



## **INTERNAL AUDIT DIVISION**

### **REPORT 2021/035**

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#### **Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime**

**There is need to strengthen the internal  
control framework and second line of defence  
on the use and management of service  
contractors**

**16 August 2021**

**Assignment No. AE2020-360-04**

# **Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the use and management of service contractors at the United Nations Office on Drugs and Crime (UNODC). The objective of the audit was to assess the adequacy and effectiveness of internal controls in the use and management of service contractors in UNODC. The audit covered the period from January 2019 to December 2020 and included a review of risk areas relating to: (a) data and information on service contractors; (b) the regulatory framework for their administration and management; and (c) the supporting tools and systems used.

UNODC hired service contractors in its field offices through the United Nations Development Programme based on a working agreement. The audit showed that UNODC needs to strengthen the internal control framework and second line of defence on the use and management of service contractors.

OIOS made eight recommendations. To address the issues identified in the audit, UNODC needed to:

- Enhance its databases on service contractors and design appropriate data analysis reports to assist senior management in monitoring and overseeing the use of service contractors;
- Formalize the assessment and mitigation of risks relating to the management and use of service contractors;
- Develop an internal policy and operational framework on service contractors, in consultation with the Department of Operational Support at United Nations Headquarters, to supplement the UNDP policy;
- Establish oversight mechanisms to ensure: reporting and review of exceptions to competitive recruitment of service contractors; and review of long serving service contractors;
- Issue appropriate guidance on use of the Field Office Human Resources Management System to ensure that records are complete;
- Strengthen internal controls over payroll in its country office in Colombia to include a staff back-up plan, effective oversight of the delegated function, issuance of pay slips, and use of appropriate software;
- Improve the process for approving fund commitments for service contractors' positions by developing a standard template, removing redundant requirements, and establishing review mechanisms to ensure that all the required documents are submitted prior to approval; and
- Strengthen the management of the electronic inter-office voucher application by developing guidance on the use of the "payroll editor" validation function, as well as mechanisms to ensure that access rights for non-active users are promptly removed.

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

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# Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the use and management of service contractors at the United Nations Office on Drugs and Crime (UNODC).
2. The United Nations Secretariat’s workforce is made up of staff and non-staff personnel. According to the Staff Regulations and Rules (ST/SGB/2018/1), “the expressions ‘staff members’ or ‘staff’ shall refer to all the staff members of the Secretariat, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship are defined by a letter of appointment subject to regulations promulgated by the General Assembly”. All other persons engaged to provide services are considered as “non-staff”.
3. ST/AI/2013/4 on consultants and individual contractors recognizes that the Secretariat utilizes temporary assistance to respond quickly, flexibly, and effectively to organizational priorities. According to a report issued in January 2020 by the Department of Operational Support, non-staff personnel include United Nations Volunteers, individual consultants, individual contractors, government provided personnel, gratis personnel, experts serving on non-reimbursable loans, military experts on mission, individual police officers, fellows and interns. However, it did not include service contractors.
4. UNODC hired service contractors through the United Nations Development Programme (UNDP) based on a 2005 working arrangement which allows hiring of local staff and personnel under UNDP contracts. According to UNDP policy, the service contract modality is a decentralized contracting instrument which is cost-effective and flexible for hiring individuals under a non-staff contract outside of headquarters duty stations. It is intended for engaging individuals for non-core support services that would normally be outsourced to a company, and for development project personnel with no restrictions on the maximum period of employment. Service contractors are neither staff members nor “officials” for the purpose of the Convention on the Privileges and Immunities of the United Nations. While they are not covered by the Staff Regulations and Rules, they can be given the status of “experts on mission” and are expected to uphold the standards of conduct set forth in the Secretary-General’s bulletin ST/SGB/2002/9.
5. The services performed by service contractors do not carry any authority to legally bind the Organization or to enter into financial obligations on behalf of the Organization. At the time of the audit, UNDP was reviewing the service contract and consultancy modalities and planned to issue a new set of guidance. Service contractors were classified into six service occupations (development project management, information technology, general administration, human resources, finance and accounting, and team assistant) across eleven levels (SC-1 to SC-11). Their remuneration structure is based on five broad bands (SB-1 to SB-5) as shown in Table 1 below.

**Table 1: Service contractors’ salary classification**

| Contribution Value             | Levels | Service Bands |
|--------------------------------|--------|---------------|
| Substantive Innovation         | SC-11  | SB-5          |
| Adaptive Delivery              | SC-10  |               |
| Analytical                     | SC-9   | SB-4          |
| Basic Conceptual Comprehension | SC-8   |               |

|                               |      |      |
|-------------------------------|------|------|
| Integrated Service Execution  | SC-7 | SB-3 |
| Comprehensive Process Support | SC-6 |      |
| Specialized Process Support   | SC-5 |      |
| Basic Process Support         | SC-4 | SB-2 |
| Repetitive Support            | SC-3 |      |
| Mechanical Operations         | SC-2 | SB-1 |
| Physical Operations           | SC-1 |      |

6. As of December 2020, UNODC had engaged 1,306 service contractors in its field offices which represented 40.3 per cent of its total workforce. The total expenditure on service contractors during 2020 was around \$39.5 million.

7. Comments provided by UNODC are incorporated in italics.

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

8. The objective of the audit was to assess the adequacy and effectiveness of internal controls in the use and management of service contractors in UNODC.

9. This audit was included in the 2020 risk-based work plan of OIOS due to the risks associated with the use and management of service contractors who represent a significant portion of UNODC's workforce.

10. OIOS conducted this audit from January to May 2021. The audit covered the period from January 2019 to December 2020. Based on an activity-level risk assessment, the audit reviewed risk areas relating to: (a) data and information on service contractors; (b) the regulatory framework for their administration and management; and (c) the supporting tools and systems used.

11. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing.

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

## **III. AUDIT RESULTS**

### **A. Data and information on service contractors**

#### Need to enhance data analysis and reporting on the use of service contractors

13. The UNDP policy on service contracts (2018) requires continuous reporting, monitoring and oversight on the use of service contractors. This includes using the information in UNDP's Enterprise Resource Planning (ERP) system to develop score cards or benchmarks that should be periodically reported and monitored, and identifying a business advisor in the Office of Human Resources at Headquarters to ensure adequate oversight. While the requirements are directed at UNDP, they are also relevant to UNODC since service contractors are a significant part of its workforce, and monitoring their use is essential for effective workforce planning. The requirements are also in line with several legislative and guidance documents such as: the Secretary-General's data strategy which encourages the use of data to inform decision making; the Secretary-General's report on overview of human resources management reform for

the period 2019-2020; the 2020 staffing review toolkit; and the Secretariat's SharePoint pages on workforce planning which highlight it as a key component of human resources management.

14. Although information on geographical and gender distribution of service contractors was included in reports to senior management, there was no further analysis such as length of service, turnover rates, and distribution of service contractors in the various occupations. Further, the cost-effectiveness of the use of service contractors had not been analyzed. OIOS' analysis showed that service contractors were a relatively stable workforce, mostly engaged in specialized functions. As of November 2020, 66 per cent of service contractors were engaged for SB-3 to SB-5 positions, and 48 per cent had served for more than two years. The analysis showed that service contractors' salaries were between 40 and 74 per cent less expensive than staff salaries at equivalent grades, depending on the duty station. Therefore, the use of service contractors was cost-effective when compared to equivalent staff salaries. UNODC was not aware of the reasons for the variations in the proportion of service contractors' salaries and staff salaries in the different duty stations because it had never done the cost analysis.

15. Regular analysis of trends and benefits in the use of service contractors is necessary to inform decisions on workforce planning, risk management and related policies. UNODC's information on the use of service contractors is currently fragmented in different systems, i.e., Umoja, the Field Office Human Resources Management system (FOHRM), and local Excel spreadsheets or data files. The information collected in FOHRM, which is the main repository of information on service contractors, was incomplete as discussed later in the report. These data issues need to be addressed to ensure data reliability.

**(1) UNODC should enhance its databases on service contractors and design appropriate data analysis reports to assist senior management in monitoring and overseeing the use of service contractors.**

*UNODC accepted recommendation 1 and stated that the Human Resources Management Service (HRMS) will explore with the Information Technology Service (ITS) the best data source, either to obtain data from UNDP's ERP system or to enhance FOHRM. HRMS already obtained the data for all UNDP-administered personnel from UNDP and a review/analysis of the different sources of information is being carried out. HRMS will provide annual or bi-annual reports to Management. The contents of these reports will be discussed with the Division for Operations. ITS will help with the design of the report. Recommendation 1 remains open pending receipt of action taken by UNODC to improve the databases on service contractors and assist senior management in monitoring and oversight.*

## **B. Regulatory framework**

### Need to formally assess risks associated with the use and management of service contractors

16. There were risks associated with the use and management of service contractors, but they were not formally documented by UNODC or its field offices. For example, UNODC and other United Nations entities using service contractors have been challenged in national courts on the use of the service contract modality. In one case in the UNODC Office in Colombia, this resulted in a liability of \$87,664 following a proceeding in the local tribunal. Two more cases were under discussion as of 2021 which, according to documentation provided by UNODC, could entail a potential liability of \$1.1 million. While UNODC promptly involved the Office of Legal Affairs in the cases, there were risks that similar cases could occur elsewhere.

17. A 2020 survey by HRMS showed that there is a perception of inequality in the conditions of employment for service contractors who considered themselves as “second class citizens”. During interviews with OIOS, UNODC managers stated that the use of service contractors exposes the Organization to several risks, including reputational risks. UNODC needs to formally assess and manage such risks in view of the significant number of service contractors employed, and the potential impact of risk events. The risk assessment would be useful in informing strategic decisions on workforce planning as well as the criteria and policy on service contractors.

**(2) UNODC should formalize the assessment and mitigation of risks relating to the management and use of service contractors.**

*UNODC accepted recommendation 2 and stated that the Division for Operations, in coordination with the Division for Management, will conduct a risk assessment of the use of service contractors within the framework of the ongoing risk management and treatment plans at both divisional and field office levels. Recommendation 2 remains open pending receipt of evidence that risks relating to the management and use of service contractors have been assessed, with appropriate mitigation plans.*

#### Need to strengthen the second line of defence

18. According to the “three lines of defence” model (see A/72/773), the second line of defence comprises central management functions that oversee risk and internal controls and provide support and guidance in the management of resources. This includes responsibilities for developing appropriate risk management policies and tools, supporting and monitoring the use of delegated authority, and monitoring and reporting on programme performance. Important elements of the second line of defence on the use of service contractors in UNODC were still not mature and needed to be strengthened as explained below.

19. In 2008, UNODC delegated to its field Representatives the authority for recruitment of local and national personnel at the field level, including service contractors, under the working arrangement with UNDP. However, UNODC had not clearly defined the roles and responsibilities of headquarters staff in overseeing and supporting field offices on the management of service contractors. HRMS indicated that since April 2020, the Chief of the Planning, Contracting and Reporting Unit is the focal point for field-related personnel issues. However, HRMS acknowledged that a clear focal point system for the operational management and reporting of service contractors was required to help ensure continuous liaison among UNODC field offices, UNDP and other offices of the Secretariat using this type of contract. It would also help to ensure that field Representatives were clear on who to contact in case of questions and share any best practices.

20. UNODC had also not developed any guidance to govern the use of service contractors in its field offices. The 2018 UNDP policy was the only formal guidance on service contractors employed by UNODC through UNDP. The policy focused on UNDP offices and there is little reference to specific needs of other United Nations organizations such as UNODC. Most of the deficiencies noted in the audit relate to gaps in guidance and oversight mechanisms in the recruitment and administration of service contractors which should normally have been addressed in a formal policy framework. When developing such a policy framework, UNODC needs to liaise with the Non-Staff Capacity Unit in the Human Resources Services Division of the Department of Operational Support which is responsible for providing support to managers and business partners on the use of non-staff personnel.

**(3) UNODC should, in consultation with the Department of Operational Support at United Nations Headquarters, develop an internal policy and operational framework on service contractors to supplement the UNDP policy.**

*UNODC accepted recommendation 3 and stated that the Division for Operations, in coordination with the Division for Management, will review and develop an internal policy on the use of service contractors and other contract modalities which will require financial, legal and further considerations as well as consultation with the Department of Operational Support. Recommendation 3 remains open pending receipt of evidence that an internal policy and operational framework on service contractors has been developed to supplement the UNDP policy.*

#### Need for oversight on recruitment and proper use of service contractors

21. Some UNODC managers at headquarters expected UNDP to play a comprehensive oversight role on proper use of the service contract modality and selection of service contractors. UNDP explained that its accountability was limited to the services it provided; UNDP did not have resources to oversee the use of service contractors in other entities. UNODC needs to develop its own guidance and oversight mechanisms to oversee the proper use of the service contract modality as discussed below.

##### a) Need to ensure proper use of the service contract modality

22. While service contractors were appropriately excluded from certifying and approving roles, some were assigned functions that could be defined as “core” staff responsibilities. In the seven field offices reviewed, service contractors managed a range of core areas of work including: (a) security; (b) administrative functions relating to information technology, procurement, and human resources management; (c) legal support, advocacy or communication; (d) certifying functions in the electronic inter-office voucher (e-IOV) application used to certify UNDP bills; and (e) custodians of petty cash funds. All field office managers interviewed knew that the use of service contractors for core functions was improper but continued to do so in the absence of effective oversight. UNODC explained that some core functions only existed because of projects which had an unstable source of funding; it was therefore difficult to obtain staff positions for those functions. UNODC needs to establish oversight mechanisms to monitor the use of service contractors to minimize the potential legal and operational risks.

##### b) Need to monitor the use of exceptions in recruitment of service contractors

23. There were inconsistent practices among the various UNDP offices on compliance with recruitment standards for service contractors. In some cases, UNDP offices oversaw the recruitment process to ensure it was done in accordance with its policies but in other cases, the UNDP offices simply issued contracts to particular individuals when requested to do so by UNODC. The 2018 UNDP policy allows the use of exceptions to the competitive selection process. The lack of effective oversight on the use of exceptions could lead to abuse and recruitment of candidates who may not be the most qualified ones.

##### c) Need for a mechanism to review cases where service contractors are extended for several years

24. According to ST/AI/2013/4 on consultants and individual contractors, and in line with General Assembly resolution 53/221, when consultants are frequently hired for periods longer than one year and/or used for functions similar to staff, a strategy for long-term regular staffing should be developed. Since such a requirement does not exist for service contractor positions, several service contractors were extended for many years, often to cover various functions, projects, or programmatic areas. OIOS’ analysis showed that as of November 2020, 48 per cent of service contractors had served for more than 2 years, and 24 per cent had served for more than 5 years and up to 25 years continuously. As noted earlier in the report, there were recurring concerns raised by staff and managers that service contractors serving for extended period perceived their contractual situation as unfair and felt they were like “second class citizens” when compared to staff members who may be handling similar responsibilities or functions. This aspect needs to be considered when developing the operational framework on the use and management of service contractors.



- (4) UNODC should establish oversight mechanisms to ensure: (a) reporting and review of exceptions to competitive recruitment of service contractors; and (b) review of long-serving service contractors.**

*UNODC accepted recommendation 4 and stated that point (a) will be addressed through the development of a monitoring framework based on UNDP's guidelines which will be completed for each fund commitment. An exception monitoring framework will be developed according to the delegation of authority framework through various mechanisms to be determined in cooperation with the Division for Operations. Point (b) will be reviewed in the context of UNDP's policy. UNODC will develop a mechanism to produce the information on long-serving service contractors and an analysis, including length of service, will be provided to senior management. Recommendation 4 remains open pending receipt of evidence that mechanisms have been established for effective oversight of exceptions to competitive recruitment of service contractors and use of long-serving service contractors.*

### **C. Supporting tools and systems**

#### Need to ensure that the information in databases is complete

25. Since the management of service contractors is not integrated in Umoja and Inspira, UNODC developed an in-house application to automate controls and ensure transparency and completeness of records. These included FOHRM where it collected personnel records such as contracts, leave, and training records; and the e-IOV portal which is used for recording and reconciling UNDP invoices. There were no guidelines on the use of FOHRM and no focal point to oversee and assure the quality of the information. Some information such as staffing levels, project identifier, index number, Unite ID and completion of mandatory training were inconsistently recorded in FOHRM. UNODC needs to ensure the quality and completeness of information in FOHRM which is necessary for management of service contractors.

- (5) UNODC should, issue appropriate guidance on the use of the Field Office Human Resources Management system to ensure that records are complete.**

*UNODC accepted recommendation 5 and stated that it will issue guidelines on the use of FOHRM and monitor its accuracy/completion through the field offices' human resources focal persons. Recommendation 5 remains open pending receipt of the guidance issued on the use of FOHRM.*

#### Need to strengthen controls for managing payroll processes in the UNODC office in Colombia

26. As of December 2020, the UNODC Country office in Colombia (COCOL) employed 443 service contractors and paid salaries of around \$721,000 (monthly) for their services. Due to capacity constraints, the UNDP office in Colombia was not able to provide the full range of services, including payroll functions. Consequently, service contractors were not included in UNDP's ERP system; instead, the payroll was being managed by COCOL. Payroll procedures were agreed with UNODC's Financial Resources Management Service (FRMS), and approval of the fund commitment role (Umoja role FM.06) was managed by FRMS. COCOL also had an internal flow-chart and guidance on the payroll function.

27. However, some key internal controls were missing. The payroll was done in an Excel spreadsheet which could be modified without authorization. Since January 2019, there was only one person with the Accounting Office User role in Umoja for creating fund commitments for service contractors' salaries (Umoja role FM.03). The absence of a back-up person could lead to delays in payments of salaries, which had happened in the past. Further, service contractors were not provided with a monthly pay slip to allow

them to verify the accuracy of their salaries. COCOL stated that oversight mechanisms were established locally to provide assurance that abuse or error were promptly detected. However, UNODC needs to ensure that the gaps in controls are fully addressed.

**(6) UNODC should strengthen internal controls over payroll in its country office in Colombia to include a staff back-up plan, effective oversight of the delegated function, issuance of pay slips, and use of appropriate software.**

*UNODC accepted recommendation 6 and stated that the existing procedures for service contractors' payroll in COCOL will be reviewed in conjunction with FRMS to assess and determine internal control improvements. Recommendation 6 remains open pending receipt of evidence that internal controls over payroll have been strengthened in COCOL.*

#### Need to streamline and strengthen the approval process of fund commitments

28. The "Practical Guidance for Fund Commitments Type 50" describes the process for input and approval of fund commitments in Umoja and the supporting documents required, including contract information, project documents, staffing table and an information on the position. The responsible field office is required to create and certify the fund commitment in Umoja for the budgeted service contractor positions and upload all required documents for review by the HRMS approving officer. Once the fund commitment is approved, FRMS issues a financial authorization to UNDP for the creation of the post in UNDP's ERP system. The process is designed to ensure segregation of duties and oversight in the establishment of service contractor positions.

29. OIOS reviewed a sample of 30 approved fund commitments and found that the submission of supporting documents was inconsistent. Some offices uploaded only a copy of the contract while others included project documents, staffing tables and other supporting documents. In most cases, there was no staffing table to allow a reconciliation of the fund commitment request with the approved list of positions in the project document. Some of the documents required were also considered redundant as the approving officer would not review the project document but only needed the staffing table for the reconciliation. There was also no standard template for requesting approval for the fund commitment. These gaps need to be addressed to strengthen the internal controls for approval of fund commitments and ensure efficiency.

**(7) UNODC should improve the process for approving fund commitments for service contractors' positions by developing a standard template, removing redundant requirements, and establishing review mechanisms to ensure that all the required documents are submitted prior to approval.**

*UNODC accepted recommendation 7 and stated that improvements will be introduced to the review mechanisms to strengthen monitoring. Fund commitment guidelines will be updated in accordance with OIOS recommendations. Recommendation 7 remains open pending receipt of evidence that the process for approving fund commitments for service contractors' positions has been strengthened, and mechanisms have been established to ensure that all the required documents are submitted prior to approval of commitments.*

#### Need to strengthen the management of the e-IOV application

30. UNODC receives monthly invoices from UNDP for all the transactions that occurred in the previous month. The information received is uploaded in the e-IOV portal, and designated officials in the field offices are responsible for validating and reconciling the items and following up with UNDP on any discrepancies. When field offices validate the e-IOV lines for service contractors' payroll, they are

reconciled with contract information in FOHRM. Cleared items are then uploaded in Umoja for payment to UNDP. In 2020, UNODC validated 83,551 payroll transactions in the e-IOV application.

31. Each UNODC field office decided on who to assign responsibility for, and access to, the e-IOV portal for the validation process. In most cases, service contractors were assigned the “Payroll Editor” validation function. OIOS noted that the list of individuals with access to e-IOV rights included non-active service contractors. There was no formal guidance on the “Payroll Editor” role. Since the e-IOV validation and reconciliation process is an important control, it needs to be properly regulated.

**(8) UNODC should strengthen the management of the e-IOV application by developing guidance on the use of the “payroll editor” validation function, as well as mechanisms to ensure that access rights for non-active users are promptly removed.**

*UNODC accepted recommendation 8 and stated that a guidance document on the use of the payroll editor validation function will be provided as part of the e-IOV portal guidance. A removal mechanism for non-active users will be included as part of the quarterly review of field office user access. Recommendation 8 remains open pending receipt of the guidance document on the use of the “payroll editor” validation function and details of the mechanisms established to ensure that access rights of non-active users are promptly removed.*

#### **IV. ACKNOWLEDGEMENT**

32. OIOS wishes to express its appreciation to the management and staff of UNODC 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 use and management of service contractors at the United Nations Office on Drugs and Crime

| Rec. no. | Recommendation   | Critical <sup>1</sup> /<br>Important <sup>2</sup> | C/<br>O <sup>3</sup> | Actions needed to close recommendation   | Implementation date <sup>4</sup> |
|----------|--|---|----------------------|--|----------------------------------|
| 1        | UNODC should enhance its databases on service contractors and design appropriate data analysis reports to assist senior management in monitoring and overseeing the use of service contractors.                                  | Important   | O                    | Receipt of action taken by UNODC to improve the databases on service contractors and assist senior management in monitoring and oversight.   | 31 January 2022                  |
| 2        | UNODC should formalize the assessment and mitigation of risks relating to the management and use of service contractors.   | Important   | O                    | Receipt of evidence that risks relating to the management and use of service contractors have been assessed, with appropriate mitigation plans.  | 31 March 2022                    |
| 3        | UNODC should, in consultation with the Department of Operational Support at United Nations Headquarters, develop an internal policy and operational framework on service contractors to supplement the UNDP policy.              | Important   | O                    | Receipt of evidence that an internal policy and operational framework on service contractors has been developed to supplement the UNDP policy.   | 31 December 2022                 |
| 4        | UNODC should establish oversight mechanisms to ensure: (a) reporting and review of exceptions to competitive recruitment of service contractors; and (b) review of long-serving service contractors.                             | Important   | O                    | Receipt of evidence that mechanisms for effective oversight of exceptions to competitive recruitment of service contractors and use of long-serving service contractors have been established. | 31 December 2022                 |
| 5        | UNODC should issue appropriate guidance on the use of the Field Office Human Resources Management system to ensure that records are complete.  | Important   | O                    | Receipt of the guidance issued on the use of FOHRM.  | 31 December 2021                 |
| 6        | UNODC should strengthen internal controls over payroll in its country office in Colombia to include a staff back-up plan, effective oversight of the delegated function, issuance of pay slips, and use of appropriate software. | Important   | O                    | Receipt of evidence that internal controls over payroll in the UNODC country office in Colombia have been strengthened.  | 30 September 2022                |

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>3</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

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

## STATUS OF AUDIT RECOMMENDATIONS

**Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime**

|   |  |           |   |  |                  |
|---|--|-----------|---|--|------------------|
| 7 | UNODC should improve the process for approving fund commitments for service contractors' positions by developing a standard template, removing redundant requirements, and establishing review mechanisms to ensure that all the required documents are submitted prior to approval. | Important | O | Receipt of evidence that the process for approving fund commitments for service contractors' positions has been strengthened, and mechanisms have been established to ensure that all the required documents are submitted prior to approval of commitments. | 31 December 2021 |
| 8 | UNODC should strengthen the management of the e-IOV application by developing guidance on the use of the "payroll editor" validation function, as well as mechanisms to ensure that access rights for non-active users are promptly removed.   | Important | O | Receipt of the guidance document on the use of the "payroll editor" validation function and details of the mechanisms established to ensure that access rights of non-active users are promptly removed.   | 31 March 2022    |

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime

| Rec. no. | Recommendation  | Critical <sup>1</sup> /<br>Important <sup>2</sup> | Accepted?<br>(Yes/No) | Title of<br>responsible<br>individual     | Implementation<br>date | Client comments   |
|----------|---|---|-----------------------|---|------------------------|---|
| 1        | UNODC should enhance its databases on service contractors and design appropriate data analysis reports to assist senior management in monitoring and overseeing the use of service contractors. | Important   | Yes                   | Chief, Human Resources Management Service | January 2022           | <p>UNODC accepts the recommendation.</p> <p>The Human Resources Management Service (HRMS) will explore with the Information Technology Service (ITS) the best data source, either to obtain data from UNDP's ERP system (+ COCOL from FOHRM) or to enhance the Field Office Human Resources Management system (FOHRM). HRMS already obtained the data for all UNDP-administered personnel from UNDP and a review/analysis of the different sources of information is being carried out.</p> <p>HRMS will provide annual or bi-annual reports to Management. The contents of these reports will be discussed with the Division for Operations (DO). ITS will help with the design of the report.</p> |

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

## Management Response

## Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime

| Rec. no. | Recommendation  | Critical <sup>1</sup> / Important <sup>2</sup> | Accepted? (Yes/No) | Title of responsible individual           | Implementation date | Client comments   |
|----------|---|--|--------------------|---|---------------------|---|
| 2        | UNODC should formalize the assessment and mitigation of risks relating to the management and use of service contractors.  | Important                                      | Yes                | Director, Division for Operations         | March 2022          | UNODC accepts the recommendation.<br><br>The Division for Operations, in coordination with the Division for Management will conduct a risk assessment of the use of service contractors within the framework of the ongoing risk management and treatment plans at both divisional and field office levels.   |
| 3        | UNODC should, in consultation with the Department of Operational Support at United Nations Headquarters, develop an internal policy and operational framework on service contractors to supplement the UNDP policy. | Important                                      | Yes                | Director, Division for Operations         | December 2022       | UNODC accepts the recommendation.<br><br>The Division for Operations, in coordination with the Division for Management, will review and develop an internal policy on the use of service contractors, NPSA and other contract modalities which will require financial, legal and further considerations as well as consultation with the Department of Operational Support. |
| 4        | UNODC should establish oversight mechanisms to ensure: (a) reporting and review of exceptions to competitive recruitment of service contractors; and (b) review of long serving service contractors.                | Important                                      | Yes                | Chief, Human Resources Management Service | December 2022       | UNODC accepts the recommendation.<br><br>Point (a) will be addressed through the development of a monitoring framework based on UNDP's NPSA guidelines which will be completed for each Fund Commitment. In   |



Management Response

Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime

| Rec. no. | Recommendation | Critical <sup>1</sup> /<br>Important <sup>2</sup> | Accepted?<br>(Yes/No) | Title of<br>responsible<br>individual | Implementation<br>date | Client comments   |
|----------|----------------|---|-----------------------|---------------------------------------|------------------------|---|
|          |                |   |                       |                                       |                        | <p>addition, exception monitoring framework will be developed according to the delegation of authority framework through various mechanisms to be determined in cooperation with DO.</p> <p>Point (b) will be reviewed in the context of UNDP’s policy on NPSA:</p> <p>“An NPSA may be issued for any period from one day and up to a maximum of twelve months at a time and may be renewed for up to four years, subject to the confirmation of available funding. The duration of the NPSA shall not, however, exceed the maximum duration of the project. The maximum period for the use of an NPSA is normally for the duration of the project and/or its expected funding period. Should an NPSA be required beyond four years under similar terms of reference and within the same project, a review of the function must be conducted and documented by the local HR focal point of the hiring business unit to reconfirm that the conditions of use of NPSA have not changed which would then reset the period for another four years. This cycle may be repeated as many times</p> |

## Management Response

## Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime

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|----------|--|--|--------------------|--|---------------------|---|
|          |  |  |                    |  |                     | as may be needed, provided the functions performed continue to be under the conditions of when a PSA may be used.”<br><br>UNODC will develop a mechanism to produce the information on long-serving NPSA contract holders and an analysis, including length of service, will be provided to senior management (please also refer to comments on recommendation 1).                |
| 5        | UNODC should issue appropriate guidance on the use of the Field Office Human Resources Management system to ensure that records are complete.  | Important                                      | Yes                | Chief, Human Resources Management Service  | December 2021       | UNODC accepts the recommendation.<br><br>UNODC will issue guidelines on the use of FOHRM and monitor its accuracy/completion through the field HR focal persons.  |
| 6        | UNODC should strengthen internal controls over payroll in its country office in Colombia to include a staff back-up plan, effective oversight of the delegated function, issuance of pay slips, and use of appropriate software. | Important                                      | Yes                | Representative, UNODC Country Office in Colombia in coordination with the Chief, Accounts Section, Financial Resources Management Service (FRMS) | September 2022      | UNODC accepts the recommendation.<br><br>In view of the implementation of the new contract modality by UNDP, UNODC will liaise and coordinate the transition and implementation of the new contract modality. In addition, the existing procedure for Service Contracts in COCOL will be reviewed in conjunction with FRMS to assess and determine internal control improvements. |

## Management Response

## Audit of the use and management of service contractors at the United Nations Office on Drugs and Crime

| Rec. no. | Recommendation   | Critical <sup>1</sup> /<br>Important <sup>2</sup> | Accepted?<br>(Yes/No) | Title of<br>responsible<br>individual     | Implementation<br>date | Client comments   |
|----------|--|---|-----------------------|---|------------------------|---|
| 7        | UNODC should improve the process for approving fund commitments for service contractors' positions by developing a standard template, removing redundant requirements, and establishing review mechanisms to ensure that all the required documents are submitted prior to approval. | Important   | Yes                   | Chief, Human Resources Management Service | December 2021          | UNODC accepts the recommendation.<br><br>Improvements will be introduced to the review mechanisms to strengthen monitoring. FC guidelines will be updated in accordance with OIOS recommendations.  |
| 8        | UNODC should strengthen the management of the e-IOV application by developing guidance on the use of the "payroll editor" validation function, as well as mechanisms to ensure that access rights for non-active users are promptly removed.   | Important   | Yes                   | Chief, Accounts Section, FRMS             | March 2022             | UNODC accepts the recommendation.<br><br>A guidance document on the use of the payroll editor validation function will be provided as part of the e-IOV portal guidance. Subject to review of DO a removal mechanism for non-active users will be included as part of the quarterly review of field office user access. |