



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Property management in UNMEE

Prudent asset management and accurate information in inventory control are essential to effective liquidation

19 November 2008

Assignment No. AP2008/624/04

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. Lebohang K. Moleko
A Deputy Special Representative of the Secretary-General and
Officer-in-Charge
United Nations Mission in Ethiopia and Eritrea

DATE 19 November 2008

REFERENCE IAD: 08-01964

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

SUBJECT **Assignment No. AP2008/624/04 - Property management in UNMEE**
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 4, 5, 8, 9 and 11 and 14 in the OIOS recommendations database as indicated in Annex 2. 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 2.
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, 2, 3 and 10), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

Mr. Maurice Critchley, Chief of Mission Support, UNMEE
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Seth Adza, Audit Response Team, Department of Field Support
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INTERNAL AUDIT DIVISION

FUNCTION

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EXECUTIVE SUMMARY

Property management in UNMEE

The Office of Internal Oversight Services (OIOS) conducted an audit of property management in the United Nations Mission in Ethiopia and Eritrea (UNMEE). The overall objective of the audit was to assess the adequacy and effectiveness of internal control over United Nations-owned equipment. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Internal controls need to be improved to properly manage and safeguard assets and ensure the integrity of information in the Galileo inventory management system. As the Mission is going into liquidation, the following major audit findings and recommendations should be urgently addressed:

- Some 2,009 assets with an acquisition value of \$6.7 million and a current value of \$2.7 million were left behind in the sectors in the Temporary Security Zone, adjacent areas and Assab in Eritrea.
- Of the 317 assets valued at \$2.8 million selected for physical verification, 56 valued at \$185,000 could not be located. The Property Control and Inventory Unit confirmed that 530 items totaling \$1.6 million could not be found.
- Staff accountable for 52 per cent of the 16,823 assets recorded in the Galileo inventory management system were not registered in the system. Also, a random sample of 51 issue vouchers showed that 12 vouchers were either missing or not current.
- There was a significant backlog of assets pending write-off and disposal: 4,845 assets with a current value of \$6.2 million were pending write-off and 2,631 written-off assets with a current value of \$1.3 million were pending disposal. Local Property Survey Board cases were delayed and the Property Disposal Unit was not functioning effectively.
- Customs clearance documents for some assets were missing, which constituted a high risk during liquidation as the host government in Eritrea was requesting such documents in connection with re-exportation or disposal of the items.
- Some records on asset holders and the location of assets were inaccurate.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of property management in the United Nations Mission in Ethiopia and Eritrea (UNMEE). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
 2. The Chief of Mission Support (CMS) is responsible for managing property assigned to the Mission, and self-accounting units (SAUs) are responsible and accountable for assets entrusted to them. Mission staff and other asset holders signing for assets are individually responsible for the safekeeping, proper handling/use and reporting of lost assets. The Property Control and Inventory Unit (PCIU) is responsible for overseeing and controlling mission property, recordkeeping and proper accounting of assets.
 3. At the time of the audit, UNMEE had 16,823 non-expendable and attractive/special items with an acquisition value of \$56.7 million and a current value of \$19.7 million. Some 83 per cent of these assets were located in Eritrea and 17 per cent in Ethiopia.
 4. The Mission was facing a number of challenges adversely impacting its operations and property management, including the following:
 - (a) Mission assets were dispersed in various locations in two countries;
 - (b) In December 2005, the host government in Eritrea requested that certain nationalities be relocated from Eritrea to Ethiopia. While the Property Disposal Unit (PDU) and Board of Survey (BOS) were in Asmara, Eritrea, the Claims Unit and Local Property Survey Board (LPSB; one member in Asmara) were in Addis Ababa, Ethiopia, resulting in communication and coordination problems;
 - (c) The various restrictions imposed on UN staff by the Eritrean government limited travel to certain areas, and posed difficulties in the disposal of assets;
 - (d) There were uncertainties concerning the future of the Mission in recent years; and
 - (e) Vacancy rates were high (23 per cent for international and 21 per cent local staff at the time of the audit).
 5. Four recommendations from a previous audit of property management in UNMEE (AP2006/624/08) were still pending implementation at the time of the audit. OIOS is reiterating these recommendations (see Section E of this report).
 6. Comments made by UNMEE are shown in *italics*.
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II. AUDIT OBJECTIVES

7. The main objectives of the audit were to assess the adequacy and effectiveness of internal control over UN-owned equipment (UNOE) in the following areas:

- Compliance with relevant UN regulations and rules;
- Safeguarding of equipment; and
- Reliability and integrity of the data recorded in Galileo.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit reviewed the current status of non-expendable and attractive/special assets, including a review of Galileo records and physical inspection of assets at Asmara Headquarters (HQ) and in Adiguudad warehouses. Due to travel restrictions to sites in Eritrea and Addis Ababa, OIOS relied on PCIU's inspection reports. The audit also reviewed the LPSB and administrative write-off cases for 2007 and 2008.

9. The audit methodology included interviews of key staff and analysis of pertinent records. OIOS used the Department of Peacekeeping Operations (DPKO) Business Objects reporting tool to retrieve data and reports, and computer assisted audit tools to analyze data. The audit did not cover non-expendable assets.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Liquidation activities

Asset disposal plan

10. By resolution 1827 (2008), the Security Council terminated UNMEE's mandate effective 31 July 2008 and the liquidation phase commenced. However, UNMEE Administration had already started liquidation activities in anticipation of the expiry of the mandate.

11. At the time of the audit, there was a proposed disposal plan for non-expendable property. However, the plan was not complete and did not explore all of the available options. For example, it stated that 67 per cent of the assets will be commercially disposed of and 32 per cent will be deployed to other peacekeeping operations. The remaining one per cent had not been categorized. No consideration had been given to donating assets to the host countries; the most cost-effective option given the age and location of many of the assets.

12. Prior to preparing the proposed asset disposal plan, there had not been any discussion or coordination with the host countries. Involvement of host countries is critical, and their consent is essential in order to commercially

dispose of assets. Also, in these discussions, host governments may request that certain assets be donated to them.

13. While OIOS recognizes the challenges encountered by the Mission, there is a need to discuss and coordinate with the host governments prior to finalizing the liquidation plan.

Recommendation 1

(1) The UNMEE Office of Mission Support should ensure that prior to finalizing the asset disposal plan, Mission liquidation activities are properly discussed and coordinated with the two host governments to the extent possible.

14. *The UNMEE Office of Mission Support accepted recommendation 1 and stated that the liquidation of the Mission had been discussed with the two host governments, and coordination was still ongoing.* Recommendation 1 remains open pending receipt of a copy of the final asset disposal plan that includes inputs from the host governments.

B. Property management

Assets left in the Temporary Security Zone (TSZ), adjacent areas and Assab

15. Fuel supplies to UNMEE were stopped on 1 December 2007, forcing the Mission to relocate from the TSZ and adjacent areas. At that point, the contingent-owned equipment (COE) was re-deployed to contributing countries, leaving behind some of UNMEE-owned assets. Difficulties were encountered in retrieving these assets due to travel restrictions imposed by the government of Eritrea. While in Assab, UNMEE contracted with a private company, which was permitted to remove certain assets (mainly Information and Communications Technology (ICT) equipment) to the Asmara HQ. The total acquisition value of the 2,009 assets left behind was \$6.7 million (current value \$2.7 million), as shown in Figures 1 and 2 below.

Figure 1: Assets left in TSZ and adjacent area

Responsible Unit	Quantity	Purchase Cost	Depreciated Value
Building Management	97	\$120,591	\$437,734
Communications	25	241,893	66,950
Engineering	1,037	3,912,779	1,714,155
Information Technology	13	15,669	3,885
Supply	110	454,143	199,422
Transportation	1	1,498	390
TOTAL	1,283	\$4,746,568	\$2,422,536

Figure 2: Assets left in Assab

Responsible Unit	Quantity	Purchase Cost	Depreciated Value
Building Management	48	\$62,579	\$15,949
Communications	5	9,185	3,034
Engineering	544	1,516,714	545,120
Information Technology	53	84,341	19,557
Supply	66	148,883	75,460
Transportation	10	212,586	56,698
TOTAL	726	\$2,034,298	\$4,715,818

16. Most of the assets, consisting primarily of prefabricated buildings, air conditioners, fuel storage items and generators, belonged to the Engineering Section. While it may be difficult to retrieve the prefabricated buildings, efforts should be made to recover ICT equipment (e.g., VHF radios, computer hard-disks), as well generators (\$130,000 depreciated value) and fuel storages (\$160,000 depreciated value) if cost effective. The option of donating these assets to the host government should also be considered.

Recommendation 2

(2) The UNMEE Office of Mission Support should coordinate with the host government in Eritrea to recover the remaining assets in the Temporary Security Zone, adjacent areas and Assab, and consider the option of donating them to the host government.

17. *The UNMEE Office of Mission Support accepted recommendation 2 and stated that the recovery of the remaining assets had been coordinated with the Government of Eritrea, which indicated that it did not need UNMEE assets except some Mine Action Coordination Centre (MACC) equipment. Therefore, the Mission had started planning to recover assets in the TSZ, adjacent areas and Assab, and would submit the plan to the Eritrean Government. Recommendation 2 remains open pending confirmation of the recovery of the remaining assets in the TSZ, adjacent areas and Assab.*

Missing assets

18. OIOS attempted to verify the existence of a sample of 317 assets valued at \$2.8 million in Asmara warehouses. Fifty-six assets totaling \$184,839 (depreciated value of \$76,503) or approximately seven per cent of the sample could not be located.

19. OIOS' verification showed that a heavy-duty generator (depreciated value of \$18,274) and a sea container (depreciated value of \$493) were given to local authorities in Eritrea, contrary to the procedures outlined in DPKO's Property Management Manual. While UNMEE has tried to retrieve the container, there was no evidence that it had sought to recover the generator. Considering the Mission is in liquidation, procedures should be initiated to write-off/donate these assets, as appropriate.

20. Four pieces of communication installation equipment with an acquisition cost of \$32,000 were missing since 2000 and shown as 'transfer in' assets in Galileo. The records show that the items were received and inspected, but information of their origin, the vendor, etc., was missing. According to the Receiving and Inspection (R&I) Unit, these items had never been received. As PCIU cannot trace these items, they should be reported to the Security Section and write-off procedures initiated.

21. PCIU conducted a 100 per cent physical inspection of all assets during financial year 2007/08. The inspection showed that 530 items valued at \$1,642,827 could not be found. However, OIOS' inquiry into PCIU's inspection showed that not all of the items were actually missing, as some of them had not been made available by asset holders during the inspection. PCIU therefore considered them as "not found assets". This suggests the need for better cooperation of all asset holders during PCIU inspections.

Recommendation 3

(3) The UNMEE Office of Mission Support should immediately contact all asset holders to determine whether the items on the Property Control and Inventory Unit's 'not found list' are actually missing and initiate write-off procedures for items that cannot be located and for those assets already with the Eritrean authorities.

22. *The UNMEE Office of Mission Support accepted recommendation 3 and stated that a confirmation inspection was being conducted and assets still not located would be reported to the Security Section to commence investigation.* Recommendation 3 remains open pending confirmation by the Mission of the convening of a Board of Inquiry and the commencement of write-off procedures for items that cannot be located.

Check-out procedures

23. Check-out procedures and internal controls were inadequate. As a result, staff responsible for assets did not return them prior to leaving the Mission. For instance, staff were cleared for check-out even though assets were still recorded in their name. In one case, a staff member was cleared and was still recorded as responsible for 18 assets. One reason for the deficiencies was that there was no PCIU representative in Addis Ababa. The Senior Administrative Officer and Assistant assumed PCIU's function; however, this remained an informal arrangement, as there was no delegation of authority. Overall, there were no proper checks and balances as sufficient time was not allocated for such controls. During the liquidation period, it is critical that internal controls are strengthened significantly to mitigate the risk of additional assets being lost or stolen.

Recommendation 4

(4) The UNMEE Office of Mission Support should strengthen internal controls over its check-out process to ensure that all assets in the custody of staff are returned in a timely manner prior to departure from the Mission. To further enhance the process, a Property Control and Inventory Unit representative should be posted in Addis Ababa.

24. *The UNMEE Office of Mission Support accepted recommendation 4 and stated that all staff members had been reminded on the checkout period and process, which had already been strengthened. Measures had been taken to retain an amount from staff members, which was equivalent to the depreciated value of assets not accounted for. A PCIU Representative had already been assigned in Addis Ababa since July 2008. Based on the action taken by UNMEE, recommendation 4 has been closed.*

Accountability and responsibility for assets

25. Contrary to the DPKO Property Management Manual, the names of users accountable for assets were not recorded in Galileo for 8,724 or 52 per cent of the 16,823 assets. The majority of these 8,724 assets were unit stocks (assets stored in warehouses) or assets pending write-off or disposal.

26. OIOS selected 51 assets to verify that issue or hand-over vouchers had been completed and filed. Eight issue/hand-over vouchers could not be found and four were signed by asset holders different from the name of the asset holder recorded in Galileo. The remaining 39 issue vouchers were complete and updated. Moreover, from a sample of eight assets listed as having been issued to UN agencies and non-governmental organizations, in only five cases were the issue vouchers complete and/or updated.

27. Issue and handover vouchers are important in assigning responsibility and accountability for assets. Security investigation reports on missing/lost assets showed that accountability for lost assets could not be assigned as a result of weak internal controls. It is vital therefore that issue and hand-over documents are complete and current.

Recommendation 5

(5) The UNMEE Office of Mission Support should strengthen internal controls over assets by requiring that issuance and hand-over vouchers are completed, updated and filed to ensure that accountability for assets is clearly assigned.

28. *The UNMEE Office of Mission Support accepted recommendation 5 and stated that SAUs had been issuing vouchers/preparing hand-over vouchers for all assets and keeping the vouchers on file. On 19 September 2008, a broadcast*

message on accounting for UN assets was circulated to all staff members to remind that it was their responsibility to take care of assets issued to them and return them to the warehouse or appropriately hand them over with relevant handover/return vouchers. To enhance internal controls, PCIU conducted physical verification of assets to ensure they were at the exact location and with the user as indicated by the SAUs. PCIU made efforts to contact staff members if assets were not located for verification. Based on the action taken by UNMEE, recommendation 5 has been closed.

Write-off of assets

29. At the time of the audit, 4,845 assets with a purchase value of \$17 million (depreciated value of \$6.2 million) were pending write-off.

30. There were significant delays in asset write-off, particularly in cases referred to the LPSB and the Headquarters Property Survey Board (HPSB). For example, 77 items with a purchase value of \$284,743 had been pending write-off decision by the LPSB for more than six months, including some requests initiated in 2003. These delays may have occurred due to the lack of training of responsible staff on the use of Galileo (previous write-off module). Considering that write-off requests will increase significantly during the liquidation period, it is important that staff are competent in this function. Steps should also be taken by the LPSB to immediately address old cases.

31. Some LPSB meetings were held long after the incident/accident took place. For example, the LPSB meeting regarding cases SB/81 and SB/82 were held more than a year after the incidents occurred. Moreover, some cases had been submitted to HPSB very late. OIOS identified four cases that had been submitted four years after the incident.

32. There were 66 write-off cases pending decisions by the HPSB, and as above, some of these dated back to 2003. A financial assessment against the staff member was requested in 29 of these cases. Since the Mission has gone into liquidation, this process needs to be expedited and UNMEE management needs to follow-up with the HPSB to ensure that these cases are finalized.

33. There was no mechanism in place to ensure that LPSB-recommended financial assessments against staff members are retained from asset holders until HPSB recommendations (approved by the Controller and the Under-Secretary-General for Management) are finalized. The LPSB should inform the Finance Section to ensure that relevant amounts are withheld. OIOS noted that \$79,516 had not been withheld from asset holders in cases pending decision by the HPSB or approval by the HPSB/Controller (see Annex I). Many of the responsible persons left UNMEE and the UN before decisions were finalized. However, action should be taken to recover the following amounts since the asset holders are still working at the UN and recovery is feasible:

- \$25,700 from MACC. The case has been reviewed by the HPSB/Controller and a recovery recommended.

-
- \$4,100 from two civilian staff and one UN Volunteer in accordance with guidelines issued on 22 June 2008, which established a ceiling for the amount recoverable.

Recommendations 6 and 7

The UNMEE Office of Mission Support should:

(6) Develop an effective mechanism for ensuring that financial assessments recommended by the Local Property Survey Board against staff are withheld while waiting for the Headquarters Property Survey Board decision; and

(7) Request the Headquarters Property Survey Board to take immediate action on long-pending cases.

34. *The UNMEE Office of Mission Support accepted recommendation 6 and stated that measures had already been taken. As soon as the LPSB made a decision on an LPSB case for any surcharges against any staff members, the decision was conveyed to the Chief Finance Officer to withhold the money from them until the HPSB decision was received. Recommendation 6 remains open pending confirmation of the recovery of \$25,700 from MACC.*

35. *The UNMEE Office of Mission Support accepted recommendation 7 and stated that the Mission sent a fax on 15 August 2008 to the Director of Field Budget and Finance Division (FBFD), Department of Field Support, requesting their assistance in asking the HPSB to expedite their finalization of all long-pending cases, especially because the Mission was in the process of liquidation. Recommendation 7 remains open pending the result of the follow-up by FBFD with the HPSB on all pending property disposal cases with them.*

Asset disposal

36. Due to restrictions imposed by the Eritrean authorities since June 2007, UNMEE was unable to dispose of written-off assets. There were no such restrictions in Addis Ababa.

37. At the time of the audit, 2,631 written-off assets with a purchase value of \$5.7 million (depreciated value of \$1.3 million) were pending disposal, including some assets pending disposal since 2005.

38. Although there were a limited number of disposal activities in the Mission, it was evident that internal controls were weak. For instance, as PDU did not have its own warehouse facilities, assets pending disposal remained in the custody of SAUs. Generally, they were stored together with other unit stocks. In some instances, the SAUs took over responsibility and disposed of assets and forwarded disposal certificates directly to PCIU without PDU's involvement.

39. Also, contrary to UN procedures (outlined in ST/AI/2001/4) and UNMEE's Standard Operating Procedures (SOPs), data stored on computers

approved for write-off was not systematically erased. The Communications and Information Technology Section (CITS) informed OIOS that hard-disks were formatted to be disposed of, but this was only done if requested by PDU. However, as PDU was by-passed in some disposal actions, there was a risk of assets being disposed of with sensitive data still stored on the hard-drive. Considering the pending disposal of many computers, it is imperative that important and sensitive data is erased. Special attention should be given to the computers of the Geographic Information Systems Unit and those used by senior management.

Recommendations 8 and 9

The UNMEE Office of Mission Support should:

(8) Ensure that adequate procedures are established for the disposal of assets including the provision of warehouse facilities to the Property Disposal Unit to facilitate the completion of its mandated responsibilities during liquidation; and

(9) Establish procedures for ensuring that all important information stored on computers is erased prior to disposal.

40. *The UNMEE Office of Mission Support accepted recommendation 8 and stated that the PDU yard in Eritrea had been built. In Ethiopia, warehouse space had been allocated for the PDU at the newly rented Cangaru building. Based on the action taken by UNMEE, recommendation 8 has been closed.*

41. *The UNMEE Office of Mission Support accepted recommendation 9 and stated that the mission had an established procedure on this matter. When a computer was earmarked to move to another mission or was identified to be written off, the computer was either reverted to default configurations or the hard disk was formatted to erase the contents of the computer. Based on the action taken by UNMEE, recommendation 9 has been closed.*

The receiving and inspection process and related documentation

42. Some customs clearance documents were missing for assets received between 2001 and April 2007. Essential documents such as bills of lading/airway bills, packing lists, commercial invoices, applications for customs clearance and customs declaration forms are necessary to dispose of or re-export assets. Consequently, in 2008 UNMEE management contacted Eritrean authorities requesting permission for Mission's customs clearing agent to search for copies of shipping documents in Eritrean customs facilities at ports and airports. The government agreed and the clearing agent located some missing documents, but only for a limited number of assets. The Mission noted that some assets may have been shipped directly from Brindisi at start-up, and may have been received without the appropriate customs clearance documents. It was not possible to establish what items had been received, as R&I had no systematic filing system.

43. These missing documents are a cause for concern, and will be a continuing problem for the Mission in disposing of and re-exporting assets. Giving due consideration to the quality and residual value of assets, the Movement Control Unit, in coordination with Travel and Traffic Unit, Receiving and Inspection Unit and SAUs should increase efforts to locate all essential documentation relating to Mission assets.

Recommendation 10

(10) The UNMEE Office of Mission Support should increase its efforts in locating missing customs clearance documents for UN-owned equipment and discuss this issue with the host governments during liquidation meetings.

44. *The UNMEE Office of Mission Support accepted recommendation 10 and stated that the Movement Control Unit was in the process of searching for all previous customs clearance documents. UNMEE will also follow up with the Eritrean Government. In Ethiopia, the issue had been discussed with the authorities and the Ministry of Foreign Affairs issued an instruction to the Customs Authority and allowed UNMEE to ship out COE and UNOE without any restriction. Recommendation 10 remains open pending confirmation by the Mission of action taken to retrieve customs documents for UNOE and the result of discussions with the Eritrean Government regarding the missing customs clearance documents.*

Reporting of discrepancies

45. A review of 2007 and 2008 security investigation reports showed that missing or lost assets were not reported to the Security Section to ensure timely investigation. The longer it takes to report a missing item, the more difficult it becomes to trace and assign accountability. For example, a laptop computer missing since 2001 was not reported to the Security Section for investigation until 2007, and various VHF equipment lost in 2003 and 2004 was not reported until March 2008. In these cases it was unlikely that security investigations would yield positive results.

Recommendation 11

(11) The UNMEE Office of Mission Support should ensure that individual asset holders/custodians, self-accounting units and the Property Control and Inventory Unit immediately report all missing and unaccounted for items to the Security Section to facilitate proper investigation while asset holders are still in the Mission.

46. *The UNMEE Office of Mission Support accepted recommendation 11 and stated that all staff members had been reminded to report all lost assets to the Security Section for prompt investigation. PCIU also reported to the Security Section on all cases of assets that were not located after two physical inspections and follow-up. On 19 September 2008, a broadcast message on accounting for*

assets and security reports was circulated to all staff members. Based on the action taken by UNMEE, recommendation 11 has been closed.

C. Accuracy and completeness of information in Galileo

47. Galileo records were not up-to-date and contained a number of discrepancies. For example, our review showed that 102 asset holders out of 465 who already left the mission were shown as current asset holders. The total value of these assets was \$340,000 and included a number of vehicles. A further review of these 102 records identified serious weaknesses in internal controls including:

- Some of the assets had been written-off for various reasons, but the process had not been completed. Due to a technicality in Galileo, it was not possible to remove previous asset holders' names;
- On reassignment from UNMEE, some staff members had taken assets with them without following the proper procedures. As a result, no shipping acknowledgement had been received. These assets were still in the staff members' names and could not be deleted from the system;
- Some assets were transferred to the Economic Commission for Africa (ECA) Addis Ababa in 2006. Authority for this transaction was not received until July 2008. A formal document from ECA is required before the Property Management Unit (PMU) can archive these assets, which had been issued to individuals whose names remain in the system;
- All personnel going on temporary duty (TDY) were not checking out, and as mentioned above, in some cases, they were still registered as asset holders; and
- Some staff left the Mission with assets still in their names, as they had not been cleared by PCIU.

48. OIOS reiterates the recommendation of the previous audit of property management that "The UNMEE Administration should update the Galileo inventory management system to reflect the actual accountability of staff members who have already checked out, but whose records have not been accurately updated in the system (AP2006/624/08/009)".

Location of assets

49. OIOS' review of assets in the Asmara warehouses found that 36 of the 317 items reviewed differed from the Galileo records in terms of location. Most of these items were ICT equipment.

Recommendation 12

(12) The UNMEE Office of Mission Support should verify the accuracy of asset locations in Galileo and adjust the records accordingly.

50. *The UNMEE Office of Mission Support accepted recommendation 12 and stated that the Galileo system was constantly being updated with the changes in the status of assets, location of assets and staff as well as users' names. Recommendation 12 remains open pending verification by the Mission of the accuracy of asset locations in Galileo.*

Galileo access privileges

51. Internal controls relating to Galileo were generally weak. For example, the Galileo access privileges for staff were not commensurate with user functions. Control parameters were breached by assigning the operator and approver privileges to the same staff. Thus, one person could create and approve a transaction. OIOS noted several instances where this situation occurred. Also, user IDs of staff members who had already left the mission had not been revoked.

Recommendation 13

(13) The UNMEE Office of Mission Support should revoke the Galileo access privileges of staff members who have left the Mission and update access privileges of current users commensurate with their functions.

52. *The UNMEE Office of Mission Support accepted recommendation 13 and stated that PCIU deleted from Galileo the names of staff members who had already left the Mission, except where a staff had a case pending LPSB/HPSB recommendations. Recommendation 13 remains open pending receipt of documentation that Galileo access privileges of current users are commensurate with their functions.*

D. Safeguarding of assets

Access to warehouses

53. OIOS visited warehouse facilities in Adiguudad, Asmara where the Engineering, Supply, CIT, and Transport sections had separate warehouses. Access controls to these warehouses needed to be improved. For example, the warehouses did not have a double key system, which means that individuals can enter warehouses unaccompanied, increasing the risk of loss of assets through theft. Also, it was not clear who had keys to the warehouses. There was no record of the number of available key sets and who kept them. The lack of key management and the associated risks were mentioned in some security investigation reports, which cited this as a reason for not being able to assign responsibility for losses. For example, the investigation into the loss of mine action equipment in the MACC warehouse revealed that security guards, the warehouse manager, the logistics officer and the associate had keys to the warehouse. In this case, there was no evidence of any break-in. The report concluded that lack of accountability on the part of warehouse staff and lack of

supervision provided the perfect opportunity to illicitly remove items from the warehouse.

54. The Mission has taken some action to identify if there had been warehouse break-ins. Warehouse staff were using pre-numbered seals when locking the warehouses, and a broken seal was considered as a sign of unauthorized access. OIOS recognizes that this might be an effective control in identifying whether there was an unauthorized access to facilities, but it is not sufficient to identify and assign accountability. Previously, closed-circuit television (CCTV) camera was installed in the warehouses, but was removed in 2006 due to maintenance problems. Considering that some items were missing in the Supply and CITS warehouses, and there are risks attributable to liquidation, Mission Management should re-consider placing CCTV cameras in the main warehouses.

Recommendation 14

(14) The UNMEE Office of Mission Support should enhance physical access controls to warehouses and storage facilities by documenting the custody and number of keys and re-considering the placement of closed-circuit television cameras in warehouses.

55. *The UNMEE Office of Mission Support accepted recommendation 14 and stated that there were three tiers of security layout in the warehouse. With this system in place, it was sufficient at this time as the Mission moved forward into liquidation. The Mission did not find it necessary to re-install CCTV cameras in the warehouses. With the Mission already in the liquidation process and since the majority of the assets in the warehouses have been transferred to containers, recommendation 14 has been closed.*

E. Lessons learned

56. During the audit, OIOS identified certain issues that can be considered as lessons learned, which the Department of Field Support, may wish to consider while providing support and guidance to field missions.

Inventory Management

57. An analysis of unit stocks in warehouses showed that 826 assets with a purchase value of \$2 million (depreciated value of \$865,000) were kept in warehouses/stores since December 2006 or earlier. These included 307 new air conditioners, which had been in storage since 2001. In OIOS' opinion, the cost of stocking these assets far exceeds their purchase value. Although they can be shipped to and used in other peacekeeping operations, their costs would be high and uneconomical, as these units use old technology, are less efficient and difficult to repair. Had inventory management and monitoring been more effective, earlier action could have been taken to either deploy these items to other field missions, or if they had been sold a few years earlier, their market

value would have been much higher. These assets were listed as 'surplus' in Galileo, but OIOS was not able to determine when they were declared as such.

Customs clearance documents

58. As mentioned above, customs clearance documents are required to dispose of or export assets. Therefore, a database showing all shipment/custom clearance information of assets and proper filing of such documents becomes vital for all peacekeeping operations. The field missions should be reminded of the importance and sensitivity of customs documentation to avoid potential problems at later stages of the missions.

Disposal of assets through sales

59. There was a failed attempt to dispose of assets through commercial sales in Eritrea in 2005 and no such disposal activity has been authorized by the host government since that time. In response to audit recommendation (AP2006/624/08/19), Mission management stated that a last attempt would be made to negotiate with the Eritrean government to allow the sale of assets in the country. If the sale is not successful, the LPSB would identify an alternate method to dispose of the assets in accordance with the established procedures and regulations. However, OIOS has not seen any evidence that the LPSB has identified an alternate method to dispose of assets, and is of the view that assets could have been sold, at a better price, if attempts had been made to dispose of the assets in Ethiopia. Some CITS equipment in Eritrea had been transferred to Addis Ababa and sold. Over time, these assets lose their market value.

Insuring warehouses

60. Provision 12.1 of the lease agreement between UNMEE and the owner of the main warehouse premises in Adiguudad, Asmara stipulated that the lessor shall, at its own cost, keep the premises insured against all risks and provide UNMEE with a certificate confirming the existence of a valid insurance policy. On the other hand, provision 12.4 stated that UNMEE shall be responsible for insuring its own property and staff against accidents that may arise within the premises. OIOS found that a copy of the insurance certificate was not obtained from the lessor, nor did UNMEE insure the property inside the warehouses. The same observation was valid relative to the premises in the White Building, Addis Ababa. Considering that the total value of the property in both warehouses was \$15.5 million (\$5.8 million depreciated value) at the time of the audit, OIOS is of the opinion that there was a high risk associated with not insuring the property in the warehouses.

F. Status of previous recommendations

61. OIOS conducted an audit of property management in UNMEE in 2006 (AP2006//624/08). At the time of the current audit, the following recommendations were still pending implementation and OIOS is reiterating these recommendations:

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- The UNMEE Administration should update the Galileo inventory management system to reflect the actual accountability of staff members who have already checked out but whose records have not been accurately updated in the system (AP2006/624/08/009);
 - The UNMEE Administration should ensure that Self-Accounting Units update the Galileo inventory management system to reflect the actual condition of assets under their responsibility (AP2006/624/08/016);
 - The UNMEE Administration should convene the Local Property Survey Board to decide on the assets pending write-off (AP2006/624/08/018);
 - The UNMEE Administration should, together with the Mission's Legal Adviser, negotiate with the Eritrean Government to allow the sale of assets in the country. If the Government still refuses, the Local Property Survey Board should identify alternative methods to dispose the assets, in accordance with established procedures and regulations (AP2006/624/08/019).

V. ACKNOWLEDGEMENT

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

Amounts that were not withheld from asset holders

LPSB No	Asset holder	Status of asset holder	Staff assessment by LPSB (\$)	Amount withheld by Finance	Difference (\$)	Status of the case
SB/41	UNMEE 4055 Renault CBH320	Contractor	25,213	-	25,213	HPSB agreed with LPSB and recommended that UNMEE take appropriate action to recover the loss from UNOPS or from the contractor (MECHEM).
SB/66	Anwar El-Masri	In UNMEE	3,574	-	3,000*	Pending HPSB decision
SB/81	Samir Al-Hosni	In UNMEE	1,121	-	750*	Pending HPSB decision
SB/29	Mathios Tegegn	In UNMEE	347	-	347	Pending HPSB decision
SB/20	Alexander Kasakstin	Left UN	290	-	290	HPSB agreed with LPSB.
SB/43	Remy Jose	Left UN	189	-	189	HPSB agreed with LPSB.
SB/11	Naveen Poul Verghese	Left UN	194	-	194	Pending HPSB decision
SB/14	Stanislav Tarasov	Left UN	263	-	263	Pending HPSB decision
SB/15	Ivan Ivanov	Left UN	424	-	424	Pending HPSB decision
SB/16	Kibreab Mehanzel	Left UN	120	604		Pending HPSB decision
SB/18	Kibreab Mehanzel	Left UN	170			Pending HPSB decision
SB/17	Alfred Nyorbay	Left UN	951	1,618		Pending HPSB decision
SB/19	Vojtech Barna	Left UN	808	1,618		Pending HPSB decision
SB/21	Famara Jammeh	Left UN	3,249	347	2,902	Pending HPSB decision
SB/23	Peter Binde	Left UN	5,733	-	5,733	Pending HPSB decision
SB/25	Cpt. Mladen Ostogic	Left UN	604	-	604	Pending HPSB decision
SB/26	Philippe Rucogoza	Left UN	1,618	1,011	607	Pending HPSB decision
SB/27	Siridur Mallavelly	Left UN	294	-	294	Pending HPSB decision
SB/28	Bahram Uzukov	Left UN	2,916	-	2,916	Pending HPSB decision
SB/31	Fritz Gbarwea	Left UN	1,011	-	1,011	Pending HPSB decision
SB/32	Aziz Mbarki	Left UN	659	-	659	Pending HPSB decision
SB/33	Denis Danko	Left UN	299	-	299	Pending HPSB decision
SB/37	Barnabi Musoni	Left UN	231	-	231	Pending HPSB decision
SB/45	Mzee Joseph	Left UN	7,974	-	7,974	Pending HPSB decision
SB/46	MKS Rwat	Left UN	180	-	180	Pending HPSB decision
SB/61	Alfred Gowomui	Left UN	217	-	217	Pending HPSB decision
SB/63	Rajukumar Dhankhar	Left UN	3,879	2,548	1,331	Pending HPSB decision
SB/65	Hector Yori	Left UN	4,259	1,233	3,026	Pending HPSB decision
SB/67	Zakirul Islam	Left UN	3,574	1,433	2,141	Pending HPSB decision
SB/80	Lt. Danut Valsan	Left UN	9,488	-	9,488	Pending HPSB decision
SB/82	Hav. Suraj Bhan	Left UN	9,233	-	9,233	Pending HPSB decision
				Total	79,516	

* Property Survey Guidelines issued on 22.6.2008 defined the maximum amount of surcharges to asset holders as \$3,000 for civilian staff and military observers and \$750 for UNV's.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
1	The UNMEE Office of Mission Support should ensure that prior to finalizing the asset disposal plan, mission liquidation activities are properly discussed and coordinated with the two host governments to the extent possible.	Strategy	High	O	Submission to OIOS of a copy of the final asset disposal plan that includes inputs from host governments.	Not provided
2	The UNMEE Office of Mission Support should coordinate with the host government in Eritrea to recover the remaining assets in the Temporary Security Zone, adjacent areas and Assab, and consider the option of donating them to the host government.	Strategy	High	O	Confirmation of recovery of the remaining assets in TSZ, AA and Assab.	Not provided
3	The UNMEE Office of Mission Support should immediately contact all asset holders to determine whether the items on the Property Control and Inventory Unit's 'not found list' are actually missing and initiate write-off procedures for items that cannot be located and for those assets already with the Eritrean authorities.	Operational	High	O	Confirmation by the Mission of the convening of a Board of Inquiry and the commencement of write-off procedures for items that cannot be located	Not provided
4	The UNMEE Office of Mission Support should strengthen internal controls over its check-out process to ensure that all assets in the custody of staff are returned in a timely manner prior to departure from the mission. To further enhance the process, a Property Control and Inventory Unit representative should be posted in Addis Ababa.	Operational	Medium	C	Action complete	Implemented
5	The UNMEE Office of Mission Support should strengthen internal controls over assets by requiring that issuance and hand-	Operational	Medium	C	Action complete	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
	over vouchers are completed, updated and filed to ensure that accountability for assets is clearly assigned.					
6	The UNMEE Office of Mission Support should Develop an effective mechanism for ensuring that financial assessments recommended by the Local Property Survey Board against staff are withheld while waiting for the Headquarters Property Survey Board decision	Operational	Medium	O	Confirmation of the recovery of \$25,700 from the contractor.	Not provided
7	The UNMEE Office of Mission Support should request the Headquarters Property Survey Board to take immediate action on long-pending cases.	Financial	Medium	O	Confirmation of the result of the follow-up by FBFD with the HPSB all pending property disposal cases with them	Not provided
8	The UNMEE Office of Mission Support should ensure that adequate procedures are established for the disposal of assets including the provision of warehouse facilities to the Property Disposal Unit to facilitate completion of its mandated responsibilities during liquidation.	Governance	Medium	C	Action complete	Implemented
9	The UNMEE Office of Mission Support should establish procedures for ensuring that all important information stored on computers is erased prior to disposal.	Information Resources	High	C	Action complete	Implemented
10	The UNMEE Office of Mission Support should increase its efforts in locating missing customs clearance documents for UN-owned equipment; and discuss this issue with the host governments during liquidation meetings.	Operational	High	O	Confirmation by the Mission of action taken to retrieve customs documents for UNOE in and the result of discussions with the Eritrean Government regarding the missing customs clearance documents	Not provided
11	The UNMEE Office of Mission Support should ensure that individual asset holders/custodians, self-accounting units and the Property Control and Inventory Unit immediately report all missing and unaccounted for items to the Security	Operational	Medium	C	Action complete	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
12	Section to facilitate proper investigation while asset holders are still in the Mission. The UNMEE Office of Mission Support should verify the accuracy of asset locations in Galileo and adjust the records accordingly.	Information Resources	Medium	O	Confirmation of accuracy of asset locations in Galileo.	Not provided
13	The UNMEE Office of Mission Support should revoke the Galileo access privileges of staff members who have left the mission and update access privileges of current users commensurate with their functions.	Information Resources	Medium	O	Submission to OIOS of documentation evidencing that Galileo access privileges of current users are commensurate with their functions.	Not provided
14	The UNMEE Office of Mission Support should enhance physical access controls to warehouses and storage facilities by documenting the custody and number of keys and re-considering the placement of closed-circuit television cameras in warehouses.	Operational	Medium	C	Action complete	Implemented

¹ C = closed, O = open

² Date provided by UNMEE in response to recommendations