



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of United Nations Information Centre In Tokyo

11 March 2008

Assignment No. AN2007/580/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

TO: Mr. Kiyoo Akasaka, Under-Secretary-General
A: Department of Public Information

DATE: 11 March 2008

TO: Ms. Alicia Barcena, Under-Secretary-General
A: Department of Management

REFERENCE: IAD/08-01118

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



SUBJECT: **Assignment No. AN2007/580/02 - Audit of United Nations Information Centre in Tokyo**
OBJET:

1. I am pleased to re-issue the report on the above mentioned audit which incorporates: (i) the Department of Management's response to the draft audit report, as this response was erroneously omitted in the report dated 17 January 2008, and (ii) the additional comments provided by the Department of Public Information (DPI). DPI had requested that the deadline for submission of its response be extended to afford the Director of UNIC, Tokyo sufficient time to provide her comments.

2. In order for us to close the 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. Your response indicated that you did not accept recommendations no 1. In OIOS' opinion however, this recommendation seeks to address a significant risk area. We are therefore reiterating this recommendation and request that you reconsider your initial response based on the additional information provided in the report.

4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 1 and 5), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Warren Sach, Controller, Office of Programme Planning, Budget and Accounts, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. William Petersen, Chief, New York Audit Service, 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).

CONTACT INFORMATION

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, NEW YORK AUDIT SERVICE:

William Petersen: Tel: +1.212.963.3705, Fax: +1.212.963.3388,
e-mail: petersenw@un.org

EXECUTIVE SUMMARY

Audit of United Nations Information Centre in Tokyo

OIOS conducted an audit of United Nations Information Centre (UNIC) in Tokyo in August 2007. The overall objectives of the audit were to assess the adequacy of internal controls in ensuring: the effectiveness and efficiency of the operations; compliance with the United Nations regulations, rules and procedures; and the reliability and integrity of financial and operational information. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Overall, the audit showed that the management of operations at UNIC, Tokyo required significant improvement. The audit team observed major internal control weaknesses in the management of human resources, procurement and finances.

More specifically, OIOS found that:

- Poor staff relations between the Director and the staff were impeding the effectiveness and efficiency of UNIC, Tokyo's operations. The Organization spent \$36,500 on a number of missions visiting Tokyo from New York, and \$20,000 on hiring a contractor to assist the Director in discharging her duties after a staff member had proceeded on leave for 37 days due to alleged intimidation. At the time of the audit in August 2007, despite the Organization having incurred these costs, there had been only marginal improvement in staff relations.
- The certifying officer (a former director of UNIC, Tokyo) and the approving officer (the administrative assistant) had contravened Financial Rule 105.05, 105.06 and 105.19 by knowingly approving advance payments to vendors using fictitious invoices and recording these payments as expenditures. The staff members stated that advance payments were made in order to fully utilize funds at the year end. Total advance payments in 2005 were approximately JPY3,130,000 (equivalent to \$26,000).
- Advance payments made to a vendor for \$9,627 had not been offset against a second contract to the same vendor because of the negligence on the part of UNIC, Tokyo to follow up on the adjustment of the prepaid amount. The vendor declared bankruptcy and the successor company was unwilling to adjust the prepaid amount. The case was pending for advice with Office of Legal Affairs.
- Generally, UNIC, Tokyo was not following the United Nations Regulations and Rules in procurement practices nor was it adequately documenting the process. As a result there was no assurance that UNIC, Tokyo was obtaining competitive prices nor that it was procuring quantities that it actually required.
- There were weaknesses in banking arrangements and Treasury had yet to confirm its authorization of UNIC, Tokyo's savings account.

OIOS made a number of recommendations to improve the efficiency and effectiveness of UNIC, Tokyo's operations.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations Information Centre (UNIC), Tokyo in August 2007. This audit was requested by the Director of UNIC, Tokyo alleging financial irregularities by staff members, following the bankruptcy of a vendor in 2006. The Director also indicated that her efforts to ensure that expenditures were incurred in compliance with the United Nations Regulations and Rules have led to allegations by the staff against her. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNIC, Tokyo was established in 1958 as a branch of the Department of Public Information (DPI). The mandate of DPI is to promote an informed understanding of the work and purposes of the United Nations among the peoples of the world. At UNIC Tokyo, the activities conducted include organizing workshops and exhibitions; expanding the United Nations Japanese language webpage; translating the Secretary-General's messages and United Nations background documents into Japanese; providing library services; guided tours in the United Nations House; and internship opportunities. UNIC Tokyo is headed by a Director and supported by a national officer and six other general service staff. The current Director was appointed in April 2006.

3. UNIC, Tokyo's budget totaled approximately \$1.2 million per annum during the past three years as shown below. Staffing costs and other administrative expenditures were financed by the regular budget and public information activities were financed by the Japanese Government through a trust fund.

Table 1: Total budget of UNIC, Tokyo from 2005 to 2007 (in thousands of dollars)

Description	2005	2006	2007
Staffing costs *	1,000	1,000	1,000
Non staffing operating costs	111	117	156
Public information activities	165	158	225
Total	1,276	1,275	1,381

* Estimated staffing costs based on August 2007 exchange rates.

4. Comments made by DPI and DM are shown in *italics*. In transmitting the comments of the Director of UNIC Tokyo, DPI indicated that her comments contained several inaccuracies and overstatements. DPI also advised that its comments to the draft audit report remained unchanged. In addition, DPI has opined that further investigation by OIOS is not warranted. In this connection, OIOS reserves the right to investigate any of the issues discussed in the report.

II. AUDIT OBJECTIVES

5. The major objectives of the audit were to assess whether internal controls were adequate in ensuring:

- (a) Effectiveness and efficiency of operations;
- (b) Compliance with the United Nations regulations, rules and procedures; and
- (c) Reliability and integrity of financial and operational information.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit comprised a review of activities from 2005 to June 2007. The audit methodology involved interviews with staff, analysis of relevant information and review of available documentation.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Management issues

Director's relations with staff

7. In December 2006 and January 2007, the interns and staff members of UNIC, Tokyo wrote letters to the Secretary-General and the Director of Strategic Communications Division in DPI, questioning the managerial ability and leadership of their Director and alleging that she was conducting private business during business hours. The staff members also alleged harassment in the form of recurrent angry outbursts, verbal abuse and threats from the Director. Two former UNIC Directors also expressed their concerns to the Under-Secretary-General of DPI about the staff relations in UNIC, Tokyo.

8. In February 2007, the then Under-Secretary-General established a panel to look into the allegations made by the staff members. Although the Panel did not find any evidence of wrong-doing on the part of the Director, it found that she suffered from serious managerial deficiencies. As a result of these findings, the Under-Secretary-General requested the staff to provide support to their Director and assigned the Director specific benchmarks and indicators in order to monitor her performance over a six month period. The Under-Secretary-General also requested the Ombudsman to assist in the mediation of staff relations and the Office of Human Resources Management (OHRM) to support a team-building exercise for UNIC, Tokyo.

9. In an effort to solve the problems, DPI had also altered the reporting arrangements for the staff members and consequently for their performance appraisals on a temporary basis. The first reporting officer for local staff

members was changed from the Director of UNIC Tokyo to the Chief of Centres Operation Section (COS), in New York. Additionally, the Chief of Information Centre Service (ICS), who was also the Chairman of the Panel that looked into the allegations against the Director sought to relinquish her role as the first reporting officer of the Director. Consequently, the Director of Strategic Communications Division was made the first reporting officer of the Director of UNIC Tokyo, with the Under-Secretary-General as the second reporting officer. OIOS noted that the performance appraisal system (PAS) reports for 2006/2007 and the plan for 2007/2008, both due in March 2007, were still incomplete in August 2007.

10. At the time of the audit in August 2007, the Director informed OIOS that some staff members did not co-operate and support her since her assumption of office in April 2006. The staff members affirmed that they had lost respect, trust and confidence in the Director as their manager although the verbal abuse had stopped. The Organization spent \$36,500 on a number of missions visiting Tokyo from NY and \$20,000 on hiring a contractor to assist the Director in discharging her duties after a staff member had proceeded on medical leave for 37 days due to alleged intimidation. At the time of the audit in August 2007, despite having incurred these costs, the tense relationship and mistrust between the Director and the staff members had affected the Director's ability to manage the office and the staff which affected the productivity of UNIC, Tokyo. In OIOS' view, the Director of UNIC, Tokyo needs to be re-assigned until she has been trained in managerial competencies.

Recommendation 1

(1) DPI should consider re-assigning the Director of UNIC, Tokyo until she has been fully trained in managerial competencies or take other appropriate action to resolve the situation.

11. *DPI did not fully accept recommendation 1. DPI stated that the reassignment of the Director would be considered once she has undergone management coaching (as recommended by the consultant who, upon the recommendation of OHRM, carried out a team-building exercise in September 2007 for the entire UNIC Tokyo team), followed by a reasonable amount of time to evaluate the results. It should be noted that the Director attended the second part of the United Nations Leadership Development Programme in November 2007. Recommendation 1 remains open pending clarification by DPI as to what constitutes "a reasonable amount of time" to evaluate the Director's performance. DPI should also provide OIOS with information on the progress made on resolving the situation.*

B. Human resources management

Use of individual contractors

12. During the period under review, UNIC Tokyo was spending approximately \$30,000 to \$40,000 per annum on fees paid to individual

contractors. The functions assigned to the individual contractors included the management of the United Nations Gallery, translation work and proofreading of translated documents. Although, according to the ST/AI/1999/7 on “Consultants and individual contractors”, individual contractors can perform functions similar to that of staff members but their engagement should be justified so that their hiring is kept to a minimum in order to prevent a waste of resources. Generally, UNIC, Tokyo was unable to provide justification as to why these functions could not be performed by the staff members, and there was inadequate documentation in the file on the selection process as well as on the justification for the engagement of individual contractors.

13. According to Section 8 of ST/AI/1999/7, the services of an individual contractor shall be limited to six months, or in special circumstances nine work-months, in any period of twelve consecutive months. UNIC Tokyo did not comply with this provision and engaged an individual contractor for 23 months consecutively for managing day to day operations for the United Nations Gallery in 2004-2005. Furthermore, contrary to Section 6.2 of ST/AI/1999/7, UNIC Tokyo had also engaged an individual contractor to perform supervisory functions relating to the management of the United Nations Gallery in 2006.

Recommendation 2

(2) DPI should ensure that the engagement of individual contractors at UNIC, Tokyo is justified and that the selection process of the candidates is adequately documented.

Recommendation 3

(3) DPI should ensure that the duration of engagement of individual contractors and functions assigned to individual contractors at UNIC, Tokyo are in compliance with ST/AI/1999/7 on “Consultants and individual contractors”.

14. *DPI accepted recommendations 2 and 3. Ad hoc guidance notes have been and will continue to be sent to UNIC Tokyo to explain in detail the provisions of official guidelines. A copy of ST/AI/1999/7 will be sent to the Director of UNIC, Tokyo with a follow-up to ensure that the guidelines included therein have been understood. In addition, DPI will continue to send copies of all administrative issuances to all UNICs, which it does routinely, and will draw special attention to guidance on such matters as the hiring of contractors and related issues, especially for those Centres, such as UNIC, Tokyo, where the Director is new to the United Nations.* Recommendations 2 and 3 remain open pending written confirmations from the DPI that: (i) the justification for the engagement of individual contractors and consultants are documented, (ii) the selection process is transparent and adequately documented in compliance with ST/AI/1999/7 and (iii) the duration of the engagement of and functions assigned to individual contractors are in compliance with ST/AI/1999/7. A list of individual contractors and consultants’ contracts currently in force, indicating the justification for the engagement, the duration of contract as well as the description of duties should be provided to OIOS.

Payment to interns

15. According to Section 6 of ST/AI/2000/9 on “United Nations Internship Programme”, interns shall not be financially remunerated by the United Nations. However, UNIC Tokyo engaged interns to work during weekends using contracts that are normally used for individual contractors.

Recommendation 4

(4) DPI should ensure that UNIC, Tokyo immediately stops making payments to interns and utilizes the officially recognized options to cope with busy periods.

16. *DPI accepted recommendation 4 and stated that a copy of ST/AI/2000/9 will be sent to the Director of UNIC, Tokyo with further explanation of the purposes for which interns are supposed to be used and alternatives to cover the staffing shortfall during peak work periods.* Recommendation 4 remains open pending written confirmation from DPI that payments for interns had been stopped and that UNIC, Tokyo is utilizing officially recognized options to cope with busy periods.

C. Procurement management

Advance payments to vendors

17. The Organization has suffered losses following the bankruptcy of a vendor because UNIC Tokyo had prepaid the vendor prior to the receipt of goods. The staff members admitted to the practice of making advance payments to vendors in order to fully utilize funds at the year end. The certifying officer (a former director of UNIC, Tokyo) and the approving officer (the administrative assistant) were knowingly approving the advance payments using fictitious invoices to record these payments as expenditures. Their actions contravened the Financial Rules 105.5 and 105.6 that outlined the responsibilities of certifying and approving officers, as well as Financial Rule 105.19 that disallowed the practice of advance payments except where normal commercial practice or the interest of the United Nations so requires the payments.

18. According to the UNIC, Tokyo staff members, this practice was prevalent since early 2000. In addition to the case highlighted by the Director, there were other cases of advance payments in 2005 totaling approximately \$26,000 as shown below:

- (a) Case A: ACC Co. Ltd. – JPY 1,136,000 (\$9,627)¹;
- (b) Case B: O.B. One Co. Ltd - JPY1,000,000 (\$8,475); and
- (c) Case C: TRY Co. Ltd – JPY 994,000 (\$8,423).

19. In all three cases, the staff members admitted that they had requested the vendors to issue fictitious invoices. For cases A and B, the principal staff

¹ Based on exchange rates at the time of audit fieldwork in August 2007

members involved were the information assistant, the information officer, the administrative assistant and the former Director. For case C, the principal staff members involved were the administrative assistant and a former Director. Although other staff members were not directly involved, the practice of advance payments was known to all staff since it was generally discussed at staff meetings. OIOS noted with concern the close relationship between the staff members and the vendors, demonstrated by the ability of the staff members to request the vendors to issue fictitious invoices according to their instructions.

20. The administrative assistant informed OIOS that UNIC Tokyo would use the advance payments to offset expenditures in the following year. This could be seen from the absence of monthly recurring expenditures in the first few months of the year. However, in case A, the public information assistant and the information officer had not followed up with ACC Co. Ltd (the vendor in case A above) for the advance payments made in 2005. The information assistant stated that she was busy following up with O.B. One Co. Ltd (the vendor in case B above) for delivery of United Nations 60th anniversary panels that were prepaid. Although the United Nations 60th anniversary was in October 2005, the information assistant stated that these panels remained useful since they were depictive of the history of United Nations and could be displayed at the United Nations Gallery in Tokyo.

21. In June 2006, UNIC Tokyo engaged ACC Co. Ltd, after getting three informal quotes, for a second contract of an agreed cost of JPY1,270,000 (US\$10,762). The Director stated that she learnt about the advance payments sometime in June/July 2006. The Director claimed that she had asked the information assistant to contact the vendor to offset the cost of work done in June 2006 against the advance payment made in 2005 but the information assistant denied that this was the case. In August 2006, ACC declared bankruptcy and the successor company issued an invoice to UNIC Tokyo amounting to JPY1, 270,000 (\$10,762) the second contract of June 2006. UNIC Tokyo referred the case to the Office of Legal Affairs (OLA) through DPI in order to resolve the claim of the contractor. Since this incident, UNIC Tokyo has stopped the practice of advance payments.

Recommendation 5

(5) The Department of Management, in consultation with DPI, should take appropriate action against the UNIC, Tokyo staff members who prepared, certified and approved fictitious vendor invoices in order to make advance payments in contravention of Financial Rules 105.5, 105.6 and 105.19.

22. *DPI accepted recommendation 5 and stressed upon the need for Department of Management (DM) to consult with DPI before taking any action. DM stated that recommendation 5 should be addressed to DPI as it is the programme manager's responsibility to pursue action against staff. OIOS is of the opinion that it is not the sole responsibility of the programme manager to pursue action since it is the Controller who delegated the authority to the*

certifying and approving officers. Therefore, these staff members are accountable to the Controller, and DM is responsible for taking appropriate action against UNIC, Tokyo staff who contravened the Financial Regulations and Rules. Recommendation 5 remains open pending receipt of documentation describing the actions taken by DM and DPI against the UNIC Tokyo staff who prepared, certified and approved fictitious vendor invoices in order to make advance payments in contravention of Financial Rules 105.5, 105.6 and 105.19.

Segregation of duties

23. OIOS noted that there was inadequate segregation of duties. For example, the preparer of the accounts was also the approving officer. Staff members were allowed to negotiate directly with vendors and participated in the selection of vendors for goods and services that they requested for. Consequently, all staff members were involved in procurement.

Delegation of authority

24. Until 2007, the staff members were unaware that they did not have the delegation of authority for procurement except for low value procurement of less than \$2,500. They obtained quotations from three vendors only in cases where the procurement value exceeded JPY1 million (approximately \$10,000). They also did not use systems contracts for goods/services that were required on a recurring basis and for an extended period and did not advertise the requirement to solicit bids when the amount exceeded \$30,000.

Documentation of process

25. Requisitioners did not prepare detailed specifications of the goods and services required and there was no justification for selection decisions. The justifications for requisition, determination of quantity and quality as well as basis for selection of vendors were done through discussion among colleagues and the Director. In many cases, there were no purchase orders or written contracts. In a few cases where written contracts existed they were very brief and could not be used to assess the quality of the goods/services that were to be delivered. There were also no prior agreements on the cost of any additional services or goods required. UNIC Tokyo became aware of the costs of the additional services/goods only when they received the invoices.

Planning the requirements

26. One of the main procurement activities related to the printing of translated United Nations documents and publications. The audit team visited the storage room and observed huge quantities of outdated United Nations documents as shown in Figure 1. The inventory records were only updated upon OIOS' request. The inventory included over 75,000 copies of a 2003 publication. The original quantity ordered for this publication was 150,000. Since the inventory had not been used for distribution it showed that UNIC, Tokyo had procured much more than it required which reflected poor procurement planning.



Figure 1: Outdated documents

27. The Information Centres Service (ICS), DPI is responsible for providing administrative and programme support to UNICs. Since UNIC, Tokyo submits the original copy of its accounting records including disbursement vouchers and supporting invoices to DPI every month, DPI was in the position to detect that UNIC Tokyo had been processing procurement without having the delegated authority. However, DPI officials informed OIOS that they have been passing on the records received from UNIC Tokyo to the Accounts Division for the recording of transactions in Integrated Management Information System (IMIS), without performing an independent review.

Recommendation 6

(6) DPI should review the monthly accounting records and exercise more stringent oversight over UNIC Tokyo in order to monitor UNIC Tokyo's procurement requirements to ensure that: (i) quantities procured are utilized for the purpose for which they have been procured; (ii) UNIC Tokyo staff exercises procurement authority that has been delegated to it; and (iii) requisition, selection and award decisions are documented and in accordance with United Nations rules and regulations.

28. *DPI partially accepted recommendation 6 and stated that it would exercise more stringent oversight of the monthly accounts. As is the case with other self-accounting UNICs, DPI receives a monthly administrative report from UNIC Tokyo. The report includes monthly accounts, copies of bank statements, payroll, leave reports, non-expendable property report, and vehicle log. While these accounts provide a fair record of the financial activity they do not give an indication of how compliant the office has been in any local procurement activities. It should be noted that DPI has been working with the Procurement Service since April 2007 to ensure that delegation thresholds are strictly adhered to, to obtain local procurement authority for all procurement exceeding the low-value threshold, and to arrange for Directors of self-accounting UNICs and their administrative staff to receive procurement training prior to being granted limited delegation of authority. In addition, a copy of the Procurement Manual has been mailed to all UNICs and specific procurement guidance continues to be provided by ICS in areas such as requisition, vendor selection, and*

documentation of procurement activity. The importance of documenting procurement activities has also been emphasized in these communications.

29. OIOS takes note of these comments but is of the opinion that DPI is in the position to monitor the compliance of procurement activities because: (i) procurement values are reflected in the accounting records as expenditures; and (ii) all requests for ad-hoc delegation of authority by UNIC, Tokyo to the Procurement Service are channeled through DPI. Since UNIC, Tokyo has 8 staff members, OIOS is of the opinion that segregation of duties is possible with the existing staffing levels, at least between the preparation of accounts and the approving function. Recommendation 6 remains open pending receipt of a report from DPI on the mechanisms/controls established to ensure that procurement activities are conducted in compliance with established regulations and rules, and the improvements that have been made in the segregation of duties.

Familiarization with United Nations regulations and rules

30. OIOS noted that staff members received computer related training and language training only and were unfamiliar with the United Nations Regulations and Rules despite being in service for many years.

Recommendation 7

(7) DPI should ensure that UNIC, Tokyo staff members are adequately trained and familiar with the application of United Nations financial regulations and rules and administrative instructions in order to properly carry out their functions.

31. *DPI accepted recommendation 7 and stated that it is ensuring that all directors and administrative assistants of self accounting UNICs such as UNIC, Tokyo attend training sessions organized by the Procurement Service. Recommendation 7 remains open pending receipt of the list of training attended by UNIC Tokyo staff members in 2008. In areas where formal training is not readily available, DPI should indicate the guidance provided to the staff members to ensure that they are competent to carry out their functions in accordance with United Nations Financial Regulations and Rules and administrative instructions.*

D. Financial management

Bank accounts

32. UNIC, Tokyo has three bank accounts, one bank account in United States dollars, one savings account in Japanese Yen (JPY) for trust funds and a checking account in JPY for regular budget (UNA) funds. The administrative assistant explained that it is not a practice in Japan to issue cheques to vendors. Therefore, for withdrawal from the JPY checking account, the administrative assistant prepares a cheque with two approved bank signatories and completes a bank transfer form (no signature required on the bank transfer form) for making a payment to a vendor through the bank. For withdrawals from the savings

account, the administrative assistant only needs to complete a bank transfer form with signatures of the two approved bank signatories.

33. For withdrawals from the JPY checking account, the administrative assistant prepares cheques in the name of “UNIC Tokyo” with an amount totaling to the approved amounts of several disbursement vouchers (including payments to several vendors as well as some cash disbursements for miscellaneous claims). The vendors are then paid through wire transfers. The administrative assistant explained that this practice was adopted to reduce bank charges. She stated that in the past, UNIC, Tokyo used to issue one cheque per vendor but stopped doing so when the number of payments increased to about 150 payments per month, including payments on behalf of United Nations Development Programme (UNDP) and United Nations Office for Project Services (UNOPS).

34. The current practice of issuing cheques to UNIC, Tokyo is equivalent to cashing the cheques. The administrative assistant, however, stated that UNIC, Tokyo did not actually receive the total amount in cash because she had handed the cheque and the bank transfer forms to a bank official who came to the UNIC, Tokyo office three times a week at around 2.30pm. By the time the bank official returned to the bank, it was too late to effect any transactions. Consequently, on the next day, the bank processed the withdrawal of cash and the wire-transfer to vendors’ bank accounts simultaneously. The bank official delivered the remaining cash if any, to UNIC Tokyo for cash disbursement purposes.

35. It was not clear to OIOS why UNIC Tokyo was using a checking account when it could have easily made payments to vendors through wire transfers from a savings account. Furthermore, the difference between the amount drawn on cheques and paid by wire transfers could be received in cash in the office without observing the limit of an authorized imprest account. In addition, the bank transfer forms could be used to make unauthorized payments since the approved bank signatories are not required to sign on these forms.

Recommendation 8

(8) DPI, in consultation with the Treasury, should re-evaluate the rationale of maintaining a checking account and consider using the savings account instead. If DPI decides to continue using the checking account, UNIC Tokyo should cease issuing cheques in its own name and all cheques should be issued in the names of the payees only.

36. *DPI and Treasury, DM accepted recommendation 8. DPI stated that it has already initiated discussions with UNIC, Tokyo to reassess the usefulness of having three bank accounts. If a decision is reached to close any of them, the Office of the Treasurer will be contacted for assistance with account closing procedures. DM stated that the proliferation of bank accounts may have adverse implication for control, cash management and reconciliations for the Organization. The Treasury generally recommends that the number of accounts be kept at a minimum and indicated that it will review the situation in UNIC together with DPI on this basis. Recommendation 8 remains open pending the*

outcome of DPI's and Treasury's assessment on the rationalization of the bank accounts.

37. In a meeting with DPI and Treasury in New York, OIOS was informed that Treasury did not have the JPY savings account in its record for UNIC Tokyo and that this bank account may not have been authorized by the Treasury. The Treasury should normally have a record of this bank account since this account has been in existence for the past 20 years and during these years there were authorizations from the Controller for changes in bank signatories. OIOS has sought written confirmation from the Treasury regarding its authorization of this bank account.

Recommendation 9

(9) The Treasury should confirm the authorization of the Japanese Yen savings account of UNIC Tokyo. If the authorization does not exist, Treasury should take appropriate corrective action.

38. *The Treasury accepted recommendation 9 and stated that a review of the authorizations for bank accounts to UNIC, Tokyo will be undertaken. Should authorization not exist, then corrective action will be taken, bearing in mind the operational requirements of the office as may be determined through the analysis required based onh recommendation 8 above.* Recommendation 9 remains open pending the review and confirmation by Treasury that the Japanese Yen savings account of UNIC, Tokyo has been properly authorized.

E. Support to other United Nations departments

39. Other than conducting information-related activities, UNIC Tokyo has been providing administrative support and accounting services to other United Nations organizations and departments. In the past, UNIC Tokyo has been providing accounting services to UNOPS (from 1997 to July 2007) and providing accounting services to UNDP from 1970s to 2004. Currently, it has been purchasing air tickets (worth approximately \$80,000 to \$100,000 per annum) on behalf of the Department of Peacekeeping Operations (DPKO) for military personnel twice a year; and serving as a centre for handling all incoming and outgoing United Nations diplomatic pouches in Tokyo. OIOS noted that there was no written memorandum of understanding between the departments or any delegation of authority to carry out these functions. Further, UNIC Tokyo did not receive any programme support cost for performing these services. In many instances, UNIC Tokyo advanced its own funds and was subsequently reimbursed through inter-office vouchers (IOVs). These advances were not detected or questioned by DPI, New York.

Recommendation 10

(10) DPI should review the extent of the performance of non information related activities by UNIC, Tokyo and take

action to have the arrangements with other UN departments formalized or terminated.

40. *DPI accepted recommendation 10 and stated that it will review all non-information services being provided by UNIC Tokyo. Any services that are not properly authorized or that adversely affect the Centre's fulfillment of its public information mission will be discontinued. Recommendation 10 remains open pending the outcome of DPI's review and provision of a list of non-information services that have been discontinued.*

V. ACKNOWLEDGEMENT

41. We wish to express our appreciation to the Management and staff of UNIC Tokyo, DPI and DM 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	Written clarification from DPI on what constitutes “reasonable amount of time” to evaluate the performance of the Director of UNIC Tokyo as well as the progress made in resolving the situation.	Not provided
2	O	A written confirmation from DPI that: (i) the justification for the engagement of individual contractors and consultants are documented; and (ii) the selection process is transparent and adequately documented in compliance with ST/AI/1999/7. A list of individual contractors and consultants’ contracts in effect, indicating the justification for the engagement, the duration of contract, as well as the description of duties should be provided to OIOS.	31 March 2008
3	O	A written confirmation from DPI that the duration of engagement of individual contractors and functions assigned to individual contractors is in compliance with ST/AI/1999/7.	31 March 2008
4	O	A written confirmation from DPI that payments for interns had been stopped and that UNIC, Tokyo is utilizing officially recognized options to cope with busy periods.	31 March 2008
5	O	Documentation describing the actions taken by DM and DPI against UNIC Tokyo staff who prepared, certified and approved fictitious vendor invoices in order to make advance payments in contravention of Financial Rules 105.5, 105.6 and 105.19.	31 March 2008
6	O	A copy of a report from DPI on the mechanisms/controls established to ensure that procurement activities are conducted in compliance with established regulations and rules, and also that improvement has been made in segregation of duties.	Not provided
7	O	List of training attended by UNIC Tokyo staff members in 2008. In areas where formal training are not readily available, DPI should indicate the guidance provided to the staff members to ensure that they are competent to carry out their functions in accordance with United Nations Financial Regulations and Rules and administrative instructions.	30 June 2008
8	O	A copy of the report of DPI’s assessment on the rationalization of the bank accounts.	30 June 2008

9	O	A written response and confirmation from the Treasury that the Japanese Yen savings account of UNIC Tokyo has been properly authorized.	31 March 2008
10	O	A copy of the report of DPI's review on non-information services provided by UNIC, Tokyo and the list of non-information services that have been discontinued.	31 March 2008

1. C = closed, O = open

2. Date provided by DPI in response to recommendations.