments and measurable performance indicators. As a result, there was no optimum distribution of work in the DU and substantial resources were allocated to routine processes including the review of travel claims.

#### **Recommendations 4 to 6**

##### **The MINURCAT Office of Mission Support should:**

**(4) Require the Chief Finance Officer to develop an annual work plan with objectives, expected accomplishments, and measurable performance indicators in order to achieve efficiency and manage performance;**

**(5) Ensure that mechanisms are established and implemented for tracking payments; and**

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**(6) Require the Chief Finance Officer to analyze the processing of recurrent payments and propose innovative procedures that reduce work load and enhance administrative efficiency.**

14. *The MINURCAT Office of Mission Support accepted recommendation 4 and stated that appropriate action will be undertaken by October 2009. Recommendation 4 remains open pending receipt of the Finance Section's comprehensive work plan.*

15. *The MINURCAT Office of Mission Support accepted recommendation 5 and stated that a Lotus database is being implemented in order to keep track of payments and notify vendors and payees. Recommendation 5 remains open pending receipt of evidence of the implementation of an invoice tracking system.*

16. *The MINURCAT Office of Mission Support accepted recommendation 6 and indicated that this recommendation was partially implemented and would be completed in November 2009. Recommendation 6 remains open pending receipt of evidence of its full implementation.*

Unliquidated obligations were not reviewed regularly

17. The Mission's unliquidated obligations are not being monitored in a timely manner. A Board of Auditors Management letter (Ref: PKO-MINURCAT-CAR-2008-91) dated 29 October 2008, had drawn the Mission's attention to \$41 million of obligations which remained unliquidated for the previous fiscal year 2007-2008. This amount was reduced to \$16 million as of February 2009. The Chief Finance Officer (CFO) explained that reviews of unliquidated obligations had been delayed by the inability of the Mission to generate liquidation reports in a timely manner. In order to efficiently monitor obligations, the CFO proposed to set up the Fund Management Tool (FMT), which is the platform used by other missions to harmonize the review process of obligations.

**Recommendation 7**

**(7) The MINURCAT Office of Mission Support should request the Department of Field Support to provide the Fund Management Tool to the Mission in order to review and monitor expenditures.**

18. *The MINURCAT Office of Mission Support accepted recommendation 7 and stated that the FMT had been fully implemented and MINURCAT personnel attended the required training in July 2009. Based on the action taken by MINURCAT, recommendation 7 has been closed.*

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## **B. Analysis of the Mission's expenses**

19. As at 30 April 2009, MINURCAT had incurred \$898,000 for official travel out of a fiscal year allotment of \$818,000 and \$145,000 for travel within the Mission area out of a fiscal year allotment of \$140,000.

### Weak controls over authorizing travel within the Mission' area

20. According to the Chief of Mission Support (CMS), section chiefs are responsible for authorizing official travels of their staff within the Mission area. The CMS issued Administrative Instruction (14/2008) in order to regulate and administer travels. However, the instruction only addresses travel allowances within the Mission area, and there is no clear provision on the authorization and administration of travels. The CMS agreed to revise the Administrative Instruction to require prior justification and approval before a travel commences.

### MINURCAT has not established a travel contract

21. MINURCAT has no travel contract. In the absence of a travel contract and quotations from travel agencies or airlines, OIOS could not ascertain that the least costly fares were applied.

22. The CFO explained that payments for travels are based on the certified Travel Authorizations (PT-8) and the assumption that certifying officers review three quotations before certifying each PT-8. The Travel Unit stated that solicitation from travel agencies and airlines were undertaken on a case-by-case basis, but could not provide documentation. In this regard, OIOS found 15 payments for air tickets exceeding \$60,000 that were not supported by quotations from travel agencies.

23. OIOS also noted the absence of contracts covering recurrent services such as international staff residential security and air crew hotel accommodations. This led to different hotel and security services rates being applied. For instance, rates ranging from \$500 to \$800 are being applied for similar private security services of staff members' residences. As at 30 June 2009, MINURCAT incurred \$378,000 on international staff residential security and \$600,000 on air crew hotel accommodation. OIOS is of the opinion that contracts with relevant service providers such as security guard companies and hotels would benefit the Mission in terms of management, efficiency and cost savings.

### **Recommendations 8 to 11**

#### **The MINURCAT Office of Mission Support should:**

- (8) Revise Administrative Instruction 14/2008 by adding provisions that require justification and approval of travels within the mission area;**

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**(9) Remind chiefs of sections of their responsibilities with respect to the cost effectiveness of movement of personnel under their supervision;**

**(10) In the absence of a contractual agreement with a travel agency, instruct certifying officers to ensure that sufficient number of quotations is obtained from travel agents or airlines for each travel requests; and**

**(11) Request the Chief, Procurement Section to launch a bidding process for travel services including for hotel accommodations of aircraft crews and harmonize the rates charged for security services provided to staff members.**

24. *The MINURCAT Office of Mission Support accepted recommendation 8 and stated that two administrative instructions had been issued which require the justification of the concerned section chief and the approval of the CMS for any within-mission travel lasting more than five days. Based on the action taken by MINURCAT, recommendation 8 has been closed.*

25. *The MINURCAT Office of Mission Support accepted recommendation 9 and indicated that an administrative circular would be issued to remind all section chiefs of their responsibilities with respect to authorizing MOPs. Recommendation 9 remains open pending the issuance of a memorandum to section chiefs reminding them of their responsibilities.*

26. *The MINURCAT Office of Mission Support accepted recommendation 10 and stated that bids from travel agencies had already been received and the technical evaluation completed. Pending the completion of the procurement process, the requirement for three quotes would be fully enforced. Based on the action taken by MINURCAT, recommendation 10 has been closed.*

27. *The MINURCAT Office of Mission Support partly accepted recommendation 11 stating that a contractual arrangement with travel agencies and hotels to accommodate air crews is feasible. However, MINURCAT stated that issues pertaining to the security of the staff members' residences would induce liabilities to the Mission if they were to be addressed by Management collectively. OIOS notes that there is a reimbursement limit for staff security and the full amount may be reimbursed to a staff member who provides justification. Considering the possibility of collusion between staff and security agencies, the existence of a reimbursement limit is not an adequate control to contain the cost of staff security. Recommendation 11 remains open pending the harmonization of the costs security services incurred by staff.*

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### **C. Archival of financial data**

28. The Board of Auditors' management letter dated 29 October 2008 reported the lack of an archiving system in MINURCAT. As at the time of audit field work, the system had not been set up. The CMS stated that the Mission is still working towards identifying a secure and suitable location.

## **V. ACKNOWLEDGEMENT**

29. We wish to express our appreciation to the Management and staff of MINURCAT 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 MINURCAT Office of Mission Support should provide training to certifying and approving officers on their functions as outlined under United Nations Financial Regulations and Rules 105.5 and 105.18.	Compliance	Moderate	O	Issuance of a memorandum reminding all approving and certifying officers of their respective responsibilities.	October 2009
2	The MINURCAT Office of Mission Support should establish a check-list for use by certifying and approving officers to ensure that invoices are supported by relevant documentary evidence.	Operational	Moderate	O	Issuance of a guideline on the invoice processing.	October 2009
3	The MINURCAT Office of Mission Support should inquire into payments totaling \$1 million without the supporting documents to establish if the related goods and services were received by the Mission.	Financial	High	O	Full implementation of recommendation 3.	Not provided
4	The MINURCAT Office of Mission Support should require the Chief Finance Officer to develop an annual work plan with objectives, expected accomplishments, and measurable performance indicators in order to achieve efficiency and manage performance.	Operational	Moderate	O	Comprehensive work plan for the Finance Section.	October 2009
5	The MINURCAT Office of Mission Support should ensure that mechanisms are established and implemented for tracking payments.	Information resources	Moderate	O	Evidence of the implementation of an invoice tracking system.	October 2009
6	The MINURCAT Office of Mission Support should require the Chief Finance Officer to analyze the processing of recurrent and propose innovative procedures that reduce work load and enhance administrative efficiency.	Operational	Moderate	O	Evidence of the full implementation of the recommendation.	November 2009
7	The MINURCAT Office of Mission Support should request the Department of Field Support to provide the Fund Management Tool to the Mission in order to review and monitor expenditures.	Information resources	Moderate	C	Action taken.	Implemented
	The MINURCAT Office of Mission Support should	Operational	Moderate	C	Action taken.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
8	revise Administrative Instruction 14/2008 by adding provisions that require justification and approval of travel within the mission area.					
9	The MINURCAT Office of Mission Support should remind chiefs of sections of their responsibilities with respect to the cost effectiveness of movement of personnel under their supervision.	Operational	Moderate	O	Issuance of a memorandum to section chiefs to remind them of their responsibilities with respect to authorizing MOPs.	November 2009
10	The MINURCAT Office of Mission Support should, in the absence of a travel contract, instruct certifying officers to ensure that sufficient number of quotations is obtained from travel agents or airlines for each travel requests.	Financial	Moderate	C	Action taken.	Implemented
11	The MINURCAT Office of Mission Support should request the Chief, Procurement Section to launch a bidding process for travel services including for hotel accommodations of aircraft crews and harmonize the rates charged for security services provided to staff members.	Financial	High	O	Harmonization of rates relating to security services provided to staff members.	Not provided

1. C = closed, O = open

2. Date provided by MINURCAT in response to recommendations.