INTERNAL AUDIT DIVISION

REPORT 2018/025

Audit of education grant disbursement at the Regional Service Centre in Entebbe, the United Nations Interim Force in Lebanon and the Kuwait Joint Support Office

There was a need to strengthen controls over processing of education grant advances and claims

12 April 2018
Assignment No. AP2016/616/04

Audit of education grant disbursement at the Regional Service Centre in Entebbe, the United Nations Interim Force in Lebanon and the Kuwait Joint Support Office

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of education grant disbursement at the Regional Service Centre in Entebbe (RSCE), the United Nations Interim Force in Lebanon (UNIFIL) and the Kuwait Joint Support Office (KJSO). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over education grant disbursement at RSCE, UNIFIL and KJSO. The audit covered the period from 1 January 2016 to 31 May 2017 and included review of education grant claims and advances, performance management and maintenance of records.

For RSCE, there was a need to strengthen controls over the administration of education entitlements to ensure claims were properly supported, advances were adequately accounted for or recovered in a timely manner, claims were accurately processed in Umoja, and relevant documents were filed and archived. UNIFIL implemented adequate controls over the disbursement of education grant entitlement, and for KJSO, although procedures were generally in place, there were opportunities to improve the documentation supporting claims.

OIOS made four recommendations. To address issues identified in the audit, RSCE needed to:

- Establish a dedicated capacity to perform additional review procedures such as contacting relevant educational institutions to timely identify and validate claims that do not conform to established norms;

- Ensure that education grant advances and claims are paid and reimbursed based on duly completed and signed requests for payment and certifications of attendance and costs and receipt for payment; and

- Investigate cases identified in the audit where claims/advances were unusual.

In addition, RSCE and KJSO needed to take effective actions to ensure systematic classification and filing of the supporting documents for education grant claims/advances.

The Department of Field Support accepted the recommendations and has initiated action to implement them.

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Audit of education grant disbursement at the Regional Service Centre in Entebbe, the United Nations Interim Force in Lebanon and the Kuwait Joint Support Office

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of education grant disbursement in the Regional Service Centre in Entebbe (RSCE), the United Nations Interim Force in Lebanon (UNIFIL) and the Kuwait Joint Support Office (KJSO).

2.   Education grant is an expatriate benefit that is payable to eligible staff members in respect of each dependent child's educational expenses. It is provided to staff members who are: internationally recruited under United Nations Staff Rule 3.9; hold a fixed-term, or continuing appointment; reside and serve at a duty station outside their home country; have dependent children in full-time attendance at a school, university or similar educational institution; and are assigned for a minimum period of six months from one duty station to another. The administrative instruction (ST/AI/2011/4[1]) and the information circular (ST/IC/2014/12/Rev.1) on education grant and special education grant for children with a disability set rules and procedures on submitting and processing education grant claims and requests for advances.

3.   The authority to approve education and special education grant claims is delegated to the Assistant Secretary-General of the Office of Human Resources Management (OHRM) in the Department of Management (DM) and to heads of offices away from Headquarters (administrative instruction on administration of the Staff Regulations and Staff Rules - ST/AI/234/Rev.1). The Assistant Secretary-General for OHRM sub-delegated the authority to approve education grant to staff members serving in the field to the Under-Secretary-General of the Department of Field Support (DFS). DFS further sub-delegated this authority to RSCE, UNIFIL, KJSO and other field entities.

4.   Education grant is set at 75 per cent of admissible educational expenses up to a maximum of $34,190 per annum. The maximum amount of the special education grant for disabled children is $45,586. Admissible costs include: tuition, tuition in the mother tongue, enrolment related fees, capital assessment fees, daily school transportation, cost of textbooks, boarding, special equipment and education travel. Requests for payment of education grant are submitted on the P.45 form, which has to be accompanied by documentation evidencing the child's school attendance, educational costs and other specific amounts paid by the staff member.

5.   The Education Grant Service Line (EGSL) in RSCE is responsible for processing education grant advances and claims for 21 entities in Africa, including nine peacekeeping missions. A combined total of 8,603 education grant claims and advances amounting to $71 million were processed by RSCE and the missions during the audit period. RSCE accounted for 77 per cent of the total value of education grant claims and advances processed. KJSO is responsible for processing education grant requests for five entities and UNIFIL for itself and four other entities. Table 1 provides an overview of processed claims from January 2016 to May 2017 by RSCE, UNIFIL and KJSO.

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[1] ST/AI/2018/1 was issued and became effective on 1 January 2018, and superseded this ST/AI and related amendments. Changes between the ST/AIs were not significant, but portions of the report rendered irrelevant by the new ST/AI have been adjusted accordingly.

Table 1
Payments of education grant claims from January 2016 to May 2017, approved by human resources processing units in RSCE, UNIFIL and KJSO (amounts in millions of United States dollars)

	2016		*2017 (January to May)*	
	Number of claims	*Amount of claims*	*Number of claims*	*Amount of claims*
RSCE and client missions	8 116	54.0	730	8.2
KJSO and client missions	547	7.9	60	0.7
UNIFIL and client missions	528	6.1	33	0.5
Total	**9 191**	**68**	**823**	**9.4**

Source: Umoja reports
Notes: (1) This is an approximate distribution of claims by human resources processing units. Exact data is not available due to limited data categorization capabilities in Umoja reports. (2) Claims processed by DFS on behalf of human resources processing units in the field could not be distinguished and are included in totals for the relevant processing units.

6.   Comments provided by DFS are incorporated in italics.

II.   AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7.   The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over education grant disbursement at RSCE, UNIFIL and KJSO.

8.   This audit was included in the 2017 risk-based work plan of OIOS as part of the global thematic audit of education grant disbursements in the United Nations Secretariat due to the risks associated with processing and paying education grant entitlements, including the risk of fraud.

9.   OIOS conducted this audit from December 2016 to August 2017. The audit covered the period from 1 January 2016 to 31 May 2017. Based on an activity-level risk assessment, the audit covered higher and medium risks areas including: education grant advances and claims, performance management and maintenance of records.

10.   The audit methodology included: review of relevant supporting documentation for a total sample of 492 education grant claims and advances comprising 359 entitlement payments processed in RSCE, 78 in KJSO and 55 in UNIFIL; interview of key personnel; analytical reviews of data; web searches and external confirmations with select educational institutions; and recalculation of a sample of education grant reimbursements.

11.   The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III.   AUDIT RESULTS

A.   Processing and recovery of advances against education grants

12.   The administrative instruction on education grant and special education grant for children with a disability stipulates that recovery of education grant advances shall take place three and four months after the end of the relevant school year for Headquarters and field staff, respectively, or on separation from service. No advance shall be authorized for subsequent school years until previous advances have been cleared.

13.   The human resources module in Umoja triggers automated recovery of overdue education grant advances. Due primarily to the need to process the large backlog of claims that accumulated due to challenges related to the implementation of Umoja, the EGSL in RSCE routinely delayed the recovery of advances. From the samples selected for testing by each entity, this included: 18 advances by the RSCE, taking periods ranging from six months to two years after the end of the school year prior to recovery; and one case in KJSO where a staff member's $30,000 advance in 2014 was not recovered until August 2017 after being identified by OIOS. However, as of March 2017, the EGSL in RSCE had cleared the backlog, recovered all advances and implemented effective procedures to ensure subsequent advances were recovered in a timely manner. Based on the action taken, OIOS is not making a recommendation.

B.   Processing of education grant claims

14.   The information circular on education grant and special education grant for children with a disability states that requests for payment of education grant should be submitted on the P.45 form, which must be accompanied by documentation evidencing the child's school attendance, educational costs and other specific amounts paid by the staff member. Such evidence will normally be submitted on the P.41 form certified by the school. Claims processing staff are required to accurately process relevant information in Umoja.

15.   A review of 492 claims and advances indicated that there were anomalies related to 46 education grant claims processed by RSCE. No reportable exceptions were noted in UNIFIL. However, in KJSO, there were opportunities to improve procedures over the processing of claims including ensuring: schools' contact details were complete and accurate; and there was adequate documentation to support the payment of flat sum for boarding when the child did not reside with the staff member.

16.   Of the 46 RSCE claims where anomalies were identified, OIOS noted: 21 were certified and approved for payment based on incomplete P.41 forms; a further 21 claims were potentially inadmissible as they were certified and approved for payment even though they exhibited unusual fee patterns; and 4 claims were processed in error which led to overpayments to two staff members. Details are provided in the following paragraphs.

(a) Claims were approved for payment based on incomplete information from the claimant and educational institutions

17.   As referred to above, 21 claims were approved and paid even though required information such as the composition of fees paid (tuition, registration, boarding, food) was missing from the P.41 forms. As a result, there was a risk that the Organization reimbursed education expenses that were inadmissible. RSCE advised that it routinely relied on information in the P.45 form when such information was not available in the P.41 form. However, the above-mentioned details were also missing from the relevant P.45 forms. Both forms are required, and if they were not available, they should have been considered as inadmissible, and not processed.

18.   The above occurred because the education grant processing units in RSCE, tasked in 2016 to clear the backlog of education grant claims resulting from accumulated unprocessed cases prior to Umoja deployment, did not have sufficient resources to request information that was missing or conduct additional procedures including contacting educational institutions to obtain assurance as to the validity of claims when important information was missing from the P.41 and P45 forms. To address some of the issues identified by OIOS, RSCE had drafted guidelines requiring processors to confirm claims details with the relevant educational institutions in specific circumstances such as when: information was missing from the P.41; there were significant changes in costs compared to previous years; and the amounts of claims for the

school type and location seemed unreasonable. The draft guidelines also require claims processing staff to review reimbursement/payment histories of claimants in Umoja to detect any anomalies and to confirm whether the claim had been previously processed and paid. However, the guidelines had not been reviewed, approved and implemented by RSCE management.

(b) Claims processed by RSCE with unusual fee patterns were approved for payment

19.   OIOS review identified 21 claims submitted by five staff members that exhibited unusual fee patterns; however, education grant processing staff paid and reimbursed staff members for these expenses without query. The following was noted:

- A staff member submitted four claims (10082431, 10082435, 10082412 and 10082408) related to four dependents for the 2015/16 school year which included claims for unusually high registration and admission fees. Claims 10082431, 10082435 and 10082412 included registration and admission fees of $11,812 per dependent, which was 27 per cent higher than the tuition fees of $9,298, while claim 10082408 included registration and admission fees of $7,036 that represented 78 per cent of the tuition fees of $9,047. In all four claims, the staff member claimed and was paid registration and admission fees for the same dependents in two prior consecutive school years (2013 and 2014) even though the dependents attended the same education institution. There was a similar situation with another 16 claims made by four other staff members where unusually high admission and registration fees were claimed for consecutive years. This was not identified by RSCE as responsible staff were not trained to detect potentially fraudulent claims. A review of the claim payment history for the staff member would have flagged the consecutive payment of an admission fee, which is typically a one-time payment.

- As part of the audit procedures, OIOS solicited confirmations of school attendance and educational expenses directly from schools for those 50 claims processed by RSCE which exhibited unusual fee patterns. In one instance, the amount claimed by the staff member was more than the amount confirmed to OIOS, i.e., the amount claimed on the P.41 form ($40,080) was $2,580 more than the amount confirmed by the school ($37,500).

(c) Claims processed by RSCE in error

20.   For one claim, a staff member was overpaid by $19,906 as the Nepalese Rupees reported in the P.41 form certified by the educational institution were processed as United States Dollars in Umoja. This control weakness could have been prevented if the: processing staff had properly selected the correct currency in Umoja; and the claim had been properly reviewed by a supervisor. After OIOS identified and reported the issue, RSCE recovered the overpayments in May 2017.

21.   For three claims, (10083094, 10083125, and 10083126), the staff member was reimbursed $840 related to the flat sum for books in addition to the rental cost of books already paid. This situation could have been prevented if the claims had been properly reviewed before they were approved and submitted for reimbursement. After the audit identified and reported the issue, RSCE recovered the overpayments in April 2017.

22.   EGSL advised that: it was under pressure to process the large backlog of claims that had accumulated due to challenges related to the implementation of Umoja; and due to lack of access to the Umoja Business Intelligence reports on education grant, it was unable to extract and analyze data to effectively and efficiently identify and resolve anomalies (by April 2017, the EGSL had cleared the backlog of claims). Furthermore, there were no monitoring procedures to review education grants processed across the Secretariat.

(1) **RSCE should establish a dedicated capacity to perform additional review procedures such as contacting relevant educational institutions to timely identify and validate claims that do not conform to established norms.**

DFS accepted recommendation 1 and stated that the RSCE would review and possibly expand the scope of the independent reviews currently conducted to include validation of claims that do not conform to established norms. DFS added that the RSCE would review the implementation of this recommendation when the employee self-certification of education grant claims and advances is implemented. Recommendation 1 remains open pending receipt of evidence that RSCE has implemented independent review procedures such as contacting relevant educational institutions to timely identify and validate claims that to do not conform to established norms.

(2) **RSCE should take effective action to ensure that education grant advances and claims are paid and reimbursed based on duly completed and signed requests for payment and certifications of attendance and costs and receipt for payment.**

DFS accepted recommendation 2 and stated that the RSCE would review existing guidelines for processing of education grant claims and advances, update where necessary, and promulgate the same for implementation. Recommendation 2 remains open pending receipt of results of the review and issuance of current processing guidelines.

(3) **RSCE should investigate cases identified in the audit where claims/advances were unusual.**

DFS accepted recommendation 3 and stated that the RSCE had completed the investigation of the four cases discussed in the first bullet under paragraph 19, and rectified the four cases described in paragraphs 20 and 21. Recommendation 3 remains open pending receipt of results of the review of 17 other cases identified by OIOS (discussed in the first and second bullets under paragraph 19).

C. Performance management for processing advances and claims

RSCE and KJSO was taking action to meet performance targets

23.   In his report to the General Assembly (A/72/492) on 27 September 2017, the Secretary-General called for strengthening transparency and accountability mechanisms for the exercise of delegated human resources management authority against established key performance indicators.

24.   RSCE established the following key performance indicators (KPIs) for the EGSL: 96 per cent of education grant claims/advances are processed within four weeks of receiving them; 90 per cent of non-compliant education grant claims are returned within 14 calendar days; and less than 12 per cent of education grant requests are returned to staff members. Good business practices required the processing of claims on a first-in/first-out basis.

25.   A review of all eight monthly and two quarterly performance reports during calendar year 2016 indicated that the EGSL: did not meet the KPI requiring the processing of 96 per cent of education grant claims/advances within four weeks of receiving them in all the reporting periods; and was only able to return 90 per cent of non-compliant education grant requests within 14 days only in one period in April 2016. Additionally, analysis of claims processing time indicated that a large number of claims were considerably delayed as indicated in Table 2 and claims were not processed in the order in which they had been received even when no additional information was required. While the audit found no evidence of

processors benefiting personally for expediting certain claims, delays in processing claims and failure to ensure that claims are processed in the order in which they are received provided scope for perception of favouritism.

Table 2
Timelines for the processing of claims from 1 November 2015 to 31 January 2017

	Number of claims processed	*Percentage of total claims processed*
Within 1 month	1 454	20%
2 to 3 months	4 536	62%
3 to 4 months	747	10%
4 to 5 months	264	4%
5 to 6 months	115	2%
More than 6 months	165	2%
Total claims processed	**7 281**	100%

26.   EGSL advised that it was unable to meet its KPIs due to challenges experienced with the implementation of Umoja. OIOS confirmed that RSCE had since overcome the challenges and provided training to staff on the use of Umoja. Consequently, the KPIs for the first quarter in 2017 had improved and 86 per cent of advances/claims were processed within four weeks of receiving them. Additionally, starting January 2017, the manager of EGSL started: extracting a list of all outstanding claims from the Field Support Suite daily; identifying long outstanding claims; and following up with respective processors to ensure timely actions. This good practice may ensure that claims are processed in the order in which they are received and timely. Based on actions by RSCE, OIOS does not make a recommendation.

27.   The average processing time for UNIFIL was 21 days to pay the claims. There were no reliable statistics measuring the performance of KJSO before October 2017. But after that, when KJSO took over processing of education grants for all non-African missions, KJSO started tracking information and showed that in the fourth quarter of 2017, KJSO processed and approved 80 per cent of education grant requests received in less than four weeks.

D.   Maintenance of records

Filing and archiving system in RSCE and KJSO needed improvement

28.   The United Nations Archives and Records Management Toolkit requires entities to have a recordkeeping/filing system suited to their operational requirements and includes adequate procedures for classifying, filing and retrieving records. Also, the Secretary-General's Bulletin on recordkeeping and management of the United Nations archives (ST/SGB/2007/5) requires staff members to ensure that official documents, records or files intended to be kept as a record of the Organization are not misplaced.

29.   The system for filing and archiving documents supporting education grants claims/advances was inadequate to ensure timely and efficient retrieval of related documents in RSCE and KJSO; while UNIFIL maintained all the required supporting documents appropriately. The EGSL and KJSO were filing the supporting documents in filing cabinets, drawers, and folders that were not labeled or referenced in any form such as the claim/advance number or date of approval. This occurred because RSCE and KJSO had not taken effective actions to ensure systematic classification and filing of education grant claims/advances supporting documents.

30.   This reduced RSCE's ability to timely retrieve information required for it to demonstrate its effective reviews and to investigate specific claims where necessary. For example, of the 359 education-

related entitlement payments reviewed; EGSL was unable to provide any supporting documents for four claims and one advance totaling $66,561 and $17,325, respectively; KJSO was not able to find records of advances paid to a staff member, which led to difficulty in tracing an over-recovery of $24,784 reflected in Umoja. In addition, there was a delay of about a month in RSCE retrieving supporting documents related to a sample of 50 claims. In several instances, claims processors attempted to substitute some sample claims and in other instances obtained the required supporting from the claimants.

> **(4) RSCE and KJSO should take effective actions to ensure systematic classification and filing of the supporting documents for education grant claims/advances.**
>
> *DFS accepted recommendation 4 and stated that the RSCE would implement a systematic classification and filing system that would enhance security and retrieval of supporting documentation. DFS added that KJSO was establishing a records management unit and drafting standard operating procedures, which would include the filing of education grant documents. The Field Support Suite Education Grant Intake module, a tracking tool for claims/advances that would require staff members to attach supporting documents in the system and would aid in filing and tracking such documents, would be launched in April 2018.* Recommendation 4 remains open pending receipt of evidence that RSCE and KJSO has implemented a systematic classification and filing system for documents supporting education grant claims/advances.

IV.   ACKNOWLEDGEMENT

31.   OIOS wishes to express its appreciation to the management and staff of RSCE, UNIFIL and KJSO for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of education grant processing in the Regional Service Centre in Entebbe, the United Nations Interim Force in Lebanon and the Kuwait Joint Support Office

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/O[3]	Actions needed to close recommendation	Implementation date[4]
1	RSCE should establish a dedicated capacity to perform additional review procedures such as contacting relevant educational institutions to timely identify and validate claims that do not conform to established norms.	Important	O	Receipt of evidence that RSCE has implemented independent review procedures such as contacting relevant educational institutions to timely identify and validate claims that to do not conform to established norms.	30 June 2019
2	RSCE should take action to ensure that education grant advances and claims are paid and reimbursed based on duly completed and signed requests for payment and certifications of attendance and costs and receipt for payment.	Important	O	Receipt of results of the review and issuance of current processing guidelines.	30 June 2019
3	RSCE should investigate cases identified in the audit where claims/advances were unusual.	Important	O	Receipt of results of the review of 17 other cases identified by OIOS.	30 June 2019
4	RSCE and KJSO should take effective actions to ensure systematic classification and filing of the supporting documents for education grant claims/advances.	Important	O	Receipt of evidence that RSCE and KJSO implemented a systematic classification and filing system for documents supporting education grant claims/advances.	31 December 2019

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[1] Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

[2] Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

[3] C = closed, O = open

[4] Date provided by DFS in response to recommendations.

APPENDIX I

Management Response

United Nations

INTEROFFICE MEMORANDUM

Nations Unies

MEMORANDUM INTERIEUR

UNCLASSIFIED

Immediate

TO:
A:
Mr. Arnold Valdez, Officer-in-Charge, Peacekeeping Audit
Service, Internal Audit Division
OIOS

DATE: 10 April 2018

REFERENCE: 2018.UNHQ.AR-BOI.MEMO.59481.2

FROM:
DE:
Lisa Buttenheim, Assistant Secretary-General
for Field Support

SUBJECT:
OBJET:
Audit of education grant disbursement at the Regional Service Centre Entebbe, United Nations Interim Force in Lebanon and Kuwait Joint Support Office (Assignment No. AP2016/616/04)

1.   I refer to your memorandum, dated 14 March 2018, regarding the above-mentioned audit. We note that OIOS has substantially taken our comments provided earlier into account. We have, however, updated Appendix I with additional comments, as well as, the individual responsible for the implementation of the recommendations and the deadline.

2.   Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

CC: Cynthia Avena-Castillo

Management Response

Audit of education grant processing in the Regional Service Centre in Entebbe, the United Nations Interim Force in Lebanon and the Kuwait Joint Support Office

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	RSCE should establish a dedicated capacity to perform additional review procedures such as contacting relevant educational institutions to timely identify and validate claims that do not conform to established norms.	Important	Yes	Chief, RSCE	Second Quarter of 2019	The Department of Field Support' (DFS) comments are reflected in the report.
2	RSCE should take action to ensure that education grant advances and claims are paid and reimbursed based on duly completed and signed requests for payment and certifications of attendance and costs and receipt for payment.	Important	Yes	Chief, RSCE	Second Quarter of 2019	DFS' comments are reflected in the report.
3	RSCE should investigate cases identified in the audit where claims/advances were unusual.	Important	Yes	Chief, RSCE	Second Quarter of 2019	DFS' comments are reflected in the report.
4	RSCE and KJSO should take effective actions to ensure systematic classification and filing of the supporting documents for education grant claims/advances.	Important	Yes	Chief, RSCE and Chief, KJSO	Fourth Quarter of 2019	The RSCE' comments are reflected in the report. Additionally, KJSO is currently establishing a records management unit and drafting Standard Operation Procedures which will include the filing of Education Grant (EG) documents. The Field Support Suite EG Intech module will be launched in April 2018. This is a tracking tool for EG claims/advances which will require staff members to attach supporting

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[1] Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

[2] Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of education grant processing in the Regional Service Centre in Entebbe, the United Nations Interim Force in Lebanon, the Kuwait Joint Support Office and the United Nations Stabilization Mission in Haiti

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						documents in the system and will aid in filing and tracking these supports.