



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR's Global Payroll (PeopleSoft) Module

Although the efficiency of payroll processing has improved, the integrity of payroll has not been adequately addressed with a high likelihood of payroll errors going undetected

2 October 2009

Assignment No. AR2009/162/01

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: 2 October 2009

REFERENCE: IAD: 09- 02943

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



SUBJECT: **Assignment No. AR2009/162/01 – Audit of UNHCR's Global Payroll (PeopleSoft) Module**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, all the recommendations except recommendations 1, 12, 14 and 15 remain open. 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 recommendations 10 and 11. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response or provide evidence that alternate measures put in place address them.
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, 5, 7, 9, 10, 13) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Janet Lim, Assistant High Commissioner, UNHCR
Mr. Shelly Pitterman, Director, DHRM, 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
Mr. Moses Bamuwamye, 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).

CONTACT INFORMATION

ACTING DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, GENEVA AUDIT SERVICE:

Christopher Bagot: Tel: +41 22 917 27 31, Fax: +41 22 917 00 11
e-mail: cbagot@unog.ch

EXECUTIVE SUMMARY

Audit of UNHCR's Global Payroll (PeopleSoft) Module

OIOS conducted an audit of UNHCR's Global Payroll (PeopleSoft) Module. The overall objective of the audit was to assess whether the implementation of the Global Payroll (GP) Module achieved the intended objectives, and that 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 GP Module, which was implemented in June 2007, replaced two legacy payroll systems and provided major improvements for the efficiency of payroll processing. This aim has been achieved through electronic input of human resources data and automatic transfer of payroll data to the General Ledger and the Treasury. Although efficiency in payroll processing has improved, data integrity has not been adequately addressed, with a high likelihood of payroll errors going undetected, exposing UNHCR to the risk of financial loss. UNHCR accepted the majority of the recommendations that OIOS raised to address the control weaknesses, which are summarized below, and is in the process of implementing them.

The knowledge base of the GP Module is restricted to a small team of four people with minimal oversight. This situation exposes UNHCR to the risks of being unable to process payroll should members of the team be unavailable and inadequate checks and balances, which increases the risk of unauthorized changes being made to the system.

Some staff members were not paid through the GP Module. There were over 300 active staff members who were not serviced by the GP Module and there was no policy in place to explain why they were excluded. This amounted to over a million dollars a year.

There was inadequate checking to confirm that only those who should be paid were actually paid. The number of staff members in the official staffing table could not be reconciled to the staff members serviced through the GP Module. No procedures were in place in the Division of Human Resources Management to perform this exercise.

Financial liability from separated staff was not recognized or known. The separation process was not automated at the time of the audit. UNHCR had no systems in place to track and estimate the liabilities. About 800 separation cases were noted at the time of audit of which about 300 were over one year old, the oldest being four years. Difficulties were encountered in establishing the location of the separation forms (P35), and UNHCR staff members were unable to provide any reason for the long delays.

Accuracy of the total amount paid was not confirmed. Errors were noted in the critical payroll reports that imparted the earnings and deduction details and disbursements. These errors hindered OIOS efforts to match the payroll

processing results to the postings to the General Ledger. Furthermore, due to absence of segregation of duties or other compensating controls, a Finance Assistant can prepare and post journal transactions directly to the General Ledger. Such an action is not subject to subsequent online validation and confirmation by his/her supervisor. These deficiencies increased the risk of errors going undetected. OIOS identified an undetected case of a staff member paid twice by a country office for two months in 2008.

The control processes established for reviewing the audit trails of the transaction recording were ineffective and needed significant improvements. Important actions performed for updating master data tables, data overrides and uploading external files were outside the transactions audit process.

Lack of transparency on certain types of payroll actions increased the risk of unauthorized modifications going undetected. The Human Resources actions that affected the GP Module were not recorded in the HR Module. Examples included (1) decisions to pay salary advances and (2) increased personnel transition allowance.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 – 8
II. AUDIT OBJECTIVES	9
III. AUDIT SCOPE AND METHODOLOGY	10 – 11
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Continued availability of services and assurance issues	12 – 26
B. Overview of payroll processing	27 – 33
C. Updating master data tables and logical security	34 – 51
V. ACKNOWLEDGEMENT	52
ANNEX 1 – Status of audit recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Global Payroll (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 started implementing the Human Resources (HR) Module in Headquarters and country offices between 2006 and 2007. The Global Payroll (GP) Module went live in June 2007.

3. There are currently about 6,500 staff that are paid through the GP Module (1,700 Professional; 4,400 General Service; 350 National Officers; and 50 Field Service). The annual net pay processed by the GP Module is around \$300 million.

4. The HR Module feeds HR transactions data into the GP Module for payroll processing. There is a freeze or lockout period of over a week every month when the HR Module is not available for data recording or updating. This period is used for running payroll, verification of the results and finalization.

5. The automatic encoding of HR data to the GP Module is a major advancement as the previous legacy systems relied on manual data re-entry of the HR actions processed in the legacy Personnel Information Online Update System (PIOUS). The GP Module has thus eliminated significant data entry and duplications. Nevertheless, the Payroll Unit can still record certain transactions manually or override recordings. Unlike the legacy system, the GP Module passes the final payroll data to the General Ledger and the Treasury.

6. As in the HR Module, there is no automated workflow process in the GP Module.

7. The Payroll Unit is under the Personnel Administration and Payroll Section (PAPS), Division of Human Resources Management (DHRM). PAPS is based in the Budapest Service Center (BSC). Payroll processing was moved out from Geneva to Budapest with effect from 1 June 2008.

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

II. AUDIT OBJECTIVES

9. The overall objective of the audit was to assess whether the implementation of the GP Module achieved the intended objectives, and that adequate procedures and controls existed over input, processing and output of data and information.

III. AUDIT SCOPE AND METHODOLOGY

10. The audit of the GP Module was conducted in March and April 2009, and included a review of the policies and procedures in place over payroll processing. The audit team visited BSC, where the Payroll Unit of DHRM is located, to review the tasks performed. OIOS also analyzed applicable data security controls and conducted tests of the GP Module functionalities.

11. The audit tests included matching the source documents (like email authorizations or other forms used for calculations) to the recorded data, and reviewing pay slips, staffing table, entries in the audit report, and the permission lists and roles provided to the users. OIOS also reviewed the posting of the monthly payroll data to the General Ledger and the process of making the final payments through the UNHCR Treasury.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Continued availability of services and assurance issues

Intended objectives achieved

12. The implementation of the GP Module allowed UNHCR to eliminate: (a) duplicate recording of data in the legacy HR and Payroll Systems; and (b) the need to transfer payroll data to another system for the General Ledger.

Reliance on a small core staff increases the risk of disruption to the payroll services

13. The testing of the GP Module started in January 2007 and continued until May 2007. The system was implemented on 1 June 2007 ('go live' date). However, after the 'go live', UNHCR decided to move payroll and several other functions based in Geneva to Budapest in the subsequent months. This decision resulted in the relocation or separation of most staff members in the Payroll Unit.

14. The responsibility to recruit new staff members for payroll functions in Budapest became the responsibility of a very small team of professionals working on the GP Module. This team worked on system modifications and enhancements, and also performed some quality assurance checks on the HR data. The payroll team accomplished these tasks successfully and eventually relocated to Budapest in June 2008.

15. While UNHCR was successful in creating a small GP Module team with technical and functional expertise that has worked well for about two years, this condition however exposed UNHCR to the risk of a single point of failure should members of the team not be available. Discussions with DHRM and the Division of Information Systems and Telecommunications (DIST) disclosed that measures such as expansion and staff training were underway to mitigate this risk.

Recommendation 1

(1) The UNHCR Division of Human Resources Management should identify and recruit technical and functional resources needed in the medium/long term to ensure the smooth running of the payroll function.

16. *The UNHCR DHRM accepted recommendation 1 and stated that measures have been initiated to strengthen the Payroll Unit. Effective July 2009, a new post at the P-3 level was created. Staff members from DIST and PAPS were trained on Advanced PeopleSoft Global Payroll so that they will have the knowledge to serve as a backup in the event of an emergency at the technical level. In addition, efforts were underway to create an additional GS position for the following year. Based on the action taken by UNHCR, recommendation 1 has been closed.*

Failure to reconcile data held in the HR module

17. OIOS was unable to match the number of staff members in the organization's staffing table with the number of staff paid according to the GP Module. No procedures were in place to perform this reconciliation. The principal reasons there may be differences between the number of staff members in the staffing table and the number of staff paid per the GP Module were the following:

- A number of UNHCR country offices were off-line and data recording for them was centralized in Budapest. Several country offices did not provide the documents for HR actions to Budapest on time. Furthermore, most of these HR actions had a retroactive effect and continually altered the staffing table.
- Terminated staff members were not in the staffing table. However, they appeared in the payroll when the final settlement was released.

Recommendation 2

(2) The UNHCR Division of Human Resources Management should establish procedures to conduct monthly reconciliations between HR and Payroll data. These procedures should require the performance of reconciliations during the freeze period, approval of the reconciliation by a Human Resources Officer of the Personnel Administration and Payroll Section, and filing of the results as part of the official payroll records for that month.

18. *The UNHCR DHRM accepted recommendation 2 and stated that two existing reports, after modifications, would to some extent facilitate the comparison of HR and Payroll data. Since this would not be sufficient, a request was made to develop a customized report. The Payroll Unit expects to have this*

customized report available before the end of 2009. Recommendation 2 remains open pending receipt of evidence that reports and procedures are in place to reconcile the HR and Payroll data every month.

Inadequate arrangements for handling staff separation

19. The staff separation process is not automated. The separation form (P35) is prepared manually by a country office or a Human Resources official and routed to the Finance and Payroll Sections to ensure that all outstanding amounts due from staff members have been identified and marked for deduction against their final pay.

20. OIOS noted that about 800 separated staff cases were outstanding at the time of the audit, of which over 300 cases were more than a year old. This included eight cases that were over four years old, and 52 that were outstanding for more than three years. No management reports were available detailing information on the financial impact of these pending cases and UNHCR could not provide an explanation for the delays. OIOS identified the following as possible causes:

(a) A big part of this data (for example: unrecovered advances from staff members) was recorded in the legacy Financial and Management Information System (FMIS), which MSRP replaced in phases between 2004 and 2007. Inconsistencies in data recording existed in FMIS. Furthermore, establishing the correctness of the settlement amounts is a complex and time-consuming task, for the following reasons:

- Although the Division of Financial and Administrative Management (DFAM) may have the backup data from the country offices for FMIS, restoring the backed-up data (from outdated technology) is cumbersome; and
- The original documentation for these transactions is mostly with the country offices.

(b) There was no strategy in place to clear the separation cases during the transition period to ERP. The Payroll Unit explained that a 'bolt on' application was in the design stage to facilitate the staff separation process and would be implemented in the production system before the end of the year. OIOS appreciated this initiative. However, there was no indication that the processing of old pending cases would be expedited by this 'bolt on'.

Recommendations 3 and 4

(3) The UNHCR Division of Financial and Administrative Management, in conjunction with the UNHCR Division of Human Resources Management, should establish: (a) an action plan, with deadlines, to handle the old pending cases in the separation process; and (b) a periodic

reporting mechanism, detailing the amounts due to or from separated staff.

(4) The UNHCR Division of Human Resources Management should ensure timely completion and testing of the procedures being developed for the automation of the termination process.

21. *The UNHCR DHRM and DFAM accepted recommendations 3 and 4 and stated that processing final payments of separated staff members was a continuous challenge. The completion of the 'bolt on' project is now targeted for the first quarter of 2010. A staff member will be dedicated to this function from September 2009. A number of improved processes were also implemented, which included de-linking the notification of separation to the Pension Fund from the clearance of the P.35 (separation form) and the immediate payment of up to 80 per cent of separation benefits, pending the final clearance of the P.35. In addition, periodic meetings have commenced between PAPS and Finance to keep track of and find quick solutions to pending cases. Recommendation 3 remains open pending receipt of documentation showing that the outstanding separation cases are all current and do not include long pending cases. Recommendation 4 remains open pending receipt of documentation showing that the 'bolt-on' application is successfully integrated into the system.*

Absence of a formal policy and procedures explaining who will be paid through the GP Module

22. OIOS established that there were around 300 staff members that were not paid through the GP Module. This included new staff members as well as former staff who were rehired.

23. The HR Team explained that in the case of a new staff member who has a contract for more than six months or has worked uninterrupted for more than six months since recruitment, he/she would be paid through the GP Module. The HR Team also explained that the six-month period was linked to the staff member's eligibility to join the United Nations Joint Staff Pension Fund (UNJSPF). However, there was no documentation supporting this policy.

24. The HR Module contained data on the active staff members that were paid outside the GP Module (analyzed by country or the aging of such cases). However, it was difficult to establish the amount of payroll processed and paid outside the system because no management reports were available. These staff members were paid locally by the country offices through the Finance Module (using the temporary assistance process). Nevertheless, even a minimum monthly net pay (i.e., of \$300) per staff member would result in over a million dollars in annualized payments kept outside the GP Module. Furthermore, there was no procedure in place in PAPS to monitor such cases and investigate the reasons for not including them in the GP Module. Keeping such a large number of cases outside the GP Module exposes UNHCR to the risk of incorrect HR practices (examples: not enrolling them to UNJSPF on time, arbitrary appointment and separation).

25. The Payroll Unit explained that the GP Module was capable of dealing with the status change to UNJSPF any time, and there was no need to wait for six months to service a new staff member through the GP Module. The HR Team also explained that although there was a proposal to pay all staff members with an employment contract of more than a month through the GP Module, this mechanism was not treated as a high priority.

Recommendations 5 and 6

The UNHCR Division of Human Resources Management should:

(5) Establish procedures to ensure that any staff member holding a contract of one month or more is recorded and paid through the Global Payroll Module; and

(6) Establish procedures to obtain the details of staff members that are paid outside the Global Payroll (GP) by country offices. Such cases should be treated as exceptions and the reasons for not servicing them through the GP Module should be documented.

26. *The UNHCR DHRM accepted recommendations 5 and 6 and stated that it was hopeful that before the end of 2009 all newly recruited staff members would be managed by the GP Module as of the second month of their recruitment. This would reduce the number of staff members who are paid outside the GP Module. Nevertheless, DHRM would maintain a nominal list of staff members who are paid outside the GP Module. Recommendation 5 remains open pending receipt of documentation showing that staff members with contracts of more than one month are serviced through the Global Payroll. Recommendation 6 remains open pending receipt of documentation showing that procedures are in place to document the payments to staff members outside the Global Payroll.*

B. Overview of payroll processing

Insufficient monitoring and reconciliation of payroll processing data

27. OIOS performed several tests to obtain an overview of payroll processing results. A number of reports for November 2008 and February 2009 were run to analyze and validate the established payroll data.

28. In general, the Payroll Unit provided satisfactory explanations to the queries OIOS raised on different payroll elements and on specific payments to staff members. However, the Payroll Unit had no mechanisms in place to ensure the accuracy and completeness of the entire process: data recording, calculations, payments and posting in the General Ledger.

29. OIOS tested the process to obtain an assurance of its correctness and found that:

- The Earnings and Deductions Report (GP017), a 1,000-page critical report (in PDF format), provided comprehensive information about all staff members' monthly pay slips. However, this report did not group the earnings and deductions to determine the net pay. Such totals were necessary to match the payroll results with the monthly journal generated for posting to the General Ledger.
- The Earnings and Deductions Report had errors. For example, OIOS identified instances where staff members were incorrectly reported two or more times with the same amounts.
- There was no 'one-to-one' mapping of the payroll elements and the General Ledger account code. There were multiple account codes for a single payroll element, which complicated the GP/General Ledger reconciliation.
- The monthly journal entry that was generated automatically for posting the final payroll results to the General Ledger was over 1,000 pages. There was no option to summarize the results in this report, for example, by account code to confirm that the totals reflected the payroll results.
- Journal entry GP01568901 (November 2008) disclosed errors in three lines although the status of the journal was valid and posted. OIOS' attempt to match the payroll records and the General Ledger for payroll elements like "Hardship and Mobility" did not succeed. Variances existed. There was no evidence that the mandatory reconciliation between the Payroll Module and the General Ledger was performed.
- The Finance Section posted journal entries (related to the Finance and Supply Chain Modules) in the General Ledger to modify payroll-related expenditures. The reasons for these journal entries (November 2008) were not clearly explained.
- Journal entries to modify transactions in the General Ledger could be posted by a Finance Assistant without any online approval from Finance Officers. No work flow was implemented to process journal transactions in the General Ledger. Consequently, the General Ledger was vulnerable to inappropriate modifications (example: receivables could be inappropriately charged as expenditures) and accountability was not commensurate with the position held.
- The Payroll Unit developed a set of public queries (downloadable in Excel) to provide data on the payroll. However, the results could not be matched with other reports.

-
- In November 2008, the country offices paid \$8.8 million of the net pay (or more than a third of the total net pay) locally, while the balance of \$14 million was paid through the UNHCR Treasury. The MPA (Monthly Payment Advice) report for November 2008 listing the payments made by the country offices had errors. For example, three staff members were recorded twice for payments in the MPA. While the amounts were the same, the chart fields were different. One staff member was paid twice by a country office. Extended tests confirmed that similar double payments were made to the same staff member in December 2008 by the same country office. These double payments were found in unreconciled or open items report at the time of audit (more than four months after the payment was made).

30. The existence of unexplained variances fails to provide assurance in the system, and undermines confidence in the GP Module.

Recommendations 7 to 11

(7) The UNHCR Division of Human Resources Management should revisit the reports and queries currently available in the GP Module and identify those that are critical. These reports and queries should provide detailed information on all payroll aspects: processing, errors, payment and posting.

(8) The UNHCR Division of Human Resources Management should remove from the production database any report or query that is redundant or provides incorrect information.

(9) The UNHCR Division of Human Resources Management, in cooperation with the Division of Financial and Administrative Management, should establish monthly procedures to ensure that the payroll results match the postings to the General Ledger. Resolution of reconciling items should be documented.

(10) The UNHCR Division of Financial and Administrative Management should modify the Finance and Supply Chain Module to extend the workflow administration for recording journal vouchers in the General Ledger.

(11) The UNHCR Division of Financial and Administrative Management should identify and recover all erroneous payments made to staff members.

31. *The UNHCR DHRM accepted recommendations 7, 8 and 9, and stated that due to competing priorities, the full review of the available reports and designing of new reports would take several months to complete. Once DHRM has identified the critical reports, the Division of Information Systems and*

Telecommunications would provide the necessary resources for this exercise. Furthermore, efforts are underway to achieve the 'one to one' mapping of the payroll elements to the General Ledger codes, which would facilitate the reconciliation of GP Module data and the General Ledger. Recommendations 7 and 8 will remain open pending receipt of documentation showing that the reports available in the production database provide correct details on all the payroll aspects. Recommendation 9 will remain open pending receipt of documentation showing that the payroll results are matched to the postings in the General Ledger.

32. *The UNHCR DFAM did not accept recommendation 10 and stated that the system stored the details of the users who prepared and posted the journals. Nevertheless, DFAM could explore two other possibilities for tracking preparers and approvers for journals in the General Ledger. OIOS takes note of the explanations provided by DFAM but reiterates recommendation 10. The preventive control measure in recommendation 10 addresses potential high risks in postings and adjusting entries recorded in the General Ledger and is based on the principle of segregation of duties. The purpose is to ensure that a staff member cannot prepare and post a journal transaction. Posting of a journal transaction should be done only after an approval performed by another staff member, normally a supervisor. Such a control measure is necessary to prevent unilateral adjustments to the General Ledger. Recommendation 10 will remain open pending receipt of documentation showing the measures put in place by DFAM to enhance accountability and adequate segregation of duties in the use of the system.*

33. *The UNHCR DFAM did not accept recommendation 11 and stated that the reconciliation of open item payroll clearing accounts 522001, 522501 and 523001 allowed the detection of erroneous or double payments, and the field offices are responsible for this task. OIOS takes note of the explanations provided by DFAM but reiterates recommendation 11, on the basis of the examples of double payments provided in the audit exit notes that were shared with DFAM and also included in paragraph 29 of this report. Recommendation 11 remains open pending receipt of documentation showing that double payments identified by OIOS are resolved and procedures are in place to prevent their recurrence.*

C. Updating master data tables and logical security

Deficiencies in the salary and allowances tables

34. Discussions with the Payroll Unit disclosed that the Headquarters and Compensation Unit in DHRM received updates to the published salary scales from the International Civil Service Commission (ICSC) and forwarded them to the Payroll Unit (by email) for implementation. A staff member in the Payroll Unit summarized all such changes. Updating of the salary scales in the GP Module was performed by two staff members in the Payroll Unit who had the relevant authority. The updated salary scales were checked offline by another staff member of the Payroll Unit for correctness.

35. OIOS noted that there was no assurance that all salary scale revisions published by ICSC were correctly reflected in the GP Module. There was no internal mechanism to ensure that the implemented scales were consistent with the ICSC scales. OIOS tests identified an exception where the salary scale revision published in November 2008 was not consistent with ICSC data. The Payroll Unit explained that they had not received the revised salary scale from the Headquarters and Compensation Unit.

36. OIOS noted that the children and secondary dependents' allowance rates were not up-to-date. This allowance was reduced in January 2009 (IOM/FOM 007/2009 dated 22 January 2009) with immediate effect. However, the earlier rates that were published in January 2007 (ST/IC/2007/7 dated 12 January 2007) had not been reflected in the GP Module.

37. Discussions with the Payroll Unit indicated that the GP Module was not designed to accommodate reductions in allowances. However, this decision was not documented or concurred with by senior management. These two reductions were finally implemented in the second quarter of 2009.

38. The delayed implementation of the reduction in dependents' allowance could result in potential recoveries from some of the separated staff members. In addition, there was a potential impact on the amounts stated in the financial statements (past and current) of the organization.

Recommendation 12

(12) The UNHCR Division of Human Resources Management should establish procedures to ensure that the salary scales and allowances published by International Civil Service Commission are recorded in a timely manner and applied in the Global Payroll Module.

39. *The UNHCR DHRM accepted recommendation 12 and stated that a mechanism to receive copies of salary scales directly from ICSC New York was established. According to the current arrangement, designated staff members in Payroll will get this notification directly. This would avoid delays in uploading new salary scales. Based on the action taken by UNHCR, recommendation 12 has been closed.*

GP Transaction Audit process

40. The GP Module's data review mechanism relied mainly on the audit trail and Transaction Audit Reports. OIOS noted several control weaknesses in this system. No documentation was available to explain the functioning of this process (like the Delegation of Financial Authority already established for the Finance and Supply Chain Modules).

41. No criteria were defined to determine which actions should be captured in the Transaction Audit Report and who should review them. This absence caused the following inconsistencies:

-
- Actions performed by users with critical roles (UCR_PAY_ADMIN, UCR_PAY_BRACKET and UCR_PAY_CORRECT) were not systematically reviewed. Actions performed by the Payroll Unit were not reported in the Transaction Audit Report (examples: changes to the master data tables like salary scales and allowances tables);
 - The manual inputs and data overrides (example: Personal Transition Allowance (PTA)) were not methodically reviewed;
 - Effective date (EFFDT) changes were not audited when dependents were included or removed. For example, a retroactive change in pay dependency allowance could not be easily located; and
 - Only a small team of staff members had the privilege to upload files received from external entities (like Staff Credit Union) to record deductions from staff members' net pay. This was an inherent risk as it provided them potential ability to modify their own pay without supervision.

42. The absence of work flow in the GP Module, and the limited number of staff members providing the necessary technical and functional support resulted in inadequate segregation of duties and required adequate compensatory measures. One such measure is to ensure that a strong and viable Transactions Audit Report review process is in place.

Recommendation 13

(13) The UNHCR Division of Human Resources Management should establish a comprehensive framework for the Transaction Audit process. This framework should take into consideration the functional and technical tasks performed by the Payroll Unit. It should include the high risk actions that should be audited, the levels, locations and categories of staff members involved in the auditing process and how the exceptions identified during the review of the audit reports are to be recorded and dealt with.

43. *The UNHCR DHRM accepted recommendation 13 and stated that a framework for the Transaction Audit Process will be designed and implemented. Recommendation 13 remains open pending receipt of evidence that a comprehensive framework is in place to review the Transactions Audit.*

Need to formalize and strengthen the logical access controls process

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

45. There was no formal process in the Payroll Unit to keep a log of the users who had access to the GP Module and to compare their profiles with the actual data in the GP Module security. For example, OIOS noted that a former staff member (who worked on the legacy system) still had a significant level of access to the GP Module.

46. OIOS noted another instance of a user with incompatible roles: access to the GP Module (UCR_Payroll role) and the HR Module (UCR_PAS_Correct role).

Recommendation 14

(14) The UNHCR Division of Human Resources Management should establish a procedure to log the requests made for access rights changes and to periodically compare the approved access rights with the corresponding security profile in the Global Payroll Module. Any exception should be investigated and corrected.

47. *The UNHCR DHRM accepted recommendation 14 and stated that two reports (queries) to monitor access to the GP Module were created. The details provided by these reports are reviewed regularly to ensure that access to the GP Module is granted to staff that meet the necessary profile. Based on the action taken by UNHCR, recommendation 14 has been closed.*

Need to record all transactions in the HR Module

48. One-time payments to or recoveries from staff are performed on a monthly basis. Examples of these payments include repatriation grants and salary advances. These amounts must be manually recorded in the system. A report of such inputs is generated during the lock-out period and checked by a staff member (National Officer) in the Payroll Unit.

49. A review of these one-time payments indicated that many of the instructions for payment were saved outside the HR Module and that there was either no or limited information in the individual's personnel records to show why such payments had been made. Following are examples of this condition:

- A sample of the instructions examined for the changes to the Personal Transition Allowance (PTA) payments did not include additions and amendments.
- Salary advances granted to staff members and the modalities established to recover those advances were not recorded in the HR Module.

50. Recording transactions and storing data outside the HR Module undermines the integrity of the system and completeness of the transaction trail.

Recommendation 15

(15) The UNHCR Division of Human Resources Management should establish procedures to ensure that any HR action linked to the Payroll is documented in the HR Module.

51. *The UNHCR DHRM accepted recommendation 15 and stated that HR assistants were trained to use the note pad facility in the HR Module to record instructions like PTA. Based on the action taken by UNHCR, recommendation 15 has been closed.*

V. ACKNOWLEDGEMENT

52. 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 Human Resources Management should identify and recruit technical and functional resources needed in the medium/long term to ensure the smooth running of the payroll function.	Operational	High	C		July 2009
2	The UNHCR Division of Human Resources Management should establish procedures to conduct monthly reconciliations between HR and Payroll data. These procedures should require the performance of reconciliation during the freeze period, approval of the reconciliation by a Human Resources Officer of the Personnel Administration and Payroll Section, and filing of the results as part of the official payroll records for that month.	Operational	High	O	Evidence that reports and procedures are in place to reconcile the HR and Payroll data every month.	End 2009
3	The UNHCR Division of Financial and Administrative Management, in conjunction with the UNHCR Division of Human Resources Management, should establish: (a) an action plan, with deadlines, to handle the long pending cases in the separation process; and (b) a reporting mechanism, detailing on a regular basis, the amounts due to or from separated staff.	Operational	Medium	O	Evidence that the separation cases outstanding are all current and do not include long pending cases.	March 2010
4	The UNHCR Division of Human Resources Management should ensure timely completion and testing of the procedures being developed for the automation of the termination process.	Information Resources	Medium	O	Evidence that the bolt on application is successfully integrated into the system.	March 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
5	The UNHCR Division of Human Resources Management should establish procedures to ensure that any staff member holding a contract of one month or more is recorded and paid through Global Payroll Module.	Human Resources	High	0	Evidence that staff members with a contract of more than a month are serviced through Global Payroll.	End 2009
6	The UNHCR Division of Human Resources Management should establish procedures to obtain the details of the staff members that are paid outside the Global Payroll (GP) by country offices. Such cases should be treated as exceptions and the reasons for not servicing them through the GP Module should be documented.	Human Resources	Medium	0	Evidence that procedure is in place to document the payments to staff members outside the Global Payroll.	End 2009
7	The UNHCR Division of Human Resources Management should revisit the reports and queries currently available in the GP Module and identify those that are critical. These reports and queries should provide an overview and detailed information on all the payroll aspects: processing, errors, payment and posting.	Information Resources	High	0	Evidence that the reports available in the production data base provide correct overview on all the payroll aspects.	June 2010
8	The UNHCR Division of Human Resources Management should remove from the production database any report or query that is superfluous or provides incorrect information.	Information Resources	Medium	0	Evidence that the reports available in the production data base provide correct overview on all the payroll aspects.	June 2010
9	The UNHCR Division of Human Resources Management in cooperation with the Division of Financial and Administrative Management should establish monthly procedures to ensure that the payroll results match the postings to the General Ledger. Resolution of reconciling items should be documented.	Financial	High	0	Evidence that the payroll results are matched to the postings in the General Ledger.	End 2009
10	The UNHCR Division of Financial and Administrative Management should	Operational	High	0	Evidence that measures put in place by DFAM have enhanced accountability at the	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
11	<p>modify the Finance and Supply Chain Module to extend the workflow administration for recording journal vouchers in the General Ledger.</p> <p>The UNHCR Division of Financial and Administrative Management should identify and recover all erroneous and double payments made to the staff members.</p>	Financial	Medium	O	Confirmation on double payments identified by OIOS is satisfactorily resolved and procedures are in place to prevent their recurrence.	Not provided
12	<p>The UNHCR Division of Human Resources Management should establish procedures to ensure that the salary scales and allowances published by International Civil Service Commission are recorded in a timely manner and applied in the Global Payroll Module.</p>	Operational	Medium	C		September 2009
13	<p>The UNHCR Division of Human Resources Management should establish a comprehensive framework for the Transaction Audit process. This framework should take into consideration the functional and technical tasks performed by the Payroll Unit. It should include the high risk actions that should be audited, the levels, locations and categories of staff members involved in the auditing process and how the exceptions identified during the review of the audit reports are to be recorded and dealt with.</p>	Operational	High	O	Confirmation that a comprehensive framework is in place to review the Transactions Audit.	June 2010
14	<p>The UNHCR Division of Human Resources Management should establish a procedure to log the requests made for access rights changes and to periodically compare the approved access rights with the corresponding security profile in the Global Payroll Module. Any exception should be investigated and corrected.</p>	Information Resources	Medium	C		July 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/ O ¹	Actions needed to close recommendation	Implementation date ²
15	The UNHCR Division of Human Resources Management should establish procedures to ensure that any HR action linked to the Payroll is documented in the HR Module.	Human Resources	Medium	C		September 2009

¹ C = closed, O = open

² Date provided by UNHCR in response to recommendations