



LE DIRECTEUR GÉNÉRAL

THE DIRECTOR-GENERAL

MEMORANDUM INTERIEUR

INTEROFFICE MEMORANDUM

To: Mr. Christopher F. Bagot
Chief
Geneva Audit Service
Internal Audit Division, OIOS

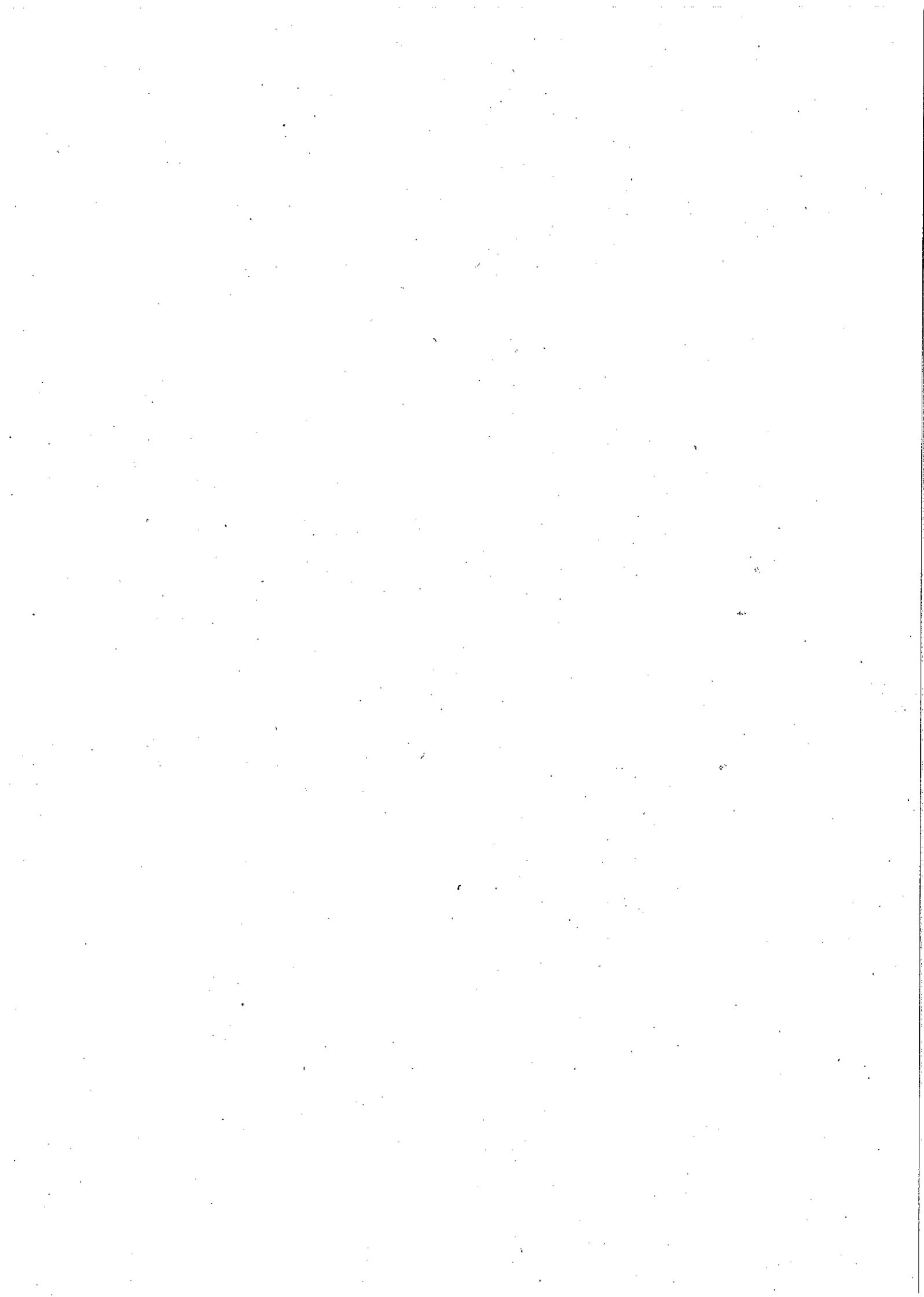
From: Kassym-Jomart Tokayev *Thonally*

Date: 12 July 2012

Subject: **Assignment no. AE2011//311/06– Audit of the mail operations at UNOG**

1. Reference is made to your memorandum dated 29 June 2012 on the above-mentioned subject.
2. As requested, please find hereunder the UNOG comments highlighted in blue for each recommendation, including the timetable for implementation.
3. Attached also the memorandum that was sent to the Security and Safety Service addressing recommendations no. 2 and 3.

cc: Mr. Clemens M. Adams, Director, Division of Administration, UNOG
Ms. Caroline Lepeu, Chief, Central Support Services, UNOG
Ms. Jana Warming, Chief, Operations Support Unit, UNOG
Mr. Hugues Noubissie, Special Assistant to the Director, Division of Administration, UNOG
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS





TO: Mr. Marc Wood
A: Chief
Security and Safety Service

DATE 4 July 2012

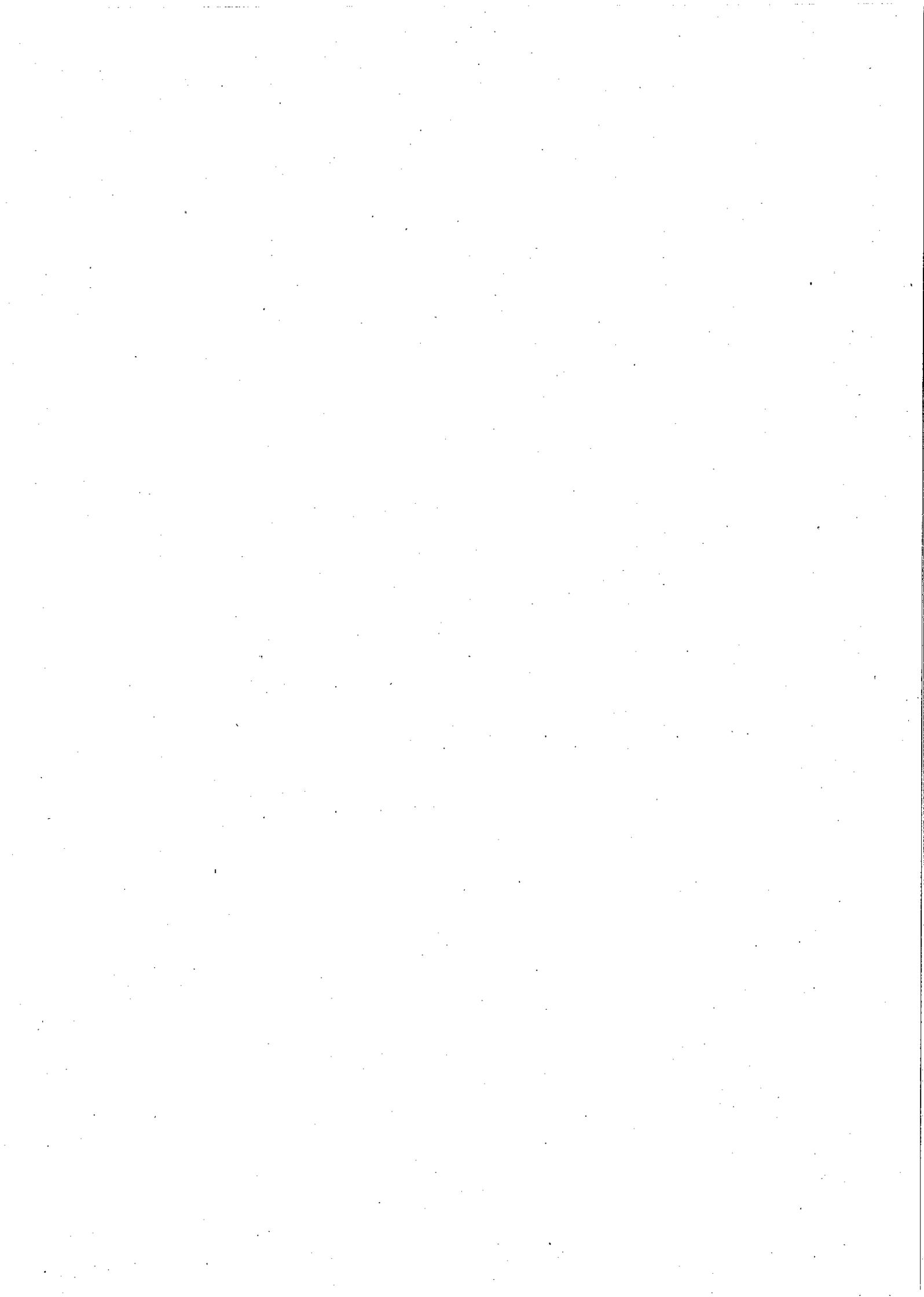
REF:

FROM: Caroline Lepeu
DE: Chief
Central Support Services

SUBJECT: **Mail Sorting Room Security Review and Security Awareness**
OBJET: **Raising for Mail Operations Staff**

1. The purpose of this memorandum is to seek your support in conducting a security review of mail sorting rooms and raising Mail Operations staff awareness regarding mail security.
2. OIOS conducted an audit of Mail Operations from October 2011 to March 2012. The draft report submitted to the Director-General of UNOG on 29 June 2012 raised three recommendations of which two are related to security matters.
3. In order to implement the recommendations, I would highly appreciate your cooperation and assistance in:
 - a. Proposing options for Mail Operations staff awareness raising on mail security; and
 - b. Conducting a security review of all mail sorting rooms and installing access controls and security systems at locations deemed unsecured.
4. Thank you for your kind assistance and cooperation in this matter.

cc: Jana Warming 
Devin Bin



United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

CONFIDENTIAL

DATE: 29 June 2012

TO: Mr. Kassym-Jomart Tokayev, Director-General
A: United Nations Office at Geneva

REFERENCE: IAD/12-03697

FROM: Christopher F. Bagot, Chief
DE: Geneva Audit Service
Internal Audit Division, OIOS

SUBJECT: **Assignment no. AE2011//311/06 – Audit of the mail operations at UNOG**

OBJET:

Overall results relating to effective management of mail operations at UNOG were partially satisfactory; management has initiated necessary steps to address the identified issues

1. Attached please find the draft report on the above-mentioned audit. The draft report has taken into consideration the comments provided on the detailed audit results. We would appreciate receiving your comments by 13 July 2012.

2. Please provide an action plan with a target date and the title of the individual responsible for implementation of recommendations 1-3 as indicated in the attached form (Annex I). Unaccepted recommendations must be supported with appropriate rationale for acceptance of underlying risks. Unaccepted recommendations may be escalated as necessary up to the level of the Secretary-General for reconsideration.

3. In terms of General Assembly resolution 59/272, a Member State may request that the final audit report be made available. It is therefore important that we receive your comments prior to finalizing the report. Pursuant to General Assembly resolution 64/263, OIOS will include your response to this draft report as an appendix to the final report.

cc: Mr. Clemens M. Adams, Director, Division of Administration, UNOG
Ms. Caroline Lepeu, Chief, Central Support Services, UNOG
Ms. Jana Warming, Acting Chief, Operations Support Unit, UNOG
Mr. Hugues Noubissie, Special Assistant to the Director, Division of Administration, UNOG
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

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Audit of the mail operations at UNOG

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the mail operations at the United Nations Office at Geneva (UNOG).
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 administration and maintenance of mail and distribution services is the responsibility of the Mail Operations, which reports to the Operations Support Unit, UNOG Central Support Services (CSS). Mail Operations involve taking care of the daily official mails by means of postal dispatch, diplomatic pouch or special courier services, and their distribution in Palais des Nations and the annexed buildings. UNOG mail operations are also used as dispatch platform/hub for diplomatic pouches coming from New York and other locations with a final destination in Europe and Africa.
4. Operational information on UNOG mail operations is presented in Table 1.

Table 1: Operational information on UNOG mail operations from 2009 to 2011

Activity	Indicators	2009	2010	2011
Diplomatic Pouch	<i>Total export in kg</i>	265,180	255,011	247,219
Mail Dispatch	<i>Total kg</i>	95,490	78,686	105,419
Payments to Suppliers	<i>Total in US\$</i>	4,033,388	3,298,670	3,847,060

Source: UNOG Operations Support Unit

5. All mail transactions, except for the incoming non-registered mails are recorded either by the client entities having an account or by the UNOG mail operations staff in a database called *MailOps*, a system developed by contracted consultants specifically for UNOG and maintained by the UNOG Information and Communication Technology Service (ICTS). This database is used to ensure proper follow-up of mail or when clients need information about their mail. The data held in the system is also used as the basis to charge for the services for all entities not covered by the UNOG Regular Budget (RB) for diplomatic pouch and mailing services. From 2009 to 2011, approximately \$5.2 million was charged to the UNOG RB and approximately \$6.7 million was charged to other entities.
6. UNOG uses three different suppliers for mail services: Supplier A (for diplomatic pouches); Supplier B (for special courier services); and Supplier C (for normal and registered mails). In addition to these service suppliers, UNOG undertakes separate bidding exercises for special pouches, used for urgent cases, unusual destinations and oversized packages.
7. The Mail Operations Unit comprises 39 staff (1 Professional (P) P-2 and 38 General Service (GS) staff), reporting to the Chief of Operations Support Unit (P-4). Out of these 39, two are extra-budgetary funded staff.
8. Comments provided by UNOG are incorporated in italics.

II. OBJECTIVE AND SCOPE

9. The audit of the mail operations at UNOG was conducted to assess the adequacy and effectiveness of UNOG governance, risk management and control processes in providing reasonable assurance regarding the **effective management of mail operations**.

10. The audit was included in the 2011 IAD risk-based work plan for UNOG as it is a high-risk area in terms of security, due to the constant traffic of mail, packages and bags coming from the outside, high financial value of payments to suppliers, as well as credibility and reputation, since UNOG also services other UN entities under interagency arrangements. In addition, the mail operations had not been previously audited.

11. The key controls tested for the audit were: (a) performance monitoring; (b) disaster recovery and business continuity plans; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Performance monitoring** - controls that provide reasonable assurance that metrics are established and appropriate to measure the efficiency and effectiveness of operations; metrics are prepared in compliance with rules and are properly reported on; and metrics are used to manage operations appropriately.

(b) **Disaster recovery and business continuity plans** - controls that provide reasonable assurance that mail operations can withstand crises and continue to operate within a reasonable timeframe.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide the mail operations activities and safeguard resources, and that actions and decisions are in compliance with laws, regulations and contracts.

12. The key controls assessed for the control objectives are shown in Table 2.

13. OIOS conducted the audit from October 2011 to March 2012. The audit covered the period from 1 January 2009 to 31 October 2011.

14. The audit team conducted an activity-level risk assessment to identify and evaluate 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

15. In OIOS' opinion, UNOG's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective management of mail operations**.

16. The assessment of key controls is presented in Table 2 below.

Table 2: Assessment of key controls

Business objectives	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of mail operations	(a) Performance monitoring	Satisfactory	Satisfactory	Partially satisfactory	Satisfactory
	(b) Disaster recovery and business continuity plans	Satisfactory	Satisfactory	Partially satisfactory	Satisfactory
	(c) Regulatory framework	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory

17. Performance monitoring of mail operations was adequate, including close supervision of the activities, controls over the services provided by external providers, client feedback mechanisms and statistical reporting. Business continuity and disaster recovery procedures for mail operations existed and were planned to be formally documented in the UNOG Business Continuity Plan, which was being developed at the time of the audit. Regarding the regulatory framework, adequate controls were in place for invoice verification and billing. Areas where further improvements were needed included: the procurement for special pouches, which was not conducted in accordance with the UN Procurement Manual; mechanisms to ensure that staff have adequate awareness of the security risks related to mail operations; and appropriate access controls to all locations where mail and packages are stored.

18. OIOS made three recommendations to address the issues identified in this audit. UNOG accepted and is in the process of implementing the recommendations.

A. Performance monitoring

Performance monitoring of mail operations was adequate

19. UNOG Mail Operations Unit monitored performance through close supervision of the activities and controls over the services provided by external providers. Client feedback was formally sought through client satisfaction surveys administered by the UNOG Division of Administration. For diplomatic pouch services, an e-mail box for addressing service users' concerns had been put in place. Accurate statistics for the mail operations activities were produced quarterly for management information and business analysis purposes. Additional activities underway to further improve performance monitoring included a new IT system called "MailTrace" for tracking items sent via internal mail and documentation of the performance monitoring system in a Standard Operating Procedure.

B. Disaster recovery and business continuity plans

Business continuity and disaster recovery procedures for mail operations were adequate

20. UNOG implemented adequate steps to keep the mail operations activity going in case of unforeseen staff absences, including through an annual planning calendar, a daily attendance and leave recording system, and staff absence back-up arrangements for both supervisory and other levels. UNOG Information and Communication Technology Service (ICTS) maintained a dedicated server with a

MailOps application replica and a separate database to mitigate the risks from a potential system breakdown and to enable access to the records with minimal interruption. In addition, ICTS was taking daily data backups of the production database and storing them in multiple places in different physical locations. UNOG was in the process of developing its Business Continuity Plan, which would include mail operations.

C. Regulatory framework

Non-compliance with the general UN procurement principles for the procurement for special pouch services needed to be addressed

21. Special pouches at UNOG are not covered by the long-term agreement for diplomatic pouch services. There are 99 destinations in the regular pouch schedule while 72 other destinations may be requested by UNOG clients on an ad-hoc basis. Each special pouch shipment is unique in terms of weight, dimension, urgency and destination. Therefore, UNOG had adopted the use of low value procurement in the selection of a vendor for each ad-hoc shipment for several years. Mail operations staff conducted competitive bidding processes for the special pouch services and worked only with service suppliers registered in the UN Global Market Place. Quotes had been requested from at least three vendors and the one providing the lowest price had been selected. Segregation of duties was maintained in the process between different staff of the unit. In addition, UNOG had between 2009 and 2011 always worked with at least three different suppliers.

22. However, the low value procurement should not be applicable for the frequent procurement of special pouch services as the Guidelines and Procedures for Processing Low Value Procurement at UNOG, rev. 1 dated 18 October 2010 clearly specify that it is for the purpose of "single, one-time purchases". Given the total annual volume of the procurement for special pouches, i.e., an average of over CHF 370,000 (\$405,000) over the period from 2009-2011, and the recurring nature of the transactions, UNOG should consider the option of a systems contract.

(1) UNOG should undertake procurement for special pouch services in accordance with general United Nations procurement principles.

23. *UNOG accepted recommendation 1 and stated that it had commenced the process of putting in place arrangements for undertaking procurement for special pouch services which are in accordance with the general United Nations procurement principles. It took a decision in March 2012 to establish a framework agreement with a vendor to be selected in accordance with the UN procurement procedures. To this end a statement of work was being finalized. In addition, UNOG put in place interim measures to handle the procurement for special pouches until the establishment of the framework agreement. This included, inter alia, the need to undertake a regular requisition for all procurement above \$10,000 and to obtain the approval of vendor selection through Request for Quotations by the Chief, CSS for all procurement with an expected cost between \$4,000 and \$10,000. Recommendation 1 remains open pending finalization of the framework agreement for special pouches.*

Need to improve staff awareness of security risks related to mail operations

24. UNOG Mail Operations Unit was not directly involved in security risk management over mail operations and no specific risk awareness initiatives or activities had been undertaken. Given the high inherent security risks pertaining to mail operations, it is essential that UNOG mail operations staff are alert to risks and dangers potentially posed by incoming mail and aware of how to handle different risk scenarios in coordination with UNOG Security and Safety Service.

(2) UNOG should increase the awareness of mail operations staff to managing security risks related to mail operations.

25. *UNOG accepted recommendation 2 and stated that a programme for increasing the awareness of mail operations staff to security risks related to mail operations would be established. As a first step a training plan would be developed in close collaboration with the Security and Safety Service. Recommendation 2 remains open pending receipt of details of the security risk awareness programme for mail operations staff.*

Lack of adequate access controls and security systems at some locations where mail and packages are stored

26. Locations where mail and packages are stored should be accessible only by authorized persons and be protected by a security system where the traffic of sensitive or valuable mails and packages is high, to avoid theft or access to confidential information. Most but not all points where mail and packages were deposited were safe and well secured.

(3) UNOG should install adequate access controls and security systems at unsecured locations where mail and packages are stored.

27. *UNOG accepted recommendation 3 and stated that it would install adequate access control and security systems. Additionally, the UNOG Security and Safety Service would conduct an overall review of the adequacy of access control and security systems at all other UNOG locations where mails and packages are stored. Recommendation 3 remains open pending receipt of documentation showing that adequate access controls and security systems have been put in place for unsecured locations where mail and packages are stored.*

IV. ACKNOWLEDGEMENT

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

AUDIT RECOMMENDATIONS

Audit of the mail operations at UNOG

Rec. no.	Recommendation	Critical/ ¹ / important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOG should undertake procurement for special pouch services in accordance with general United Nations procurement principles.	Important	Yes	Chief, Mail Operations	31 March 2013	The statement of work is being finalized and will be transmitted to Procurement shortly.
2	UNOG should increase the awareness of mail operations staff to managing security risks related to mail operations.	Important	Yes	Chief, Mail Operations	31 March 2013	Request has been made to Security and Safety Section by way of memorandum dated 4 July 2012.
3	UNOG should install adequate access controls and security systems at unsecured locations where mail and packages are stored.	Important	Yes	Chief, Mail Operations	31 March 2013	Mail sorting room C1-2's access has been restricted with keys. Request has been made to Security and Safety Section to conduct a review of all mail sorting rooms by way of memorandum dated 4 July 2012.

¹ 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.

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.