



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/027

Audit of UNHCR Operations in Liberia

Overall results relating to the effective management of UNHCR Operations in Liberia were initially assessed as unsatisfactory. Three recommendations have been implemented; implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

25 March 2013

Assignment No. AR2012/111/01

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-6
A. Project Management	3-4
B. Regulatory Framework	4-6
IV. ACKNOWLEDGEMENT	7
ANNEX I Status of audit recommendations	
APPENDIX 1 Management response	

AUDIT REPORT

Audit of UNHCR operations in Liberia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations High Commissioner for Refugees (UNHCR) operations in Liberia.
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 UNHCR Representation in Liberia (the Representation) was established in 1980 to assist refugees, returnees and other persons of concern with international protection and humanitarian assistance. The population of concern at the end of 2011 consisted of 313,466 refugees and people of concern, with an increase of Ivorian refugees from 24,536 in December 2010 to 181,918 in December 2011. As of 30 September 2012, UNHCR Liberia had 67,523 refugees and asylum seekers. The Representation has been working with one government and 27 Non Governmental Organization (NGO) Implementing Partners (IPs) since 2011.
4. The programme budget rose from \$5.4 million in 2010 to \$41 million in 2011 and to \$32 million in 2012. As of 31 January 2013, UNHCR's budget for Liberia is estimated at \$42.5 million. As at January 2012, the operation had 138 posts of which 11 posts or 8 per cent were vacant. The 31 January 2013 approved staffing table showed 143 approved posts with 11 vacant.
5. Comments provided by the Representation are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR operations in Liberia**.
7. This audit was included in the 2012 risk-based annual work plan following discussion with the Bureau for Africa. It was rated as high risk as there was a concern on the emergency situation which gave rise to an inflow of 162,427 refugees in 2011 and the rise in budget from \$5.4 million in 2010 to \$41 million in 2011. As of 31 January 2013, total refugees in the country amounted to 91,920.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** - controls that provide reasonable assurance that there is accurate and complete monitoring and reporting of IP project activities and that the projects have been carried out in compliance with UNHCR policies and procedures..
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide the programme and financial activities of the Liberia operation. This includes, following up on long outstanding accounts receivables, inclusion of spare part checks in

the regular inventory counts and compliance with fuel management procedures. It also includes ensuring the reliability and integrity of financial and operational information.

9. The key controls were assessed for the control objectives shown in Table 1 below.
10. OIOS conducted this audit from January to May 2012. The audit covered the period from 1 January 2010 to 31 December 2011.
11. 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

12. The Representation’s governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective management of UNHCR operations in Liberia**. OIOS made six recommendations to address issues identified in the audit. For project management, the Representation had: (a) taken steps to comply with rules on overhead payments made to international NGO IPs; (b) complied with procedures over IP selection and retention; (c) set up a quarterly monitoring schedule on performance monitoring of IPs; and (d) complied with UNHCR rules in closing field offices. At the time of this report, the Representation had addressed the shortcomings that resulted in the initial unsatisfactory rating for regulatory framework by ensuring adequate monitoring of the fuel usage. Action had also been taken to improve procurement planning but there was need to improve follow-up on accounts receivables, and controls over asset management to ensure that all spare parts were counted during the annual stock counts and the values were included in the year-end stock valuations

13. The initial overall rating was based on the assessment of key control presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	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 UNHCR operations in Liberia	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Unsatisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Action taken to ensure compliance with rules on overhead payments made to international NGO IPs

14. In 2010, the Representation worked with three international NGOs for a total of \$761,724 in programme expenditures. In 2011, there were 17 international NGOs with \$13.6 million in programme expenditures. The Representation paid 7 per cent overhead to 17 IPs amounting to \$459,339 although the contribution made from its own resources was not clearly defined and measurable in the sub agreements as required by UNHCR rules. This occurred because the Representation did not enforce the relevant rules in relation to the IP contribution to UNHCR programmes. As a result, the Representation risked losing funding/support that could benefit its programme.

(1) The UNHCR Representation in Liberia should reassess the reported 7 per cent overhead for 2010 and 2011 and seek recovery of \$459,339 from the international non-governmental organization implementing partners.

The UNHCR Representation in Liberia accepted recommendation 1 and stated that the Representation initiated discussions with the concerned IPs. The IPs in question did indicate their contributions in their proposals and lump sum contributions were reflected in the IP Agreements. The absence of detailed/measurable record within the related project descriptions was an oversight on the part of UNHCR. The Representation highlighted that IP Agreements were signed at the height of the Ivorian refugee emergency whereby within 4 months, the Representation increased the number of IPs from 9 to 28 without a corresponding increase in staff capacity over the period. The Representation has subsequently ensured that the details of IP contributions are captured in subsection 4 of Annex A (Project Description).of the IP Agreement. Based on the actions taken by the Representation, recommendation 1 has been closed.

Action was taken to ensure compliance with UNHCR procedures over IP selection and retention

15. The Representation worked with 13 IPs in 2010 and 27 in 2011 for total programme expenditures of \$3.5 million in 2010 and \$20.4 million in 2011. The IP selection and retention process was inadequately documented and the selection committee was not established for both 2010 and 2011. This was rectified in September 2012. The Representation stated that in 2010 and 2011 they had been unable to comply with the requirement because it was focused on addressing the emergency situation, which saw a daily influx of around 500 refugees. The review of IPs in the emergency was a proactive and pragmatic response which otherwise could have been an acute humanitarian disaster if the Representation's response had been delayed by procedures. Given the reasons for the cause of the non-compliance and the fact that UNHCR has strengthened the review of selection and retention of IPs, no additional action is recommended.

Action was taken to set up a quarterly monitoring schedule on performance monitoring of IPs

16. The Representation was not conducting performance monitoring in compliance with rules, which require establishing jointly with IPs an annual monitoring and reporting schedule/plan, including expenditure verification, regular performance monitoring and planned field visits. The Representation took immediate action and as at 20 September 2012, it had established a quarterly monitoring schedule that would be revisited on a quarterly basis, which it shared with all IPs. In view of the action taken, no recommendation is raised.

Action was taken to comply with UNHCR rules in closing field offices

17. Rules were followed in closing the Voinjama sub-office before July 2012, which included using the checklist for staff, assets and inventory for closing an office.

B. Regulatory framework

Action was taken to strengthen the management of sub-agreements

18. In June 2012, the Representation restructured the Programme Unit as part of the strategy to ensure the maximum use of available capacity and to improve oversight and management of operations. This included recovering all unspent balances, overpayments of \$3.3 million and an underpayment of \$310,565 to various IPs and agreements implemented in 2011 as well as prior year's receivables from three IPs. In addition, new operating procedures had been drafted for the Programme Unit as a measure to improve oversight of the use of operational resources. In view of the action taken, no recommendation is raised.

Action was taken to ensure Delegation of Authority Plan (DOAP) fully complies with rules

19. The Representation took steps to revise the new DOAP for Liberia in consultation with the UNHCR Accounts and Financial Service. This came into effect in February 2012. The Representation has now ensured that the segregation of authority is respected and each staff has a role to play in conformity with the Financial Internal Control Framework (FICF) that empowers senior managers to create a DOAP to sub-delegate authority for their areas. System access has been granted by the Managing for Systems, Resources and People (MSRP) enterprise resource planning software and the FICF has been closely aligned with MSRP. Accordingly, all the weaknesses observed in relation to segregation of duties have been rectified. In view of the actions taken, no recommendation is raised.

Need to follow up on long outstanding receivables

20. As of 31 December 2011, open items totaling \$164,877 needed follow-up from the Representation. Out of these, \$90,600 (55 per cent) related to miscellaneous accounts receivables; \$30,740 (30 per cent) related to staff advances. The Representation had started taking action to clear the open items. For the long outstanding open items, the Representation was in the process of requesting the UNHCR Controller to write off \$90,599, most of which is dated back to 2009.

(2) The UNHCR Representation in Liberia should follow up on the long outstanding open items for recovery or write-off where procedures for recovery have been exhausted as required by Chapter 8 of the UNHCR Manual.

The UNHCR Representation in Liberia accepted recommendation 2 and stated that its effort has resulted in the reduction of the open items from an initial \$90,598.64 to \$47,882.21. The office is in consultation with Headquarters to write off specific cases for which all possible means have been exhausted. Recommendation 2 remains open pending receipt of documentation showing follow-up on long outstanding receivables and the appropriate recovery or write-off action.

Action taken to implement procurement planning in 2013

21. The purchasing plans of the Representation for 2010 and 2011 were not prepared because staff were unaware of such a requirement. The Representation processed 909 purchase orders for a total

amount of \$13.8 million for 2010 and 2011. The purchasing plan for 2012 for a total of \$10 million was also not submitted on time and was still under review as of 30 January 2012. Purchase orders were raised on an ad hoc basis from different departments. As a result, the Representation risked not obtaining value for money and making savings on economies of scale on bulk purchases, and international procurement.

(3) The UNHCR Representation in Liberia should prepare purchasing plans based on a needs assessment by end of November each year.

The UNHCR Representation in Liberia accepted recommendation 3 and stated that the 2013 Procurement plan was processed after finalization of IP negotiations and detailed budget entry as of December 2012. Based on the action taken by the Representation, recommendation 3 has been closed.

Action was taken to comply with UNHCR policy on procurement monitoring

22. Procurement monitoring policy requires the Local Committee on Contracts (LCC) to review and advise the Chairperson on all individual contracts whose value is between \$20,000 and \$150,000. Ten LCC minutes and seven submissions done for the cumulative purchases for the year-ended 31 December 2011 revealed that, a total of 13 suppliers with procurement values totaling \$741,719, had surpassed the \$20,000 threshold without approval of the LCC. In December 2011, the LCC sought retroactive approval from the Committee on Contracts at HQs for two local frame agreements to hire trucks that exceeded \$150,000. From a review of LCC minutes held in August and October 2011, details of two contracts that had exceeded the \$20,000 threshold were presented to the LCC for retroactive approval. The Representation stated that this was part of the efforts by the incoming team to regularize and notify the appropriate contracts committees on what was done halfway or incorrectly during the emergency phase. The high supply staff turnover, due to short missions especially from seconded staff who had no access to MSRP, made it a challenge to quickly monitor expenditure reports through MSRP reports for cumulative procurement values and timely actions through relevant contract committees. However, the Representation had taken action to ensure that a fully operational LCC was in place, including a supply structure and staffing in the operation. The LCC Secretary and the supply team were also strictly monitoring and channeling procurement approvals through the relevant committees, i.e., the LCC and Headquarters Committee on Contracts (HQCC). Furthermore, frame agreements and contracts for most goods and services had been established for frequently procured goods and services. In view of the actions taken, no recommendation is raised.

Action was taken to implement a vendor management system as required by the UNHCR rules

23. The vendor database that was maintained at the Branch Office Monrovia in a Microsoft Excel worksheet was not up to date. There were a total of 68 vendors missing in the Excel worksheet that were included in the MSRP listing. In addition, a vendor registration process and vendor vetting procedures or evaluation process had not been put in place. Vendor files which should contain the vendor details, such as the registration form, contact details and financial reports, were not maintained for all local vendors. In July 2012, the Representation took action to establish the Vendor Registration Committee within the Supply and Administration Section to review vendors before registration as the committee did not exist in 2010 and 2011. Also action had been initiated to review the existing vendor register to retain the active vendors and re-activate the inactive ones. These actions streamlined the process for pre-qualifying vendors, improved transparency, put in place a clearly defined document trail and enhanced the vendors' database quality and sourcing infrastructure. In view of the actions taken, no recommendation is raised.

Need to include spare parts in the regular inventory count

24. Inventory was not kept in compliance with rules, which require all inventories to be recorded in MSRP. At the Saclepea stores, spare parts for vehicles and motor bikes were not counted during the annual physical inventory count in December 2011. In addition, the value of spare parts was not assessed or reported to Headquarters for inclusion in the aggregate inventory value in MSRP.

(4) The UNHCR Representation in Liberia should undertake a physical count of spare parts in all locations and a valuation of the inventory at hand, and report the results to Headquarters.

(5) The UNHCR Representation in Liberia should ensure that spare parts are checked as part of the regular periodic reconciliations of physical quantity to book value records and the value is reported to Headquarters.

The UNHCR Representation in Liberia accepted recommendation 4 and stated that weekly spare part counts have been conducted by the Representation. OIOS appreciates actions taken to conduct physical count of spare parts in some locations. Recommendation 4 remains open pending receipt of supporting documents showing that physical count of spare parts have been completed in all locations in Liberia.

The UNHCR Representation in Liberia accepted Recommendation 5 and stated that spare parts are checked as part of the regular periodic reconciliations. OIOS appreciates actions taken to conduct stock counts of spare parts in the specified locations. Recommendation 5 remains open pending receipt of supporting documents showing that physical stock counts of spare parts has been completed in all locations in Liberia.

Action taken to comply with fuel management procedures

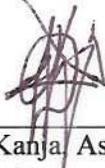
25. The UNHCR fleet management system requires that proper reports are maintained to indicate for each vehicle the quantity of fuel issued, mileage, date, average consumption and ticket number. However, there was a breakdown in controls at Saclepea in the area of fuel management for the period January to March 2011. Vehicles were fueled without fuel issue vouchers to authorize disbursement of fuel. For the period from January to March 2011 a total of 37,937 gallons were issued without proper authorization. Furthermore, there were no monthly reports prepared by a vendor to indicate total monthly consumption of vehicle by mileage and average consumption by vehicle in Saclepea. It was only in May 2011 that monthly consumption reports were introduced. The weaknesses were caused by inadequate staff at the field office to monitor Logistics and Services Liberia Incorporation operations during the Ivorian refugee crisis.

(6) The UNHCR Representation in Liberia should check periodically that there is adequate monitoring of fuel consumption and that appropriate records are maintained. The fuel records for the period from January to April 2011 should also be reviewed in detail to confirm that all fuel issued from the United Nations Mission in Liberia to a vendor was properly accounted for.

The UNHCR Representation in Liberia accepted recommendation 6 and stated that periodic checks on fuel consumption were conducted. The fuel records for the period from January to April 2011 were reviewed in detail to confirm that all fuel issued to a vendor was properly accounted for. The results of the review were communicated to the Desk/Bureau by 31 December 2012. Based on the action taken by the Representation, recommendation 6 has been closed.

IV. ACKNOWLEDGEMENT

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



David Kanja, Assistant Secretary-General
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of UNHCR Operations in Liberia

Recom. no.	Recommendation	Critical/ ¹ Important ²	C/ ³ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Representation in Liberia should reassess reported 7 per cent overhead for 2010 and 2011 and seek recovery of \$ 459,339 from the international NGO implementing partners.	Important	C	Action completed	Implemented
2	The UNHCR Representation in Liberia should follow up on the long outstanding open items for recovery. Write-off action should only be recommended if properly justified and only if follow up procedures have been exhausted as required by Chapter 8 of the UNHCR Manual.	Important	O	Receipt of documentation showing follow-up on long outstanding receivables and the appropriate recovery or write-off action.	30 June 2013
3	The UNHCR Representation in Liberia should prepare purchasing plans based on a needs assessment by end of November each year.	Important	C	Action completed	Implemented
4	The UNHCR Representation in Liberia should undertake a physical count of spare parts in all locations and a valuation of the inventory at hand, and report the results to Headquarters.	Important	O	Receipt of supporting documents showing that physical stock counts of spare parts has been completed in <u>all</u> locations in Liberia.	30 June 2013
5	The UNHCR Representation in Liberia should ensure that spare parts are checked as part of the regular periodic reconciliations of physical quantity to book value records and the value is reported to Headquarters.	Important	O	Receipt of supporting documents showing that physical stock counts of spare parts has been completed in <u>all</u> locations in Liberia.	30 June 2013

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.

³ C = closed, O = open

⁴ Date provided by [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

Recom. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
6	The UNHCR Representation in Liberia should check periodically that there is adequate monitoring of fuel consumption and that appropriate records are maintained. The fuel records for the period from January to April 2011 should also be reviewed in detail to confirm that all fuel issued from the United Nations Mission in Liberia to a vendor was properly accounted for.	Critical	C	Action completed	Implemented