



INTERNAL AUDIT DIVISION

AUDIT REPORT

Asset management at the UNHCR operations in Georgia

Internal controls over the management of assets
and inventory items were inadequate

8 March 2010

Assignment No. AR2009/121/02

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: 8 March 2010

REFERENCE: IAD: 10- 00120

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



SUBJECT: **Assignment No. AR2009/121/02 – Audit of asset management at the UNHCR operations in Georgia**
OBJET: **Georgia**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 1 to 5, 9, 11 and 13 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 in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. T. Alexander Aleinikoff, Deputy 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. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwamy, Chief, Oversight Support Unit, Department of Management
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 asset management at the UNHCR operations in Georgia

OIOS conducted an audit of asset management at the the United Nations High Commissioner for Refugees (UNHCR) operations in Georgia. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the management of assets and inventory items. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Following the hostilities in August 2008, UNHCR expanded its operations in Georgia. This resulted in increased resource requirements, including assets and inventory items for distribution to beneficiaries. At the same time, UNHCR adopted new asset management policies in order to comply with the International Public Sector Accounting Standards (IPSAS) requirements.

OIOS concluded that internal controls over the management of assets, including serially tracked items and inventory items were inadequate. The following are the major findings identified in the audit:

- UNHCR Georgia needs to utilize the Inventory Module of the Managing for Systems, Resources and People (MSRP) enterprise software to record stock movements and monitor warehouse activities, in order to comply with UNHCR's new inventory policy;
- There is an urgent need to finalize the physical verification of assets and update the MSRP accordingly. UNHCR Georgia also needs backup arrangements for the recording of assets in MSRP to ensure that operations are not interrupted;
- UNHCR Georgia had no established work plan incorporating the new UNHCR asset management policies in preparation for IPSAS implementation; and
- The formal instrument for the transfer of assets from the United Nations Observer Mission in Georgia (UNOMIG) to the UNHCR operations in Georgia needs to be clarified. All assets received from UNOMIG need to be recorded in MSRP in order to be reported as in kind contribution in UNHCR financial statements. The transfer of assets to UNHCR partners needs to be aligned with UNHCR procedures particularly regarding the review and approval by the relevant asset management board.

UNHCR Georgia has initiated action to address the above issues.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset management at the United Nations High Commissioner for Refugees (UNHCR) operations in Georgia. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. According to the UNHCR Asset Management Policy (Inter-Office Memorandum (IOM)/69/2002 – Field-Office Memorandum (FOM)/64/2002), representatives are accountable for the assets procured or redeployed by or for their offices, including those procured and/or in use by implementing partners. They therefore should ensure that the asset management system in their offices is functioning correctly.
3. Following the August 2008 humanitarian crisis, UNHCR expanded its operations in Georgia, which resulted in increased resource requirements, including assets and inventory items for distribution to beneficiaries. In order to cope with its responsibility, the Representation upgraded one existing position within the Administration Unit to include supply management functions.
4. As of September 2009, the asset reports from the Managing for Systems, Resources and People (MSRP) enterprise software for Georgia showed a total of 1,183 assets in service with an acquisition value of \$2.5 million and a depreciated value of \$1.2 million. A significant portion of the assets were acquired in the course of the emergency operation. For the period from January 2008 to October 2009, UNHCR procured approximately \$1.1 million worth of assets (50 per cent was spent on vehicles) and spent about \$4.4 million on shelter material and goods for distribution to beneficiaries.
5. The most valuable assets were vehicles, computers, telecommunications equipment and generators. A total of 602 assets with an acquisition value of \$0.84 million and current value of \$0.4 million were handed over to implementing partners (IPs), mainly the Civil Registry Agency (CRA) and the Ministry of Refugees and Accommodation (MRA).
6. There are two UNHCR warehouses in Georgia: one in Gori, which stores assets with an estimated cost of about \$0.5 million and a second one in Akhmeta, containing approximately \$59,000 in assets. Most of the items recorded in MSRP are materials or supplies intended for distribution to beneficiaries (firewood, mattresses, blankets, stoves, etc.).
7. Comments made by UNHCR Georgia are shown in *italics*.

II. AUDIT OBJECTIVES

8. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over the management of assets, including serially tracked items (STIs) and inventory items.
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III. AUDIT SCOPE AND METHODOLOGY

9. The audit, conducted in October 2009, covered the management of assets in the UNHCR operations in Georgia during 2008 and 2009.

10. The audit reviewed UNHCR Georgia's asset management procedures, assets records and reports. The auditors obtained an overview and performed a walk-through of each aspect of asset management and used a judgmental sampling approach. In addition to audit activities carried out at UNHCR's Branch Office in Tbilisi, OIOS visited the field offices in Gori and Akhmeta, and three IPs, namely, MRA, CRA and Kakheti Regional Development Foundation.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Inventory management

Urgent action needed to make inventory module fully operational

11. The Representation has failed to take action to clean up data to ensure that MSRP inventory module is fully functional and items are entered into the database.

12. The MSRP Inventory Module is the main UNHCR inventory management tool. However, the Representation, has not yet used it to monitor the inventory of items for distribution to refugees. Although the warehouses in Georgia were set up in the MSRP system, the Representation continued to rely on manual inventory management systems (stock cards and Excel spreadsheets) maintained in the warehouses. Though a number of items procured were recorded in the MSRP Inventory Module, UNHCR Georgia staff never entered stock issued into MSRP. As a result, MSRP was ineffective as a control to enable management to monitor inventory activity within the country.

13. UNHCR's New Inventory Policy (IOM/086/2008-FOM/088/2008) required that UNHCR offices complete its clean-up of warehouse inventories by 30 September 2009. At the time of the audit, no progress had been made to clear the backlog in Georgia even though this is required for the MSRP Inventory Module to be fully functional. OIOS found major discrepancies between the MSRP inventory records, which were incomplete, and the actual stock that need to be cleared as soon as possible. For instance:

- Jerry cans: 6,720 in MSRP compared to 1,865 in stock
- Cement: 150,800 kgs in MSRP but none in stock
- Blankets: 19,103 in MSRP compared to 2,605 in stock
- Kitchen sets: 3,637 in MSRP compared to 47 in stock

14. The backlog for recording in the MSRP Inventory Module for the main warehouse in Gori dated back to October 2008. According to UNHCR Georgia, this was due to the lack of resources during and after the crisis of August 2008.

The Representation indicated that it hired an Administrative/Supply Clerk for asset management in October 2009 to assist in the clean-up of the warehouse inventory.

Recommendation 1

(1) The UNHCR Representation in Georgia should produce an action plan in order to fully implement the Managing for Systems, Resources and People enterprise software, particularly the recording of all incoming and outgoing movements of stocks, and to comply with UNHCR's New Inventory Policy, which requires the clean-up of the warehouse inventory management database.

15. *The UNHCR Representation in Georgia accepted recommendation 1 and stated that a work plan was prepared for the pending asset management activities. In compliance with the plan, the Representation performed a physical inventory in Gori and Tbilisi warehouses at the end of December 2009. Furthermore, the MSRP Inventory Module was updated to reflect the results of the physical inventory. Since January 2010, Supply Section staff has been updating the MSRP database on a regular basis. Based on the action taken by the UNHCR Representation in Georgia, recommendation 1 has been closed.*

Status of the Akhmeta warehouse needs to be consistent with records in MSRP Inventory Module

16. The UNHCR warehouse in Akhmeta was closed in MSRP even though the warehouse still physically existed and had a few items in stock. UNHCR Georgia indicated that this warehouse has had no significant activity since 2004. In this case, OIOS is of the view that this warehouse should be closed physically and the few remaining items in stock distributed or shipped to other locations.

Recommendation 2

(2) The UNHCR Representation in Georgia should close the warehouse in Akhmeta and transfer the items to other locations or re-activate it in the Managing for Systems, Resources and People enterprise software.

17. *The UNHCR Representation in Georgia accepted recommendation 2 and stated that the Akhmeta warehouse was closed at the end of December 2009 and the non-food items held there were transferred to the Gori warehouse. Based on the action taken by the UNHCR Representation in Georgia, recommendation 2 has been closed.*

B. Asset management

UNHCR Georgia urgently needs to finalize the physical verification of assets and update the MSRP asset records

18. Reliability of data is required to ensure accountability for UNHCR assets. The audit found that the current records of assets were not reliable. The OIOS review highlighted discrepancies between the asset records maintained in MSRP and the physical existence of assets. For instance, in the Akhmeta Field Office, OIOS could not verify the existence of about 80 per cent of the items recorded in MSRP because asset disposal, redeployment, etc. had not been recorded in the system. On the other hand, some items that were found in service were not recorded in MSRP. In the Tbilisi Branch Office and Gori Field Office, about 20 per cent of assets were untraceable. At the time of the audit, the Representation was also unable to provide the acquisition and depreciated value of assets lost by UNHCR and its IPs in the looting that took place in the South Ossetia Region in August 2008.

19. OIOS is concerned that the Representation did not have records providing accurate data for decision making and reporting despite the availability of an asset management system. There is a risk that existing assets used by UNHCR and its IPs may not be properly accounted for.

20. In accordance with the asset management rules and procedures, the Representation carried out a physical verification from December 2008 to March 2009. It appears that during this exercise 107 items out of 1,029 recorded in MSRP could not be found. OIOS found no documentation of the measures taken by UNHCR Georgia regarding the missing items, including any follow-up action or evidence that the asset records were updated accordingly. A review of the MSRP records also indicated that the asset records of the UNHCR operations in Georgia might not have been updated on a regular basis, as required.

21. The Representation indicated that it intended to perform a physical verification in order to determine which items had been disposed of or redeployed. This exercise should also help in identifying the assets procured during the emergency which are not yet recorded in MSRP.

Recommendation 3

(3) The UNHCR Representation in Georgia should finalize the physical verification of its assets and update the Managing for Systems, Resources and People (MSRP) enterprise software asset records accordingly. In particular, it should determine which items have been disposed of or redeployed, determine the acquisition and depreciated value of assets lost by looting, and identify the assets procured but not yet recorded in MSRP.

22. *The UNHCR Representation in Georgia accepted recommendation 3 and stated that a physical verification of UNHCR assets was performed in the last*

quarter of 2009. Based on the action taken by the UNHCR Representation in Georgia, recommendation 3 has been closed.

UNHCR needs to ensure IPs use UNHCR bar code system more systematically

23. Section 5-2-5 of the UNHCR Supply Manual states that bar code labels are an essential part of the asset tracking system in UNHCR. There were deficiencies in the tracking system, such as missing bar codes or tracking numbers used by IPs that were inconsistent with UNHCR's barcode system.

Recommendation 4

(4) The UNHCR Representation in Georgia should take necessary measures to ensure that all assets of implementing partners have proper bar codes and that a reliable tracking/bar code system is used by the implementing partners.

24. *The UNHCR Representation in Georgia accepted recommendation 4 and stated that at the time of verification, all assets without barcodes were bar-coded and recorded in MSRP.* Based on the action taken by the UNHCR Representation in Georgia, recommendation 4 has been closed.

C. Supply function

Back-up function required to mitigate interruption in operations

25. Following the August 2008 humanitarian crisis, UNHCR significantly expanded its operations in Georgia. In order to handle the increased activity, the Representation upgraded one existing position within the Administration Unit to include supply management functions.

26. The staff member in charge of the supply functions is currently the focal point for asset management and is the only staff member authorized to update MSRP assets and inventory records. Should this staff member leave the organization or be absent for a long period, operations may be interrupted.

Recommendation 5

(5) The UNHCR Representation in Georgia should ensure that back-up arrangements are in place for the recording of assets in the Managing for Systems, Resources and People enterprise software in order to mitigate interruption in operations.

27. *The UNHCR Representation in Georgia accepted recommendation 5 and stated that the internal structure had been updated. The new Administrative Clerk (Assets), recruited as a back-up for the Administrative/Supply Assistant, has started updating the Asset Management Module.* Based on the action taken by the UNHCR Representation in Georgia, recommendation 5 has been closed.

There is a need to clarify the terms of reference of the supply function

28. UNHCR Georgia staff highlighted the need for better cooperation between the supply function and the Programme Unit. OIOS noted that there was a lack of cooperation and communication between the units as there were no terms of reference for the supply function, which should define the responsibilities for monitoring and controlling IP asset management activities.

Recommendation 6

(6) The UNHCR Representation in Georgia should establish terms of reference for the supply function, including functional lines of communication and reporting between the Supply Unit and the Programme and Administrative Units.

29. *The UNHCR Representation in Georgia accepted recommendation 6 and stated that an asset focal point within the Programme Unit had been identified. This focal point regularly liaises with the Supply Unit and conducts quarterly physical verification of assets with the IPs.* OIOS acknowledges the action taken by UNHCR; however, in order to close the recommendation, OIOS needs evidence that functional lines of communication and reporting between the Supply Unit and the Programme and Administrative Units have been formally established in the form of terms of reference for the Supply Unit.

Custodianship of assets on loan to staff needs to be recorded for accountability purposes

30. UNHCR Georgia has not established procedures for assigning custodianship in MSRP, nor does it have check-out procedures for staff members who have assets in their custody. As of September 2009, UNHCR had 618 assets in custody. Of these, approximately 81 per cent were assigned to a generic custodian “UNHCR” and the remaining 19 per cent were assigned to two staff members. This practice limits the accountability mechanism and is not aligned with UNHCR’s New Policy on Serially Tracked Items (STIs) (IOM-FOM/001/2009). Under the new policy, all STIs are assigned to a custodian who is responsible for all items assigned to him/her for personal or official use.

31. Custodianship of assets should be recorded to ensure that accountability is in place. UNHCR Georgia should also establish procedures to ensure staff members return assets under their possession (e.g., portable assets such as cell phones, laptops and radios) when their custodial terms expire.

Recommendation 7

(7) The UNHCR Representation in Georgia should establish a standard procedure for custodianship, which should include recording in the Managing for Systems,

Resources and People enterprise software the custodianship of assets assigned to staff or units and check-in and check-out procedures for staff who have custody of assets.

32. *The UNHCR Representation in Georgia accepted recommendation 7 and stated that the Supply Section has updated the information in MSRP to include custodians for specific assets and serially tracked items. While portable serially tracked items are with individual staff members, other items are assigned to the staff within the different units. The Representation provided a sample of the recording of the custodianship of assets assigned to staff in a field office. Recommendation 7 remains open pending submission to OIOS of a copy of the check-in/check-out procedures established to ensure that staff members return assets under their possession when their custodial terms expire.*

D. Local Asset Management Board

Local Asset Management Board advisory functions need to be strengthened

33. According to Chapter 8 of the UNHCR Manual, the Local Asset Management Board (LAMB) is an advisory body to the Board Chairperson who has executive decision-making authority. The main advisory functions of the LAMB deal with the implementation of policies and procedures for the management and disposal of assets, the maintenance of satisfactory standards of accounting, monitoring the quantity of assets and their disposal and the adoption of corrective measures.

34. In OIOS' opinion, several weaknesses identified in this audit could have been effectively addressed with the support of the LAMB. For example, LAMB should have been reviewing the transfer of ownership to IPs and compliance with the International Public Sector Accounting Standards (IPSAS) in order to help UNHCR Georgia decide how to proceed. However, according to the minutes and discussion with LAMB members, it appears that the LAMB only deliberated on the disposal of assets.

Recommendation 8

(8) The UNHCR Representation in Georgia should ensure that the Local Asset Management Board (LAMB) plays a more active role in the management of assets. The LAMB should advise the Board Chairperson on various issues such as the transfer of ownership of assets and action required to comply with the International Public Sector Accounting Standards and not limit itself solely to guidance on asset disposal.

35. *The UNHCR Representation in Georgia accepted recommendation 8 and stated that as of 2010, the LAMB will expand its activities and include the review of assets with implementing partners if and when required. The Supply Unit will provide quarterly updates regarding the number and values of capitalized assets*

and serially tracked items recorded in MSRP. Recommendation 8 remains open pending receipt of evidence that the Local Asset Management Board has expanded its activities beyond guidance on the disposal of assets.

E. Assets and inventory policy

UNHCR Georgia needs a work plan to implement UNHCR's new asset management policies

36. Since October 2008, in view of the implementation of IPSAS, the UNHCR Controller issued several IOM-FOMs establishing a new Asset and Inventory Policy. These instructions were addressed to Headquarters and field locations with clear guidance on action to be taken in 2008 and 2009 and contained specific deadlines.

37. OIOS noted that UNHCR Georgia missed all deadlines stipulated in IOM/075/2008-FOM077/2008 (Assets Management Policy issued on 24 October 2008) and IOM/086/2008-FOM 088/2008, (Inventory Policy issued on 3 December 2008). These IOM-FOMs required that offices clean up their Asset Management database for Property, Plant and Equipment (PPE) by 15 April 2009, for non-PPE serially tracked items by 15 October 2009 and their Warehouse Inventory Management database by 30 September 2009.

38. As outlined in IOM/075/2008-FOM/077/2008, UNHCR Georgia assigned a focal point who was responsible for establishing a work plan and coordinating the Asset Management and Inventory databases clean-up process. The work plan should have established resource requirements, timeframes, deadlines and action needed to be taken for the adoption of the new asset management policy. However, the Representation explained, the focal point had not formalized the work plan in time due to limited time and resources. As a result, the monitoring of the progress of the work was jeopardized.

39. The Representation indicated that an action plan was being developed and the actions to be taken were to be outlined in their reply to OIOS' audit report.

Recommendation 9

(9) The UNHCR Representation in Georgia should establish a formal work plan including resource requirements, timeframes, deadlines and actions needed for the implementation of the new asset management policy.

40. *The UNHCR Representation in Georgia accepted recommendation 9, stating that a work plan had been prepared for the implementation of the asset management policy and that it had met the deadline of 15 January 2010 set for the clean-up of records.* Based on the action taken by the UNHCR Representation in Georgia, recommendation 9 has been closed.

Lack of clarity in what constitutes serially tracked items

41. The operations in Georgia had not started the clean up of STIs because of a lack of understanding of the type of items to be recorded in this category. IOM/093/2008-FOM/095/2008 and IOM/001/2009-FOM/001/2009 define STIs as tangible assets with a value between \$300 and \$5,000 used by UNHCR to support its day-to-day official business. For further clarification, Annex 1 of the IOM/FOM provides a list of items required to be tracked in MSRP (computers, network printers, servers, etc.). Given that the list does not cover all assets with a purchase value between \$300 and \$5,000 (i.e., generators, safes, air-conditioning equipment, UPS, photocopy machines and other printers), new procedures need to be established in order to ensure compliance with the new instructions and ensure adequate asset tracking.

42. In addition, according to information received from Headquarters, items not included in the list (Annex 1 of IOM/093/2008-FOM/095/2008) need to be tracked on a separate ad hoc log outside MSRP. However, this procedure is not articulated in any official policy, nor does UNHCR have any standard procedures for recording these items. OIOS shares UNHCR Georgia's opinion that it is unclear in the IOM-FOMs whether all items with a value between \$300 and \$5,000 should be considered STIs or only the items listed in Annex 1.1.

Recommendation 10

(10) The UNHCR Division of Financial and Administrative Management should review and revise existing guidance on serially tracked items to clarify their definition and to ensure that policies and procedures for the recording of UNHCR assets are formally defined.

43. *UNHCR accepted recommendation 10 and explained that the IPSAS implementation in asset management has been postponed until July 2010. As stated in IOM050/2009-FOM049/2009, major changes to the asset management policy that will have an effect on STIs will come into effect in the third quarter of 2010. The Asset Management Unit at Headquarters indicated that it is aware that areas of STIs that are not covered by the new policies and also stated that a draft policy document has been prepared and circulated for approval. Recommendation 10 remains open pending receipt of the revised asset management policy related to STIs.*

F. Transfer of UNOMIG assets

Transfer of assets donated by the United Nations Observer Mission in Georgia needs to be finalized

44. UNHCR signed a Memorandum of Understanding (MOU) with the United Nations Observer Mission in Georgia (UNOMIG) for the loan of 941 assets with an acquisition value of \$3.6 million (depreciated value of \$1.2 million). Based on negotiations with UNOMIG, UNHCR simultaneously

executed MOUs with partners involved in the Joint Programme for Abkhazia to sub-let the majority of assets received from UNOMIG.

45. The transfer of assets to UNHCR or its partners was to be finalized upon approval by the United Nations Controller, which took place on 19 October 2009. A total of 936 items amounting to \$1.8 million (acquisition value) were transferred to UNHCR; 685 items with an acquisition value of \$726,302 (current value of \$271,654) will remain with UNHCR. UNHCR signed a release form as evidence of receipt of the assets.

46. In order to finalize the transfer of assets, UNOMIG and UNHCR need to clarify possible additional formalities. The MOU between UNHCR and UNOMIG mentioned that the ownership of the assets shall be transferred by an instrument in writing from UNOMIG to UNHCR. UNHCR needs to clarify whether the release form it signed could be considered a valid written document as per the terms of the MOU.

Recommendation 11

(11) The UNHCR Representation in Georgia should obtain clarification from the United Nations Controller regarding the written instrument required to formalize the transfer of assets from the United Nations Observer Mission in Georgia to UNHCR.

47. *The UNHCR Representation in Georgia accepted recommendation 11 and stated that the necessary clarification was received from the United Nations Controller's office confirming the transfer to and ownership by UNHCR of assets from UNOMIG.* Based on UNHCR's response, recommendation 11 has been closed.

Need to record all assets received from UNOMIG

48. Assets received by UNHCR from UNOMIG need to be recorded in MSRP and the total value of assets received properly disclosed as an extra budgetary in kind contribution in the related appendix of UNHCR's financial statements. If these are not recorded, there is a risk that the information will not be traced in the financial records of UNHCR operations.

49. At the time of the audit, OIOS observed that the UNHCR Representation in Georgia was not familiar with the recording requirement. The Representation questioned whether this was indeed necessary since it would have required additional work and the ownership of assets would have been immediately transferred. In OIOS' opinion, the recording of this information is required and if it is not done, UNHCR may risk jeopardizing the integrity and completeness of its financial information.

Recommendation 12

(12) The UNHCR Representation in Georgia should ensure that assets received from the United Nations Observer Mission in Georgia are properly recorded in the Managing for Systems, Resources and People enterprise software and the necessary information is provided to UNHCR Headquarters for the disclosure of this in kind contribution in UNHCR financial statements.

50. *The UNHCR Representation in Georgia accepted recommendation 12 and stated that out of the 935 assets received from UNOMIG, 811 were recorded in MSRP. The remaining 124 could not be recorded as assets because they were not standard UNHCR assets. The Representation has sought guidance from UNHCR Headquarters on their recording.* Recommendation 12 remains open pending receipt of evidence that the remaining 124 assets have been recorded in MSRP and that the necessary information has been provided to UNHCR Headquarters for the disclosure of this in kind contribution in UNHCR financial statements.

Transfer of UNHCR assets to partners needs to be aligned with UNHCR procedures

51. The MOU between UNHCR and its partners does not specify the procedures applicable regarding the transfer of assets it received from UNOMIG and transferred to UNHCR partners. The MOU describes the transfer of ownership to UNHCR partners as almost automatic once UNHCR is given ownership from UNOMIG. OIOS believes that the procedures applicable in this case should be in line with procedures established in UNHCR regulations. As with any other assets procured or received by UNHCR, the transfer of assets to UNHCR partners should be reviewed by the LAMB and approved by the Headquarters Asset Management Board (HAMB), whenever applicable.

Recommendation 13

(13) The UNHCR Representation in Georgia should strictly comply with its asset management procedures regarding the assets received from United Nations Observer Mission in Georgia and transferred to UNHCR partners. Any transfer of assets to UNHCR partners should be subject to review and approval by the relevant asset management board.

52. *The UNHCR Representation in Georgia accepted recommendation 13 and stated that the Local Asset Management Board's decision to transfer ownership of 207 assets to 10 agencies was approved by the HAMB and the Legal Affairs Service.* Based on the action taken by the UNHCR Representation in Georgia, recommendation 13 has been closed.

V. ACKNOWLEDGEMENT

53. We wish to express our appreciation to the Management and staff of UNHCR Georgia 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 Georgia should produce an action plan in order to fully implement the Managing for Systems, Resources and People enterprise software, particularly the recording of all incoming and outgoing movements of stocks, and to comply with UNHCR's New Inventory Policy, which requires the clean-up of the warehouse inventory management database.	Financial	Medium	C	Action completed	Implemented
2	The UNHCR Representation in Georgia should close the warehouse in Akhmeta and transfer the items to other locations or re-activate it in the Managing for Systems, Resources and People enterprise software.	Operational	Medium	C	Action completed	Implemented
3	The UNHCR Representation in Georgia should finalize the physical verification of its assets and update the Managing for Systems, Resources and People (MSRP) enterprise software asset records accordingly. In particular, it should determine which items have been disposed of or redeployed, determine the acquisition and depreciated value of assets lost by looting, and identify the assets procured but not yet recorded in MSRP.	Financial	Medium	C	Action completed	Implemented
4	The UNHCR Representation in Georgia should take necessary measures to ensure that all assets of implementing partners have proper bar codes and that a reliable tracking/bar code system is used by the implementing partners.	Compliance	Medium	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
5	The UNHCR Representation in Georgia should ensure that back-up arrangements are in place for the recording of assets in the Managing for Systems, Resources and People enterprise software in order to mitigate interruption in operations.	Operational	Medium	C	Action completed	Implemented
6	The UNHCR Representation in Georgia should establish terms of reference for the supply function, including functional lines of communication and reporting between the Supply Unit and the Programme and Administrative Units.	Operational	Medium	O	Receipt of evidence that functional lines of communication and reporting between the Supply Unit and the Programme and Administrative Units have been formally established.	Not provided
7	The UNHCR Representation in Georgia should establish a standard procedure for custodianship, which should include recording in the Managing for Systems, Resources and People enterprise software the custodianship of assets assigned to staff or units and check-in and check-out procedures for staff who have custody of assets.	Operational	Medium	O	Receipt of a copy of the check-in/check-out procedures established to ensure staff members return assets under their possession when their custodian terms expire.	Not provided
8	The UNHCR Representation in Georgia should ensure that the Local Asset Management Board (LAMB) plays a more active role in the management of assets. The LAMB should advise the Board Chairperson on various issues such as the transfer of ownership of assets and action required to comply with the International Public Sector Accounting Standards and not limit itself solely to guidance on asset disposal.	Governance	Medium	O	Receipt of evidence that the Local Asset Management Board has expanded its activities beyond deliberations on the disposal of assets.	As of 2010
9	The UNHCR Representation in Georgia should establish a formal work plan including resource requirements, timeframes, deadlines and actions needed for the implementation of the new asset	Compliance	Medium	C	Action completed	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	management policy.					
10	The UNHCR Division of Financial and Administrative Management should review and revise existing guidance on serially tracked items to clarify their definition and to ensure that policies and procedures for the recording of UNHCR assets are formally defined.	Financial	Medium	O	Receipt of the revised asset management policy related to STIs.	September 2010
11	The UNHCR Representation in Georgia should obtain clarification from the United Nations Controller regarding the written instrument required to formalize the transfer of assets from the United Nations Observer Mission in Georgia to UNHCR.	Financial	Medium	C	Action completed	Implemented
12	The UNHCR Representation in Georgia should ensure that assets received from the United Nations Observer Mission in Georgia are properly recorded in the Managing for Systems, Resources and People enterprise software and the necessary information is provided to UNHCR Headquarters for the disclosure of this in kind contribution in UNHCR financial statements.	Financial	Medium	O	Receipt of evidence that the remaining 124 assets have been recorded in MSRP and that the necessary information has been provided to UNHCR Headquarters for the disclosure of this in kind contribution in UNHCR financial statements.	Not provided
13	The UNHCR Representation in Georgia should strictly comply with its asset management procedures regarding the assets received from United Nations Observer Mission in Georgia and transferred to UNHCR partners. Any transfer of assets to UNHCR partners should be subject to review and approval by the relevant asset management board.	Compliance	Medium	C	Action completed	Implemented

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations