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UNHCR Audit Service**

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AUDIT OF UNHCR OPERATIONS IN IRAQ

Auditors:

C. Lakshmi Varahan
Esa Pääkkönen

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EXECUTIVE SUMMARY

In April 2005, OIOS conducted an audit of UNHCR Operations in Iraq. The audit covered activities with a total expenditure of US\$ 10 million (out of US\$ 23 million) in 2004. For Southern and Central Iraq, the audit covered the implementing partners based in Kuwait and Amman respectively. This included UNHCR's expenditure of US\$ 5.2 million in Southern Iraq in 2004 of the US\$ 7.1 million received from the UNDG Iraq Trust Fund. For Northern Iraq, OIOS reviewed the activities of UNOPS based in Amman. Other UNHCR partners operating in Northern Iraq, with a total expenditure of US\$ 9 million, had no presence in Jordan or Kuwait and therefore could not be audited. A draft of this report was shared with the Chief of Mission and with the Director, Bureau for CASWANAME in June 2005, on which comments were received by July 2005. *The Chief of Mission has accepted most of the recommendations made and is in the process of implementing them.*

Overall Assessment

- The UNHCR's Iraq operations are remotely managed and controlled by Cross Border Base Kuwait (CBBK) and Iraq Operations Unit in Amman (IOUA). The embargo on UN international staff travel to Iraq, movement restrictions of UNHCR national staff inside Iraq and the departure of NGO expatriate staff in the first quarter of 2004 for security reasons made programme implementation and monitoring difficult and expensive. The national staff of UNHCR's partners shoulders considerable responsibilities and execute the bulk of the activities.
- Due to the lack of reliable banking facilities in Iraq, OIOS estimated that about US\$ 14 million or 70 per cent of 2004 project expenditure was disbursed in cash. The national staff members of the implementing partners handled most of the cash meaning that they were exposed to considerable physical and operational risks.
- The remote management of the operation has and will continue to have a serious impact on UNHCR's ability to discharge its core protection function.
- Taking these high risks into account and the reasonable monitoring mechanisms put in place by UNHCR to mitigate them, OIOS assessed the UNHCR Operation in Iraq as average.

Programme Management

- From a financial perspective, for the six partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements.
- Initially UNOPS was responsible for the construction of 1,000 shelters with a budget of US\$ 4.5 million for 2004. The number was subsequently reduced to 500 and a budget of US\$ 2

million. UNHCR also entrusted UNOPS with internationally procured construction materials valued US\$ 6 million. OIOS found that work was in progress on 491 houses and an operational plan with UNOPS had been finalised in June 2005 to complete them. OIOS noted that the UNOPS procurement records, although comprehensive, could not be supported by appropriate financial reports from its Atlas System. UNOPS informed UNHCR that it hopes the technical difficulty of the Atlas System will be resolved once the Atlas system reaches full functionality and integration, and at this point the information should be available.

- Project financial and performance monitoring was adequately performed despite the difficult situation. Monthly progress reports were received from implementing partners and analysed. Financial verification of project activities was regularly carried out. Nonetheless, for better results OIOS suggested that financial data be matched with the actual level of implementation.
- CBBK and IOUA have established a website and have uploaded pictures of the project activities implemented in Iraq. This is a commendable initiative. Further, external expertise is being sourced to conduct a technical evaluation of 2004 construction components. OIOS recommended that such innovative mechanisms continue and be further enhanced to manage and monitor programme activities.
- OIOS noted that the requirement for UNHCR partners to maintain offices in multiple places considerably increased the administrative cost of implementing the programme.
- Due to operational limitations and remote management, procurement practices of some implementing partners were not always transparent. Some of them expressed reservations in instituting procurement procedures inside Iraq.

Supply Management

- UNHCR offices in Jordan and Kuwait had 59 unused new vehicles (51 light vehicles, 6 armoured cars and 2 trucks with a crane) valued at about US\$ 1.5 million parked in warehouses, yards and the office compound. Most of them had been parked in the open for over 18 months and exposed to the elements. OIOS appreciates that some action has been taken and 19 vehicles have been put to use. Nonetheless, a decision still has to be taken to ensure the effective use of about 40 light vehicles valued about US\$ 1 million.
- The Supply Management Service sent four vehicles for armouring to a company in Germany, which subsequently went bankrupt. The Legal Affairs Section of UNHCR is seeking compensation for the vehicles lost valued about US\$ 100,000.

Administration

- In the areas of administration and finance, the UNHCR offices in Jordan and Kuwait generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review.

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I. INTRODUCTION

1. From 5 April to 21 April 2005, OIOS conducted an audit of UNHCR's Operations in Iraq. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Iraq Operations Unit in Amman, Jordan (IOUA) and the Cross Border Base Kuwait (CBBK) and six of its implementing partners.
2. OIOS' previous audit of UNHCR in Iraq was conducted in February 2002. The audit covered activities with a total expenditure of US\$ 2.9 million in 1999, 2000 and 2001 where it was concluded that there was a need for a better system for ensuring project implementation was in accordance with planned objectives and budget provisions. OIOS also carried out a financial audit of the 2003 Supplementary Programme for Iraq from UNHCR Headquarters in 2004. This mainly focused on procurement of relief items and assets (costing about US\$ 16 million) for emergency preparedness and programme support costs such as salaries (over US\$ 5 million) and travel of staff members (over US\$ 2 million) for the Supplementary Programme. OIOS assessed both these operations as average.
3. There were over 200,000 internally displaced persons that UNHCR was concerned with. These numbers were expected to increase with the continuing armed conflict and simmering ethnic tension. UNHCR's role focused on coordination, protection, policy development and provision of return and reintegration assistance to the most vulnerable groups in the areas of return. UNHCR also chaired the inter-agency internally displaced persons Working Group - a Cluster 8 sub-group which closely followed developments on the ground and made policy recommendations. UNHCR was also concerned with about 65,000 non-Iraqi refugees comprised mainly of Palestinians, Iranians and Turkish Kurds.
4. UNHCR assisted in the provision of low cost 'self-help' housing units in non-contentious rural areas, as well as rehabilitation works in districts and villages with a high percentage of returnees/ internally displaced persons. Quick impact projects were implemented to restore basic social and economic services and infrastructure like water, sanitation, education and health. UNHCR also contributed to vocational skill training to ensure that returnees benefited from employment opportunities and income-generating activities.
5. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held on 20 April 2005. A draft of this report was shared with the Chief of Mission and with the Director, Bureau for CASWANAME, in June 2005, on which comments were received by July 2005. *The Chief of Mission has accepted most of the audit recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:
 - Reliability and integrity of financial and operational information;

- Effectiveness and efficiency of operations;
- Safeguarding of assets; and,
- Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit focused on 2004 programme activities under projects 04/SB/IRQ/RP/330, 04/SB/IRQ/RP/331 and 04/SB/IRQ/RP/332 with expenditure of US\$ 20 million. Our review concentrated on the activities implemented by InterSOS – expenditure of US\$ 2 million, The Salvation Army – expenditure of US\$ 1.5 million, Agency for Technical Cooperation and Development (ACTED) – expenditure of US\$ 0.5 million, War Child – expenditure US\$ 0.84 million and Islamic Relief – expenditure of US\$ 0.24 million and United Nations Office for Project Services (UNOPS) – expenditure of US\$ 2 million. OIOS was unable to carry out an audit of the activities implemented by the Danish Refugee Council (CDRC) - expenditure of US\$ 0.25 million as the accounting documentation had already been sent to their Copenhagen Headquarters from Kuwait.

8. Included in our audit coverage was US\$ 7.1 million that UNHCR received from the UNDG Iraq Trust Fund for the operations in Southern Iraq. Of this, UNHCR had expended about US\$ 5.2 million in 2004 mainly through various NGOs like InterSOS, The Salvation Army, ACTED and War Child. In addition, the audit reviewed the non-food relief items and assets procured in 2003 and held in the warehouses in Jordan and Kuwait.

9. The audit reviewed the administration of CBBK and IOUA with administrative budgets totalling US\$ 3 million for 2004. The number of staff working for the UNHCR Operation in Iraq (IOUA, CBKK and Iraq) was 87. This included staff on regular posts, United Nations Volunteers and staff on mission.

10. After the August 2003 bombing, and the subsequent decision to pullout international staff from Iraq to remotely manage the programme, UNHCR established two offices ‘in exile’ in Amman and Kuwait by October 2003. UNHCR had to considerably rely on NGO partners for programme implementation. Furthermore, with UN international staff travel to Iraq prohibited, UNHCR had to resort to other methodologies to monitor programme implementation as the use of its traditional methods and mechanisms were not possible. OIOS’ review of the implementing partners was confined to the examination of accounting and other records made available in Kuwait and Amman. Also the NGOs operating in Iraq had serious constraints due to the deteriorating security situation which eventually led them to switch to managing their operations remotely as detailed below:

- In Southern Iraq, the international staff members of NGOs working with UNHCR pulled out at the beginning of 2004 with most of them relocating to Kuwait. The Iraqi national staff members of the NGOs were delegated the responsibilities of running operations.
- In Northern Iraq, NGOs implementing UNHCR projects have offices with both international and local staff. Except for UNOPS, the NGOs did not have offices in Jordan.
- In the case of Central Iraq, the international staff members of NGOs implementing

UNHCR projects were based in Amman. The Iraqi national staff members of the NGOs were delegated the responsibilities of running the operations.

11. The audit activities included a limited review and assessment of internal control systems, interviews with staff available in Kuwait and Amman and analysis of applicable data.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Risk Exposure

12. Due to the security situation inside Iraq and the absence of a reliable banking system, UNHCR's implementing partners used money traders to transfer the required funds. OIOS estimated that over US\$ 14 million (70 per cent) of the funds for operational projects were spent inside Iraq in cash. NGO national staff members (particularly in the South and Central Iraq) were responsible for the receipt, safekeeping and disbursement of most of these funds.

13. OIOS noted that NGO staff kept considerable hard cash at their residences. For example, OIOS found that US\$ 40,000 in cash was held at an NGO's staff member's house. Considering the security situation, the economic challenges confronting Iraq, the disproportionate level of salaries to national staff compared to their responsibilities, as well as the remote management of the operations by the implementing partners, OIOS concluded that UNHCR is exposed to a high level of operational and financial risks, not to mention the physical risk to national staff members. *The Office of the Chief of Mission explained that this was an isolated case due to the lack of a banking system inside Iraq. Implementing partners have no option but to rely on national staff for handling cash. The continued use of money traders for the operations is still the most reliable mode of fund transfers.*

14. The audit also noted that InterSOS lost about US\$ 12,700 in cash in August 2004 due to an armed robbery in Southern Iraq. The money was stolen from a team of national staff members tasked to pay warehouse rental. Although a report of the UNHCR's Field Safety Adviser indicated several security lapses on the part of InterSOS, the amount was not refunded to UNHCR. *The case was reported to HAMB and a decision is awaited. Nevertheless, InterSOS disagreed to refund the amount specifying it was an operational loss.* Considering the financial volume of the operations and the high risks involved, the loss is not material. Consequently, OIOS agrees with the decision of the Office of the Chief of Mission whereby in this unique situation the funds need not be refunded from the partner. Nevertheless, UNHCR should remind partners of the risks associated with holding considerable cash in the staff residences and call for thorough cash management policies compatible with the security situation.

15. In general, the procurement procedures followed by UNHCR's partners were not fully transparent. InterSOS was responsible for the reception of returnees from Iran and Saudi Arabia at a transit centre and their onward transportation to their final destinations in Iraq. InterSOS expended over US\$ 75,000 in transportation, but documentation such as manifests and contracts were not available. The audit found that it was not possible to relate payment vouchers to the incoming convoys and returnees' subsequent departure to the final destination from the transit centre. OIOS recommended that InterSOS maintain comprehensive details like final destinations paid for, the number of returnees in each bus, the distances covered and

the cost per km. *The Office of the Chief of Mission explained that UNHCR national staff were closely involved in the reception of returnees and most of the documentation relating to the operations was available in Basra. The decision to engage vehicles off the market instead of a service contract was based upon needs and in their opinion was the most cost effective.*

16. Similarly, ACTED, which expended US\$ 185,000 on shelter construction activities, did not have all the documentation in Kuwait like Bills of Quantities, bidding documentation, receiving and other warehouse reports for the materials procured and consumed. Their files in Kuwait contained only the payment vouchers.

17. Some of the implementing partners explained that most of the missing documents were available at their offices in Iraq. OIOS appreciates the logistical difficulties in moving documents from Iraq to Kuwait and the resulting risks involved and in these special circumstances will accept the partners' explanation for the lack of adequate documentation to support the expenditures charged.

18. Most of the implementing partners explained that it was not always possible to institute open and fair procurement procedures. For example, selection of suppliers / contractors was restricted to the entities operating in the nearby village or district. Again, for the fear of physical safety, invitations to bid were not widely circulated. *The Office of the Chief of Mission added that it was unsafe for outside bidders due to resistance from the local community.*

19. With a remote management strategy it was difficult to ensure appropriate controls were in place to mitigate the various risks identified in the Iraqi operation. In some cases to ensure adequate controls were in place was neither cost effective nor feasible. IOUA explained that access to populations of concern was limited, particularly in Central Iraq. It was estimated that over 1.2 million persons were displaced at the end of 2004. Remote management does have and will continue to have a serious impact on the UNHCR's ability to discharge its core protection function.

B. General Programme Matters

(a) Programme Monitoring

20. Considering the specific limitations of the Iraq operation, OIOS appreciated and commends the initiatives adopted by the UNHCR offices. Of particular significance were: (a) the ongoing efforts to engage a professional firm to carry out a technical evaluation of all the construction components of the 2004 programme implementation; and (b) the implementation of a web-based photo library displaying the activities implemented in Southern Iraq, as well as the photographs and video clippings available in Amman and Kuwait. *The Office of the Chief of Mission has expanded this website to include the activities carried out in Northern and Central Iraq.*

21. In order to manage and monitor programme activities, UNHCR staff were involved in the implementing partners' procurement process, they received and analyzed detailed monthly progress reports on construction activities from partners, and they conducted regular financial verification of the SPMRs. In OIOS' view however, better results would be achieved if financial data was matched to the actual implementation level. OIOS was pleased to note that workshops and trainings were organized for partner staff (national and international) to ensure

they were aware of and well trained in UNHCR standards and guidelines, e.g. procurement.

(b) Asset Management

22. At the time of the audit UNHCR offices in Jordan and Kuwait had 59 new vehicles valued at about US\$ 1.5 million parked in warehouses, yards and the office compound. This included 51 light vehicles, six armoured cars and two trucks with a crane. These vehicles had been parked in the open for more than 18 months and were exposed to the elements. In addition, a Toyota car, which was used by Liaison Office (LO), Kuwait had remained unused since 2003. Upon enquiry, we were informed that with the prevailing security situation, the light vehicles are no longer suitable for UNHCR's use inside Iraq, as for the considerable future only armoured vehicles can be used. OIOS recommended therefore that IOUA explore the possibilities of their deployment to other UNHCR operations. Though these vehicles are fitted with petrol engines, OIOS still considers that they could be better used in other operations. *The Office of the Chief of Mission explained that 19 vehicles (including a truck) were already put to use. While some of these vehicles were handed over to the Ministry of Displacement and Migration in Southern Iraq, the rest were redeployed to various UNHCR operations in the region. In addition, appropriate steps have been initiated through Regional Office, Riyadh to dispose off the Toyota vehicle of LO Kuwait.* OIOS is pleased to note the action taken, but would highlight that there is still a fleet of about 40 unused vehicles valued at about US\$ 1 million. Steps need to be taken to ensure they are effectively used or redeployed.

23. In 2003, the Supply Management Service (SMS) sent four vehicles costing over US\$ 100,000 for armouring to a company in Germany. The cost of armouring was about US\$ 442,000. The enhanced vehicles should have been received by the end of 2003. The contractor however went bankrupt and UNHCR has not yet been compensated for the vehicles that cannot be returned as they are unusable. OIOS noted that the Legal Affairs Section (LAS) is following-up on the issue. SMS informed OIOS that the chief executive of the company has agreed to pay Euro 85,000 (US\$ 105,000) to UNHCR as compensation and has already transferred Euro 10,000 (US\$ 12,500) out of this amount.

Recommendation:

- The UNHCR Office of the Chief of Mission in Iraq should initiate appropriate action to put to use or redeploy the fleet of 40 new and unused vehicles valued at about US\$ 1 million (Rec. 01).
- The UNHCR Supply Management Service and Legal Affairs Section should continue to seek compensation for the loss of four vehicles by a vehicle armouring company and obtain some Euro 75,000 (US\$ 94,000) (Rec. 02).

(c) Administrative Expenses

24. The implementation of programme activities in such an extremely complex and challenging operating environment meant that considerable administrative expenditures were incurred. Most of UNHCR's partners operating in Southern and Central Iraq maintained offices in Kuwait and Amman at a significant cost (office rental, staff salaries, communication costs, etc). For example, the salaries and administrative costs for the 2004

projects implemented by InterSOS was US\$ 985,000 (72 per cent), The Salvation Army was US\$ 254,000 (18 per cent) and War Child was US\$ 260,000 (31 per cent).

25. OIOS noted that some partners charged monthly salaries that were in excess of the UNHCR standard rates of US\$ 3,000 and US\$ 4,000. For example, some staff members working for DRC (who worked on UNHCR projects in Southern Iraq) were paid more than US\$ 7,000 per month. UNHCR accepted these charges. OIOS also noted that higher salaries were budgeted for under some of the 2005 Sub-agreements. *IOUA explained that as a result of the high risks associated with the Iraq operation, the expensive cost of living in Kuwait, difficulties in recruiting qualified staff and in engaging capable, professional and recognized partners for UNHCR programme activities, UNHCR had to pay for higher than normal administrative expenses. As a result, UNHCR Headquarters was requested to consider a higher remuneration to expatriates (US\$ 8,000 for managerial staff and US\$ 6,000 for other functional staff).*

(d) Audit Certification

26. For 2004 sub-projects, a competitive bidding exercise has been conducted to select an audit firm for audit certification purposes.

C. Review of Implementing Partners

27. From a financial perspective, for the six partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements. OIOS assessed that internal controls of most of the partners were generally in place and operating satisfactorily under the prevailing circumstances.

(a) United Nations Office for Project Services

28. At the end of 2003, UNHCR internationally ordered materials like doors, windows and timber for the construction of 3,000 houses in Northern Iraq costing about US\$ 6 million. Due to price increases the quantity of materials procured had to be reduced meaning that only 2,700 houses could be constructed with the initial budget of US\$ 6 million.

29. In 2004, UNOPS, under an Exchange of Letters (EOL) with UNHCR was delegated the responsibility to construct 500 houses using the materials procured by UNHCR. UNHCR provided an initial budget of US\$ 4.5 million to UNOPS to procure other materials locally. The project duration was four months from June 2004, but extended by a further two months to December 2004 and a liquidation period of three months ending March 2005.

30. In addition, UNOPS, under the agreement was requested to procure local construction materials for another 500 houses and deliver them at the sites selected by UNHCR's partners. This procurement was to be funded by the International Reconstruction Fund Facility for Iraq in conjunction with UNHCR's internationally procured materials. Upon signing of the EOL, UNHCR paid an initial instalment of US\$ 1 million to UNOPS.

31. The internationally procured materials did not arrive in Iraq until the end of 2004, and in April 2005 some deliveries were still pending. Furthermore, the weather conditions were not conducive (work started in peak winter) for the construction works when the materials arrived. It was explained that the local authorities and the beneficiaries were not fully ready in

some cases. These factors delayed the programme implementation. The 10 to 20 per cent escalations in prices of the local construction materials also had an adverse impact on the programme implementation.

32. Considering the low level of disbursements by UNOPS, UNHCR reduced the budget to US\$ 2.01 million in November 2004 and excluded the local procurement for the additional 500 houses. It should be noted however, at that time, UNOPS' expenditure (commitments of US\$ 2.1 million plus other disbursements of US\$ 265,000) had already exceeded the reduced UNHCR budget of US\$ 2.01 million. It appears that the budget was revised without taking into account the actual project expenditure.

33. OIOS' review found that UNOPS' documentation for local procurement was comprehensive. However, their financial accounting and reporting were not complete. Salaries for international staff and certain administrative costs were paid from its New York office while the bulk of the expenditure was incurred and recorded in Erbil and Amman. There were no reports from the UNDP's Atlas System available locally confirming consolidated costs in all locations. In the absence of a comprehensive report of project expenditure recorded in the General Ledger and against which the SPMR could be matched, OIOS was unable to perform any meaningful work on the SPMR submitted by UNOPS. OIOS recommended that UNOPS provide assurance as to the correctness of the amounts reported as disbursed in the SPMRs.

34. *The Office of the Chief of Mission explained that IOUA and Iraq Support Unit have been following-up closely with UNOPS to resolve the issue. Due to technical difficulties caused by the implementation of the UNDP/UNOPS/UNFPA ERP software (Atlas system), UNOPS was unable to produce the needed reports (compatible with SPMR). This difficulty would be resolved once the new system reaches full functionality. Till then, UNOPS has to rely on multiple systems for SPMR submissions. OIOS reiterates that UNOPS should be able to provide assurance that the SPMR expenditure matches the amounts recorded in their General Ledger / Atlas System.*

35. OIOS noted that programme implementation was low. For example, according to the narrative report for March 2005, construction work was in progress for only 344 houses. No work had yet been started on the balance of 156 houses. *The Office of the Chief of Mission stated that work was now in progress on 491 houses.*

36. IOUA explained that the works would be complete by the middle of 2005, but at an extra cost. *The operational plan with UNOPS was finalized and the Exchange of Letters with UNOPS was signed in June 2005 to complete the outstanding works.*

D. Supply Management

37. OIOS reviewed the warehouses in Jordan where non-food items valued at over US\$ 3 million were stored. In general, OIOS was satisfied with the procedures in place for the receipt, storage and despatch of the relief items. However, for the shipments sent to other UNHCR operations (like Sri Lanka, Chad etc) no confirmations were on file that the goods had been received, and were in good order.

38. OIOS noted that internationally procured construction materials valued at about US\$ 6 million did not arrive in Iraq until the end of 2004. This was one of the reasons for the

delayed implementation of the shelter programme in Northern Iraq. IOUA explained the Supply Management Service did not communicate clearly the expected quantity (received in part-shipments) and specifications of materials or the scheduled delivery dates. *The Office of the Chief of Mission explained that the delivery of the construction materials to Erbil was complete and the final report on the items received, damaged or missing was shared with UNHCR Headquarters.*

E. Administration

39. In the areas of administration and finance, the UNHCR offices in Jordan (IOUA) and Kuwait (CBKK) generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review.

(a) Travel

40. With the UN embargo on official staff travel to and from Iraq, OIOS noted that the UNHCR Iraqi national staff travelled to Amman and Kuwait to participate in training and/or meetings. We were informed that the staff members used their annual leave and travelled at their own risk. Depending on the needs, UNHCR converted part of their annual leave into working days and paid subsistence allowance. IOUA also explained that if the travel related mainly for official business, then the staff members were fully reimbursed the travel cost. OIOS recommended that IOUA explicitly state in the travel authorization (which was prepared after the presence of the staff member in Amman) that travel costs (if applicable) would be reimbursed upon submission of all the supporting documents and the staff member made his own travel arrangement.

41. Since 2005, as the Iraqi staff members have security clearance to travel out of Southern Iraq to Kuwait, proper travel authorizations should be established. The deficiencies noted in this respect were rectified by CBBK. In addition, the UNHCR Administration should establish the standard cost of transportation between Kuwait and Basra (or Nassiriyah) to ensure staff members are treated fairly and equally.

(b) Field Accounting

42. Two locations in Iraq (Baghdad and Erbil) used the Field Office Accounting System (FOAS). Since there were no UNHCR offices inside Iraq, the computers with this software were kept at the residences of the Finance Assistants. OIOS observed that while the Finance Assistants recorded the payments in FOAS (after approval by IOUA), the Finance Officer in IOUA closed the data files. For this purpose, the Finance Assistants sent the data files (before closure) at the end of every month to IOUA. The Finance Officer also made the necessary reports and sent the closed data files back to Erbil and Baghdad to facilitate data recording for the subsequent month. OIOS pointed out that the practice was potentially risky if proper backup and restore procedures were not always followed. It could also result in corrupt data files. OIOS recommended that the local Finance Assistants be encouraged to close the electronic files and any adjustments to the accounts should be carried out in the subsequent month. *IOUA explained that the Implementing Partner Recording was done in Amman and it would be complex to send the SPMRs to Baghdad and Erbil for recording there. Consequently, the data files have to be closed in Amman.*

V. ACKNOWLEDGEMENT

43. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNHCR in Jordan and Kuwait and its implementing partners.

Egbert C. Kaltenbach, Chief
UNHCR Audit Service
Office of Internal Oversight Services