



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Operations in Romania

UNHCR should learn lessons from the Uzbek operation and ensure that they are not repeated during the upcoming project to establish an Evacuation Transit Centre in Timisoara

9 December 2008

Assignment No. AR2008/121/01

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. António Guterres, High Commissioner
A: United Nations High Commissioner for Refugees

DATE 9 December 2008

REFERENCE IAD: 08- 02 032

FROM Dagfinn Knutsen, Director
DE Internal Audit Division, OIOS 

SUBJECT **Assignment No. AR2008/121/01 – Audit of UNHCR Operations in Romania**
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 the recommendations number 1, 3, 5, 8, 9, 10, 13 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., recommendation 2) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner
Ms. Judy Cheng-Hopkins, Assistant High Commissioner
Ms. Karen Farkas, Controller and Director, DFAM, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Ms. Christina Post, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Anders Hjertstrand, Chief, Geneva Audit Service, 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).

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EXECUTIVE SUMMARY

Audit of UNHCR Operations in Romania

OIOS conducted an audit of UNHCR operations in Romania. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in the areas of programme and project management, supply management and administration. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed the internal controls of the operations in Romania by reviewing records relating to activities implemented during 2006 and 2007 with total expenditure of \$2.5 million. The system of internal controls at UNHCR in Romania was assessed as average. Although the majority of key controls were being applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management is required.

From a refugee protection point of view, the Uzbek Operation in Timisoara was successful. However, staff turnover, especially in the programme area, was excessive and had a negative impact on the operation. The level of cash operations was unacceptably high and, contrary to the rules, staff exchanged currency on the parallel market. For the upcoming project to create an Evacuation Transit Centre in Timisoara, lessons learned indicate that the risks lie in the fields of staffing, budgeting, financial management and ability of implementing partners to establish proper controls over the use of funds.

The Representation is still heavily engaged in providing legal assistance to refugees and asylum seekers, as well as social counselling, although Romania is entitled to financing through the European Refugee Fund after becoming a member of the European Union. The sustainability of the projects and the capacity building of local NGOs need to be enhanced, and UNHCR needs to train its local partners on building relations with the Government.

For the two partners reviewed, the established internal controls in the area of financial, personnel and asset management needed improvement. The accounting staff of Generatie Tanara lacked the necessary qualifications and experience to handle UNHCR funds. The National Council for Refugees needed to enhance supply chain procedures, as well as procedures for the use of vehicles.

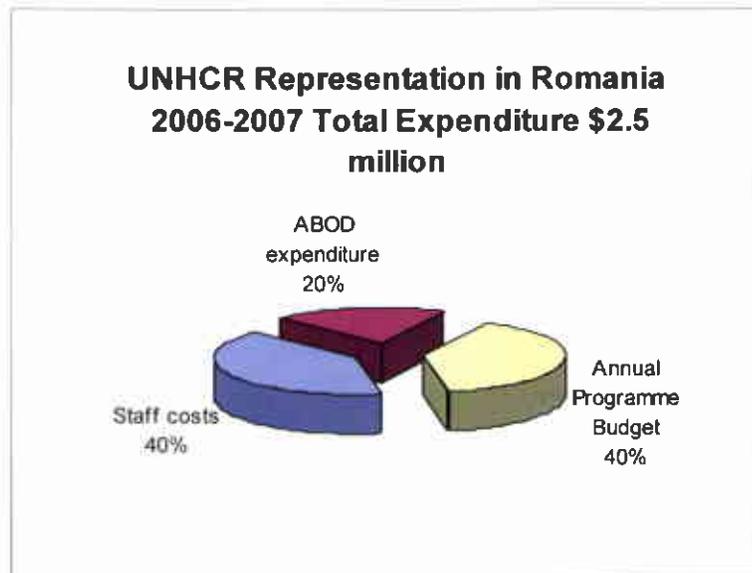
In the administrative area at the office in Bucharest, accounts receivables that had not been cleared amounted to \$160,000. Some of them dated back to 1998. The issue of value-added tax (VAT) reimbursement was still outstanding. Procurement and asset management functions of the Representation should be strengthened.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Romania. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The main objectives of the UNHCR operations in Romania are the following: that persons in need of international protection have access to Romanian territory; that asylum-seekers (including non-national victims of trafficking who may qualify for refugee status) have access to fair, efficient and effective asylum procedures and are treated in accordance with international protection standards; that the asylum system and practices are responsive to issues of gender and age; that standards adopted in the process of Romania's accession to the European Union reflect the international norms and best practices; and that durable solutions are implemented for refugees and further displacement is avoided.
3. In 2006 and 2007, a budget of \$2.6 million was allocated, including staff costs administered by Headquarters, against which expenditure of \$2.5 million was reported (see chart below for the expenditure breakdown). At the time of the audit, the number of staff working for UNHCR in Romania was seven.



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

II. AUDIT OBJECTIVES

5. The main objectives of the audit were to assess:
 - (a) The effectiveness and efficiency of project management arrangements, including monitoring of implementing partners;
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(b) The effectiveness of programme management given that UNHCR has decided to create an evacuation transit centre for resettlement in Timisoara;

(c) Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements; and

(d) The safeguarding of UNHCR resources against loss, misuse and damage due to waste, mismanagement, errors, fraud and other irregularities.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit reviewed 2006 and 2007 programme activities under projects 06&07/AB/ROM/LS/400 and 06/AB/ROM/CM/201 with a total expenditure of \$1 million. OIOS' review included activities implemented by the National Council for Refugees (NCR) and Generatie Tanara with expenditures of \$520,000 and \$180,000 respectively. OIOS reviewed certain administrative functions of the UNHCR Representation in Bucharest. The administrative budgets totaled \$350,000 for 2006 and 2007. UNHCR Romania has the responsibility for managing assets with an acquisition value of \$440,000 and a current value of \$90,000. At the request of UNHCR, a field visit was made to Timisoara, where the Uzbek operation took place and where the new Evacuation Transit Centre will be located.

7. The audit methodology comprised: (a) assessment of risks and effectiveness of controls; (b) review of policies and procedures, administrative guidelines and analysis of data available from Management Systems Renewal Project (MSRP) and other sources; (c) interviews with responsible personnel; (d) physical verification; and (e) observations and verification of processes, as appropriate.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme and project management

The need to learn lessons from the assistance given to the Uzbek refugees for resettlement

8. In July 2005, the High Commissioner requested the assistance of the Romanian Government to temporarily accommodate 439 Uzbek refugees pending their resettlement in third countries. The decision to receive this group of refugees demonstrated the progress made by Romania in the development of its asylum system and confirmed its political will to be seen as an important partner in the international sharing of burdens and responsibilities. On the basis of the success of the Uzbek operation, which was completed in 12 months, UNHCR plans to create Evacuation Transit Centres (ETCs). A tripartite agreement for the

establishment of the ETC in Timisoara was signed in May 2008 by the Romanian Ministry of Interior, International Organization for Migration and UNHCR. This agreement still needs to be ratified by the Romanian Parliament.

9. From a refugee protection point of view, the Uzbek operation, led by the UNHCR Division of International Protection (DIP) which has responsibility for resettlement, was a success: all but one of the refugees has been resettled in third countries. However, from the management standpoint, there are lessons to be learned to ensure the success of all aspects of similar future operations.

10. The Uzbek operation experienced problems with unfilled posts and a significant rotation of UNHCR international staff. For instance, a total of six programme officers were assigned to Timisoara during the 12 months of the operation. Regardless of the number of programme officers deployed, OIOS noted that a revision of the Letter of Instruction (LOI) and the implementing arrangements was not done on a timely basis, due to vacancies in programme officer posts. OIOS was informed that the frequent change of UNHCR staff deployed to Timisoara led to confusion in terms of reporting lines and lack of leadership. It was also mentioned that better continuity of UNHCR staff at the managerial level would have avoided having to rebuild working relationships with implementing partners (IPs) and would have made a less stressful working atmosphere. To ensure the success of similar operations in the future, it is imperative that, as far as possible, UNHCR appoint regular staff instead of deploying Emergency Response Team (ERT) staff.

11. The issue of providing qualified translators/interpreters should have been given closer attention. The Uzbek operation had major difficulties in finding sufficient competent interpreters and translators in Romania in spite of the fact that, according to UNHCR, the University of Timisoara had a good language department. The lack of translators and interpreters caused significant delay to the implementation of the project.

12. The project lasted longer than foreseen also due to the difficulties in determining the speed of the resettlement process: the refugee status verification lasted longer than expected and the limited capacity of the resettlement countries caused delays in processing. As a result, at the end of the initial timeframe (December 2005), there had only been 75 departures. The duration of the project was extended till July 2006, which caused significant over-expenditure. For instance, in the area of personnel costs, the planning figure for Temporary Assistance was \$10,000, while in reality \$60,000 was spent. The planning of future similar operations needs to be more realistic given the caseload and the resettlement capacity of both UNHCR and the donor countries.

13. UNHCR spent more than \$100,000 on rent, while the projected amount was \$70,000 due to unclear wording of the contract. The basis of the rent/accommodation paid for the refugees was not clearly defined. The Representation had no choice but to agree with the rising unit rates as per invoices of the National Refugee Office. Although OIOS acknowledges that the Uzbek operation was an emergency operation, the contractual agreements for services should have been negotiated with more caution.

14. OIOS was informed that the choice of the implementing partner for future resettlement operations had not yet been made. In view of the difficulties faced by Generatie Tanara, the implementing partner selected for the Uzbek operation, more attention should be given to strengthening implementing partner capacity. According to monitoring visit notes, Generatie Tanara faced significant difficulties in terms of financial management and reporting, which required the involvement of the UNHCR Representation in Bucharest. To facilitate the implementation of future similar operations, UNHCR would have to invest in strengthening implementing partner capacity.

15. Severe problems were encountered in recording disbursements in the Management System Renewal Project (MSRP) database despite the provision of staff to Timisoara by UNHCR Headquarters. The UNHCR staff deployed to Timisoara might not have been aware of, or did not comply with, basic UNHCR financial rules. OIOS was informed that, two months after the beginning of the operation, no transactions had been recorded in MSRP. In violation of UNHCR financial rules, cash withdrawal forms were used to withdraw money from the bank without the necessary financial controls and recording. As a result, and in order to regularize the situation, payments made in cash were recorded post facto as operational advances and cleared with invoices and other supporting documents for payments.

16. In addition, dollars withdrawn from the bank were exchanged in local currency on the parallel market and used for local procurement made in cash. Given that banking facilities existed (UNHCR had opened a bank account in both dollars and local currency) this practice was unacceptable. During August 2005, a total amount of \$9,600 was exchanged into local currency on the parallel market without receipts. A comparison of the amounts supported by invoices in the local currency with the amount which could have been received using the official exchange rate, suggested that an amount of 30 per cent of the total withdrawn from the bank was not accounted for. OIOS is not aware if anyone was held responsible for these actions. For future operations, more needs to be done to ensure that UNHCR staff are fully conversant and comply with financial rules.

17. The Uzbek operation significantly increased the normal workload of various units of the UNHCR Representation in Bucharest: Programme, Administration, Finance and Logistics. The Representation in Bucharest carried out a significant number of missions to Timisoara to compensate the weaknesses of the implementing partner and of the UNHCR staff deployed to this operation. The inadequacy of the budgetary arrangement required additional administrative work to clear the over-expenditure on the Administrative Budget and Obligation Document (ABOD).

18. In the context of the Uzbek operation, it appeared that UNHCR Romania was not fully prepared to take additional responsibilities. Prior to embarking on the ETC project, UNHCR needs to better assess the risk and the impact of similar operations on the current workload of the Representation and to make sure the

Representation is provided with the necessary resources to assume this responsibility.

19. Though both the Representation and UNHCR Division of International Protection (DIP) have to be involved in the implementation of future ETC activities in Timisoara, clear reporting lines, division of responsibility and accountability have not yet been established. Standard Operating Procedures clearly defining the role of the Representation in Bucharest with regard to Programme and Administration and DIP for the protection component of the resettlement activities need to be developed.

20. Given that UNHCR is planning to develop similar centres elsewhere (in the Philippines and possibly a third in an African country) the issues raised in this case need to be addressed not only at the local and regional levels but also at Headquarters.

Recommendations 1 to 3

(1) The UNHCR Representation in Romania together with UNHCR Headquarters and the Regional Representation should ensure that Evacuation Transit Centre activities are properly staffed, especially programme and administrative functions, and that the staff deployed to these operations are fully conversant with UNHCR financial rules;

(2) The UNHCR Representation in Romania together with UNHCR Headquarters and the Regional Representation should ensure that measures are taken to build the capacity of the implementing partners involved in the Evacuation Transit Centre activities and to provide the necessary resources to adequately monitor these activities without having an impact on the representations' current protection activities; and

(3) The UNHCR Representation in Romania together with UNHCR Headquarters and the Regional Representation should ensure that Standard Operating Procedures for the Evacuation Transit Centre activities are developed, clearly defining the roles of the representation and the UNHCR Division of International Protection in Headquarters.

21. *The UNHCR Representation in Romania accepted recommendation 1 and stated that the Budget Committee approved the creation of a P-3 Resettlement Officer and a GL-6 Senior Resettlement Assistant in Timisoara, as well as an Assistant Programme Officer (NOA) based in Bucharest. In addition, budgetary provisions were made for the deployment of auxiliary staff under arrangements with the ICMC and International UNV. The Senior Secretary who has received full training in MSRP and acted as backup for the Senior*

Admin/Programme Assistant in UNHCR Bucharest is temporarily filling the Assistant Programme Officer and is fully conversant with the UNHCR financial rules. The Regional Representation for Central Europe (RRCE) in Budapest will offer in the near future specialized training in programme management. Based on UNHCR's response, recommendation 1 has been closed.

22. *The UNHCR Representation in Romania accepted recommendation 2 and stated that the ETC Team in place since 16 September 2008, together with the Senior Programme Officer of DIPS are working as separate clusters within the Representation and are currently involved with the recruitment of an accountant to be assigned with Generatie Tanara to cover the financial management of the sub-project. The newly recruited accountant will receive adequate training on UNHCR financial reporting from the RRCE and Representation in Bucharest. In addition to the ongoing training and capacity building efforts of the Representation staff targeting Generatie Tanara, an offer was received from a Dutch non-governmental organization (NGO) for additional capacity building activities for the implementing partner. Recommendation 2 remains open pending receipt of documentation from UNHCR showing that the recommendation has been fully implemented.*

23. *The UNHCR Representation in Romania accepted recommendation 3 and stated that an agreement has been reached that DIPS will assume operational responsibility over the ETC whilst the Representation, particularly in the start-up phase, will assume a diplomatic role. UNHCR submitted a flowchart reflecting the Standard Operating Procedures (SOPs) of the ETC Tripartite Agreement. Staff at the Timisoara Office will liaise directly with the Resettlement Section in Geneva and the local government counterparts. As soon as the working mechanisms have been put in place properly, the Assistant Programme Officer in Bucharest will provide the on-going liaison function at the working level with members of the Tripartite Committee. On 7 October 2008 an in-depth training programme on ETC SOPs took place in Timisoara, involving all stakeholders, i.e. IOM, MIAE, working level Embassy staff of resettlement countries and IPs. Based on the action taken by UNHCR, recommendation 3 has been closed.*

Capacity building for local NGOs to reduce UNHCR's financial involvement in providing assistance to refugees

24. The Representation is still heavily engaged in providing legal assistance and social counselling to refugees and asylum seekers, although Romania is entitled to annual financing amounting to \$600,000 through the European Refugee Fund after becoming a member of the European Union. Up to now, all relations with the Government were conducted through the Representation, and NGOs did not get enough support and training from the Representation so that they could gradually start taking over the functions of dealing with the government. The Representation had not come up with a plan to increase the sustainability of the projects and to enhance the capacity of local NGOs.

Recommendation 4

(4) The UNHCR Representation in Romania, taking into account the entry of Romania into the European Union and the possibility of receiving relevant funds, should gradually diminish its legal assistance and social counselling activities.

25. *The UNHCR Representation in Romania accepted recommendation 4 and stated that the lack of adequate national legislation and the restructuring of the Ministry of Interior prevented the Government of Romania from accessing the European Refugee Fund (ERF). The missing framework for general ERF management and implementation was published in February 2008 (Government Order 398/2008). At different stages during 2007 and 2008, the UNHCR Representation in Romania convened several meetings with government counterparts with a view to assist them in the establishment of the needs and formulation of the Multi-Annual Plan and Annual Plan. When the detailed 2008 Project Submission was finalized, UNHCR Romania had factored ERF contribution into the 2008 operational budget for IPs. However, given that ERF was not received, during the 2008 programme review exercise, UNHCR had to take corrective measures and provided the missing financial support for the IP by reallocating funds from direct implementation. Recommendation 4 remains open pending evidence that UNHCR is diminishing its legal assistance and social counselling activities.*

A more systematic approach is required for project financial and performance monitoring

26. The Representation needed to make improvements in the area of financial and performance monitoring of the five sub-projects, and its approach should be more systematic. The Representation did not establish an annual monitoring schedule. Financial monitoring visits did not take place as required (twice a year with one in-depth review). Although visits took place, there was no clear distinction made between the tasks to be performed by the Assistant Programme Officer and the Admin/Finance Assistant during the monitoring visits, resulting in overlaps and lacunae.

Recommendation 5

(5) The UNHCR Representation in Romania should start in-depth reviews and verification exercises of the partners. As a result of these visits, verification reports should be prepared containing recommendations on the relevant action to be taken. The distinction between financial and performance monitoring tasks allocated to the Assistant Programme Officer and the Admin/Finance Assistant should be clarified.

27. *The UNHCR Representation in Romania accepted recommendation 5 and stated that the Representation established periodic monitoring and*

verification schedules and regular (quarterly but also Ad-hoc) financial and performance monitoring visits took place. With the arrival of the new APO on 1 January 2007, monitoring systems were enhanced to reinforce their assertion that these functions were not inter-twined but also to secure effective and regular monitoring activities. However, with the merge of all programme and administration/finance functions into one post, the distinction between financial and performance monitoring tasks becomes obsolete. Based on UNHCR's response, recommendation 5 has been closed.

Management letter not part of the implementing partner audit certification process

28. The provision of audit certificates by a local audit firm and monitoring/follow-up on the results of the audits by the Representation needed improvement and was not fully used as a programme management tool. According to the UNHCR Manual, the audit firms should provide (a) an audit report and (b) a management letter. However, this requirement was not stated in the Request for Proposals addressed to the audit firms which took part in the bidding. In the audit reports by the accounting firm CNC, for two implementing partners, no management letters were provided. The value-for-money of the audit exercises financed by UNHCR for an annual amount of \$5,500 should be improved by ensuring that the audit firms come up with observations and recommendations, which have to be followed up by the implementing partners and the Representation.

Recommendation 6

(6) The UNHCR Representation in Romania should ensure that the external auditors selected to conduct audits of local implementing partners issue a management letter outlining the internal control weaknesses found and making recommendations for improvement. Better value-for-money should be achieved by using the information provided in the local auditors' reports to enhance project monitoring and implementation.

29. *The UNHCR Representation in Romania accepted recommendation 6 and stated that the Management Letter was replaced by the Auditor's Comments. This document makes reference to the fact that funds were used effectively, only for the purposes of the sub-project and in accordance with the UNHCR Rules and Regulations. OIOS takes note of the Representation's comments; however, the Auditor's Comments do not outline the internal control weaknesses found and the necessary recommendations for improvement. Recommendation 6 remains open pending evidence that the terms of reference of the External Auditor have been modified to make sure that the Auditors' Comments include a statement of significant internal control weaknesses and appropriate recommendations.*

B. Review of implementing partners

Generatie Tanara – weaknesses in accounting and administration

30. The Accountant could not reconcile the Summary Trial Balance of Generatie Tanara (GT), with the expenditures reported in the Sub- Project Monitoring Reports (SPMR) amounting to \$184,000. The first UNHCR instalment of \$10,000 for 2006 was not reflected in the balance sheet, and the Accountant could not make a breakdown of the expenditures in the Romanian accounting programme VIDORI, to reconcile it with Excel, in which GT's accounts of the Uzbek operation were kept. This was due to the accounting staff of GT lacking the necessary qualifications and experience to handle UNHCR funds.

Recommendation 7

(7) The UNHCR Representation in Romania should ensure that Generatie Tanara employs accounting staff with proper qualifications and experience, so that UNHCR requirements for the financial documentation of partners are met.

31. *The UNHCR Representation in Romania accepted recommendation 7 and stated that Generatie Tanara has agreed to employ a more appropriate and competent accountant for the UNHCR sub-project. Efforts are currently under way in the selection and recruitment process. The Regional Representation for Central Europe will be part of the final selection process. Recommendation 7 remains open pending confirmation from the Representation that a properly qualified and experienced accountant has been recruited.*

32. Payments were made in July and August, amounting to \$12,500, mostly to liquidate the commitments existing at the end of the project activities. The testing of these expenditures could not be performed since the Accountant started to reconstruct the accounts for these two last months of the project but failed to do it during the day we were in Timisoara. There was overexpenditure of 20 per cent for Medical Referral and Treatment Costs, which corresponded to \$4,000. Documents supporting these expenditures were not provided either on the day of the review or subsequently, when GT sent the missing documents by fax.

Recommendation 8

(8) The UNHCR Representation in Romania should ensure that Generatie Tanara provides the missing documents and in the future pays particular attention to the completeness of financial reports during the closure of a project.

33. *The UNHCR Representation in Romania accepted recommendation 8 and stated that they had ascertained that payments made in July and August 2006 were duly accounted for in the Final IPFMR. Based on the explanation given by UNHCR, recommendation 8 has been closed.*

34. An advance of \$8,000 was given in November 2005 to a Romanian company SELGROS for the supply of rice, oil and hygiene products. OIOS could neither be provided with the relevant invoices, nor the documents on the receipt of goods to verify that the advance was properly liquidated. OIOS only received a verbal explanation that refugees were fed and had no complaints.

Recommendation 9

(9) The UNHCR Representation in Romania should ensure that Generatie Tanara properly reflects in the accounts the liquidation of advances and provide relevant supporting documents.

35. *The UNHCR Representation in Romania accepted recommendation 9 and stated that a careful review of this outstanding issue revealed the appropriate liquidation of advances. OIOS was also provided with copy of the supporting documents of the transactions made in November and December 2005. Based on the response and the documentation provided by UNHCR, recommendation 9 has been closed.*

Weak documentation of use of UNHCR assets by National Council for Refugees

36. A logbook for the vehicle did not exist, so it was not possible to establish whether the vehicle was used for the purposes of the project. The Representation informed OIOS that after the audit the partner agreed to reinforce controls over the use of the vehicles and keep logbooks.

37. The Right of Use agreement for the car was not signed between the Representation and the partner. The Representation informed OIOS that the Right of Use agreement would be signed in the near future.

C. Supply management

Weaknesses in the documentation of selection of suppliers and poorly drawn up contracts

38. The procurement of goods and services by the Representation amounted to \$81,000 in 2006 and \$63,000 in 2007. A Local Committee on Contracts (LCC) was created by the Representative to review all cases exceeding \$500.

39. Although the number of cases reviewed was limited, the LCC procedures were not properly followed. There were no formal invitations to bid sent to prospective bidders. No explanations were given in the minutes of the LCC when the lowest bidder was not chosen.

40. This contributed to a situation where companies chosen did not perform their functions properly. In April 2006 a contract for the Representation's website was concluded with Media Future. In August 2007 the same company was paid for maintenance of the website although the basis for this payment was not clear. In March 2008, the LCC decided to renew the maintenance contract with the same company. However, our review of the website in 2008 showed periodic UNHCR publications dated April 2006, which meant that proper maintenance of the website had not been performed.

Recommendation 10

(10) The UNHCR Representation in Romania should ensure that in future, contracts with suppliers clearly state the services to be performed and that no payments are made to the supplier without certification that goods have been supplied or the services performed to the satisfaction of UNHCR.

41. *The UNHCR Representation in Romania accepted recommendation 10 and stated that contractual services include clear indication to the type of services required, the length of time and the cost. As a rule, payments for such services are made upon written confirmation of their satisfactory delivery.* Based on UNHCR's response, recommendation 10 has been closed.

Value-added tax (VAT) paid not entirely reimbursed

42. The Representation approved the purchase of computer equipment by the National Council for Refugees. VAT of \$1,200 was paid by the partner. No effort was made to establish whether this purchase could have been made by the Representation, for subsequently obtaining reimbursement of VAT.

Recommendation 11

(11) The UNHCR Representation in Romania should ensure that Value-Added Tax paid by partners for purchasing equipment with UNHCR funds is reimbursed. Otherwise, UNHCR Romania should consider the possibility of taking over the procurement for partners in order to achieve savings linked to tax exemption.

43. *The UNHCR Representation in Romania accepted recommendation 11 and stated that all expenditures for the ETC involving VAT for IPs will be taken over by UNHCR in order to receive tax reimbursement.* Recommendation 11 remains open pending receipt of documentation from UNHCR showing the specific actions taken to ensure that opportunities for obtaining VAT reimbursements are fully made use of.

44. Although the review of value added tax (VAT) reimbursement procedures was recommended by the previous audit, OIOS noted that important issues were still outstanding. As of April 2008, amounts aggregating \$27,000

were shown as open items in MSRP, and some of these receivables had not been cleared since 1998.

45. In 2000, the Representation contacted UNHCR Headquarters about the possibility of writing off amounts of VAT that the Representation considered as unlikely to be reimbursed. No reply was received from the Headquarters and the issue was still pending. The system of recording of VAT as receivables, tracking these receivables and reconciling the deposits made to the bank by the Ministry of Finance was cumbersome, although the principle of VAT reimbursement was reflected in the 1992 Agreement between the Government of Romania and UNHCR.

Recommendation 12

(12) The UNHCR Representation in Romania together with the Financial Control Section at the Budapest Service Centre should take a decision on clearing the outstanding Value-Added Tax (VAT) reimbursements which UNHCR Romania considers as unlikely to be reimbursed. The Representation should review the vouchers and follow up the cases of outstanding VAT amounts for certain purchases.

46. *The UNHCR Representation in Romania accepted recommendation 12 and stated that they have taken all required action and anticipate that all non-reimbursable amounts as well as outstanding VAT amounts will be properly written off. As per the request of the Headquarters Asset Management Board (HAMB), all relevant documentation and proof will be submitted to HAMB for further action.* Recommendation 12 remains open pending evidence that the write off process has been approved by the HAMB and relevant action has been taken by the Representation.

UNHCR asset management rules not complied with

47. The number of computers in the office, both desktop and portable, was excessive. There were 49 computers in the Representation, while the number of staff was 11. The Local Asset Management Board (LAMB) did not review these cases of obsolete and/or unnecessary equipment, which could have been sold, donated or written off.

48. The Representation stated that it experienced problems in generating reports in MSRP. Technical problems existed with the Asset Management module resulting in the loss of information. The required information was prepared outside MSRP resulting in duplication of work.

Recommendation 13

(13) The UNHCR Representation in Romania should, in consultation with the Asset Management Focal point at UNHCR Headquarters, update the asset records in the most efficient way.

49. *The UNHCR Representation in Romania accepted recommendation 13 and stated that subsequent to the LAMB meeting of 26 June 2008, they took the required action to dispose of obsolete assets either by transfer of ownership or cannibalization. Based on the action taken by UNHCR, recommendation 13 has been closed.*

D. Administrative issues

50. The Representation plans to move to the UN House during the last quarter of 2008. It will then stop paying rental fees and achieve annual savings of \$54,000. OIOS welcomes this positive step aimed at the economical and efficient use of UNHCR resources.

51. Controls need to be reinforced in the areas of accounts receivable, use of MSRP and administration of staff travel. Open items (receivables that have not been cleared) in MSRP dating back to 1998 amounted to \$160,487 as of March 2008. They had not been reviewed and sorted out by the Admin/Finance Assistant by types of expenditure. Some of them, including travel advances to UNHCR staff who have been subsequently transferred to other duty stations, can be closed either by receiving travel claims or making deductions from the salary of the staff members involved.

Recommendation 14

(14) The UNHCR Representation in Romania should review the receivables that have not been cleared in the Management Systems Renewal Project and come up with a schedule for closing the items by year and by type of expenditure.

52. *The UNHCR Representation in Romania accepted recommendation 14 and stated that efforts are being made to process all outstanding receivables including and in particular those emanating from the Uzbek operation. One of the major challenges includes the processing of travel claims of staff assigned to the Uzbek operation in 2005 and 2006 that are no longer with UNHCR or reassigned elsewhere. The Representation is in consultation with the Regional Representation Central Europe in order to identify budget lines against which the receivable items can be charged. Recommendation 14 remains open pending evidence that the receivables have been cleared in MSRP.*

53. The administration of staff travel could be improved since there were cases where travel authorizations, especially for the travel linked to the Uzbek project in Timisoara, were not properly authorized, the purpose of the mission was not clearly stated and the mission reports were missing.

Recommendation 15

(15) The UNHCR Representation in Romania should ensure that all travel is properly authorized, the purpose of

mission on travel authorizations is clearly stated and a file containing mission reports is established.

54. *The UNHCR Representation in Romania accepted recommendation 15 and stated that in addition to implementing the recommendation in full, all mission requests for the Representative are submitted to and approved by the Regional Representative in Budapest. A file with staff members' mission reports for 2008 was established.* Based on the action taken by UNHCR, recommendation 15 has been closed.

V. ACKNOWLEDGEMENT

55. We wish to express our appreciation to the Management and staff of UNHCR 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 UNHCR Representation in Romania together with UNHCR Headquarters and the Regional Representation should ensure that Evacuation Transit Centre activities are properly staffed, especially programme and administrative functions, and that the staff deployed to these operations are fully conversant with UNHCR financial rules.	Strategy	Medium	C	Action completed.	Implemented
2	The UNHCR Representation in Romania together with UNHCR Headquarters and the Regional Representation should ensure that measures are taken to build the capacity of the implementing partners involved in the Evacuation Transit Centre activities and to provide the necessary resources to adequately monitor these activities without having an impact on the representations' current protection activities.	Strategy	High	O	Documentation from UNHCR showing that the recommendation has been fully implemented.	Implemented
3	The UNHCR Representation in Romania together with UNHCR Headquarters and the Regional Representation should ensure that Standard Operating Procedures for the Evacuation Transit Centre activities are developed, clearly defining the roles of the representation and the UNHCR Division of International Protection in Headquarters.	Strategy	Medium	C	Action completed.	Implemented
4	The UNHCR Representation in Romania, taking into account the entry of Romania into the European Union and the possibility of receiving relevant funds, should gradually diminish its legal assistance and social counselling activities.	Strategy	Medium	O	Evidence that UNHCR is diminishing its legal assistance and social counselling activities.	1 January 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
5	The UNHCR Representation in Romania should start in-depth reviews and verification exercises of the partners. As a result of these visits, verification reports should be prepared containing recommendations on the relevant action to be taken. The distinction between financial and performance monitoring tasks allocated to the Assistant Programme Officer and the Admin/Finance Assistant should be clarified.	Operational	Medium	C	Action completed.	Implemented
6	The UNHCR Representation in Romania should ensure that the external auditors selected to conduct audits of local implementing partners issue a management letter outlining the internal control weaknesses found and making recommendations for improvement. Better value-for-money should be achieved by using the information provided in the local auditors' reports to enhance project monitoring and implementation.	Operational	Medium	O	Evidence is provided that the terms of reference of the External Auditor have been modified to make sure that the Auditors' Comments include a statement of significant internal control weaknesses and recommendations.	31 March 2009
7	The UNHCR Representation in Romania should ensure that Generatie Tanara employs accounting staff with proper qualifications and experience, so that UNHCR requirements for the financial documentation of partners are met.	Financial	Low	O	Confirmation is needed from the Representation that a properly qualified and experienced accountant has been recruited.	16 September 2008
8	The UNHCR Representation in Romania should ensure that Generatie Tanara provides the missing documents and in the future pays particular attention to the completeness of financial reports during the closure of a project.	Financial	Low	C	Action completed.	Implemented
9	The UNHCR Representation in Romania should ensure that Generatie Tanara properly reflects in the accounts the	Financial	Low	C	Action completed.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
10	liquidation of advances and provide relevant supporting documents. The UNHCR Representation in Romania should ensure that in future, contracts with suppliers clearly state the services to be performed and that no payments are made to the supplier without certification that goods have been supplied or the services performed to the satisfaction of UNHCR.	Financial	Low	C	Action completed.	Implemented
11	The UNHCR Representation in Romania should ensure that Value-Added Tax paid by partners for purchasing equipment with UNHCR funds is reimbursed. Otherwise, UNHCR Romania should consider the possibility of taking over the procurement for partners in order to achieve savings linked to tax exemption.	Financial	Medium	O	Documentation from UNHCR showing the specific actions taken to ensure that opportunities for obtaining VAT reimbursements are fully made use of.	Implemented
12	The UNHCR Representation in Romania together with the Financial Control Section at the Budapest Service Centre should take a decision on clearing the outstanding Value-Added Tax (VAT) reimbursements which UNHCR Romania considers as unlikely to be reimbursed. The Representation should review the vouchers and follow up the cases of outstanding VAT amounts for certain purchases.	Financial	Medium	O	Evidence needs to be provided that the write off process has been approved by the HAMB and relevant action has been taken by the Representation.	1 March 2009
13	The UNHCR Representation in Romania should, in consultation with the Asset Management Focal point at UNHCR Headquarters, update the asset records in the most efficient way.	Financial	Medium	C	Action completed.	Implemented
14	The UNHCR Representation in Romania should review the receivables that have not been cleared in the Management Systems Renewal Project and come up with a schedule for closing the items by year and	Financial	Medium	O	Evidence should be provided that the receivables have been cleared in MSRP.	15 May 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/ O ¹	Actions needed to close recommendation	Implementation date ²
15	by type of expenditure. The UNHCR Representation in Romania should ensure that all travel is properly authorized, the purpose of mission on travel authorizations is clearly stated and a file containing mission reports is established.	Operational	Low	C	Action completed.	Implemented

1. C = closed, O = open
2. Date provided by UNHCR in response to recommendations.