



INTERNAL AUDIT DIVISION

AUDIT REPORT

Non-expendable property in MONUSCO

Physical verification of non-expendable property in MONUSCO was conducted regularly, but the Mission did not follow up and resolve discrepancies in a timely manner

4 March 2011

Assignment No. AP2010/620/07

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. Roger A. Meece
A: Special Representative of the Secretary-General
MONUSCO

DATE: 4 March 2011

REFERENCE: IAD: 11-00265

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



SUBJECT: Assignment No. AP2010/620/07 – Audit of non-expendable property in MONUSCO

OBJET:

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 recommendation 7 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, particularly those designated as high risk, in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Paul Buades, Director of Mission Support, MONUSCO
Mr. David Pittfield, Chief, Integrated Support Services, MONUSCO
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
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Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS
Ms. Amy Wong, Programme Officer, Internal Audit Division, 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 non-expendable property in MONUSCO

The Office of Internal Oversight Services (OIOS) conducted an audit of non-expendable property in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over non-expendable property. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Physical verification of non-expendable property was conducted regularly, but the Mission did not resolve discrepancies in a timely manner. The main audit results are as follows:

- The Mission did not implement appropriate procedures for resolving discrepancies found during the physical verification of non-expendable property. Also, the Mission did not investigate and resolve cases of lost, stolen and damaged items in a timely manner. This increased the risk loss of United Nations Property.
- The safety and security measures at the Mission's warehouses were not adequate. There were no functioning Closed-Circuit Televisions at some warehouses and highly inflammable items had been stored adjacent to one of the warehouses. This increased high safety and security risks.
- The Mission had more than 3,000 empty containers valued at approximately \$5.1 million, some of which had deteriorated and needed to be disposed of in the most economical manner.

OIOS made eight recommendations to address the issues identified during the audit and to improve the management of non-expendable property.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of non-expendable property in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Director of Mission Support (DMS) is responsible for overall management of property assigned to the Mission and self-accounting units (SAUs) are responsible for the day-to-day management of property entrusted to them.
3. At the time of the audit, MONUSCO had 56,405 items of non-expendable property valued at about \$270 million. Warehouses in Kinshasa and Entebbe held the largest numbers of non-expendable property valued at \$63 million and \$39 million, respectively.
4. Comments made by MONUSCO are shown in *italics*.

II. AUDIT OBJECTIVES

5. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over non-expendable property.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered the management of non-expendable property in the Mission during the period from 1 July 2009 to 30 June 2010.
7. The audit methodology included review of relevant documents, analysis of data including that from the Galileo Inventory Management System (Galileo) and reports of the Property Control and Inventory Unit (PCIU), and interviews with key personnel. Field visits to warehouses in Kinshasa, Entebbe and Goma were conducted.

IV. AUDIT RESULTS

A. Compliance with policies and procedures

Resolving discrepancies after physical inspection

8. The standard operating procedures (SOPs) on Key Performance Indicators for Property Management promulgated by the Departments of Peacekeeping Operations and Field Support (DPKO/DFS) require that PCIU and SAUs carry out 100 per cent reconciliation of discrepancies noted during physical verification of non-expendable property. PCIU shall ensure that SAUs
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update their respective inventory records within 30 days of completing the physical verification.

9. The Mission conducted physical verification of non-expendable property regularly. However, the discrepancies noted during the process were not resolved in a timely manner. For example, the discrepancies report for August 2010 had 66 items, which were still to be resolved at the time of the audit in November 2010.

10. In addition, 54 Information and Communication Technology (ICT) assets were assigned to four staff members who left the Mission and were recorded in the discrepancies report. Although these assets were subsequently located and the process of handover had been initiated, the relevant inventory records in Galileo had not been updated.

11. Delays in resolving discrepancies were attributed to the lack of oversight by PCIU over SAUs regarding the management of the Mission's non-expendable property.

Recommendation 1

(1) The MONUSCO Office of Mission Support should ensure that the Property Control and Inventory Unit and the self-accounting units complete timely reconciliation and resolution of discrepancies found during physical verification.

12. *The MONUSCO Office of Mission Support accepted recommendation 1 and stated that it has put in place procedures to more closely monitor the process of identifying and following up by PCIU of SAU's management of non-expendable property. Discrepancies identified during the audit have been resolved. The Mission will endeavor to ensure the timely reconciliation and resolution of discrepancies found during physical verification.* Recommendation 1 remains open pending receipt of evidence that the discrepancies noted during the audit have been properly dealt with.

Reporting cases of loss, theft or damage

13. The Property Management Manual states that cases of loss, theft or damage should be followed up and investigated. The concerned SAU shall initiate a write-off voucher and ensure that a security report is completed and referenced in Galileo.

14. The Mission did not report, investigate and resolve cases of loss, theft or damage in a timely manner. Eighteen of the 60 items selected for review by OIOS had been lost or stolen, but there was no evidence of the related incident reports being made.

15. The Mission did not have an effective monitoring system to ensure that lost, stolen and damaged items were reported and investigated in a timely manner. This increased the risk of loss of United Nations assets.

Recommendation 2

(2) The MONUSCO Office of Mission Support should establish an adequate monitoring mechanism to ensure that lost items are systematically reported and promptly investigated.

16. *The MONUSCO Office of Mission Support accepted recommendation 2 and stated that the Mission was considering ways to improve the procedures for reporting loss, theft and/or damage of property. These procedures will cover items not found during physical verification, making users more accountable, and new procedures for writing-off and strengthening investigation mechanisms. Recommendation 2 remains open pending receipt of procedures for reporting and investigating loss, theft, and/or damage of property.*

Lack of an asset manager in medical stores

17. Paragraph 1.11 of the Property Management Manual requires the appointment of an asset manager by each SAU to carry out day-to-day property management duties.

18. The warehouse used for storing medical supplies valued at about \$2.13 million did not have an asset manager. The Pharmacist who was performing the duties had not been adequately trained. Prior to the Pharmacist assuming that function, the Administrative Assistant who had not been trained in warehouse management was also performing the duties of the asset manager.

19. The lack of a trained asset manager presented the risk of mismanagement and financial loss to the Organization.

Recommendation 3

(3) The MONUSCO Office of Mission Support should designate an asset manager for the Medical Section.

20. *The MONUSCO Office of Mission Support accepted recommendation 3 and stated that recruitment of an asset manager was underway. Recommendation 3 remains open pending confirmation that an asset manager for the Medical Section has been recruited.*

B. Data integrity

Galileo system access controls

21. The Communication and Information Technology Section (CITS) Network Security Policy prohibits the circumvention of security procedures. For example, staff members may not access any network resource without CITS explicitly granting them access.

22. At least three out of 11 staff members selected for review accessed inventory records in Galileo using the usernames and passwords of individuals who were on leave. As a result, the integrity of the data may have been compromised. The Mission did not put in place adequate access controls to ensure accuracy and reliability of data in Galileo.

Recommendation 4

(4) The MONUSCO Office of Mission Support should ensure that the Communication and Information Technology Section establishes and implements proper access controls for the Galileo system.

23. *The MONUSCO Office of Mission Support accepted recommendation 4 and stated that it will remind all staff to strictly adhere to the CITS Network Security Policy which prevents users from giving out their credentials. The Mission also pointed out that without an electronic monitoring mechanism, it was impossible to fully enforce this rule.* Recommendation 4 remains open pending receipt of an instruction to staff reminding them of their responsibility to adhere to the CITS Network Security Policy.

Updating Galileo

24. The Property Management Manual states that complete and accurate records shall be kept in respect of all supplies and equipment received, in stock, issued, pending disposal, sold or otherwise disposed of. SAUs shall use Galileo for inventory management. PCIU shall be responsible for maintaining auditable records, in both hard copy and electronic format, and for ensuring the sufficiency, accuracy and integrity of information pertaining to the inventory.

25. Non-expendable property valued at \$2.3 million had been transferred from their original locations to other locations, but these transfers had not been recorded in Galileo. Galileo has an asset tracking mechanism which was not used by the SAUs. Moreover, no effective follow-up actions were taken by asset managers to verify whether the transfers had been promptly recorded in Galileo.

Recommendation 5

(5) The MONUSCO Office of Mission Support should ensure that the Self Accounting Units update Galileo in a

timely and systematic manner with respect to the actual location and custody of non-expendable property.

26. *The MONUSCO Office of Mission Support accepted recommendation 5 and stated that partial shipments using transfer vouchers caused problems, and it was better only to record shipments when completed. Measures were being considered to enhance coordination of shipments and tracking mechanism and ensure that transfers between locations were effectively followed up and promptly recorded in Galileo. Recommendation 5 remains open pending receipt of measures taken to update Galileo in a timely and systematic manner with respect to the actual location and custody of non-expendable property.*

C. Warehouse safety and security

Warehouse security system

27. According to the Warehousing Guidelines, Closed-Circuit Television (CCTV) and recording equipment should be installed, where feasible, to safeguard the non-expendable property in the warehouses.

28. CCTV was not installed in the Supply warehouse in Goma and the CCTVs in the Supply and Engineering warehouses in Entebbe and in Kinshasa were not functioning. In addition, the warehouse managers were not trained in using CCTVs. The lack of adequate security at warehouses increases the risk of loss through theft.

Recommendation 6

(6) The MONUSCO Office of Mission Support should ensure that functioning Closed-Circuit Televisions are installed in warehouses, where appropriate.

29. *The MONUSCO Office of Mission Support accepted recommendation 6 and stated that CCTV has now been requisitioned for some warehouses and will be installed by the end of the financial year. The rest will be installed in the next budget cycle. Recommendation 6 remains open pending confirmation that CCTVs have been installed to provide better security over non-expendable property in warehouses.*

Safety measures

30. There were insufficient safety measures for warehouses. The supply warehouse in Kinshasa had stored highly inflammable items in containers outside the warehouse, in close proximity to one of the fuel stations. There was no evidence of regular inspection of warehouses by the Fire and Safety Section. This created high safety risks including endangering human lives.

Recommendation 7

(7) The MONUSCO Office of Mission Support should relocate highly inflammable items away from warehouses and instruct the Fire and Safety Section to regularly inspect warehouses and their surroundings.

31. *The MONUSCO Office of Mission Support accepted recommendation 7 and stated that it has been implemented. The Security Fire Fighting Unit conducts quarterly inspections to assess fire risk at warehouses. The analysis reports are then submitted to all SAUs and warehouse supervisors for guidance on secure storage of inflammable and toxic items. Based on the assurance provided by Management, recommendation 7 has been closed.*

D. Write-off procedures

Disposal of unused non-expendable assets

32. As of November 2010, the Mission had more than 3,000 empty surplus containers valued at about \$5.1 million that were spread across the Mission area. About 450 of these containers had deteriorated and needed to be disposed of.

33. The Mission did not have an efficient and cost-effective way to dispose of the containers. The containers had to be handed over to the Property Disposal Unit in Kinshasa for disposal. This means that they had to be airlifted or transported by road to Kinshasa, which is not cost effective. In some instances, the cost of transport exceeded the salvage value of the containers.

Recommendation 8

(8) The MONUSCO Office of Mission Support should explore an efficient and cost-effective way of disposing of the empty containers that were not being used, taking into account the possible environmental implications.

34. *The MONUSCO Office of Mission Support accepted recommendation 8 and stated that it intends to use the containers that are in good condition for storage facilities. These will later on be written off and disposed in a cost-effective manner either by selling them on the commercial market or donating them. Recommendation 8 remains open pending confirmation that empty containers have been disposed of in a cost-effective manner.*

V. ACKNOWLEDGEMENT

35. We wish to express our appreciation to the Management and staff of MONUSCO 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 MONUSCO Office of Mission Support should ensure that the Property Control and Inspection Unit and the self-accounting units complete timely reconciliation and resolution of discrepancies found during physical verification.	Operational	Medium	O	Receipt of evidence that the discrepancies noted during the audit have been properly dealt with.	30 June 2011
2	The MONUSCO Office of Mission Support should establish adequate monitoring mechanisms to ensure that lost items are reported and investigated systematically and promptly.	Compliance	Medium	O	Receipt of procedures for reporting and investigating loss, theft, and/or damage of property.	30 March 2011
3	The MONUSCO Office of Mission Support should designate an asset manager for the Medical Section.	Operational	Medium	O	Confirmation that an asset manager for the Medical Section has been recruited.	30 June 2011
4	The MONUSCO Office of Mission Support should ensure that the Communication Information Technology Section establish and implement proper access controls for the Galileo system.	Operational	Medium	O	Receipt of an instruction to staff reminding them of their responsibility to adhere to the CITS Network Security Policy.	Not provided
5	The MONUSCO Office of Mission Support should ensure that the Property Control and Inventory Unit updates the Galileo System in a timely and systematic manner with respect to the actual location and custody of non-expendable property.	Operational	Medium	O	Receipt of measures taken to update Galileo in a timely and systematic manner with respect to the actual location and custody of non-expendable property.	30 June 2011
6	The MONUSCO Office of Mission support should ensure that functioning Closed-Circuit Televisions are installed in all warehouses where feasible.	Operational	Medium	O	Confirmation that CCTVs have been installed to provide better security over non-expendable property in warehouses.	30 June 2011
7	The MONUSCO Office of Mission Support should relocate the highly	Operational	Medium	C	Action taken.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
	inflammable items away from the warehouse and instruct the Fire and Safety Section to regularly inspect warehouses and their surroundings.					
8	The MONUSCO Office of Mission Support should explore an efficient and cost-effective way of disposing of the empty containers that were not being used, taking into account the possible environmental implications.	Operational	Medium	O	Confirmation that empty containers have been disposed of in a cost-effective manner.	30 June 2011

1. C = closed, O = open

2. Date provided by MONUSCO in response to recommendations.