



OFFICE OF INTERNAL OVERSIGHT SERVICES
INTERNAL AUDIT DIVISION I

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9 July 2004

To: Mr. William Lacy Swing
Special Representative of the Secretary-General
MONUC

From: Patricia Azarias, Director
Internal Audit Division I
Office of Internal Oversight Services

A handwritten signature in black ink that reads "P. Azarias".

Subject: OIOS Audit No. AP2004/620/08: Medical Insurance Plan (MIP) Claims of
MONUC Local staff

1. I am pleased to present herein our final report on the subject audit, which was carried out by the Office of the Chief Resident Auditor in MONUC. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations and included such tests as the auditors considered necessary.
2. A draft of the report was issued to MONUC Administration on 23 April 2004. Based on the comments received, we have closed recommendations 4 and 9. Recommendations 1, 2, 3, 5, 6, 7 and 8 will remain open in OIOS' recommendations database pending further actions summarized in the table in Section V.
3. I would like to take this opportunity to thank you and your staff for the cooperation and assistance extended to the auditors on this assignment.

I. INTRODUCTION

4. The Medical Insurance Plan is an insurance scheme operated by the United Nations for the benefit of its locally recruited General Service and National Officer staff members (and their eligible family members) serving at designated duty stations away from Headquarters, to assist them in meeting the cost of certain health services, facilities and supplies.
5. Reimbursement is made at different rates for various medical and dental services covered under the Plan, subject to eligibility:

Hospital expenses (except private room which is 70%)	100%
Professional services and medications	80%
Mental and nervous care	80%
Optical lenses and hearing aids (up to a maximum of \$60 per lens every 2 years and \$300 per apparatus per ear every 3 years)	80%
Dental care	80%

6. The MONUC Personnel Section is responsible for screening and monitoring the completeness and correctness of each claim, and for ensuring that the claim conforms to the requirements of the MIP rules. The MONUC Medical section is responsible for ensuring the claims are consistent with reasonable and customary costs for similar services in the locality. The Mission has authority to settle medical claims under MIP, thus MONUC Personnel Section calculates the reimbursement and forwards each MIP claim in an envelope to the Finance Section for payment.

7. The annual contribution of the Organization for the Medical Insurance Plan for the 910 MONUC Local Staff and 2,532 dependants as per MONUC's financial statements was approximately \$260,000 in financial year ended June 2003 and \$220,000 for the first 8 months of the current financial year ending June 2004.

II. AUDIT OBJECTIVES AND SCOPE

8. The overall objectives of the audit were to ascertain whether the MONUC Finance Section and Personnel Section MIP Claims Unit had adequate control mechanisms in place to process the MIP claims of local staff in an efficient, economic and effective manner, and to ensure that the Organization only pays those MIP claims that meet the eligibility requirements, and are timely and accurately filed.

9. The audit covered MIP claims and reimbursements during the period from 1 January 2002 to 31 March 2004, and involved interviewing staff, reviewing available reports and documents, and sampling and testing of claims and supporting documentation.

III. OVERALL ASSESSMENT

10. OIOS found that there were inadequate controls for ensuring that each reimbursable service is paid at the correct percentage. The risk of processing fraudulent claims is high, as no controls exist for ensuring that the claims represent reasonable and customary charges for various medical services in the DRC, and that claims are not fraudulently filed. There is also no system for ensuring the accuracy and reliability of management information on MIP claims.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Administration and Management

Potential for supporting documentation of processed claims to be re-used

11. Good business practice requires that documents used to process payments be marked as paid or processed. The Finance Section normally perforates all documents used to process payments.

12. OIOS found that supporting documentation for processed claims is not stamped or perforated by either the Personnel or Finance Sections. From a sample of 279 claims envelopes, 163 envelopes representing claims totalling \$23,235.71 were not sealed. Ten claims were not in envelopes, and 15 claims did not bear a voucher number.

13. In OIOS' view, the Finance Section needs to standardise procedures for payments regardless of their nature, and properly cancel or mark documents supporting MIP claims as paid so that they cannot be re-used.

MIP Claims not signed by Subscriber, CCPO and Senior Medical Officer (SMO)

14. Administrative Instruction ST/AI/343 states, "Signing the claims form signifies the subscriber's certification of the truth and accuracy of the information provided..." Further, the UN Financial Regulations and Rules stipulate that Certifying Officers "must be prepared to submit any supporting documents, explanations and justifications..."

15. OIOS' sample review found 5 claims without the subscriber's signature, 9 claims without the CCPO or designated certifying officer's signature, and 26 claims without the signature of the SMO or designee in the Medical Section. Forty-five claims had been altered using correction fluid on sections to be completed by the subscriber, personnel and finance sections.

16. The above instances represent a weakness in the controls exercised by the Personnel, Medical and Finance Sections to ensure the correctness and validity of claims, thus giving way to the possibility of processing fraudulent claims.

Recommendation 1

The MONUC Chief Civilian Personnel Officer and Chief Finance Officer should ensure that all claims are submitted to Finance Section in a claims envelope duly signed by all parties and every amendment countersigned; and that documentation supporting payments is perforated and voucher number are indicated on each claims envelope, which should be adequately sealed before being returned to the Personnel Section for filing (AP2004/620/08/001).

17. *The MONUC Administration agreed with recommendation 1 and stated that the Chief Civilian Personnel Officer and Chief Finance Officer will implement the recommendation.* OIOS will close the recommendation upon our follow-up review of a sample of processed claims evidencing that the recommendation has been implemented.

Work related accident reimbursed partially

18. ST/SGB/Staff Rules/Appendix D Rev. 1 – Article 11.2 states, "In case of injury or illness resulting in disability which is determined by the Secretary General to be partial: (a) The United Nations shall pay all reasonable medical, hospital and directly related costs whether or not the staff member remains in employment of the United Nations".

19. OIOS found that a staff member treated for a work related accident (claim No. 02-0155) bore 30 percent of the cost of hospitalisation and 20 percent of the costs of professional services and medication.

20. The staff administering MIP claims apparently do not fully understand Appendix D of the UN staff rules, and this has resulted in the Organization not fulfilling its responsibility to the staff member concerned.

Recommendation 2

The MONUC Chief Civilian Personnel Officer should re-examine claim No. 02-0155 in accordance with Appendix D of the staff rules and effect appropriate reimbursement to the staff member for the costs of hospitalization, professional services and medication (AP2004/620/08/002).

21. *MONUC accepted the recommendation and stated that the MONUC Chief Civilian Personnel Officer will review the claim and take the appropriate corrective action.* OIOS will close the recommendation upon receipt and review of documentation reflecting the final action taken with respect to claim No. 02-0155.

Reasonable and customary charges not properly determined

22. Administrative Instruction ST/AI/343 states that reimbursements will be made, "on the basis of reasonable and customary charges applicable at the duty station. Reasonable and customary refers to the prevailing patterns of charges for professional and other health services at duty station..."

23. The Medical Section informed OIOS that the all medical expenses are measured against the Centre Medical de Kinshasa hospital (CMK) rates, since this is the official MONUC medical facility in the DRC. However, the medical charges of the vast majority of medical providers and hospitals in the DRC are significantly lower than those of CMK.

24. OIOS believes that the use of CMK rates as the prevailing rates for determining whether rates for various services offered locally throughout the DRC are customary and reasonable is not appropriate. By using these higher rates as the benchmark, the SMO may not be conscious of possibility of fraud, and thus would not be in a position to detect cases of subscribers collaborating with practitioners to obtain fraudulent receipts.

Recommendation 3

The MONUC Chief Civilian Personnel Officer and Senior Medical Officer should conduct a survey to determine the common medical facilities attended by subscribers in major cities in which MONUC operates;

- (i) Obtain a list of customary charges from each of the facilities from the survey results and implement a system that requires staff members to

obtain a referral letter from the MONUC Medical Section, and for the medical facilities in question to forward the bill directly to the MONUC Medical Centre; and

- (ii) For other medical bills that are from physicians and facilities other than those identified by the survey, the Chief Medical Officer should ensure that the claims are checked against the customary charges as identified in (i) above (AP2004/620/08/003).

25. *The MONUC Administration stated that it has instructed the Chief Civilian Personnel Officer and the Chief Medical Officer to conduct a survey of medical facilities in Kinshasa typically used by MONUC staff for the purposes of gathering price information to be used in the verification of future claims. For medical bills from establishments not covered by the above survey, the charges will be compared against the surveyed establishments' customary charges. It was noted, however, that when a referral note from MONUC requests for the bill to be forwarded directly to the MONUC Medical Section, this implies to the medical establishment that MONUC is responsible for payment. Subsequent findings of non-eligibility of the staff member or non-applicability of the charges would then become a problem for Administration vis-à-vis the medical establishment, rather than the financial responsibility of the individual.*

26. OIOS acknowledges MONUC's concern about a misconception of its responsibility by the medical establishments. However, the MONUC Administration could incorporate a standard note in the referral letter to clarify that the patient is responsible for the medical bills and that MONUC may pay the provider for some or all of the charges, pending determination of their coverage under the MIP plan. On the issue of non-eligibility of the staff member and for non-applicability of the MIP services, OIOS would not expect MONUC to issue a referral letter in such event. OIOS will close this recommendation upon receipt and review of the survey results and a standardized referral letter reflecting the new practice.

Examination of spouse by MONUC Medical Doctor

27. Information Circular No. 2001-013 (c) states, "MONUC medical services do not offer medical services to family members..."

28. OIOS found one claim which contained a referral to a local medical facility for a spouse who had been examined by the MONUC Doctor in Kananga, resulting in the Organization taking on avoidable responsibilities. Apparently, the MONUC Medical Doctor was not aware of the rule concerning not providing services to family members as outlined in the MONUC Information Circular.

Recommendation 4

The Senior Medical Officer and Chief Civilian Personnel Officer should ensure that all MONUC doctors in the Sector Headquarters are aware of the Information Circulars on the provision of medical services (AP2004/620/08/004).

29. MONUC agreed to distribute all relevant guidelines and policies on MIP to MONUC doctors in the sectors, and stated that the CCPO would arrange a meeting with the Medical Section in order to streamline the process of medical services. The MONUC Administration issued an Information Circular to all mission personnel on In-Patient and Clinical Care at MONUC Field Hospitals and Clinics, which should help to further clarify the matter. OIOS acknowledges MONUC's efforts to clarify medical issues within the Mission, and has closed recommendation 4. OIOS would appreciate receiving a copy of the minutes recording the outcome of the meeting between the CCPO and Medical Section.

B. Accuracy of Claims

Reimbursements based on incorrect percentages and for non-MIP reimbursable services

30. Administrative Instruction ST/AI/343 specifies that hospital expenses include "bed and board, operating room, recovery room, intensive care, general hospital nursing care, as well as drugs and medicines administered in the hospital". Professional services and medication include "services provided by a qualified physician, whether at the office or in the hospital, including surgeon fees, and other medical services, obstetrical services, including midwifery, laboratory tests and X-rays, drugs and medicines prescribed by a doctor being necessary for the treatment of the illness, immunizations."

31. OIOS found that there was an inconsistency in the MIP Claims Unit's determination of those services charged under hospitalization and those charged under professional services and medication. From a sample of 35 claims, professional services and medication were incorrectly reimbursed under hospitalization (which are reimbursed at 100 per cent) and vice versa for 23 other claims.

32. OIOS also found that for two claims, reimbursement was made for morgue services (at 100 percent), which is not an allowable medical service under the Plan. The staff administering MIP apparently do not fully understand the MIP guidelines, which has resulted in possible overpayments/underpayments to subscribers, and reimbursements for services not covered by MIP.

Screening of claims not thorough

33. Administrative Instruction ST/AI/343 requires "original receipted bills showing name of the patient and nature, date and detailed costs of the services rendered...original prescriptions and original detailed receipts for drugs, medicines...."

34. OIOS found that most of the receipts did not indicate the name of the patient or detail the cost of services rendered. From the sample selection, three receipts were not attached for already processed claims; two receipts from the same pharmacy had the same receipt number for two different patients (subscriber and spouse) for different medications; seven receipts for two patients had dates that contradicted the receipt numbers as indicated below:

Claim #	Receipt #	Date	Amount	
Subscriber No. 1			FC	US\$
02-0005	33017	22 November 2001	1,070	
	28097	06 December 2001	6,000	
	33441	06 December 2001	3,700	
	34665	07 December 2001	19,646	
			30,416	
Subscriber No. 2				
02-0217	403/02	12 September 2002		15
	830/02	13 September 2002		15
	492/02	28 September 2002		366
				396

35. One claim of \$11,132 for hospitalization expenses (exceeding the MIP maximum annual reimbursement rate of \$4,034) did not bear signatures of CCPO and SMO or their designees and was accompanied by instruction from Personnel Section to Finance Section for the payment to be made directly to the hospital. The claim was processed in the finance journal before being returned to Personnel Section for clearance of this large amount by UN Headquarters in New York.

36. OIOS also noted two claims of \$2,095 each submitted by the same subscriber, each claims envelope containing an original receipt from CMK. The two claims were processed by Personnel Section and certified by Medical Section, but one was not certified by the CCPO and therefore was not paid.

37. The cases cited in paragraphs 31 to 36 above indicate that the controls over the screening of claims by Personnel and Finance Sections are inadequate and could allow the processing of fraudulent claims. In OIOS' opinion, the Chief Civilian Personnel Officer (CCPO) also may not be sufficiently conscious of the possibility of fraud involving MIP claims.

Recommendations 5 and 6

The MONUC Chief Civilian Personnel Officer should:

- (i) Issue detailed guidelines to the staff administering MIP claims indicating those services to be charged under each MIP reimbursement category and direct a review of all MIP claims already processed, to correct the percentages reimbursed and make recoveries and/or reimbursements as appropriate (AP2004/620/08/005); and
- (ii) Ensure that all claims documentation is thoroughly reviewed and crosschecked against previous claims in file, and that approval is sought from UN Headquarters for any claims exceeding the maximum annual reimbursement threshold (AP2004/620/08/006).

38. *MONUC stated that the MIP rules and guidelines are accessible in the HR Handbook to all staff administering MIP claims, but that the Personnel Section would conduct a refresher information session in order to reinforce adherence to the recommendations.* OIOS will close the

recommendations upon receipt and review of the instruction materials used at the refresher information session, and OIOS' follow-up review of a sample of claims processed after the session.

C. Contributions

Moneys owed to staff member not refunded after three-month contract

39. Administrative Instruction ST/AI/343 states, "all staff members, regardless of their length of contract will have a deduction taken from their salary in respect of their participation in MIP...If he or she leaves the organization during the initial period of three months, he or she will not have been entitled to benefits and will be refunded the premiums deducted during that period."

40. Personnel Section provided the name of one staff member (ID No. L-0481) whose contract was not extended after the initial three months. OIOS found that this individual was not refunded the MIP premiums deducted from 10 April to 30 June 2003.

41. The Payroll Office was not aware that this is a requirement of the Medical Plan, and the Personnel Section did not advise them of this requirement which resulted in denying the individual his entitlement to a refund of MIP premiums paid.

Recommendation 7

The MONUC Chief Civilian Personnel Officer in liaison with the Payroll Office should refund the MIP premiums deducted from staff member ID No. L-0481 and ensure that this is done for other individuals leaving the Mission after employment for three months or less (AP2004/620/08/007).

42. *MONUC accepted the recommendation and stated that the MONUC Personnel Section in coordination with the Finance Section would take appropriate corrective action in this respect.* OIOS will close the recommendation upon receipt and review of the disbursement voucher to the staff member concerned and upon review of the controls put in place to ensure that MIP premiums are refunded to staff members leaving the Organization prior to completing three months of service.

D. Records Management

Deficiencies in the Field Personnel Management System (FPMS)

43. Recent OIOS audits of personnel related issues have noted the following deficiencies in the FPMS:

(a) The Medical Claims function in the database is not operational. No updates have been made since 2002, and the only medical information in the database is the MIP yearly reimbursement record for 21 participants out of 910 staff members and 2532 dependants, whereas approximately 1,190 claims have been processed from January 2002 to March 2004.

(b) Administrative Instruction ST/AI/343 states, "If a staff member who is initially eligible remains in the employment of the organization beyond three months, he or she may

claim retroactively for assistance in reimbursement for MIP-covered services.” The Personnel Section, however, could not provide OIOS with a list of staff who were initially on three months contracts and were later extended, because the FPMS database did not have the capability to create such reports. The database does not maintain personnel history records and therefore one would have to extract this information from the physical files, which is time consuming and inefficient. In addition, Management cannot keep track of other staff entitlements that become effective after a specified duration of service. There is also a risk that MIP claims for staff employed less than three-months could be processed without being noticed.

44. OIOS believes there is need for the Administration to review the functionalities of the Field Personnel Management System for the purpose of bringing the above and other deficiencies to the attention of DPKO for corrective action.

Recommendation 8

The MONUC Administration should review the functionality of the Field Personnel Management System and identify deficiencies for the attention of DPKO (AP2004/620/08/008).

45. *MONUC stated that the Personnel Section would review the possibility of obtaining appropriate training on the application of FPMS in the administration of MIP claims.* OIOS acknowledges MONUC’s decision to look into training its MIP staff on the use of FPMS, but would also like to draw MONUC’s attention to the findings discussed in paragraph 43 above which indicate that there is more action needed on FPMS other than training on the use of FPMS in the administration of MIP claims. OIOS will close the recommendation upon receipt of information evidencing that MONUC has reviewed the functionalities of the FPMS and has brought the identified deficiencies to the attention of DPKO for corrective action.

Files management

46. Three MIP claims could not be located, and two processed claims for one subscriber were found in the file of a different subscriber having the same family name.

47. In OIOS’ opinion, the above instances may be attributable to inadequate supervision of the MIP Unit. The loss of important personnel and MIP data is a serious control weakness and could potentially be used as a means of covering up fraudulent activity.

Recommendation 9

The MONUC Chief Civilian Personnel Officer should look into the responsibilities of the four personnel clerks and re-structure their job descriptions to ensure segregation of duties and individual responsibility for specific tasks, as opposed to all four clerks performing the same tasks (AP2004/620/08/009).

48. *MONUC accepted the recommendation and stated that, henceforth, an International staff member will be solely responsible for the processing of MIP claims.* OIOS acknowledges the

immediate action taken by MONUC and has closed this recommendation. OIOS would appreciate receiving a copy of the staff member's job description.

**V. SUMMARY OF FURTHER ACTIONS REQUIRED ON AUDIT
RECOMMENDATIONS**

49. MONUC's responses to the audit recommendations contained in this report have been recorded in OIOS' recommendation database for monitoring and reporting purposes. Please note that the recommendations shown below remain outstanding pending the provision by MONUC of evidence that they have been implemented as described in the following table.

Recommendation No.	Required evidence of implementation
AP2004/620/08/001	OIOS' review of a sample of processed claims evidencing that the recommendation has been implemented.
AP2004/620/08/002	Receipt and review of documentation reflecting final action taken regarding the reimbursement of the staff member.
AP2004/620/08/003	Receipt and review of the survey results and a standardized referral letter reflecting the new practice.
AP2004/620/08/005 and 006	Receipt and review of the instruction materials used at the refresher information session and upon review of a sample of claims processed after the session.
AP2004/620/08/007	Receipt and review of the disbursement voucher to the staff member concerned and review of the controls put in place to ensure the refunding of MIP premiums.
AP2004/620/08/008	Receipt of information evidencing that MONUC has reviewed the functionalities of the FPMS and has brought the identified deficiencies to the attention of DPKO.

Copy to:

- Mr. Jean-Marie Guehenno, Under-Secretary-General for Peacekeeping Operations
- Ms. Hazel Scott, Director, Administrative Support Division, DPKO
- Mr. Marcel Savard, Director of Administration, MONUC
- UN Board of Auditors
- Programme Officer, OIOS
- Mr. William Petersen, Chief Resident Auditor, MONUC