

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Operations in Cote d'Ivoire

9 April 2008

Assignment No. AR2007/111/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR


INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. António Guterres, High Commissioner
A: United Nations High Commissioner for Refugees

DATE: 9 April 2008

REFERENCE: AUD- IAD/08-01191

FROM:  Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AR2007/111/02 - Audit of UNHCR Operations in Cote d'Ivoire**
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 1, 5, 7, 9, 10, 11, and 13 to 17 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 critical (i.e., recommendations 3 and 12) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Ms. Marjon Kamara, Director Bureau for Africa, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
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Mr. Byung-Kun Min, Programme Officer, OIOS
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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

UNHCR Operations in Cote d'Ivoire

OIOS conducted an audit of UNHCR Operations in Cote d'Ivoire. The overall objective of the audit was to assess the adequacy and effectiveness of internal control in ensuring: (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. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed, within the scope of the audit, the internal controls of the operations in Cote d'Ivoire by reviewing records relating to the activities implemented during 2005 and 2006 with a total expenditure of \$11.5 million. The operations' system of internal control was assessed as below average. The weaknesses identified, taken together or individually, significantly impaired the overall system of internal control. Prompt corrective action is required by management to significantly improve the application of key controls.

For CARITAS, a local implementing partner, the documentation supporting expenditure totalling \$930,000 representing 60 per cent of the 2005 and 2006 expenditure could not be reviewed, and resulted in a scope limitation. The expenditure could either not be linked to any of CARITAS' financial reports, or the supporting documentation had allegedly been destroyed during an attack on CARITAS' office in the field. Despite this incident and the volatile security situation in Cote d'Ivoire, CARITAS did not implement any back-up system to ensure that the loss of essential records and supporting documentation did not occur again. Also, salary loans were often granted to staff, without recording the transactions in the books of account, thus leaving no audit trail.

The « Association de Soutien à l'Autopromotion Sanitaire », a local implementing partner, had disregarded key budgetary requirements, resulting in numerous and significant budgetary overruns. Commitments were charged to the Sub-Project Monitoring Reports, and there was no evidence of subsequent payment of the commitments. The expenditure was not always recorded in the year in which it was incurred, and payments were sometimes delayed, much of this the result of frequent salary loans to staff that remained outstanding and carried forward from year to year.

The UNHCR Representation needed to substantially improve its programme management. In 2005 and 2006 projects' financial monitoring and implementation was insufficiently performed. Only very limited reviews were conducted, which concentrated on partners with small budgets, ignoring the largest partners.

Past monitoring of assets was seriously deficient, and had resulted in the loss of many assets and this was still under investigation. The Representation has taken steps to improve asset management, but there was still a need to conduct a

more comprehensive physical inventory, and to correct net book values of the assets in the Management System Renewal Project (MSRP).

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Cote d'Ivoire. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Since the outbreak of civil war in 2002, and despite the consequences of the political and military crisis in the country that led to massive internal displacement of 700,000 civilians, Cote d'Ivoire has remained hospitable to some 40,000 refugees from neighbouring countries, mainly from Liberia, which accounted for over 95 per cent of the refugee population. In 2006, the political climate was tense, as the country was still divided between the rebel-controlled north and the government-held south.

3. The fragile buffer zone between the rebel and government forces was dismantled in July 2007. The major challenge UNHCR is facing is the lack of refugee legislation in Côte d'Ivoire, although a draft bill was finalized with UNHCR's assistance in 2003. The repatriation of Liberian refugees, which had picked up in 2005 before the general elections in Liberia, slowed drastically. The voluntary repatriation officially ended in June 2007.

4. Comments made by the Representation are shown in *italics*.

II. AUDIT OBJECTIVES

5. The major objective of the audit was to assess the adequacy and effectiveness of internal control in ensuring:

- (a) the 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

6. The audit reviewed 2005 and 2006 programme activities under projects 05 & 06/AB/ICO/CM/205 and 05 & 06/AB/ICO/RP/370, with a combined total budget of \$10.2 million and expenditure of \$9.9 million. The audit covered the activities implemented by CARITAS - Cote d'Ivoire, Association de Soutien à l'Autopromotion Sanitaire (ASAPSU), and Service d'Aide et d'Assistance aux Réfugiés et Apatrid (SAARA). The audit reviewed the administration of the office of the Representation in Cote d'Ivoire with administrative expenditure totaling \$1.5 million for the years 2005 and 2006, and assets with an acquisition

cost of \$3.9 million and a current value of \$1.5 million. However, the audit scope was limited by CARITAS' inability to provide for OIOS' review documentation supporting expenditure of \$930,000 charged to UNHCR, which represented 60 per cent of the 2005 and 2006 expenditure incurred by CARITAS' field offices in Guiglo and Danané.

7. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines, data available from the Management System Renewal Project (MSRP), UNHCR's legacy system and AssetTrak; (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification and assessment of the effectiveness of controls; and (e) observations and verification of processes, as appropriate.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of implementing partners

8. For the three partners reviewed, except for SAARA, reasonable assurance could not be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS' findings relating to partners are outlined below.

9. Audit certificates for 2005 and 2006 were available for all partners, with qualified opinions expressed mainly due to budgetary overruns and the charging of ineligible expenditure.

CARITAS - Cote d'Ivoire

10. For 2005 and 2006, CARITAS was unable to provide to OIOS documentation supporting expenditure of \$930,000 charged to UNHCR. This represented 60 per cent of the 2005 and 2006 expenditure incurred by CARITAS' field offices in Guiglo and Danané.

11. For the 2005 expenditure incurred in Guiglo (\$315,000 representing 35 per cent of the total expenditure), CARITAS claimed that the files had been looted during an armed attack in January 2006. No copies had been made and kept at their main office in Abidjan. Given the volatile security situation in Cote d'Ivoire since 2002 (UN security phase III and IV), CARITAS should have initiated back up procedures, as was the case with other partners, to ensure that important documents were kept in a secure location. Moreover, and despite this incident, CARITAS continued the practice of keeping its accounting records and supporting documents at their field offices, and not keeping any back ups/copies elsewhere. Thus, as we did not make a visit to Guiglo, OIOS could not review the documentation supporting the 2006 expenditure incurred in Guiglo (\$110,000), which represented 17 per cent of the total expenditure.

12. Additionally, for the expenditure incurred at CARITAS' field office in Tabou (\$321,000 in 2005 and \$182,000 in 2006), the supporting documentation

could not be reviewed either, the reason being that for 2005 for example the supporting documentation could not be linked to any accounting records, as there were no journal entries and no ledgers. For the 2006 expenditure, due to a breakdown of the automated accounting system, CARITAS maintained its records in Excel tables, with monthly summaries produced. However, the summaries were incomplete, as CARITAS was unable to produce those pertaining to the period from March through June 2006. OIOS questioned how UNHCR had obtained assurance that its funds were used for the purposes intended, and whether the projects were satisfactorily implemented.

13. CARITAS did not comply with budgetary requirements under the Sub-Project Agreements. OIOS noted a number of budgetary overruns of up to 385 per cent above the budget line provided. These overruns were neither authorized by UNHCR, nor explained/justified in CARITAS' narrative reports.

14. Salary loans (representing up to three months' salary) were made to some CARITAS staff, but not recorded in the accounting system. The repayments, if any, were also kept off the official records, thus leaving no audit trail. In the absence of any tracking system, OIOS did not obtain any evidence that the advances were fully accounted for. During the review, CARITAS calculated (on the basis of copies of staff members' pay slips) that from January through July 2007 a total of \$6,140 had been loaned to some staff, with repayments of only \$2,280. No information was available for prior year loans and repayments if any.

15. OIOS found that CARITAS' Project Coordinator engaged in the practice of "borrowing" money very frequently from the petty cash, with no approval from the CARITAS Secretary General, though this was required under CARITAS' own procedures and internal controls. No reimbursements could be evidenced, and many of the "borrowings" had been made while the previous ones had not been reimbursed (disregarding his own proposed repayment schedule). The Project Coordinator's advances had thus kept accumulating. As at July 2007, his outstanding loan was \$2,540 with only \$160 reimbursed between January and July 2007. Such a practice is unacceptable.

16. OIOS also noted that the Project Coordinator had purchased a laptop for \$1,400 though this was not provided for in the Sub-Project Agreement budget, and no authorization had been sought/obtained from UNHCR. Moreover, no purchase order was issued for this procurement, which was made from a second-hand car dealer.

Recommendations 1 to 4

(1) The UNHCR Representation in Cote d'Ivoire should re-consider its partnership with CARITAS - Cote d'Ivoire in light of the shortcomings identified. If this is not a viable option, the Representation should strengthen monitoring and provide necessary training to ensure the partner's practices and procedures are at an acceptable level.

(2) The UNHCR Representation in Cote d'Ivoire should further investigate the loss of the documents reported by CARITAS - Cote d'Ivoire during the 2005 looting of the office in Guiglo, and whether a police report was issued and what follow up action was taken.

(3) The UNHCR Representation in Cote d'Ivoire should thoroughly review the documentation maintained by CARITAS – Cote d'Ivoire at field offices to ensure that expenditure charged to UNHCR can be fully supported. Any unsupported charges should be recovered accordingly.

(4) The UNHCR Representation in Cote d'Ivoire should request CARITAS - Cote d'Ivoire to implement measures for safeguarding supporting documents and to comply with budgetary requirements. Further, the practice of giving loans to CARITAS' staff using UNHCR funds should be discontinued immediately, with outstanding balances fully recovered and credited to the projects.

17. *The Representation accepted recommendation 1 and explained that partnership with a new implementing partner was not a viable option given the phasing down strategy of UNHCR, but a number of alternative measures have been taken to correct the deficiencies at CARITAS, including the recruitment of a new country Director to directly supervise UNHCR's projects, appointment of staff at the UNHCR Branch Office and Field Office to improve project monitoring, planned training sessions for all implementing partners, etc. Based on the action taken by the Representation, recommendation 1 has been closed.*

18. *The Representation accepted recommendation 2 and stated that no police report covering the looting was available, given that the event was of political nature, and that a review of post-January 2006 documents would be undertaken soon. The Representation accepted recommendation 3 and indicated that CARITAS has been requested to submit all available supporting documents for its review, but pointed out that such a review would be difficult since some of the documents had been lost during the January 2006 looting. Recommendations 2 and 3 remain open pending confirmation by the UNHCR Representation that CARITAS' post-January 2006 supporting documents have satisfactorily been reviewed.*

19. *The Representation also accepted recommendation 4 and stated that it has requested CARITAS to review its policies on cash management and loans to staff members, and that a formal request would be sent to partners to discontinue the practice of loans to staff using UNHCR funds. Recommendation 4 remains open pending confirmation by the Branch Office that all outstanding loans made by CARITAS to its staff have been recovered and credited to the projects.*

Association de Soutien à l'Autopromotion Sanitaire (ASAPSU)

20. OIOS found that under sub-project 05/LS/404 (a), the expenditure reported by ASAPSU in the final Sub-Project Monitoring Report (SPMR) was overstated by \$5,300. The actual expenditure per ASAPSU's ledgers was only \$415,800 while the expenditure reported to UNHCR was \$421,100. ASAPSU explained that the overstatement represented a commitment for social contributions owed to tax authorities, which had not been paid due to a lack of funds. OIOS pointed out that commitments should not be charged to final SPMRs and also that the full amount under the budget had been transferred according to the Sub-Project Agreements. Further, there was no evidence of the payment of this commitment in the entire subsequent year (2006). ASAPSU explained that the charges were only paid in 2007, and would thus not be charged to UNHCR in the 2007 final SPMRs.

21. Moreover, OIOS found several payments made in 2006 that actually pertained to expenditure incurred in previous years. For example, under sub-project 06/AB/ICO/LS/404 (a), a payment of \$1,700 was made on 5 May 2006 for vehicle repairs that took place in September 2005. This was also the case for many invoices from a pharmacy. Such commitments should normally have been cleared in January 2006 (during the sub-project liquidation period) and prior to the submission of the final SPMR, and not reported as having been paid. ASAPSU again justified this by the lack of cash, despite the fact they had received the full budget.

Recommendations 5 and 6

(5) The UNHCR Representation in Cote d'Ivoire should request Association de Soutien à l'Autopromotion Sanitaire to refrain from reporting commitments in the final Sub-Project Monitoring Reports.

(6) The UNHCR Representation in Cote d'Ivoire should, prior to accepting the final 2007 Sub-Project Monitoring Reports (SPMRs) of Association de Soutien à l'Autopromotion Sanitaire, closely scrutinize them to ensure it excludes any expenditure already included in prior years' final SPMRs.

22. *The Representation accepted recommendation 5 and stated that it had conducted follow up discussions with ASAPSU, and stressed the fact that all outstanding commitments should be liquidated one month after the end of the project. Any difficulties in complying with this requirement should be brought forward and discussed with UNHCR. The Representation also requested ASAPSU to improve on budget monitoring to prevent any over-expenditure that may result in commitment at the end of the year. Based on the action taken by the Representation, recommendation 5 has been closed.*

23. *The Representation accepted recommendation 6 and indicated that the 2007 final SPMRs would be reviewed in March 2008. Recommendation 6 remains open pending the full review of the 2007 final SPMRs, and confirmation by the Representation that no prior years' expenditure is double-charged to UNHCR.*

24. ASAPSU engaged in the practice of granting numerous and rather liberal salary loans to its staff, including the Director. Many of the salary loans had been made despite the fact that previous ones had not been re-paid. Also, most of the loans had outstanding balances that had been carried forward to subsequent years, or sometimes never reimbursed. For example, an employee obtained a loan of FCFA 1,000,000 (\$2,000) in April 2005 at a time when he already had an outstanding balance of FCFA 110,000 (\$220) on a previous loan. Not a single repayment had been made when he obtained a third loan of FCFA 500,000 (\$1,000), thus bringing his outstanding amount to FCFA 1,610,000 (\$3,228). This employee's employment was subsequently severed, but ASAPSU failed to deduct the outstanding loan from his final emoluments, on the basis of the employee promising to reimburse later. The practice of giving loans from UNHCR funds is unacceptable, and should be discontinued with immediate effect. OIOS assessed that such a practice had resulted in delays in bona-fide project payments, including social benefits and taxes, which could result in penalties imposed upon ASAPSU.

Recommendations 7 and 8

(7) The UNHCR Representation in Cote d'Ivoire should request Association de Soutien à l'Autopromotion Sanitaire to discontinue, with immediate effect, the practice of giving loans to staff from UNHCR funds, and to ensure outstanding balances are fully recovered.

(8) The UNHCR Representation in Cote d'Ivoire should recover from Association de Soutien à l'Autopromotion Sanitaire \$3,228 representing outstanding salary loans made to former staff, and unaccounted for at the time of separation.

25. *The Representation accepted recommendation 7 and stated that it has been implemented, based on its discussion and review of outstanding loans at October 2007. Based on the assurances provided by the UNHCR Representation, recommendation 7 has been closed.*

26. *The Representation accepted recommendation 8 and stated that ASAPSU was requested to reimburse the outstanding loan by February 2008, and that a follow up would be conducted during the project financial verification to ensure full implementation of the recommendation. Recommendation 8 remains open pending confirmation by the Representation that the outstanding loan of \$3,228 has been fully recovered from ASAPSU.*

27. OIOS assessed that the documentation supporting the expenditure was often inadequate. In many instances there were no purchase orders, no evidence of receipt of the goods/services, and the invoices were often available in two originals, not stamped or marked "paid", which increased the risk of double submission/payment for the same expenditure. For example, in 2006, invoices totaling \$38,400 were received from a pharmacy. There were no purchase orders and no evidence of delivery/receipt available. The invoice did not show that any verification had been made prior to payment. According to the Medical Doctor, the procedures were somewhat lax in 2006, whereby refugees were able to go directly to health clinics, and take their prescription directly to the official pharmacist, with no prior controls/authorization from ASAPSU. He also pointed out that the new procedures require that the refugees report to ASAPSU and obtain prior approval of the prescription.

Recommendation 9

(9) The UNHCR Representation in Cote d'Ivoire should request Association de Soutien à l'Autopromotion Sanitaire to ensure that adequate documentation supporting the expenditure is maintained and kept on file. In future, any expenditure not adequately supported should be rejected, and the amounts refunded to UNHCR.

28. *The Representation accepted recommendation 9 and stated that ASAPSU was urged to have adequate documents supporting the use of UNHCR's funds, and that the improvement of the filing system would be pursued with ASAPSU to ensure that expenditures are documented and filed as per UNHCR standards. Based on the action taken by the Representation, recommendation 9 has been closed.*

29. ASAPSU did not comply with the budgetary requirements. Under sub-project 05/AB/ICO/CM/205 (g), the expenditure actually incurred was some \$273,000 while the annual budget under the Sub-Project Agreement was some \$244,000, which meant that the annual budget was exceeded by \$29,000. ASAPSU did not seek any prior authorization from UNHCR, and therefore no supplementary Sub-Project Agreement was issued by UNHCR as a result.

30. OIOS noted that the UNHCR Representation subsequently took from ASAPSU the documentation pertaining to the budgetary overrun, and recorded it in UNHCR's legacy system (FMIS) at the Representation, as if the disbursements had been made directly by UNHCR. Such a practice is not transparent, and blurs the distinction between direct implementation (by UNHCR), and indirect implementation (by implementing partners) and should be avoided in future. OIOS could not obtain any evidence that the said supporting documentation had been reviewed and approved prior to being recorded by the Representation.

31. Even after the absorption by UNHCR of the overrun of \$29,000, there were numerous and very significant budgetary overruns at the budget line level (often from 800 per cent to over 1,700 per cent), with no evidence of any corrective action or subsequent approval by UNHCR. Had proper project

financial monitoring taken place, such overruns should not only have been detected earlier on, but should have been disallowed by UNHCR.

Recommendations 10 and 11

(10) The UNHCR Representation in Cote d'Ivoire should request Association de Soutien à l'Autopromotion Sanitaire to comply with the budgetary provisions of the Sub-Project Agreements and, in future, reject any unauthorized budgetary overruns.

(11) The UNHCR Representation Cote d'Ivoire should also ensure that a clear distinction is made in the UNHCR accounting system between UNHCR direct project implementation, and those activities implemented by implementing partners.

32. *The Representation accepted recommendation 10 and stated that it would ensure in future that any unauthorized budgetary overrun would be rejected. The Representation also accepted recommendation 11 and explained that as of January 2008, mechanisms have been put in place to ensure that UNHCR direct project implementation is not mixed up with the activities implemented by implementing partners. Recommendations 10 and 11 have been closed based on the assurances provided by the Representation.*

Service d'Aide et d'Assistance aux Réfugiés et Apatrid (SAARA)

33. OIOS assessed that the financial management and internal controls at SAARA were satisfactory. The expenditure was generally well supported, evidencing proper controls, authorization and approval prior to payment. There were, however, many payments that actually pertained to expenditure incurred in the preceding year. According to SAARA, towards the end of the year, UNHCR reduced certain budget lines and therefore, no money was available to pay for this already incurred expenditure.

B. General programme matters

Projects financial monitoring

34. There was no evidence of any project implementation and financial monitoring visits conducted in 2005 and 2006, despite the relatively low number of implementing partners in the operations (eight), and the availability of sufficient programme staff. The only financial verification exercise was conducted in March and May 2006, and this was for the review of the final 2005 SPMRs submitted by small partners such as SAARA and Solidarité, ignoring the biggest ones, including GTZ, CARITAS and IRC. For ASAPSU, the review was very brief, and pertained to the smallest sub-project implemented by ASAPSU (expenditure of less than \$4,000).

35. Under the circumstances, and in the absence of any project monitoring reports, OIOS questioned whether any monitoring took place, and how UNHCR could have obtained any assurance that UNHCR funds were used for the intended purpose, and whether the projects were satisfactorily implemented. Monitoring visits should have taken place at least twice a year, and prior to the submission of the final SPMRs. Many of the serious shortcomings noted with those implementing partners reviewed would have been detected in good time and corrected, had monitoring visits been conducted by the Representation.

Recommendation 12

(12) The UNHCR Representation in Cote d'Ivoire should significantly improve project financial monitoring by conducting regular monitoring visits, at least twice a year and prior to the submission of the final Sub-Project Monitoring Reports. The findings should be properly documented and the recommendations followed up.

36. *The Representation accepted recommendation 12 and pointed out that in 2008, staffing in its Programme Section would be reinforced with two additional posts, and that a monitoring plan would be drawn up and implemented with at least two financial verification missions to implementing partners, followed by field visits.* OIOS has taken note of the explanations and assurances given by the Representation, but wish to point out that sufficient programme staff were already available to perform project monitoring. Recommendation 12 remains open pending receipt of documentation from the Representation showing that monitoring visits have taken place.

C. Supply management

Asset management

37. OIOS assessed that, until 2006, the Representation had no control over its non-expendable property. Monitoring of the assets was seriously deficient, and had resulted in the loss of many assets, including 19 laptops. This loss was still under investigation at the time of the audit, and it was expected that accountability would be soon established and disciplinary measures taken. OIOS noted that for 2007 the Representation had taken steps to strengthen controls over assets including, for example, requiring each asset custodian to sign for the assets under his/her custody and updating the asset database (MSRP) which had been found to contain numerous inaccuracies prior to 2007.

38. Despite these efforts, MSRP data was still inaccurate and needed some corrective action. OIOS noted many anomalies in the net book value of the assets. For example, a vehicle purchased on 17 January 2005 for \$25,734 (barcode #475011) was still showing a book value of the same amount as of July 2007. This was the case for many other vehicles, motorcycles, computers and printers. Also, the AssetTrak system had been updated on the sole basis of the physical inventory carried out by asset custodians, including implementing partners. Given the serious deficiencies already noted, which had resulted in the

loss of assets, there was a need for the Representation to undertake a comprehensive independent physical inventory carried out by staff other than the asset custodians. Any assets that cannot be accounted for should be investigated.

Recommendation 13

(13) The UNHCR Representation in Cote d'Ivoire should undertake an independent comprehensive physical inventory of all assets, including those in the custody of implementing partners and update the asset listing accordingly with the correct net book value. Assets not accounted for should be properly investigated, documented and responsibility for loss established.

39. *The Representation accepted recommendation 13 and stated that a physical inventory was undertaken in December 2007 for all the UNHCR offices and implementing partners, and that an updated list of all assets was made available. The Representation explained that the loss of 19 laptops was investigated but this did not lead to any clear-cut personal responsibility and proposals were submitted to the Local Asset Management Board (LAMB)/ Headquarters Asset Management Board (HAMB). The Representation further stated that the updating, physical verification of assets and corrective actions would continue until March 2008 to ensure that all UNHCR assets are included in the database. Based on the actions taken by the Representation, recommendation 13 has been closed.*

D. Administration and Finance

Longstanding receivables

40. The Representation had significant outstanding receivables, most of which required immediate attention. The advances had been outstanding for years, and totaled \$32,600. Many of these pertained to medical advances, which should have been fully recovered through medical insurance plan (MIP) payments, and represented excess over the allowable maximum reimbursement.

41. According to UNHCR's Staff Administration and Management Manual (SAMM), Section 3.10.18 "The amount of the medical advance must not exceed the maximum reimbursable under the applicable medical insurance scheme and will be recovered upon settlement of the claim". OIOS calculated that at least \$12,000 pertained to an excess of a medical advance against the allowable claim (80 per cent of the medical bills), and that this excess had not been recovered from the staff members concerned.

Recommendation 14

(14) The UNHCR Representation in Cote d'Ivoire should undertake with no further delay a review of all outstanding receivables and ensure that appropriate actions are taken to clear longstanding advances.

42. *The Representation accepted recommendation 14 and stated that all outstanding receivables due by current UNHCR staff members were recovered at the end of the year 2007, including medical advances. A memo was sent to all staff by the Representative in October 2007 to remind them of the relevant rules and regulations. Based on the action taken by the Representation, recommendation 14 has been closed.*

Salary loans

43. The Representation engaged in the practice of systematically giving a two-month salary advance to almost all of its staff members, and for some of them, right after the previous loan had been reimbursed. In some other cases, there were still outstanding balances (medical advance for example) at the time when new ones were paid. For example, in January 2007 alone, a total of some \$58,000 was loaned to 25 staff members, disregarding the relevant provisions set out in SAMM Chapter 3, Section 3.10. In their request for the loan, none of the staff members had invoked any emergency situation that would justify an emergency loan of one month's salary. Also, considering that staff members had access to numerous local credit facilities, they were also not eligible for a 'special advance' of one month's salary. In OIOS' opinion therefore, the Representative did not have the authority to approve such loans and such a practice should be discontinued.

44. In addition to the salary loans, there were several other longstanding advances pertaining to salary payments made to local staff members while awaiting their inclusion in the monthly payment order (MPO). Such payments should normally have been recovered at once, upon receipt of the MPO showing the cumulative emoluments owed to the staff member.

Recommendation 15

(15) The UNHCR Representation in Cote d'Ivoire should ensure that future loans are only given in emergency and exceptional situations, as required by UNHCR Staff Administration and Management Manual Chapter 3, Section 3.10. The routine payment of salary loans to staff should be discontinued at once.

45. *The Representation accepted recommendation 15 and stated that all salary advances for 2007 were recovered and that no further salary advances would be granted. The Representation also stated that it would ensure that loans would be only given in emergency and exceptional situations based on applicable rules, and that systematic two months' salary advances have been stopped. Based on the action taken by the Representation, recommendation 15 has been closed.*

Travel

46. Internal controls and procedures for the processing of travel claims needed improvement. According to UNHCR Manual, Chapter 6, Section 6.5,

after the completion of each travel undertaken at UNHCR's expense, a travel claim should be prepared and signed by the traveller and certified by the designated officer. OIOS found, however, a number of instances where the Representation did not comply with this requirement. For example:

- On 22 January 2007, DSA totalling some \$4,700 was paid to UNHCR staff for their participation in a 4-day retreat. No travel claim was prepared by any of the 15 staff members involved. In addition, while the standard DSA rate was not applicable due to internal arrangements (only 20 per cent was to be paid, except for one night in Abidjan to which the full standard rate was applicable) this was not specified in the various travel authorizations (PT-8s).
- On 30 November 2006, a DSA payment of \$8,500 was made to a visiting staff member from the Regional Hub, as a result of his mission extension for an additional 30 days borne by the Representation in Abidjan. The staff member submitted his travel claim (and original PT-8) to the UNHCR Representation and received his final entitlement, but the basis of the calculation was not shown on the claim, which had also not been certified. This meant that the Payment Voucher should not have been authorized and approved.
- On 4 January 2006, a DSA payment of \$1,300 was made for a travel claim which was neither signed by the claimant nor certified by the certifying officer.
- Further, for a travel undertaken by a staff member, the initial PT-8 authorized his travel from 21 through 24 March 2007. Subsequently, two addenda were issued but bearing the same number for different travel dates. Under the circumstances, it was not clear when the actual authorized commencement and return dates of the travel were.

Recommendation 16

(16) The UNHCR Representation in Cote d'Ivoire should ensure that adequate internal controls are put in place over travel claims. Final payment of travel entitlements should be made on the basis of duly processed travel claims, with the expenditure certified by the designated officer.

47. *The Representation accepted recommendation 16 and stated that the cases found by OIOS were exceptional, and have been regularized. The Representation also stated that more attention would be given to travel authorizations and travel claims, ensuring that they are settled and certified by the Administrative Officer prior to payment. OIOS has taken note of the explanations and actions already taken. Based on the assurances provided by the Representation, recommendation 16 has been closed.*

Communications

48. OIOS assessed that the expenditure pertaining to communication by telephone was very high, especially in 2005, with \$65,000 paid for the landline alone. For years, there had not been any tracking mechanism for the identification of private calls and the official purpose of the calls was not certified. There was a backlog of invoices relating to 2006 and prior years awaiting identification of private calls by staff members. At the time of the review, not one staff member had yet identified any private calls pertaining to the 2006 backlog. While for the landline an improvement was noted in 2007, OIOS noted that the costs had actually shifted from landlines to mobile phones, with an average monthly cost over \$5,000. This significant cost was attributable to the relatively high number of mobile phones (not less than 32) given to national and international staff members, with subscriptions that allowed the custodians to place calls without any restrictions. There were still no mechanisms for the tracking and recovery of private calls. Private calls need to be adequately and duly tracked, and be recovered no later than the date of settlement of the telephone invoices.

Recommendation 17

(17) The UNHCR Representation in Cote d'Ivoire should implement adequate internal controls over the use of office telecommunication, and ensure that the cost of private calls are properly tracked and paid for not later than the month in which the telephone bill is settled.

49. *The Representation accepted recommendation 17 and stated that communications are being followed up with more attention and that all private calls have been recovered. The Representation explained that, in order to reduce the cost of mobile phone communication, it has entered into a new deal with a network provide which provides advantageous services including free communication among UNHCR cell phone holders. Based on the action taken by the Representation, recommendation 17 has been closed.*

V. ACKNOWLEDGEMENT

50. We wish to express our appreciation to the Management and staff of UNHCR in Cote d'Ivoire for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	C	Action completed	Implemented
2	O	Confirmation by the UNHCR Representation that CARITAS' post-January 2006 supporting documents have satisfactorily been reviewed	31/05/2008
3	O	Confirmation by the Representation that CARITAS' post-January 2006 supporting documents have satisfactorily been reviewed	30/06/2008
4	O	Confirmation by the Branch Office that all outstanding loans made by CARITAS to its staff have been recovered and credited to the projects	Not provided
5	C	Action completed	Implemented
6	O	Full review of the 2007 final SPMRs, and confirmation by the Representation that no prior years' expenditure is double-charged to UNHCR	Not provided
7	C	Action completed	Implemented
8	O	Confirmation by the Representation that the outstanding loan of \$3,228 is fully recovered from ASAPSU	Not provided
9	C	Action completed	Implemented
10	C	Action completed	Implemented
11	C	Action completed	Implemented
12	O	Documentation from the Representation showing that monitoring visits have taken place	Not provided
13	C	Action completed	Implemented
14	C	Action completed	Implemented
15	C	Action completed	Implemented
16	C	Action completed	Implemented
17	C	Action completed	Implemented

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.