



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR's Treasury Management (PeopleSoft) Module

Although the efficiency of the treasury functions has increased, the advantages of technological enhancements are not fully realized due to control weaknesses in some critical processes

23 April 2010
Assignment No. AR2009/161/01

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: 23 April 2010

REFERENCE: IAD: 10- **00285**

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

Fatoumata

SUBJECT: **Assignment No. AR2009/161/01 - Audit of UNHCR's Treasury Management (PeopleSoft)**
OBJET: **Module**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, all recommendations except recommendation 14 will remain open in the OIOS recommendations database. In order for us to close the 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 13. 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.
4. 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 and 4), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Alexander Aleinikoff, Deputy High Commissioner, UNHCR
Ms. Janet Lim, Assistant High Commissioner, UNHCR
Ms. Karen Madeleine Farkas, Controller and Director, DFAM, UNHCR
Ms. Naginder Dhanao, Director, DIST, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
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Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Mr. Christopher F. Bagot, 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's Treasury Management (PeopleSoft) Module

The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees' (UNHCR's) Treasury Management (PeopleSoft) Module. The overall objective of the audit was to determine whether the implementation of the Treasury Management Module achieved the intended objectives, and adequate procedures and controls existed over input, processing and output of data and information. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Treasury Management Module, which was implemented in November 2007, aimed at improving the efficiency of the treasury functions. This aim has been achieved to a great extent in the following areas: speedy treasury-side bank reconciliation process; automatic creation and posting of accounting entries for fund transfers and foreign exchange deals; and reduction of the cash-in-transit account for replenishment of UNHCR country offices. Nevertheless, due to some gaps in functionality, certain processes pertaining to investment reporting and updating bank signatories are performed using legacy applications. UNHCR should strive to integrate these processes in the Treasury Management Module as it may not be viable to maintain the legacy applications for extended periods.

While efficiency may have improved in some areas, the potential advantages of the technological enhancements have not been fully realized due to internal control weaknesses in other areas related to reconciliations between the general ledger and bank statements, cash management, and vendor data management. These control weaknesses exposed UNHCR to the following risks:

- (a) Several manual processes in the electronic fund transfer (from pay-cycle to release of funds to a UNHCR bank) make the data files susceptible to unauthorized alteration of the information contained therein;
- (b) Delays in bank reconciliations (general ledger to bank statement) expose UNHCR to the risk of out-of-date information about the bank balances;
- (c) The tool used by UNHCR managers to estimate the liquid funds needed in the foreseeable future is not reliable due to the presence of erroneous data and incorrect syntax;
- (d) Inadequate monitoring of the banks' compliance with operating instructions issued by UNHCR and non-observance of internal controls on payment instructions by the country offices could lead to financial losses;

(e) Although considerable data could be viewed online, gaps in the reporting features of the Treasury Management Module prevent managers from obtaining timely and updated relevant information; and

(f) The inadequate level of details contained in the audit logs of the vendor approval process (in the Finance and Supply Chain Module) could lead to approvals of changes made on the basis of unreliable data.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees' (UNHCR's) Treasury Management (PeopleSoft) Module. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNHCR introduced the web-based PeopleSoft Enterprise Resource Planning System (ERP) known as the Management System Renewal Project (MSRP) in its Headquarters in 2004. The roll-out of the Finance and Supply Chain Modules to the country offices was completed at the end of 2007. Simultaneously, UNHCR also started implementing other modules that included Human Resources, Global Payroll and Treasury Management. The Treasury Management Module went live in November 2007.

3. The functionalities of the Treasury Management Module included the introduction of new on-line tools for cash management, comprising: (a) cash flow views and forecasting; (b) facility for the country offices to request replenishments on-line; (c) on-line recording and approval of authorized signatories for UNHCR bank accounts; (d) ability to centralize payments in hard currencies; (e) real time bank statements upload; and (f) automatic generation of accounting entries for foreign currency exchange transactions, short-term investments and replenishments of UNHCR bank accounts in different countries.

4. The Treasury Management Module interacts with the Finance and Supply Chain Modules, which include accounts payable, accounts receivable and the general ledger. There is no workflow implemented in the Treasury Management Module.

5. The Treasury Section is responsible for the payment of vouchers processed by UNHCR Headquarters, the Budapest Service Centre (BSC) and the UNHCR country offices in the Euro Zone.

6. The Treasury Section has five staff members and is part of the Division of Financial and Administrative Management (DFAM), based at the UNHCR Headquarters in Geneva.

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

II. AUDIT OBJECTIVES

8. The main objectives of the audit were to assess whether the implementation of the Treasury Management Module achieved the intended objectives, and adequate procedures and controls existed over input, processing and output of data and information. In this regard, OIOS assessed whether:

- (a) Information processing was complete, accurate and in compliance with relevant regulations and rules;
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- (b) Adequate procedures and controls existed over the maintenance and monitoring of the management trail;
 - (c) Accurate reports were generated; and
 - (d) Adequate application-level access controls were enforced.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit of the Treasury Management Module was conducted in October/November 2009. The audit team worked with the Treasury Section at UNHCR Headquarters in Geneva and also visited the BSC where the Financial Control Section of DFAM is located. OIOS reviewed policies and procedures, analyzed applicable data security controls, and conducted tests of the Treasury Management Module functionalities.

10. The audit tests included matching the source documents (like email authorizations or outgoing correspondence) to the data recorded in the system, with particular regard to: (a) data on foreign exchange and investments; (b) cash flow views and forecasting; (c) entries in the exceptions report; (d) reconciliations performed by the Treasury Section and Financial Control Section; (e) electronic payment files generated and transmitted to UNHCR's bank through a dedicated platform; (f) data uploads into the Treasury Management Module of the electronic bank statements received from various banks; and (g) permission lists and roles provided to the users of the Treasury Management Module.

11. The results of the audit included findings that were outside of the direct responsibility of the Treasury Section but are nevertheless within the purview of DFAM and relevant to the overall control system of the MSRP, including the Treasury Management Module.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Expected accomplishments of the Treasury Management Module

12. With the implementation of the Treasury Management Module, UNHCR achieved the following improvements and expected accomplishments:

- (a) Automation of the bank reconciliation process. In particular, the time required for the preliminary reconciliation of the UNHCR Headquarters' bank accounts decreased from several days to a few minutes;
- (b) Elimination of the cash-in-transit account since most of the UNHCR country offices are now on-line, using the MSRP (with the exception of some locations such as Ethiopia that have no internet

connectivity due to government restrictions), thus eliminating delays and errors in the reconciliation;

(c) Automatic generation of accounting entries, which reduced errors in the recording of foreign exchange transactions; and

(d) Use of data in different modules for cash flow forecasting to enhance liquidity and risk management.

B. Centralization of payments for Headquarters

Current accounts payable processes

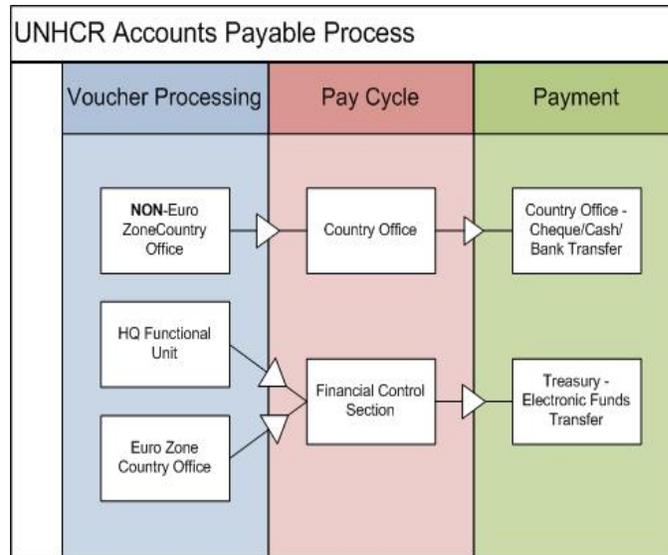
13. The UNHCR country offices are responsible for preparing and approving their own accounts payable vouchers, running the pay-cycles (a process that generates the list of payments based on the vouchers approved) and effecting payments to the vendors. Country offices pay the vendors either by cash, cheques, or bank account transfers/Electronic Fund Transfers (EFT). Bank account transfers are processed by providing the local bank with a list of vendors, their account information and the amounts to be credited to them. This list is signed by two UNHCR professional staff (from the authorized panel of signatories). In addition, country offices may also request the Treasury Section to make hard currency payments (e.g., international implementing partners based in Europe) on their behalf.

14. UNHCR country offices in the Euro Zone (Western Europe) follow a slightly different process. They prepare and approve their accounts payable vouchers while the Financial Control Section in BSC runs the pay-cycle and the Treasury Section effects the payments. However, these country offices still have the option to pay locally should there be a need.

15. In the case of UNHCR Headquarters, the payment vouchers are prepared and approved by the various functional units. The Financial Control Section in BSC is responsible for running the pay-cycle of the approved vouchers. The Treasury Section then makes the payments to the vendors by EFT. The EFT is performed by transmitting electronic data to the UNHCR bank in Switzerland.

16. UNHCR Treasury Section uses a dedicated banking platform to transmit the EFT data. This process requires two different log-on credentials: one to upload the file and the other to release it.

17. A graphical overview of the accounts payable process is provided below:



Need to strengthen controls over payment files

18. The pay-cycle process performed by the Financial Control Section in the Finance and Supply Chain Modules generates two payment files: one in PDF format (bank advice) and the other in plain text format that meets the processing standards. The Financial Control Section then provides the payment files to the Treasury Section for release to the bank.

19. OIOS noted that the use of plain text communications for creating, storing and transmitting payment files exposed UNHCR to the risk of unauthorized access, modification and duplication of data because:

- (a) Multiple staff members (although authorized) manually handled the payment file in Budapest and Geneva;
- (b) Payment files are stored in three different locations (a local drive in the Financial Control Section in BSC, a local drive in the Treasury Section, and Livelink - the electronic document management system used by UNHCR); and
- (c) A gap (from several hours to days) existed between the time the payment file was generated and eventually transmitted to the bank.

Recommendations 1 and 2

The UNHCR Division of Information Systems and Telecommunications and Division of Financial and Administrative Management should ensure that:

- (1) The payment file (plain text format) generated through the pay-cycle process is automatically transmitted in a secure manner to the banking institution for payment; and**

(2) Controls are implemented to prevent multiple users from handling the payment file and eliminate its storage in a number of intermediate locations. They should be stored only in a Livelink folder.

20. *The UNHCR Administration accepted recommendations 1 and 2 and stated that UNHCR has to comply with the communication protocols and payment file layout standards of the selected banking institutions. These are limiting factors to the e-banking solutions UNHCR can apply or develop. Taking these factors into account, an enhancement request would be submitted to have both the payment files and the bank advice reports go to a secured dedicated report repository that cannot be modified. The payment files must be in a format and in a location acceptable to loading to the banking systems, to which Livelink does not comply. Recommendations 1 and 2 remain open pending confirmation by UNHCR that payment files are transmitted in a secure manner and that the files are kept in a secure repository.*

Automation of the transmission of bank statements need to be completed

21. The Treasury Section established a data transmission process to receive electronically bank statements from corresponding banks located across the different country offices through the UNHCR's main banking institution.

22. The process is based on the following steps:

(a) The banks transmit on a regular basis to the Treasury Section files containing the bank statements, in plain text format; and

(b) The Treasury Section uploads the files received from the banks in the Treasury Management Module.

23. OIOS noted that while some validation checks (i.e., bank statement sequence number; matching closing balance from the previous statement with the opening balance in the current statement) were in place to confirm the integrity of data uploaded in the Treasury Management Module, the manual uploading of text files from the banking application to MSRP continued to expose UNHCR to the risk of unauthorized changes to the files before being uploaded.

Recommendation 3

(3) The UNHCR Division of Information Systems and Telecommunications and the Division of Financial and Administrative Management should complete the automation of the data upload process for incoming bank statements into the Treasury Management Module.

24. *The UNHCR Administration accepted recommendation 3 and stated that the needs would be re-prioritized and resources allocated to complete this enhancement. Recommendation 3 remains open pending receipt of documentation showing that the planned enhancement has been implemented.*

Over-due bank reconciliations

25. Outgoing payments via EFT and the automation of the bank statements data upload have enabled the Treasury Section to regularly perform a provisional matching (Treasury-side reconciliation) of bank accounts. However, OIOS noted that the main accounts of UNHCR Headquarters remained un-reconciled to the general ledger for more than a year. The US Dollar account was last reconciled to the UNHCR general ledger in July 2008. Similarly, the Swiss Franc account was only reconciled up to November 2008 and the Euro account reconciled up to February 2009.

26. Some UNHCR country offices were also not performing bank reconciliations on time and were behind by several months. In addition, over-due actions were also present in: (a) a bank account (e.g., Ethiopia and Cote d'Ivoire) where payments made remained outstanding for more than a year; and (b) a cash-in-transit entry relating to a Headquarters bank account that was outstanding for almost 18 months.

27. Performing bank reconciliations is a mandatory and fundamental internal control. Lack of compliance with this requirement exposes UNHCR to the risks of undetected fraud and unreliable information about bank balances, and limits management's ability to make timely decisions.

Recommendations 4 and 5

The UNHCR Division of Financial and Administrative Management should ensure that:

(4) The backlog in the reconciliation of the Headquarters' bank accounts is addressed as a matter of priority, and the outstanding items are properly adjusted in the accounts; and

(5) Systemic procedural controls are implemented for the timely and periodic reconciliation of all UNHCR bank accounts operated by the country offices.

28. *The UNHCR Administration accepted recommendations 4 and 5 and stated that the reconciliation of HQ bank accounts has been in progress and a report is in place that provides the status of bank reconciliations for all UNHCR field bank accounts. This report is used for follow-up and monitoring process. Recommendations 4 and 5 remain open pending confirmation by UNHCR that all HQ bank accounts have been reconciled and working mechanisms have been put in place to identify and act on stale items in the bank reconciliation reports that require adjustments in the accounts.*

C. Proposed centralization of payments for UNHCR country offices

Comprehensive plan required for implementation of new bank payment arrangements

29. The Treasury Section designed a new procedure with one of its banks for transmitting electronic payment orders issued by UNHCR country offices in Asia and Africa. The expected benefits of the new procedure were to: (a) improve the returns on investments, reducing holdings (particularly in hard currencies) for extended duration; and (b) replace the issuance of manual cheques with the release of electronic payment files to the bank for the payments processed by the UNHCR country offices.

30. The Treasury Section began testing the new procedure in 2009 with three pilot offices in Uganda, Pakistan and Sierra Leone. However, OIOS noted that this procedure was not supported by a clear assessment of the resources needed, staff training, estimated cost savings, implementation mechanisms and potential risks.

Recommendation 6

(6) The UNHCR Division of Financial and Administrative Management should develop a comprehensive plan for the new payment procedure, including: (a) the time-frame to complete the roll-out; (b) the necessary resources needed to complete the project; (c) staff training; (d) estimated cost savings; and (e) potential risks.

31. *The UNHCR Administration accepted recommendation 6 and stated that an implementation plan to centralize payments for selected African and Asian offices had been developed. Nevertheless, concerted efforts and coordination with other organizational units within the Division of Financial and Administrative Management, the country offices and Global Learning Centre in Budapest are necessary to complete a successful roll-out.* Recommendation 6 remains open pending confirmation by UNHCR of the implementation of a comprehensive plan for the new centralized payment procedure.

D. Core functionalities

Inaccurate cash flow statements

32. The Treasury Management Module has a customized functionality called 'cash flow summary', a screen view that integrates the bank reconciliation report with pending liabilities, such as: (a) purchase orders in the pipeline; (b) upcoming installment payments to implementing partners; (c) unpaid accounts payable vouchers; and (d) payroll costs that have an impact on the cash flow. This functionality should enable UNHCR managers to estimate the liquid funds needed in the foreseeable future to run their operations. However, although this

functionality is currently available, the managers in the UNHCR country offices are not yet trained in its use.

33. OIOS noted that the cash flow summary generated through this function was not reliable, due to the presence of incorrect data, caused by:

(a) Long (more than a year, though valid) outstanding purchase orders (POs) initiated at UNHCR Headquarters and unpaid accounts payable vouchers; and

(b) Incorrect syntax presenting exaggerated data. This condition was identified during the tests conducted by OIOS on the cash flow summary pertaining to the bank accounts of the UNHCR Headquarters. These accounts revealed that the values of the POs had been mistakenly reported (i.e., a PO of \$3 million was reported as \$50 million in the cash flow view, and another one for \$2 million was reported as \$25 million).

34. These errors limited the reliability of the new “cash flow summary” functionality and exposed UNHCR to the risk of developing incorrect financial analysis and projections.

Recommendations 7 and 8

The UNHCR Division of Financial and Administrative Management should ensure that:

(7) Adequate preventive and detective controls are in place in the cash flow summary reporting function; and

(8) A programme is established to train the UNHCR managers in the country offices for using the cash flow summary function.

35. *The UNHCR Administration accepted recommendations 7 and 8 and stated that action has been initiated to correct the errors in the cash flow view. Furthermore, the detection and resolution of outstanding transactions were decentralized and covered different functional areas. To fully utilize the cash flow functionality, users will be trained by the Global Learning Centre in coordination with the Division of Financial and Administrative Management. Recommendations 7 and 8 remain open pending receipt of documentation showing that the errors have been rectified and a programme has been launched to train users in the cash flow view.*

Failure to enforce operating instructions exposed UNHCR to risk of financial loss

36. The Treasury Section establishes the list of UNHCR staff members who are authorized to sign a cheque or a bank transfer letter, and the maximum amount that can be paid with a single cheque for each bank account.

37. OIOS noted that some of the bank accounts in the UNHCR country offices (e.g., Zambia and Yemen) did not comply with the instructions. The banks in these countries paid cheques that exceeded the authorized limits set by the Treasury Section in the operating instructions.

38. Additional cases of non-compliance were also found at Headquarters where discrepancies existed between the bank signatory panel listed in the delegation of authority and the records in the Treasury Management Module. OIOS found instances of staff members who left the organization but continued to remain in the bank signatory panels.

39. Inadequate controls in monitoring the cheque payments on a regular basis and delays in updating the signatory panels exposed UNHCR to the risk of loss of financial resources or misuse of funds.

Recommendations 9 to 11

The UNHCR Division of Financial and Administrative Management should:

(9) Design and implement a procedure, including queries and periodic reports, to identify and investigate exceptions to the provisions established in each office with regard to payments made by cheques;

(10) Design and implement a procedure to ensure alignment in each UNHCR office between the delegation of authority plan and the panel of bank signatories; and

(11) Ensure that UNHCR offices comply with the provisions defined by the Treasury Section with regard to signatory panels and payment limits.

40. *The UNHCR Administration accepted recommendations 9 and 11. However, it stated that the monitoring of banking transactions is decentralized to the country offices and the banking signatories are responsible and accountable for adhering to the limits imposed. Recommendations 9 and 11 remain open pending receipt of documentation showing that (a) managers are reminded of their responsibility to comply with the cheque limits set and update the signatories panel on time according to the staffing changes, and (b) reports are available and run by the Division of Financial and Administrative Management to identify exceptions (starting with high risk operations and countries).*

41. *The UNHCR Administration accepted recommendation 10, stating that this would be implemented through a best practice approach and that it would represent a major system issue cutting across different divisions. However, reports could be developed to identify the configurations and differences between the delegation of authority plan and the actual panel of bank signatories. Recommendation 10 remains open pending receipt of documentation showing that the bank signatories are aligned with the delegation of authority plan.*

Need to improve the level and type of financial reports produced by the Treasury Management Module

42. An integrated information system should operate in line with UNHCR's information needs. It should provide users and managers with real time reliable information on how UNHCR is performing.

43. The reporting features of the Treasury Management Module did not address the information requirements of users and managers, especially at the country offices level. This affects user confidence in the system and limits managers' ability to make decisions in an efficient and effective manner. In this regard, OIOS noted that:

(a) There is no report documenting the status of UNHCR bank accounts, and the date of their last reconciliation;

(b) There is no report on bank accounts holding significant balances for extended periods;

(c) There is no cash book report providing a real time balance of the account; and

(d) The report on foreign exchange deals (volume of over \$650 million for the period from January to October 2009) does not indicate the exchange fluctuation (UN rate compared to the spot) for each transaction and their aggregate.

Recommendation 12

(12) The UNHCR Division of Financial and Administrative Management should create additional reports in the Treasury Management Module that address user information needs, including reports that: (a) provide periodic information about the pending bank reconciliations across the globe; (b) identify bank accounts with balances that are in excess of the operational needs; (c) provide real time balances to the managers of the bank accounts under their responsibility; and (d) indicate the losses or gains occurred in the foreign exchange rate of each transaction completed.

44. *The UNHCR Administration accepted recommendation 12 and stated that reports are available that address most of the above issues.* OIOS appreciates that some of the existing reports could be modified to meet the different needs of management and users. However, OIOS noted that the inventory of queries that UNHCR established in January 2010 did not contain references to (a) pending bank reconciliations across the globe (exception report); (b) bank accounts with balances in excess of the operational needs (again, an exception report); and (c) providing real time balances of bank accounts (run in

cash flow summary). Furthermore, the report on foreign exchange deals does not provide relevant information on the exchange gain or loss of each transaction.

45. Recommendation 12 remains open pending receipt of documentation showing that the reports developed are added to the queries inventory established by the Division of Financial and Administrative Management and are put to use by managers and users.

Need to improve arrangements for investments and bank signatory lists

46. Additional limitations of the Treasury Management Module pertained to the inability to:

(a) Obtain details on the short-term investments (bank deposits), including the interest rate, duration, maturity and volume of investments in a given period; and

(b) Produce a letter (or report) to banks with the updated panel of signatories and the terms to operate the designated accounts.

47. Due to these limitations, the Treasury Section is still using some of the legacy applications for investment operations and bank signatory panels. The continued use of legacy systems exposed UNHCR to the risks of maintaining fragmented systems and data that require different sets of skills and expertise, preventing UNHCR from fully achieving the benefits of the investment made in the new MSRP.

Recommendation 13

(13) The UNHCR Division of Financial and Administrative Management should explore the feasibility of modifying the Treasury Module to record the full details of investment operations and generate instruction letters for the banks.

48. *The UNHCR Administration did not accept recommendation 13 and stated that the cost benefit analysis of customization of ERP processes and systems for the requirements to generate all possible scenarios for financial instruments and corresponding signatory letters would be very high-priced. Detailed information can be obtained by queries and formal management reports could be further developed.*

49. OIOS takes note of the explanation provided by UNHCR but reiterates recommendation 13. The extended use of legacy systems continues to expose UNHCR to the risks of data inconsistency and integrity. Furthermore, these fragmented systems have lived their optimal lives and may not be economically and technically viable to maintain (one of the reasons for the development of the Treasury Management Module). UNHCR should take these issues into account to find solutions within the Treasury Management Module when the next upgrade to the software or enhancement of the functionalities or improvement in

management reporting is considered. Until then, recommendation 13 will remain open.

E. Security and other issues

Need to strengthen logical access controls

50. Security permissions should ensure the protection of programmes and data from unauthorized use. Furthermore, a user should have no access to the system by default, and access to data should be explicitly granted by the security administrator through the assignment of roles and permission lists.

51. There was no formal process in the Treasury Section for managing users' access to the Treasury Management Module and to ensure that only authorized active staff are accessing the system in accordance with their level of authority and job description. OIOS noted that a staff member had two user credentials (regular and technical user), which provided a significant level of access to the Treasury Management Module. Also, an account issued to an intern (no longer in the organization at the time of audit) had broad access rights to the system.

52. These issues were addressed by the Treasury Section during the course of the audit.

Recommendation 14

(14) The UNHCR Division of Financial and Administrative Management should establish a procedure to grant access to the Treasury Module, ensuring verification, monitoring, and retention of detailed data related to users' profiles.

53. *The UNHCR Administration accepted recommendation 14 and stated that a process of establishing roles and responsibilities has been formalized and is based on the delegation of the authority plan.* Based on the action taken by UNHCR, recommendation 14 has been closed.

Need to ensure vendor data is complete and accurate

54. The efficiency and effectiveness of automated bank payment processes depend on the availability of accurate and updated data sources. These sources include the details of beneficiaries and their banking information.

55. UNHCR is in the process of adopting a new payment process for settling payment to vendors and staff members. In this regard, however, the Treasury Section confirmed that since a data clean-up initiative was still in progress, data related to vendors stored in MSRP (Finance and Supply Chain Modules) was not yet final or complete.

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56. Additionally, OIOS noted that:
- (a) Modifications to a vendor profile were not always supported by adequate information (in the comments tab to the vendors page);
 - (b) The audit logs did not provide complete details of the changes made (old value and new value) to the vendors' records;
 - (c) The Financial Control Section in BSC approved the changes to the vendors carried out by the country offices (example: Euro Zone) but without obtaining copies of the supporting documentation (held by the country offices); and
 - (d) There were no reports to support managers' review of the changes made to vendors' records during a given period. There was a risk that due to an inappropriate delegation of authority (i.e., when the authority to create, certify and approve a vendor is assigned to national staff members), the functional managers (i.e., Administrative and Finance Officers) would not have adequate information on all the changes made to the vendor's record.

Recommendation 15

(15) The UNHCR Division of Financial and Administrative Management should design and implement control mechanisms ensuring that the Finance and Supply Chain Module captures and reports detailed information about vendors' data and changes thereto.

57. *The UNHCR Administration accepted recommendation 15 and stated that due to system performance impact, only changes to selected key fields (to be identified) would be captured in an audit record. This issue will be coordinated with other divisions and acted upon.* Recommendation 15 remains open pending receipt of documentation showing that changes to key vendors' data are captured in an audit report.

V. ACKNOWLEDGEMENT

58. 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 Division of Information Systems and Telecommunications and Division of Financial and Administrative Management should ensure that the payment file (plain text format) generated through the pay-cycle process is automatically transmitted in a secure manner to the banking institution for payment.	Operational	High	O	Confirmation by UNHCR that payment files are transmitted in a secure manner.	31 Dec 2010
2	The UNHCR Division of Information Systems and Telecommunications and Division of Financial and Administrative Management should ensure that controls are implemented to prevent multiple users from handling the payment file and eliminate its storage in a number of intermediate locations. They should be stored only in a Livelink folder.	Operational	High	O	Confirmation by UNHCR that payment files are kept in a secure repository.	31 Dec 2010
3	The UNHCR Division of Information Systems and Telecommunications and the Division of Financial and Administrative Management should complete the automation of the data upload process for incoming bank statements into the Treasury Management Module.	Operational	Moderate	O	Submission to OIOS of documentation showing that the planned enhancement has been implemented.	31 Dec 2010
4	The UNHCR Division of Financial and Administrative Management should ensure that the backlog in the reconciliation of the Headquarters' bank accounts is addressed as a matter of priority, and the outstanding items are properly adjusted in the accounts.	Financial	High	O	Confirmation by UNHCR that all HQ bank accounts have been reconciled and working mechanisms have been put in place to identify and act on stale items in the bank reconciliation reports.	30 Jun 2010
5	The UNHCR Division of Financial and Administrative Management should ensure	Financial	Moderate	O	Confirmation by UNHCR that all HQ bank accounts have been reconciled and working	30 Jun 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	that systemic procedural controls are implemented for the timely and periodic reconciliation of all UNHCR bank accounts operated by the country offices.				mechanisms have been put in place to identify and act on stale items in the bank reconciliation reports.	
6	The UNHCR Division of Financial and Administrative Management should develop a comprehensive plan for the new payment procedure, including: (a) the time-frame to complete the roll-out; (b) the necessary resources needed to complete the project; (c) staff training; (d) estimated cost savings, and (e) potential risks.	Operational	Moderate	O	Confirmation by UNHCR of the implementation of a comprehensive plan for the new centralized payment procedure.	30 Apr 2010
7	The UNHCR Division of Financial and Administrative Management should ensure that adequate preventive and detective controls are in place in the cash flow summary reporting function	Operational	Moderate	O	Submission to OIOS of documentation showing that errors have been rectified and a programme has been launched to train users in the cash flow view.	31 Dec 2010
8	The UNHCR Division of Financial and Administrative Management should ensure that a programme is established to train the UNHCR managers in the country offices for using the cash flow summary function.	Operational	Moderate	O	Submission to OIOS of documentation showing that errors have been rectified and a programme has been launched to train users in the cash flow view.	31 Dec 2010
9	The UNHCR Division of Financial and Administrative Management should design and implement a procedure, including queries and periodic reports, to identify and investigate exceptions to the provisions established in each office with regard to payments made by cheques.	Financial	Moderate	O	Submission to OIOS of documentation showing that managers are reminded of their responsibility to comply with the cheque limits set and to update the signatories panel on time according to the staffing changes, and that reports are available and run by the Division of Financial and Administrative Management to identify exceptions.	31 Dec 2010
10	The UNHCR Division of Financial and Administrative Management should design and implement a procedure to ensure alignment - in each UNHCR office - between the delegation of the authority plan and the panel of bank signatories.	Financial	Moderate	O	Submission to OIOS of documentation showing that the bank signatories are aligned with the delegation of authority plan.	31 Dec 2011

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
11	The UNHCR Division of Financial and Administrative Management should ensure that UNHCR offices comply with the provisions defined by the Treasury Section with regard to signatory panels and payment limits.	Financial	Moderate	O	Submission to OIOS of documentation showing that managers are reminded of their responsibility to comply with the cheque limits set and to update the signatories panel on time according to the staffing changes, and that reports are available and run by the Division of Financial and Administrative Management to identify exceptions.	31 Dec 2010
12	The UNHCR Division of Financial and Administrative Management should create additional reports in the Treasury Management Module that address user information needs, including reports that: (a) provide periodic information about the pending bank reconciliations across the globe; (b) identify bank accounts with balances that are in excess of the operational needs; (c) provide real time balances to the managers of the bank accounts under their responsibility; and (d) indicate the losses or gains occurred in the foreign exchange rate of each transaction completed.	Information Resources	Moderate	O	Submission to OIOS of documentation showing that reports developed are added to the queries inventory established by the Division of Financial and Administrative Management and are put to use by the managers and users.	30 Jun 2010
13	The UNHCR Division of Financial and Administrative Management should explore the feasibility of modifying the Treasury Module to record the full details of investment operations and generate instruction letters for the banks.	Information Resources	Moderate	O	Submission to OIOS of documentation showing that solutions within the Treasury Management Module when the next upgrade to the software or enhancement of the functionalities or improvements in management reporting are considered.	Not provided
14	The UNHCR Division of Financial and Administrative Management should establish a procedure to grant access to the Treasury Module, ensuring verification, monitoring, and retention of detailed data related to users' profiles.	Information Resources	Moderate	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
15	The UNHCR Division of Financial and Administrative Management should design and implement control mechanisms ensuring that the Finance and Supply Chain Module captures and reports detailed information about vendors' data and changes thereto.	Operational	Moderate	O	Submission to OIOS of documentation showing that changes to key vendors' data are captured in an audit report.	31 Dec 2011

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations