



## INTERNAL AUDIT DIVISION

### REPORT 2014/043

---

Audit of accounts receivable and payable in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Overall results relating to the effective management of accounts receivable and payable in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

9 June 2014  
Assignment No. AP2013/620/09

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-6
Regulatory framework	2-6
IV. ACKNOWLEDGEMENT	6
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# AUDIT REPORT

## Audit of accounts receivable and payable in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The MONUSCO Finance Section in Kinshasa and the Finance Section in the Regional Support Centre in Entebbe (RSCE) were jointly responsible for the management of accounts receivable and payable in MONUSCO. The MONUSCO Finance Section had 25 staff and was responsible for the management of accounts receivable and payable that were over one year old. The Section was headed by a Finance Officer at the P-4 level. The RSCE Finance Section had 85 staff and was responsible for accounts receivable and payable that were less than one year old as well as preparation of monthly ageing reports. As at 30 June 2013, MONUSCO had accounts receivable totaling \$14.1 million and accounts payable totaling \$24.8 million respectively.
4. Comments provided by MONUSCO are incorporated in italics.

### II. OBJECTIVE AND SCOPE

5. The audit of accounts receivable and payable was conducted to assess the adequacy and effectiveness of MONUSCO governance, risk management and control processes in providing reasonable assurance regarding the **effective management of accounts receivable and payable in MONUSCO**.
6. The audit was included in the OIOS 2013 risk-based work plan because of the financial and operational risks relating to the potential lack of reliable and accurate accounts receivable and payable opening balances for the adoption of the International Public Sector Accounting Standards (IPSAS).
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of accounts receivable and payable; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1
9. OIOS conducted the audit from May to November 2013. The audit covered the period from 1 July 2012 to 30 June 2013 and reviewed the: (a) accuracy of accounts receivable and payable balances; (b) monitoring of accounts receivable and payable through ageing, collection and reporting; and (c) implementation of financial year end closing instructions issued by the Department of Management.

10. The audit team conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

11. The MONUSCO governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of accounts receivable and payable in MONUSCO**. OIOS made four recommendations to address the issues identified. MONUSCO implemented procedures to monitor and write off long outstanding receivables, followed up and settled advances relating to quick-impact projects in a timely manner, and adequately reviewed and certified unliquidated obligations. Also, subsequent to the audit, MONUSCO and RSCE strengthen procedures to ensure amounts outstanding from staff members were identified and settled prior to their departure, and leave records were updated to ensure complete and accurate reporting of accrued liabilities. However, MONUSCO still needed to: (a) follow up with the Controller to obtain approval to write off long outstanding accounts receivable; and (b) to implement procedures to ensure recovery cost of medical services provided to civilian staff.

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

**Table 1: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of accounts receivable and payable in MONUSCO	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### Regulatory framework

Accounts receivable and payable balances were properly recorded and adequately supported

13. As at 30 June 2013, MONUSCO had accounts receivable and payable totaling \$14.1 million and \$24.8 million respectively. Accounts receivable included advances to staff, cost of goods and services provided to other United Nations entities and various government embassies; and advances to implementing partners for quick-impact projects. Accounts payable included balances due to vendors and amounts withheld from staff members who had left the Mission. A review of accounts receivable and payable transactions totalling \$4.8 million and \$11.5 million respectively indicated that balances were adequately supported.

Further action was required to write off long outstanding accounts receivable

14. The Field Finance Procedure Guidelines required prompt collection and settlement of accounts receivable through regular follow-up action. Also, MONUSCO was required to submit to the Controller, requests to write off accounts receivable that were deemed irrecoverable. Moreover, the Field Finance Procedure Guidelines required MONUSCO to establish a Memorandum of Understanding to govern the provision of goods and services to United Nations agencies and non-secretariat entities. In the absence of a memorandum of understanding or other agreement, MONUSCO was required to obtain payment in advance or written commitments for goods and services provided.

(a) Inadequate procedures for monitoring and settling accounts receivable

15. MONUSCO established a dedicated team to conduct a thorough review of accounts receivable, resulting in a reduction of amounts outstanding for more than one year from \$2.9 million in March 2013 to \$2.4 million in June 2013. The MONUSCO review also established that \$1.3 million in accounts receivable was irrecoverable, including \$567,000 outstanding from United Nations agencies and embassies operating in the Democratic Republic of the Congo. These amounts related mainly to the provision of air and flight services, fuel supplies, recovery for disputed accidents and search and rescue services. Recovery efforts by MONUSCO had not yielded results, mainly as MONUSCO did not have prior written commitments to obtain payments in advance or signed memoranda of understanding, or agreements. Subsequent to the audit, MONUSCO promulgated guidelines and procedures relating to services provided to other organizations, including the requirement for a written commitment for payment. MONUSCO also prepared and submitted a draft memorandum of understanding for discussion with various United Nations entities.

16. MONUSCO requested the Controller to approve the write-off of \$1.3 million that were deemed irrecoverable. By 22 May 2014, the Controller had approved the write-off of \$600,000 and was still reviewing the \$400,000 (due from United Nations agencies), while the remaining \$300,000 was subject to further follow-up action by MONUSCO.

(b) Adequate procedures were in place for settling advances for quick-impact projects

17. MONUSCO reduced the level of outstanding balances relating to quick-impact projects from \$557,000 as of 30 June 2012 to \$410,000 as of 30 June 2013, and strengthened controls over approval and follow-up on the use of advances paid. A review of 7 projects with outstanding receivables totaling \$110,725 indicated that the projects were in the implementation phase and MONUSCO properly documented its follow up actions, including visits and inspections of work performed. OIOS concluded that MONUSCO had an adequate process in place to follow up on and settle advances relating to quick impact projects.

**(1) MONUSCO should take steps to recover accounts receivable balances, and ensure that those balances that are deemed irrecoverable are adequately supported by evidence of follow up actions already taken and to follow up with the Controller on the write-off of long outstanding receivables.**

*MONUSCO accepted recommendation 1 and stated that RSCE was effectively reviewing long outstanding accounts receivable through ageing analysis reports and was adequately dealing with cases that were deemed to be written-off. The review of accounts receivable for the year ending 30 June 2014 was in progress. The MONUSCO Finance Section was also submitting reminder debit advices to United Nations agencies for settlement of long outstanding balances. Recommendation 1 remains open pending receipt of evidence of settlement or write-off of long outstanding accounts*

receivable.

Check-out process needed to be strengthened to minimize receivables from staff

18. The Field Finance Procedure Guidelines required regular monitoring of receivables to ensure recovery and/or settlement of outstanding balances in a timely manner. In addition, MONUSCO was required to withhold at least \$500 from departing staff members during the check-out process to settle any outstanding amounts.

19. MONUSCO did not implement adequate procedures to ensure that prior to checking out from the Mission, sufficient funds were withheld from staff members to settle outstanding balances. As a result, MONUSCO had a balance of over \$118,000 due from separated staff, which was deemed irrecoverable, and an amount of \$98,000 was included in the balance submitted to the Controller for request for approval of write-off. MONUSCO was continuing its efforts to recover the remaining amount. Also, MONUSCO, increased the minimum amount to be withheld from departing personnel from \$500 to \$700, based on an analysis of outstanding staff receivables. The final check-out process had been transferred to RSCE in line with the Service Level Agreement.

**(2) MONUSCO, in conjunction with the Regional Service Centre in Entebbe, should strengthen procedures to ensure that amounts outstanding from staff members are identified and settled prior to their departure.**

*MONUSCO accepted recommendation 2 and stated that in conjunction with RSCE the check-out process had been strengthened, with the check-out form issued well in advance of departure, and with all relevant sections notified of the impending staff member's departure. This ensured that staff member's accounts in Umoja were checked and any amounts outstanding were settled before their departure from the Mission area. Based on the action taken by MONUSCO and the RSCE, recommendation 2 has been closed.*

Cost of medical services provided to civilian staff was not recovered

20. The Field Finance Procedure Guidelines required staff members to directly pay external service providers for personal medical services. For medical services provided by contingent-owned hospitals, an information circular issued by MONUSCO in 2004, required staff members to reimburse the Mission for the cost of medical services paid by the Mission on their behalf.

21. A review of accounts payable to contingent-owned hospitals for services provided to staff members indicated that the Finance Section did not process invoice payments in a timely manner. For example, out of a total of \$204,886 payable to contingent-owned hospitals for the period from July 2012 to March 2013, only \$120,985 had been paid as at 30 June 2013. Delays were encountered as MONUSCO had given priority to implementation of IPSAS. Nonetheless, by the end of December 2013, the full amount had been processed.

22. Due to inadequate guidance on the implementation of the 2004 information circular, MONUSCO had not taken action to recover amounts receivable from staff for the cost of the medical services paid to contingent-owned hospitals on their behalf. Additionally, although civilian staff members were personally responsible for settling their medical bills with third-party medical providers, certain hospitals and clinics sometimes included medical charges for civilian staff in invoices that were billed to MONUSCO. This was because one of the agreements with external service providers did not clearly state the groups of personnel for whom MONUSCO was responsible. As a result, there were disputes in settling invoices

including additional administrative procedures as the Finance Section had to make recoveries from related staff members.

**(3) MONUSCO should implement procedures to ensure that: (a) medical expenses incurred by staff who receive treatment at the contingent-owned hospitals are recovered; and (b) clarification is provided to external service providers on the exact coverage of personnel that the Mission is fully responsible for.**

*MONUSCO accepted recommendation 3 and stated that as inadequate instructions had been issued to inform staff of the requirement to pay for medical expenses at contingent-owned hospitals, the Director of Mission Support approved the absorption of the current about of \$77,015 invoiced to the Mission. However, an information circular was being developed informing MONUSCO personnel that medical expenses at the contingent-owned hospitals were to be paid for directly by staff. The contract with the external service provider had been amended to clarify the exact categories of personnel that the Mission was responsible for. Recommendation 3 remains open pending receipt of a copy of the information circular on payment of medical expenses.*

#### Actions to settle accounts payable were adequate

23. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to clean up accounts payable and to review old outstanding accounts. As at 30 June 2013, MONUSCO had \$24.8 million in accounts payable, of which \$19.5 million (78 per cent) represented amounts owed to vendors. A review of accounts payable balances totaling \$11.5 million indicated that balances due to vendors were mainly related to freight forwarding services, engineering and construction services, airfield ground support services and fuel supplies to the Mission. Subsequent to the audit, these balances were settled. OIOS was satisfied with the Mission's follow-up procedures to settle accounts payable.

#### Unliquidated obligations were adequately reviewed and supported

24. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to review unliquidated obligations on a weekly basis up until 30 June 2013, and reconcile related balances in the procurement and financial systems. As at 30 June 2013, MONUSCO had unliquidated obligations totaling \$49.4 million. The self-accounting units and the Finance Section had reviewed outstanding balances and maintained required supporting documentation. Based on a review of 33 transactions totaling \$23.8 million, OIOS concluded that balances were adequately supported.

#### Leave balances were not reliable due to records not being updated in the Field Support Suite system

25. The closing instructions issued by the Department of Management required missions to calculate accrued liabilities for unused annual leave days of national staff. For international staff, missions were required to update their attendance data in the Integrated Management Information System and accrue liabilities for other staff benefits including home leave and education grant earned as of 30 June 2013.

26. MONUSCO was responsible for the annual leave records of national staff and RSCE was responsible for processing and maintaining leave records of international staff. As of 30 June 2013, MONUSCO had calculated \$8.5 million of accrued liabilities for unused annual leave days for national staff members based on annual leave days recorded in the Field Support Suite. A review of leave records of 60 of 3,010 national staff showed that leave balances were satisfactory with five isolated, minor errors which were corrected.

27. For international staff, RSCE had not completed the data validation between the Integrated Management Information System and the Field Support Suite and the records in the Field Support Suite had not been updated completely. This was due to competing priorities in RSCE. Consequently, accurate opening balances for annual leave days had not been established as at February 2014. RSCE advised that a team was being established to complete the update of leave records in the Field Support Suite. OIOS concluded that the leave balances for MONUSCO international staff were neither complete nor accurate.

**(4) MONUSCO, in conjunction with the Regional Service Centre in Entebbe, should ensure that leave and attendance records are updated to accurately calculate and report accrued liabilities for annual leave.**

*MONUSCO accepted recommendation 4 and stated that the RSCE reconciled attendance records for MONUSCO international staff as part of the activities for IPSAS preparedness and Umoja human resources readiness. In addition, there was on-going action to review and approve all pending e-Leave requests of national staff in the Field Support Suite. Based on the action taken by MONUSCO, recommendation 4 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

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

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services



## STATUS OF AUDIT RECOMMENDATIONS

**Audit of accounts receivable and payable in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Recom . no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	MONUSCO should take steps to recover accounts receivable balances, and ensure that those balances that are deemed irrecoverable are adequately supported by evidence of follow up actions already taken and to follow up with the Controller on the write-off of long outstanding receivables.	Important	O	Finalization of settlement or write-off of long outstanding accounts receivables.	30 June 2014
2	MONUSCO, in conjunction with the Regional Service Centre in Entebbe, should strengthen procedures to ensure that amounts outstanding from staff members are identified and settled prior to their departure.	Important	C	Action taken.	Implemented
3	MONUSCO should implement procedures to ensure that: (a) medical expenses incurred by staff who receive treatment at the contingent-owned hospitals are recovered; and (b) clarification is provided to external service providers on the exact coverage of personnel that the Mission is fully responsible for.	Important	O	Issuance and implementation of the new information circular outlining procedures to ensure medical expenses at the contingent-owned hospitals are recovered from individual staff members.	1 July 2014
4	MONUSCO, in conjunction with the Regional Service Centre in Entebbe, should ensure that leave and attendance records are updated to accurately calculate and report accrued liabilities for annual leave.	Important	C	Action taken.	Implemented

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by MONUSCO in response to recommendations.

# **APPENDIX I**

## **Management Response**



MONUSCO

Mission de l'Organisation des Nations Unies  
pour la Stabilisation en République  
démocratique du Congo

United Nations Organisation Stabilization  
Mission in the Democratic Republic of Congo

12, Avenue des Aviateurs - Gombe  
Kinshasa, RD Congo - BP 8811

Tél. +243 81 890 5000  
+243 81 890 6000

PROTECT

STABILIZE

CONSOLIDATE PEACE

## INTEROFFICE MEMORANDUM

20 May 2014  
Ref. ODMS/14/OM/539

To: Ms. Eleanor T. Burns  
Director, Internal Audit Division, OIOS

From:  Mike Dore  
Director, Mission Support Division  
MONUSCO

Subject: Assignment No. AP2013/620/09 - Audit of receivables and payables in MONUSCO


1. Your interoffice memorandum reference IAD: 14-7-5-7(12) dated 15 April 2014 refers.
2. Attached please find Mission response in respect of the recommendations in the draft audit report of the above-mentioned audit.
3. Copies of the supporting documentation will be provided to the Resident Audit office.

Kind regards.

Cc Ms. Francisca Kwasa, Chief, Administration Services, MONUSCO  
Ms. Ada Olumbe, OIC Finance Section, MONUSCO  
Ms. Jacoba Genis, Audit Focal Point, MONUSCO  
Mr. Laud Botchwey, Chief Resident Auditor for MONUSCO, OIOS  
Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS

Attachment: Management response

*Peace it!*

  
20/5

## Management Response

### Audit of accounts receivable and payable in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should take steps to recover accounts receivable balances, and ensure that those balances that are deemed irrecoverable are adequately supported by evidence of follow up actions already taken and to follow up with the Controller on the write-off of long outstanding receivables.	Important	Yes	Chief Finance Officer/RSCE	Ongoing process	<p>The RSCE Financial Reporting Service Line is proficiently reviewing the long outstanding accounts receivable through ageing analysis reports and is filing the write-off cases to the DMS, Director Accounts and Controller accordingly. The write-off cases submitted for the fiscal year ending 30 June 2013 have been provided to the Resident Audit Team for reference. Review of accounts receivable balances for the year ending 30 June 2014 is in progress and write-off requests will be submitted to the Director of Accounts after completion of the three reminder protocol as required. For this fiscal year, there are no write-off cases of below \$25 which fall under the delegation of authority of the DMS.</p> <p>MONUSCO Finance Section is conducting follow up with UN agencies by submitting reminder debit advices for settlement of long outstanding accounts receivables with the most recent follow up conducted in May</p>

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Rec. no.	Recommendation	Critical/ <sup>1</sup> / Importan t <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						2014. Copies of debit advices have been provided to the Resident Audit Team.
2	MONUSCO, in conjunction with the Regional Service Centre in Entebbe, should strengthen procedures to ensure that amounts outstanding from staff members are identified and settled prior to their departure.	Important	Yes	RSCE/Chief, Human Resources Section	Implemented	The RSCE in conjunction with the Mission have strengthened the check-out procedures such that the check-out form is issued long in advance and all sections notified of the impending staff member check-out. This has resulted in ensuring that the staff members' accounts in UMOJA are checked and any amounts outstanding are settled before their departure from the mission area.
3	MONUSCO should implement procedures to ensure that: (a) medical expenses incurred by staff who receive treatment at the contingent-owned hospitals are recovered; and (b) clarification is provided to external service providers on the exact coverage of personnel that the Mission is fully responsible for.	Important	Yes  Yes	Chief Administrative Services  O-i-C, Procurement Section	1 July 2014  29 April 2014	(a) As majority of staff members were not aware of the requirement to pay for their medical expenses incurred when they receive treatment at the contingent owned hospitals, the DMS approved for absorption by the Mission, the outstanding amount of \$77,015 invoiced by the contingent owned hospitals. An Information Circular is under draft to be disseminated to all MONUSCO personnel outlining procedures put in place to ensure that medical expenses incurred by staff for services provided by contingent owned hospitals are recovered from the respective individuals. (b) Currently MONUSCO has contracts with only two private hospitals i.e. Ngaliema Hospital and CIMAK. The contract with Ngaliema Hospital already includes a provision with regard to categories of personnel covered – copy of contract excerpt

Rec. no.	Recommendation	Critical/ Importan t <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						provided to the Resident Audit Team. The contract with CIMAK did not have a provision with regards categories covered. A contract amendment has been issued to clarify to the service provider the exact categories of personnel that the Mission is responsible for. A copy of the amendment has been provided to the Resident Audit Team.
4	MONUSCO, in conjunction with the Regional Service Centre in Entebbe, should ensure that leave and attendance records are updated to accurately calculate and report accrued liabilities for annual leave.	Important	Yes	RSCE/Chief, Human Resources Section/O-i-C Finance Section	Implemented	The RSCE has reconciled attendance records for MONUSCO international staff as part of the activities for IPSAS preparedness and UMOJA Human Resources readiness. In addition, there is ongoing action to review and approve all pending e-Leave requests of national staff in FSS. However, it should be noted that as per the closing instructions for IPSAS financial statements dated 2 May 2014 page 14 paragraph 31, liabilities for unused annual leave days for both international and national staff will be recorded in UNHQ based on the actuary valuation. Therefore field missions and the RSCE are no longer required to calculate these liabilities. Closing instructions of 2 May 2014 have been provided to the Resident Audit Team.