



AUD II-7-4:6(AE 103/05)

4 May 2005

TO: Mr. Antonio Maria Costa, Executive Director
United Nations Office on Drugs and Crime
and Director-General of the United Nations Office at Vienna

FROM: Egbert C. Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services

SUBJECT: **Audit of UNOV/UNODC Administration of Entitlements
(AE2004/365/01)**

1. I am pleased to submit the final Audit Report on the audit of UNOV/UNODC Administration of Entitlements, which was conducted from 22 November to 7 December 2004 in Vienna by Mr. Berner Matthee and Mr. Girma Gina.
2. A draft of the report was shared with the Director, Division for Management, and UNODC on 19 January 2005, whose comments, which we received on 25 February 2005, are reflected in the final report.
3. I am pleased to note that most of the audit recommendations contained in the final Audit Report have been accepted and that UNOV has initiated their implementation. The table in paragraph 33 of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 03 and 05, which OIOS considers to be of critical importance.
4. I would appreciate if you could provide me with an update on the status of implementation of the audit recommendations not later than 31 May 2005. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly Resolution 48/218B.

5. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey and return it to me.

6. Thank you for your cooperation.

Attachment: Client Satisfaction Survey

cc: Mr. A. Toh, Officer-in-Charge, Department of Management
Mr. K. Eriksson, Audit Focal Point, UNODC (by e-mail)
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**United Nations
Office of Internal Oversight Services
Internal Audit Division II**

A large, stylized world map in shades of green and cyan serves as a background for the central text.

Audit Report

**Audit of UNOV/UNODC Administration of
Entitlements
(AE2004/365/01)
Report No. E05/R03**

- **Report date: 4 May 2005**
- **Auditors: Berner Matthee
Girma Gina**

UNITED NATIONS



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Office of Internal Oversight Services
Internal Audit Division II

AUDIT OF UNOV/UNODC ADMINISTRATION OF ENTITLEMENTS
(AE2004/365/01)

EXECUTIVE SUMMARY

In November and December 2004, OIOS conducted an audit of the UNOV/UNODC Administration of Entitlements. The audit covered activities with a total expenditure of \$10.5 million in 2003 and 2004. *UNOV has accepted most of the recommendations made and is in the process of implementing them.*

Administration of entitlements

- The Staff Administration Unit of HRMS generally discharged its responsibilities effectively.

Dependency allowance

- The IMIS database included 94 children between the ages 18 to 21, who must be “full-time students” to qualify for dependency. For 61 of these children, the student status was not reflected. Furthermore, in several cases it was doubtful that the children were “full-time students”. Considering the financial implications, all 94 cases need to be followed up. *The Staff Administration Unit of HRMS is following up.*

Education grant

- Education grant claims in respect of school children were complete and accurate, and schools duly completed the form “Certificate of Attendance and Costs and Receipt for Payments” (P.41). However, some universities did not complete the required P.41 forms, and the accuracy and completeness of information in the P.41s that were submitted without supporting documents could not be verified. The P.41 reduces administrative work and there was only one case in the audit sample where the P.41 had contradictory information. But considering the financial risks presented by inaccurate or incomplete information on the P.41, staff members should be asked to submit proof of payments made to universities.
- Two cases were noted where staff members had adopted blood relatives. In the one case, the children remained in the custody of the natural parent after the adoption and in the other case the child was adopted at the age of 15. The UN Regulations and Rules regarding adoption and dependency are quite vague and ambiguous, but an implicit pre-

requisite for adoption is that the child resides with the staff member. OIOS is concerned about adoptions, where ties between the staff member and the adopted child appear to be limited to mere financial support at the expense of the organization.

Other entitlements

- No exceptions were found during the audit of mobility, hardship and non-removal allowances, assignment and repatriation grants, home leave and family visit as well as language allowance.

May 2005

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I. INTRODUCTION

1. From 22 November to 7 December 2004, OIOS conducted an audit of UNOV/UNODC Administration of Entitlements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Staff Administration Unit, that is part of the Human Resources Management Service (HRMS) under the Division for Management of UNODC, handles the administration of entitlements. The Staff Administration Unit is staffed with two professional staff comprising Chief of Unit, P-4 and one Human Resources Officer, P-3. There are 12 General Service staff members of whom five administer the entitlements of 1,380 staff members. The remaining seven positions perform other administrative functions.
3. An overall summary of the entitlements paid in 2003 and 2004 (until 30 September 2004) is presented below:

ENTITLEMENT	EXPENDITURE (\$000) 2003 and 2004	No. of staff in receipt of entitlement
Dependency allowance	3,400	490
Education grant (including education grant travel)	3,020	122
Repatriation grant	852	36
Rental subsidy	801	175
Hardship allowance	582	54
Non-removal allowance	510	172
Mobility	472	55
Language allowance	392	137
Assignment grant	259	18
Home leave and Family visit	231	28
TOTAL	10,519	1,287

4. At UNOV and UNODC, the main entitlements, in cost terms, are education grant and the dependency allowance that, together, accounted for more than 60 per cent of the total expenditure of entitlements.
5. The findings and recommendations contained in this report were discussed during the Exit Conference held on 7 December 2004 with the Director, Division for Management, the Chief, Human Resources Management Service, the Chief, Financial Resources Management Service and the Head of the Staff Administration Unit. A draft of this report was shared with the Director, Division for Management, on 19 January 2005, whose comments have been reflected in the report in italics. *UNODC has accepted most of the recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

6. The overall objective of the audit was to evaluate the adequacy of arrangements for handling staff entitlements. It involved:
 - (a) Assessing the efficiency and effectiveness of UNOV/UNODC arrangements for handling staff entitlements;
 - (b) Reviewing compliance with UN Regulations, Rules and Administrative

- Instructions; and
 (c) Assessing the integrity of IMIS data.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered entitlements paid in 2003 and 2004 (until 30 September 2004) amounting to \$10.5 million. Through a review of the payments and risks associated with the entitlement, a sample was selected per entitlement. The main criterion was compliance with UN Staff Regulations and Rules as well as Administrative Instructions. The second set of criteria pertains to processing and payments in terms of:

- Timeliness of processing of staff members' entitlements.
- Accuracy and completeness of payments of entitlements.

8. The audit activities included a review of IMIS data, discussions with staff in the Staff Administration Unit and a review of personnel files.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Education grant

9. Education grant is payable to cover part of the educational expenses of an expatriate's dependent children.

(a) Claims submitted by staff members

10. Except for three cases audited, staff members duly completed the form "Request for payment of education grant and/or advance against education grant" and submitted the required "Certificate of Attendance and Costs and Receipt for Payments" (P.41). The latter certificate is completed and certified by the educational institution and provides evidence to support three important requirements, i.e. the period of full time attendance at the educational institution (eligibility), a breakdown of the costs incurred (admissible expenses) and amounts paid (evidence of payment).

11. In two cases, the P.41s were not submitted and although HRMS relied on other supporting documentation that OIOS found adequate to support the claims, it is not in compliance to the rules. Although only two cases, the cases demonstrate the difficulties that the requirements, in ST/IC/2002/5 that are rather strict. It provides that where the P.41 certificate cannot be obtained from the educational institution, the staff member must submit a "Certificate of School Attendance" form (P.41/B), together with receipted school bills. Interaction with the institution is still obligatory, because a responsible official of the educational institution should certify the documents. In fact, as in the P.41, the same level of assurance is obtained from the certificate on P.41/B and the required school bills. Therefore, a claim cannot be accepted without certification from the educational institution.

12. *HRMS informed us that Austrian Universities do not complete P.41s, because actual attendance is not mandatory in Austria. In these particular cases, the fees were also nominal and HRMS questioned the need for the required forms. HRMS felt that, where only nominal expenses are involved, the financial returns that would be gained would not warrant the administrative overheads incurred in efforts to obtain these forms. OIOS wishes to point out that, while tuition fees may be only nominal, the claim consists of more than the mere amount*

of tuition paid to the educational institution: there are lump sum amounts, such as cost of board and books. Therefore, a staff member should make every effort to obtain the required certificates or proof of attendance (e.g. through submission of examination certificates). If impossible, HRMS should record the circumstances in a note for the file that should be submitted to FRMS for review during the settlement of the claim.

Recommendation:

- The HRMS, UNODC should, ensure that the required P.41 or P.41/B certifications are submitted with education grant claims. In cases where it is not possible to obtain the afore-mentioned forms from an educational institution, a note for the file to that effect should accompany the claim to FRMS for its review and settlement of the claim (Rec. 01).

13. OIOS will consider the recommendation implemented when it receives a copy of the revised procedure to ensure submission of the required forms and requirements.

14. Except for confirmation that a student was “in full time attendance”, the other requirements, i.e. evidence of payment and admissible expenses can be obtained from vouchers of payment, bills etc. The P.41 certification certainly reduces the intervention of the administration substantially, i.e. the checking of vouchers, calculations and review of claims. The problem is that the P.41 certification could be incorrect or invalid and there is no supporting evidence required to substantiate the information therein. Even if there is suspicion that the information could be incorrect, there is no procedure in place to follow up the issue with the educational institution. This is a risk that the administration should manage. For example, the international schools in Vienna prepare numerous P.41s and it was evident that they duly complete the forms. However, two cases reviewed and where the students studied at universities, the P.41s either included inaccurate or contradictory information. In one case, additional bills were submitted and the administration corrected the claim. In the other claim (Index Number 115836), the submitted P.41s included contradictory information. The staff member left the Organization and therefore, further follow-up would not serve any purpose. At UNOG, staff members have to submit, in addition to the required P.41, proof of payment to the educational institution. Although this increases the reviews and verifications, it may be worthwhile for HRMS to consider the same requirement in the case of universities.

Recommendation:

- The HRMS, UNODC should, considering the risks attached to an incomplete or inaccurate P.41, request staff members to submit proof of payments made to universities (Rec. 02).

15. OIOS will consider the recommendation implemented when it receives a copy of the instruction requiring proof of payments to universities.

(b) Non-compliance

Child’s dependent status is questionable

16. Education grants and dependency allowances were paid to a staff member (Index Number 12198) for a child who was not a dependent child as defined in the rules pertaining to education grant (Staff Rule 103.20) or that of dependency (Staff Rule 103.24).

17. A child is defined as “a child of a staff member who is dependent on the staff member for main and continuing support” (Staff Rule 103.20 (a)(i)) as far as the education grant is

concerned. According to Staff Rule 103.24, the “dependent child” is defined as either a natural or legally adopted child.

18. A legal opinion was obtained in July 1997, following a request from the staff member to recognise the child as a dependent child, in the context of Staff Rule 103.24. In August 1997, HRMS recognized that guardianship would normally not be sufficient to recognize a child as a dependant under Staff Rule 103.24, but considering the unusual circumstances, it was approved that the child should be recognized as a dependant.

19. OIOS does not question the relationship, legally (the staff member exercises parental authority given to him by a court of law and according to correspondence, the authority is indefinite) or otherwise, between the staff member and the child, but OIOS does not find the child to be a child of the staff member as defined in the Staff Rules. The child is neither a natural or adopted child. OIOS is of the opinion that this case was an exception to Staff Rule 103.24 and should have been referred to the Secretary-General for approval pursuant to Staff Rule 112.2 and ST/AI/234 Rev. 1 of 22 March 1989.

Recommendation:

- The Division for Management, UNODC should seek the approval of the Secretary-General, pursuant to Staff Rule 112.2, to exceptionally grant dependency status to the staff member (Index Number 12198) in respect of a child who is not a child of the staff member as defined in Staff Rule 103.24 (Rec. 03).

20. *HRMS stated that this was indeed a very exceptional case and will seek OHRM’s guidance on the best course of action, taking into consideration the interest of the Organization and that of the child.*

21. OIOS will consider the recommendation as implemented when it receives a copy of decision on the case by the Secretary-General.

Education grant paid to pre-primary student

22. According to Section 2 (a) of Administrative Instruction ST/AI/999/4 (replaced by ST/AI/2004/2), education is deemed “primary” when the child is five years or older at the beginning of the school year, or when the child reaches five within three months of the beginning of the school year. In one case, an education grant of \$6,470 was paid to a staff member (Index Number 382808) for a child who attended a school at the pre-primary level and did not reach the age of 5 within three months of the beginning of the school year. OIOS determined that the payment was not in compliance to the rules and FRMS should recover the amount.

Recommendation:

- The FRMS, UNODC should recover the amount of \$6,470 from the staff member (Index Number 382808) who was incorrectly paid an education grant per PYEG 1141 in respect of a child that had not reached five years of age within three months of the beginning of the school year and therefore did not meet the criteria of “primary” education as per Section 2 (a) of Administrative Instruction ST/AI/1999/4, now ST/AI/2004/2. (Rec. 04).

23. *HRMS will seek advice from OHRM as to whether recovery is necessary.* OIOS will consider the recommendation as implemented when it receives a copy of the proof of recovery

of the incorrectly paid education grant.

(c) Adoption of children

24. The term “adopted child” is not defined in the Rules or in any Administrative Instruction, but it is generally accepted that adoption is an action sanctioned by a court of law. Naturally, the reasons for adoption vary and the legal requirements for adoption may also differ from country to country.

25. The audit noted a case where the staff member adopted two of his one brother’s children and another child from another brother, but the children remained in the custody of the brothers. OIOS suggested that UNODC and UNOV should consider extending the requirement of continuous support to more than mere financial support in cases where children are adopted after the staff member’s appointment, and especially where children of family members are adopted and continue to live with their natural parents.

26. *UNODC stated that the rules were followed. According to UNODC, it was not possible for HRMS to determine whether children have been adopted merely for financial reasons. HRMS recognizes the adoption if all conditions laid down in the policy are met and cannot be expected to make subjective assessments.*

27. Also, from the replies received on matters raised in the draft report, a further adoption case was noted where a child, age 15, was adopted from “collateral relative by blood in three generations”.

28. OIOS recognizes that it is difficult for HRMS to adequately follow up on the cases and/or to establish extended requirements. Nevertheless, OIOS is concerned about cases where the ties between the staff member and the adopted child appear to be limited to mere financial support at the expense of the organization.

B. Dependency allowance

(a) Discrepancies in the dependency status as per IMIS

29. IMIS listed 94 children who were 18 to 21 years of age. The children must be “full-time students” for staff members to qualify for the dependency allowance. However, the student statuses of 64 of the children were not indicated and up-to-date in IMIS, but it was indicated that they were students. There were cases in which no education grant claims were submitted in 2003 or 2004, i.e. Index Numbers 177353 and 177400 and where there was no evidence that the child was in “full-time attendance”.

30. The list of 94 dependants needs to be reviewed and where children are not students in “full-time attendance”, recovery may be necessary. *HRMS was in the process of following up on three of the cases.* The 64 cases in which the student statuses were not up-to-date should be revised.

Recommendations:

- The Staff Administration Unit of HRMS, UNODC should review the complete list of the children between the ages of 18 to 21 shown by IMIS as dependants to ensure that they are “full-time students” (Rec. 05).

31. OIOS will consider the recommendations implemented when it receives information on the result of the review of these data.

C. Other entitlements

32. No exceptions were found during the audit of mobility, hardship and non-removal allowance, assignment and repatriation grants, home leave and family visit as well as language allowance and most cases included in the draft report were satisfactorily followed up. Overall, OIOS found the Staff Administration Unit's arrangements for handling staff entitlements to be effective.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

33. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

Rec. no.	Action/document required to close the recommendation
1	A copy of the revised procedure to ensure submission of the required P.41 or P.41/B certifications with education grant claims.
2	A copy of the instruction requiring proof of payments made to <u>universities</u> .
3*	A copy of the decision of the Secretary-General, pursuant to Staff Rule 112.2, to exceptionally grant dependency status to staff member (Index Number 12198) in respect of a child who is not a child of the staff member as defined in Staff Rule 103.24.
4	A copy of proof of recovery for \$6,470 for the incorrect payment of education grant (PYEG 1141, Index number 382808).
5*	Information on the result of the review of the IMIS data on the 94 children who were 18 to 21 years of age, and the corrective action taken where the students were not "full-time students."

* Critical recommendations

V. ACKNOWLEDGEMENT

34. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of the Staff Administration Unit of HRMS and the Enterprise Applications Unit of the Information Technology Service, Division for Management/ UNODC.

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