



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

UNHCR Operations In Chad

16 November 2007

Assignment No. AR2007/115/2

United Nations  Nations Unies
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE
OIOS · BSCI

TO: Mr. António Guterres, High Commissioner
A: United Nations High Commissioner for Refugees

DATE: 16 November 2007

REFERENCE: AUD- IAD(07- 00748)

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



SUBJECT: **UNHCR Operations in Chad – Assignment No. AR2007/115/02**

OBJET:

1. I am pleased to present the report on the above-mentioned audit, which was conducted in April and May 2007.
 2. Based on your comments, we are pleased to inform you that we will close recommendations 2, 6, 13, 19, 21, 22 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
 3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 1, 3, 7, 8, 12, 14, 15, 16, 18) in its annual report to the General Assembly and semi-annual report to the Secretary-General.
 4. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
- cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Ms. Marjon Kamara, Director Bureau for Africa, UNHCR
Mr. Serge Male, UNHCR Representative in Chad, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Anders Hjerstrand, Chief, Geneva Audit Service, IAD, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

UNHCR Operations in Chad

OIOS conducted an audit of UNHCR Operations in Chad in April and May 2007. The major objective of the audit was to assess the adequacy and effectiveness of internal controls to ensure: (a) reliability and integrity of financial and operational information, (b) effectiveness and efficiency of operations; (c) safeguarding of assets; and (d) compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS observed that since OIOS' last audit in 2004, management had in general strengthened internal controls in key programme and administration areas. The operation's system of internal control was assessed as average.

Gesellschaft für Technische Zusammenarbeit's (GTZ) procurement practices did not comply with their procurement procedures, and on further review OIOS identified a number of questionable procurement transactions. It was found that UNHCR staff were aware of these irregular practices but had not brought them to the Representative's attention to ensure corrective action would be initiated.

Cooperazione Internazionale of Italy did not have adequate accounting and financial management systems and procedures. Also, working with them was a challenge due to the lack of continuity of staff. There were three project controllers in 2006 and eight different accountants since 2005. This had an adverse effect on the programme and needed to be addressed as a matter of urgency.

Further strengthening of internal controls was required over asset management, warehouse activities and fuel management. OIOS noted that the Representation had identified fraudulent Purchase Orders and, although action was initiated to mitigate future risks associated with this, the controls implemented in OIOS' opinion were not sufficient, nor was the Representative properly informed. OIOS reminded the office that the Representative is ultimately responsible for following up on such issues to identify the source of the problem and initiate appropriate action.

OIOS made recommendations to address the weaknesses noted in the management of UNHCR's programme and administrative activities including: strengthening internal controls of implementing partners' activities and providing additional training and support where necessary, following up with GTZ and other partners to ensure sound procurement practices are adopted; and to improve warehouse, fuel and asset management. For most of OIOS' recommendations action has been initiated in order to make improvements.

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Chad from 24 April to 11 May 2007. OIOS reviewed the 2005 and 2006 activities of the Representation.
2. The main objective of the operation is to provide assistance to refugees from Darfur (233,000) and Central African Republic (48,000) spread over 12 camps as a direct result of the Darfur crisis in Sudan and the political crisis in the northern Central African Republic. Additionally there are up to 120,000 internally displaced persons. Insecurity constantly poses a threat and there have been attacks in Goz-Beida and other regions causing large-scale fatalities.
3. In 2005 and 2006, a budget of \$93.3 million was allocated including staffing costs administered by Headquarters against which expenditure of \$92.5 million was reported. The Representation was working in 9 locations with 28 implementing partners in 2005 and 23 in 2006. At the time of the audit, the number of staff working for the UNHCR operations in Chad was 379. This included 349 staff on regular posts and 30 United Nations Volunteers (UNVs). There were 26 vacant posts.
4. The comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

5. The major objective of the audit was to assess the adequacy and effectiveness of internal controls to ensure:
 - (a) Reliability and integrity of financial and operational information;
 - (b) Effectiveness and efficiency of operations;
 - (c) Safeguarding of assets; and
 - (d) Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit reviewed 2005 and 2006 programme activities under projects 05/SB/CHD/CM/230, 06/AB/CHD/CM/202, 06/AB/CHD/LS/403 and with expenditure of \$90.2 million. Implementing partners Gesellschaft für Technische Zusammenarbeit (GTZ), Croix Rouge Tchadienne (CRT), CARE International of Canada and Cooperazione Internazionale of Italy (COOPI) were reviewed, as well as activities directly implemented by UNHCR. The audit also reviewed the administration of the Office of the Representation with administrative expenditure of \$12 million for the years 2005 and 2006, and assets with an acquisition cost of \$17.1 million and current value of \$9.8 million.
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7. The audit methodology comprised of: (a) review of policies and procedures, administrative guidelines and analysis of data available from MSRP and other sources; (b) interviews with responsible personnel; (c) physical verification, assessment and effectiveness of controls; and (d) observation and verification of processes, as appropriate.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

Gesellschaft für Technische Zusammenarbeit (GTZ)

8. Since OIOS' previous audit, GTZ had improved its internal controls. However, GTZ still did not consistently follow sound procurement practices. In 2005 and 2006 GTZ made local purchases of about \$1.7 million. In many of the cases reviewed the process did not comply with GTZ's procurement procedures. OIOS found that:

- For vocational training equipment costing \$200,000, no formal tendering process was launched and a properly constituted committee was not formed for the selection of the vendor. GTZ's files revealed that initially nine bids were collected but were not considered in the supplier selection process. Instead, other bids from three suppliers with the same postal address were collected and considered. GTZ could not provide a reasonable explanation as to why the earlier bids were ignored and three further bids were collected. The Representation through its regular monitoring was aware of this irregularity but did not follow-up on this with GTZ management to obtain assurance that it would be reviewed by them and the necessary corrective action taken.
- For the rental of trucks costing \$193,400, GTZ paid \$73,600 to a supplier that was evaluated as unsuitable by GTZ's procurement selection committee.
- For the purchase of Toyota spare parts, GTZ paid a supplier \$131,800 through four payment vouchers. The comparative table of tenders prepared for this purchase did not include the selected supplier. It was not evident on what basis the selection was made.

Recommendations 1 and 2

(1) The UNHCR Representation in Chad should obtain clarification from Gesellschaft für Technische Zusammenarbeit on its selection procedures for vendors, particularly in relation to vocational training services (\$200,000), the rental of trucks (\$193,400) and the purchase of spare parts (\$131,800), as well as obtain assurances that future procurement undertaken from

UNHCR funds are open and transparent.

(2) The UNHCR Representative in Chad should review why appropriate action was not taken by UNHCR programme staff when these irregular procurement practices were identified. A mechanism should be established to ensure all such issues are reported and corrective action promptly.

9. *The UNHCR Representation accepted recommendation 1 and stated that some recommendations were made to GTZ by the Representation in its verification reports but no action was taken. A letter has been sent to GTZ to ask them to provide clarification on the selection of certain suppliers. Recommendation 1 remains open pending receipt of GTZ's explanations regarding the selection on suppliers and assurances that sound procurement procedures will be followed in the future.*

10. *The UNHCR Representation accepted Recommendation 2 and stated that the programme unit will report systematically to the Representative on main findings of each verification exercise and action would be taken accordingly. Recommendation 2 has been closed on the basis of the assurances provided by the UNHCR Representation that for the future all important issues found during project verification will be reported and appropriate action taken.*

11. In GTZ's central warehouse in N'Djamena, non food items (NFIs) were generally well arranged but its management had a number of internal control weaknesses as follows:

- There was no clear segregation of duties between receiving, recording and issuing functions and no job descriptions outlining staff responsibilities. According to GTZ, each staff member performs every function without clear and separate roles and responsibilities.
- Similar stock items were not recorded under a single item code. Stock was not issued on a 'First-In, First-Out' or similar basis as per best practice. For example, motorcycles (the same model) were recorded under two different codes, and the same codes were used to record related spare parts.
- Accessories were not itemized but were recorded as 'units' even though the contents were different which made independent verification and recording of inventory levels and monitoring of losses impossible. A borehole drilling machine and different accessories were recorded as 17 units, while there was only one large vehicle and 16 different accessories stored at opposite ends of the warehouse. Though these items were stored for Action Contre la Faim (ACF), this was not evident during OIOS' review.
- Bin cards were not systematically displayed. For instance, three generators of different models, as well as three lubricant drums belonging to UNHCR were stored without any bin card or stock card. In the absence of such records, there was no recorded evidence of existence of these NFIs at the warehouse.

12. These weaknesses increased the risks that goods could be stolen without being noticed. Given that this is the UNHCR central warehouse, internal controls should be strengthened to provide assurance that UNHCR funded stock is adequately safeguarded.

Recommendation 3

(3) The UNHCR Representation in Chad should ensure that internal controls of warehouse activities are strengthened to provide assurance that UNHCR funded stock is adequately safeguarded.

13. *The UNHCR Representation accepted recommendation 3 and stated that they will establish a written agreement with the implementing partner to set deadlines to establish better controls and staff accountabilities and will closely follow up the matter.* Recommendation 3 remains open pending confirmation that UNHCR is satisfied that GTZ has improved inventory and warehouse procedures.

CARE International of Canada

14. For the UNHCR sub-project, CARE's general ledger did not match the expenditure recorded on the Sub-Project Monitoring Report (SPMR) with some budget lines differing more and others less than what had been entered into the system. CARE explained that the differences (only \$4,000) resulted because it had run a parallel manual system in Excel and used the latter to prepare the SPMR. CARE was in the process of reconciling the two sets of figures. While the differences were not significant, UNHCR should be able to rely on an international NGO's accounting system. Moreover, for 2005, there was no list of expenditure (from CARE's General Ledger or supplementary system), requiring OIOS to go straight to the review of supporting documents.

15. CARE operated three bank accounts, two in local and one in foreign currency. Considering that full reliance could not be placed on CARE's accounting system to ensure that UNHCR related expenses were correctly allocated to the sub-project, a system should be established to separate UNHCR funds from other donors. This may be done by opening separate bank accounts or enhancing the accounting system. CARE staff agreed that the provisions of the Sub-Project Agreement should be complied with and explained that it was sometimes difficult to separate UNHCR funds since Gore and Abeche had one cash safe deposit and funds for different donors were not currently separated.

Recommendation 4

(4) The UNHCR Representation in Chad should ensure that CARE International of Canada only operates a single accounting system that is able to generate expenditure in accordance with UNHCR budget lines, with UNHCR expenditure uniquely identified. If this is not possible, consideration should be given to

maintaining separate bank accounts for UNHCR funds.

16. *The UNHCR Representation accepted recommendation 4 and stated that CARE uses a single accounting software for all donors and they will discuss this issue with them in order to improve the present way of working. Recommendation 4 remains open pending assurances from the Representation that CARE has improved its way of accounting and reporting on UNHCR funded activities.*

Croix Rouge Tchadienne (CRT)

17. OIOS' 2004 audit identified significant internal control weaknesses with this partner, and following OIOS' audit, the partnership was terminated. It was resumed in 2005 with the understanding that the International Federation of the Red Cross would provide the necessary guidance, control and supervision.

18. OIOS noted CRT's internal controls needed improvement in the following areas:

- Some expenses charged in the SPMR were not posted to the accounts. It transpired that the Accountant had forgotten to record some transactions in the final months of 2006.
- CRT's budgetary control needed improvement with a number of budget lines exceeding the 15 per cent threshold.
- Payment vouchers were not used as a control to ensure that payments were made only after checking that the goods and prices conformed to the purchase order.
- For the purchase of spare parts of \$16,000, CRT paid \$8,000 directly to the supplier and the balance to the CRT Coordinator in Abeche. The Coordinator made a number of bank deposits into the supplier's account but never deposited a balance of \$200. This was to be paid to the supplier's brother according to a signed affidavit from the supplier.
- In contravention of UNHCR's Implementing Partner (IP) Procurement Guidelines, spare parts and tyres were purchased for \$20,600 and \$21,200 respectively without proper competitive bidding.

Recommendation 5

(5) The UNHCR Representation in Chad should ensure that Croix Rouge Tchadienne improves its accounting and internal control systems by ensuring that: (a) all expenditures are recorded in a timely manner; (b) proper budgetary control procedures are established; (c) payment vouchers are used to control all payments made; (d) cheques are not issued in the name of a staff member for onward payment to a supplier; and

(e) UNHCR's Implementing Partner Procurement Guidelines are complied with.

19. *The UNHCR Representation accepted recommendation 5 and stated these control weaknesses were raised with the partner during verification exercise. The partner has started to strengthen internal controls. Recommendation 5 remains open pending confirmation that all the internal controls weaknesses, as identified by OIOS have been addressed.*

Cooperazione Internazionale of Italy (COOPI)

20. COOPI had three project coordinators in 2006 and for a three-month period they were without one. OIOS understands that one of the coordinators was forced to leave following allegations of misconduct. The high turnover of COOPI international staff had a direct impact on the implementation of UNHCR's projects.

21. Several weaknesses in COOPI's internal control and procurement procedures were noted. For example:

- For 2006, the expenditure reported in the SPMR could not be easily reconciled with the general ledger. Also, in 2005 only vouchers could be reviewed as there was no up-to-date version of the 2005 general ledger corresponding to the SPMR. These problems could be due in part to the high turnover of staff, with the present incumbent being COOPI's eighth accountant since 2005.
- Though COOPI had two signatories for its cheque payments, only one signature was used for each payment. For Local Purchase Orders (LPO), requisitions were not established prior to initiating competitive bidding. Payment vouchers were not used to properly evidence the authorization and approval of all expenditure.
- The lack of sound procurement procedures, such as a proper tendering process resulted in inefficiencies. For instance, cement was purchased at varying prices (from CFAF 8,250 to 8,750) under five different LPOs. On 22 July 2006, COOPI paid CFAF 8,750 per sack and just three days later CFAF 8,500 from a different supplier. Also, in most cases three proforma invoices were not obtained for purchases above \$500 nor was formal tendering done for purchases over \$5,000.
- For the purchase of drugs and medicines costing \$200,000 a formal tendering exercise was not done.

22. For the purchase of drugs and medicines, the Representation should determine whether savings could be realized by procuring them through UNHCR's Supply Management Service. If this is not found to be cost effective, at the least UNHCR's principles and procedures outlined in the UNHCR Drug Management Manual should be followed.

Recommendations 6 to 8

(6) The UNHCR Representation in Chad should review its partnership with Cooperazione Internazionale of Italy to ensure that some level of guarantee is given for the continuity of its staff to whom responsibility has been delegated for managing and implementing UNHCR's sub-projects. If this cannot be provided, consideration should be given to terminating the partnership.

(7) The UNHCR Representation in Chad should ensure that Cooperazione Internazionale of Italy strengthens its accounting and internal controls systems by: (a) operating the bank account on a joint signature basis; (b) systematically using payment vouchers; and (c) complying with UNHCR's Implementing Partner Procurement Guidelines.

(8) The UNHCR Representation in Chad should determine whether it is cost effective to procure drugs and medicines through UNHCR's Supply Management Service. If this is not cost effective, the Representation should ensure that Cooperazione Internazionale of Italy follows the principles and procedures outlined in the UNHCR Drug Management Manual.

23. *The UNHCR Representation accepted recommendation 6 and stated that they have asked COOPI to provide staff for a minimum of one year. Turnover of important international staff in Chad is a recurrent problem for most NGOs and in case of terminating the partnership with COOPI, they would have problems finding another partner. Recommendation 6 has been closed based on the information provided by the Representation and OIOS accepts the inherent problems encountered by most partners in Chad in retaining staff.*

24. *The UNHCR Representation accepted recommendation 7 and stated that they have observed some improvement in recent months but the situation is not yet satisfactory. Recommendation 7 remains open pending confirmation that internal controls have been considerably strengthened.*

25. *The UNHCR Representation accepted recommendation 8 and stated they will help COOPI seek possibilities for more regular supply from the Chadian central pharmacy, and seek the assistance of UNHCR's Supply Management Service. Recommendation 8 remains open pending confirmation that proper procurement procedures have been adopted for purchasing drugs and medicines.*

B. General programme matters

26. The Representation worked with 28 implementing partners in 2005, 29 in 2006 and 23 in 2007. OIOS acknowledges that this is a considerable number to manage and monitor.

27. OIOS found that there were no clear criteria for the selection of implementing partners. In most cases, they were selected based on the project proposals submitted by them. There were no permanent files on partners containing records such as certificate of accreditation in Chad, tax registration/exoneration certificate as applicable and/or copies of external audit reports. Such documents should be maintained for each partner and used in the partner selection procedures to ensure that the partner was authorized to operate in Chad and that it had a proven track record in its area of intervention. OIOS subsequently obtained copies of limited background information on partners sent from Abeche. It would be preferable that a central databank of information on partners is maintained at the Office of the Representation.

Recommendation 9

(9) The UNHCR Representation in Chad should ensure that essential information on each partner is maintained on file, such as its legal registration to work in the location, documents to support its financial reliability and proven track record in the area of intervention, as well as other relevant background information.

28. *The UNHCR Representation accepted the recommendation 9 and stated it they would collate the information as soon as possible.* Recommendation 9 remains open pending confirmation that all the required documents relating to the selection and evaluation of partners have been properly filed.

29. The signing of the Sub-Project Agreements was delayed. The 2007 Sub-Project Agreements with ACF and COOPI were signed after mid-March, INTERSOS in April and those with IRC and CRP in May 2007. The Representation explained that the delayed receipt of the Letters of Instruction from Headquarters had had a knock-on effect in the signing of agreements with partners.

30. In 2005 and 2006, the Representation regularly monitored implementing partners, covering most sub-projects at least once and visiting most partners two to three times. In addition, relevant technical experts (mainly UNVs) in areas such as agriculture, water and sanitation and health undertook technical support visits. However, many of the reports prepared after the reviews did not outline the achievement of the programme objectives in line with the performance indicators. The monitoring process therefore could be improved through a horizontal review of the narrative reports to identify partners that were diligently reporting on performance indicators and those that did not.

31. Moreover, although the Representation made recommendations to partners to improve the situation, their implementation was not systematically followed up. For example, during the Representation's regular monitoring visits to CRT, while many of the weaknesses found by OIOS had come to the attention of UNHCR, the findings were not systematically shared with them and clear responsibilities and targets established for review at the next monitoring visit.

32. In OIOS' discussions with partners, certain partners emphasized the need of formally sharing the monitoring reports with them. Also, a number of programme staff in the Representation desired training for effective monitoring of the functioning of implementing partners. The Representation should seek appropriate guidance and technical assistance/training from Headquarters in this regard if necessary.

Recommendation 10

(10) The UNHCR Representation in Chad should systematically follow up the recommendations made for improving the functioning of partners, as well as guide them in reporting on achievements based on performance indicators.

33. *The UNHCR Representation accepted recommendation 10 and stated that it has started to systematically follow up of their recommendations. Also, monitoring tools are being developed as operational guides for monitoring and reporting on achievements based on performance indicators.* Recommendation 10 remains open pending confirmation that the developed monitoring tools have been shared with field offices and partners and they are in use.

34. For the following partners that conducted local procurement in excess of 30 per cent of the budget, the necessary deductions were not made before calculating the overhead support costs: Action for Greening Sahel (41 per cent), COOPI (43 per cent) and Premiere Urgence (31 per cent) under 05/AB/CHD/CM/230 and Africare (33 per cent) under sub-project 05/AB/CHD/LS/403 (g). Total local purchases made in these cases were \$1.2 million, and therefore the Representation could have saved \$62,500 had this rule been consistently applied. OIOS was pleased to note that deductions had been made in 2006 in all but one case.

35. GTZ, CARE, CRT and COOPI indicated that communication with UNHCR was good at all levels. Most partners, however, felt that the downward budget revisions during the year and the late receipt of project funds in particular during the first and last quarters adversely affected implementation of UNHCR activities. The partners generally stressed the need for guidance on the implementation of UNHCR rules and procedures. CARE staff received some training in Abeche although their staff in N'Djamena also required training. CRT requested training for the accountant in maintaining accounts as per UNHCR standards.

Recommendation 11

(11) The UNHCR Representation in Chad should liaise with partners to identify training needs and include these in the annual training programme for partners.

36. *The UNHCR Representation accepted recommendation 11 and stated that training needs of partners will be identified more systematically and included in the annual training programmes for partners. Recommendation 11 remains open pending confirmation that training has been provided to partners.*

C. Supply management

Procurement

37. During 2005 and 2006, the Representation made local procurements totalling \$12.3 million. While the procurement process had improved since OIOS' 2004 audit, some internal control weaknesses persisted.

38. In 2005 and 2006, the Logistics Unit noticed several cases of false Purchase Orders (POs) but did not bring the matter to the attention of the Representative. The Logistics Officer reported the matter to the then Senior Supply Officer, who decided to print two copies of POs, (instead of one as per the existing practice) with different colour markings to prevent false POs. The Representative did not give authority for such a procedure and considering the seriousness of the potential fraudulent action before such measures were taken the Representative should have been fully involved. Moreover, OIOS considers that the action taken would not provide adequate safeguard against false POs. Pre-printed and pre-numbered Purchase Orders, a commonly used good practice, should have been introduced to minimize the risk of malfeasance.

39. OIOS found that the Logistics Unit did not maintain a list of specimen signatures of the staff responsible for receiving goods in the GTZ warehouse. This increased the risk of payment against possible fictitious supply.

40. The Representation sent the procurement plans in 2005 (for 2006) and 2006 (for 2007) in good time to Headquarters. Programme Section coordinated with the then Senior Supply Officer in finalizing the plans and sent him a copy of the 2007 plan, but the Logistics Officer and his staff were not conversant with the 2007 plan resulting in weak coordination in procurement action. Also, weak coordination affected the implementation of the annual purchase plan. For example, in 2006, 539 tons of soap were purchased using four separate tenders. Between these tenders the prices increased from CFAF 436,149 (\$800)¹ to CFAF 650,000 (\$1,180) in a subsequent tender. Finally the Logistics Unit identified a manufacturer in Cameroon, who offered a price of CFAF 453,910 (\$825) per ton. In 2007, a single tender was made for the whole year and a total of 720 tons of soap could be bought at the price of CFAF 450,436 (\$813) per ton (using the 2006 exchange rate).

41. The procurement database in the Logistics Section till 2006 consisted only of listing of POs in Excel with limited information and this affected monitoring of procurements from month to month. In 2007 this weakness had

¹ The rate of conversion for 2006(1\$=553.628) has been used being the rate in the Sub-Project Agreements for 2006

since been addressed in the Excel table. However, a robust database of POs was yet to be developed.

Recommendations 12 and 13

(12) The UNHCR Representation in Chad should improve its procurement systems and procedures by: (a) using pre-printed and pre-numbered Purchase Orders with adequate controls for their safekeeping and accounting; (b) having specimen signatures of warehouse staff for matching the signatures in the goods received notes before authorizing payment; and (c) ensuring there is comprehensive information on procurement activities to facilitate reporting and monitoring.

(13) The UNHCR Representation in Chad should introduce a mechanism to ensure that discovery of falsified documents such as Purchase Orders are immediately and formally reported to the Representative and investigated accordingly.

42. *The UNHCR Representation accepted recommendation 12 but stated that the use of pre-printed and pre-numbered POs could not have prevented the issuance of false ones. However, the implementation of the Management System Renewal Project (MSRP) will improve the PO issuance and provide a database for reporting and monitoring. Recommendation 12 remains open pending confirmation that adequate controls and information systems are in place to monitor the procurement process. The UNHCR Representation accepted recommendation 13 and stated that the logistics and supply units were instructed to immediately inform any other such cases to Representative/Deputy Representative for appropriate action. Based on this assurance, recommendation 13 has been closed.*

Asset management

43. The Representation managed almost 4,500 assets located at 9 UNHCR offices and 25 implementing partners with a current value of about \$10 million. OIOS was pleased to note that the Representation had made some improvement in this area since the 2004 audit. Despite this, the asset listings did not comprehensively include all of UNHCR assets, especially due to the frequent movement of assets by implementing partners, in particular telecommunication equipment. Data entry forms were not systematically used for entering assets, and some assets with partners (for example COOPI in Gore) were not bar-coded.

44. Following insecurity in Eastern Chad in November 2006, UNHCR lost many assets, mainly from the GTZ warehouse. The exact loss had still to be established although a preliminary report indicated that items worth \$1.5 million were stolen from the GTZ workshop, and 90 per cent of non food items in the warehouse were either stolen or vandalized. OIOS suggested that the Representation follow-up on these issues and report them to the appropriate asset

management body for write-off. OIOS acknowledges that this is a considerable task.

Recommendation 14

(14) The UNHCR Representation in Chad should ensure that action is taken with the relevant Asset Management Board to write-off the assets stolen in November 2006.

45. *The UNHCR Representation accepted recommendation 14 and stated that for the exercise to be successful cooperation is required from a number of parties. Appropriate procedures will be followed to write-off assets. Recommendation 14 remains open pending confirmation that all assets looted have been written off after approval by the appropriate Asset Management Board.*

46. The last physical inventory was conducted over a year ago, but the process was not documented. In OIOS' view, a comprehensive physical inventory is necessary to bring the asset records up-to-date, in particular following the events in Abeche. This exercise should be documented to evidence what assets have been physically verified and to identify missing assets.

47. Cases of 8 stolen vehicles and 28 vehicle accidents, mostly without police reports, remained unresolved since 2004 as also other cases since 2005 and 2006. For 7 carjacked motor vehicles (Abeche, Guereda and Bahai) no reports were issued by the Field Safety Advisor since 2006. The Representation should seek assistance of the Headquarters Asset Management Board (HAMB) to resolve these issues, particularly if it is unlikely that police reports will ever be forthcoming. Additionally, 7 motor vehicles were grounded in the UNHCR compound, since September 2006. The Representation should submit these cases to the Local Asset Management Board (LAMB) for further action as soon as possible.

Recommendation 15

(15) The UNHCR Representation in Chad should ensure that the eight stolen and those vehicles in accidents dating date back to 2004 are dealt with by the appropriate Asset Management Board, Also, procedures are initiated for the disposal of seven grounded vehicles returned by partners and not currently in use.

48. *The UNHCR Representation accepted recommendation 15 and stated that it will follow-up with the HAMB to see if it would be possible to waive the submission of certain documents, which will be difficult or impossible to get. Recommendation 15 remains open pending confirmation that all stolen and unusable vehicles have been written off the asset database.*

Fuel management

49. The Representation considerably improved the management of fuel and obtained tax exemption status with the Government of Chad in 2007. Until September 2005, GTZ was responsible for fuel management and purchased fuel from a local supplier with which UNHCR experienced problems. For the rest of 2005 and 2006, a company selected by UNHCR following a proper tendering process supplied fuel to GTZ fuel depots. This reduced the risks associated with having to transport fuel. The company supplies fuel to GTZ's fuel tanks and the quantity supplied is measured with the help of dipsticks. Fuel is subsequently issued to implementing partners using jerry cans. This system is not secure and according to the Programme Officer in Abeche led to reported fuel shortages of 10,000 litres presumably due to the recalibration of measuring instruments and dipsticks.

Recommendation 16

(16) The UNHCR Representation in Chad should ensure that fuel meters are used given the large quantity and value of fuel being delivered and subsequently issued annually by UNHCR and its partners.

50. The *UNHCR Representation accepted the recommendation 16 and stated that six new fuel meters will be delivered shortly*. Recommendation 16 remains open pending confirmation that the fuel meters have been installed.

Fleet management

51. The office of the Representation manages a fleet of 12 vehicles with 11 drivers including one Head Driver. Motor vehicle use was generally well managed with international staff paying for private use. However, private/official travel was not systematically recorded in the vehicle logbooks and drivers did not always record mileage and gaps were noted. In one instance, a motor vehicle had 173 km unrecorded and unaccounted for and no explanation for the use of the vehicle was available. This was not an isolated case. In many cases in the logbooks in FO Gore, the closing km and opening km did not match.

Recommendation 17

(17) The UNHCR Representation in Chad should ensure that entries in the vehicle logbooks are regularly checked to ensure proper recording of the use of vehicles, and that all anomalies identified by OIOS should be reviewed and appropriate action taken.

52. The *UNHCR Representation accepted recommendation 16 and stated that immediate action would be taken*. Recommendation 16 remains open pending confirmation that appropriate action has been taken.

D. Security and safety

53. Chad is currently in security phase three in the N'Djamena, Moundou and Gore regions in the West and South respectively with Abeche and its environs in the East in phase four. No independent security assessment on minimum operations safety standards (MOSS) compliance had been conducted since 2005 to ensure that the necessary minimum security measures had been implemented. The measures still needed included blast film for the windows, a fire warden plan and the fitting of some vehicles with the necessary communication equipment. Also, the Representation needs to periodically conduct evacuation drills to ensure that the staff is prepared for any eventuality. There is only one gate to the premises (the front gate) with no emergency exit for staff and the office has no separate area to receive refugees. These considerations needed to be reviewed.

Recommendation 18

(18) The UNHCR Representation in Chad should ensure that minimum operations safety standards (MOSS) compliance assessment for all offices is conducted by competent security officials and the recommendations duly implemented.

54. The *UNHCR Representation accepted recommendation 18 and stated that a thorough review was made in June/July 2007 and necessary measures are being taken within available resources.* Recommendation 18 remains open pending confirmation that the necessary security measures have been implemented.

E. Administration and Finance

Internal control environment

55. The delegation of financial signing authority had been established and found to be operating in practice. A Local Contract Committee, LAMB and staff related committee (Appointment, Posting and Promotion Committee) were constituted and met regularly. Recommendations of OIOS' previous audits have been implemented.

56. Budgetary control for administrative expenditure needed improvement in view of significant budgetary overruns in 2005 and 2006. The budget proposals were mainly based on the average of the actual of previous years and projections based on past trends and experience. For 2008 and 2009, the Representation had made an effort to itemize and quantify expenditures for budget proposals. This is an important step towards improving budget projections and budgetary management.

57. In a few cases, there was delay in recovery of salary related advances from staff. At the time of the audit, the recovery of outstanding rental and salary

advances was made from two staff members. Outstanding advances were not systematically reviewed.

Recommendation 19

(19) The UNHCR Representation in Chad should prepare budget estimates on a realistic basis to minimize budgetary overruns and observe the authorized overrun limit of 15 per cent as far as possible. Outstanding receivables should be closely monitored to ensure that they are cleared in a timely manner.

58. *The UNHCR Representation accepted recommendation 19 and stated that current budget presents a more stable balance, the follow up is rigorous, the outstanding receivables are monitored each month and since April 2007 most part of the 2004-05 outstanding account are cleared.* Based on the action taken, recommendation 19 has been closed.

Special Operational Living Allowance Rate (SOLAR) and other deductions

59. Following OIOS recommendations on SOLAR in 2004, the Representation had taken systematic action to improve the controls. SOLAR payments are now centralized, which ensures that there is no double payment through field offices. Also a 25 per cent deduction is automatically made from international staff for use of UNHCR guest houses, as well as other monthly deductions for the private use of generators, motor vehicles and telephones. The staff who received a living allowance of \$700 did not receive SOLAR payments at the same time as had been the case in 2004.

Medical evacuation (MEDEVAC)

60. Six staff in Chad were evacuated on medical evacuation (MEDEVAC) between 2005 and 2007 and the payments were supported by the relevant authorization from the UNHCR Medical Service in Geneva. However, some controls were not operative, for example:

- The control sheet for medical evacuations was not maintained for each year as required by MEDEVAC guidelines.
- The Final Report on Medical Evacuation 'Annex H' necessary for the calculation of DSA entitlements was only available on one of the cases reviewed.
- The Medical Evacuation Checklist in accordance with DHRM's memorandum 020/2007 dated 31 January 2007 was not maintained to ensure that all steps have been completed before final payment is made.

61. The Representation paid a former staff member (currently working with another UN Agency and maintaining the same index number) the full DSA of \$35,000 (for 105 days) to accompany her child on MEDEVAC to Paris although

the authorization was for only 87 days. As no hotel receipts were made available by the staff member, only 50 per cent and/or 25 per cent DSA should have been paid when the evacuee is not hospitalized. The Representation informed OIOS that the amount overpaid was \$5,618 and the issue would be referred to Headquarters.

Recommendation 20

(20) The UNHCR Representation in Chad, with the assistance of the Division of Human Resources Management, should recover the excess payment of \$5,618 made to a staff member for medical evacuation.

62. *The UNHCR Representation accepted recommendation 20 and stated that it is being followed up.* Recommendation 20 remains open pending confirmation of recovery of the overpayment.

Personnel management

63. The filling of vacant posts improved in 2007 in all categories. From 30 vacant posts in N'Djamena in 2006, the vacancies came down to only 5 vacant posts in May 2007. Similarly in Gore, vacant posts fell from 8 to 2. In Abeche, of the 29 vacant posts as at 1 January 2006, 10 have been filled. This is positive considering the difficult working environments. Nonetheless, considering the complexity of the operation, efforts should be made to ensure all vacant posts are filled in a timely manner.

64. The monthly attendance records need to be systematically maintained as they are crucial for the computation of personnel entitlements. OIOS found that these were not regularly maintained for all units. For example, Administration and Protection Unit sections defaulted in 2007 while the Telecom and Protection Sections defaulted in 2007. In other cases monthly attendance sheets were available only for some months. In 2006, most sections only maintained records for part of the year.

Recommendation 21

(21) The UNHCR Representation in Chad should ensure that all its offices systematically maintain monthly attendance records for all staff to facilitate computation and control of personnel entitlements.

65. *The UNHCR Representation accepted recommendation 21 and stated that monthly attendance records are now maintained.* Based on the action taken, recommendation 21 has been closed.

Travel

66. Official travel was not always authorized and certified in advance and in some cases the travel authorization forms (PT8s) were issued after the completion of the travel. Some local travel was not certified and approved. For

Field Office Gore, several PT8s were not certified but merely bore the printed name of the Administration Officer in N'Djamena. The Field Office explained that these are certified in N'Djamena after the mission is completed and after documents have been sent to the Representation since the Field Office in Gore had no Administration Officer.

Recommendation 22

(22) The UNHCR Representation in Chad should ensure that in all cases, travel authorization forms (PT8) are prepared and approved by the appropriate authority prior to the commencement of travel.

67. *The UNHCR Representation accepted recommendation 22 and stated that travel authorizations are approved prior to missions and the field offices have been requested to follow the rules and regulations.* Recommendation has been closed.

Review of Field Office Gore

68. The field office purchased fuel (\$2,700) inclusive of VAT despite the fact that GTZ in Gore supplies duty free fuel. Though the amount was not significant, improved planning could result in further efficiencies when all 9 offices in the country follow the correct practice.

69. OIOS found that internal controls should be strengthened in the Field Office. For example, the petty cash imprest was \$10,000 but there were no regular surprise cash counts by an international staff member. Also, for local procurement of items valued at up to \$100, the Field Office made payments against suppliers' invoices without recording the receipt of goods or services and without any form of authorization from the Supply Unit. There was no evidence that three proforma invoices had always been obtained for materials purchased.

Recommendation 23

(23) The UNHCR Representation in Chad should ensure that Field Office Gore strengthens internal controls by: (a) conducting independent regular surprise cash counts; (b) complying with UNHCR procurement procedures; and (c) evidencing receipt of goods before making payment of supplies.

70. *The UNHCR Representation accepted recommendation 23 and stated that training in procurement procedures had been organized for field offices.* Recommendation 22 remains open pending confirmation that internal controls over petty cash and those relating to payments have been strengthened.

V. ACKNOWLEDGEMENT

71. We wish to express our appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	Receipt of GTZ's explanations regarding the selection on suppliers and assurances that sound procurement procedures will be followed in the future.	Immediately
2	C	Completed	Implemented
3	O	Confirmation that UNHCR is satisfied that GTZ has improved inventory and warehouse procedures.	September 2007
4	O	Assurances from the Representation that CARE has improved its way of accounting and reporting on UNHCR funded activities.	End of September 2007
5	O	Confirmation that all the internal controls weaknesses, as identified by OIOS have been addressed	None given
6	C	Completed	Implemented
7	O	Confirmation that the internal controls of COOPI have been considerably strengthened.	October 2007
8	O	Confirmation that proper procurement procedures have been adopted for purchasing drugs and medicines.	2008
9	O	Confirmation that all the required documents relating to the selection and evaluation of partners have been properly filed.	As soon as possible
10	O	Confirmation that the developed monitoring tools have been shared with field offices and partners and are in use	Immediately
11	O	Confirmation that training has been provided to partners	November 2007
12	O	Confirmation that adequate controls and information systems are in place to monitor the procurement process.	December 2007
13	C	Completed	Implemented
14	O	Confirmation that all assets looted have been written off after approval by the appropriate Asset Management Board.	December 2007
15	O	Confirmation that all stolen and unusable vehicles have been disposed of and written off.	November 2007
16	O	Confirmation that fuel meters have been installed.	September 2007
17	O	Confirmation that appropriate action has been taken.	Immediately
18	O	Confirmation that the necessary security measures have been implemented.	Immediately
19	C	Completed	Implemented
20	O	Confirmation of recovery of overpayment	Immediately
21	C	Completed	Implemented
22	C	Completed	Implemented
23	O	Confirmation that controls over petty cash and those related to payments have been improved.	Immediately

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: UNHCR Operations in Chad

(AR2007/115/2)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed Survey as soon as possible to: Mr. Dagfinn Knutsen, Director, Internal Audit Division, OIOS, Room DC2-518, United Nations, New York, NY 10017. You can also send it via e-mail (knutsen2@un.org) or by fax (+1-212-963-2185).