



## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Human resources management of the Umoja project**

**Overall results relating to human resources management were initially assessed as unsatisfactory. Two critical recommendations remain open pending implementation.**

**FINAL OVERALL RATING: UNSATISFACTORY**

**20 April 2012**

**Assignment No. AT2011/510/02**

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# AUDIT REPORT

## Audit of human resources management of the Umoja project

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of human resources management of the Umoja project in the Department of Management (DM).

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.

3. The Umoja project is an administrative reform initiative of the United Nations Secretariat aimed at consolidating the management of all financial, human and physical resources under a single integrated solution. General Assembly resolution 63/262 formally established provisions for a governance structure, a full-time Umoja team, and a project budget. The General Assembly in its draft resolution A/C.5/66/L.18 of 23 December 2011, decided that the Umoja Project Director will report solely and directly to the Under-Secretary-General for Management (USG). Prior to this the Umoja Project Director reported to the Chair of the Steering Committee on the business processes and to the Chief Information Technology Officer (CITO) on day-to-day project management and technology issues.

4. The Umoja team has 90 approved regular posts and 44 subject matter experts (SMEs) (increased to 66 in 2011 for the build phase). The project also uses consultants on short service agreements and interns. In addition to these resources, the Umoja team has contracted PricewaterhouseCoopers (PwC) to provide systems integration, and Deloitte & Touche (Deloitte) to provide strategic advisory services for the design phase. The number of PwC staff on site at any one time changes in line with the requirements of the statement of works (SOW). As of January 2012, PwC had 47 staff on site.

5. The first Umoja progress report of the Secretary-General (A/64/380), dated October 2009, indicated that the Umoja team was composed of 80 staff, of which 36 were funded through general temporary assistance posts. With the second Umoja progress report (A/65/389), the Secretary-General proposed, and the General Assembly approved, 10 additional temporary posts through redeployment of resources from contractual services to post costs, as well as the conversion of 36 general temporary assistance-funded positions to temporary posts. In the same document, the Secretary-General also outlined the required resources by project phases (Table 1).

**Table 1: Required resources for Umoja, by phase**

	<b>Prepare</b>	<b>Design</b>	<b>Build</b>	<b>Deploy phases I-III</b>
Umoja staff, (full-time equivalent)	30	44	90	90
Subject matter experts (full-time equivalent)	-	44	66	66
Individual consultants (full-time equivalent)	2	6	12	8
Other costs (thousands of United States dollars)	\$2,776	\$40,791	\$90,893	\$75,853

6. Comments provided by the DM are incorporated in *italics*.

## II. OBJECTIVE AND SCOPE

7. The audit of human resources management of the Umoja project was conducted to assess the adequacy and effectiveness of the DM's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of human resources for Umoja implementation**.

8. This audit was selected because of the high risks faced by the Umoja office in identifying and prioritizing staff requirements and effectively deploying and/or allocating resources when and where they are mostly needed, and because the previous audit identified breaches of human resources, financial and procurement regulations, rules and procedures which posed a reputation risk for the ERP project.

9. The key controls tested for the audit were: (a) project management; (b) human resources targets and strategies; (c) recruitment and promotion policies and procedures; and (d) contingency plans for using consultants and short-term staff. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Project management** - controls that provide reasonable assurance that the resources and mechanisms to manage the Umoja human resources are adequate and effective.

(b) **Human resources targets and strategies** - controls that provide reasonable assurance that the Umoja office has defined and met human resources targets, and implemented strategies to ensure the recruitment and retention of competent staff.

(c) **Recruitment and promotion policies and procedures** - controls that provide reasonable assurance that the recruitment and promotion policies and procedures for Umoja are adequate and effective.

(d) **Contingency plans for using consultants and short-term staff** - controls that provide reasonable assurance that the Umoja team has contingency plans and/or available alternatives for addressing staff shortage.

10. The key controls were assessed for the control objectives shown in Table 2. Certain control objectives (shown in Table 2 as "Not assessed") were not relevant to the scope defined for this audit.

11. OIOS conducted this audit from April to October 2011. The audit covered the period from 1 April 2010 to 31 July 2011.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

## III. AUDIT RESULTS

13. DM's governance, risk management and control processes examined were assessed as **unsatisfactory** in providing reasonable assurance regarding the **effective management of human resources for Umoja implementation**. OIOS made six recommendations to address issues identified in the audit. DM assessed the adequacy of resources dedicated to the human resources administration and recruitment activities and identified two additional posts dedicated to the project. It defined its human

resources strategy and identified the profiles needed for the coming phases of work and agreed on special measures for expediting recruitment of project staff. DM was in the process of identifying short-term needs for technical experts in SAP. While the Steering Committee provided necessary strategic direction and kept the Umoja human resources issues under close watch, at the operational level the systems and procedures needed to manage the risks in identifying, prioritizing and deploying human resources were either lacking or ineffective. Action was needed to address skill set requirements that were not systematically updated; staffing requirements that were not assessed against the current benchmark; the lack of mechanism to track and assess the effectiveness of knowledge transfer between the system integrator PwC and the Umoja team; and the lack of a recruitment strategy for subject-matter experts with the view to encouraging staff members' interest and facilitating their release to Umoja.

14. The initial overall rating of unsatisfactory was based on the assessment of key controls presented in Table 2 below. The final overall rating is unsatisfactory as two critical recommendations remain in progress.

**Table 2: Assessment of key controls**

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Effective management of human resources for Umoja implementation</b>	(a) Project management capacity	Unsatisfactory	Not assessed	Not assessed	Not assessed
	(b) HR targets and strategies	Unsatisfactory	Not assessed	Not assessed	Not assessed
	(c) Recruitment and promotion policies and procedures	Partially satisfactory	Not assessed	Not assessed	Partially satisfactory
	(d) Contingency plans for using consultants and short-term staff	Unsatisfactory	Not assessed	Not assessed	Not assessed
<b>FINAL OVERALL RATING: UNSATISFACTORY</b>					

## **A. Project management**

### Capacity gaps

15. The Umoja team did not have an adequate number of staff with experience to support the SAP application for ensuring an effective, efficient and timely implementation of the work scope (See Table 3).

16. Early in 2011, the Umoja team undertook an internal assessment of both United Nations staff and PwC consultants for determining whether they had adequate knowledge of the business processes and expertise in supporting the SAP application. As the project transitions to the build phase, knowledge of the SAP application becomes more important. The Umoja team did not have the right mix of skills. A

limited number of Umoja staff had experience in supporting the SAP application, and given the insufficient knowledge transfer, the project did not have the necessary capacity to achieve its goals.

**Table 3: Experience in supporting the SAP application**

<b>SAP experience</b>	<b>Umoja staff</b>	<b>PwC staff</b>
No experience	19	0
under one year	51	14
one to five years	4	25
over five years	1	29
<b>Total</b>	<b>75</b>	<b>68</b>

Need for tracking and assessing the effectiveness of knowledge transfer

17. The master service agreement established with the systems integrator (PwC) required transfer knowledge to Umoja staff in stages. In this regard, section three of the statement of work stated: “PwC shall support the United Nations with resources consistent with the master service agreement, including knowledge transfer”. The Umoja team had not developed adequate mechanisms for tracking and assessing the effectiveness of knowledge transfer between PwC and core Umoja staff.

18. Delays in the recruitment of core staff resulted in heavy reliance on the use of temporary vacancy announcements (TVAs). However, while in May 2011 temporary staff occupied 20 per cent of the total approved posts, in January 2012 they decreased to 4.5 per cent of the approved posts. This condition was considered by the Umoja staff to be one of the many causes that prevented an effective and efficient transfer of knowledge from the system integrator to in-house resources due to reliance on temporary staff that may not stay with the project during its implementation.

19. Some of the approaches for supporting the transfer of knowledge between team members (staff and consultants) included regular work interactions and the use of simulation tools. The increased number of posts approved had improved the ratio between Umoja staff and PwC consultants in alignment with the recommended best practice of one-to-one<sup>1</sup>. However, this increase has been negated by the high vacancy rates experienced by the Umoja team.

**(1) The Department of Management should implement tools and systems for enhancing, tracking and assessing knowledge transfer through interactive simulation of the technology.**

*DM accepted recommendation 1 and stated that Umoja had three sandboxes<sup>2</sup> in place. It also stated that additional training that will further facilitate knowledge transfer will be conducted as soon as a contract for the provision of SAP training services is signed later in 2012. Recommendation 1 remains open pending implementation of systems for enhancing, tracking and assessing knowledge transfer.*

<sup>1</sup> Best ratio from the experience of the Government Finance Officers Association of the United States and Canada, GFOA, to allow for sufficient knowledge transfer between the implementation consultants and the internal staff, as seen in - Financial System Needs Assessment – “An Evaluation of Dunn County’s Financial and Human Resources Management Systems” –GFOA Research and Consulting Center.

<sup>2</sup> A sandbox is a testing environment that isolates untested code changes and experimentation from the production environment or repository.

### Need for strengthening human resources administration and recruitment

20. The Umoja team includes an Administrative Management Unit (AMU) with seven staff members supporting human resources administration and recruitment. The AMU has no delegation of authority for human resources administration and recruitment and, therefore, relies on the Executive Office of DM and the Office of Human Resources Management (OHRM) for recording and managing all the data in IMIS and Inspira. However, the Executive Office of DM and OHRM have indicated that they lacked sufficient capacity for managing the volume of transactions of the Umoja project. The Executive Office of DM has no dedicated staffing resources for the project and utilizes existing resources to meet the demands of the project. OHRM has three posts dedicated to Umoja. These limitations caused issues, such as:

- (a) Data in the staffing tables of IMIS were either not updated or inaccurate, with staff registered against wrong post numbers;
- (b) Recruitment delays; and
- (c) Delays in the registration of staff movement, resulting in inaccurate time and attendance reports. The Executive Office of DM stated that some of the delays in the registration of staff movement is an historic glitch in IMIS, needing action from OICT.

**(2) The Department of Management should assess the adequacy of resources dedicated to the human resources administration and recruitment activities of the project.**

*DM accepted recommendation 2 and stated that it had assessed the adequacy of resources dedicated to the human resources administration and recruitment activities and as a result OHRM was in the process of receiving two additional posts that will be dedicated to the project. It further stated that, for full implementation of the special measures that were approved by the ASG/OHRM on 7 February 2012, these two posts will need to be filled. Currently, three posts from Umoja were embedded in OHRM, bringing the total posts from Umoja to OHRM to five. Based on the action taken by DM, recommendation 2 has been closed.*

## **B. Human resources targets and strategies**

### Need for better capacity planning and forecasting

21. Capacity planning and forecasting were not in place for ensuring that sufficient and competent human resources are available to meet current and future requirements of the project. The criteria and mechanisms for determining the number of posts and skill set required by the project were not defined nor documented. The limited capacity planning has prevented the Umoja team from formulating plans for the longer-term sustainability of the project and creating contingencies for unexpected staffing requirements.

22. The Steering Committee decided in May 2011 to revise the project implementation strategy from a pilot first approach to a phased approach with IPSAS requirements to be addressed in the first release (Umoja Foundation). The Umoja team has not yet developed a plan for the revised strategy and determined its impact in terms of human resources requirements.

23. The third progress report of the Secretary-General indicated that the project timeline extends beyond 2013. However, the Umoja team does not have a human resources plan that projects its requirements beyond 2013.

**(3) The Department of Management should define the project’s human resources strategy and requirements beyond 2013, in accordance with the revised timeline for the project.**

*DM accepted recommendation 3 and stated that it had defined its human resources strategy and identified the profiles needed for the coming phases of work, according to the revised implementation timeline, and provided evidence of its strategy to fill posts. The overarching plan sees the filling of all staff and subject matter experts positions by summer of 2012, with levels remaining constant until 2015, at which time a 25 per cent reduction in posts is envisioned. Based on the actions taken by DM, recommendation 3 has been closed.*

Need to develop a strategy for core staff recruitment

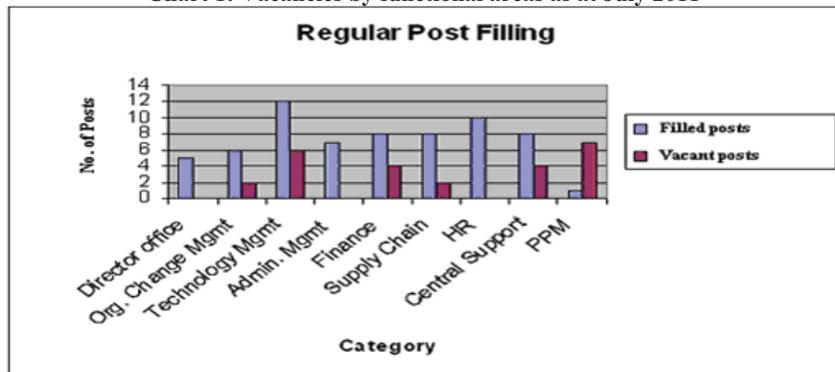
24. Table 4 below depicts the vacancies at different stages of the project from December 2009 to January 2012.

**Table 4: Vacancies at different stages**

As at date	No. of posts	Regular staff	Temp. staff	No. of vacant posts	Percentage of vacant posts
Dec-09	44	23	12	9	20%
Jan-10	80	23	12	45	56%
Nov-10	80	33	13	34	43%
Mar-11	90	43	14	33	37%
May-11	90	47	18	25	28%
July -11	90	50	15	25	28%
Jan -12	90	56	4	30	33%

25. The change in the project’s implementation strategy will require the Umoja team to reconsider and adapt its staffing structure and resource requirements. Chart 1 below is based on the pilot first approach and indicates that the project is significantly understaffed in four of the seven functional areas. The Umoja team indicated that there may be some redeployment of resources across the functional areas in alignment with the requirements of the new strategy. However, while the new strategy maintains the same skill set requirements, it is changing the timing of when these skills will be required. The Umoja team needs to develop a recruitment strategy to manage high vacancy rates that could prevent it from meeting the project milestones.

**Chart 1: Vacancies by functional areas as at July 2011<sup>3</sup>**



<sup>3</sup> As at January 2012, the governance structure and functional teams have changed. Although the Umoja team provided the new functional chart, the number of posts by functional areas was yet to be determined.

26. The Steering Committee at its meeting of 16 November 2010, decided to endorse an exceptional strategy to create a roster of interview panel members from functional areas. However, only the Departments of Field Support (DFS) and Peacekeeping Operations (DPKO) had created rosters by June 2010. In December 2010, the Steering Committee approved other steps for mitigating recruitment delays. *The Umoja team commented that it welcomed OHRM assistance to create rosters of interview panel members specifically assigned to the Umoja team.*

**(4) The Department of Management should develop a recruitment strategy for ensuring adequate and timely recruitment of core project staff.**

*DM accepted recommendation 4 and stated that pursuant to the Steering Committee's decision in December 2011 and retreat of 2 February 2012, had agreed on special measures for expediting recruitment of project staff. These "Special Measures" included; (a) Umoja job openings will waive CRB review stage; (b) Umoja job openings will be posted for 15 days, with a disclaimer added to indicate the limited nature of the appointment; and (c) those job openings that had been posted for 30 days and are still under evaluation stage, all applicants will be notified of the limited nature of the appointment. Based on the action taken by the DM, recommendation 4 has been closed.*

Subject-matter experts

27. In his second progress report (A/65/389), the Secretary-General highlighted the risks associated with the human resources management of the project, including the inability to fill the posts of SMEs. Included in the exceptional policy framework endorsed by the Steering Committee were procedures for expediting the back filling of SMEs.

28. Despite these initiatives, the Umoja team was unable to achieve the intended recruitment goals, because:

- (a) The temporary nature of the SMEs involvement has not always attracted candidates with the required expertise and depth of substantive experience required, leading to re-advertisements; and
- (b) Departments and offices had not been responsive in releasing SMEs and backfilling their posts.

29. The Umoja team has 90 full-time equivalent staff, complemented with 44 SMEs. Considering that SMEs will play an essential role during the testing of the next phase (build) of the project, their number will increase from the current 44 posts to 66 for the build and deploy phases.

30. The updated data provided by the Umoja team did not reflect a reduction in vacancy rates for SMEs. As of May 2011, only 19 of the 44 approved SME posts were filled and as at January 2012, the number of SME posts filled was down to 15. In addition, the Umoja team has not quantified the number of SMEs it requires based on its current operational needs. This condition raises concerns about the ability of the project to recruit sufficient SMEs for addressing the revised implementation strategy, with particular regard to the build and deploy phases where the contribution of SMEs will be critical.

31. In December 2010, the Under-Secretaries-General of DM and DFS issued memoranda to offices and units within their respective departments requesting cooperation in the release of SMEs. However, there was no collaborative effort to get other USGs across the Secretariat to follow the same approach.

- (5) The Department of Management should: (a) develop a strategy to ensure adequate and timely recruitment of subject matter experts; and (b) consider issuing instructions to all departments for the mandatory release of subject matter experts.**

*DM accepted recommendation 5 and stated that Umoja will propose that the Management Performance Board (MPB) consider including in the Senior Managers' compacts, accountability for Umoja related goals involving action such as release of Subject Matter Experts (SMEs) and if this is not possible, Umoja could propose that the Deputy Secretary-General (DSG) send out a memorandum reiterating that Umoja is a critical project, and that it is imperative that departments and offices contribute SMEs for the success of the project. DM also stated that updates on Umoja and IPSAS were provided to the Management Committee on a quarterly basis, and in this context, the Umoja team could report on cases where the release of SMEs was denied for appropriate action to be taken by the DSG. It further stated that the Umoja strategy for ensuring adequate and timely recruitment of SMEs included working with the business community to obtain release of all necessary SMEs to prepare for deployment, and to reach out to potential SMEs with targeted messages explaining the benefits of joining Umoja. DM also stated that OHRM had issued instructions to all departments for the mandatory release of SMEs in accordance with the Department Heads' compacts with the Secretary-General. Recommendation 5 remains open pending receipt of the strategy of the Umoja team for ensuring adequate and timely recruitment of subject matter experts.*

### **C. Recruitment and promotion policies and procedures**

#### Approval of exceptional policy framework for mitigating the recruitment delays

32. The Steering Committee has been responsive in providing strategic direction and in addressing the risks associated with recruitment and promotion policies and procedures. Human resources for the project have been a standing item on the agenda of the Steering Committee meetings. The Steering Committee has also approved some policies and procedures to mitigate the risk of delays in the recruitment of staff including hiring short term expertise; creating a roster of interview panel members; and streamlining the delegation of authority for enhancing the human resources capacity of the project.

### **D. Contingency plans for using consultants and short-term staff**

#### Need to hire consultants with the necessary technical competencies and skills

33. Umoja needed a mechanism to be able to access specialized knowledge that cannot be provided by a systems integrator. In view of this requirement, the Umoja team explored the possibility of hiring 19 individual consultants with the required technical expertise. Given the high rates requested for these consultants, OHRM and the Procurement Division (PD) conducted an analysis of the market conditions and benchmarked with other United Nations entities that have implemented ERP projects. The results of this exercise did not support the original request submitted by the Umoja team. In light of the changing implementation strategy being considered by the Steering Committee, a final decision on this matter was still pending.

34. The nature and scope of the Umoja project requires the availability of staff with technical expertise in different areas of SAP, and at different points during the life-cycle of the project implementation. In this regard, the Umoja team would benefit from having access to a provider of short-term technical resources to augment and complement its staffing needs in a timely manner.

**(6) The Department of Management should identify and establish a contracting modality that would allow the project team to: (a) address short-term needs for technical experts in SAP; (b) obtain negotiated rates for attracting qualified consultants; and (c) leverage the consultant rosters of other United Nations entities that have already implemented ERP systems.**

*DM accepted recommendation 6 and stated that the Umoja team has already exerted efforts to resolve short-term needs for technical experts in SAP by involving the PD and OHRM, and will continue to do so until an adequate solution is found. It further stated that as part of the Programme Management Office study of approximately 25 UN agencies, funds and programmes that have implemented ERP software solution, consultant rosters have been requested for Umoja's perusal. Recommendation 6 remains open pending the identification and implementation of contracting modalities that would: (a) address short-term needs for technical experts in SAP; and (b) obtain negotiated rates for attracting qualified consultants.*

35. Due to the lack of regular staffing resources and delays in the recruitment processes, in several cases, SMEs have been used for performing the duties of vacant regular posts. Given that the role of the SMEs and their scope of work is specifically dedicated to providing the Umoja team with substantive business knowledge, their utilization for other activities could impact the ability of the team in delivering results within the established timeline. The Umoja team could consider using temporary vacancy announcements for addressing staff vacancies and refrain from using subject matter experts to perform the duties of vacant regular project posts. *The Umoja team stated that both Umoja staff and SMEs are recruited for their substantive business knowledge. SMEs are generally brought in for shorter periods. Once the streamlined recruitment processes are in place, there will be little reason to use temporary vacancy announcements to fill project posts, as they had been used as a means to mitigate extended recruitment times for regular posts under the standard procedures.*

#### **IV. ACKNOWLEDGEMENT**

36. OIOS wishes to express its appreciation to the Management and staff of DM for the assistance and cooperation extended to the auditors during this assignment.



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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of human resources management in the Office of the Umoja Director

Recom. no.	Recommendation	Critical <sup>4</sup> / important <sup>5</sup>	C/ O <sup>6</sup>	Actions needed to close recommendation	Implementation date <sup>7</sup>
1	The Department of Management should implement tools and systems for enhancing, tracking and assessing knowledge transfer through interactive simulation of the technology.	Important	O	The implementation of systems for enhancing, tracking and assessing knowledge transfer.	Not provided
2	The Department of Management should assess the adequacy of resources dedicated to the human resources administration and recruitment activities of the project.	Important	C		Implemented
3	The Department of Management should define the project's human resources strategy and forecast the project's human resources requirements beyond 2013, in accordance with the revised timeline for the project.	Important	C		Implemented
4	The Department of Management should develop a recruitment strategy for ensuring adequate and timely recruitment of core project staff.	Critical	C		Implemented

4 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

5 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

6 C = closed, O = open

7 Date provided by DM in response to recommendations.

Recom. no.	Recommendation	Critical <sup>4</sup> / important <sup>5</sup>	C/ O <sup>6</sup>	Actions needed to close recommendation	Implementation date <sup>7</sup>
5	The Department of Management should: (a) develop a strategy to ensure adequate and timely recruitment of subject matter experts; and (b) consider issuing instructions to all departments for the mandatory release of subject matter experts.	Critical	O	The Umoja team developing a strategy to ensure adequate and timely recruitment of subject matter experts.	May 2012
6	The Department of Management should identify and establish a contracting modality that would allow the project team to: (a) address short-term needs for technical experts in SAP; (b) obtain negotiated rates for attracting qualified consultants; and (c) leverage the consultant rosters of other United Nations entities that have already implemented ERP systems.	Critical	O	The identification and implementation of contracting modalities that would (a) address short-term needs for technical experts in SAP; and (b) obtain negotiated rates for attracting qualified consultants.	Not provided