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INTEROFFICE MEMORANDUM

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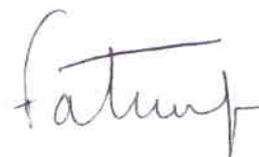
OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

DATE: 13 October 2009

REFERENCE: IAD: 09- **03015**

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



SUBJECT: **Assignment No. AR2008/160/06 - Audit of the Medical Insurance Plan at UNHCR**

OBJET:

Delegation of authority to the field without adequate training and supervision has increased the risk of errors in processing MIP claims

1. I am pleased to present the report on the above-mentioned audit, which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. In order for us to close the recommendation made in the report, we request that you provide us with the additional information as discussed in the text of the report.
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.

EXECUTIVE SUMMARY

Audit of the Medical Insurance Plan at UNHCR

OIOS conducted an audit of the Medical Insurance Plan at UNHCR. The overall objective of the audit was to assess the adequacy of the arrangements in place for the provision of medical services through the Medical Insurance Plan (MIP) to active and former UNHCR staff members and their eligible dependants. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

UNHCR Headquarters has not ensured that the field offices have the adequate competencies and skills to discharge the responsibilities for the administration of MIP that have been delegated to them. In addition, the supervisory role of Headquarters is limited, as the Division of Human Resources Management does not currently have the tools and mechanisms to monitor compliance with the rules, instructions and guidance governing MIP. UNHCR accepted the recommendation and action is underway to address the issue.

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Medical Insurance Plan at UNHCR. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Medical Insurance Plan (MIP) is operated for the benefit of active and former locally recruited General Service staff and National Officers (hereafter referred to as the subscribers), as well as their eligible family members, serving at designated duty stations away from Headquarters other than those designated in Annex II to the MIP Statutes and Internal Rules. Participation in MIP is automatic for all staff members holding a contract of three months or more. While coverage for family members is highly recommended as a protection against high health care costs, it is voluntary. Retirees and former staff members may also enroll in the plan to benefit from after-service coverage.

3. Medical costs incurred by a subscriber are generally reimbursed at 80 per cent under MIP. There are, however, some services where MIP provides 100 per cent coverage, including immunizations, hospital services and some primary and preventive routine care services for covered dependent children. In addition, the MIP Statutes and Internal Rules contain a "stop-loss clause", which allows for the reimbursement of recognized medical services and medications at 96 per cent, once a participant along with his/her eligible family members has collectively incurred in a calendar year out-of-pocket expenses equivalent to one month of the staff member's net base salary. It also has a "hardship provision", which covers situations where the staff member is faced with expenses that are so significantly over and above the normal limits payable under MIP that it would cause undue financial hardship to the staff member.

4. The UNHCR MIP Statutes and Internal Rules (IOM/057/2007 FOM/060/2007), issued by the Personnel Administration and Payroll Section (PAPS), Division of Human Resources Management (DHRM) govern the application of MIP. Chapter 6 of the UNHCR Staff Administration and Management Manual also covers MIP in respect of its administration and membership. In addition, a UNHCR Memorandum (6-350) was issued on 21 July 1999 to the Representatives, Chargés de Mission and Heads of Offices in the field concerning "Submission of Fraudulent MIP Claims".

5. The MIP headquarters is in Geneva. However, the administration of MIP was delegated to field offices in July 1995 to ensure better control of its administration, to reduce delays in reimbursement, and to allow for maximum decision-making to be decentralized at the field level. The UNHCR Representatives and Heads of Offices have the responsibility for the day-to-day administration of the MIP, including the enrolment, processing and reimbursement of claims and the financial control and accounting for settled claims and contributions to MIP. They also have the responsibility to ensure that actions are taken to prevent the submission of fraudulent claims. In practice, these roles are performed by the MIP Administrators in the field.

6. At the discretion of field offices, MIP claims may be referred to the Headquarters and Compensation Unit, DHRM in Geneva for advice, especially on difficult or doubtful cases. Guidance may also be sought from the Headquarters and Compensation Unit in case of doubt as to the interpretation of rules. However, it is mandatory for the field

offices to submit individual claims, which would exceed the annual MIP ceiling (the maximum amount that can be processed locally per enrollee) that has been set for the country, to the Head of the Headquarters and Compensation Unit for decision. In addition, when the UNHCR office in the field believes that a fraud may have taken place in respect of MIP, the Headquarters and Compensation Unit must be informed. Finally, any additional compensation to a subscriber under the stop-loss clause or the hardship provision must be referred to Headquarters for consideration of its merit. Therefore, effectively, the role of Headquarters as regards MIP was reduced in 1995 to advice, guidance and training, when requested, as well as decisions on hardship cases.

7. Total spending under MIP for 2007 and the period from January to October 2008 was \$2,302,361 and \$1,981,411, respectively. The total number of staff enrolled in MIP in 2007 was 3,714.

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

II. AUDIT OBJECTIVES

9. This report summarizes the results of OIOS audits of the Medical Insurance Plan (MIP) conducted in the UNHCR Operations in the Democratic Republic of the Congo (DRC), Sudan and Afghanistan. The overall objective of these audits was to assess the adequacy of the arrangements in place for the provision of medical services through MIP to active and former UNHCR staff and their eligible dependents.

III. AUDIT SCOPE AND METHODOLOGY

10. The audits of MIP in the DRC, Sudan and Afghanistan were conducted between December 2008 and April 2009, covering transactions processed in 2007 and 2008. A follow-up of some issues identified at the field level was done at the UNHCR Headquarters in Geneva, through interviews with personnel and review and analysis of records and documentation available.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. MIP process

Delegation of authority without adequate training and supervision has increased the risk of errors in the MIP process

11. UNHCR Headquarters has not ensured that the field offices have the adequate competencies and skills to discharge the responsibilities for the administration of MIP that have been delegated to them. In addition, the supervisory role of Headquarters is limited to the promulgation of written instructions and guidance. DHRM does not have the tools and mechanisms to monitor compliance with the rules, instructions and guidance governing MIP.

12. OIOS noted the following weaknesses in the processing of MIP claims and invoices in the DRC, Sudan and Afghanistan, which indicated a lack of familiarity with the governing Statutes and Internal Rules and a misunderstanding by responsible staff of MIP entitlements:

- In the DRC, several cases were noted where insufficient care was taken by the claimant and by the reviewers in allocating expenses to the correct expense category. This increases the risk of incorrect payments of claims being made, as there are different rates that apply to specific services;

- Also in the DRC, in almost all the cases reviewed by OIOS, hospital rooms used by the patients were entered into MIP as 'semi-private', although the invoices did not specify the type of room and the room prices varied from as low as \$4 to over \$100. According to the MIP Statutes and Internal Rules, private rooms are only 70 per cent reimbursed, whereas semi-private rooms are 100 per cent reimbursed;

- In Sudan, OIOS observed that suspicious MIP claims were either not examined or, when examined, not reported to senior management;

- In Afghanistan, a staff member was medically evacuated from Jalalabad to New Delhi. As the annual MIP ceiling had already been exhausted to the extent that it could not cover the full medical costs, the MIP Administrator decided that the amount in excess of the ceiling would be processed against the staff member's 2009 MIP entitlement, although the bills related to 2008. This is not in compliance with the MIP Statutes and Internal Rules. In another similar case in Afghanistan, a staff member was medically evacuated from Mazar-i-Sharif to New Delhi. As the costs exceeded the annual MIP ceiling, the part of the amount claimed up to the ceiling was processed in 2008 but the remaining balance was still outstanding at the time of the audit. OIOS also noted that, while both of the above mentioned staff members from the Afghanistan operations could have qualified for reimbursement under the stop-loss clause or the hardship provision of the MIP Statutes and Internal Rules, no referral for approval had been made by the offices concerned.

13. UNHCR Memorandum 6-350 requested all Representatives, Chargés de Mission and Heads of Offices to ensure that "the official under their supervision who is responsible for handling MIP claims, including their approval and certification, has received the necessary training regarding the rules and regulations governing the MIP and is properly supervised". With multiple sub- and field offices in some operations, there can be several MIP Administrators for each country.

14. PAPS used to provide the training on MIP to MIP Administrators through workshops twice a year but these workshops had been discontinued some years ago. In Afghanistan, for example, OIOS was informed that the MIP Administrator who had been appointed in 2004 had not received any training on MIP, despite repeated requests to DHRM.

15. In OIOS' opinion, before any authority for certain functions is delegated, DHRM must ensure that officers to whom the authority will be delegated are given adequate training in discharging their responsibilities.

16. The blanket nature of the authority delegated to the field, regarding the administration of MIP, without a detailed analysis or consideration of the appropriate

level of authority, given the nature and type of office, raises the risk of non-compliance with the applicable rules, instructions and guidance, including the potential for fraud. OIOS noted that some steps had been taken by UNHCR to reduce the risk of financial loss and fraud in the processing of MIP claims, including the issuance of UNHCR Memorandum 6-350, concerning the submission of fraudulent MIP claims. The memorandum requested all Representatives, Chargés de Mission and Heads of Offices to remind staff that the submission of fraudulent MIP claims could be ground for summary dismissal. The MIP Statutes and Internal Rules also state that neither abuse nor fraud will be tolerated and that the subscriber will be held responsible and subject to disciplinary measures.

17. However, DHRM has not developed the required tools and mechanisms to supervise the delegation of authority and how it has been discharged.

Recommendation 1

(1) The UNHCR Senior Management should ensure that the delegation of authority to the field regarding the day-to-day administration of the Medical Insurance Plan (MIP) is supported by the provision of targeted training for the Lead MIP Administrators and appropriate tools and mechanisms for the Division of Human Resources Management to supervise the delegation of authority.

18. *The UNHCR DHRM accepted recommendation 1 and stated that they recognize the need to train the local MIP administrators. However, they also emphasized that it should be the responsibility of the Representative(s) to ensure that a transfer of knowledge takes place whenever an MIP administrator is replaced. DHRM added that a regional MIP training took place in 2003 and six MIP administrators from Afghanistan participated in it. DHRM would expect that a transfer of knowledge be also enforced at the local level, covering both knowledge of MIP rules and knowledge of the MIP operating system. PAPS is in the process of replacing the existing MIP system. There was a consensus among all parties concerned that synergies and time/costs savings could be achieved by integrating a MIP bolt-on in the existing MSRP (Managing for Systems, Resources and People) Human Resources module. The existing MIP software has become obsolete and will be phased out. Most, if not all, of the points raised in the audit report will be addressed with the implementation of the MSRP MIP bolt-on, which will take place on 1 January 2010. A range of controls have been built into the MIP bolt-on in line with the MIP rules. Training materials and lessons will be delivered to the locations where MIP is applicable, at the same time as the MSRP MIP bolt-on is rolled-out. In addition, in order to ensure a smooth transition between the legacy system and the MSRP MIP bolt-on, MIP regional workshops will also be delivered to MIP practitioners. Recommendation 1 remains open pending the successful implementation of the MIP bolt-on in the existing MSRP HR module.*

V. ACKNOWLEDGEMENT

19. 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.

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