



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR operations in Liberia

**Weak controls over management of partners
expose UNHCR to the risks of loss and inefficient
programme delivery**

3 December 2009

Assignment No. AR2009/111/03

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. Antonio Guterres, High Commissioner
A: United Nations High Commissioner for Refugees

DATE: 3 December 2009

REFERENCE: IAD: 09- 03167

for *William Peters*
FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AR2009/111/03 – Audit of UNHCR operations in Liberia**
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 5-6, 11-17, 20 and 23 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., recommendations 1, 12, 13 and 23), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

CC. Ms. Janet Lim, Assistant High Commissioner, UNHCR
Ms. Karen Farkas, Controller and Director, DFAM, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Special Assistant to the USG, OIOS
Mr. Christopher F. Bagot, Chief, Geneva Audit Service, OIOS

INTERNAL AUDIT DIVISION

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

Audit of UNHCR operations in Liberia

OIOS conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Liberia. The overall objective of the audit was to assess the adequacy of internal controls implemented by management to ensure the achievement of objectives. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Weak controls over the management of partners exposed UNHCR to the risks of loss and inefficient programme delivery. Areas of particular concern were monitoring, timeliness of implementation, release of instalments to implementing partners and verification of work performed. OIOS made recommendations to address each of these areas and to further strengthen current arrangements. OIOS also recommended that the UNHCR Regional Bureau for Africa clarify the roles of its regional offices for technical review of field programmes. This should include the information that needs to be provided to headquarters for monitoring purposes. Other findings included the following:

- The Representation in Liberia has not yet developed a disaster recovery plan to ensure that it can recover from potential disasters. Its backup and recovery processes also require some improvement.
- The Representation in Liberia needs to take action in the areas of financial management, procurement, logistics and contract management, including action to clear suspense and long outstanding cash in transit accounts. With the significant changes in staffing, the composition of both the Local Committee on Contracts and the Local Asset Management Board is outdated and requires attention to comply with the rules of composition.
- The Officer-in-Charge of safety and security had not been fully briefed on her duties as the security focal point for UNHCR or provided with a copy of the security risk assessment for the country. UNHCR needs to ensure that new Representatives are provided with all security related documents and are fully briefed on their responsibilities.

OIOS would like to thank the UNHCR Representation in Liberia for the prompt action undertaken to implement the recommendations made, with around 50 per cent of the recommendations being implemented at the time of issuing this report.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Liberia. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Fourteen years of armed conflict in Liberia resulted in successive waves of large scale forced displacement with civilian populations fleeing their homes and villages in the face of widespread killings, looting, property destruction, rape and child soldier recruitment. This civil unrest claimed an estimated 700,000 lives and left thousands uprooted and displaced. Many Liberians fled into exile in neighboring countries.

3. Following the signing of the comprehensive peace agreement in 2003 and the voluntary disarmament and demobilization of ex-combatants by the United Nations Mission in Liberia (UNMIL), UNHCR started an organized voluntary repatriation of Liberian refugees in October 2004 as part of an Inter-Agency effort to deal with the effects of the war.

4. Between November 2004 and April 2007, this Inter-Agency Operation assisted approximately 27,000 internally displaced persons (IDPs) to return to their places of origin. Regarding the refugee population that fled outside the country, by May 2007, UNHCR had repatriated a total of 98,647 individuals and had a residual registered population of approximately 84,585. In addition, there were spontaneous returns as well.

5. By 2009, UNHCR estimated it assisted a total of 112,256 Liberian returnees, with registered spontaneous returns at 45,954. Estimates of former IDPs stood at 326,990. There are 71 recognized asylum seeker cases, covering 105 persons from 10 different countries, who are spread across Liberia. In addition, 7,045 Ivorian refugees are based in Liberia with nearly all of them living in the southeast along the Cote d'Ivoire border. There are 3,563 Sierra Leonean refugees also based in Liberia, most of whom have settled and will likely remain in Montserrado County.

6. The majority of refugee returns settled in Bong, Grand Cape Mount, Lofa, Maryland, Montserrado and Nimba counties (highest in Lofa and Montserrado), while the majority of the IDP returns are living in Bomi, Bong, Gbarpolu, Grand Cape Mount and Lofa counties (highest in Lofa and Bomi).

7. In 2007 and 2008, UNHCR maintained a branch office (BO) in Monrovia, sub-offices (SOs) in Saclepea and Voinjama and field offices (FOs) in Gbarnga, Harper, Zwedru (2007 and 2008) and Tubmanburg (2007 only) with a field unit in Monrovia. The structure for 2009 included the BO in Monrovia, an FO in Saclepea and field units in Zwedru and Harper. In 2007, UNHCR had 221 staff members working in its Liberia operations, which was reduced to 183 in 2008 and 82 in 2009.

8. In 2007 and 2008, UNHCR's operations were led by a Representative at the D-1 level. For 2009, however, the Representative position was a P-5 level pursuant to the "measured withdrawal" approach. At the time of the audit, the operation was led by an officer-in-charge, but a new Representative took office in mid-June 2009.

9. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

10. The overall objective of the audit was to assess the adequacy of internal controls implemented by management to ensure the achievement of objectives, which included:

- (a) reliability and integrity of financial and operational information;
- (b) effectiveness and efficiency of operations;
- (c) safeguarding of assets; and,
- (d) compliance with regulations and rules, Letters of Instruction and sub-project agreements.

III. AUDIT SCOPE AND METHODOLOGY

11. The audit, which was conducted between May and July 2009, focused on transactions for the year 2007 to the end of 2008 with a total value of \$47 million.

12. The audit activities included a review and assessment of internal controls implemented by management, interviews with selected staff and implementing partner (IP) representatives, analysis of applicable data, documents and records using a judgmental sampling approach. Interviews were held with the external auditor for the audit of the IPs. OIOS conducted site visits at the Logistics and Support Liberia (LSL) warehouse in Monrovia and the sub-office in Saclepea as part of the audit.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme management

Lack of clarity of roles after reorganization of the Regional Bureau for Africa has led to gaps in programme support and review

13. The UNHCR Regional Bureau for Africa commenced a restructuring exercise in 2007 which involved the decentralization of functions to its regional offices in Pretoria, and increasingly Dakar and Kinshasa. One consequence of

this move has been that the desks in Geneva no longer perform the role of programme support and review. They had previously been receiving and reviewing the programme related documents including signed sub-project agreements and signed sub-project monitoring reports (SPMRs). The unsigned versions of these documents are available in MSRP, (the Enterprise Resource Planning system implemented by UNHCR) but do not contain details of the project descriptions. The Representation in Dakar has been active but has not taken on the role that the desks used to perform. The Implementing Partner Unit in the Global Service Centre in Budapest (GSC) has been focused on the financial aspects of IPs and not programme support and review.

14. Consequently, the critical area of programme support and review has not been receiving the same attention as before. While some oversight is performed at headquarters in terms of final decision making on strategic issues, this does not include technical support for and review of programmes. As a result, the Regional Bureau has been unable to identify potential problems with programme implementation in a timely manner and ensure that corrective action is taken.

Recommendation 1

(1) The UNHCR Regional Bureau for Africa should clarify the roles of its regional offices for technical review of field programmes. This should include the information that needs to be provided to headquarters for monitoring purposes.

15. *The Regional Bureau for Africa accepted recommendation 1 and acknowledged the relevance of the gaps in programme support which was attributed to the limited implementation timeframe of the regionalization. The Regional Bureau stated that the clarification of the roles is a subject being addressed at the corporate level through the accountability framework. The Regional Bureau meeting of all Representatives in Africa taking place between 16 and 20 November will also address this important concern as part of its agenda. Recommendation 1 remains open pending clarification of the responsibility for programme support and review after the Regional Bureau meeting.*

UNHCR has not yet defined programmes that should be subject to evaluation

16. In the opinion of OIOS, key programmes need to be evaluated on a regular basis to ensure that they remain effective.

17. UNHCR has made a concerted effort to enhance the quality and expand the quantity of its evaluation activities since the establishment of the Policy Development and Evaluation Service (PDES). While the organization has been supportive of and been committed to the systematic analysis and assessment of projects, programmes, practices and policies, it has not yet formally specified which of the organization's programmes, activities and initiatives should be subject to evaluation and the criteria to be used to select such programmes. In

Liberia, there was no systematic evaluation of key projects/programmes implemented by UNHCR.

18. OIOS raised the issue of evaluation of UNHCR programmes in its audit of the UNHCR operations in Afghanistan. Since OIOS made a recommendation in that audit, no such recommendation is made in this report.

B. Programme implementation through Partners

Inadequate monitoring of projects implemented by IPs could lead to suboptimal outcomes for beneficiaries

19. Projects are required to be implemented in accordance with a schedule agreed in the sub-project agreements between UNHCR and the IP. In addition to low implementation rates in the early part of the year, there were delays by some IPs in completing their projects. For example, Africa Humanitarian Action (an IP which performed projects valued at \$314,299) was scheduled to complete its projects in July 2008. However, the IP did not complete the work until December 2008, and UNHCR did not verify and certify the projects until April 2009.

20. In order to address the issue of low implementation rates by IPs, the UNHCR Representation in Liberia rightly reduced the budgets of ineffective IPs and moved funds through amendments to those IPs which were performing better. However, this was done relatively late in the year (October/November) thereby diluting its effectiveness in ensuring the meeting of yearly targets.

21. Though the Representation made adjustments for some IPs, especially in the fourth quarter, they did not verify the sub-project monitoring reports to ensure that these adjustments were properly reflected in the IP reports. In effect, there was no guarantee that the expenditure made by the IP in the fourth quarter and accepted by UNHCR for inclusion in its accounts was adequately supported by evidence of quality work performed and completed. The Project Control Assistant advised OIOS that this had been the practice because the office relied upon the external audit certification process which occurs at the end of each year.

22. In OIOS' opinion, the external audit certification process cannot be a substitute for UNHCR internal verifications, which are broader in scope and cover more than merely the financial aspects of the IPs' operations. Additionally, the timing of the audit certification is also normally delayed until all IPs have provided their SPMRs for the year.

Recommendations 2 to 4

The UNHCR Representation in Liberia should:

- (2) Reinforce measures to deal with delays by the implementing partners (IPs) in implementation and IPs that do not perform on a timely basis should be terminated where feasible;**

(3) Ensure that when it reallocates budgets to other implementing partners, it should do so in a timely manner in order to not dilute the effectiveness of such a measure; and

(4) Ensure that it verifies final Sub-Project Monitoring Reports for all implementing partners at the end of each year.

23. *The UNHCR Representation in Liberia accepted recommendation 2 and stated that a review is underway to determine the reasons behind delays in implementation by a few partners and it will take appropriate action by the end of the current programme cycle which concludes on 15 February 2010 when the final reports by all IPs are expected for projects that follow the normal calendar year. Recommendation 2 remains open pending confirmation that appropriate action has been taken by the end of the current programme cycle.*

24. *The UNHCR Representation in Liberia accepted recommendation 3 and stated that during the mid-year review in 2009, the overall implementation rate for all projects combined was 46 per cent, which is basically acceptable not taking into account international procurement component. It expected the rate to be 100 per cent by end of the programme cycle in December 2009. Recommendation 3 remains open pending confirmation by the Representation of final implementation rates at the end of the year.*

25. *The UNHCR Representation in Liberia accepted recommendation 4 and stated that it will verify all SPMRs, i.e., Implementing Partner Financial Monitoring Report (IPFMRs) and Narratives, which it receives by 15 February 2010 by the date of 15 March 2010. Currently, all SPMRs for the second quarter of the year are being verified in anticipation of the release of the third quarter instalments for IPs. Recommendation 4 remains open pending confirmation of the finalization of verification of SPMRs by 15 March 2010.*

Instalment payments before review of work performed could lead to losses where work is subsequently found to be sub-standard

26. Instalments payable to IPs are made in accordance with the terms of the project sub-agreement signed with UNHCR. These agreements require UNHCR to release instalment payments after an IP submits an IPFMR.

27. However, this was not the case for the Local Settlement Programme (401) in 2008 which involved the IP, Africa Concern International (ACI), an agency which received \$514,006 overall for its sub-project. Here, the SPMR verification form supporting the release of the next instalment had been completed and signed off by the UNHCR Reintegration Assistant on 24 April 2008. On 30 April 2008, the Project Control Officer (PCO) for UNHCR Monrovia certified that the IP had completed 89 per cent of the work and signed off on the IPFMR. The next day (1 May 2008), the Senior Programme Officer (SPO) in Monrovia approved the transaction and the remittance of the next instalment. However, UNHCR paid the IP an instalment of \$178,044 on 18 April 2008, before the PCO and SPO certified the IPFMR.

28. The release of the instalment before verification that the project had been completed could expose UNHCR to financial loss if the work had not been satisfactorily completed.

Recommendations 5

(5) The UNHCR Representation in Liberia should ensure that payments are only released after certification of the Implementing Partner Financial Monitoring Report by programme staff and not before.

29. *The UNHCR Representation in Liberia accepted recommendation 5 and stated that this was an isolated case. The current practice follows the recommendation. No IP has been paid, except for the first instalments where this is not applicable, without verifying and processing the SPMRs. SPMRs are signed by the Programme Officer or his designee and the Representative or OIC. Copies of signed SPMRs serve as supporting documents for the release of subsequent instalments.* Based on the action taken by the UNHCR Representation in Liberia and verification by OIOS that for the period from 1 January 2009 to May 2009, no further anomaly had occurred, recommendation 5 has been closed.

Inconsistency in the release of instalments for IPs could increase the risk of waste or loss and weaken accountability

30. UNHCR's sub-project agreements with the IPs provide that, subject to availability of funds, UNHCR will make further remittances commensurate with the progress of the sub-project and in accordance with the sub-project's liquidity status as evidenced by the IPFMRs, certifying that not more than 30 per cent of the last instalment received remains unspent. OIOS noted some inconsistency on the part of the UNHCR Representation in Liberia in the release of instalments to IPs. In some cases, the next instalment was released despite low rates of spending by the IP.

31. In one case, at the time of the first quarter IPFMR, the IP had only spent 58 per cent of the instalment. UNHCR had to wait until 24 May 2008 to release the next instalment, and even then the expenditure was still relatively low at 77 per cent. However for the period up to August 2008, the release of the next instalment was made after the IPFMR signed in October 2008, at which time only 65 per cent of the instalment had been expended.

32. For another IP in 2008, only 36 per cent of the previous instalment had been spent. Yet on 18 December 2008, the Programme Officer and Senior Programme Officer had certified and approved the release of the final instalment of \$78,026.

Recommendation 6

(6) The UNHCR Representation in Liberia should set standards to ensure consistency in the release of instalments to implementing partners (IPs). IPs whose implementation rates are low should not get additional funds until the implementation is at least up to that standard.

33. *The UNHCR Representation in Liberia accepted recommendation 6 and stated that IPs will only be eligible for the next instalment if and only if 70 per cent of the last instalment has been spent with reported expenses first being matched against the previous balance due to UNHCR. No instalment payments have been released without adhering to this rule in 2009 and the practice will continue in the future.* Based on the action taken by the UNHCR Representation in Liberia, recommendation 6 has been closed.

Decision to terminate IP and have local staff directly implement projects without documented authorization exposes UNHCR to risk of fraud

34. The Representation has the delegated authority to choose IPs for the implementation of projects. The sub-project agreement provides the terms and conditions under which the projects are implemented and the roles and responsibilities of the various parties.

35. For one sub-project (2008/AB/LBR/LS/401) implemented by ACI, the IP had not completed the final IPFMR as at 4 June 2009, even though the agreement required completion and liquidation by February 2009. Citing financial difficulties faced by ACI, some UNHCR local staff decided to terminate an agreement with the IP. While the staff documented the rationale and explained that verbal approval had been given, there was no formal documentation confirming this. The absence of such formal documentation increases the risk of fraud.

36. The Representation reached an agreement with the IP, allowing UNHCR to spend the remaining instalment of \$22,917 to finish the project. UNHCR was then to provide the receipts to ACI to be used for the preparation of the final IPFMR. As at June 2009, the Representation had failed to obtain the final IPFMR of the IP. Consequently, there had also been no accounting of the segment undertaken directly by UNHCR through its local staff.

37. In OIOS' opinion, the decision to combine UNHCR's direct implementation of a project with the IP's implementation, and having UNHCR provide receipts to the IP could compromise the accountability process for the project and put the Organization in a conflict of interest in terms of approval for the standard of implementation. Ideally, UNHCR could have terminated the sub-project with the IP and have the IP account for all previous instalments. UNHCR could then finish the project itself through direct implementation and account for all spending relating to that direct implementation.

Recommendations 7 and 8

The UNHCR Representation in Liberia should ensure that:

(7) The decision to terminate the agreement with Africa Concern International and change the terms of the agreement is retroactively approved by senior management; and

(8) The accounts of the implementing partner Africa Concern International relating to the portion of work it performed and the segment of work which UNHCR directly implemented are separately accounted for.

38. *The UNHCR Representation in Liberia accepted recommendation 7 and stated that senior management will retroactively approve the termination of the ACI sub-project agreement by the end of September 2009, the date by which all the documents would have been received. Recommendation 7 remains open pending confirmation from the UNHCR Representation in Liberia of the formal approval for the termination of ACI.*

39. *The UNHCR Representation in Liberia accepted recommendation 8 and stated that the IP has been asked to return documents relating to direct implementation. A separate report and recording will be done for direct implementation by BO Monrovia. The IP will only account for and report on instalments received although the organization has dissolved itself and getting the ACI management in Liberia has been extremely difficult for BO Monrovia. Recommendation 8 remains open pending confirmation of the finalization of the separate reporting and recording of the direct implementation and the reporting by the IP.*

The IPs could benefit from systematic analysis of common findings by the Representation in Liberia in order to build their capacities

40. UNHCR IOM 064/FOM 067/2007 (Implementing Partner Audit Certification - Roles, Responsibilities and Accountabilities), provides that Representatives/Heads of Offices and Directors at Headquarters implementing programmes that are subject to audit certification are accountable and responsible for compliance with Implementing Partner Audit Certification requirements. These requirements include undertaking periodic reviews of programme implementation, verification of SPMRs, reviewing the audit opinion and developing action plans to remedy any issues identified by the auditors in their report.

41. The UNHCR Representation in Liberia has been verifying the IPs' SPMRs. Aside from the reports for the final quarters in 2007 and 2008, all reports were available for this audit. The findings are filed in each IP's folder. However, there is no systematic analysis of common findings that could be shared with the IPs and their external auditors in order to promote improvements by the IPs.

42. Upon finalization of the audit of the IPs for the 2007 financial year, which was performed in 2008, the external auditor issued qualified audit opinions for five IPs: American Refugee Committee, CARITAS Liberia, Gesellschaft für Technische Zusammenarbeit, Peacewind Japan and Medical Emergency Relief Cooperation International.

43. The management letters for the IPs (including the five qualified) also identified weaknesses in internal control systems observed by the auditors. The UNHCR Representation in Liberia wrote to the five IPs who received qualified opinions to follow up on the matters raised in the qualifications. Nonetheless, there was no evidence of follow-up of the internal control weaknesses identified in the management letters for the other IPs. UNHCR follow-up of audit findings and internal control weaknesses is crucial to promote improvement of the operations of the IPs.

Recommendations 9 and 10

The UNHCR Representation in Liberia should:

(9) Systematically analyze the findings of the Sub-Project Monitoring Reports verifications and share this information with the implementing partners (IP) and external auditors in order to improve IP operations; and

(10) Follow up on internal control weaknesses identified through the Implementing Partner (IP) Audit Certification process to promote improvements to IP operations.

44. *The UNHCR Representation in Liberia accepted recommendation 9 and stated that three meetings have already taken place with partners and they all have indicated their willingness to correct the anomalies reported by the external auditors. Before the commencement of external audits in March 2010 for 2009 sub-projects, the auditors will be sufficiently briefed on the various findings during 2009 verification exercises. Recommendation 9 remains open pending confirmation from the UNHCR Representation in Liberia that it completed the briefing for the auditors.*

45. *The UNHCR Representation in Liberia accepted recommendation 10 and stated that all audit reports will be summarized in a tabular format. UNHCR will meet with those IPs still implementing for UNHCR, and which have been identified in the audit certifications as having internal control weaknesses. Recommendation 10 remains open pending confirmation of action taken in meetings with IPs who have been identified as having internal control weaknesses.*

C. Management of non-financial resources

The UNHCR Representation in Liberia faces significant challenges in fleet management with most of the fleet subject to constant repair and maintenance

46. Section 5.2.3.2.3 of Chapter 8 of the UNHCR Manual provides that the Organization must assess the cost-effectiveness of repairing an item of equipment with the cost of disposal and replacement. The workshop manager and supply staff should identify the point at which paying more to keep an item in service is no longer justified by its remaining useful lifespan.

47. As of 10 June 2009, the Representation had 20 trucks in use for operational purposes. Thirteen of these trucks were in the workshop undergoing repairs. All these trucks were more than 18 years old and had frequent breakdowns suggesting that the truck fleet needed further rationalization to ensure reliability.

Recommendation 11

(11) The UNHCR Representation in Liberia should assess its truck fleet to ensure that the trucks are operationally sound in order to reduce bottlenecks.

48. *The UNHCR Representation in Liberia accepted recommendation 11 and stated that ongoing fleet assessment and engine overhaul to cut and reduce use of lubricant and fuel consumption are being carried out to acceptable standards. Out of the current fleet of 20 old trucks, 12 have been maintained and are operational while the remaining 8 trucks are slated for disposal through sale. Based on the action taken by the UNHCR Representation in Liberia, recommendation 11 has been closed.*

The lack of a disaster recovery plan could result in inability to recover in the event of a disaster

49. UNHCR does not have a disaster recovery plan for its operations in Liberia, including its Informational Technology (IT) Unit. In the event of a disaster, the operations could therefore be adversely affected, resulting in serious consequences, such as the loss of its ability to respond to the people of concern, compromised security and confidentiality of data, unnecessary work backlog, a reduced ability to maintain deadlines, the failure to meet service levels and a reduced ability to communicate with other offices. Other consequences might be non-recoverability of critical data, the inability to access email, data, applications and information that rely on the internet/intranet connection, an unexpected cost of replacing equipment as well as the cost of recreation and recovery of lost data.

50. One of the responsibilities of the UNHCR Field Office Support Team (FOST), now renamed Global Field Technical Support (GIFTS), is to support field IT infrastructure security, specifically in the areas of design and implementation of backup, antivirus and disaster recovery strategies.

51. In the past, UNHCR's operations have suffered from the lack of disaster recovery plan when it had to discontinue operations for some time during the war and as a result, it experienced severe disruption, loss of data and files and theft of IT material.

52. The absence of a disaster recovery plan also affects the IT backup system. Although the UNHCR Representation in Liberia has implemented a data backup policy, there is still a possibility of losing data. Under the current procedures, the office makes a backup tape of the data on a daily basis. These daily backups are done on five different tapes over the five working days of the week. The tapes are held for a month, at which time, the office makes a copy of the recorded month-long data and sends it to Saclepea as an additional protection. The tapes are not stored in a fire resistant safe but on a shelf in the server room. Consequently, there is a risk that in the event of a disaster around the end of the month (prior to the sending of the monthly tape to Saclepea), almost an entire month's worth of data could be lost.

Recommendations 12 and 13

The UNHCR Representation in Liberia should:

(12) In conjunction with the Regional Representation in Dakar, liaise with the Global Field Technical Support Unit (GIFTS) to develop a disaster recovery plan for its operations; and

(13) Explore opportunities to keep backup tapes in a fire resistant safe in another location other than the server room.

53. *The UNHCR Representation in Liberia accepted recommendation 12 and stated that the IT Section is in direct contact with the Senior Regional IT Officer for Technical Support relating to disaster recovery planning. The Representation also receives on a quarterly basis from GIFTS antivirus CDs with other UNHCR software for disaster recovery procedures with the appropriate documentation. Based on the action taken by the UNHCR Representation in Liberia, recommendation 12 has been closed.*

54. *The UNHCR Representation in Liberia accepted recommendation 13 and stated that monthly backup tapes are now kept in a fire resistant safe. A second copy of the monthly back up tape will be sent to FO Saclepea for storage (out of sight storage). The same arrangement applies to FO Saclepea backup tapes. Based on the action taken by the UNHCR Representation in Liberia, recommendation 13 has been closed.*

Lack of staff representation could lead to issues concerning staff not being appropriately raised and dealt with

55. Chapter 8 of the UNHCR Staff Administration and Management Manual, which is based upon the United Nations Staff Rules and Regulations, provides guidance regarding staff representation. In particular, Staff Regulation 8.1

provides that “the Secretary-General will establish and maintain continuous contact and communication with the staff in order to ensure their effective participation in identifying, examining and resolving issues relating to staff welfare, including conditions of work, general conditions of life and other personnel policies.” This requirement therefore applies to Representatives of the Secretary-General.

56. As part of the downsizing that took place in 2008 and 2009, the staff member who was the elected representative lost his job in the early part of 2009. Since then, there has been no staff representative. Management told OIOS that it attempted to poll staff to elect a new representative, with the last attempt taking place in early 2009, but it was unsuccessful due to a lack of interest.

57. The lack of a staff representative has had an impact on the operations of the Appointments Postings and Promotions Committee (APPC). Consequently, the Representation decided to process its recruitment review through the Regional APPC based in Dakar. The impact in terms of timeliness of this approach is unknown as it has not yet been tested. Meanwhile, staff members do not currently have any representation when dealing with management.

Recommendation 14

(14) The UNHCR Representation in Liberia should organize a new poll to elect a staff representative to ensure that issues concerning staff are adequately dealt with.

58. *The UNHCR Representation in Liberia accepted recommendation 14 and stated that since the audit, Staff Association voting took place on 2 July 2009 and BO Monrovia has a full-fledged staff representative. A new APPC was formed and has been operational since 19 August 2009.* Based on the action taken by the UNHCR Representation in Liberia, recommendation 14 has been closed.

The delays in processing staff pensions for some former staff has led to tension and frustration and could translate to confrontation if not addressed promptly

59. The UNHCR Staff Administration and Management Manual governs the separation and contract termination of staff members. A dedicated form (P35) is completed by administrative services after the financial situation of such staff members have been cleared. In cases of separation, staff members could receive payments from the United Nations Joint Staff Pension Fund.

60. An analysis of the situation of staff members separated from the Representation in Liberia showed that 23 separated staff members are still waiting for their pension payment. Of this number, one left UNHCR at the end of 2007, 16 in 2008 and 6 in 2009. Our review showed 5 out of the 23 still have “open items” in the books of the UNHCR Representation in Liberia, representing \$13,034 in receivables and \$10,009 in payables.

61. There also have been significant delays for the remaining staff. Although the documentation for the former staff were sent to the Global Service

Centre at the same time as other staff who have already been paid, these individuals are still awaiting their payments. This has led to tension and frustration on the part of such former staff members, which could easily translate into confrontation if not promptly resolved.

Recommendations 15 and 16

The UNHCR Representation in Liberia should:

(15) Instigate action to clear all open items relating to former staff members who were affected by the downsizing exercise; and

(16) In conjunction with the Regional Bureau for Africa, follow up with the Global Service Centre to expedite action on the claims of the former staff members awaiting payment of their settlement from the Pension Fund.

62. *The UNHCR Representation in Liberia accepted recommendation 15 and stated the Financial Control Section in Budapest has begun releasing P35s to payroll since the last week of July 2009. It is expected that the whole back log of outstanding open items relating to former staff members will be cleared by 31 October 2009. Based on the action taken by the UNHCR Representation in Liberia, recommendation 15 has been closed.*

63. *The UNHCR Representation in Liberia accepted recommendation 16 and stated follow-ups are being made by the Representation as well as the concerned ex-staff members. Payments of pension are immediately released as and when the authorization to pay is received from the Pension Fund through headquarters. Based on the action taken by the UNHCR Representation in Liberia, recommendation 16 has been closed.*

D. Financial management

UNHCR needs to take action to deal with long outstanding open items and clear suspense accounts

64. The UNHCR Manual part 5, chapters 5.6 and 5.7, provides instructions for the management of suspense accounts. In addition to the mandatory supporting documents for all suspense accounts, the Representation in Liberia is required to identify losses and then ask the relevant Asset Management Board for write-off approval with proper justification. Any monies owed by staff members constitute indebtedness to UNHCR and should be recovered.

65. The OIOS review of suspense accounts covering 2007 and 2008 showed a total amount of \$473,065 in receivables (including \$248,116 relating to Value Added Tax) and a total of \$173,890 in accounts payable. The ageing analysis of payables and receivables highlighted that some open items have been pending since 2003 due to loss of justification documents. Of particular interest was a case of cash-in-transit totalling \$10,470 (two separate amounts of \$7,239 and

\$3,503) which has been outstanding since 2006. The documentation relating to these transactions had been lost. Some amounts relating to Medical Evacuation (MEDEVAC) were also outstanding due to the inability to retrieve supporting documentation from the Representation in South Africa, where the MEDEVAC took place.

66. In addition, the previous audit of the UNHCR Operation in Liberia performed by OIOS in 2006 had already identified the Value Added Tax (VAT) issue. The VAT was considered due from the Government of Liberia based on certain fuel transactions that UNHCR had entered into. The issue has been pending since 2004-2005. After several attempts and discussions with the Government, which yielded no tangible results, the UNHCR Representation in Liberia concluded that it would not be able to recover the amount.

67. The case was presented to the Local Asset Management Board (LAMB) in February 2008. The LAMB decided to submit a write-off request to the Headquarters Asset Management Board (HAMB) in Geneva. At the time of the audit (June 2009), the Representation had not received any information regarding the HAMB decision and was still waiting for a final determination.

Recommendations 17 to 19

(17) The UNHCR Representation in Liberia should prepare an action plan to clear the suspense accounts in a timely manner.

(18) The UNHCR Representation in Liberia should liaise with the Finance and Treasury Sections and prepare an action plan with respect to the long outstanding cash in transit.

(19) The UNHCR Headquarters Asset Management Board should expeditiously clear the issue of the Value Added Tax receivable relating to the Representation in Liberia.

68. *The UNHCR Representation in Liberia accepted recommendation 17 and stated that a schedule to assist in the clearance of long outstanding suspense accounts has been developed for implementation.* Based on the action taken by the UNHCR Representation in Liberia and the provision of the proposed schedule to OIOS, recommendation 17 has been closed.

69. *The UNHCR Representation in Liberia accepted recommendation 18 and stated that the Administration Unit will draft a memorandum for write-off of these amounts and submit it to the Local Assets Management Board for its review and subsequent decision. The decision of the LAMB will be sent to the HAMB for action.* Recommendation 18 remains open pending confirmation, after due process, of the write-off of the amounts.

70. *The UNHCR Representation in Liberia accepted recommendation 19 and stated that appropriate action will be taken by the Representation when a decision is reached by the HAMB to clear the amount. Recommendation 19 remains open pending confirmation of the clearance of the amount, after due process.*

The failure to use the Electronic Funds Transfer (EFT) function in MSRP has led to inefficient processing of payments

71. The Treasury Section has imposed a strict limit of \$50,000 on the use of cheques for payments in Liberia. On the other hand, payments by EFT through the MSRP system provides the Representative with unlimited delegated authority and higher amounts for key staff.

72. OIOS noticed that the UNHCR Representation in Liberia makes payments using cheques and has not yet started using EFT for payments to vendors. Consequently, all payments are split into lots of \$50,000. As an example, an IP had to be paid \$375,721 in November 2007. The Representation prepared seven cheques for \$50,000 and one for \$25,721. UNHCR pays all of its IPs, partners and contractors under this method, even in cases where the amount paid is millions of dollars.

73. The preparation, review and approval of a series of cheques of \$50,000 for every payment are a cumbersome exercise, resulting in a waste of time. In addition, this repetitive process may lead to a higher likelihood of error. Finally, this process results in the under-utilization of MSRP treasury module features.

Recommendation 20

(20) The UNHCR Representation in Liberia should use the MSRP Electronic Funds Transfer facility for payments, where possible, in order to introduce greater efficiency in the payment process.

74. *The UNHCR Representation in Liberia accepted recommendation 20 and stated that negotiation with EcoBank on the operation of EFT including additional security measures has been initiated. Based on the action taken by the UNHCR Representation in Liberia, recommendation 20 has been closed.*

E. Procurement, Logistics and Contract Management

The UNHCR Representation in Liberia needs to broaden its vendor database in order to benefit from enhanced sourcing

75. Chapter 8 of the UNHCR Manual (specifically part 2, section 2) provides guidance related to sourcing of vendors and states that “establishing and maintaining a database of current and potential vendors is a critical part of sourcing. It helps UNHCR ensure a steady supply, assists payment processing and promotes competition. The Vendor database contains detailed information on each registered supplier, and is linked to the item database.”

76. UNHCR's procurement in Liberia was characterized by few local suppliers (almost always buying from the same vendors). The Supply Assistant physically visits suppliers to obtain quotes and generally obtains high prices for commodities. The physical visits to vendors could increase the risk of inappropriate relationships with vendors. Furthermore, the office's vendor roster contains only 68 vendors, thereby reducing the Representation's ability to gain efficiencies through highly competitive sourcing.

77. Other United Nations Agencies in Liberia have developed their own database of vendors.

Recommendation 21

(21) The UNHCR Representation in Liberia should liaise with other United Nations agencies to gain access to the list of local vendors used by those organizations to increase its pool of local vendors and to fully comply with Chapter 8 of the UNHCR Manual.

78. *The UNHCR Representation in Liberia accepted recommendation 21 and stated that BO Monrovia is in the process of contacting all the other UN agencies in the country in order to increase its pool of local vendors.* Recommendation 21 remains open until OIOS receives confirmation from the Representation in Liberia of the finalization of the exercise.

The composition of the Local Committee on Contracts (LCC) and the Local Asset Management Board (LAMB) is outdated and could lead to challenges to legality of recommendations made by the bodies

79. Chapter 8 (specifically part 1 and section 2) of the UNHCR Manual provides guidance on logistics and procurement activities. The Manual defines the roles and responsibilities of staff members involved in the procurement and supply activities. One of the bodies required to supervise such activities is the LCC. The UNHCR Manual recommends that "all proposals to enter into commercial contracts valued at \$150,000 or more for Headquarters and \$20,000 or more in the field, require approval from an appropriate Committee on Contracts."

80. The Manual also sets forth the minimum LCC composition, which is to be comprised of one chairperson, three full members (including 1 or 2 alternate chairpersons) and three alternates (the minimum quorum to run the LCC is the chair and two members).

81. With the downsizing exercise that had occurred in Liberia, the composition of the LCC was not up-to-date. The new Administrative/Finance Officer was part of the decision process, but he had not been formally appointed as a member of the LCC. The Supply Assistant was also a full member of the LCC.

82. The effect of having a member who had not been formally appointed could render recommendations by the LCC to be questionable. The appointment of the Supply Assistant as a full member (and not just a Resource Person) presents a high risk of conflict of interest.

83. Moreover, with the ongoing staff movements, several members have either left or are about to leave thereby rendering them unable to serve on the LCC. Effectively, the Senior Programme Officer left the Liberia office on 1 June 2009, the Senior Protection Officer (who was acting Representative and was chairing the committee) was scheduled to leave at the end of June 2009, the Associate Administrative Officer was also scheduled to leave the office at the end of June 2009 and a new Representative had been appointed to take up his assignment on the 15 June 2009.

84. Finally, the LAMB is also out-dated in terms of its composition for the same reasons as the LCC.

Recommendation 22

(22) The UNHCR Representation in Liberia should reconstitute the Local Committee on Contracts (LCC) and the Local Asset Management Board upon the arrival of the new Representative to reflect current operations. As for the LCC, the Supply Assistant should not be designated a full member, but could be considered ex-officio to the LCC.

85. *The UNHCR Representation in Liberia accepted recommendation 22 and stated that a new LCC and LAMB are in the process of being reviewed by BO Monrovia and will be operational in September 2009. The Supply Assistant has been designated as ex-officio to the LCC. Recommendation 22 remains open pending the receipt by OIOS of the list of reconstituted LCC and LAMB.*

F. Safety and Security

The lack of appropriate briefing and provision of Security Risk Assessment could have compromised security related actions in case of emergency

86. In each country, there is a Designated Official who is usually the Special Representative of the Secretary-General who is supported by a Security Management Team (SMT). The UNHCR Representative in Liberia is a member of the SMT and the security focal point. OIOS noted that the UNHCR Representation in Liberia was led by an Officer-in-Charge (OIC). As of the date of the audit, the OIC had not been fully briefed on her role as the security focal point for UNHCR, nor had she been provided with the Security Risk Assessment (SRA) for the Country.

Recommendation 23

(23) The UNHCR Representation in Liberia should put in place procedures to ensure that the United Nations

Department of Safety and Security are contacted to provide new Representatives with all the required documentation and briefing in respect of their function as the security focal point for UNHCR in Liberia.

87. *The UNHCR Representation in Liberia accepted recommendation 23 and stated that upon the arrival of the new Representative, UNDSS met him to discuss all security procedures for Liberia and all relevant documentation was shared. At the moment, he is in constant communication with UNDSS and UNMIL security units. Additionally, BO Monrovia has joined and is actively participating in the weekly security cell meeting (which includes participation of all Agency Security Focal Points as well as Security Advisors) at UNMIL. Based on the action taken by the UNHCR Representation in Liberia, recommendation 23 has been closed.*

Failure to have an effective and working fire alarm system could compromise staff safety

88. OIOS noted that the fire alarm system within the BO in Monrovia had not been working properly. Sometimes the alarm automatically activated even when there was no fire. As a result, the batteries were removed from some of the alarms.

89. The Representation requested that the UNMIL Fire Marshall inspect the system, but the inspection had not yet taken place.

Recommendation 24

(24) The UNHCR Representation in Liberia should complete the inspection of the fire alarm system with the United Nations Mission in Liberia Fire Marshall and take action to make the office building compliant with fire prevention standards.

90. *The UNHCR Representation in Liberia accepted recommendation 24 and stated that the UNMIL Fire Marshall conducted a MOSS and MORSS inspection for UNHCR premises on 26 August 2009. The inspection report will be shared with HQ once it is received from UNMIL. In addition to the inspection, the fire Marshall will conduct fire drills for all UNHCR staff members during the month of September 2009. Recommendation 24 remains open pending confirmation by the Representation of action taken based on the findings of the report of the UNMIL Fire Marshall.*

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendations	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
1	The UNHCR Regional Bureau for Africa should clarify the roles of its regional offices for technical review of field programmes. This should include the information that needs to be provided to headquarters for monitoring purposes.	Governance	Higher	O	Clarification of responsibility for programme support and review after the Regional Bureau meeting.	Ongoing
2	The UNHCR Representation in Liberia should reinforce measures to deal with delays by the implementing partners (IPs) in implementation and IPs that do not perform on a timely basis should be terminated where feasible.	Operational	Moderate	O	Confirmation that appropriate action has been taken by the end of the current programme cycle.	15 February 2010
3	The UNHCR Representation in Liberia should ensure that when it reallocates budgets to other implementing partners, it should do so in a timely manner in order to not dilute the effectiveness of such a measure.	Operational	Moderate	O	Confirmation by the Representation of final implementation rates at the end of the year.	31 December 2009
4	The UNHCR Representation in Liberia should ensure that it verifies final Sub-Project Monitoring Reports for all implementing partners at the end of each year.	Operational	Moderate	O	Confirmation of the finalization of verification of SPMRs by 15 March 2010.	15 March 2010
5	The UNHCR Representation in Liberia should ensure that payments are only released after certification of the Implementing Partner Financial Monitoring Report by programme staff and not before.	Compliance	Moderate	C		Implemented
6	The UNHCR Representation in Liberia should set standards to ensure consistency in the release of instalments to implementing partners (IPs). IPs whose	Governance	Moderate	C		Implemented

Recom. no.	Recommendations	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	implementation rates are low should not get additional funds until the implementation is at least up to that standard.					
7	The UNHCR Representation in Liberia should ensure that the decision to terminate the agreement with Africa Concern International and change the terms of the agreement is retroactively approved by senior management.	Operational	Moderate	O	Confirmation from the UNHCR Representation in Liberia of the formal approval for the termination of ACI.	30 September 2009
8	The UNHCR Representation in Liberia should ensure that the accounts of the implementing partner Africa Concern International relating to the portion of work it performed and the segment of work which UNHCR directly implemented are separately accounted for.	Operational	Moderate	O	Confirmation of the finalization of the separate reporting and recording of the direct implementation and the reporting by the IP.	30 September 2009
9	The UNHCR Representation in Liberia should systematically analyze the findings of the Sub-Project Monitoring Reports verifications and share this information with the implementing partners (IP) and external auditors in order to improve IP operations.	Operational	Moderate	O	Confirmation from the UNHCR Representation in Liberia of the completion of the briefing for the auditors.	March 2010
10	The UNHCR Representation in Liberia should follow up on internal control weaknesses identified through the Implementing Partner (IP) Audit Certification process to promote improvements to IP operations.	Operational	Moderate	O	Confirmation of action taken in meetings with IPs who have been identified as having internal control weaknesses.	31 August 2009
11	The UNHCR Representation in Liberia should assess its truck fleet to ensure that the trucks are operationally sound in order to reduce bottlenecks.	Operational	Moderate	C		Implemented
12	The UNHCR Representation in Liberia should, in conjunction with the Regional Representation in Dakar, liaise with the	Operational	Higher	C		Implemented

Recom. no.	Recommendations	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
13	Global Field Technical Support Unit (GIFTS) to develop a disaster recovery plan for its operations. The UNHCR Representation in Liberia should explore opportunities to keep backup tapes in a fire resistant safe in another location other than the server room.	Information Resources	Higher	C		Implemented
14	The UNHCR Representation in Liberia should organize a new poll to elect a staff representative to ensure that issues concerning staff are adequately dealt with.	Operational	Moderate	C		Implemented
15	The UNHCR Representation in Liberia should instigate action to clear all open items relating to former staff members who were affected by the downsizing exercise.	Operational	Moderate	C		Implemented
16	The UNHCR Representation in Liberia should, in conjunction with the Regional Bureau for Africa, follow up with the Global Service Centre to expedite action on the claims of the former staff members awaiting payment of their settlement from the Pension Fund.	Operational	Moderate	C		Implemented
17	The UNHCR Representation in Liberia should prepare an action plan to clear the suspense accounts in a timely manner.	Financial	Moderate	C		Implemented
18	The UNHCR Representation in Liberia should liaise with the Finance and Treasury Sections and prepare an action plan with respect to the long outstanding cash in transit.	Operational	Moderate	O	Confirmation, after due process, of the write-off of the amounts.	Ongoing
19	The UNHCR Headquarters Asset Management Board should expeditiously clear the issue of the Value Added Tax receivable relating to the Representation in Liberia.	Operational	Moderate	O	Confirmation of the clearance of the amount, after due process.	Not provided
20	The UNHCR Representation in Liberia	Operational	Moderate	C		Implemented

Recom. no.	Recommendations	Risk category	Risk rating	C/ ¹ O ¹	Actions needed to close recommendation	Implementation date ²
21	<p>should use the MSRP Electronic Funds Transfer facility for payments, where possible, in order to introduce greater efficiency in the payment process.</p> <p>The UNHCR Representation in Liberia should liaise with other United Nations agencies to gain access to the list of local vendors used by those organizations to increase its pool of local vendors and to fully comply with Chapter 8 of the UNHCR Manual.</p>	Operational	Moderate	O	OIOS receives confirmation from the Representation in Liberia of the finalization of the exercise.	Ongoing
22	<p>The UNHCR Representation in Liberia should reconstitute the Local Committee on Contracts (LCC) and the Local Asset Management Board upon the arrival of the new Representative to reflect current operations. As for the LCC, the Supply Assistant should not be designated a full member, but could be considered ex-officio to the LCC.</p>	Operational	Moderate	O	Receipt by OIOS of the list of reconstituted Local Committee on Contracts and Local Asset Management Board.	30 September 2009
23	<p>The UNHCR Representation in Liberia should put in place procedures to ensure that the United Nations Department of Safety and Security are contacted to provide new Representatives with all the required documentation and briefing in respect of their function as the security focal point for UNHCR in Liberia.</p>	Operational	Higher	C		Implemented
24	<p>The UNHCR Representation in Liberia should complete the inspection of the fire alarm system with the United Nations Mission in Liberia Fire Marshall and take action to make the office building compliant with fire prevention standards.</p>	Operational	Moderate	O	Receipt by OIOS of confirmation of action taken based on the findings of the report by the UNMIL Fire Marshall.	30 September 2009

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations