

INTERNAL AUDIT DIVISION I OFFICE OF INTERNAL OVERSIGHT SERVICES

то: Mr. Daudi L. Mwakawago,

DATE:

28 November 2005

A: Special Representative of the Secretary-General, **UNAMSIL**

reference: AUD-7-5:73 (

FROM: Patricia Azarias, Director

DE: Internal Audit Division I, OIOS

SUBJECT: OIOS Audit No. AP2005/622/02: Outstanding Obligations and Accounts Payable in

OBJET: UNAMSIL

- 1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted in July and August 2005.
- 2. We note from your response to the draft report that UNAMSIL has generally accepted the recommendations. In order for us to close out the recommendations (1, 2 and 3) in OIOS' recommendations database, we request that you provide us with the additional information as discussed in the text of the report and a time schedule for their implementation. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e. recommendations 1 and 3) in its annual report to the General Assembly and semi-annual report to the Secretary-General.
- 3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

I. INTRODUCTION

- As of 30 June 2005, UNAMSIL's outstanding obligations and accounts payable totaled \$7.3 million and \$341,000 respectively. Accounts payable to vendors totaled \$119,000 and accounts payable to staff totaled \$222,000.
- 5. The comments made by the Management of UNAMSIL on the draft audit report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES

6. The objective of the audit was to ascertain the validity and accuracy of outstanding obligations and accounts payable and determine whether the outstanding obligations are properly justified and approved.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered outstanding obligations and accounts payable as of 30 June 2005. It included reviews of the ageing analyses of accounts payable, report on the status of outstanding obligations, pertinent documentation, and interviews with concerned staff.

IV. OVERALL ASSESSMENT

8. Outstanding obligations and accounts payable were found to be accurate and outstanding obligations were properly justified. However, it was noted that certifying officers of the various cost centres needed to sign obligating documents to evidence their management of the utilization of resources allocated to those cost centres in accordance with the Financial Regulations and Rules of the United Nations. The certifying officer of the Personnel Section needed to more thoroughly review the status of outstanding obligations for that section in order to identify obligations that are no longer valid. OIOS found some obligations that were no longer valid but were had not been cancelled because the certifying officer did not draw the Finance Section's attention to those obligations. OIOS also identify the need for UNAMSIL's Finance Section to establish, for each account, a file containing documentation on how each account payable was created and evidence of follow-up actions taken.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Certification and approval of obligations

- 9. Obligations must be supported by contracts, agreements, purchase orders or other relevant documentation and must be certified and approved by duly designated individuals. Five staff members in the Finance Section had been designated as the approving officers and eight staff members in the various cost centres had been designed as certifying officers. The Head of the Budget Unit had also been designated as a certifying officer. According to the Financial Regulations and Rules of the United Nations, certifying officers are responsible for managing the utilization of resources, including posts, in accordance with the purpose for which those resources are approved. Following certification, a duly designated approving officer must then sign to "approve" the establishment of obligations and their entry into the accounts after verifying that the obligations are in order and have been certified by a duly designated certifying officer.
- 10. OIOS noted that as required, purchase orders had been approved by the Head of the Procurement Section and miscellaneous obligating documents (MODs) for services including those relating to utilities had been approved by designated approving officers. However, although each major cost center has a certifying officer, all miscellaneous obligating documents

relating these cost centers had been certified by the Head of the Budget Unit. The Budget Unit informed OIOS that its involvement in the obligation process was intended to ensure the availability of funds and the maintenance of complete documentation of certified obligating documents. However, OIOS is of the view that these tasks are integral to the management of resource utilization referred to in paragraph 9 above that should be performed by the certifying officers of the cost centres. OIOS was informed that some certifying officers have been reluctant to perform these functions for various reasons including the lack of capacity and appropriate tools. Since the certifying officers do not sign MODs and since the Budget Unit is not a substitute of these certifying officers, there appears to be a gap between the actual management of resource utilization and the full extent of the management resource utilization referred to in paragraph 9 above. The CAO needs to ensure that this gap is closed.

Recommendation 1

OIOS recommends that the UNAMSIL Administration ensure that certifying officers in the various cost centres sign the miscellaneous obligating documents pertaining to their cost centres to evidence their management of the allocated resources in accordance with the purpose for which those resources are approved (AP2005/622/02/01).

11. UNAMSIL accepted the recommendation 1 and stated that action will be taken to implement it. Recommendation 1 remains open pending receipt of documentation from UNAMSIL confirming that it has been fully implemented.

B. Review, reobligation and cancellation of obligations

- 12. According to the Financial Regulations and Rules of the United Nations, outstanding obligations must be reviewed periodically by the responsible certifying officer(s). Obligations that are no longer valid shall be cancelled from the accounts forthwith and the resulting credit surrendered. The appropriations that are required to discharge obligations in respect of goods supplied and services rendered in the financial period should remain available for twelve months following the end of the financial period to which they (the appropriation) relate.
- 13. OIOS analyzed the reports on the Status of Allotments as well as the reports of outstanding obligations as of 30 June 2005. These analyses revealed unusually high ratios of obligations to allotments for the following cost centres: Building Management and Engineering (30 per cent), Electronic Services (30 per cent), Transport Section (50 per cent). The high ratios mainly resulted from the large amounts purchase orders issued during the last quarter of the financial year. Approximately 62 per cent or some \$0.8 million of the obligations relating to Engineering Section were created in the fourth quarter. Nearly \$0.5 million of this amount had been obligated in June 2005. Similarly, approximately 40 per cent (or \$240,000) of obligations relating to the Transport were created in the fourth quarter of the 2004-2005 financial year. The apparent rush in committing these funds, particularly at the time when the end of Mission's mandate was near, creates the impression of the absence of an operational necessity for the underlying procurement. In this regard, OIOS found that the amount obligated by the

Engineering Section in the fourth quarter was more than double its planned procurement and the amount obligated by the Transport Section nearly doubled its planned procurement for that quarter. In OIOS' view, the cost centres needed to comply with their own procurement plans or return the unutilized appropriations.

14. OIOS' analyses also revealed that the Mission could have achieved an overall decrease of more than 33 per cent in total obligations had obligations relating to the Personnel Section not increased by 19 per cent, from \$0.5 million as of 30 June 2004 to \$0.6 million as of 30 June 2005. Approximately 96 per cent of the obligations of the Personnel Section as of 30 June 2005 relate to approved travel. OIOS found that some of the approved travels are for staff members who had already separated from the Mission. Annex I contains a list of some approved travels relating to staff members that had separated from the Mission. Also, nearly 34 per cent of the \$500,000 carried forward from 2003-2004 to 2004-2005 had expired, were no longer valid and were therefore cancelled in June 2005. This high rate of cancelled obligations further indicates the need for a more thorough review of obligations by the certifying officer of the Personnel Section. In order to facilitate the required reviews by certifying officers, the Finance Section circulates a detailed report of outstanding obligations to certifying officers on a monthly basis. The certifying officers are then provided the status of outstanding obligations for adjustment of the accounts. Any obligation that is deemed not be valid has to be cancelled. However, it appeared that the Personnel Section does not review these reports as thoroughly as it should.

Recommendation 2

OIOS recommends that UNAMSIL Administration ensure that the certifying officer of the Personnel Section thoroughly reviews the outstanding obligations with a view of identifying and canceling all invalid obligations (AP2005/622/02/02).

15. UNAMSIL accepted recommendation 2 and stated that it is the responsibility of the certifying officer of the Personnel Section to ensure the cancellation of outstanding obligations for accounts under the Section's control. However, all the outstanding obligations referred to by the audit are travel related, involving costs of air tickets, which require the Travel Unit's confirmation as to whether or not payments have been made for the air tickets. The Personnel Section does not have the capacity to monitor the submission of F.10 claims for departed personnel and those on board. However, the Mission indicated that the recommendation would be implemented immediately. Recommendation 2 remains open pending confirmation by UNAMSIL that it has been implemented.

C. Timely settlement of accounts payable

16. Accounts payable mainly related to withheld MSA of staff members for various reasons including but not limited to pending boards of inquiry against the concerned staff members. In other instances, the concerned staff members had separated from Mission without collecting their MSA. These need to be settled promptly.

17. As of 30 June 2005, accounts payable totaled \$341,000. Approximately 65 per cent or \$220,000 of this amount is payable to mission personnel (i.e. national and international staff, military observers, military contingents, staff officers, civilian police and the United Nations volunteers). About \$105,000 of this amount is payable to mission personnel who have already separated from the Mission. Approximately \$43,000 accounts payable to personnel was older than a year. The Finance Section did not provide any records on the origin of these accounts. It apparently relies on the vague descriptions in the SUN system and the individual memories of its staff. The Finance Section needs to establish a complete record for each account. Adequate documentation is critical particularly during liquidation activities performed at UNHQ often by individuals that were not involved in the maintenance of the accounting records in the field.

Recommendation 3

OIOS recommends that the UNAMSIL Finance Section establish a file for each account containing documentation on how the account was created and evidence of follow-up actions taken (AP2005/622/02/03).

18. UNAMSIL accepted this recommendation 3 and stated that accounts payables are reviewed by Finance Section on a monthly basis. Generally, there are records for those payables with some exceptions. Sun System's description is based on those records. Nevertheless, sometimes staff members depart the mission without proper checkout, without leaving proper address or banking instructions and this makes it difficult to effect the payments. Finance Section is working closely with relevant Sections for those long outstanding payables where there are problems. Where there are no files for long outstanding payables, they will be created. The reduction of withheld MSA level from \$1,000 to 500 will significantly reduce the balance. Recommendation 3 remains open pending receipt of confirmation from UNAMSIL that it has been fully implemented.

VI. ACKNOWLEDGEMENT

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

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations

Ms. Donna-Marie C. Maxfield, OIC, ASD/DPKO

Mr. Kiplin Perkins, Chief Administrative Officer, UNAMSIL

UN Board of Auditors

Programme Officer, OIOS

Mr. Bolton Tarleh Nyema, Chief Resident Auditor, UNAMSIL

Annex I: Some outstanding obligations that are no longer valid but were not cancelled

	Reference	Description	Amount (\$) Remarks	Remarks
	4-06SIL993	530 ARUTIUN, KHANAKHIAN	1,236.00	1,236.00 Planned travel date, 29/07/04. Officer released from Mission,
01	4-06SLI119	576 MINHAS, NASEER	351.00	351.00 Planned travel date: 2/09/04, Officer completed tour of duty.
~	4-06SL 1476	631 HAYAT, SHOUKAT NK	587.00	587.00 Officer repatriated between March and June 2004 for med reasons.
**	4-06SLI719	696 RABBI, HASAN RAHAN	189.00	189.00 Officer end tour of duty.
10	4-06SLI872	757 UMAIR, MOHAMMED	14,556.00	14,556.00 Planned travel date: 15 Feb. 1005. Two officers transferred to Liberia
9	4-06SLI044	562 NAIK, SAAD	1 790 00	,790.00 Planned travel date: 19 Aug. 2004. MILOB completed tour of duty.
	4-06SLI714	689 DOUMBIA, LANSSANA	539.00	539.00 Planned travel date: 30 Dec 2004. MILOB completed tour of duty.
8	4-06SLI780	725 MWENZE, FRANCIS	1,852.00	852.00 Planned travel date: 25 Jan, 2005. MILOB completed tour of duty.
0	4006SLI028		1,852.00	852.00 Planned travel date: 27 Aug. 2004. CIVPOL completed tour of duty.
10	4-06SLI284	603 ADEKOYA, ADEREMI	2,500.00	2,500.00 Planned travel date: 09 Oct. 04. Training course for DDR.
	Total		25,452.00	