



INTERNAL AUDIT DIVISION

REPORT 2023/002

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

Governance and management of costing and cost recovery need to be strengthened, and core services need to be defined and prioritized

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Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of information and communications technology (ICT) support costs and cost recovery in the United Nations Secretariat. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of processes related to ICT support costs and cost recovery in the Secretariat. The audit covered the period from 1 January 2019 to 30 June 2022 and included a review of risks areas relating to: (a) governance of ICT support costs and cost recovery; (b) costing and cost recovery; and (c) costing and recovery of outsourced services.

The audit showed that governance and management of costing and cost recovery need to be strengthened, and core services need to be defined and prioritized.

OIOS made 12 recommendations, including two identified as critical. To address the issues identified in the audit, inter alia:

The Department of Management Strategy, Policy and Compliance (DMSPC) needed to assess the existing structure for the ICT pillar within the Secretariat and explore an appropriate solution to minimize costs and optimize the delivery of ICT services (**critical**);

The Department of Operational Support (DOS) needed to review and improve the current approach of reporting the cost recovery revenues of the Service for Geospatial, Information and Telecommunications Technologies (SGITT) within the United Nations Logistics Base in Brindisi and Valencia (UNLB) of DOS; and

The Office of Information and Communications Technology (OICT) needed to:

- Clarify the role of its Operations Support Division for solution development, including for Unite Aware applications, and review the existing arrangements for project management to make them more coherent and effective;
- Define core/enabling ICT services and establish a standard methodology for calculating the cost of ownership and service rates for such services; establish an appropriate modality for sustainable funding of critical core/enabling ICT services to assure their continuity and resilience; and consider presenting the new model for funding sources and applicable rate cards to the ICT Steering Committee (**critical**);
- Revise the cloud costing methodology by accurately calculating the overhead costs, and determine a standard approved rate for the Office-365 application across the Secretariat;
- Clearly document a unique set of service descriptions for services provided to all Secretariat entities in its rate card; review and align the peacekeeping ICT service charges to its rate card; update the peacekeeping budget guidelines with clear breakdown of the rates; and update the rates for backup, storage, and server hosting to align them with the cost of these services;
- Align service costs to the appropriate funding sources in line with approved mandates and implement mechanisms to prevent cross-subsidizing; and ensure that costs unrelated to the provision of ICT services are excluded from the calculation of rates for those services;
- Establish mechanisms to improve the efficiency of managing client service portfolios and billing across the Secretariat to ensure accurate and timely cost recovery;

- Develop and implement measures to improve the record-keeping related to ICT cost recovery activities, including service catalogues, total cost of ownership files, rate cards, invoices and number of users;
- Establish a mechanism to verify and validate the calculated cost of ICT services and the related rates to assure their accuracy and minimize discrepancies;
- Reconcile and recover the payments made to Agency A for undelivered services within the scope of Financial Agreement 03 during 2020, 2021 and 2022; and
- Establish a service review panel to review and update the agreements of OICT and UNLB-SGITT with the concerned United Nations agencies to optimize the delivery and cost of ICT services.

DMSPC, DOS and OICT accepted 11 recommendations. Actions required to close these recommendations are indicated in Annex I. However, OICT did not accept one recommendation relating to reconciliation and recovery of payments made to Agency A for undelivered services during 2020, 2021 and 2022. OIOS reiterates this recommendation and maintains that OICT should take action to ensure accountability for the Organization's funds by obtaining a credit note for the overpaid charges from Agency A, or assigning responsibility for the wasteful expenditure incurred by the Secretariat on undelivered services. This unaccepted recommendation may be reported to the General Assembly in the next OIOS annual report indicating Management's acceptance of the residual risks.

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Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of information and communications technology (ICT) support costs and cost recovery in the United Nations Secretariat.

2. The Secretary-General's bulletin ST/SGB/2016/11 on the Organization of the Office of Information and Communications Technology (OICT) states that OICT is the central authority for matters pertaining to ICT, and that it provides leadership for the establishment and implementation of Organization-wide ICT standards and activities in support of programmes and mandates, modernization of information systems, and improvement in the ICT services available to the Organization. Further, OICT is responsible for issues relating to all ICT-related activities, resource management, standards, security, architecture, policies, and guidance within the Secretariat.

3. Following the decisions by the General Assembly in its resolution 72/266 B on the Secretary-General's proposals on management reform (A/72/492/Add.2), a unified OICT was established in January 2019 by consolidating the former OICT of the Department of Management, and the Information and Communications Technology Division (ICTD) of the Department of Field Support (DFS). The consolidated OICT is led by the Assistant Secretary-General/Chief Information Technology Officer (CITO), who has a dual reporting line to the Under-Secretaries-General (USGs) for the departments of Management Strategy, Policy and Compliance (DMSPC) and Operational Support (DOS).

4. According to its proposed programme budget for 2023 (A/77/6 Sect 29C and A/77/6 Sect 33), OICT's expenditure for 2021 was approximately \$174 million including regular budget, peacekeeping support account, extrabudgetary resources and cost recovery, as shown in Table 1.

Table 1: OICT expenditures for 2021 (in United States dollars)

Source of funding	Expenditure (\$)
Regular budget (Section 29C)	52,952,100
Regular Budget (Section 33)	4,544,300
Other assessed (Support account for peacekeeping) + Umoja maintenance and support	35,560,400 ¹
Extrabudgetary (including total cost recovery)	81,210,600
Total	174,267,400

5. The Service for Geospatial, Information and Telecommunications Technologies (SGITT) within the United Nations Logistics Base in Brindisi and Valencia (UNLB) of DOS (hereafter referred to as "UNLB-SGITT") has a central role in providing support and delivery of ICT services and solutions to field operations and the broader Secretariat. UNLB-SGITT provides centralized connectivity, hosting and monitoring services for enterprise systems such as Umoja, field-specific applications, geospatial information systems, and cybersecurity to support field operations and other offices. However, UNLB-

¹ A/77/6 Sect 29C, Table 29C.16 presented the amount of \$35,560,400. DMSPC stated that expenditure in 2020/21 and 2021/22 was \$38,080,000 and \$34,026,100, respectively.

SGITT has no direct reporting line to OICT. Table 2 shows UNLB-SGITT’s expenditure for 2020/21 and budget for 2021/22.

Table 2: UNLB-SGITT’s expenditure for 2020/21 and budget for 2021/22 (in United States dollars)

Source of funding	2020/21 Expenditure	2021/22 Budget
Peacekeeping	12,227,300	18,863,800
Cost-recoveries	12,500,000	10,565,600 ²
Total	24,727,300	29,429,400

6. Several Secretariat entities provided ICT services on cost recovery basis. However, OICT and UNLB-SGITT were the largest ICT service providers in the Secretariat; the services provided by them were funded from three main sources: (a) assessed budgets approved by the General Assembly; (b) voluntary contributions which support or supplement the substantive work programmes; and (c) cost recovery from entities that received their ICT services. In December 2021, the Secretariat issued an updated policy on cost recovery which outlined the procedures governing cost recovery for goods and services provided to internal and external entities, in accordance with the United Nations Financial Regulations and Rules. Table 3 shows the total projected cost recoveries for ICT services provided to Secretariat entities by OICT and UNLB-SGITT.

Table 3: Cost recoveries for ICT services provided by OICT and UNLB-SGITT (in United States dollars)

Source of cost recoveries	OICT	SGITT
	1 January to 31 December 2021	1 July 2020 to 30 June 2021
Peacekeeping and non-peacekeeping missions (20PCR)	42,705,268	12,301,300
Other (10RCR)	30,755,000	-
Total projected cost recoveries	73,460,268	12,301,300

7. Comments provided by DMSPC, DOS and OICT are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of processes related to ICT support costs and cost recovery in the Secretariat.

9. This audit was included in the 2022 risk-based work plan of OIOS due to the risk that potential weaknesses in management of ICT support costs and cost recovery could have an adverse impact on the Secretariat’s operations.

10. OIOS conducted this audit from March to June 2022. The audit covered the period from 1 January 2019 to 30 June 2022. Based on an activity-level risk assessment, the audit covered a review of risks areas relating to: (a) governance of ICT support costs and cost recovery; (b) costing and cost recovery; and (c) costing and recovery of outsourced services.

² Includes non-ICT services of \$306,000.

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

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

III. AUDIT RESULTS

A. Governance mechanisms

Fragmented structure for ICT was contrary to the envisaged service delivery model

13. The Secretary-General's report on management reform (A/72/492/Add.2) called for the creation of a unified ICT service within the Secretariat through consolidation of ICTD with OICT. The report indicated that a coherent service delivery model is proposed for the single ICT pillar, given that ICT is a cross-cutting function underpinning the Organization's core mandates and activities. A single entity was proposed to cover the Organization's operations and business processes from end to end, with a holistic approach to the delivery of ICT services to meet client needs. OIOS noted the following:

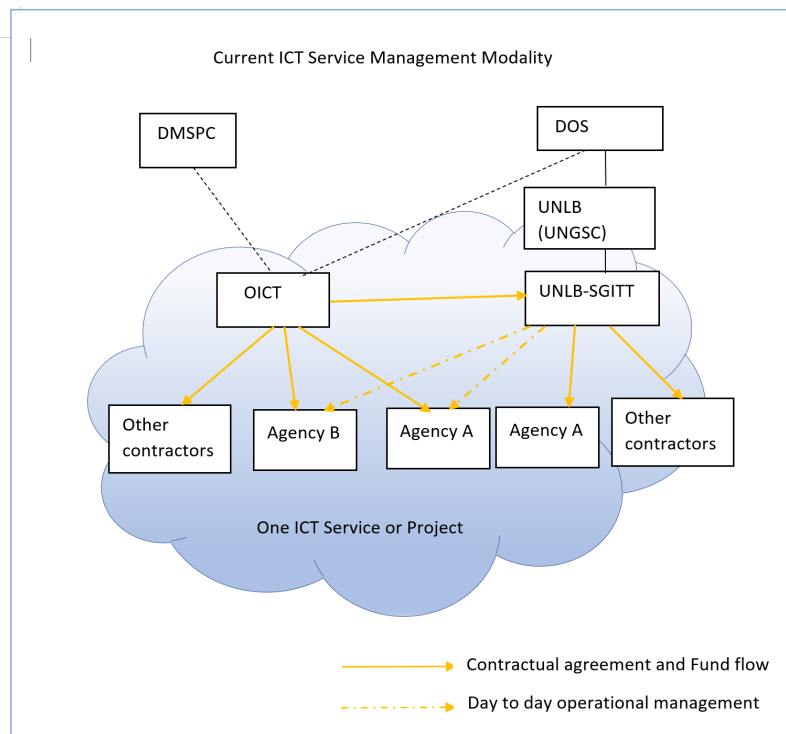
(a) The consolidation of OICT and ICTD did not include UNLB-SGITT which is part of DOS, even though it provided critical ICT services to the Secretariat at large. This resulted in: (i) a fragmented structure with lack of clarity regarding the responsibilities of OICT and UNLB-SGITT for ICT support across the Secretariat; (ii) increased costs to service receivers due to duplication of service delivery (i.e., development of similar infrastructure, licences, human resources and Geographic Information Systems capacity); and (iii) gaps in financial management. This issue had been raised in the report of the Advisory Committee on Administrative and Budgetary Questions (A/75/822/Add.10); the Committee expressed concern on the lack of clarity on UNLB's role after the management reform, noting that the reform of the management pillar approved by General Assembly resolution 72/266 had led to significant changes in the work of the Secretariat, including a shift in the roles and responsibilities of DOS and, by extension, of UNLB as DOS' operational arm. Specifically, the Committee noted that, with the expansion of the role of DOS to deliver operational support across the global Secretariat, the roles and potential of UNLB are likewise being expanded with insufficient clarity as to the definition of clients working on projects for DOS and their relationship to the support of peace operations, thereby introducing a certain lack of clarity in the determination of clients for cost-recovery purposes.

(b) One of the responsibilities of the Secretariat's ICT Steering Committee is to address the risk of duplication of the Organization's investments in ICT. However, since most of the projects initiated by OICT and UNLB-SGITT started as independent, small-sized pilot projects or proofs of concept (with a budget of less than \$1 million) and later evolved into large projects, they escaped the oversight of the ICT Steering Committee. Since the Committee did not have visibility of these projects, it was not in a position to address their impact on the costs of ICT services.

(c) The functions of the 'Client Solutions Delivery Section' and the 'Technology Development, Design and Planning Section' of UNLB-SGITT overlapped with some of the functions of the Enterprise Solutions Service of OICT. This overlap created cascading layers of administrative cost on outsourced ICT services, thereby increasing the cost of ICT services to the user community. For instance, as shown in Figure 1, OICT directly contracts UNLB-SGITT and two United Nations agencies (Agency A and Agency B) besides other service providers to augment its capacity to be able to provide these services. UNLB-SGITT, being one of the service providers of OICT, also contracts Agency A and other contractors to augment its own

capacity, adding another layer of administration and overhead charges on the cost of ICT services. As a result of multiple layers of service administration, in 2021, UNLB-SGITT charged OICT an overhead cost of approximately \$595,000. Similarly, Agency A and Agency B add overhead cost or service management fees (7.7 per cent for Agency A and varying percentages for Agency B).

Figure 1: Multiple layers for outsourcing of ICT services



Use of human resources was not optimal

14. Human resources are critical to optimal service delivery and represents a large part of the total cost of ownership and the resources should be used according to their approved purposes.

15. Despite the consolidation of ICTD with OICT, teams within the Office were not harmonized, which resulted in silos and increased the cost of services. Additionally, there were instances of misalignment between the approved organization chart (in document A/76/6/Sec.29C) and the actual deployment and use of human resources within OICT. OIOS noted the following:

(a) OICT’s Operations Support Division (OSD), in collaboration with UNLB-SGITT, continued to engage in the development of the Unite Aware system hiring third-party resources. Unite Aware uses the same platform (ArcGIS) that the Enterprise Solutions Service (ESS) of OICT has been using on system-wide applications developed by ESS. This created a situation whereby existing infrastructure and know-how in ESS was not used, and software development capacity was established both in UNLB-SGITT and OSD, thereby increasing the ICT support costs.

(b) According to the consolidated data received from OICT on 15 June 2022 (i.e., section wise distribution of OICT staff and consultants as of 15 June 2022), the cost of the programme management function of OSD was more than \$10 million, with 27 Agency A personnel and 13 United Nations staff. Additionally, the programme management (PMO) function (1 P-5) was moved from the CITO’s office to

OSD. OSD already had its own PMO, and the two PMOs worked within OSD under the name ‘Enterprise Programme Management Section’.

(c) Further, OICT’s actual organizational structure was different to what was approved by the General Assembly. In 2019, OICT informally created a Central Services and Cost Recovery Section headed by a temporary P-5 staff with a direct reporting line to CITO to lead the finance, budget and cost recovery functions with 18 staff.

16. In another instance, as part of the implementation of the ICT strategy, the ICT function within the Department of Safety and Security (DSS) merged into OICT in 2016. It was envisaged that the former DSS ICT team will be dedicated to the ICT support needs of DSS within OICT. However, in 2020, DSS, without consulting OICT, signed a Service Level Agreement (SLA) directly with UNLB-SGITT to develop a geospatial software application to support decision-making across Headquarters and field missions. Even though there were dedicated DSS resources within OICT including staff, know-how, existing licenses and infrastructure for developing the application, these resources were not used. Furthermore, the system developed by UNLB-SGITT lacked the required interfaces with existing DSS applications and therefore entailed additional costs to DSS.

(1) DMSPC, in coordination with DOS, should assess the existing structure for the ICT pillar within the Secretariat and explore an appropriate solution to minimize costs and optimize the delivery of ICT services.

DMSPC and DOS accepted recommendation 1 and stated that the audit only looked at OICT and GSC and not all parts of the Secretariat’s ICT structure, and any assessment should preferably look at ICT globally. OIOS notes that the scope within which the audit was conducted has identified the fragmented structure for the ICT pillar as explained above. If DMSPC and DOS have identified any additional fragmentation of ICT globally in the Secretariat, those aspects should also be addressed. Recommendation 1 remains open pending receipt of evidence that the fragmented structure has been assessed, and an appropriate solution has been identified to minimize costs and optimize the delivery of ICT services.

(2) OICT should: (a) clarify the role of its Operations Support Division for solution development, including for Unite Aware applications; and (b) review the existing arrangements for project management within the Office to make them more coherent and effective.

OICT accepted recommendation 2 and stated that Unite Aware was established by the former USGs of DFS and the Department of Peacekeeping Operations in February 2017 as a non-enterprise field specific technology solution. As developing technology platforms requires the integration of diverse and cross-cutting technology solutions, it will continue to assess the best arrangement to avoid duplication of capacities within OICT, following the reforms, in the context of its review of the ICT operating model as indicated in the proposed ICT strategy. Further, it is conducting a full review of project management across OICT. Based on the outcome of the review, it will implement a revised approach and best practices.

Need to define and prioritize ICT core/enabling costs

17. ICT systems and services that are critical or serve as the backbone of the ICT landscape are described as core/enabling services that enable the Organization to deliver its mandates (e.g., e-mail, the enterprise resource planning system, network, servers and databases). On the other hand, ICT support/enhancement services are usually programme-specific and requested by internal or external service users

to enhance user capacity to deliver their programmes. Per best practices, the core/enabling services of an organization should be prioritized; they should not be jeopardized by funding challenges. This requires: (a) identification of core/enabling services versus support/enhancement services; (b) correct calculation of their total cost of ownership to the Organization; and (c) creating stable funding sources for the continuity and resilience of core/enabling services.

18. The Secretariat did not have any specific definition of core/enabling ICT services, as distinct from ICT support/enhancement costs. Neither OICT nor UNLB-SGITT provided any clarity on what they defined as core/enabling services, and their total cost of ownership for the Organization. Further, both core and non-core services were funded through the regular budget, the support account (QSA), extra-budgetary (XB) resources, and cost recovery.

19. Most of the critical ICT services in the Secretariat were partially funded through assessed resources and partially from cost recovery. To facilitate cost recovery, both OICT and UNLB-SGITT had developed rate cards for charging service users to cover the unfunded portion of the cost of services provided by them. For example, while the Inspira talent management system is a core service, the total funding it received was only \$2.6 million (53 per cent) out of the total cost of ownership of \$4.9 million, with the remaining \$2.3 million funded through cost recovery. Similarly, out of the total cost of ownership of \$13.7 million for the Office-365 E3 application, \$13.2 million (96 per cent) was funded through cost recovery. Excessive reliance on cost recovery may adversely impact the continuity and quality of core services and pose a significant risk to the Secretariat due to the unpredictability of the cost recovery model, as noted during a high impact power outage in early 2022. Long recovery time after such incidents could be avoided if critical core services were identified and adequately invested in to assure their resilience and continuity.

20. Additionally, there was no common, agreed method to calculate the total cost of a service across the Organization. Each service provider used a different methodology to calculate the total cost of its ICT services, without adequate oversight of the ICT Steering Committee. Even though OICT and UNLB-SGITT provided similar services, they used differing methodologies to calculate the total cost of ownership and charged Secretariat users differently for similar services (see Table 4 for some examples). OICT needs to work with the Office of Programme Planning, Finance and Budget (OPPFB) to identify core/enabling services and assure their funding, with appropriate oversight of the ICT Steering Committee. *OICT stated that the delay in updating its rate card led to different charges.*

Table 4: Comparison of service rates among Secretariat entities (annual rate in United States dollars)

Service	OICT	UNLB	UNOG	UNOV	UNON
Storage (1 GB)	13	1.56	2.76	4	3
Backup (1 GB)	7.5	1.08	4.56	3	0
Physical server (1 server)	5,850	-	5,503	1,085	-
Virtual Server (1 server)	1,650	1,216	1,082	1,058	1,416

Source: Rate cards and sample of invoices

(3) OICT, in consultation with OPFBB, should: (a) define core/enabling ICT services and establish a standard methodology for calculating the cost of ownership and service rates for such services; (b) establish an appropriate modality for sustainable funding of critical core/enabling ICT services to assure their continuity and resilience; and (c) consider presenting the new model for funding sources and applicable rate cards to the ICT Steering Committee.

OICT accepted recommendation 3 and stated that core services are defined in the “Rate Card Summary” file in the 2022 OICT rate card, along with New York Core local services. OICT acknowledges further delineation of core/enabling versus support/enhancement services and that it will work with its internal sub-programmes to enhance the summary and will continue to work on providing the rationale and details of costs of ICT services and products for the establishment of rate cards for approval by the Controller and ensure sustainable funding. Further, the applicable rate cards for core and enabling services are approved by the Controller and may be submitted to the ICT Steering Committee for its views but will be guided by the principles established for cost recovery and other financial considerations.

Need to ensure accurate reporting of cost recoveries

21. In its report A/75/822/Add.10, ACABQ reiterated its view that the General Assembly should be provided with comprehensive and more transparent information on the services provided to various entities by UNLB-SGITT, the resources required to provide those services, the various financing/cost-recovery arrangements, as well as the recording of related income and expenditures. OIOS noted that there was misalignment in the cost recovery amounts reported in the budgets and budget performance reports to the General Assembly, and the amounts documented in the cost plans. For instance, UNLB-SGITT reported a total cost recovery of \$9.7 million in its 2020/21 budget document, whereas an amount of \$12.4 million had been actually recovered from peacekeeping missions (the unreported amount of \$2.7 million pertained to leased lines, tetra and secure communications services provided to missions). A similar condition was observed in the figures reported in the budgets for 2021-22 and 2022-23. UNLB-SGITT included cost recovery funds of \$10.6 million in its 2021/22 budget document, whereas actual recoveries from missions amounted to \$25.8 million. The difference of \$15.2 million included \$11.6 million relating to leased lines, tetra and transponder services which should be reflected in the 2021/2022 budget performance report which is in progress.

22. UNLB explained that these cost recoveries were excluded because the funds collected were deemed to be cost allocations rather than cost recoveries. In OIOS’ opinion, cost allocations are also a form of cost recovery and, regardless of the technical method of cost recovery, all recovered funds must be accurately reported to the General Assembly.

(4) DOS, in collaboration with OPPFB, should review and improve the current approach of reporting the cost recovery revenues of UNLB-SGITT.

DOS accepted recommendation 4 and stated that it will review the current approach and determine the appropriate improved reporting of this activity, if warranted.

B. Cost recovery activities

Need to optimize the ICT costing methodology

23. Costing methodologies should be well defined to ensure that cost recovery activities are efficient, economical and effective. OIOS noted that the existing costing methodology did not provide an optimal basis for accurate calculation of the cost of services, as explained below.

24. According to the Cost Recovery Policy, service rates should be transparent to clients, and not more than required to recover actual costs. Rates should be reviewed on a periodic basis (at least once a year) by service providers to ensure their validity. In general, OIOS noted the lack of standardized costing methodologies. For example:

(a) OICT had presented its annual rate card to the Controller for approval of individual service rates. However, the Controller's office was of the view that OICT's justification for the proposed rates was not adequate and lacked transparency on the cost of ownership of the services. Therefore, the Controller did not approve the proposed rates and instead approved a bulk amount for the Personal Computing Package which was composed of multiple services. This resulted in unclear individual service rates including for Office-365. *OICT stated that the Office-365 cost has always been calculated together with UNLB as there is only one TCO.*

(b) The methodology used to calculate overhead charges for cloud services was not optimal. In providing cloud hosting and storage services to Secretariat and non-Secretariat entities, UNLB-SGITT incurred overhead costs (subscription administration, hub consumption, hub administration, and service management). Overhead costs were apportioned as fixed ratios of estimated consumption/usage rather than actual cost of the overhead. This methodology lacked fairness and transparency as these overhead costs charged to service users should not be dependent on consumed service amounts. For instance, the cost of preparation of an invoice for a client is always the same regardless of the total invoice amount. Similarly, monitoring a high-capacity server or a basic server would cost the same to the service provider regardless of the size of the consumed resources. Therefore, to achieve a fair costing methodology, UNLB-SGITT should calculate the total cost of ownership of its own overhead activities to support cloud customers and reflect this actual cost in the clients' invoices.

(c) Additionally, UNLB-SGITT added 7.5 per cent overhead to its service rates for various Microsoft licences or licences from other vendors which were actually managed by OICT. This resulted in additional overhead costs to service consumers.

(d) The UNLB-SGITT rate calculation methodology included some resources already funded through non-cost recovery funds (i.e., funds provided by the General Assembly to UNLB to deliver its mandate – the 20BLA fund) or resources shared with OICT (i.e., UNLB-SGITT utilizing OICT's Agency B team to deliver services for its clients).

(5) OICT, in coordination with DOS, should: (a) revise the cloud costing methodology by accurately calculating the overhead costs; and (b) determine a standard approved rate for the Office-365 application across the Secretariat.

OICT accepted recommendation 5 and stated that it should be noted that in August 2022, a revision and optimization of the cloud costing methodology resulted in considerable cloud rate reductions, particularly related to overhead costs. The new rates were approved by the Controller and a copy of the rate card has been provided to OIOS. OICT is also actively collaborating with DOS on a standard approved rate for the Office-365 application across the Secretariat.

Need to review charging practices and address the cross-subsidization of funds

25. Best practices require that the services provided should be documented and clearly defined, breakdown of service charges should be transparent, and they should be updated regularly to avoid any over- or under-recovery of costs. All service recipients must be charged only once for any service. The impact of the lack of an integrated approach to service charges, and the absence of timely review and updating of service charges by OICT and UNLB-SGITT, are explained in the following examples which resulted in over-recovery and cross-subsidization:

(a) In the past 10 years, the Organization's ICT landscape has gone through significant changes with the implementation of Umoja, decommissioning of legacy systems, and transition to cloud services. These

changes have necessitated review and updating of service definitions and rates. However, OICT continued to maintain the old service rates and added new rates only for enterprise systems or cloud services, without deleting the rates for legacy systems that are no longer in use, which resulted in duplicate charges and payment for obsolete services.

(b) In its annual budget guidelines to peacekeeping missions, OICT established separate peacekeeping rates to determine the bulk amounts to be cost recovered from missions for various groups of services, rather than clear individual service rates linked to the OICT rate card. The descriptions of these services in the budget guidelines were obsolete (as old as 10 years), vague, and did not align with current service provisions. OICT was unable to provide a detailed breakdown for the per-person bulk rates indicated in the peacekeeping budget guidelines. Consequently, several missions were overcharged for services provided by OICT.

(c) OIOS noted inaccurate service rate calculation of \$10.4 million for the Wide Area Network (WAN) service caused by unnecessary inclusion of transponder costs. OICT's rate card defined the global WAN service as WAN MPLS links/connections managed by Global Service Centre team and used to connect Offices away from Headquarters, enterprise data centres, and regional commissions. It included OSD's centrally managed satellite transponder charges and leased lines charges. The total cost of ownership (TCO) file of the WAN service included transponder charges (\$10.4 million), even though the transponder costs were already recovered from the missions' budgets through cost allocation as a separate service. OICT updated the TCO file after OIOS raised the concern of potential double charging. OICT stated that as per the budget guidelines for field missions, the cost of \$240 per person was included to cover Agency B's support for management of the WAN, and the amount was not related to the transponder cost. However, OIOS' review showed that the amount collected from field missions (\$240 per user for 24,322 users, in the amount of \$5.8 million) was more than the annual cost of Agency B's services (\$2,077,380) for management of the WAN. OICT did not provide supporting evidence demonstrating the composition of the \$240 per person collected from field missions for WAN services.

(d) OICT provided physical servers, virtual servers, backup and storage to clients at Headquarters, but it continued to use the old rates which were multiples of the actual cost, instead of proposing new rates to the Controller for approval. Consequently, there was over-recovery for backup, storage and hosting charges for Headquarters clients. For example, while OICT's cost of 1-gigabyte of storage and backup was \$0.81, it charged \$17.5 per gigabyte. Similar conditions were observed for physical and virtual server hosting.

(e) Cost savings were not reflected in cost recoveries made from Headquarters entities. For instance, WAN lines (i.e., SITA lines) were used to connect Headquarters, UNLB-SGITT, Offices Away from Headquarters (OAH) and regional commissions to the United Nations global network for accessing Umoja and to provide high-definition video conferences to the United Nations senior management. The annual cost of WAN lines was estimated to be \$4.5 million for 2021. Due to the decreased need for the use of this service following the outbreak of the COVID-19 pandemic, some of the lines were cancelled in June 2021, resulting in a cost savings of \$1 million for funds recovered from Headquarters clients (10RCR) from July to December 2021. While the cancelled WAN lines were not reinstated, OICT continued to keep the original cost for these cancelled services in the TCO file which may have been reflected as a reduction in future rates of OICT's network related services. Similarly, the cost of Service Delivery Agreements (SDAs) with Agency B was fully included in the TCO calculations. However, credits of nearly \$2.5 million given by Agency B annually were not deducted from the total costs and were not reflected in the service rates.

(f) OICT sometimes utilized surplus funds collected from peacekeeping missions and other Secretariat entities to offset the cost of services provided to other users or deployed the funds for other projects. For example, OICT deployed funds to a non-mandated activity called "Digital Blue Helmet Initiative" which it

should have recovered from the entities that used the initiative. OIOS also identified suboptimal spending of surplus funds, such as expenses on the Onapsis vulnerability assessment tool, which OICT purchased in 2019 for nearly \$1 million. Further, there was cross-subsidization of services provided to clients. For instance, according to the Service Level Agreement (SLA) dated 14 March 2016 between OICT and the Office for the Coordination of Humanitarian Affairs (OCHA), a lower rate for personal computing services was agreed for New York users, whereby OCHA received a discount of \$1,000 per user as a transitional arrangement.

- (6) OICT, in collaboration with DOS, should: (a) clearly document a unique set of service descriptions for services provided to all Secretariat entities in its rate card; (b) review and align the peacekeeping ICT service charges to its rate card; (c) update the peacekeeping budget guidelines with clear breakdown of the rates; and (d) update the rates for backup, storage, and server hosting to align them with the cost of these services.**

OICT accepted recommendation 6 and stated that in collaboration with DOS, it will review and document service descriptions for services provided to all Secretariat entities, and will continue to work on providing the rationale and details of costs for the ICT services and products in the rate cards for field missions. Regarding part (d) of the recommendation, the latest local TCOs show a considerable change in cost per unit than that listed in the last approved OICT rate card from 2016-2017. OICT will continue consultations with OPPFB in the establishment of an approved updated rate card including the rates for backup, storage, and server hosting and align them with the cost of these services.

- (7) OICT, in collaboration with DOS, should: (a) align service costs to the appropriate funding sources in line with approved mandates and implement mechanisms to prevent cross-subsidizing; and (b) ensure that costs unrelated to the provision of ICT services are excluded from the calculation of rates for those services.**

OICT accepted recommendation 7.

Need to improve billing across ICT service providers

26. The Cost Recovery Policy requires that “Receivers of services must ensure the routine and timely payment for services rendered to them by service providers. To do so, service recipients are required to provide their coding block details in advance to service providers. Service recipients also need to make certain that funds are made available in the appropriate budget lines, and that redeployments are made on a timely basis to facilitate the cost recovery.”

27. OIOS’ review showed that the cost recovery process in OICT was complex, often requiring manual effort, multiple rounds of back and forth with clients, and clarification of the accuracy of invoices before clients accepted the charges for services received. This was due to absence of automation (configuration management and billing system), and inadequate coordination between the billing team and service team.

- (8) OICT should establish mechanisms to improve the efficiency of managing client service portfolios and billing across the Secretariat to ensure accurate and timely cost recovery.**

OICT accepted recommendation 8.

Cost recovery-related financial record-keeping needs to be improved

28. Service catalogues, service rates, invoices, service change records, and management decisions relating to the services are key records that require adequate record-keeping practices for effective management and for ensuring transparency. OIOS noted the following:

(a) OICT did not maintain historical information of its services and rates as service catalogues; some rates published on iSeek disappeared whenever the information was updated. OICT was unable to provide an approved rate card and breakdown of the 2022 personal computing service (\$1,565 per person) linking it to the individual service rates. As previously indicated, the rate approved by the Controller for the Personal Computing Package was a bulk amount without clear individual service rates.

(b) OICT's TCO files were stored in a shared repository and were editable by all service owners. There was no timestamped official copy of TCO files. UNLB-SGITT also did not use version control for its approved service costs.

(c) OICT did not keep adequate records for final invoices which often required multiple rounds of back and forth with the clients' Executive Offices to validate the actual rendered services. This process was manual, and the invoice data remained in the emails of staff members who were responsible for the billing process. Additionally, Excel sheets were used in most cases, and the data could be modified easily.

(d) In several cases in OICT, SLAs were not signed with clients, and records of changes to the agreed services were not kept. Manual effort was required to identify the services and service components (such as applications, servers, databases, user accounts, and amount of storage) at any point of time. Some decommissioned servers were included in invoices, and staff who had separated from the Organization were still included in the user list and invoiced for.

(e) The number of users is a key parameter to calculate the service rates. There was no standard data source to determine the number of users. The current data source was the Office-365 dashboard which doubled the Headquarters users to 15,271 in 2022, compared to 7,755 in 2020 per another data source.

29. Additionally, there was no quality assurance or validation process to ensure the accuracy of TCO calculation in OICT and UNLB-SGITT.

(9) OICT, in coordination with OPPFB and DOS, should develop and implement measures to improve the record-keeping related to ICT cost recovery activities, including service catalogues, total cost of ownership files, rate cards, invoices and number of users.

OICT accepted recommendation 9 and stated that it will engage with OPPFB and DOS to develop and implement measures to improve record keeping on ICT cost recovery.

(10) OICT, in collaboration with OPPFB and DOS, should establish a mechanism to verify and validate the calculated cost of ICT services and the related rates to assure their accuracy and minimize discrepancies.

OICT accepted recommendation 10 and stated that it will engage with OPPFB and DOS to implement it.

C. Costing and recovery of outsourced services

30. Obsolete and complex outsourcing arrangements in OICT and UNLB-SGITT added multiple layers in service delivery thereby resulting in increased costs, increased administrative overhead and double charging, as noted from the following:

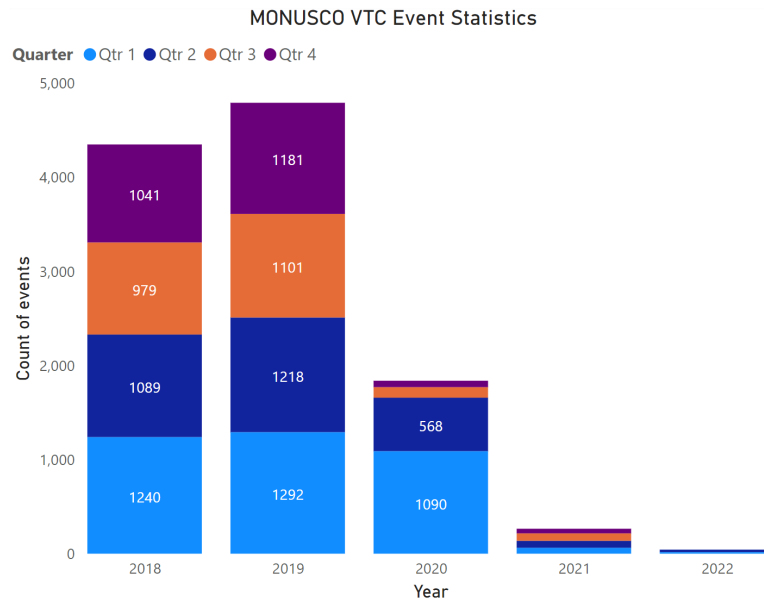
(a) Agency B provided various services to OICT under five SDAs at an annual contractual amount of \$12.4 million (2020 expenditure was \$9.3 million). All of these SDAs were signed by DFS in 2013. OICT collected 100 per cent of the required funds from peacekeeping missions to pay Agency B's invoices. Despite the various changes that have occurred since 2013, OICT did not review the SDAs for identifying obsolete services. OICT continued to pay the same amounts to Agency B as nine years ago.

(b) Operationally, OICT's SDAs with Agency B were managed by UNLB-SGITT. However, UNLB-SGITT used Agency B to deliver services to its own clients even though OICT paid for the related SDAs. For example, there were some applications belonging to the Pension Fund, the Office of Staff Legal Assistance, and other Secretariat entities which were supported by the same team of Agency B for which UNLB-SGITT recovered the costs from its own clients, even though OICT paid the cost of using Agency B. OICT did not raise questions even though the monthly service reports showed that the serviced entities were not peacekeeping missions. UNLB-SGITT explained that the recovered funds from non-peacekeeping clients were used to augment Agency B's capacity with contractual resources to cover areas previously not covered by it.

(c) OIOS' review of some of the financial agreements with Agency A signed by OICT showed that the agreements were not clear in scope, and the services were provided to both OICT and UNLB-SGITT. For example, Financial Agreement FA-01 covered the provision of project support services to OICT and UNLB-SGITT. Similarly, another Financial Agreement (FA-07) covered both OICT and UNLB-SGITT clients with a funding breakdown of 63 per cent and 37 per cent, respectively. However, there was no control to prevent inclusion of the same individuals in the cost calculation of both OICT and UNLB-SGITT services. There were instances where UNLB-SGITT resources were included in the TCO files of OICT. This posed the risk that the same individuals may be double counted in rate calculations, resulting in inflated service rates or OICT's resources being used by UNLB-SGITT or vice versa.

(d) Services received were not adequately verified before payments were made. OICT-OSD used Agency A's personnel (under FA-03) to provide technical support for video conference and remote mission services. The related TCO file (OSD Broadcasting and Videoconferencing Service) indicated 10 full time Agency A personnel at an annual cost of \$960,000 for video conference services which were overseen by UNLB-SGITT in Brindisi and Valencia. However, due to the COVID-19 pandemic, the use of video conference services sharply decreased across the Secretariat because other systems were deployed for conducting meetings. OIOS' review of video conference statistics between 2019 to 2022 of a large mission as a sample (i.e., the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo – MONUSCO) showed a sharp decrease in the number of video conference events (see Figure 2). Nevertheless, OICT amended the financial agreement twice during this period to extend its duration, and OICT continued to pay the same amount to Agency A instead of making payments that are commensurate to the services rendered. It is therefore essential for OICT to review the utilization and deliverables under its financial agreements with Agency A and make appropriate recoveries for undelivered services during 2020, 2021 and 2022.

Figure 2: Sharp decline since 2020 in the number of video conferences serviced by Agency A



(11) OICT should reconcile and recover the payments made to Agency A for undelivered services within the scope of Financial Agreement 03 during 2020, 2021 and 2022.

OICT did not accept recommendation 11 stating that the current Financial Agreements and service model present weaknesses that do not provide a basis to undertake recovery. OICT will work to improve the analysis of resources under services covered by signed agreements, and methods to accommodate variable workloads, such as surge capacity, when faced with changing requirements. OIOS maintains that accountability must be ensured for the payments made to Agency A for services that were not delivered. This could be done by obtaining a credit note for the overpaid charges from Agency A, or assigning responsibility for the wasteful expenditure incurred by the Secretariat on undelivered services. Further, the acknowledged weaknesses in the current Financial Agreements and service model need to be addressed to prevent recurrence of such instances. This unaccepted recommendation may be reported to the General Assembly in the next OIOS annual report indicating Management’s acceptance of the residual risks.

(12) OICT, in collaboration with OPPFB and DOS, should establish a service review panel to review and update the agreements of OICT and UNLB-SGITT with Agency A and Agency B to optimize the delivery and cost of ICT services.

OICT accepted recommendation 12.

IV. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the Management and staff of DMSPC, DOS and OICT for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

Rec. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	DMSPC, in coordination with DOS, should assess the existing structure for the ICT pillar within the Secretariat and explore an appropriate solution to minimize costs and optimize the delivery of ICT services.	Critical	O	Receipt of evidence that the fragmented structure has been assessed, and an appropriate solution has been identified to minimize costs and optimize the delivery of ICT services.	30 June 2025
2	OICT should: (a) clarify the role of its Operations Support Division for solution development, including for Unite Aware applications; and (b) review the existing arrangements for project management within the Office to make them more coherent and effective.	Important	O	Receipt of evidence clarifying the role of OSD in solution development and a revised organizational structure enabling more coherent and effective project management within OICT.	31 March 2024
3	OICT, in consultation with OPPFB, should: (a) define core/enabling ICT services and establish a standard methodology for calculating the cost of ownership and service rates for such services; (b) establish an appropriate modality for sustainable funding of critical core/enabling ICT services to assure their continuity and resilience; and (c) consider presenting the new model for funding sources and applicable rate cards to the ICT Steering Committee.	Critical	O	Receipt of: (a) definition of core/enabling ICT services and a standard methodology for calculating the cost of ownership and service rates for these services; (b) evidence that the modality of sustainable funding for core/enabling services has been established; and (c) evidence that consideration has been given to presenting to the ICT Steering Committee the new model for funding sources and applicable rate cards.	30 June 2025
4	DOS, in collaboration with OPPFB, should review and improve the current approach of reporting the cost recovery revenues of UNLB-SGITT.	Important	O	Receipt of evidence of action taken to ensure accurate and complete reporting of cost recovery revenues by UNLB-SGITT.	30 June 2024
5	OICT, in coordination with DOS, should: (a) revise the cloud costing methodology by accurately	Important	O	Receipt of: (a) revised cloud costing methodology which addresses the fairness	31 March 2024

³ 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.

⁴ 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.

⁵ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁶ Date provided by DMSPC, DOS and OICT in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

	calculating the overhead costs; and (b) determine a standard approved rate for the Office-365 application across the Secretariat.			principle (i.e., overhead charges should be based on the actual cost of overhead rather than the proportion of consumed service amounts); and (b) standard approved rate for Office-365 for the Secretariat.	
6	OICT, in collaboration with DOS, should: (a) clearly document a unique set of service descriptions for services provided to all Secretariat entities in its rate card; (b) review and align the peacekeeping ICT service charges to its rate card; (c) update the peacekeeping budget guidelines with clear breakdown of the rates; and (d) update the rates for backup, storage, and server hosting to align them with the cost of these services.	Important	O	Receipt of: (a) unique set of service descriptions and associated rate card valid for all Secretariat entities; (b) peacekeeping budget guidelines aligned with OICT's global rate card; and (c) evidence showing new approved rates for backup, storage and server hosting, aligned with their cost of ownership.	31 March 2025
7	OICT, in collaboration with DOS, should: (a) align service costs to the appropriate funding sources in line with approved mandates and implement mechanisms to prevent cross-subsidizing; and (b) ensure that costs unrelated to the provision of ICT services are excluded from the calculation of rates for those services.	Important	O	Receipt of evidence of action taken to: prevent cross-subsidization and align service costs with funding sources; and ensure that costs unrelated to the provision of ICT services are excluded from the calculation of rates.	30 June 2025
8	OICT should establish mechanisms to improve the efficiency of managing client service portfolios and billing across the Secretariat to ensure accurate and timely cost recovery.	Important	O	Receipt of evidence of action taken to improve the efficiency in management of client service portfolios and billing to ensure accurate and timely cost recovery.	30 June 2025
9	OICT, in coordination with OPPFB and DOS, should develop and implement measures to improve the record-keeping related to ICT cost recovery activities, including service catalogs, total cost of ownership files, rate cards, invoices and number of users.	Important	O	Receipt of evidence showing improved record-keeping processes for current and historical records enabling traceability and consistency of service catalogues, TCO records, rate cards, invoices and number of users.	30 June 2025
10	OICT, in collaboration with OPPFB and DOS, should establish a mechanism to verify and validate the calculated cost of ICT services and the related rates to assure their accuracy and minimize discrepancies.	Important	O	Receipt of evidence of the verification and validation mechanisms established to assure the accuracy and alignment of service rates with the associated cost of those services.	30 June 2025

STATUS OF AUDIT RECOMMENDATIONS

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

11	OICT should reconcile and recover the payments made to Agency A for undelivered services within the scope of Financial Agreement 03 during 2020, 2021 and 2022.	Important	C	This unaccepted recommendation has been closed based on Management's acceptance of the residual risks.	Not implemented
12	OICT, in collaboration with OPPFB and DOS, should establish a service review panel to review and update the agreements of OICT and UNLB-SGITT with Agency A and Agency B to optimize the delivery and cost of ICT services.	Important	O	Receipt of results of the review and new agreements with clear service deliverables and monitoring mechanisms.	31 March 2024

APPENDIX I

Management Response

United Nations Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

TO: Mr. Gurpur Kumar, Deputy Director
 A: Internal Audit Division
 Office of Internal Oversight Services

DATE: 20 January 2023

CA Monier

THROUGH: Christophe Monier, Director
 S/C DE: Business Transformation and Accountability Division
 Department of Management Strategy, Policy and Compliance

Mario Baez

FROM: Mario Baez, Chief, Accountability Service
 DE: Business Transformation and Accountability Division
 Department of Management Strategy, Policy and Compliance

SUBJECT: **Revised draft report of an audit of information and communications technology support costs and cost recovery in the United Nations Secretariat (Assignment No. AT2021-517-03)**
 OBJET: **Revised draft report of an audit of information and communications technology support costs and cost recovery in the United Nations Secretariat (Assignment No. AT2021-517-03)**

1. With reference to your memorandum dated 29 December 2022 regarding the above-subject, please find attached Appendix I with the Administration's comments and suggested amendments on some of the recommendations.
2. Please also find below comments relating to the information in the body of the revised draft report, which were provided by the Office of Information and Communications Technology (OICT); the Department of Operational Support (DOS); and the Department of Management Strategy, Policy and Compliance (DMSPC).

Table 1

Table 1: OICT expenditures for 2021 (in United States dollars)

Source of funding	Expenditure (\$)	Comment
Regular budget (Section 29C)	52,952,100	
Regular Budget (Section 33)	4,544,300	
Other assessed (Support account for peacekeeping) + Umoja maintenance and support	35,560,400	-expenditure in 2021/22 was 34,026,100 -expenditure in 2020/21 was 38,070,000
Extrabudgetary (including total cost recovery)	81,210,600	
Total	174,267,400	

Table 2**Table 2: UNLB-SGITT's expenditure for 2020/21 and budget for 2021/22 (in United States dollars)**

Source of funding	2020/21 Expenditure	2021/22 Expenditure	Comment
Peacekeeping	12,227,300	18,863,800	
Cost-recoveries*	12,500,000	10,565,600	2021/22: Includes non-ICT services of \$306,000
Total	24,727,300	29,429,400	

*Only cost estimates are provided; income and expenditure are estimated in the same amount for both years.

Paragraph 15(a)

3. Regarding the first sentence of paragraph 15(a), it is not factual to state that: “*OICT's Operations Support Division (OSD), in collaboration with UNLB-SGITT, continued to engage in the development of the Unite Aware system hiring third party resources, even though the management reform (A/72/492/Add.2) aimed to limit the role of OSD to development, management, monitoring and optimizing of the “underlying infrastructure” on which the Organizations global technology solutions, systems and applications are delivered*”. The report quotes only one sentence in in the Secretary-General's report on “Shifting the management paradigm in the United Nations: implementing a new management architecture for improved effectiveness and strengthened accountability” (A/72/492/Add.2). The role of OSD is defined in A/72/492/Add.2, including its role related to non-enterprise field-specific technology solutions. That report provides for the following in paragraph 264: “*The Division will be responsible for all ICT operations across the Secretariat, including field operations. It will configure and deliver in a secure and intuitive manner, products, and tools to enable client mobility and flexibility and to optimize the client's digital experience*”; paragraph 265: “*...support offices and field missions by simplifying and prioritizing operational compliance and standardization activities ... field-test proofs of concept and pilot initiatives and promote the harmonization and optimization of core activities*”; paragraph 266: “*...the Division will develop and implement rapidly deployable and modularized solutions and manage and catalogue ICT services and oversee the transition of new operational activities into production*”; and paragraph 267: “*The Division will also ensure visibility of the technology landscape to allow for informed and effective decision-making, ensure that all operational activities are aligned with enterprise architecture, integrate cross-cutting activities with*

operations where end-to-end solutions are required and provide non-enterprise field-specific technology solutions.”

4. The second and third sentences of paragraph 15(a) state that “*Unite Aware uses the same platform that the Enterprise Solutions Service (ESS) of OICT has been using on system wide applications developed by ESS. This created a situation whereby existing infrastructure and know-how in ESS was not used, and software development capacity was established both in UNLB-SGITT and OSD, thereby increasing the ICT Support costs.*” OICT is unclear as to what is meant by “the same platform”. The Unite Aware is a technology platform, which integrates many systems, tools, applications and sensors. Unless the platform is named, it is not possible to understand the context. Furthermore, no evidence was provided as to where the increased costs have been incurred.

Paragraph 15(b)

5. Regarding paragraph 15(b), OICT notes several factual errors. The statement that the total cost of ownership of the program management function of OSD was more than \$10 million, with 27 Agency A staff and 13 United Nations Staff, and that OICT was not able to clarify why OSD needed these personnel for programme management, is not factual and could be misleading. This conclusion was made based on a file “TCO 2022 OSD Program Support” which is a draft file that remains to be finalized. This effort to calculate the Total Cost of Ownership (TCO) is ongoing and UNOG is currently working on it in collaboration with OICT. The work is expected to be completed by mid-2023. Reference to the total cost of ownership calculations should only be made once this work has been completed. The actual Program Support for OSD constitutes one D2, one P4 and four G staff costing \$964,973.

Paragraph 20

6. The statement in the penultimate sentence of paragraph 20, “*Even though OICT and UNLB-SGITT provided similar services, they use different methodologies, to calculate the total cost of ownership and charged Secretariat users differently for similar services (see table 4 for some examples)*”, infers that the differences in the charges between OICT and UNLB are because of different methodologies. This is incorrect. The delay by OICT in updating its rate card led to different charges.

Paragraph 24

7. Regarding the statement in the second sentence of paragraph 24, “*In general, OIOS noted the lack of standardized costing methodologies*”, it should be noted that the O365 cost has always been calculated together with UNLB as there is only one TCO. The UNLB rate for providing service to non-Secretariat entities was approved by the Controller. The OICT’s rate of O365 cost recovery was not approved by the Controller. The statement noting a lack of standardized costing methodologies is in this case incorrect.

Paragraph 25(e)

8. Regarding the first sentence of paragraph 25(e), the statement “*Cost savings were not reflected in cost recoveries*” is incorrect. SITA services were never cost recovered from Offices away from Headquarters or Regional Commissions.

Paragraph 25(f)

9. The statement in the final sentence of paragraph 25(f) that “*For instance, according to the Service Level Agreement (SLA) signed between OICT and the Office for the Coordination of Humanitarian Affairs (OCHA), a lower rate for personal computing services was agreed, whereby OCHA indicated in the SLA that it received a discount of \$1,000 per user*” is incorrect. There was no negotiated discount for personal computing services provided to OCHA. The cost recovery rate noted by OIOS is erroneous since OCHA was availed of Personal Computing Service Level C at \$1,135 per user, which was in effect prior to the implementation of the Unified Personal Computing Services rate for all entities in the United Nations Secretariat Headquarters campus.

Paragraph 30(c)

10. The statement in the final sentence of paragraph 30(c) that “*However, there was no control to prevent inclusion of the same individuals in the cost calculations of both OICT and UNLB-SGITT services, which may have resulted in inflated service rates*” implies that the individuals have been double-counted in rate calculations. UNLB reiterates that the referenced individuals are only included in the UNLB-SGITT service rate calculation as approved by OPPFB. There is no separate OICT service rate for this service and no double-counting of resources. There is only one rate

approved for cloud recovery and UNLB is the Secretariat broker for cloud on behalf of OICT.

11. Thank you for giving the Administration an opportunity to provide comments on the revised draft report.

Management Response

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
1	DMSPC, in coordination with DOS, should assess the existing structure for the ICT pillar within the Secretariat and explore an appropriate solution to minimize costs and optimize the delivery of ICT services.	Critical	Yes	USG, DMSPC & USG, DOS	30 June 2025	The Administration's comments are reflected in the report.
2	OICT should: (a) clarify the role of its Operations Support Division for solution development, including for Unite Aware applications; and (b) review the existing arrangements for project management within the Office to make them more coherent and effective.	Important	Yes	CITO	31 March 2024	The Administration's comments are reflected in the report.
3	OICT, in consultation with OPPFB, should: (a) define core/enabling ICT services and establish a standard methodology for calculating the cost of ownership and service rates for such services; (b) establish an appropriate modality for sustainable funding of critical core/enabling ICT services to assure their continuity and resilience; and (c) consider presenting the new model for funding sources and applicable rate cards to the ICT Steering Committee.	Critical	Yes	CITO	30 June 2025	The Administration's comments are reflected in the report.

¹ 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.

² 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 information and communications technology support costs and cost recovery in the United Nations Secretariat

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
4	DOS, in collaboration with OPPFB, should review and improve the current approach of reporting the cost recovery revenues of UNLB-SGITT.	Important	Yes	Director, UNLB	30 June 2024	The Administration's comments are reflected in the report.
5	OICT, in coordination with DOS, should: (a) revise the cloud costing methodology by accurately calculating the overhead costs; and (b) determine a standard approved rate for the Office-365 application across the Secretariat.	Important	Yes	CITO	31 March 2024	The Administration's comments are reflected in the report.
6	OICT, in collaboration with DOS, should: (a) clearly document a unique set of service descriptions for services provided to all Secretariat entities in its rate card; (b) review and align the peacekeeping ICT service charges to its rate card; (c) update the peacekeeping budget guidelines with clear breakdown of the rates; and (d) update the rates for backup, storage, and server hosting to align them with the cost of these services.	Important	Yes	CITO	31 March 2025	The Administration's comments are reflected in the report.
7	OICT, in collaboration with DOS, should: (a) align service costs to the appropriate funding sources in line with approved mandates and implement mechanisms to prevent cross-subsidizing; and (b) ensure that costs unrelated to the provision of ICT services are excluded from the calculation of rates for those services.	Important	Yes	CITO	30 June 2025	The Administration's comments are reflected in the report.

Management Response

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
8	OICT should establish mechanisms to improve the efficiency of managing client service portfolios and billing across the Secretariat to ensure accurate and timely cost recovery.	Important	Yes	CITO	30 June 2025	The Administration's comments are reflected in the report.
9	OICT, in coordination with OPPFB and DOS, should develop and implement measures to improve the record-keeping related to ICT cost recovery activities, including service catalogs, total cost of ownership files, rate cards, invoices and number of users.	Important	Yes	CITO	30 June 2025	The Administration's comments are reflected in the report.
10	OICT, in collaboration with OPPFB and DOS, should establish a mechanism to verify and validate the calculated cost of ICT services and the related rates to assure their accuracy and minimize discrepancies.	Important	Yes	CITO	30 June 2025	The Administration's comments are reflected in the report.
11	OICT should reconcile and recover the payments made to Agency A for undelivered services within the scope of Financial Agreement 03 during 2020, 2021 and 2022 ensure Agency A invoices are reconciled against deliverables clearly defined in the Financial Agreements.	Important	No (Yes, if revised as shown)	N/A (CITO)	N/A (31 March 2024)	OICT reiterates its earlier comments that the recommendation should be rewritten to be forward looking as proposed. The current Financial Agreements and service model present weaknesses that do not provide a basis to undertake recovery. OICT will work to improve the analysis of resources under services covered by signed agreements, and methods to accommodate variable workloads, such as surge capacity, when faced with changing requirements.

Management Response

Audit of information and communications technology support costs and cost recovery in the United Nations Secretariat

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
12	OICT, in collaboration with OPPFB and DOS, should establish a service review panel to review and update the agreements of OICT and UNLB-SGITT with Agency A and Agency B to optimize the delivery and cost of ICT services.	Important	Yes	CITO	31 March 2024	The Administration's comments are reflected in the report.