



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Liquidation activities in UNMEE

The Mission's liquidation activities were not organized in a manner that would maximize output

12 February 2009

Assignment No. 2008/624/05

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
Office-in-Charge, UNMEE

DATE: 12 February 2009



REFERENCE: IAD: 09- 02218

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AP2008/624/05 - Comprehensive audit of UNMEE liquidation activities**
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 2, 3, 6, 7, 8, 12, 13, 14 and 15 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 4, 5) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: 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. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Seth Adza, Audit Response Team, Department of Field Support

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

CONTACT INFORMATION

ACTING DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF PEACEKEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +1.212.963.2792, Fax: +1.212.963.3388
e-mail: burnse@un.org

EXECUTIVE SUMMARY

Liquidation activities in UNMEE

OIOS conducted an audit of liquidation activities in the United Nations Mission in Eritrea and Ethiopia (UNMEE). The overall objective of the audit was to assess whether liquidation activities were carried out efficiently and effectively and in accordance with the relevant UN regulations, rules and procedures. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In general, there were adequate controls over liquidation activities. However, the lack of full cooperation of the host Government of Eritrea has significantly impacted the implementation of the liquidation tasks. In addition, several other areas required urgent corrective action as discussed below:

- As at the date of the audit, there were 6,585 assets at the depreciated value of \$5.1 million for which a disposal method had not been established. Also, some 1,983 items at the depreciated value of \$2.5 million were located in areas restricted to the Mission by the Eritrean Government.
- The Mission was considering the Government of Eritrea's proposal that it be allowed to dispose the assets in the restricted areas on behalf of the United Nations. However, it was unclear exactly how many assets were still available at the site, whether UNMEE would pay the Government for recovering them, when the recovery would be completed and how the assets will be disposed off. It was also unclear whether the UN would be exonerated from future liabilities that might result from the failure of the Government of Eritrea to dispose of assets in an environmentally responsible manner.
- There was a significant backlog of assets pending write-off although the liquidation was expected to be completed by the end of January 2009.
- Some 1,160 non-expendable Information Technology assets were destroyed contrary to the recommendation of the Local Property Survey Board that the assets should be disposed by commercial sale. OIOS notes that the Mission was precluded from conducting the recommended commercial sale due to restrictions imposed by the Government of Eritrea. However, the Mission could have disposed of the assets through other means including transfer to other missions and donation.
- The Mission had not established appropriate arrangements to ensure that assets were disposed off in an environmentally responsible manner.
- The Mission was making concerted efforts to clear long outstanding receivables and payables; but there were still several long-outstanding balances.

OIOS issued several recommendations for corrective actions to address the risks identified.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-5
II. AUDIT OBJECTIVES	6
III. AUDIT SCOPE AND METHODOLOGY	7-8
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Asset management and disposals	9-36
B. Finance	37-55
C. Security	56-58
D. Ineffective check-out procedures	59-62
V. ACKNOWLEDGEMENT	63
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of liquidation activities in the United Nations Mission in Eritrea and Ethiopia (UNMEE) in November 2008. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The United Nations Mission in Ethiopia and Eritrea was established by the Security Council resolution 1312 of 31 July 2000. The mandate of the Mission was extended several times by successive resolutions of the Security Council. By its resolution 1827 of 30 July 2008, the Security Council decided to terminate UNMEE's mandate effective 31 July.
3. Liquidation process refers to all activities involved in the physical closure of a United Nations field mission. It includes decommissioning of facilities, disassembling infrastructure, handing-over premises, packing, settling all claims and repatriating personnel. The liquidation completion date was set as at 31 January 2009.
4. Restrictions imposed on the operations of UNMEE by the Government of Eritrea, which were addressed in OIOS' audit (AP2008/624/06) continued to exist during the liquidation period.
5. Comments made by UNMEE are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to determine whether liquidation activities have been carried out in accordance with the liquidation plan and in compliance with established UN policies and procedures.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered the period from 1 August 2008 to November 2008. All liquidation activities, particularly relating to asset management and disposals, finance and procurement were covered by the audit. The audit did not include liquidation planning as this was covered in the prior audit, AP2008/624/06.
 8. The audit methodology comprised a review of the Mission's liquidation and progress reports, interviews with key staff including members of the Liquidation Team and examination of pertinent records.
-

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Asset Management and Disposals

Disposal of assets

9. The most challenging and time-consuming task in the liquidation of the Mission had been the disposal of UN-owned assets. The Mission had categorized its assets into five groups in accordance with Financial Regulation 5.14. At the time of the audit, the Asset Disposal Plan was as follows:

Table 1: Asset Disposal Plan

Group	Quantity	Purchase Cost (\$)	Depreciated Value (\$)
Not Grouped	103	278,204	190,510
Group I	3,869	19,568,634	7,531,499
Group IV	11,600	34,687,000	10,640,000
Total	15,572	54,533,838	18,362,009

10. Most of the Group I assets had been packed in containers due to be shipped to United Nations Mission in Sudan (UNMIS) and African Union/United Nations Hybrid Operation in Darfur (UNAMID) and there were still unresolved issues concerning the disposal of Group IV assets. The status of the disposal of Group IV items as at the date of the audit is summarized in Table 2 below:

Table 2: Group IV assets

Likely destination	Qty	Purchase Cost (\$)	Depreciated Value (\$)	Status
African Union	1,686	6,724,000	1,903,000	Discussions were ongoing.
Ethiopian Government	693	1,340,000	399,000	Ethiopian authorities had not signed the 'certificate of temporary possession pending donation' yet.
Undecided - assets are located in the restricted areas of Eritrea	1,983	6,693,000	2,495,000	The issue of recovering assets in the restricted locations such as Temporary Security Zone, Adjacent Areas and Assab has not been resolved yet.
UN Country Team members	653	2,407,000	724,000	Pending approval of the Controller.
UN Logistics Base in Brindisi (UNLB)	6,585	17,523,000	5,119,000	
Total	11,600	34,687,000	10,640,000	

11. The Mission was not able to recover and dismantle 1,983 assets and structures with a depreciated value of \$2.5 million located in areas which had been restricted to the Mission (the restricted zone) by the Government of Eritrea. After consultations with the Government of Eritrea, the Mission hired two contractors to recover the assets and clear the related sites. The contractors commenced their work by dismantling a military camp in Asmara; however, the

Government of Eritrea did not allow the contractors to operate in the restricted zone. Instead, a representative of the Government verbally informed the Mission that the Government would recover the UN-owned assets and clear the sites. It was unclear exactly how many assets were still available at the site, whether UNMEE would pay the Government for recovering them, when the recovery would be completed and how the assets will be disposed off. It was also unclear whether the UN would be exonerated from future liabilities that might result from the failure of the Government of Eritrea to dispose of assets in an environmentally responsible manner. At the time of the audit, DFS, in coordination with the Mission, was preparing a Note Verbale to the Government of Eritrea to get further clarification on their proposal.

12. Delays in the disposal of assets will increase the cost of liquidation resulting from the extension of staff contracts and the opportunity cost of not disposing of certain valuable assets in an economic and efficient manner.

Recommendations 1 and 2

The UNMEE Office of Mission Support should:

(1) Immediately seek the advice of the Office of Legal Affairs on how to handle the situation involving the Government of Eritrea and the subsequent disposal of the related assets; and

(2) Request Department of Field Support and the Office of the Controller to expedite the approval of its request to transfer/donate assets to the UN agencies, international organizations and the host Government in Ethiopia.

13. *The UNMEE Office of Mission Support accepted recommendation 1 and stated that UNMEE does not deal directly with the Office of Legal Affairs and any interaction would be through Department of Field Support (DFS). On 16 January 2009 the Eritrean Permanent Mission submitted a request to DFS for the donation of assets outside Asmara that hitherto had been declared abandoned. On 29 January 2009 UNMEE sent a Note Verbale to the Acting Commissioner in Asmara advising which of the abandoned assets that needs to be recovered, but no response has been received. Recommendation 1 remains open pending verification of the final arrangements or disposal of the assets in the restricted zone.*

14. *The UNMEE Office of Mission Support accepted recommendation 2 and stated that the request to sell UNMEE assets to United Nations Development Fund and United Nations Children Fund in Eritrea was approved by the Controller in his memorandum to DFS dated 29 December 2008. DFS had previously approved transfers to UN entities. Based on the action taken by UNMEE, recommendation 2 has been closed.*

There is a need to expedite the asset write-off process

15. Financial Rule 105.21 states that a Local Property Survey Board (LPSB) shall be established at every Department of Peacekeeping Operations (DPKO) field mission. The functions of the LPSB as detailed in Annex E of the Property Manual include recommending disposal actions to be taken in accordance with Financial Regulation 5.14 and Financial Rule 105.2. As shown in Table 3 below, the number of assets recommended for write-off by the concerned self-accounting units and pending the review of the LPSB continued to be high.

Table 3: Number of assets pending the review of the LPSB during 2008

11 Aug	13 Oct	20 Oct	27 Oct	3 Nov	10 Nov	17 Nov	24 Nov
4,845	4,795	4,895	4,899	5,157	5,155	5,087	4,842

16. Reviews by the LPSB had been impeded primarily because the LPSB members were located in both Addis Ababa and Asmara. This created difficulties in communication and coordination particularly at the time when the Government of Eritrea was denying visas to UN staff and canceling scheduled UN flights between Asmara and Addis Ababa. As most of the Mission assets were located in Eritrea, OIOS is of the view that there may be merit in establishing a second LPSB in Asmara to expedite the review of proposed write-off cases.

17. Delays in completing the write-offs of assets may result in extension of the employment contracts of some staff beyond the mandated liquidation completion date of 31 January 2009.

Recommendation 3

(3) The UNMEE Office of Mission Support should take appropriate action including, for example, the establishment of a fully-fledged Local Property Survey Board in Asmara to expedite assets write-off.

18. *The UNMEE Office of Mission Support accepted recommendation 3 and stated that Administrative Circular 09-01 issued on 12 January 2009 detailed the new composition of the UNMEE LPSB. Two staff members based in Asmara were added to the LPSB. Since then, LPSB has approved the cases of write-off every day to expedite the procedure. In addition, an international staff member joined the Mission in December 2008, on temporary duty, to help the Claims Unit based in Addis Ababa to speed up all cases of outstanding LPSB. Based on the action taken by UNMEE, recommendation 3 has been closed.*

Property Survey Board recommendations were not followed in disposal of some assets

19. Anomalies were found in disposal of some Information Technology and Communications equipment (i.e. computer desktops, monitors, printers, telephone sets and network adapters) where the relevant Property Survey Board's

recommended disposal method was not obtained or followed by the Asset Disposal Unit as shown in Table 4 below.

Table 4: Anomalies in the property disposal

Number of items	Actual Disposal Method	Recommended disposal method by LPSB
391	Destroyed	Write-off process was not completed, therefore, disposal method was not yet recommended.
1562*	Destroyed	The recommended disposal method by LPSB was 'sales'.
3	Destroyed	Referred to the Headquarters Property Survey Board (HPSB). However, destroyed before HPSB recommendation was obtained

* Among were 400 monitors whose destruction was stopped by the local authorities.

20. At the time of the audit, OIOS was provided with the documentation showing that the LPSB had revised its recommendations for the 1,562 assets in Table 4 from 'sales' to 'destruction' in line with the action of the Asset Disposal Unit. Similarly, LPSB approved *ex-post facto* the disposal method for the 391 assets in the table that had already been destroyed. In OIOS' view, this indicates that the LPSB was not sufficiently independent and therefore ineffective.

Recommendation 4

(4) The UNMEE Office of Mission Support should ensure the effectiveness of the Local Property Survey Board (LPSB) including for example, establishing personal accountability of the LPSB for changing its recommendation in line with an action already taken by the Asset Disposal Unit and of the Asset Disposal Unit for not complying with the recommendation of the LPSB.

21. *The UNMEE Office of Mission Support accepted recommendation 4 and stated that the Asset Disposal Unit was complying with the recommendation of the LPSB. The LPSB has already taken its accountability for this action. Recommendation 4 remains open pending receipt of documentation evidencing that accountability of the LPSB and concerned officers of the Asset Disposal Unit has been addressed.*

Assets pending approval of Headquarters Property Survey Board

22. As per the delegation of authority for property management under the Financial Regulations and Rules, the following should be referred to HPSB: (i) regardless of the inventory value involved, cases that include a possible claim against UN personnel; and (ii) assets with an individual inventory value in excess of \$25,000.

23. At the time of the audit, there were 66 property survey board cases pending approval of HPSB. With regard to disposal of assets in these cases, if HPSB's recommended disposal method is not obtained in time before the

cessation of liquidation activities, the Mission will have to ship them to UN Logistics Base (UNLB) in Brindisi at substantial cost to the United Nations.

Recommendation 5

(5) The UNMEE Office of Mission Support in liaison with the Office of the Controller should ensure that the Headquarters Property Survey Board prioritizes its cases to ensure the efficient disposal of assets.

24. *The UNMEE Office of Mission Support accepted recommendation 5 and stated that the Mission had requested DFS in a fax dated 15 August 2008 to contact Headquarters Property Survey Board (HPSB) and to expedite all UNMEE pending cases. Another fax was sent to DFS on 24 November 2008 to advise the HPSB to expedite the processing of pending cases. Recommendation 5 remains open pending confirmation of the follow-up of DFS with the HPSB on all pending property disposal cases.*

Environmental protection needs to be considered in physical disposal of assets

25. As per the Environmental Guidelines for UN Peacekeeping Field Missions and Liquidation Manual, the Mission has the obligation to protect United Nations from harm and financial losses, to protect the environment and adhere to local and international regulations, laws and conventions.

26. The Mission established four contracts for the destruction of various equipments and removal of waste including equipment with hazardous/potential hazardous materials such as used tires, batteries, waste oils, vehicular scraps etc. The contracts state that the contractor is responsible for disposing of items in an environmentally responsible manner and in accordance with the established provisions of the competent authorities in Eritrea. However, OIOS noted that these contracts were at no cost to UNMEE thereby raising questions about their legality and the intentions of the parties to contracts, which could include the possible recycling or sale of the items.

27. OIOS also noted that there were no contracts in place for the disposal of equipment such as refrigerators or air conditioners that had been operated using gases and ozone depleting substances.

Recommendation 6

(6) The UNMEE Office of Mission Support should put in place appropriate arrangements, in consultation with the Office of Legal Affairs and DFS, to ensure the disposal of hazardous materials in an environmentally responsible manner and in compliance with relevant local and international laws and conventions.

28. *The UNMEE Office of Mission Support accepted recommendation 6 and stated that as for hazardous materials for which no qualified contractor had been*

identified, UNMEE was not disposing within the Mission area. Rather, the decision had been taken to ship the materials to the UNLB in Brindisi for proper handling. Based on the explanation provided by UNMEE, recommendation 6 has been closed.

Expendable records in Galileo were not updated

29. Expendable property consists of property and equipment that originally cost less than \$1,500, as well as items with an original cost of more than \$1,500 but with a serviceable life of less than 5 years. According to UN Financial Rules, as well as administrative instruction ST/AI/374 on property records and inventory control, missions must ensure that accurate records of all properties are maintained in the Galileo Inventory Management System so that data included in the year-end inventory report, as well as supporting annexes are reliable and up-to-date.

30. Galileo records on expendables were not updated and contained a number of anomalies. For example OIOS found 41 records with negative balances resulting from inaccurate entries. Further, the locations of some expendables were not updated as they included vacated premises such as the White Building in Addis Ababa and certain Sectors. OIOS was informed that the movement of assets between locations as well as focusing on the liquidation activities hindered the timely updating of Galileo records.

Expendable assets held physically not reconciled to the records

31. Inventory management best practices require continuous updating of records, physical counts of items in stock to verify their existence and condition and the accuracy of balances. There was no documented evidence showing that expendable assets had been reconciled to the related records. Failure to reconcile physical count of assets with the records may result in losses of assets not being detected in a timely manner.

32. During the liquidation phase it may be difficult to keep updated records due to inadequate staffing resources and the physical movement of the assets. However, failure to update the inventory records may result in incomplete and unreliable reports.

Recommendation 7

(7) The UNMEE Office of Mission Support should ensure that assets held physically are regularly reconciled to Galileo records with an aim of ensuring completeness and reliability of expendable inventory reports.

33. *The UNMEE Office of Mission Support accepted recommendation 7 and stated that self-accounting units (SAUs) had been working on updating the Galileo system to reflect current conditions. Based on the action taken by UNMEE, recommendation 7 has been closed.*

Board of Survey did not prepare survey reports for abandoned assets

34. As per the Property Management Manual, a Board of Survey (BOS) shall be delegated responsibility for conducting physical inspections, if so warranted, and for reviewing requests for write-off and preliminary condemnation certificates. The findings of the inspections shall be recorded and the record shall become part of the case file. The BOS shall usually include representatives of SAUs, Property Control and Inspection Unit (PCIU) and representatives of the Property Disposal Unit (PDU) and/or LPSB.

35. OIOS found that, in certain write-off cases, the BOS did not attempt to physically inspect assets, which according to concerned SAUs were located in areas that were not accessible by UNMEE staff due to restrictions imposed by the Government of Eritrea. Consequently, the process continued without an independent report of BOS. OIOS is of the opinion that the BOS should have ascertained that all the assets were not accessible and make an independent report of its efforts. Without an independent assessment, there is the high risk that SAUs may request for unjustifiable write-offs of assets.

Recommendation 8:

(8) The UNMEE Office of Mission Support should enforce the current controls on the asset write-off process by ensuring that the Board of Survey prepares an independent report for all write-off requests, stipulating the actions taken for each request.

36. *The UNMEE Office of Mission Support accepted recommendation 8 and stated that the BOS was summarizing the mode of inspection, and the verification of the number of assets inspected. For a technical analysis of the reasons given by the SAUs for the write-offs, the BOS should also be comprised of independent members with a background in the assets inspected.* Based on the action taken by UNMEE, recommendation 8 has been closed.

B. Finance

The balances in Accounts Receivable and Accounts Payable need to be cleared

37. The monthly balances of Accounts Receivables during the liquidation period were as follows:

Table 5: Accounts Receivable and Payable monthly balances (in \$)

	June 08	July 08	Aug 08	Sep 08	Oct 08	24 Nov 08
Acc. Rec.	1,267,723	1,312,984	1,304,828	1,360,578	1,449,681	1,502,009
Acc. Pay.	718,504	737,478	788,766	786,346	787,689	762,671

38. The Mission started taking action on receivables that were mentioned in Board of Auditors' management letter dated 27 October 2008. However, there were still many receivables with smaller amounts that need to be recovered from

staff including military observers, staff officers, and United Nations Volunteers (UNVs) etc who had separated from the Mission. At the time of the audit, there were 98 receivables from former staff members with a total value of \$118,000 outstanding for more than six months. Some of these receivables had been outstanding since 2001.

39. A receivable can be written-off as per Financial Regulation 106.8 provided that the Mission has made at least three attempts for recovery. A write-off is requested when receivables are determined to be uncollectible from the account holder. OIOS notes the efforts made by the Mission including the investigation of long outstanding receivables.

40. Approximately 70 per cent of the Accounts Payable balance as at 24 November 2008 comprised two transactions including a payable to the rations contractor and another payable to an insurance company. The Mission was taking appropriate actions to settle these accounts as recommended by the Board of Auditors. However, there were 125 payables to staff members, military observers, staff officers and UNVs etc., with total amount of \$71,000 which had been pending for more than six months. As per the UN Financial Rules, these amounts should be transferred to income accounts if verifiable attempts to contact payees have failed.

Recommendation 9

(9) The UNMEE Office of Mission Support should attempt to recover/clear all long-outstanding receivables and payables, and initiate write-off or write-back procedures if the attempts fail.

41. *The UNMEE Office of Mission Support accepted recommendation 9 and stated that UNMEE continued to make every effort to recover all receivables and clear all payables. They have also initiated write-off request for certain receivables.* Recommendation 9 remains open pending receipt of evidence showing that the Mission has made satisfactory attempt to recover/clear all outstanding receivables and payable.

Time-barred/outdated checks were not monitored

42. According to Field Finance Procedures Guidelines provision 2.4.2, a review of all outdated checks must be undertaken as part of the monthly reconciliation process. A stop payment must be issued to the bank for checks no longer valid, i.e. more than six months. After an additional six-month period, the Mission should attempt to contact the payee for re-issuance of the checks. Should this attempt fail, the amounts should be credited to miscellaneous income one year after the date of issuance.

43. At the time of the audit, the account of outdated/cancelled checks showed a balance of \$36,385. Payees were not contacted for the re-issuance of outdated checks and the amounts of checks for which the payee could not be

located had not been recorded as income, as appropriate. Some of these checks had been issued in 2004.

Recommendation 10

(10) The UNMEE Office of Mission Support should make verifiable attempts to contact payees for re-issuance of outdated checks, and if the attempts fail, credit the amounts to the income account.

44. *The UNMEE Office of Mission Support accepted recommendation 10 and stated that UNMEE continued to attempt to contact payees for reissuance of their outdated checks. Credits to miscellaneous income account would be made only for those payees that cannot be contacted.* Recommendation 10 remains open pending receipt of evidence showing that the Mission has made verifiable attempts to contact payees for reissuance of outdated checks and credited the amounts to the income account if the attempts failed.

Checkbooks were in excess of needs

45. The Mission had several boxes of unused checks equivalent to a year's supply. As per Financial Rule 104.5 (c), unused checks should be destroyed preferably using a shredding machine in the presence of an internal auditor. Since the Mission will be liquidated soon, the Mission should start destruction of blank checks.

Recommendation 11:

(11) The UNMEE Office of Mission Support should commence destroying the checkbooks in excess of mission needs in compliance with Financial Rule 104.5 (c).

46. *The UNMEE Office of Mission Support accepted recommendation 11 and stated that UNMEE destroyed surplus Chase JPMorgan checkbooks in presence of UNMEE's Cashier, Chief Resident Auditor and Chief of General Services in January 2009. As for local banks, checkbooks will be destroyed after closure of the related accounts.* Recommendation 11 remains open pending receipt of evidence showing that the checkbooks of local banks have been destroyed.

Procedures on repayment of retained Mission Substance Allowance was not clear

47. Section 5.15 of the Liquidation Manual states that every effort should be made to settle all claims payable to the departing mission personnel before their departure. The Field Finance Procedures Guidelines on check-out procedures recommends the retention of a minimum of \$500 from civilian staff departing from the Mission to settle any personal charges such as telephone bills. In this regard, the Finance Section is required to obtain the name and address of the departing personnel for following up any recoveries or for reimbursement of withheld funds.

48. An interview with some Mission staff revealed that they were not aware how and when their withheld mission subsistence allowance from separating staff would be paid.

Recommendation 12

(12) The UNMEE Office of Mission Support should broadcast a message to all Mission staff and reinforce the message to each staff during checkout process so that they are fully aware of the procedures of reimbursement of withheld funds.

49. *The UNMEE Office of Mission Support accepted recommendation 12 and stated that staff were informed of the reimbursement process regarding withheld funds. The broadcast message on check-out procedures including the information on the procedure of reimbursement of withheld funds was circulated on 30 January 2009 as a reminder. Based on the action taken by UNMEE, recommendation 12 has been closed.*

Other matters relating finance and accounting

50. As mentioned in the paragraphs below, OIOS noted a number of internal control weaknesses that were addressed by the Mission during the audit.

51. Financial Rules and Regulations Rule 104.11 require that bank reconciliation must be performed by an official playing no actual part in the receipt or disbursement of funds. The Cashier, who had access to funds, was undertaking this function.

52. Similarly, Field Finance Procedures Guidelines 7.6 (c) states that for internal control purposes, no approving authority is to be given to the Cashier. Inappropriate segregation of duties was noted as the Cashier was designated as an approving officer.

53. A review of user privileges to SunSystem showed that two staff members were given administrative user roles although their functions did not require such a high profile access privilege. Further, user privileges of some staff that already left the Mission were not revoked.

54. An amount of \$413 could not be reconciled with the records of Commercial Bank of Eritrea since May 2008.

55. The Mission took remedial actions to address these findings during the course of the audit. However, we would like to emphasize the high risk nature of liquidation activities, which require more effective and vigorous internal controls.

C. Security

There were no clear procedures on cancellation of identification cards in Asmara

56. Section 5.9 of the Liquidation Manual stipulates the controls on staff identification cards during the checking out procedures. Control weaknesses were noted in the cancellation of staff identification cards (ID) in Asmara. Since staff were required to provide their ID cards at the airport upon departure, the normal practice in the Mission was for an authorized person to cut one corner of the ID card after a staff member had completed his/her check-out procedures and the staff member retain the remainder of the ID card. The ID cards of departing local staff and contractor personnel were collected by an administrative clerk in the Security Section pending destruction. Old ID cards of continuing international staff were also retained pending their destruction.

57. There were no logs of returned cards and there was no evidence of their destruction. Therefore, it was not clear if all ID cards had been returned and cut as required by the Mission's own procedures. There was thus the risk that ID cards could be misused by staff or other unscrupulous persons.

Recommendation 13

(13) The UNMEE Office of Mission Support should develop and implement appropriate procedures for the cancellation and destruction of returned identification cards.

58. *The UNMEE Office of Mission Support accepted recommendation 13 and stated that all expired and returned ID cards have been logged in a register and individual staff members signed for their new ID cards. Old ID cards have been shredded and destroyed.* Based on the action taken by UNMEE, recommendation 13 has been closed.

D. Ineffective check-out procedures

59. Section 8.2 of the Field Finance Procedure Guidelines details the check-out procedures for liquidating missions. During the check-out process, the respective offices must ensure that all pending matters have been concluded to enable final payment to the individuals concerned. There must be better coordination between Finance Section, Personnel Section, Property Control and Inventory Unit, Local Property Survey Board and Communications Section to facilitate checkout procedures of personnel from the Mission and minimize overpayment.

60. The poor coordination among the various units of UNMEE resulted in payments being made to staff that had not been properly cleared for check-out. OIOS' review of a sample of 19 check-out forms found that four staff members who had not been properly cleared were paid. As at the time of the audit, the various sections/units of UNMEE had not designated their respective focal points for check-out. As a result, almost any staff could provide check-out clearance. Further, Personnel Section did not have any specimen signatures of staff that

cleared the checking-out of staff. Therefore, it was not possible to validate the signatures on the form.

Recommendations 14 and 15

The UNMEE Office of Mission Support should:

(14) Ensure that each Section/Unit designates certain staff members to do the clearing of departing staff and each Section/Unit send signature specimens of authorized staff to the Personnel Section to enable them to validate the signatures on the form; and

(15) Implement specific guidelines so as to improve the current check-out procedures to ensure all pending matters have been finalized before final payments are made to staff.

61. *The UNMEE Office of Mission Support accepted recommendation 14 and stated that each section head will appoint one staff as a focal point for check-out. The broadcast message on check-out procedures including the information on focal points for check-out was circulated on 30 January 2009 to remind staff members of the check-out procedures. Based on the action taken by UNMEE, recommendation 14 has been closed.*

62. *The UNMEE Office of Mission Support accepted recommendation 15 and stated that final payment for staff is made after reviewing the staff's account to ensure that all telephone bills had been settled and there was no pending LPSB/HPSB cases against the staff members. The broadcast message on check-out procedure including the information that all pending matters will be finalized before final payments for staff was circulated on 30 January 2009. Based on the action taken by UNMEE, recommendation 15 has been closed.*

V. ACKNOWLEDGEMENT

63. 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.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNMEE Office of Mission Support should immediately seek the advice of the Office of Legal Affairs on how to handle the situation involving the Government of Eritrea and the subsequent disposal of the related assets.	Strategy	High	O	Verification of the final arrangements or disposal of the assets in the restricted zone.	Not provided
2	The UNMEE Office of Mission Support should request DFS and the Controller to expedite the approval of its request to transfer/donate assets to the UN agencies, international organizations and the host Government in Ethiopia.	Operational	High	C	Action complete.	Implemented
3	The UNMEE Office of Mission Support should take appropriate action including, for example, the establishment of a fully-fledged Local Property Survey Board (LPSB) in Asmara to expedite the assets write-off.	Operational	High	C	Action complete.	Implemented
4	The UNMEE Office of Mission Support should ensure the effectiveness of the LPSB including for example, establishing personal accountability of the LPSB for changing its recommendation in line with an action already taken by the Asset Disposal Unit and of the Asset Disposal Unit for not complying the recommendation of the LPSB.	Operational	High	O	Submission to OIOS of documentation evidencing that personal accountability of the Local Property Survey Board and concerned officers of the Asset Disposal Unit are established	Not provided
5	The UNMEE Office of Mission Support in liaison with the Office of the Controller should ensure that the Headquarters Property Survey Board prioritizes its cases to ensure the efficient disposal of assets.	Operational	High	O	Confirmation of the follow-up by DFS with the Headquarters Property Survey Board on all pending property cases.	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
6	The UNMEE Office of Mission Support should put in place appropriate arrangements, in consultation with the Office of Legal Affairs and DFS, to ensure the disposal of hazardous materials in an environmentally responsible manner and in compliance with relevant local and international laws and conventions.	Compliance	High	C	Action complete.	Implemented
7	The UNMEE Office of Mission Support should ensure that assets held physically are regularly reconciled to Galileo records with an aim of ensuring completeness and reliability of expendable inventory reports.	Operational	Medium	C	Action complete.	Implemented
8	The UNMEE Office of Mission Support should enforce the current controls on the asset write-off process by ensuring that the Board of Survey prepares an independent report for all write-off requests stipulating the actions taken for each request.	Operational	Medium	C	Action complete.	Implemented
9	The UNMEE Office of Mission Support should attempt to recover/clear all long-outstanding receivables and payables, and initiate the write-off or write-back procedures if the attempts fail.	Financial	Medium	O	Evidence showing that the Mission has made satisfactory attempt to recover/clear all outstanding receivables and payable.	Not provided
10	The UNMEE Office of Mission Support should make verifiable attempts to contact payees for re-issuance of outdated checks, and if the attempts fail, credit the amounts to the income account	Financial	Low	O	Evidence showing that the Mission has made verifiable attempts to contact payees for re-issuance of outdated checks and credited the amounts to the income account if the attempts failed.	Not provided
11	The UNMEE Office of Mission Support should commence destroying the checkbooks in excess of mission needs in compliance with Financial Rule 104.5 (c).	Operational	Low	O	Evidence showing that the checkbooks of local banks have been destroyed.	Not provided
12	The UNMEE Office of Mission Support should broadcast a message to all Mission staff and reinforce the message to each staff during checkout process so that they	Operational	Low	C	Action complete.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
13	are fully aware of the procedures of reimbursement of funds retained. The UNMEE Office of Mission Support should develop and implement appropriate procedures for the cancellation and destruction of returned identification cards.	Operational	Medium	C	Action complete.	Implemented
14	The UNMEE Office of Mission Support should ensure that each Section/Unit designates certain staff members to do the clearing of departing staff and each Section/Unit send signature specimens of authorized staff to the Personnel Section to enable them to validate the signatures on the form.	Operational	Medium	C	Action complete.	Implemented
15	The UNMEE Office of Mission Support should implement specific guidelines so as to improve the current check-out procedures to ensure all pending matters have been finalized before final payments are made to staff.	Operational	Medium	C	Action complete.	Implemented

1. C = closed, O = open