



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of financial management of projects in MINUSTAH

Internal controls relating to financial management of projects in MINUSTAH were inadequate and ineffective resulting in a high an unmitigated risk of executing agencies mismanaging project advances

**19 November 2008
Assignment No. AP2008/683/01**

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. Hédi Annabi
A Special Representative of the Secretary-General
MINUSTAH]

DATE 19 November 2008

REFERENCE IAD: 08-01965

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

SUBJECT **Assignment No. AP2008/683/01 – Audit of financial management of projects in MINUSTAH**
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 7 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, 2, 3, 4, 9, and 12 in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Luiz Carlos Da Costa, Principal Deputy SRSG, MINUSTAH
Mr. Paul Aghadjanian, Chief of Mission Support, MINUSTAH
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Ms. Christina Post, Oversight Support Unit, Department of Management
Mr. Seth Adza, Audit Response Team, DFS/DPKO
Mr. Byung-Kun Min, Programme Officer, OIOS

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

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY 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

Financial management of projects in MINUSTAH

OIOS conducted an audit of the financial management of disarmament, demobilization, reintegration, community violence reduction (DDR/CVR) and quick impact projects (QIPs) in the United Nations Stabilization Mission in Haiti (MINUSTAH). The overall objective of the audit was to determine the adequacy and effectiveness of internal controls relating to financial management of projects. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

MINUSTAH was implementing relevant projects to help improve the environment for the effective delivery of its mandate and consolidate security in various parts of Haiti. However, there was a high and unmitigated risk of executing agencies mismanaging project advances or using such advances for unintended purposes as indicated below:

- MINUSTAH's process for the review and approval of projects did not assure adequate assessment of projects funding requirements and executing agencies' capacity to implement them. As a result, MINUSTAH awarded projects to executing agencies that did not possess the relevant capacity and experience to properly account for advances provided to them. The inexperience and lack of capacity of executing agencies were among the reasons cited by MINUSTAH for long outstanding advances as the implementation of projects had been unduly delayed.
- There were no formal, comprehensive project monitoring mechanisms and procedures in place. The lack of such mechanisms precluded MINUSTAH from determining, in a timely manner, that executing agencies were providing the required interim and final project reports, and helping to improve the accountability of those agencies.
- The practice used to disburse projects' funds did not comply with the relevant Financial Regulations and Rules of the United Nations. In this regard, the Mission disbursed approximately \$440,000 to staff responsible for implementing various projects but who had not been authorized as custodians of the funds.

Contrary to the Department of Peacekeeping Operations' guidelines, the Mission routinely disbursed projects' funds directly to officials of executing agencies instead of by bank transfer to the bank accounts of the concerned agencies.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 - 4
II. AUDIT OBJECTIVES	5
III. AUDIT SCOPE AND METHODOLOGY	6 - 7
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Need for improved policies and guidelines	8 - 12
B. Inadequate review of approved projects	13 - 18
C. Noncompliance with policies on the disbursement of funds	19 - 28
D. Inadequate controls over project advances	29 - 39
E. Misuse of miscellaneous obligation documents	40 - 42
V. ACKNOWLEDGEMENT	43
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the financial management of projects in the United Nations Stabilization Mission in Haiti (MINUSTAH). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. From July 2004 to March 2008, the Mission implemented 600 projects as indicated in Table 1 below. These projects are classified as quick impact projects (QIPs) and disarmament, demobilization, reintegration, and community violence reduction (DDR/CVR) projects. The DDR/CVR Section is responsible for supervising and/or implementing DDR/CVR projects and the Civil Affairs Section is responsible for supervising and/or implementing QIPs. DDR/CVR projects were targeted at former members of armed groups, at-risk youth, and women in neighborhoods where security needed to be consolidated. QIP projects have been used to establish and build confidence in the Mission, its mandate, and the peace process, thereby improving the environment for effective mandate implementation.

Table 1: Projects started and implemented by MINUSTAH from 2004 to 2008

Period	Apportionment (\$)	Expenditure (\$)	No. of Projects
DDR/CVR projects	10,069,600	4,924,000	78
QIPs	6,457,600	5,809,800	520
TOTAL	16,527,200	10,733,800	598

3. The projects have been implemented in ten regions throughout Haiti as shown in Figure 1 below:

Figure 1: Geographic distribution of projects across Haiti



4. Comments made by MINUSTAH are shown in *italics*.

II. AUDIT OBJECTIVES

5. The main objectives of the audit was to assess the adequacy and effectiveness of internal controls relating to the financial management of MINUSTAH projects and more specifically to determine:

- (a) The adequacy and effectiveness of project review and approval, the funding process and the mechanisms for monitoring projects;
- (b) Whether project funds were used by the executing agencies for the intended purposes; and
- (c) Whether MINUSTAH complied with applicable financial rules and procedures in the allocation, disbursement, recording and reporting of funds.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered the financial management of projects implemented during the period from July 2004 to March 2008. OIOS made site visits to 18 projects located in three regions and Port-au-Prince. The audit did not assess projects' impact at the beneficiary level.

7. The audit methodology comprised: (a) interviews with key Mission personnel, implementing partners, and beneficiaries; (b) review of policies, procedures and guidelines; (c) analysis of data; and (d) physical inspection of projects.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Need for improved policies and guidelines

8. The Mission had not established comprehensive mechanisms and procedures for managing its projects, as required by Department of Peacekeeping Operations' (DPKO) Policy Directive on QIPs dated 12 February 2007. MINUSTAH stated that it was precluded from establishing comprehensive mechanisms and procedures because DPKO/Department of Field Support (DFS) had not provided further guidelines, which were expected to assist in the establishment of appropriate and effective mechanisms and procedures for managing QIPs that are consistent with the requirements of the United Nations Controller for financial oversight and reporting. In OIOS' opinion, the Mission does not need to wait for further guidance, but should establish mechanisms and procedures at the Mission level for its projects. The Mission has delegated authority for financial oversight of the projects. Advice and guidance can be sought from DFS to ensure the procedures implemented comply with the UN Financial Regulations and Rules.

9. There were also no properly promulgated policies and procedures for the implementation of DDR/CVR projects. On 28 March 2006, MINUSTAH communicated to DPKO, through a Code Cable, requesting for the approval of its proposed procedures for the disbursement of funds to DDR/CVR projects in Haiti. According to the Mission, DPKO had not responded to the request.

10. The above-mentioned MINUSTAH proposed procedures for the disbursement of funds to DDR/CVR projects provide that funds intended for projects which are being implemented directly by MINUSTAH should be disbursed to the staff in charge of the projects. In practice, the MINUSTAH staff members used the funds to procure goods and services including distribution of such funds to beneficiaries of the programme without going through the MINUSTAH's procurement process. In OIOS' opinion, this procedure is contrary to the UN Financial Regulations and Rules which require that individuals should be specifically authorized by the Department of Management to serve as custodians of funds.

Recommendations 1 and 2

(1) The MINUSTAH Office of Mission Support should establish appropriate mechanisms and procedures for the financial management of projects that are in line with UN Financial Regulations and Rules.

(2) MINUSTAH management should establish appropriate mechanisms and procedures for the substantive management of quick impact projects and disarmament, demobilization, reintegration and community violence reduction projects.

11. *The MINUSTAH Office of Mission Support accepted recommendation 1 and stated that the appropriate procedures for financial management of DDR/CVR projects are detailed in the DDR/CVR Section's draft standard operating procedures (SOPs) currently awaiting approval by the SRSG. The Civil Affairs Section's QIPs guidelines are to be reviewed in line with agreed mechanisms and procedures for financial management of projects. Recommendation 1 remains open pending receipt of the final SOPs for the financial management of QIPs and DDR/CVR projects that are in line with UN Financial Regulations and Rules.*

12. *The MINUSTAH management accepted recommendation 2 and stated that the substantive management of DDR/CVR projects have also been detailed in the DDR/CVR Section's draft SOPs currently awaiting approval by the SRSG. The Civil Affairs Section has established yearly guidelines for substantive management of quick impact projects. These will be combined with elements of the DPKO/DFS QIPs guidelines and revised to integrate mechanisms and procedures for financial management of projects. Recommendation 2 remains open pending receipt of the SOPs for substantive management of QIPs and DDR/CVR projects.*

B. Inadequate review of approved projects

13. The review and approval of DDR/CVR projects did not assure adequate assessment of the funding requirements of projects and the financial management of approved projects. As a result, MINUSTAH awarded projects to executing agencies that did not possess the relevant capacity and experience to properly manage and account for advances provided to them.

14. From February 2005 to November 2007, the head of the main Haitian Government executing agency of DDR/CVR projects funded by the Mission chaired the DDR/CVR Project Approval Committee (PAC). This constituted a conflict of interest, which could diminish due diligence in project review and result in the approval of questionable projects. The Government executing agency headed by the chairman of the PAC was awarded 29 of the 78 projects approved over a three-year period. The projects awarded to the Government agency amounted to \$2.1 million or 45 per cent of the total amount approved during that period.

15. The PAC did not exercise due diligence in reviewing projects. For example, it did not undertake site visits to projects or assess the capacity of executing agencies. Furthermore, the Mission cancelled 15 projects and the related commitments totaling \$1.2 million for various reasons including questionable project objectives, inflated/erroneous number of beneficiaries, and inability to properly consult with and obtain the prior consent of Haitian authorities, as required, for certain projects. For example, five activities amounting to \$421,000 were cancelled because the Ministry of National Education was not consulted and therefore did not authorize those activities as required.

16. In November 2007, the Mission established a new PAC under the chairmanship of a senior MINUSTAH staff member thereby addressing the conflict of interest concerns. However, the PAC's terms of reference has not been reviewed and revised, as necessary, to strengthen its review and approval of projects. The existing terms of reference does not clearly require the PAC to undertake rigorous reviews of proposed projects and approve projects only if executing agencies satisfy specific criteria. In particular, the terms of reference does not specifically require the PAC to assess: (a) executing agencies' financial position when those agencies are expected to match the contribution of the United Nations; (b) the ability of the agencies to provide timely and adequate accounting of funds provided to them; and (c) the ability of the agencies to complete approved projects in a timely manner in accordance with approved design. As a result, there was an unmitigated risk of projects being awarded to executing agencies that did not possess the relevant capacity and experience to properly manage and account for advances provided to them.

Recommendations 3 and 4

(3) The MINUSTAH management should review and update, as necessary, the terms of reference of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee to ensure that it conducts thorough reviews of proposed projects.

(4) The MINUSTAH Office of Mission Support should review all projects and related long outstanding advances that were approved from July 2004 to November 2007, to determine the need for further investigation and/or recovery or write-off.

17. *MINUSTAH management accepted recommendation 3 and stated that the terms of reference of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee are detailed in the draft SOPs awaiting approval by the SRSG. Recommendation 3 remains open pending receipt of the terms of reference of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee.*

18. *The MINUSTAH Office of Mission Support accepted recommendation 4 and stated that a review of long outstanding advances for projects approved from July 2004 to November 2007 indicated that only two projects are still outstanding. These projects have been referred to the Investigations Division, OIOS. Pending the results of the investigation, a decision will be made regarding further actions. Recommendation 4 remains open pending the recovery or write-off of the long outstanding advances.*

C. Noncompliance with policies on the disbursement of funds

Disbursement of funds to officials of executing agencies

19. Contrary to the DPKO/DFS' policies and guidelines which require that project funds be transferred to the bank accounts of the concerned executing agencies, the Mission routinely disbursed funds directly to officials of executive agencies for the implementation of projects. Approximately \$1.1 million was disbursed through cheques made payable to such individuals.

20. The practice of disbursing project funds to individuals presents a risk of mismanaging or misappropriating funds for which the Mission had not implemented appropriate mitigating controls. By transferring funds directly to the bank accounts of concerned executing agencies or making cheques payable to such agencies (not to individuals), the Mission could achieve the objective of confirming the legal status of the executing agencies and obtain a certain level of confidence that the agencies have an adequate system to manage the funds provided.

21. The Mission explained that the cheques payment mechanism was more convenient because the Country's banking system was slow and some banks did not have branches in certain regions. OIOS is unable to accept this explanation since the Mission has not implemented appropriate procedures to obtain and verify banking particulars of the executing agencies including those operating in the Nation's capital where the banking system has been functional.

Recommendations 5 and 6

The MINUSTAH Office of Mission Support should:

(5) Require all executing agencies to provide their banking particulars to be used in disbursing project advances; and

(6) Ensure that all project funds are disbursed to legally established executing agencies and not to individuals. Funds should be transferred directly to the bank accounts of the concerned executing agencies, and when the use of cheques is the only feasible option, they should be made payable to the concerned executing agencies and not to individuals.

22. *The MINUSTAH Office of Mission Support accepted recommendation 5 and stated that the requirement for all executing agencies to provide their banking particulars is detailed in the DDR/CVR Section's draft SOPs currently awaiting approval by the SRSG. The Civil Affairs Section has been complying with this requirement since 2005 for QIPs. Recommendation 5 remain open pending receipt of the DDR/CVR Section's SOPs requiring that all executing agencies provide their banking particulars to be used in disbursing project advances.*

23. *The MINUSTAH Office of Mission Support accepted recommendation 6 and stated that a mechanism will be detailed in the DDR/CVR Section's SOP. All payments by cheques to the executing agencies will be signed for and received from the MINUSTAH Cashier's office by the Finance Assistants and delivered to the executing agencies against the issuance of an official receipt by the executing agencies. The Civil Affairs Section has been complying with this requirement since 2007 for QIPs. Recommendation 6 remains open pending receipt of the DDR/CVR Section's SOP requiring that all project funds are disbursed to legally-established executing agencies and not to individuals.*

Disbursement of funds to MINUSTAH staff members

24. MINUSTAH disbursed approximately \$440,000 to staff responsible for implementing various projects but had not been authorized to operate cash advances as required by Rule 104.8 of the Financial Regulations and Rules. As indicated earlier in paragraph 8 to 10 above, MINUSTAH's policies and procedures on the disbursement of project funds are not consistent with Financial Regulations and Rules of the United Nations. The disbursement of funds to staff

members who have not been properly authorized to operate advances present the high risk of loss to the United Nations.

Recommendations 7 and 8

The MINUSTAH Office of Mission Support should immediately:

(7) Refrain from disbursing project funds to staff members who have not been previously authorized by the Department of Management to serve as fund custodians; and

(8) Request staff to report on the use of project funds disbursed to them and recover all remaining cash balances.

25. *The MINUSTAH Office of Mission Support accepted recommendation 7 and the Chief of the DDR/CRV Section issued a Memorandum dated 31 July 2008 stating that the practice be discontinued and instructing his staff to cease with immediate effect their receipt of project funds.* Based on the action taken by MINUSTAH, recommendation 7 has been closed.

26. *The MINUSTAH Office of Mission Support accepted recommendation 8 and stated that their review of outstanding advances to staff for projects indicated that one project was outstanding. The concerned staff member was instructed to submit the report to clear this advance by 15 November 2008.* Recommendation 8 remains open pending confirmation that all advances to staff have been reported on and verification of the adequacy of documentation supporting the settlement of advances made to MINUSTAH staff members.

27. Funds amounting to at least \$172,000 for DDR/CVR “sensitization activities” were disbursed to staff members without these activities having been approved by the PAC as required. This practice creates opportunities for the funds to be used for activities that do not conform to established policies. Moreover, in some cases, the original recipients provided the funds to lower level staff members contrary to the UN Financial Regulations and Rules.

Recommendation 9

(9) The MINUSTAH Office of Mission Support should ensure that project funding requests are supported by the prior approval of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee and that the disbursement of funds is in line with UN Financial Regulations and Rules.

28. *The MINUSTAH Office of Mission Support accepted recommendation 9 stating that DDR/CVR Section's SOPs shall ensure that projects' funding requests are supported by the PAC and that disbursements of funds are in line with the UN Financial Regulations and Rules.* Recommendation 9 remains open pending receipt of the DDR/CVR Section's SOP.

D. Inadequate controls over the use of project advances

29. There is a high and unmitigated risk of executing agencies mismanaging project advances and using those advances for unauthorized purposes. This is due primarily to delays in completing projects and the absence of effective financial monitoring and oversight of the Mission's projects.

30. As indicated in Table 2, approximately \$1.1 million or more than 60 per cent of outstanding advances totaling \$1.8 million as of 31 March 2008 relate to QIPs and DDR/CVR projects that were not completed within three months and eight months respectively as required. Nearly \$400,000 or more than 22 per cent of outstanding advances relate to QIPs that were chronically behind schedule, i.e., the related advances were more than 180 days old. The Mission had determined only \$44,000 or two per cent of outstanding advances as possible write-offs due to the inability of the concerned executing agencies to properly account for the funds. In view of the large number of advances for which the financial reports and related supporting documents were long overdue as of 31 March 2008, there is a high possibility of additional write-offs.

Table 2: Ageing analysis of advances as at 31 May 2008

Ageing	\$	Percent
<u>QIP</u>		
Less than 90 Days	375,984.29	31%
More than 90 but less than 180 days	421,706.55	35%
More than 180 but less than 360 days	270,428.28	23%
More than 360 days	<u>126,421.84</u>	<u>11%</u>
Subtotal	<u>1,194,540.90</u>	<u>100%</u>
<u>DDR/CVR</u>		
Less than 90 Days	239,286.86	40%
More than 90 but less than 180 days	19,854.63	3%
More than 180 but less than 240 days	99,725.85	17%
More than 240 days	<u>240,349.28</u>	<u>40%</u>
Subtotal	<u>599,216.62</u>	<u>100%</u>
Total	<u>1,793,757.58</u>	

Delays in project implementation

31. Long outstanding advances resulted primarily from delays in implementing projects. Contrary to existing policies on project implementation, more than 70 per cent of DDR/CVR projects had been implemented over a period exceeding eight months and 50 per cent of QIPs projects had been implemented over a period exceeding three months.

32. The Mission explained that project implementation policies are too stringent and that local executing agencies do not have the capacity and relevant experience to implement the projects on time. OIOS does not accept this

explanation since the Mission is responsible for approving projects only after establishing that the concerned executing agencies have the required capacity and experience to: (a) complete approved projects in a timely manner in accordance with the approved project design; (b) provide timely and adequate accounting of funds; and (c) match the Mission's contribution where applicable.

Inadequate financial monitoring and oversight

33. Another major reason cited for long outstanding advances was the inability of executing agencies to provide the Mission with the required interim and final project reports including adequate supporting documentation for the use of advances provided to them. In OIOS' opinion, the lack of adequate monitoring of projects precluded MINUSTAH from ensuring the compliance of executing agencies with project reporting requirements. There were opportunities for improvements as indicated below.

- There were no clear terms of reference nor were there formally approved job descriptions and work plans for the QIPs/Trust Fund Unit, which was established for the purpose of reviewing the financial reports submitted by the executing agencies and the utilization of financial resources.
- The QIPs/Trust Fund Unit was part of the Budget Section although it performed mainly financial and accounting functions that should be performed by the Finance Section.
- The authorized staffing level of the DDR/CVR Section for 2008-2009 reflects a reduction of more than 30 per cent, which could not be supported by adequate review by the Mission to ensure a proper calibration of the new strategy, the size of the resources and the oversight responsibility of the Section. Moreover, as at the time of the audit, four out of the five international professional posts were *de facto* vacant including the Chief of the CVR Section (P-5), Chief of the Project Unit (P-3), Chief of the Reinsertion Unit (P-2) and the Chief of the Coordination and Planning Unit (P-3). These staffing constraints have been cited as substantially reducing the monitoring and oversight capacity of the Section.
- Project monitoring did not include regular communications and site visits to ascertain the substantive implementation of projects, and, when necessary, to provide additional guidance and training in preparing the required project reports.
- There were no formal, systematic monitoring mechanisms in place for QIPs and DDR/CVR projects. Furthermore, there were no approved terms of reference, work plans, or standard operating procedures for the QIPs/Trust Fund Unit responsible for reviewing the financial reports submitted by the executing agencies.

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- The responsibility for financial monitoring of projects in the regional offices was not clearly established.
 - There were indications that resources for project monitoring were limited. For example, the DDR/CVR Section had only assigned two staff (one National Professional Officer and one General Service assistant) to process and review all advances including liaising with executing agencies and the MINUSTAH Finance Section. The staff stated that their heavy workload at Headquarters prevented them from making regular visits to projects, providing guidance to executing agencies on financial reporting, and ensuring timely and reliable review of financial reports.

Recommendations 10 to 15

(10) The MINUSTAH Office of Mission Support should review all long outstanding advances to determine the need for further investigation and/or recovery or write-off.

(11) The MINUSTAH Office of Mission Support should assess its capacity including policies, procedures and human resources for ensuring effective monitoring of projects.

(12) The MINUSTAH management should establish and implement formal comprehensive project monitoring mechanisms including, but not limited to, monitoring and review of projects' financial reporting and related supporting documents and site visits.

(13) The MINUSTAH management should establish comprehensive terms of reference for the Quick Impact Projects Unit including clear job descriptions and annual planning requirements in order to ensure the effective monitoring of projects.

(14) The MINUSTAH Office of Mission Support should formally assign responsibility for the financial monitoring of projects in the regional offices.

(15) The MINUSTAH management should assess the adequacy of the staffing the Disarmament, Demobilization and Reintegration/ Community Violence Reduction Section and promptly fill the vacancies, particularly those of the international professional posts.

34. *The MINUSTAH Office of Mission Support accepted recommendation 10 stating that all outstanding advances are being monitored and reviewed regularly.* Recommendation 10 remains open pending confirmation that all advances over 180 days for QIPs and DDR/CVR projects have been cleared.

35. *The MINUSTAH Office of Mission Support accepted recommendation 11 and stated that review of human resources capacity in the Civil Affairs and the DDR/CVR Sections for project monitoring will be done. Two national finance assistants currently assigned to the DDR/CVR Section are being relocated to the Finance Section and will report directly to the Chief Finance Officer with a parallel and dotted reporting line to Chief of Budget Unit. Recommendation 10 remains open pending receipt of the revised organization chart and job descriptions for the two national finance assistants to be relocated to the Finance Section.*

36. *The MINUSTAH management accepted recommendation 12 and stated that the appropriate project monitoring mechanisms have been detailed in the DDR/CVR Section's draft SOP. The Civil Affairs Section has established guidelines for substantive management of quick impact projects. These will be combined with elements of the DPKO/DFS quick impact project guidelines and revised to integrate mechanisms and procedures for financial management of projects. Recommendation 12 remains open pending receipt of formal comprehensive project monitoring mechanisms for both DDR/CVR and QIPS.*

37. *The MINUSTAH management accepted recommendation 13 and stated that in addition to the Chief Regional Officer's (CRO) responsibilities on management of QIPs, terms of reference for regional QIPs focal points as well as the central QIPs Unit staff will be drafted. QIPs performance is already an integral part of ePAS for concerned staff, including CROs. Recommendation 13 remains open pending receipt of comprehensive terms of reference for the regional QIPs focal points as well as central QIPs Unit staff.*

38. *The MINUSTAH Office of Mission Support accepted recommendation 14 and stated that Regional Mission Support will ensure that funds are duly paid to the executing agencies upon certification of progress in implementation by Civil Affairs or CVR section. Details for monitoring arrangements, reporting and disbursements will be spelled out in the DDR/CVR Section's SOP, QIP guidelines and agreements with executing agencies. Recommendation 14 remains open pending receipt of comprehensive terms of reference for the Regional Mission Support officers.*

39. *The MINUSTAH management accepted recommendation 15 stating that all posts have now been filled. Based on the action taken by MINUSTAH, recommendation 15 has been closed.*

E. Misuse of miscellaneous obligation documents

40. According to the Field Finance Procedure Guidelines, miscellaneous obligation documents (MODs) should be used to obligate funds prior to the fiscal year-end to cover valid expenditures for the period during which no bills were received. MODs should not be used to reserve funds for future purchase of goods and services.

41. The Mission routinely uses MODs to obligate funds instead of formal contracts or purchase orders as required. More than \$11 million has been

obligated using MODs to finance QIPs and DDR/CVR projects. In November 2004, the Mission used an umbrella MOD to obligate \$970,000 covering all QIPs for financial year 2004-2005. In some instances, about \$200,000 was disbursed for QIPs in 2004 prior to the issuance of the umbrella MOD in violation of the Financial Regulations 5.8 and 5.9. In OIOS' opinion, the misuse of MOD creates the opportunity for Mission accounting/finance staff to conceal improprieties in accounting and reporting.

Recommendation 16

(16) The MINUSTAH Office of Mission Support should use appropriate obligation/commitment documents for Quick Impact and Community Violence Reduction project expenditures rather than miscellaneous obligating documents.

42. *The MINUSTAH Office of Mission Support accepted recommendation 16 stating that revised mechanisms and procedures will include an agreement with executing agencies as part of QIP guidelines and in CVR Section's SOPs. The action envisaged by the Office to address recommendation 16 is not satisfactory as the Finance Section (not the CVR Section) is responsible to use appropriate obligation/commitment documents when recording commitments relating to projects. Therefore, OIOS reiterates recommendation 16 and requests that MINUSTAH reconsider its initial response to the recommendation. Recommendation 16 remains open pending documentation showing that the MINUSTAH Finance Section uses appropriate obligation/commitment documents when recording commitments for QIP and CVR projects.*

V. ACKNOWLEDGEMENT

43. We wish to express our appreciation to the Management and staff of MINUSTAH 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 MINUSTAH Office of Mission Support should establish appropriate mechanisms and procedures for the financial management of QIPs and DDR/CVR projects that are in line with UN Financial Regulations and Rules.	Operational	High	O	Submission of SOPs for the financial management of QIPs and DDR/CVR projects that are in line with Financial Regulations and Rules of the United Nations.	30 November 2008
2	The MINUSTAH management should establish appropriate mechanisms and procedures for the substantive management of QIPs and DDR/CVR projects.	Operational	High	O	Submission of SOPs for substantive management of QIPs and DDR/CVR projects.	30 November 2008
3	The MINUSTAH management should review and update, as necessary, the terms of reference of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee to ensure that it conducts thorough reviews of proposed projects.	Compliance	High	O	Submission of SOPs the terms of reference of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee.	30 November 2008
4	The MINUSTAH Office of Mission Support should review all projects and related long outstanding advances that were approved from July 2004 to November 2007, to determine the need for further investigation and/or recovery or write-off.	Financial	High	O	Confirmation of the recovery or write-off of the long outstanding advances.	Immediate
5	The MINUSTAH Office of Mission Support should require all executing agencies to provide their banking particulars to be used in disbursing project advances.	Operational	Medium	O	Submission of the DDR/CVR Section's SOPs requiring that all executing agencies provide their banking particulars to be used in disbursing project advances.	30 November 2008
6	The MINUSTAH Office of Mission Support should ensure that all project funds are disbursed to legally established executing agencies and not to individuals. Funds should be transferred directly to the bank accounts of the concerned executing agencies, and when	Operational	Medium	O	Submission of the DDR/CVR Section's SOPs requiring that all project funds are disbursed to legally established executing agencies and not to individuals.	30 November 2008

	the use of cheques is the only feasible option, they should be made payable to the concerned executing agencies and not to individuals.							
7	The MINUSTAH Office of Mission Support Finance Section should immediately refrain from disbursing project funds to staff members who have not been previously authorized by the Department of Management to serve as fund custodians.	Compliance	Medium	C	Action complete	Implemented		
8	The MINUSTAH Office of Mission Support should immediately request staff to report on the use of project funds disbursed to them and recover all remaining cash balances.	Financial	Medium	O	Submission of documents confirming that all advances to staff have been liquidated.	Immediate		
9	The MINUSTAH Office of Mission Support should ensure that project funding requests are supported by the prior approval of the Disarmament, Demobilization, Reintegration, and Community Violence Reduction Project Approval Committee and that the disbursement of funds is in line with United Nations Financial Regulations and Rules.	Compliance	High	O	Submission of the DDR/CVR Section's SOPs.	30 November 2008		
10	The MINUSTAH Office of Mission Support should review all long outstanding advances to determine the need for further investigation and/or recovery or write-off.	Financial	Medium	O	Confirmation that all advances over 180 days for QIPs and DDR/CVR projects have been cleared	Immediate		
11	The MINUSTAH Office of Mission Support should assess its capacity including policies, procedures and human resources for ensuring effective monitoring of projects.	Operational	Medium	O	Submission of the revised organization chart and job descriptions for the two national finance assistants previously under CVR/DDR section.	30 November 2008		
12	The MINUSTAH management should establish and implement formal comprehensive project monitoring mechanisms including, but not limited to, monitoring and review of projects' financial reporting and related supporting documents and site visits.	Operational	High	O	Submission of formal comprehensive project monitoring mechanisms for both DDR/CVR and QIPs.	30 November 2008		
13	The MINUSTAH management should establish comprehensive terms of reference for the Quick Impact Projects Unit including	Operational	Medium	O	Submission of comprehensive terms of reference for the regional QIPs focal points as well as central QIPs Unit staff.	31 January 2009		

	clear job descriptions and annual planning requirements in order to ensure the effective monitoring of projects.						
14	The MINUSTAH Office of Mission Support should formally assign responsibility for the financial monitoring of projects in the regional offices.	Financial	Medium	O	Submission of comprehensive terms of reference for the Regional Mission Support officers.	30 November 2008	
15	MINUSTAH management should assess the adequacy of the staffing the Disarmament, Demobilization and Reintegration/Community Violence Reduction Section and promptly fill the vacancies, particularly those of the international professional posts.	Human Resources	Medium	C	Action complete	Implemented	
16	The MINUSTAH Office of Mission Support should use appropriate obligation/commitment documents for Quick Impact and Community Violence Reduction project expenditures rather than miscellaneous obligating documents.	Operational	Medium	O	Documentation showing that the MINUSTAH Finance Section uses appropriate obligation/commitment documents when recording commitments for QIP and CVR projects.	30 November 2008	

¹ C = closed, O = open

² Date provided by MINUSTAH in response to recommendations.