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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,
A: United Nations High Commissioner for Refugees

DATE: 3 March 2011

REFERENCE: IAD: 11- **00262**

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



SUBJECT: **Assignment No. AT2010/166/01 – Audit of ICT Services contracted to third parties in the UNHCR**
OBJET: **country offices**

UNHCR needs to strengthen the control system for managing ICT services contracted to third parties in country offices

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. All the recommendations remain open in the OIOS recommendations database. In order for us to close them, 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 (i.e., recommendation 1), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

EXECUTIVE SUMMARY

Audit of ICT services contracted to third parties in UNHCR country offices

The Office of Internal Oversight Services (OIOS) conducted an audit of the information and communications technology (ICT) services contracted to third parties in the United Nations High Commissioner for Refugees (UNHCR) country offices. The overall objective of the audit was to assess whether UNHCR had adequate policies and procedures for governing ICT projects and activities initiated and managed in the country offices. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Information Technology Governance Board (ITGB) established by UNHCR (IOM/FOM 57/2006) in 2006 required all UNHCR offices to prepare business cases documenting the cost/benefit analysis and resource requirements associated with their ICT initiatives, and also outlining how these initiatives would support the organization's strategic objectives. In this regard, OIOS found that limited information existed at the UNHCR Headquarters about the ICT initiatives developed and implemented by the country offices.

While some country offices initiated major ICT projects, there was no documentary evidence that these projects were submitted to the ITGB in accordance with the established policy. Some of these projects included third party services for developing or maintaining applications for biometric identification, upgrading of a refugee database and new database systems. While valid operational and business needs may have justified these ICT initiatives, there was no assurance that adequate controls were designed and implemented to mitigate the inherent risks associated with these types of initiatives.

UNHCR had not defined and distinguished ICT functions that should be performed by staff members (i.e. information security), and those that could instead be performed by third party contractors. There were also no guidelines on the level of ICT resources needed by each country office for delivering their services in accordance with number of users, operational risks and applications/infrastructure supported. Some country offices running multi-million dollar assistance programmes (i.e. Georgia and Turkey) did not have either dedicated ICT staff members or their numbers were not commensurate with the size of their operations (i.e. Afghanistan, Jordan, Syria and Pakistan).

Functional supervision and oversight of ICT staff in country offices (example: ICT Assistants) was not adequate as they generally reported only to their operational managers. There was no assurance that adequate service level agreements existed for managing outsourced activities (like network administration), and monitoring the deliverables and services received from service providers.

I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit of the information and communications technology (ICT) services contracted to third parties in the United Nations High Commissioner for Refugees (UNHCR) country offices. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

5. UNHCR's investments in ICT increased in the last decade with the implementation of new organization-wide applications, such as the PeopleSoft/Oracle-based Enterprise Resource Planning (ERP) system, results based management system and a registration system (proGres). Notwithstanding the implementation of these organization-wide initiatives, UNHCR has still a significant number of information technology projects that have not been adequately coordinated into the information architecture of the whole organization. To address this issue, UNHCR established an Information and Communication Technology Governance Board (ITGB) in June 2006 (IOM/FOM 57/2006). The ITGB was mandated to review and approve all information technology projects and provide a single and coherent oversight structure to maximize return on investment, ensure systems' compatibility and integration, and prevent redundancy.

6. The ITGB introduced the requirement for UNHCR offices to submit all requests for ICT initiatives and projects to the Division of Information Systems and Telecommunications (DIST) for review and consideration. DIST would then submit the reviewed requests to the ITGB for ICT initiatives with investment costs over \$50,000.

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

II. AUDIT OBJECTIVES

8. The main objective of the audit was to assess whether adequate control procedures were in place in the UNHCR country offices for contracting ICT services to third parties.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit was conducted at UNHCR's Headquarters in Geneva. Meetings were held with the Senior Regional Resource Managers and DIST officials in Geneva, as well as senior UNHCR officials who were in country offices (such as Senior Programme Officers) in the recent past and are currently based in Geneva.

10. In addition, OIOS submitted an internal control questionnaire seeking information from UNHCR country offices on ICT initiatives that included: (a) the administration of the local area network; (b) maintenance of hardware and software; (c) development of applications to support programme activities; and (d) web site development. The questionnaire covered activities undertaken directly by UNHCR operations and indirectly through their implementing partners. The Senior Regional Resource Managers in UNHCR circulated the questionnaire to country offices. About 50 responses were received (which comprised about half of the country offices).

11. OIOS also reviewed: (i) the purchase orders processed by all country offices between 1 January 2008 and 30 September 2010 for the procurement of a range of ICT products and services; and (ii) UNHCR world-wide staffing table for establishing the extent and level of ICT staff members available in UNHCR.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Background

12. OIOS analysed the financial information related to the ICT expenditures of the UNHCR country offices. The total value of the purchase orders raised by UNHCR for ICT expenditure for software, computers, hardware, accessories and computer services amounted to over \$64 million between 1 January 2008 and 30 September 2010. This amount included the value of Headquarters' purchase orders of over \$50 million, though a major part of the procured goods and services was shipped to/was intended for country offices. OIOS noted that these costs were only a partial component of the overall expenditures incurred by UNHCR country offices for running their ICT operations. Additional cost elements related to staff costs (for both UNHCR and the implementing partners) could not be easily established. Furthermore, errors and inconsistencies existed in UNHCR's own data recording. For instance, expenditure of \$120,000 for identification cards and passports was charged to computer services in Sierra Leone; several UNHCR country offices recorded payment for internet service under generic labeling such as "other commercial contracts", "news agency services" and "computerized message switching system".

B. Applications development

13. UNHCR's policies established that all ICT initiatives and projects should (IOM/FOM 57/2006) be submitted by the business units (i.e. country offices) to DIST for review and consideration. UNHCR Offices, including country offices, should have also prepared a business case documenting the cost/benefit analysis, resource requirements, funding resources and a justification of how their new ICT initiative would support UNHCR's strategic objectives. A project sizing matrix developed by DIST assisted business units in determining which projects would require prior approval from the ITGB (initiatives with investment costs over \$50,000).

14. Notwithstanding the role of the ITGB and DIST, limited information existed in UNHCR Headquarters about ICT initiatives developed and implemented in country offices. A review of the minutes of the ITGB meetings since 2006 did not identify any ICT initiative submitted for approval from a UNHCR country office. Nevertheless, during this period, various UNHCR country offices undertook ICT projects. This information was verified by OIOS through discussions with UNHCR officials, the responses received from country offices to the audit questionnaire and an analysis of the financial data. These projects included:

- (a) An application using biometric identification was implemented in Pakistan in 2003. Total payments for the services received on this application since 2003 exceeded \$2.7 million. Although this initiative was initiated before the establishment of the ITGB and the corresponding requirement for prior approval, \$1.3 million was paid subsequent to the establishment of the ITGB;

(b) UNHCR Pakistan country office paid \$6.5 million between January 2008 and October 2010 to a government implementing partner for developing and maintaining a database for registration;

(c) UNHCR Thailand country office spent about \$135,000 to upgrade a refugee database run by the Ministry of Interior;

(d) UNHCR Jordan country office contracted a private entity to develop a web-enabled application to capture the assistance rendered by UNHCR and implementing partners to a large group of beneficiaries. The cost of development paid for the services received for this application was \$31,000. However, no further details were available about the additional costs that were incurred by UNHCR for staff costs and infrastructure associated with this initiative. In addition, OIOS noted that potentially sensitive data were captured by this system and stored on a server owned by a non-UN entity;

(e) UNHCR Italy country office raised purchase orders for an amount over \$200,000 for procuring database management systems (between 2008 and 2010); and

(f) UNHCR Ecuador country office engaged external consultants to migrate and use the data contained in the UNHCR registration system (proGres) to an application that implementing partners can use, thereby exposing sensitive beneficiary data to external entities.

15. In the above listed cases, OIOS noted that while valid operational and business needs could have existed for starting each ICT initiative in the country offices, there was no assurance that adequate controls were designed and implemented to mitigate the risks inherent in any project development, such as:

(a) Undefined project development methodology, time frame deliverables and work-breakdown structures;

(b) Adoption of inappropriate technologies;

(c) Inadequate segregation of development, testing and production environments;

(d) Undefined systems and data ownership;

(e) Inadequate estimation of costs related to staffing, licenses and hardware;

(f) Weak internal control mechanisms to prevent unauthorized changes to the systems and data;

(g) Lack of procedures for granting and monitoring user access to the data;

(h) Inadequate reporting; and

(i) Lack of testing procedures and data back-up, disaster recovery and business continuity plans.

16. The main causes of the identified control weaknesses related to a combination of the following factors: (a) lack of awareness of the existence of ITGB among UNHCR managers; (b) a potential perception that submitting requests for ICT projects through the ITGB would have caused delays, (c) decentralized financial responsibility to UNHCR Representatives for managing ICT budgets and establishing, prioritizing and obtaining the resources needed for running local projects (directly or through implementing partners); and (d) lack of mechanisms for identifying, monitoring, reporting and follow-up on ICT expenditures across the organization (including expenditures incurred through UNHCR's implementing partners).

17. Furthermore, OIOS noted that there were no procedures in place to ensure compliance with the ITGB process by the UNHCR Representatives on the ICT projects undertaken at country office level. There was also no assurance that formal governance mechanisms existed in the country offices for approving and monitoring ICT projects in accordance with the rotation of professional staff and the constant evolution of UNHCR operations and funding fluctuations.

18. DIST has been restructuring its programme and has recently established an ICT Portfolio Office with the intention to develop a governance and delivery support model for UNHCR's ICT programmes and projects. With this initiative, DIST intends to create a structured governance process for ICT projects and provide assurance to senior management that the organization makes sound ICT investments while minimizing risks.

19. The establishment of an ICT Portfolio Office could provide proper structure to the ICT projects. However since this initiative is still pending, the current condition exposes UNHCR to the risk of investing in redundant systems or acquiring incompatible applications.

Recommendation 1

(1) UNHCR Administration should: (a) launch initiatives to increase the level of awareness of the UNHCR ICT governance policies (including security) and procedures among managers at country office level; and (b) establish a mechanism to identify, monitor, report and follow-up on ICT expenditures across the organization (including those made through implementing partners) to ensure that funds are used in accordance with the business objectives.

20. The UNHCR Administration accepted recommendation 1 and stated that *the DIST change programme (Project Prometheus) will result in a globally restructured organization of the division and it is designed to address the recommendations (expenditure, office structures, service orientation and governance)*. Recommendation 1 remains open pending receipt of documentation on the initiatives put in place by UNHCR for: i) increasing the level of awareness about ICT governance policies and procedures among managers; and ii) monitoring ICT expenditures across the organization.

C. ICT services and resources

Lack of documented procedures for identifying ICT service requirements

21. ICT services in country offices should benefit from the infrastructure and expertise available in the Headquarters.

22. DIST provides varying levels of ICT services to country offices ranging from helping them procure new ICT equipment, installing complex Local Area Networks (LANs), through troubleshooting and rectifying ICT equipment breakdowns. DIST is also responsible for ensuring that strategic applications and their supporting infrastructure function correctly and continue to evolve on the basis of the local needs.

23. However, OIOS did not find adequate evidence that DIST has identified the ICT functions that should be performed by staff members and those that instead could be performed by external contractors. Furthermore, no evidence was available about the criteria for determining the staffing levels needed for guaranteeing support to the ICT function in the country offices.

24. Based on the results of OIOS' interviews with UNHCR managers (and also from past audits of the UNHCR country offices), it emerged that the ICT function was often considered essential but not necessarily critical to their operations. UNHCR Representatives often decided on the ICT posts based on the available budget. Consequently, there was risk that the ICT resources in place did not match the required amount of staff and mix of skills.

25. ICT positions did not appear in the list of frequently required standard posts published in the UNHCR intranet. OIOS could not obtain generic job descriptions from the Human Resources manual and the electronic document management system (Livelink) for the ICT functions in country offices.

26. OIOS observed the following:

(a) The majority of UNHCR country offices have a local area network (LAN) for sharing computing resources. In addition, several UNHCR country offices use other stand-alone databases and applications for registration and assistance delivery. UNHCR relied upon a combination of personnel for running these services from regular staff categories to United Nations Volunteers and external consultants;

(b) Some of the larger UNHCR country offices did not have dedicated ICT staff. These operations had over seventy staff members distributed across several locations and ran multi-million dollar assistance programmes. For example, Georgia had a budget of \$62 million for 2010; Turkey had a budget of \$16 million for 2010; and Italy (though it procured database systems), a major fund raising country, had no ICT staff;

(c) Some UNHCR operations had just a few national staff members for delivering ICT services. For example (Executive Committee approved budgets): Pakistan, with a budget of \$177 million had four General Service (GS) staff members and a National Officer; Afghanistan, with a budget of \$105 million had

the same numbers as well; Jordan, with a budget of \$64 million had one GS staff member; and Syria with a budget of \$167 million had one GS staff member and one National Officer; and

(d) In country offices where there was no dedicated ICT position, some of the basic tasks related to LAN administration were carried out by staff members who performed other functions (like Finance Assistant or Telecommunications Assistant). There were also cases where these functions were performed by external consultants (i.e. in China) or were outsourced to private entities (i.e. in Turkey).

27. The inadequate ICT staffing resources may have an adverse effect on the security of the information processed in the UNHCR country offices.

Recommendation 2

(2) Recommendations: UNHCR Administration should:
(a) Establish criteria and guidelines for determining the level of ICT resources needed for delivering the necessary services in each country office based on a matrix of variables such as the number of users and locations, operational needs, risks and applications/infrastructure supported; (b) Compile a list of ICT functions and corresponding job descriptions for staff members; and (c) Coordinate with UNHCR Representatives and the Regional Bureaux for identifying and allocating ICT staffing resources based on their operational needs

28. The UNHCR Administration accepted recommendation 2 and stated that the *DIST change programme and the adoption of the portfolio, programme and project offices methodology (P30) will guide, monitor, and inform UNHCR on all ICT matters like office structures, service orientation, project management, budgeting, expenditure reporting*. Recommendation 2 remains open pending receipt of documentation demonstrating the implementation of the change programme and portfolio, programme and project offices methodology (P30) for managing ICT resources.

D. Supervision and oversight

29. DIST officials based in Geneva and the Regional Senior Information Systems Officers should be supervising ICT staff members in country offices.

30. The results of interviews conducted by OIOS with DIST officials indicated that there was no oversight mechanism in place to review the functions of ICT officials based in UNHCR country offices. ICT staff employed in country offices reported only to their local UNHCR management and their work was not subject to any functional review or monitoring by DIST officials.

31. UNHCR has ICT Officers based in eight regional locations (Kinshasa, Dakar, Pretoria, Nairobi, Cairo, Dubai, Panama and Kuala Lumpur) providing support to country offices located in their respective region. However, limited travel funds and operational priorities often restricted their ability to provide adequate support and assurance on the

existence of controls related to: (a) backup and recovery services; (b) reliability of network security for systems and data; and (c) adequacy of physical security.

32. In addition, there was no assurance that adequate service level agreements existed for managing outsourced activities. Country offices generally lacked the capacity to monitor deliverables and services received from third-party service providers.

Recommendation 3

(3) Recommendations: UNHCR Administration should:
(a) Establish a strategy and a plan of action to oversee the functions of ICT staff members in UNHCR country offices; (b) Guide and assist UNHCR managers in the country offices in monitoring ICT services received from third-party providers; and (c) Ensure that a standard contract template is used by country offices when engaging third-party providers.

33. The UNHCR Administration accepted recommendation 3 and stated that *an ICT Strategy has been prepared for the whole UNHCR and ICT functions and structures have been defined and classified globally*. Recommendation 3 remains open pending receipt of documentation demonstrating the implementation of procedures for overseeing UNHCR country offices with regard to: i) The functions assigned to and performed by ICT staff members; ii) Monitoring ICT services received from third parties; and iii) Engaging third-party providers of ICT services.

V. ACKNOWLEDGEMENT

34. 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.

cc: Mr. Alexander Aleinikoff, Deputy High Commissioner, UNHCR
Ms. Erika Feller, Assistant High Commissioner (Protection), UNHCR
Ms. Janet Lim, Assistant High Commissioner (Operations), UNHCR
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STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
1	UNHCR Administration should: (a) launch initiatives to increase the level of awareness of the UNHCR ICT governance policies (including security) and procedures among managers at country office level; and (b) establish a mechanism to identify, monitor, report and follow-up on ICT expenditures across the organization (including those made through implementing partners) to ensure that funds are used in accordance with the business objectives.	Information Resources	High	O	Receipt of documentation on the initiatives put in place by UNHCR for: i) increasing the level of awareness about ICT governance policies and procedures among managers; and ii) monitoring ICT expenditures across the organization.	Not provided
2	UNHCR Administration should: (a) Establish criteria and guidelines for determining the level of ICT resources needed for delivering the necessary services in each country office based on a matrix of variables such as the number of users and locations, operational needs, risks and applications/infrastructure supported; (b) Compile a list of ICT functions and corresponding job descriptions for staff members; and (c) Coordinate with UNHCR Representatives and the Regional Bureaux for identifying and allocating ICT staffing resources based on their operational needs.	Information Resources	Medium	O	Receipt of documentation demonstrating the implementation of the change programme and portfolio, programme and project offices methodology (P30) for managing ICT resources.	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
3	UNHCR Administration should: (a) Establish a strategy and a plan of action to oversee the functions of ICT staff members in UNHCR country offices; (b) Guide and assist UNHCR managers in the country offices in monitoring ICT services received from third-party providers; and (c) Ensure that a standard contract template is used by country offices when engaging third-party providers.	Information Resources	Medium	O	Receipt of documentation demonstrating the implementation of procedures for overseeing UNHCR country offices with regard to: i) The functions assigned to and performed by ICT staff members; ii) Monitoring ICT services received from third parties; and iii) Engaging third-party providers of ICT services.	Not provided

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.