



## **INTERNAL AUDIT DIVISION**

### **REPORT 2018/135**

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**Audit of the operations in Lebanon for  
the Office of the United Nations High  
Commissioner for Refugees**

**There was a need to strengthen the analysis  
for designating procurement to partners,  
reporting against the indicators in the  
Lebanon Crisis Response Plan, and  
monitoring of health care referrals**

**14 December 2018  
Assignment No. AR2018/131/03**

# **Audit of the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether the UNHCR Representation in Lebanon was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR's policy requirements. The audit covered the period from 1 January 2017 to 30 June 2018 and included a review of: (i) partnership management; (ii) inter-agency and partner coordination; (iii) procurement and vendor management; (iv) health; (v) warehouse management; and (vi) favourable protection environment and government relations.

The Representation had effective controls over procurement and vendor management. In addition, in response to the initial audit observations the Representation took immediate corrective action to address weaknesses in warehouse management as well as favourable protection environment and government relations. However, the Representation needed to strengthen the cost-benefit analysis for designating procurement to partners, reporting against the Lebanon Crisis Response Plan indicators, and risk-based monitoring of secondary health care referral services.

OIOS made three recommendations. To address issues identified in the audit, the Representation needed to:

- Put in place effective management supervision arrangements to ensure that a cost-benefit analysis is conducted before procurement is designated to partners;
- Collect data against each indicator in the Lebanon Crisis Response Plan for the sectors that the Representation co-leads; regularly report on performance against each indicator; and assess overall sector effectiveness given funding levels and developments in the operational context; and
- Develop a systematic risk-based monitoring plan for regularly reviewing the activities of the Third Party Administrator (TPA) in hospitals to ensure they are complying with the requirements of the agreement; define procedures to ensure the timely investigation of credible allegations of fraud and mistreatment of persons of concern in hospitals; and put in place procedures to ensure that payments are processed to the TPA only after a medical audit and financial verification of high risk medical bills received have been completed.

UNHCR accepted the recommendations and has initiated action to implement them.

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# **Audit of the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Representation in Lebanon (hereinafter referred to as “the Representation”) is a country office headed by a Representative at the D-2 level reporting to the Director of the Bureau for the Middle East and North Africa. The Representation’s Country Office is located in the capital, Beirut. The Representation has two Sub Offices in Tripoli and Zahle, two Field Offices in Tyre and Mount Lebanon and a Satellite Office in Qobayat. The Government estimates that there are 1.5 million Syrian refugees in Lebanon, of whom 997,905 are registered as refugees by UNHCR. In addition, there are some 20,000 refugees and asylum seekers of other nationalities.
3. UNHCR declared an emergency in the region in 2012 before an Inter-Agency level 3 emergency was declared in 2013 in response to a humanitarian crisis caused by the ongoing conflict in Syria. In June 2018, UNHCR deactivated its emergency in Lebanon. The Lebanon Crisis Response Plan (LCRP) 2017-2020 is the Lebanon country chapter of the Regional Refugee and Resilience Plan. The Representation co-leads the protection, shelter, basic assistance, health and social stability sectors under the LCRP as well as the Sexual and Gender Based Violence (SGBV) Taskforce under the overall protection sector.
4. From 1 January 2017 to 30 June 2018 the Representation incurred overall expenditure of \$441 million of which \$384 million related to operations, \$42 million to staffing and \$15 million to administration. The most significant areas of operational expenditure were cash-based interventions, health, and partner personnel costs. In 2017, the Representation entered into 50 Project Partnership Agreements (PPAs) with 37 partners. For 2018, 26 of the 34 non-United Nations partners were retained and the Representation entered into new agreements with a further four partners.
5. Comments provided by UNHCR are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The objective of the audit was to assess whether the UNHCR Representation in Lebanon was managing the delivery of services to its persons of concern in a cost-effective manner and in compliance with UNHCR’s policy requirements.
7. This audit was included in the 2018 risk-based work plan of OIOS due to the risks associated with delivering protection and assistance to more than a million persons of concern in a complex inter-agency operating environment with high levels of expenditure.
8. OIOS conducted this audit from June to September 2018. The audit covered the period from 1 January 2017 to 30 June 2018. Based on an activity-level risk assessment, the audit covered higher risk areas pertaining to: (i) partnership management; (ii) inter-agency and partner coordination; (iii) procurement and vendor management; (iv) health; (v) warehouse management; and (vi) favourable protection environment and government relations.

9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system, and performance data from Focus, the UNHCR results-based management system, through Global Focus Insight; (d) sample testing of controls; and (e) visits to selected UNHCR offices, partner offices and project sites.

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

### **III. AUDIT RESULTS**

#### **A. Partnership management**

##### There was a lack of sufficient cost-benefit analysis for designating procurement to partners

11. In order to achieve expected project results through the use of partners, it is essential to: (a) select or retain partners through a process with adequate authorization, objectivity, transparency, consistency and timeliness; (b) sign well developed Project Partnership Agreements (PPAs) with partners and transfer instalments in a timely manner; (c) monitor the project activities and expenditures, including partner procurement through a risk-based and multifunctional approach; and (d) facilitate risk-based external audits of PPAs. These requirements are also promulgated in the UNHCR Enhanced Framework for Implementing with Partners and various supporting policies and administrative instructions, with the aim to ensure accountability over UNHCR resources entrusted to partners, and to mitigate associated risks.

12. The Representation established a multifunctional Implementing Partnership Management Committee (IPMC) as required. Detailed OIOS review of the partnership selection and retention processes and decisions for 2017 and 2018 indicated that they were conducted in accordance with UNHCR requirements. For 2018, the IPMC obtained a waiver for the call for expression of interest for one project which was suitably approved and justified. In 2017 and 2018, the Representation concluded 95 PPAs. On average, these PPAs were signed within 30 days of the effective date. PPAs were completed using the required templates and contained well designed results frameworks and completed annexes. International partner overheads, where applicable, were correctly calculated.

13. OIOS noted inconsistencies in the Representation's contribution to partners' national personnel cost. For instance, it contributed \$1,500 and \$2,470 for the same national personnel category C to two different national non-governmental organizations. However, the Representation addressed this by conducting a survey to set ceilings for its contribution towards partner national personnel costs to establish a reference point when negotiating the PPAs. The survey results were agreed with partners and came into effect as of 1 July 2018.

14. The Representation prepared risk-based monitoring plans that were agreed with partners. It conducted monitoring and verification activities in line with these plans using a multifunctional approach, involving relevant functions such as Programme, Project Control, Protection and others as required. The Representation verified and reconciled financial and programmatic implementation in the required formats. Monitoring activities also included follow-up on issues identified in prior monitoring visits and external audit observations. OIOS visited eight partners with total expenditures of \$36 million in 2017 (48 per cent of the total partner expenditures). OIOS detailed review identified weaknesses at some partners relating to procurement, achievement of objectives, and human resources management. However, in each case the Representation's monitoring reports had identified the same weaknesses and the Representation was

following-up on corrective actions taken by the partners. For existing partners, the results of these monitoring reports were reflected in the assessment of concept notes for new partnership agreements.

15. Between 1 January 2017 and 30 June 2018, the Representation designated procurement worth \$29.2 million to partners after assessing their procurement capacity. However, the Representation did not conduct adequate cost-benefit analysis to determine whether procurement through partners would be more advantageous than direct implementation. This was particularly the case for 10 partners with \$11.1 million worth of procurement who were not registered with the Government as eligible for claiming back Value Added Tax. In three cases the Representation paid the cost of Value Added Tax whereas in the seven other cases the cost was absorbed by the partner. This weakness occurred because the Representation did not exercise sufficient management supervision to ensure compliance with the UNHCR policy and procedures on the designation of procurement to partners. As a consequence, the Representation was exposed to the risk of not getting value for money for these procurements and lacked a clear assessment of whether the benefits of indirect procurement were worth the additional costs.

**(1) The UNHCR Representation in Lebanon should put in place effective management supervision arrangements to ensure that a cost-benefit analysis is conducted before procurement is designated to partners.**

*UNHCR accepted recommendation 1 and stated that the Representation had initiated a process of integrating a dedicated assessment of comparative advantages of partners involved in procurement including cost benefit analysis as an integral part of the existing process for 2019 partnership selection and retention. Recommendation 1 remains open pending receipt of evidence that for all instances where the Representation had designated procurement to partners for 2019, a documented and well justified cost-benefit analysis was completed before this decision was made.*

## **B. Inter-agency and partner coordination**

### There was a need to strengthen reporting against the indicators in the Lebanon Crisis Response Plan

16. In order to ensure effective delivery of assistance to persons of concern, UNHCR needs to coordinate with other agencies, partners and government departments in a streamlined, agreed upon manner with regards to planning, implementation, monitoring and reporting. Coordination is also important to avoid duplication of efforts or gaps in interventions. These broad requirements are also promulgated in the Refugee Coordination Model.

17. The LCRP sectors developed needs-based plans informed by a variety of assessments. These included the inter-agency, cross sector annual Vulnerability Assessment of Syrian Refugees in Lebanon (VASyR) conducted by the Representation in coordination with the World Food Programme and the United Nations Children's Fund, as well as sector specific assessments such as the UNHCR Health Access and Utilization Survey or the Inter-Agency Mapping Platform Survey of informal settlements. At the inter-agency level, a publicly available registry of all assessments was maintained to minimize the risk of duplications and gaps in assessments. The five sectors co-led by UNHCR as well as the SGBV sub-sector all had clear terms of reference and workplans and met regularly at the national and local level to facilitate coordination.

18. The relevant Government Ministries led the sectors and the Representation actively coordinated responses with the Government. Sector leads used ActivityInfo, an on-line activity reporting tool, to report on activities and strongly encouraged sector members to regularly report through the tool. The Representation's sector leads regularly reviewed data entered into ActivityInfo and followed up with

partners where entries were unexpected. The Inter-Sector Working Group conducted a detailed survey of partners regarding coordination mechanisms in the first quarter of 2018. Results were generally positive and the Representation, in coordination with partners, was taking action to address the survey findings.

19. For 2017, the sectors co-led by UNHCR collectively had 22 outcome indicators to be reported at least annually. Of these, 5 lacked specific targets and 12 lacked available baseline information. Only five outcome indicators were directly reported on in the end of year dashboards, and of these only three were met. Additional information on achievements was included in the 2017 LCRP Annual Report, published in July 2018. Whilst this report contained useful information on progress for operational management and external relations purposes, in many instances the reported results were formulated in a different way to the initial targets and the report made no direct comparison of results to targets.

20. For 2018, the LCRP sector logical frameworks were all revised and many indicators were changed or added. The sectors co-led by UNHCR collectively had 35 Outcome and 91 Output indicators. Of these, 19 still lacked baseline data and 15 lacked specified targets. The 2018 first quarter dashboards for these sectors reported against 13 Outcome and 15 Output indicators, which was only 22 per cent of total indicators. For 18 of the results reported in these dashboards, OIOS was unable to trace the indicator back to a target in the sector logical framework. In addition, some stakeholders raised concerns that the geographic distribution of LCRP funding was not well aligned with the geographic distribution of needs and vulnerabilities. Although OIOS could not verify this concern, there was an opportunity for the Representation to conduct an analysis comparing the mapped vulnerabilities in the VASyR to expenditure levels to assess whether this was the case and to guide future decision-making.

21. As these sectors were on average only 43 per cent funded in 2017, the low number of outcome targets met does not necessarily indicate poor performance. However, the lack of reported performance information for several indicators in both 2017 and 2018 undermined accountability and the ability of sectors to adjust their actions in response to performance information. As a result, there was an increased risk of sectors not effectively delivering activities to the extent possible given existing levels of funding. In the opinion of OIOS, these weaknesses occurred because the Representation and other LCRP actors faced technical challenges in systematically collecting data for some sectors and neglected the accountability and performance management elements of reporting.

**(2) The UNHCR Representation in Lebanon should: a) develop and implement an action plan to collect data against each indicator in the Lebanon Crisis Response Plan for the sectors it co-leads; b) where collecting and reporting this information is not possible, document this at the start of each year and note sector level initiatives to facilitate collecting this information in the future; and c) regularly report on performance against each indicator, and assess overall sector effectiveness given funding levels and developments in the operational context.**

*UNHCR accepted recommendation 2 and stated that the Representation was developing an action plan in the form of a monitoring matrix describing how performance information against each indicator for sectors co-lead by UNHCR would be collected during 2019. The monitoring matrix would specify who would collect data, how it would be collected and used, when it should be collected, and which indicators could not be reported on. The Representation also planned to conduct an annual performance review of the sector response that UNHCR co-leads through the Monitoring and Evaluation Interagency Framework, which it would further articulate in the Lebanon Crisis Response Plan year-end report, not only looking at funding but also considering the operational environment. Recommendation 2 remains open pending submission to OIOS of: a) an action plan indicating how performance information against each indicator for sectors co-led by UNHCR will be collected during 2019 specifying: i) who will be responsible for collecting the data;*

ii) how the data will be collected; iii) at what time periods the data will be collected and reported; and iv) which indicators at present cannot be reported on; b) evidence that the action plan has been implemented at mid-year 2019; and c) a narrative assessment of overall performance and proposed future actions either at mid-year or year-end given obtained levels of funding.

### **C. Procurement and vendor management**

#### Controls over vendor management and procurement activities were effective

22. In order to procure goods and services required for effective operations in a timely, cost effective manner, it is essential to: (a) prepare an annual procurement plan according to the identified needs; (b) establish an effective vendor management system; (c) initiate timely procurement activities in accordance with the procurement plan to facilitate transparent and competitive procurement; and (d) ensure adequate oversight over the procurement activities to get the best value for money. These requirements are also promulgated in chapter 8 of the UNHCR Manual and various administrative instructions on procurement and vendor management.

23. Between 1 January 2017 and 30 June 2018, the Representation raised 601 purchase orders for a total value of \$159 million. Of these, 479 purchase orders worth \$154 million (96 per cent of the total value) were raised under frame agreements. OIOS reviewed purchase orders, frame agreement and contracts valued at \$69 million. The review indicated that the Representation adhered to the UNHCR procurement rules and procedures on solicitation, competitive and transparent bidding, selection of bidders and contracting.

24. For 2017 and 2018, the Representation had annual procurement plans which were regularly updated. It had developed tools for monitoring the implementation of its procurement plans and its expected procurement needs such as: tracking sheets for contract extensions, renewals and establishments; expected significant purchases for which there are no existing frame agreements and contracts; and an expenditure monitoring sheet for ongoing frame agreements and one-off procurement contracts.

25. The Representation established Vendor Review Committees in the Beirut Branch Office and Zahle Sub Office that met regularly to review vendor registration actions, remove inactive vendors and update vendor information. In 2018, the Representation deactivated 164 inactive vendors and took required actions to rectify duplicate vendors and duplicate vendor bank accounts. As at 30 June 2018, the Representation's vendor database was up-to-date with 323 active vendors. The Supply Unit annually assessed the performance of vendors in coordination with requisitioning units and maintained vendor files for all active vendors.

26. The Representation regularly revised the composition of its Local Committee on Contracts (LCC). LCC meeting minutes and supporting documents demonstrated that the Committee provided adequate oversight on the operation's procurement process. Procurement cases above the established thresholds were submitted to the appropriate higher contracts committees at regional and headquarters level. The LCC obtained 9 waivers of competitive bidding worth \$18.4 million and received approval for 10 ex-post factor notifications worth \$1.9 million. OIOS reviewed these cases in detail and assessed that they were justified with adequate supporting documentation on file.

27. OIOS therefore concluded that the Representation had effective controls over procurement and vendor management activities.



## D. Health

### The Representation needed to strengthen risk-based monitoring of secondary health care referral services

28. In order to meet the health needs of persons of concern, it is necessary for UNHCR to: (a) assess the health needs of persons of concern; (b) involve the population of concern, host communities, host governments, and health partners in the development and implementation of the health strategy; and (c) develop, implement and monitor programmes that meet the prioritized assessed needs. These broad requirements are also promulgated in the UNHCR Global Strategy for Public Health.

29. The Representation co-led the public health sector with the World Health Organization and the Government of Lebanon and had annual expenditures of over \$40 million each year related to health. The most significant portion of this programme related to referrals for secondary care through an agreement with a commercial Third Party Administrator (TPA). The agreement required the TPA to approve admissions, review patient treatment, and audit hospital bills. From January 2017 to March 2018 the Representation transferred \$53.6 million to the TPA for the settlement of hospital bills related to 79,123 admissions. In this period the Representation paid \$2.1 million in fees to the TPA. The Representation was the main provider of secondary and tertiary care for refugees through this referral programme. The previous OIOS audit of UNHCR operations in Lebanon raised a critical recommendation over controls of the management of healthcare referrals.

30. The Representation assessed the health needs of the population of concern through a variety of means, including participatory approaches such as the Health Access and Utilization Survey among Syrian refugees in Lebanon, the VASyR and the Vulnerability Assessment of Refugees of Other Nationalities in Lebanon. Further, it actively coordinated with the Ministry of Health, key partners and other agencies through the Health Sector of the LCRP. Although the Representation lacked a dedicated Public Health Strategy, the Operations Plan and Health Chapter of the LCRP provided an overall strategic framework for the Representation's health programme.

31. The Representation's 2016 standard operating procedures for health required the Representation to regularly monitor and evaluate hospital services to refugees, the TPA's performance, and to conduct a medical audit and financial verification of at least one per cent of hospital bills submitted by the TPA. In response to initial audit findings the Representation took prompt action to strengthen the medical auditing of transactions using a risk-based approach. However, OIOS review of secondary health referrals identified the following remaining weaknesses:

- ***Weak follow up on monitoring of high risk hospitals:*** OIOS requested monitoring reports for 10 of the 49 hospitals with agreements with the TPA. The Representation provided four monitoring reports from 2017 for these hospitals although two of the reports did not include details of the monitoring visit such as the date or responsible staff. These reports from June and July 2017 indicated that two of the hospitals were overcharging persons of concern and not providing them receipts. It was not until February 2018 when the Representation conducted a follow-up monitoring visit, which identified fraudulent practices and falsified medical records, that the hospitals were excluded from the approved network in May 2018. In one of the hospitals, fraudulent activity had been ongoing for at least three years. These reports also found that the TPA was not consistently executing the controls it was required to. No similar monitoring had been undertaken at the other six hospitals reviewed by OIOS. The Representation received reports in 2017 that a third hospital with hospitalization charges of \$1.6 million was mistreating and overcharging persons of concern but had yet to monitor this hospital.

- **Weak financial controls over TPA payments:** OIOS reviewed 20 vouchers with a value of \$35.4 million for payments made to the TPA for the settlement of hospital bills and identified the following weaknesses: i) the TPA had not submitted proof of payment for \$70,000 paid to six hospitals in 2017; ii) only one of the vouchers was financially verified to ensure that hospitals were charging the correct rates despite previous verifications noting incorrect charges; and iii) only 3 of 16 authorization forms for received healthcare services reviewed were signed.

32. The Representation explained that the objective of its health programme was to facilitate access of persons of concern to existing national health services and that these problems were endemic in existing systems. It added that it had issued warning letters to hospitals when it received reports of malpractice and held meetings with hospital management to resolve issues identified. The Representation noted that excluding a hospital was a last resort as other factors such as the range of services offered and geographic proximity to persons of concern had to be considered. The Representation had also hired an independent audit firm to audit the TPA on its behalf and conducted exit interviews with patients on a sample basis. Finally, the Representation was considering other approaches to providing secondary healthcare and had engaged an expert to assess the feasibility of moving to an insurance model. OIOS acknowledges the improvement in controls implemented by the Representation as well as the fact that the monitoring visits that were conducted did identify fraud and other weaknesses which were corrected. However, in the opinion of OIOS, the Representation had not consistently implemented these controls in a timely, risk-based manner.

33. As a result of the above control weaknesses, there were undue delays in identifying fraud, mistreatment, overcharging of persons of concern and poor value for money in the Representation's health expenditures. Further, there was a significant risk that similar issues would remain undetected in other hospitals. Ultimately this could lead to reduced health outcomes for persons of concern and wasted UNHCR resources.

**(3) The UNHCR Representation in Lebanon should: a) develop a systematic risk-based monitoring plan for regularly reviewing the activities of the Third Party Administrator in hospitals to ensure they are complying with the requirements of the agreement; b) define procedures to ensure the timely investigation of credible allegations of fraud and mistreatment of persons of concern in hospitals; and c) put in place procedures to ensure that payments are processed to the Third Party Administrator only after a medical audit and financial verification of high risk medical bills received have been completed.**

*UNHCR accepted recommendation 3 and stated that the Representation would develop a risk-based monitoring plan for reviewing the activities of the TPA in hospitals. It would also develop a Standard Operating Procedure for investigations integrating inter alia types of investigations, clear distribution of tasks and responsibilities within UNHCR's team and external actors as well as clear definitions of what is required for allegations to be confirmed/refuted. The Representation further stated that it had revised its procedures for Processing and Proof of Payments by Third Party Administrator for Health Services addressing the subject of payment processing upon medical audit and financial verification of high risk medical bills, and would share evidence in January 2019. Recommendation 3 remains open pending submission to OIOS of: a) a systematic risk-based monitoring plan for regularly reviewing the activities of the TPA in hospitals; b) standard operating procedures for the timely investigation of credible allegations of fraud and mistreatment of persons of concern in hospitals, and evidence that these procedures are being applied; and c) evidence that high risk medical bills are only paid after financial verification in addition to medical audit.*

## E. Warehouse management

### Action was taken to address identified weaknesses in warehouse management

34. To enable efficient and effective delivery of goods to persons of concern, it is important to: (a) plan and maintain adequate and secure facilities to store inventories in usable or serviceable condition; (b) plan, record, control and monitor inventories through complete and accurate records covering receipt, storage, and issuance of inventories including its periodic physical verification to ensure reasonableness of the valuation and presentation in the financial statements; and (c) provide adequate insurance cover for inventories. These requirements are promulgated in the UNHCR Manual on Warehouse Management, Inventory Management Policy, Standard Operating Procedures for Warehouse and Inventory Management, and Administrative Instruction on Global Inventory Insurance.

35. The Representation had four warehouses located in Beirut, Tyre, Zahle and Tripoli. One warehouse was managed by a commercial provider, another by a partner, and the remaining two directly by the Representation. The four warehouses had a total inventory value of \$6.6 million as of 30 April 2018. The Representation ensured that storage facilities were secure, conducted annual assessments of the warehouses to ensure capacity was adequate to meet its needs, and had adequate insurance cover for its stock. OIOS conducted physical counts of five line items in all warehouses and found that in all cases items on hand corresponded to records in MSRP. Adequate filing was kept in all warehouses including for waybills and Material Stock Requests.

36. Nevertheless, OIOS identified a number of weaknesses in its visits to warehouses. However, for each of these following weaknesses the Representation took immediate corrective action:

- In one warehouse, the first in, first out method was not followed for the issuance of plywood. Also, plywood was stacked together and not separated based on purchase order number, and inaccuracies were observed in the bin cards entry records. In response to this, the Representation separated the plywood based on the sequence of purchase orders and began applying the first in first out method for subsequent stock movements.
- There was no segregation of duties for the management of one warehouse. The same individual was assigned as the warehouse manager, inventory focal point, and receiver. In response to this, the Representation segregated the warehouse management duties.
- In one warehouse the access controls were weak. For example, no logbook was maintained to monitor access to the warehouse, and two staff members privately kept the warehouse keys. In response to this weakness, the Representation established a log book to monitor warehouse access and ensured that warehouse keys were kept in the office overnight.
- In one warehouse the floor plan included all rubhalls but not the yard where many inventory items were stored. The Representation immediately produced an updated floor plan.

37. In addition, in the Zahle warehouse managed by a partner, the partner used sequentially numbered waybills for movements of UNHCR inventory, but used waybills without numbers for the movements of the inventory of other partners, the transportation of which was funded by UNHCR. In response, the Representation instructed the partner to print sequentially numbered waybills with the partner's name on the waybill headers. Finally, in this warehouse there was a designated smoking area although smoking should be prohibited in UNHCR warehouses. However, the area was in the yard and removed from all inventory items. OIOS also observed that all rubhalls were equipped with no smoking signs, sprinklers, and fire extinguishers which further mitigated the risks. In response, the Representation, in coordination with the partner and the local fire authorities, conducted a fire risk assessment and were prepared to accept

the residual risk which they considered to be low. Given the immediate action taken to resolve all issues identified in this area, OIOS did not raise a recommendation.

## **F. Favourable protection environment and government relations**

### There was an opportunity to strengthen information management processes related to the protection environment

38. In order to ensure persons of concern are able to enjoy a favourable protection environment, it is essential for UNHCR to: (a) accurately identify protection gaps and understand their impact on persons of concern; (b) plan, deliver and monitor interventions designed to close these gaps; (c) understand the concerns of the host government and have protocols for liaising with relevant officials to resolve protection issues; and (d) continuously monitor the impact of UNHCR and other interventions on the protection environment and adjust activities if needed.

39. OIOS discussed protection gaps and risks with a variety of sector and implementing partners, persons of concern acting as outreach volunteers, and UNHCR staff from all offices in Lebanon. All risks identified from these various sources, as well as from document review of participatory assessments were reflected in the Representation's Operations Plan. Although OIOS could not identify outputs in the Results Based Management framework directly related to mass evictions and return movements, activities in these areas were included in the Protection Unit's work plan. The Representation regularly monitored progress against these activities and their impact. OIOS therefore concluded that the Representation had identified key protection gaps and risks, understood their impact on persons of concern, and considered these throughout its operations management cycle.

40. However, many protection risks were not reflected in the Representation's risk register, particularly those relating to evictions, SGBV, statelessness and any potential issue related to return. OIOS was also of the opinion that some likelihood and impact assessments of existing protection risks were not aligned with operational realities. In addition, many actions that the Representation was undertaking to mitigate protection risks were not included as treatments. In response to these initial audit findings the Representation took immediate action to revise its risk register, adding relevant risks and treatments and revising the assessment of existing risks as necessary.

41. The Representation had successfully advocated with both central and local authorities to address certain gaps in the protection environment. These included advocating with the authorities to waive some renewal fees for civil documentation, reduce documentation requirements for marriage and birth registration, and avert mass evictions in specific locations. The Representation systematically worked on multiple types of protection events such as evictions and the implementation of fee waivers. Each field location had a Liaison Officer who closely followed local political developments and maintained up to date contact information for key local figures as well as their concerns. This information was stored on local shared drives.

42. However, the type and format of information collected varied significantly from location to location. In response to the initial audit findings the Representation developed a standardized minimum data set to be collected by Liaison Officers in each location concerning interaction with authorities. In the opinion of OIOS, there remained an opportunity for further standardizing information concerning the protection environment across all locations. Doing so would facilitate protection work as well as sharing good practices. For example, although key information was collected, different locations captured information on curfews and some other protection environment issues in different formats and some did not do so systematically. This made consolidated reporting and tracking difficult.

43. At the national level, official communications with the Government were effectively filed and stored. Clearance procedures were established and followed to ensure consistent and suitably approved communications with ministries. The Representation was a member of the Tensions Taskforce along with key Government ministries and other agencies that actively monitored and reported on community tensions. Although some stakeholders considered that the information contained in the reports of the Tension Taskforce was not up to date enough, the Representation was still able to take immediate action to intervene in several protection issues as they emerged including mass evictions in multiple locations. The Representation conducted regular mandated activities and assessments of key areas including legal residence and intentions of Syrians to return in the future.

#### **IV. ACKNOWLEDGEMENT**

44. OIOS wishes to express its appreciation to the management and staff of UNHCR 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 the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees

Rec. 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	The UNHCR Representation in Lebanon should put in place effective management supervision arrangements to ensure that a cost-benefit analysis is conducted before procurement is designated to partners.	Important	O	Submission to OIOS of evidence that for all instances where the Representation had designated procurement to partners for 2019, a documented and well justified cost-benefit analysis was completed before this decision was made.	28 February 2019
2	The UNHCR Representation in Lebanon should: a) develop and implement an action plan to collect data against each indicator in the Lebanon Crisis Response Plan for the sectors it co-leads; b) where collecting and reporting this information is not possible, document this at the start of each year and note sector level initiatives to facilitate collecting this information in the future; and c) regularly report on performance against each indicator, and assess overall sector effectiveness given funding levels and developments in the operational context.	Important	O	Submission to OIOS of: a) an action plan indicating how performance information against each indicator for sectors co-lead by UNHCR will be collected during 2019 specifying: i) who will be responsible for collecting the data; ii) how the data will be collected; iii) at what time periods the data will be collected and reported; and iv) which indicators at present cannot be reported on; b) evidence that the action plan has been implemented at mid-year 2019; and c) a narrative assessment of overall performance and proposed future actions either at mid-year or year-end given obtained levels of funding.	30 June 2019
3	The UNHCR Representation in Lebanon should: a) develop a systematic risk-based monitoring plan for regularly reviewing the activities of the Third Party Administrator in hospitals to ensure they are complying with the requirements of the agreement; b) define procedures to ensure the timely investigation of credible allegations of fraud and mistreatment of persons of concern in hospitals; and	Important	O	Submission to OIOS of: a) a systematic risk-based monitoring plan for regularly reviewing the activities of the TPA in hospitals; b) standard operating procedures for the timely investigation of credible allegations of fraud and mistreatment of persons of concern in hospitals, and evidence that these procedures are being applied; and c) evidence that high risk medical bills are only paid	31 July 2019

<sup>1</sup> 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.

<sup>2</sup> 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.

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

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

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	c) put in place procedures to ensure that payments are processed to the Third Party Administrator only after a medical audit and financial verification of high risk medical bills received have been completed.			after financial verification in addition to medical audit.	

# **APPENDIX I**

## **Management Response**



## Management Response

## Audit of the operations in Lebanon for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments (to be published)
1	The UNHCR Representation in Lebanon should put in place effective management supervision arrangements to ensure that a cost-benefit analysis is conducted before procurement is designated to partners.	Important	Yes	Senior Programme Officer	February 2019	The UNHCR Representation initiated a process of integrating a dedicated assessment of comparative advantages of partners involved in procurement as an integral part of the existing process of 2019 partnership selection and/or retention. The UNHCR Representation will be in the position to share the evidence for this process documented via the recording decisions to entrust partners with UNHCR-funded procurement authority that includes the cost-benefit analysis.
2	The UNHCR Representation in Lebanon should: a) develop and implement an action plan to collect data against each indicator in the Lebanon Crisis Response Plan for the sectors it co-leads; b) where collecting and reporting this information is not possible, document this at the start of each year and note sector level initiatives to facilitate collecting this information in the future; and c) regularly report on performance against each indicator, and assess overall sector effectiveness given funding levels and developments in the operational context.	Important	Yes	Senior Inter-Agency Coordination Officer	June 2019	The UNHCR Representation is in the process of developing an action plan in the form of a monitoring matrix describing how performance information against each indicator for sectors co-lead by UNHCR will be collected during 2019. The monitoring matrix will specify: i) who will be responsible for collecting the data; ii) how the data will be collected; iii) at what time periods the data will be collected; iv) how the data will be used/ in which report; and v) which indicators at present cannot be reported on. The UNHCR Representation plans to have the evidence that the monitoring matrix has been developed at mid-year 2019. Performance of the sector response that UNHCR co-leads (the contribution of those indicators to the larger strategic objectives) will be done

<sup>5</sup> 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.

<sup>6</sup> 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.

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementat ion Date	Client comments (to be published)
						<p>annually through the Monitoring and Evaluation Interagency Framework.</p> <p>It will further be articulated in LCRP year-end report, not only looking at funding but also considering the operational environment.</p>
3	<p>The UNHCR Representation in Lebanon should: a) develop a systematic risk-based monitoring plan for regularly reviewing the activities of the Third Party Administrator in hospitals to ensure they are complying with the requirements of the agreement; b) define procedures to ensure the timely investigation of credible allegations of fraud and mistreatment of persons of concern in hospitals; and c) put in place procedures to ensure that payments are processed to the Third Party Administrator only after medical audit and financial verification of high risk medical bills received have been completed.</p>	Important	Yes	Senior Public Health Officer	Progressively starting from December 2018 and having all actions in place by July 2019	<p>The UNHCR Representation will develop a risk-based monitoring plan for reviewing the activities of the Third Party Administrator in hospitals by integrating regular visits to hospitals with a priority to high risk hospitals, exit interviews with patients in these hospitals, and monitoring of the hospitals by the Third Party Administrator by end of March 2019.</p> <p>Furthermore, the Representation will develop a Standard Operating Procedure for investigations integrating inter alia types of investigations, clear distribution of tasks and responsibilities within UNHCR's team and external actors as well as clear definitions of what is required for allegations to be confirmed/refuted. The UNHCR Representation plans to have it in place by July 2019.</p> <p>Moreover, the UNHCR Representation has revisited its procedures for Processing and Proof of Payments by Third Party Administrator for Health Services addressing the subject of payment processing upon medical audit and financial verification of high risk medical bills. Evidence will be provided in January 2019.</p>