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INTEROFFICE MEMORANDUM

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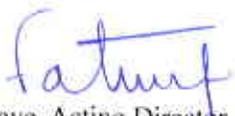
OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

DATE: 23 July 2009

REFERENCE: IAD: 09-07693


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

SUBJECT: **Assignment No. AR2009/160/06 - Audit of the provision of medical services (MIP and MEDEVAC)**
OBJET: **by UNHCR in Afghanistan**

Training should be provided to MIP Administrators to reduce the likelihood of loss and fraud

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

2. Based on your comments, we are pleased to inform you that we will close recommendation 2 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. Your response indicated that you did not accept recommendation 1. In OIOS' opinion however, *this recommendation seeks to address a significant risk area*. We are therefore reiterating it and requesting that you reconsider your initial response based on the additional information provided in the report.

EXECUTIVE SUMMARY

Audit of the provision of medical services (MIP and MEDEVAC) by UNHCR in Afghanistan

OIOS conducted an audit of the provision of medical services (i.e., Medical Insurance Plan (MIP) and Medical Evacuation (MEDEVAC)) by the Office of the United Nations High Commissioner for Refugees (UNHCR) in Afghanistan. The overall objective of the audit was to assess the adequacy of arrangements for the provision of medical services to staff and dependents in the UNHCR Afghanistan Operation. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Overall, from a test-check of 50 claims covering 30 beneficiaries, the audit showed that the claims had been correctly calculated and supported by necessary documentation. However, adequate training had not been provided to MIP Administrators by the Personnel Administration and Payroll Section of the Division of Human Resources Management, which increased the risk of rules not being appropriately applied. The audit found instances where medical claims had not been appropriately referred to the MIP Management Committee, and that lack of awareness of MIP entitlements could increase the likelihood of wrong payments and fraud.

I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit of the provision of medical services (i.e., Medical Insurance Plan (MIP) and Medical Evacuation (MEDEVAC)) by the Office of the United Nations High Commissioner for Refugees (UNHCR) in Afghanistan.

5. The Representation is responsible for oversight of MIP and ensuring compliance with UNHCR guidance, comprising the MIP Statutes and Internal Rules issued by the Personnel Administration and Payroll Section (PAPS) of the Division of Human Resources Management (DHRM) at UNHCR Headquarters. The Representation in Afghanistan consisted of one branch Office, five sub-offices, three field offices and three field units. The composition of the UNHCR workforce in Afghanistan at the start and end of 2008 is shown in Table 1.

Table 1: Composition of UNHCR Workforce

Category	1 January 2008	31 December 2008
International UNHCR staff (including Field Service and Junior Professional Officers)	30	36
UNHCR National Professional Officers	27	31
UNHCR General Service staff	288	369
UN Volunteers, Consultants	10	19
Total	355	455

6. For the period covered by the audit (2007 and 2008), the expenditures recorded in the accounts of UNHCR Afghanistan towards MIP and MEDEVAC are set out in Table 2.

Table 2: MIP and MEDEVAC expenditures for 2007 and 2008 – Afghanistan

	MIP 2007 \$	MIP 2008* \$	MEDEVAC 2007 \$	MEDEVAC 2008* \$
Kabul	44,110	44,484	40,534	12,183
Mazar-i-Sharif	20,230	19,195	7,938	14,626
Jalalabad	25,200	9,678	-	4,593
Kandahar	11,966	6,467	3,821	6,739
Herat	25,550	12,995	13,675	800
Total	127,056	92,819	65,968	38,941

*For 2008, the figures only cover the period up to 27 October 2008.

7. Comments made by UNHCR are shown in italics.

II. AUDIT OBJECTIVES

8. The overall objective of the audit was to ascertain the adequacy of arrangements for the provision of MIP and MEDEVAC services to UNHCR staff and their dependents in Afghanistan. This included assessing:

- (a) The adequacy and effectiveness of internal controls over MEDEVAC and MIP claims processes; and,
- (b) Compliance with applicable rules, regulations and procedures.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit, which was conducted in February 2009, focused on the Provision of Medical Services in Kabul, Jalalabad and Kandahar as part of the overall horizontal audit of the Provision of Medical Services (MIP and MEDEVAC) across UNHCR. Coverage in Afghanistan was limited to the above mentioned cities for safety and security reasons.

10. The audit methodology included interviews with responsible personnel, review and analysis of records and available documentation, and sample testing of transactions.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

Claims reviewed were correctly calculated in accordance with MIP Statutes and Internal Rules

11. OIOS selected a total of 50 claims covering 30 beneficiaries for review of supporting documentation and performed a re-calculation of the MIP claims. It was noted that the claims had been reimbursed in accordance with the MIP Internal Statutes and Rules. No overpayments were found, and appropriate segregation of duties and supervisory controls were in place in regard to the processing of MIP claims.

Risk of loss and fraud was high due to lack of training

12. The Representative has overall responsibility for the MIP operation and the main functions are performed by the MIP Administrator. In Afghanistan, each Sub-Office has a MIP Administrator who administers all claims. The lead MIP Administrator is based in the Kabul Office. These officers have in the past been trained once every two years by officers from PAPS. Lack of training increases the likelihood of undetected errors and hence loss and fraud. OIOS noted that none of the MIP Administrators in Afghanistan had undergone any formal training for the processing of MIP claims. The lead MIP Administrator in Kabul took over in 2004 with no training or formal handover. In Kandahar, the previous MIP Administrator, who himself had received no training, resigned without any formal handover.

13. OIOS also noted that apart from the Kabul office, where back up officers were being trained by the MIP Administrator, no other back-ups exist for MIP Administrators in the offices visited by OIOS. While there was genuine justification to limit the number of staff with access to confidential information, it is possible to provide training in the use of the system without compromising the confidentiality of information.

Recommendation 1

(1) The UNHCR Representation in Afghanistan should request training for the Medical Insurance Plan Administrators. This could be done by providing training to a lead Administrator who could then provide the same training to others.

14. *The Representation did not accept recommendation 1, stating that MIP training should be initiated by PAPS/DHRM with or without the request from the operations as part of their main responsibility for oversight and capacity building. The Representation's experience on this issue has been characterized by long delays. It has sometimes taken a year for PAPS to answer inquiries related to MIP sent by BO Kabul. BO Kabul has recently concluded a training plan with PAPS on the implementation of a new MIP module and hoped that it will be conducted as planned.* OIOS acknowledges that it is the responsibility of PAPS to ensure that field offices, which have been delegated the authority for the day-to-day administration of MIP, have the adequate competencies and skills to discharge their responsibilities. However, it is the responsibility of the Representation to ensure that its needs are made known to PAPS, and if those needs are not met, to refer the matter to UNHCR Senior Management for resolution. The Representation, and not PAPS, is in the best position to identify the areas where training is needed most. OIOS therefore reiterates recommendation 1, which will remain open pending receipt of documentation showing that the Representation has made known its training requirements to PAPS, and details of the action taken if these requirements have not been met within a three month timeframe.

Risk of fraud due to lack of staff awareness of their entitlements

15. Based on discussions with staff, OIOS concluded that the local staff did not have a clear understanding of their entitlements under MIP. Given that the MIP Administrators were themselves not adequately trained, this increased the likelihood of wrong payments and fraud.

Recommendation 2

(2) The UNHCR Representation in Afghanistan should conduct awareness sessions for staff to educate them about the Medical Insurance Plan process and their entitlements.

16. *The Representation accepted recommendation 2 and stated that the MIP Administrator in Kabul has already conducted training to all Kabul based staff (in three groups). The same training will be conducted by the lead MIP Administrator in all Sub Offices/Field Offices in July-August 2009. General staff meetings were held in 2007 to discuss/address overall staff benefits and entitlements.* Based on the action taken by the Representation, recommendation 2 has being closed.

Lack of training resulted in hardship and compensation cases not being appropriately referred

17. The MIP Internal Statutes and Rules have a stop-loss clause and hardship provision to cater for members who would face hardship due to extra payments towards their medical

costs. These clauses can be invoked through application to PAPS to resolve compensation claims in a timely manner in order to reduce stress and hardship on staff.

18. There were two cases of evacuation from Jalalabad and Mazar-i-Sharif, respectively, to New Delhi where OIOS found the total medical treatment costs (not including Daily Subsistence Allowance or travel) were above the MIP ceiling for Afghanistan in 2008. The total costs were paid by the Representation in New Delhi and the MIP Administrators in Afghanistan processed parts of the claims up to the MIP ceiling.

19. In Jalalabad, it was decided that since the MIP ceiling had been fully exhausted, the remaining amount would be processed against the staff member's 2009 MIP entitlement although the bills related to 2008. In Mazar-i-Sharif, part of the costs (up to the ceiling) was incorrectly processed for 100 percent reimbursement when it should have been reimbursed at 80 percent. The office has since recovered the 20 percent difference from the staff member's salary. However, the difference between the amount claimed under the ceiling and the total costs has not been cleared. Both staff members would qualify for reimbursement under the hardship provisions/stop-loss clause of the MIP statutes but no referral for approval by the MIP Management Committee had been made.

Recommendation 3

(3) The UNHCR Representation in Afghanistan should conduct a review of all cases since 2006 with the assistance of the Personnel Administration and Payroll Section, to determine which cases should be referred to the hardship/stop-loss clauses of the Medical Insurance Plan to alleviate hardship to the staff members.

20. *The Representation accepted recommendation 3 and stated that this issue will be included in the agenda of the human resources workshop in Budapest in June 2009 and will be reviewed for an appropriate action in response to this recommendation. Recommendation 3 remains open pending receipt of documentation evidencing the completed review of old cases.*

MEDEVAC Checklist was not being used

21. The UNHCR IOM 069/2007-FOM 072/2007 on MEDEVAC require the releasing office to complete the MEDEVAC Checklist, which certifies that all the requirements have been met, including full authorization for the MEDEVAC.

22. OIOS noted that the checklist was not being completed in Afghanistan, although the payments had been made by the Finance Section. The MIP and MEDEVAC Administrator indicated that he was not aware of this requirement. Audit tests of a sample of payments established them to be accurate. The Representation agreed to ensure that the checklist is utilized in future. As a result, no recommendation regarding this issue has been made in this report.

V. ACKNOWLEDGEMENT

23. We wish to express our appreciation to the Management and staff of UNHCR in Afghanistan for the assistance and cooperation extended to the auditors during this assignment.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Karen Farkas, Controller and Director, DFAM, UNHCR
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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 Afghanistan should request training for the Medical Insurance Plan Administrators. This could be done by providing training to a lead Administrator who could then provide the same training to others.	Human Resources	Medium	O	Receipt of documentation showing that the Representation has made known its training requirements to PAPS, and details of the action taken if these requirements have not been met within a three month timeframe.	Not provided
2	The UNHCR Representation in Afghanistan should conduct awareness sessions for staff to educate them about the Medical Insurance Plan process and their entitlements.	Human Resources	Medium	C	Action completed	Implemented
3	The UNHCR Representation in Afghanistan should conduct a review of all cases since 2006 with the assistance of the Personnel Administration and Payroll Section, to determine which cases should be referred to the hardship/stop-loss clauses of the Medical Insurance Plan to alleviate hardship to the staff members.	Human Resources	Medium	O	Receipt of documentation evidencing the completed review of old cases.	Not provided

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.