



# **INTERNAL AUDIT DIVISION**

## **AUDIT REPORT**

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### **Audit of OCHA's management of the Haiti Emergency Relief and Response Fund**

**Overall results relating to the management of the Haiti Emergency Relief and Response Fund were initially assessed as unsatisfactory. Management has taken corrective measures to strengthen internal controls relating to many of the issues identified.**

**FINAL OVERALL RATING: UNSATISFACTORY**

**2 May 2012**

**Assignment No. AN2011/590/02**

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# AUDIT REPORT

## Audit of OCHA's management of the Haiti Emergency Relief and Response Fund

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Office for the Coordination of Humanitarian Affairs' (OCHA) management of the Haiti Emergency Relief and Response Fund.

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. OCHA's mission in Haiti is to "mobilize and coordinate effective and principled humanitarian action in partnership with national and international actors". In its annual plan and budget for 2010, OCHA noted that its strategic priorities in Haiti would be geared towards strengthening the capacity of the government to:

- (i) Better understand and collaborate with the humanitarian community;
- (ii) Lead joint-planning and preparedness; and
- (iii) Effectively coordinate and manage humanitarian responses.

4. OCHA's plan was radically changed as a result of the earthquake which struck Haiti on 12 January 2010. In order to address Haiti's humanitarian needs, OCHA, in collaboration with the donor community, increased its humanitarian funding through the Emergency Response Fund (ERF)<sup>1</sup> programme labeled as Emergency Relief and Response Fund (ERRF) in Haiti. The name Emergency Response Fund (ERF) is used as an umbrella term referring to a range of country-based pooled contributions from more than one donor. Such funds are placed at the disposal of the Humanitarian Coordinators for rapid and flexible funding of urgent humanitarian needs that are not included in the consolidated appeals process (CAP) or other funding mechanisms such as the Central Emergency Response Fund (CERF) and country-level Common Humanitarian Fund (CHF). The Haiti ERRF began in 2008 with initial funding from Norway, Sweden, and the United Kingdom for a total of \$3.7 million and was used to respond to the 2008 hurricanes and other humanitarian activities through 2009. As of August 2011, \$86 million had been received in donor contributions, of which approximately \$80 million had been programmed and allocated for projects, and about \$57.4 million had been disbursed.

5. The Humanitarian Coordinator (HC) holds the overall responsibility and accountability for the fund with administrative/programmatic support from OCHA Haiti as stipulated in the draft ERF guidelines. The HC reports to the Emergency Relief Coordinator (ERC) who is also the Under-Secretary-General of OCHA. In Haiti, the HC is also the Deputy Special Representative of the Secretary-General (DSRSG) of the United Nations Stabilization Mission in Haiti (MINUSTAH), United Nations Resident Coordinator (RC) and United Nations Development Programme (UNDP) Resident Representative. The HC gives final approval on proposed projects and signs the Memorandum of Understanding (MOU) with the implementing partners. In this process, the HC is supported by OCHA Haiti and the humanitarian coordination mechanisms in place in the country. The Funding Coordination Section (FCS) in OCHA

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<sup>1</sup> ERFs are known under different names in different countries including Humanitarian Response Fund.

New York has the responsibility to provide guidance and support to country offices. OCHA Geneva has the financial delegation of authority for processing and making disbursements under project grant agreements entered by the HC. The OCHA Coordination and Response Division (CRD) has the overall responsibility for the oversight of OCHA country offices.

6. Table 1 provides the financial and personnel data for the OCHA country office in Haiti (OCHA Haiti: the Office).

**Table 1: Financial and personnel data for OCHA Haiti**

<b>Resources</b>	<b>2008</b>	<b>2009</b>	<b>2010<sup>2</sup></b>	<b>2011</b>
<b>(a) Staffing</b>				
Professionals	3	6	5	31
National Officers	2	1	3	16
General Service	2	3	0	0
Local General Service	0	0	4	0
General Temporary Assistance	0	0	0	19
United Nations Volunteers	0	0	0	5
<b>Total</b>	<b>7</b>	<b>10</b>	<b>12</b>	<b>71</b>
<b>(b) Costs (US\$)</b>				
Staff Costs	589,562	1,006,654	1,271,358	6,867,922
Non-Staff Costs	230,253	239,811	325,419	2,276,629
<b>Total</b>	<b>\$819,815</b>	<b>\$1,246,465</b>	<b>\$1,596,777</b>	<b>\$9,144,551</b>

7. Comments provided by OCHA are incorporated in *italics*.

## **II. OBJECTIVE AND SCOPE**

8. The audit of the management of ERRF in Haiti was conducted to assess the adequacy and effectiveness of OCHA Haiti's governance, risk management and control processes in providing reasonable assurance regarding its management of ERRF and its coordination and oversight of humanitarian activities in Haiti.

9. This audit was selected because of the high risks faced by OCHA Haiti in managing the significant resources made available by the donors following the earthquake and in ensuring effective coordination of humanitarian emergency activities involving many partners in a highly publicized crisis.

10. The key controls tested for the audit included: (a) oversight mechanisms; (b) integrated programmatic and financial management reporting; (c) joint, coordinated management mechanisms; and (d) fund-raising capability. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Oversight mechanisms** – controls that provide reasonable assurance regarding supervision and evaluation (self and independent) of activities to ensure that threats and opportunities are identified and appropriate response or action plans are drawn to minimize risks and take advantage of any opportunities.

(b) **Integrated programmatic and financial management reporting** – controls that provide reasonable assurance that the substantive results of the project activities and the

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<sup>2</sup> In addition to OCHA Haiti-funded staff, surge staff resources were made available during the immediate response period following the earthquake

utilization of the allocated financial resources are accurately and completely reported in a timely manner.

(c) **Joint, coordinated management** – controls that provide reasonable assurance that a joint, coordinated mechanism exists enabling the humanitarian partners to seek synergies of the funding and activities while ensuring that the beneficiaries are provided assistance in an effective and efficient manner, in accordance with OCHA’s policies and procedures.

(d) **Fund-raising capability** – controls that provide reasonable assurance that fund-raising activities are conducted in accordance with OCHA policies to finance the humanitarian assistance needs in Haiti.

11. The key controls were assessed for the control objectives shown in Table 2.

12. OIOS conducted this audit from 1 June to 19 August 2011. The audit covered the period from 2008 to 2011.

13. 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

14. OCHA Haiti’s governance, risk management and control processes examined were assessed as **unsatisfactory** in providing reasonable assurance regarding the **sound management of the ERRF and the effectiveness of OCHA’s coordination mechanisms and oversight role for humanitarian activities in Haiti**. OIOS made 11 recommendations to address issues identified in this audit. In addition to Secretariat policies, OCHA had established many policy documents and guidelines in the context of its strategic framework relating to oversight, coordination and fund-raising mechanisms. However, controls over the \$86 million ERRF programme were deficient and exposed OCHA to high governance and operational risks. The Haiti ERRF lacked clear strategy, effective governance and oversight mechanism at the field level and at Headquarters. The coordination mechanisms called for by the Inter-Agency Standing Committee (IASC) and OCHA policies were not always effective in ensuring the coordination of humanitarian activities. At the country office level, there was no formal fund-raising strategy either for the ERRF programme or for covering OCHA Haiti’s operational cost plan.

15. 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 implementation of three critical recommendations remains 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 coordination of humanitarian activities and adequate management of the Haiti Emergency Relief and Response Fund</b>	(a) Oversight mechanisms	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Integrated programmatic and financial management reporting	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
	(c) Joint, coordinated management mechanisms	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(d) Fund-raising capability	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: UNSATISFACTORY</b>					

### **A. Oversight mechanisms**

High turnover of senior management disrupted the continuity of leadership and oversight

16. Since the inception of OCHA Haiti, there has been a high turnover of the Head of Office (HoO). Between 13 January and 24 August 2010 the HoO changed six times as the position was initially filled by surge staff as an interim measure. Similarly, the Deputy Head of Office changed four times between 24 January and 6 July 2010. Several evaluation reports of humanitarian activities in Haiti, including the evaluation of OCHA response to the Haiti earthquake, noted this problem and its impact on OCHA leadership in humanitarian coordination in Haiti. The lack of continuity in the OCHA Office leadership in carrying out its coordination function and supporting the HC created significant operational risks for OCHA including: ineffectiveness of OCHA’s coordination role in a major crisis country; limited coordination among the units of the Office; insufficient oversight over \$86 million funding made available to OCHA by donors; and lack of governance and monitoring systems to ensure the effectiveness and accountability of the programmes/projects funded by OCHA through the ERRF.

**(1) OCHA should establish a more effective senior staff surge and roster system to ensure continuity in leadership in its country offices during and in the aftermath of a crisis, for sustained effectiveness and accountability of the humanitarian activities.**

*OCHA accepted recommendation 1 while stating that balance must be achieved between bringing the leadership on board quickly and realities of recruitment processes and organizational priorities. The deployment of extended surge capacity, until a permanent HoO is appointed, should normally be appropriate. For this reason, OCHA developed in February 2012 a surge management mechanism to bridge the time gap while reducing a turnover in all new emergencies. These include an: (a) establishment of a network of regional offices which fulfill surge functions in their respective regions; (b) enhancement and establishment – by the Surge Capacity Section (SCS) in the*

*Emergency Service Branch of the central surge coordination and advisory role; and (c) establishment of the Roster Management Program through which many regular field vacancies are filled. The initiative is to establish Roaming Emergency Surge Officers (RESO) available immediately for any new major emergency. Three new RESOs are under recruitment. Based on the actions taken by OCHA, recommendation 1 has been closed.*

## **B. Integrated programmatic and financial management reporting**

OCHA policies for the establishment of country-based ERF programmes are not clear

17. The OCHA draft ERF policy does not provide clear and systematic steps to establish a country-based ERF. The policy instructions focus on ERF processes in the field – after funds are allocated – to ensure reasonable controls of the programming, funding, monitoring and reporting of ERF activities. As a result, the establishment and management of ERFs have not been consistent throughout OCHA and their implementation varies from country to country. In the meantime, the overall OCHA ERF programme has grown to almost half a billion dollars. This represents a growing risk for OCHA in the absence of a comprehensive policy framework. For Haiti, there was no documentation showing the processes followed for the establishment and the approval of the ERRF programme, which grew from \$3.7 million in 2008 to \$82.3 million for 2010 alone, becoming the second largest ERF programme in OCHA.

**(2) OCHA should issue the Emergency Response Fund policy framework establishing adequate processes for the establishment and management of country-based funds.**

*OCHA accepted recommendation 2 and stated that it is in the final stages of developing guidelines regarding the processes for the management of country-based pooled funds. The draft guidelines are completed and awaiting approval by OCHA senior management. Recommendation 2 remains open pending approval and issuance of the guidelines.*

ERRF programming was not always in accordance with ERF policies and emergency priorities in Haiti

18. Projects financed in Haiti did not always meet the ERF funding criteria. Although the majority of the projects funded during the aftermath of the 12 January earthquake addressed dire emergency needs, e.g., shelter and camp management, as well as cholera-related activities, a number of projects should not have qualified for funding because their objectives more development-related, were addressed by other agencies, or overlapping with other ERRF projects. Projects amounting to \$10.3 million did not meet the ERF requirements.

**(3) OCHA should ensure that the resources of the Haiti Emergency Relief and Response Fund are effectively programmed and efficiently used in accordance with established policies and donor expectations.**

*OCHA accepted recommendation 3 and stated that the Haiti specific ERRF management guidelines were reviewed to address concerns raised. The revised guidelines were endorsed by the Humanitarian Country Team (HCT) in October 2011 and all subsequent projects go through a comprehensive review process. The Advisory Board and the Review Board have been strengthened and new terms of reference have been drafted and approved by the HCT. In addition, the ERRF secretariat drafted a strategy note for the use of remaining funds for the period March to December 2012. The strategy was endorsed by the HCT on 7 March 2012. Based on the actions taken by OCHA, recommendation 3 has been closed.*

Level of ERRF grants should be based on adequate needs assessment and vetted by an appropriate advisory board

19. In general, ERF programmes outlay a maximum grant limit of \$250,000. However, the current ERF draft policies provide discretionary authority to the HC without specifying limits. Between 2007 and 2009, the Haiti ERRF approved 23 grants totaling \$3.4 million. The value of individual grants ranged from \$87,000 to \$247,000. However, following the earthquake in 2010, the ERRF grew to \$86 million in 2010, making available a significant pool of resources for the HC. From January until August 2010, the maximum grant was set by the HC at \$750,000. This resulted in the approval of 37 grants ranging from \$504,000 to \$754,600 including 19 from \$744,000 to \$754,600. From August 2010, the maximum grant for a project was reduced to \$500,000.

20. Six projects totaling \$33.3 million received grants far above the limit, including two of \$1.8 million each and four of \$6.9 million, \$7 million, \$10 million and \$13 million, all to UN agencies. In all, 58 per cent of the total ERRF programmed funds were granted to UN agencies including 26 per cent to the International Organization for Migration (IOM). The international and national NGOs received 40 per cent and 2 per cent respectively. Considering the inadequate needs assessments and the absence of functional ERRF governance mechanisms, the underlying rationale was not always documented for setting grant limits and ratio of funds allocated to implementing agencies, in particular to NGOs, as called for by the policies.

**(4) OCHA should ensure that ERRF grants are substantiated by adequate needs assessments, and that deviations from established maximum grant limits are supported and documented by ERRF review mechanisms.**

*OCHA accepted recommendation 4 and stated that the Review Board reviews the narrative and budget of projects and ensures that appropriate supporting documents such as needs assessments and surveys are well documented in the proposal. In addition, the projects are required to be in line with cluster needs assessment and strategy findings presented through the CAP. The ERRF secretariat will continue to ensure that projects are evidence-based and in line with the humanitarian strategy in Haiti which aims to address critical unmet humanitarian needs. Additional requirements to substantiate the above have been included in the ERRF project template. Specifically, the ERRF secretariat developed a new proposal template which was approved by the Review Board on 2 March 2012. It highlights the need to develop stronger needs assessment requirements, incorporate gender indicators, and clarify exit strategy and the role of Government of Haiti technical authorities in the transition process. Furthermore, a template for project evaluation was also developed. The tool will be used by the Review Board members when analyzing projects. It aims at evaluating projects using a standardized questionnaire to ensure informed and harmonized decision making. Both templates are in line with the technical requirements of latest draft of the ERF Guidelines. Recommendation 4 remains open pending the issuance of the ERF Global Guidelines and the establishment of specific procedures/instructions to the Review Board at the country office level.*

OCHA accountability over the ERRF resources needs to be further clarified

(a) The 2011 compact between the ERC and the HC was not signed

21. OCHA has introduced an annual compact system between the ERC and the HC to more clearly establish the accountability of the HC to identify and focus on priorities and ensure oversight of humanitarian activities in her/his areas of responsibilities. For Haiti, a compact was not signed for the

2011 period. In the ERF policy framework, there is no requirement for a management report from the HC to the ERC or to the Director of CRD. The current policies and organizational structure do not provide adequate assurance for the accountability of the HC to OCHA over the management of the ERRF resources.

**(5) OCHA should ensure that a compact is signed with the Humanitarian Coordinator including requirements for specific reports on the programming and utilization of the ERRF.**

*OCHA accepted recommendation 5 and stated that the 2012 Compact with the HCs is in draft with the objective of including humanitarian financing responsibilities and support requirements. OCHA indicated that the draft compact includes clear expectations regarding ERRF role of the HC and the country office. Finalization of the compact is expected end of April 2012. Recommendation 5 remains open pending the signature of the compact by the HC and OCHA senior management.*

(b) Responsibility of the Head of Office

22. The Head of OCHA Haiti was not always involved in the ERRF processes during the period from January 2010 until April 2011. Instead, the head of the ERRF Unit, who reports to the Head of Office, has been the principal driver of the ERRF funding processes in Haiti. For all practical purposes, he worked directly with the HC. Moreover, the other units of OCHA Haiti, comprising the National Coordination Unit, the Field Coordination Unit, the Sub-offices, and the Administrative Unit were not formally involved in important processes such as the needs assessment, project proposal review, grant recipient vetting, and monitoring of the ERRF-funded project activities. The responsibility of the Director of the OCHA CRD in the oversight of the management of the fund was not adequately addressed by the existing ERF framework.

23. *OCHA stated that the CRD Deputy Director missions of 16-19 November 2010 and 17-19 January 2011 resulted in the reorganization of office structure to clarify responsibilities and improve accountabilities. Review of structure/responsibilities was further developed during September 2011 strategic country-level retreat, which included CRD participation (Section Chief and Desk Officer). The Head of Office Haiti is involving all organizational units of OCHA Haiti that carry out different responsibilities in the ERRF process. In the context of OCHA's strategic framework 2010 – 2013, following objective 2.4, the reorganization to a more systematic coordination of the common humanitarian programme cycle is ongoing and includes Pooled Funds Management. OCHA also stated that a Head of ERRF Unit has been in place since November 2011 who will support the Head of Office in the management of the ERRF. Discussions have taken place with FCS to look at ways to increase the global pool of candidates and a roster for ERF managers is being finalized.*

**(6) OCHA should review and strengthen its fiduciary responsibility over the ERF funds in the field by designating the Head of Office to be accountable for the use of resources, while the HC, supported by the humanitarian governance mechanisms, should be responsible for the strategic direction of the fund and the priorities for which the funds are used.**

*OCHA accepted recommendation 6 and stated that FCS has conducted a comprehensive Governance Review including Haiti ERRF which was approved by Senior Managers. Furthermore, the ERF Global Guidelines will be finalized by June 2012. ERRF Unit falls under the Head of Office, with responsibility for management and support. FCS will institutionalize regular telephone conferences with the Fund Management Team and the Head of Office on policy issues. In addition OCHA indicated that as of October 2011, the Head of Office now presides over the Review Board*

*while the HC chairs the Advisory Board. While OCHA provides the management and support services to the ERF under the supervision of the HoO, OCHA notes that the overall management responsibility rests with the HC, who is accountable for all allocation decisions. The roles and responsibilities of the HC and the Head of Office are described in the Global Guidelines under section 3. Recommendation 6 remains open pending inclusion in the guidelines of clear delineation of the structure of fiduciary responsibility at the country level.*

More rigorous review of the ERRF project budget proposal is necessary

24. Standard costs established for salaries and common staff costs in the United Nations common system were not consistently applied in Haiti. Key line items such as the rate of international staff salaries ranged from \$3,000 to \$32,000 a month and the monthly salary of national staff ranged from \$150 to over \$18,000. Budget for the monthly rental rate of vehicles ranged from \$1,000 to \$6,000, and rates of administrative fees ranged from three per cent to seven per cent of costs. A wide range of rates for individual line items was charged across projects. In one project implemented by IOM, a budget line of \$4 million was approved without specific itemization, allowing the recipient organization to use the funds without a defined purpose and to vaguely report on it. As a result, there was no assurance that the processes in place in Haiti prevented unreasonable charges to the ERRF nor a means to ensure that the resources were used for intended purposes.

**(7) OCHA Haiti should consistently apply the established standard costs in the United Nations common system for salaries and common staff costs of international and national staff and the review board should systematically review project budgets to ensure that the proposed costs are reasonable and appropriate.**

*OCHA partially accepted recommendation 7 stating that it applies standard costs for international staff recruited on UN contracts and also applies standard costs for national staff based on UNDP comparators in each country. OCHA also stated that it is not responsible for staff working on ERF funded-projects employed by participating NGOs and therefore UN common standard costing is not applicable. OCHA however indicated that the review board will ensure that the proposed costs are reasonable and that administrative costs are not disproportionate to the programme costs. OIOS reiterates that staff costs fully or partially funded by ERRF should be within UN standard salary scale adopted by the UN country team although OCHA is not responsible for staff working on ERRF-funded projects. Recommendation 7 remains open pending inclusion in the guidelines of instructions regarding the need to review salaries fully or partially funded by the ERF in accordance with current salary scales adopted by the UN Country Team.*

Project monitoring is unsystematic and insufficient for oversight purposes

25. OCHA Haiti did not have a comprehensive project monitoring strategy and plan. During 2008-2011, there were 82 active projects totaling \$76.3 million. Field visits were undertaken to only 12 projects totaling \$7.3 million. Moreover the timing of the visits had been between August 2010 and January 2011, with half of them conducted in October 2010. There were no field visits in November and December 2010 and none after January 2011. Furthermore, although narrative and final project reports have been generally available, there was no evidence of project site visits. Discussions with partners confirmed the lack of substantive visits and this shortcoming was also highlighted in external evaluation reports. OCHA indicated that one of the reasons for lack of documentation related to 2008 and 2009 projects was the loss of files as a result of the earthquake.

26. Although OCHA Haiti had three sub-offices in the field, they were not assigned to carry out monitoring visits to provide feedback on the progress of the projects for the head of Office and the HC.

These sub-offices indicated that they could not effectively undertake project monitoring as they were not included in the process of needs assessment, review and vetting of projects. Because of limited monitoring, OCHA has no assurance that the majority of ERRF-funded projects, valued at about \$69 million, were implemented as planned and that the funds were used for the intended purposes. For example, during the site visit of the largest project (\$13 million) funded by ERRF and implemented by IOM, the project was using construction material donated by an NGO to build shelters fully funded by the ERRF. Furthermore, beneficiaries were providing labor to contractors free of charge. IOM indicated that this was to accelerate the completion of the shelters. IOM also indicated that, to their knowledge, OCHA Haiti had not conducted a monitoring visit to this project.

**(8) OCHA Haiti should develop and implement a comprehensive project monitoring strategy and plan ensuring: (a) inclusion of its sub-offices for on-site monitoring of projects; and (b) documentation of project site visits to assess progress, identify bottlenecks and take corrective actions by concerned parties so that projects are completed in accordance with their agreed terms of reference.**

*OCHA accepted recommendation 8 and stated that projects funded in 2008 and 2009 were all visited though monitoring reports were lost as a consequence of the earthquake. Monitoring visit terms of reference together with a monitoring visit report template was developed in 2010. In September 2011, all OCHA Heads of sub offices and regional humanitarian focal points were trained in monitoring ERRF projects through the monitoring template. The monitoring template is currently being reviewed to be used by non-monitoring and evaluation specialists and training is planned for OCHA staff members in Port-au-Prince and in the field. A new monitoring template was developed. OCHA Coordination unit is particularly involved in monitoring projects. All the staff members, including field personnel, were trained on the new template on 24 February 2012. To date, coordination staff members have monitored three projects and other missions are scheduled according to a monitoring plan and terms of reference that aims to conduct field monitoring visits to at least 90 per cent of the projects. The monitoring template is in line with the technical requirements stipulated in the latest draft of the ERF Guidelines. FCS will also produce a monitoring, reporting and evaluation framework by the third quarter of 2012. Based on the actions taken by OCHA, recommendation 8 has been closed.*

**(9) OCHA Haiti should: (a) require the International Organization for Migration (IOM) to report on the use of funds against the project activities for which the grants were approved; and (b) conduct physical inspections of ERRF-funded projects implemented by the IOM as necessary.**

*OCHA accepted recommendation 9 and stated that: (a) the FCS will issue an official request to IOM to submit the report; and (b) as stated in the previous point, a comprehensive monitoring strategy is being developed and implemented by OCHA Haiti. The IOM is covered by reporting and monitoring requirements specified in other recommendations. OCHA indicated that (a) IOM submitted a final narrative and financial report on the use of funds according to reporting requirements; and (b) the Fund Manager will undertake monitoring field visits to all IOM project sites and issue a report on findings to verify the data submitted by IOM. Recommendation 9 remains open pending submission by OCHA of the OCHA Haiti monitoring report and the IOM final financial report reviewed and cleared by the OCHA Administrative Office in Geneva.*

#### No substantive reporting on the ERRF to CRD

27. There were no formal reporting requirements from the HC and the head of OCHA Haiti to the Director of CRD and to the ERC regarding the ERRF activities. The only report on the ERRF available

was issued to the donors through the Funding Coordination Section and the Donor Relations Section. The role and accountability of the Director of CRD was not clearly indicated on the performance of the ERF country offices. The unsigned draft 2011 compact of the HC with the ERC did not include specific reporting on the ERRF. CRD senior management noted that a new compact framework for the HC was being developed to institute direct operational reporting relations between the Director of CRD and the HCs.

**(10) OCHA should outline the programmatic role, responsibility and accountability of the Director of the Coordination and Response Division (CRD) in the Emergency Response Fund policy document and institute a formal reporting requirement on ERF activities by the Humanitarian Coordinator and the Head of country office to the CRD Director.**

*OCHA accepted recommendation 10 and stated that the roles and responsibilities as well as the reporting requirements are laid out in detail in the ERF Global Guidelines which will be finalized in the first quarter of 2012. The CRD Director is also overseeing the performance review of the Country Strategies and Performance Frameworks. Pooled Funds have been explicitly included in these documents for 2012/2013. Following the review of the draft Global ERF Guidelines, it is OIOS' opinion that the draft guidelines do not clearly address the recommendation. Therefore, recommendation 10 remains open pending clarification in the guidelines of the roles and responsibilities of the Director of CRD and the institution of reporting requirements on ERF activities by the HC and the Head of Office to the Director of CRD.*

Project audit reports were not submitted in a timely manner

28. Following the signing of the memorandum of understanding, generally 80 per cent of approved grants for NGOs is disbursed. Projects implemented by NGOs must be audited before OCHA can disburse the remaining 20 per cent of project funding and financially close the project. The AO liaising with the country office receives and reviews audit reports prior to making the final payment (20 per cent) to NGOs. During the period from 2007 through 2011, 74 projects totaling \$34.4 million were awarded to NGOs. As of 31 August 2011, audit reports had not been received for 49 of these projects totaling \$27.5 million, without which 20 per cent or \$5.5 million cannot be disbursed. More importantly, without carrying out these audits and adequate follow-up, the use of the 80 per cent of the funds already made available to the NGOs has not been verified.

29. The audits of the pre-earthquake projects were undertaken by a firm under a UNDP service contract on behalf of OCHA. However, the process was started only in April 2010 for projects funded in 2007, 2008 and 2009 resulting in delays in the completion of the audits. As of June 2011, the Office indicated its intention to submit a request to UNDP to start bidding and contracting processes for the audit of 2010 and 2011 projects. For a number of projects, final disbursement and closure could not be done on a timely basis because of lack of audited financial statements. Due to uncertainty of the situation in Haiti, NGOs may move out of Haiti once they have completed their mission, making the audit of their operations more difficult or impossible. This is particularly true for NGOs that received funding prior to the earthquake.

**(11) OCHA should ensure that audits of the Emergency Relief and Response Fund grants awarded to non-governmental organizations are carried out in a timely manner with adequate follow-up process to verify the propriety of the use of project funds.**

*OCHA accepted recommendation 11 and stated that in September 2011, an auditor's firm has been engaged through UNDP's long-term agreement to audit projects implemented in Haiti. This contract will be reviewed upon expiry and renewed in order to cover new projects. Based on the actions taken by OCHA, recommendation 11 has been closed.*

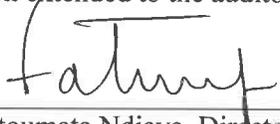
### **C. Fund-raising capability**

OCHA Haiti has not established a fund-raising strategy for its cost plan and the ERRF

30. OCHA Haiti had not established a fund-raising strategy to secure adequate funding of its operations. Its initial cost plan of \$8,771,951 was reduced by 21 per cent during the mid-year review. At the time of the audit in July 2011, only 58 per cent of the reduced cost plan was funded. There were limited efforts at the country level to carry out fund-raising activities. The new head of Office intended to initiate consultations with donors at the local level. Furthermore, there was no fund-raising plan to ensure that the ERRF activities will continue in Haiti, although management in Haiti expressed their wish for maintaining the ERRF mechanism. *OCHA stated that the ERRF strategy for 2012 approved by the HCT in March decided that no additional fund-raising efforts should take place, as the ERRF is expected to phase down its activities by the end of 2012 and will close down within the first semester of 2013. Existing guidance on the closure of ERFs is included in the latest ERF Guidelines, which stipulate that no further fund-raising should be undertaken once the closure of a Fund is decided.*

## **IV. ACKNOWLEDGEMENT**

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



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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of OCHA's management of the Haiti Emergency Relief and Response Fund

Recom. no.	Recommendation	Critical <sup>3</sup> /important <sup>4</sup>	C/O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
1	OCHA should establish a more effective senior staff surge and roster system to ensure continuity in leadership in its country offices during and in the aftermath of a crisis, for sustained effectiveness and accountability of the humanitarian activities.	Critical	C	Action complete	Implemented
2	OCHA should issue the Emergency Response Fund policy framework establishing adequate processes for the establishment and management of country-based funds.	Critical	O	Approval and issuance of the ERF Global Guidelines	30 June 2012
3	OCHA should ensure that the resources of the Haiti Emergency Relief and Response Fund are effectively programmed and efficiently used in accordance with established policies and donor expectations.	Critical	C	Action complete	Implemented
4	OCHA should ensure that ERF grants are substantiated by adequate needs assessments, and that deviations from	Important	O	Approval and issuance of the ERF Global Guidelines and establishment of specific procedures/instructions to the Review	Implemented

3 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.

4 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.

5 C = closed, O = open

6 Date provided by OCHA in response to recommendations. [Insert "Not provided" where date is not provided; "Implemented" where recommendation is closed; (date) given by the client.]

Recom. no.	Recommendation	Critical <sup>3</sup> / important <sup>4</sup>	C/ O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
	established maximum grant limits are supported and documented by ERRF review mechanisms.			Board at the country office level.	
5	OCHA should ensure that a compact is signed with the Humanitarian Coordinator including requirements for specific reports on the programming and utilization of the ERRF.	Important	O	Signature of compact by the HC and OCHA senior management	Mid-April 2012, with retroactive application from January 2012 to December 2012
6	OCHA should review and strengthen its fiduciary responsibility over the ERF funds in the field by designating the Head of Office to be accountable for the use of resources, while the HC, supported by the humanitarian governance mechanisms, should be responsible for the strategic direction of the fund and the priorities for which the funds are used.	Important	O	Inclusion in the ERF Global Guidelines of clear delineation of fiduciary responsibility of the Humanitarian Coordinator and the OCHA Head of Office at the country level	7 October 2011
7	OCHA Haiti should consistently apply the established standard costs in the United Nations common system for salaries and common staff costs of international and national staff and the review board should systematically review project budgets to ensure that the proposed costs are reasonable and appropriate.	Important	O	Inclusion in the ERF Global Guidelines of instructions regarding the need to review salaries fully or partially funded by the ERF in accordance with the current salary scales adopted by the UN Country Team	Not provided
8	OCHA Haiti should develop and implement a comprehensive project monitoring strategy and plan ensuring: (a) inclusion of its sub-offices for on-site monitoring of projects; and (b) documentation of project site visits to assess progress, identify bottlenecks and take corrective actions by concerned parties so that projects are completed in accordance with their agreed terms of reference.	Important	C	Action complete	Implemented
9	OCHA Haiti should: (a) require the	Critical	O	Submission by OCHA of OCHA Haiti	31 May 2012

Recom. no.	Recommendation	Critical <sup>3</sup> / important <sup>4</sup>	C/ O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
10	<p>International Organization for Migration (IOM) to report on the use of funds against the project activities for which the grants were approved; and (b) conduct physical inspections of ERF-funded projects implemented by the IOM as necessary.</p> <p>OCHA should outline the programmatic role, responsibility and accountability of the Director of the Coordination and Response Division (CRD) in the Emergency Response Fund policy document and institute a formal reporting requirement on ERF activities by the Humanitarian Coordinator and the Head of country office to the CRD Director.</p>	Critical	O	<p>monitoring report and IOM final financial report reviewed and cleared by OCHA Administrative Office in Geneva</p> <p>Clarification in the ERF Global Guidelines of the roles and responsibilities of the Director of CRD and the institution of reporting requirements on ERF activities by the HC and the HoO to the Director of CRD.</p>	30 June 2012
11	<p>OCHA should ensure that audits of the Emergency Relief and Response Fund grants awarded to non-governmental organizations are carried out in a timely manner with adequate follow-up process to verify the propriety of the use of project funds.</p>	Important	C	Action complete	Implemented