



TO: Ms. Fatoumata Ndiaye, Director
A: Internal Audit Division, Office of Internal Oversight Services

DATE: 27 March 2012

THROUGH: Neeta Tolani, Director *HTolani*
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario E. Baez, Chief *M. Baez*
DE: Policy and Oversight Coordination Service
Office of the Under-Secretary-General for Management

SUBJECT: **Assignment no. AH2011/513/03 – Audit of non-expendable property at Headquarters**
OBJET:

1. Please find attached the revised Annex I which provides the management comments to the recommendations in the draft report on the above subject transmitted by your office to the Department of Management (DM) on 10 January 2012.
2. Thank you for providing us with the opportunity to comment on the recommendations.

*12-00846
28 March 2012*

AUDIT RECOMMENDATIONS
AH2011/513/03
Audit of non-expendable property at Headquarters

Rec no.	Recommendation	Critical ¹ / important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OCSS should assist departments and offices to develop detailed processes e.g. standard operating procedures, to enable them to create, maintain and update their property and inventory control records.	Important	Yes, subject to dedicated resources being made available.	N/A	<p>Option 1: N/A</p> <p>Option 2: 1 year, with conditions. Estimated date for the appointment of the 2 P3s: 30th April 2012. Estimated date for the implementation: 29th March 2013.</p> <p>Option 3: 6 months, with conditions. Providing that the full team is on board by 31st May 2012 the estimated date for the implementation is: 29th November 2012.</p>	<p>Background information:</p> <p>Para. 32 of the audit memorandum details the lack of capacity in FMS to deal with Property Management. Para. 41 notes that OCSS recently engaged a consultant, PricewaterhouseCoopers (PwC) to undertake a full study on the way Property Management is dealt with at Headquarters. PwC also noted the lack of capacity in FMS. To address this basic weakness, PwC's main recommendation is to establish a dedicated Property Management Unit (PMU) consisting of 5 professional positions and 3 general service positions. The new proposed Unit will need to undertake a number of tasks, including the development of policies, procedures, processes, manuals, etc. OCSS already prepared a plan proposal for the recommended new Unit's resources. The full implementation of the plan will depend on the availability of funding and approval by the Member States. Para. 32 notes the current capacity in OCSS as one P2 and one GS staff dedicated to property management. The current staffing provides neither the capacity nor the specialized expertise required to fulfill this recommendation.</p>

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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.

² 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.

					<p>In view of the critical need, temporary resources are identified within DM, which constitutes two temporary professional posts at the P3 level. While this arrangement would allow addressing immediate needs, due to the uncertainty of the implementation of long term resources, the recommendation is accepted with the caveat of the following 3 scenarios:</p> <p>Option 1, with the current resources:</p> <p>As per the current situation this recommendation cannot be fulfilled nor initiated unless the requested additional resources are made available.</p> <p>Option 2, with the appointment of the 2 temporary P3s:</p> <p>As indicated in the PMU proposed action plan this recommendation would require the deployment of a full team. To this end a combination of skills would be required, ranging from deep knowledge of the subject to expertise in managing and coordinating. OCSS views that the two P3s will not be able to address this requirement. However the P3s could initiate the drafting of the new procedures and providing that additional resources are made available within 6 months (including a senior professional staff to coordinate and liaise with the relevant stakeholders) this recommendation then could be implemented within a year.</p> <p>Option 3, with the appointment of the full team:</p> <p>The recommendation of this requirement could be complied within six months providing that 5 professional and 3 general service staff members are made available.</p>
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2	OCSS should clarify the methodology for conducting the physical verification of non-expendable property (NEP) to ensure the results of the exercise can be used to confirm the existence of NEP reported in the financial statements.	Critical	Yes, subject to dedicated resources being made available.	N/A	<p>Option 1: N/A</p> <p>Option 2: 1 year, with conditions. Estimated date for the appointment of the 2 P3s: 30th April 2012. Estimated date for the implementation: 29th March 2013.</p> <p>Option 3: 6 months, with conditions. Providing that the full team is on board by 31st May 2012 the estimated date for the implementation is: 29th November 2012.</p>	<p>Background information:</p> <p>Departments need to be held responsible for their asset records. Following on from para. 41 noting the consultant, PricewaterhouseCoopers (PwC) engaged by OCSS recommended that in addition to the bi-annual physical inventory exercise (currently anticipated by beginning of 2012), annual spot checks on departments should be conducted to ensure accuracy of asset data, verification of assets and identification of any discrepancies early on and prior to the organization wide physical inventory. In addition, IPSAS will require annual physical inventory. Para. 32 notes the current capacity in OCSS as one P2 and one GS staff dedicated to property management. A successful physical inventory exercise can take place only upon existing procedures and policies have been improved and expert knowledge and capacity is made available.</p> <p>As mentioned earlier the recommendation is accepted with the caveat of the following 3 scenarios:</p> <p>Option 1, with the current resources:</p> <p>Current capacity of one P2 and one GS staff member is not sufficient and without such there can be no expectation of successfully implementing this recommendation.</p> <p>Option 2, with the appointment of the 2 temporary P3s:</p> <p>As previously indicated the two P3s made available could initiate the drafting process which would need to be adjusted, validated, coordinated etc. by an expert senior professional staff member, which is not available. Provided that the additional required resources be in place within 6 months this recommendation can be complied within a year.</p>
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						<p>Option 3, with the appointment of the full team:</p> <p>The recommendation of this requirement could be complied within six months provided that 5 professional and 3 general service staff members are made available.</p>
3	OCSS should, in conjunction with the Office of the Capital Master Plan (CMP), finalize procedures for the handover of non-expendable property acquired under the CMP project.	Critical	Yes	Chief, Planning, Design & Construction Section	September 2012	With the assistance of the independent consultant, OCSS is in the process of establishing procedures for the handover of non-expendable property. In accordance with IPSAS this will require the development of a comprehensive componentization methodology covering all assets being constructed or delivered by the Capital Master Plan. This will require considerable input from the Capital Master Plan and time dedicated from OCSS resources.
4	OCSS should, in coordination with Headquarters property records custodians, resolve the 15,000 NEP items classified as "not found" in the Procure Plus database.	Important	Yes	Chief, Planning, Design & Construction Section	September 2012	This item can be undertaken by PMICU with current capacity. FMS/PMICU will submit a case to HPSB to remove NOT FOUND assets for the past two physical inventories (2005 and 2008) and remove them, if approved. A "NOT FOUND" report will be sent to each office to give them the opportunity to locate the assets before the assets are reported.
5	OCSS should strengthen its capacity to enable it to monitor the management of non-expendable property more effectively.	Critical	Yes, subject to dedicated resources being made available.	N/A	<p>Option 1: N/A</p> <p>Option 2: 1 year, with conditions. Estimated date for the appointment of the 2 P3s: 30th April 2012. Estimated date for the implementation: 29th March 2013.</p> <p>Option 3: 6 months, with conditions. Providing that the</p>	<p>Background information:</p> <p>Para. 41 notes that OCSS recently engaged a consultant, PricewaterhouseCoopers (PwC) to undertake a full study on the way Property Management is dealt at Headquarters. PwC also noted the lack of capacity in FMS. To address this basic weakness PwC's main recommendation is to establish a dedicated Property Management Unit (PMU) consisting of 5 professional positions and 3 general service positions. The new proposed Unit will need to undertake a number of tasks, including the development of policies, procedures, processes, manuals etc. OCSS already prepared a plan proposal for the recommended new Unit's resources. The successful implementation of this recommendation</p>

					<p>full team is on board by 31st May 2012 the estimated date for the implementation is: 29th November 2012.</p>	<p>will depend on the availability of funding to hire required staff with relevant expertise. Previous requests for funding from Member States have not been accepted, thus resulting OCSS unable to address this urgent requirement. Hence, again, with caveat as following:</p> <p>Option 1, with the current resources:</p> <p>Current capacity of one P2 and one GS staff members is not sufficient and without such, there can be no expectation of successfully implementing this recommendation.</p> <p>Option 2, with the appointment of the 2 temporary P3s:</p> <p>The strengthening of OCSS capacity to monitor the management of non-expendable property is dependent on the establishment of new processes and procedures.</p> <p>As previously indicated the two P3s made available could initiate the drafting process which will need to be adjusted, validated, coordinated etc. once a senior professional staff is employed. Provided that the additional required resources be in place within 6 months, this recommendation can be complied within a year.</p> <p>Option 3, with the appointment of the full team:</p> <p>The recommendation of this requirement could be complied within six months provided that 5 professional and 3 general service staff members are made available.</p>
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6	<p>OCSS should streamline its relationship with UN Headquarters departments and offices by interacting directly with one Property Records Custodian per department/office.</p>	Important	Yes, subject to dedicated resources being made available.	N/A	<p>Option 1: N/A</p> <p>Option 2: 1 year, with conditions. Estimated date for the appointment of the 2 P3s: 30th April 2012. Estimated date for the implementation: 29th March 2013.</p> <p>Option 3: 6 months, with conditions. Providing that the full team is on board by 31st May 2012 the estimated date for the implementation is: 29th November 2012.</p>	<p>Background information:</p> <p>Para. 41 notes that OCSS recently engaged a consultant, PricewaterhouseCoopers (PwC) to undertake a full study on the way Property Management is dealt with at Headquarters. PwC also noted the lack of capacity in FMS. To address this basic weakness PwC's main recommendation is to establish a dedicated Property Management Unit (PMU) consisting of 5 professional positions and 3 general service positions. The new proposed Unit will need to undertake a number of tasks, including the development of policies, procedures, processes, manuals, etc. OCSS is currently preparing a plan proposal for the recommended new Unit resources. The implementation of the plan will depend on the availability of funding and approval by the Members States. Once resources are available OCSS would be able to revise the procedures for interacting with PRCs and develop training that concentrates on 'focal' PRCs first with follow up training sessions. Additional resources would also need to be identified to procure hardware and software to support PRCs to take on more responsibility for assets under their jurisdiction. This recommendation can therefore only be undertaken once the resources required are made available.</p> <p>Option 1, with the current resources:</p> <p>Current capacity of one P2 and one GS staff member is not sufficient and without such, there can be no expectation of successfully implementing this recommendation.</p>
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					<p>Option 2, with the appointment of the 2 temporary P3s:</p> <p>To streamline OCSS relationship with UN Headquarters departments and offices, new procedures, manual and relevant training material have to be developed to allow direct interaction with each focal point/Property Records Custodian per department/office.</p> <p>As previously indicated the two P3s made available could initiate the drafting process which will need to be adjusted, validated, coordinated etc. once a senior professional staff is employed. Provided that the additional required resources will be in place within 6 months this recommendation can be complied within a year.</p> <p>Option 3, with the appointment of the full team:</p> <p>The recommendation of this requirement could be complied within six months provided that 5 professional and 3 general service staff members are readily available.</p>
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