



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2013/125

Audit of asset disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Overall results relating to the effective management of asset disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

**16 December 2013
Assignment No. AP2013/620/11**

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AUDIT REPORT

Audit of asset disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset disposal and Local Property Survey Board (LPSB) activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. MONUSCO had an LPSB, which was responsible for investigating and reporting on: (i) the cause of any shortages, overages and loss of and damage to assets and inventory; and (ii) the disposal of surplus or unserviceable assets. The LPSB comprised nine members and was supported by four secretaries. The Procurement Section was responsible for the disposal of assets by commercial sale, and the Property Disposal Unit for organizing, planning and physical disposition of all written-off assets.
4. From 1 January 2011 to 31 March 2013, MONUSCO disposed of 11,743 items of property, plant and equipment with a purchase price of \$53 million and depreciated value of \$14 million, by commercial sales, gifts, destruction and cannibalization.
5. Comments provided by MONUSCO are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of MONUSCO governance, risk management and control processes in providing reasonable assurance regarding the **effective management of asset disposal and LPSB activities in MONUSCO**.
7. The audit was included in the 2013 OIOS risk-based work plan due to the operational and financial risks related to ineffective disposal of assets, as well as reputational risks of not holding staff accountable for loss of and damage to United Nations assets.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide asset disposal and LPSB activities; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
9. The key control was assessed for the control objectives shown in Table 1.
10. OIOS conducted this audit from April to September 2013. The audit was performed in Kinshasa, with visits to Kisangani and Bukavu and covered the period from 1 January 2011 to 30 June 2013.

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

III. AUDIT RESULTS

12. The MONUSCO governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of asset disposal and LPSB activities in MONUSCO**. OIOS made five recommendations to address the issues identified. MONUSCO LPSB met regularly and was effective in discharging its responsibilities, with asset disposal and staff assessment cases for lost or damaged property reviewed and approved in accordance with its terms of reference. However, MONUSCO needed to: (a) ensure that all members of the LPSB attended mandatory training; (b) improve procedures to withhold funds from staff members following recommendations by the LPSB; and (c) reduce delays in the preparation of damage discrepancy reports.

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

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of asset disposal and LPSB activities in MONUSCO	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

The Local Property Survey Board met regularly and was effective

14. In accordance with United Nations Financial Rules, MONUSCO had established an LPSB and it met regularly. A review of all 15 meetings held during the audit period indicated that the LPSB performed its functions effectively and made recommendations to the Director of Mission Support and the Headquarters Property Survey Board (HPSB) as appropriate. Minutes of meetings were signed by its members and the Secretary, and approved by the Director of Mission Support. Also, to address the lack of adequate representation of members from the Property Control and Inventory Unit and the Office of the Director of Mission Support, the composition of the LPSB was revised in September 2013. OIOS concluded that the LPSB was functioning effectively.

Not all members of the Local Property Survey Board had attended mandatory training

15. Training of LPSB members was arranged by the Regional Service Centre in Entebbe in November 2012 and March 2013. Only five of the nine LPSB members were available at the time the training was scheduled.

(1) MONUSCO should ensure that all members of the Local Property Survey Board attend the required mandatory training.

MONUSCO accepted recommendation 1 and stated that the remaining members of the LPSB would attend the mandatory training scheduled in January 2014 in Entebbe. Recommendation 1 remains open pending receipt of evidence that all LPSB members have completed the mandatory training.

Property Survey Board cases were not finalized in a timely manner

16. The Staff Rules stipulated that the Director of Mission Support and the LPSB should determine whether financial loss suffered by the United Nations had resulted from gross negligence or from violation of any regulation, rule or administrative instruction on the part of staff members.

17. At the time of the audit, MONUSCO had 868 cases of lost and damaged property that could not be reviewed by the LPSB because relevant investigations and damage discrepancy reports had not been completed. A review of 30 of the 428 cases awaiting investigation, as well as interviews with the Special Investigations Unit and Internal Review Boards Section, indicated that the Mission had a lack of investigative capacity. Also, the Internal Review Boards Section did not regularly follow up on cases pending investigation with the Special Investigations Unit.

(2) MONUSCO should take action to reduce the backlog of pending investigations and preparation of damage discrepancy reports by implementing an action plan that establishes priorities in clearing long outstanding cases and enhancing the Mission's capacity to conduct investigations in a timely manner.

MONUSCO accepted recommendation 2 and stated that: (a) two United Nations police officers had been temporarily assigned to the Special Investigations Unit to help reduce the backlog of investigations; (b) the Transport Section had established a system to initiate and finalize damage discrepancy reports; and (c) the Internal Review Boards Section had issued instructions to all the case officers to ensure they constantly followed up on outstanding cases requiring investigation reports. These measures had resulted in the reduction of cases pending investigation to 33 in the LPSB database. Based on the action taken by MONUSCO, recommendation 2 has been closed.

The Finance Section did not always withhold funds from staff as recommended by the Local Property Survey Board

18. United Nations Financial Rules stated that staff members may be required to reimburse the United Nations for losses incurred as a result of gross negligence on the part of the staff member. Furthermore, some recommendations of the LPSB, which were approved by the Director of Mission Support, required the Finance Section to withhold the funds reimbursable by staff pending final decisions by the HPSB.

19. From 1 January 2011 to 31 March 2013, the LPSB recommended in 61 cases for funds to be withheld from staff members for lost and damaged assets. A review of a sample of 20 of the 61 cases

indicated that: (a) in 16 cases, funds were not withheld because the relevant emails were sent to a general mailbox and were not picked up by the Finance Section; (b) in one case, the amount withheld was insufficient; and (c) in three cases, the staff members had left the Mission.

20. Also, after HPSB decisions, the Internal Review Boards Section often did not inform the Finance Section in a timely manner to recover or release withheld funds. Of the 20 cases in the sample, the HPSB decided on action for seven, but these were processed by MONUSCO on average 162 days after the HPSB decision date. These delays were mainly due to lack of coordination between the Internal Review Boards Section and the Finance Section.

(3) MONUSCO should implement procedures to ensure that: (a) funds are withheld from staff as recommended by the Local Property Survey Board; and (b) recommendations of Headquarters and the Local Property Survey Boards are communicated to the Finance Section in a timely manner.

MONUSCO accepted recommendation 3 and stated that the Finance Section was continuing its review of the cases identified and would initiate necessary action on cases where funds were not withheld from serving staff members. In addition, the Internal Review Boards Section had introduced monthly follow up by all case officers on the status of cases. Recommendation 3 remains open pending receipt of evidence of finalization of actions taken by the Finance Section to withhold funds in respect of all LPSB cases.

Preparation of damage discrepancy reports were delayed impacting on the time taken to deal with vehicle accident cases

21. Staff members involved in vehicle accidents were required to submit incident reports to the Security Section, which was responsible for preparing investigation reports. Staff members then presented the investigation report to the Damage Discrepancy Report Unit to prepare a damage discrepancy report (cost of damage) in the Galileo system.

22. As of 31 May 2013, MONUSCO had 947 open traffic cases. The following was noted:

(a) At the time of the audit, the Damage Discrepancy Report Unit was in the process of preparing 196 (21 per cent) reports dating back to 2010;

(b) Some 400 reports (42 per cent) could not be prepared because according to the Damage Discrepancy Report Unit the cost of repairing, for example, scratches was insignificant or repairs may not need to be done; and

(c) For 351 reports (37 per cent) the vehicles had already been disposed of and could therefore not be physically inspected.

23. A review of 20 of the 947 open traffic cases indicated that eight of them already had damage discrepancy reports in the Galileo system; but the Internal Review Boards Section had not updated its database. The Internal Review Boards Section advised that in some cases the damage discrepancy reports in Galileo related to different incidents. The Internal Review Boards Section had not adequately coordinated this with the Damage Discrepancy Report Unit to ensure that Galileo records were complete and accurate.

(4) MONUSCO should ensure that: (a) the Damage Discrepancy Report Unit prepares all reports with work orders in the Galileo system; (b) action is taken to close cases in the Property Survey Board database on vehicles that have already been disposed of; and (c) the Internal Review Boards Section and the Transport Section meet periodically to review cases for which damage discrepancy reports are missing to have them completed in a timely manner.

MONUSCO accepted recommendation 4 and stated that the Transport Section and the Internal Review Boards Section were meeting regularly and taking action to improve the processing of damage discrepancy reports, and close outstanding cases in the Property Survey Board database. Recommendation 4 remains open pending receipt of evidence that all outstanding cases relating to damage discrepancy reports in the Property Survey Board database have been closed.

Commercial sales complied with procedures

24. The Procurement Manual stipulated that the recommended disposal method for United Nations Property was by commercial sale. During the audit period, MONUSCO sold 8,565 items of plant and equipment and numerous items of inventory realizing revenue of \$3.5 million.

25. A review of the procedures for 11 commercial sales concluded that established procedures were followed in the process of preparation of sales lots, invitation to bid, bid evaluations, receipt of payments and local taxes. OIOS concluded that there were adequate controls over the commercial sale of assets and these controls were working as intended.

Cannibalization procedures were not complied with

26. The Department of Peacekeeping Operations/Department of Field Support Surface Transport Manual required that when the method of disposal was cannibalization, spare parts from cannibalized vehicles should be placed in warehouses for security reasons and corresponding records entered in Galileo.

27. A review of a sample of 48 of 148 items approved for disposal by cannibalization indicated: (a) the Transport Section commenced cannibalization of three trucks prior to approval by the LPSB; (b) in Kisangani and Bukavu, spare parts were not removed from cannibalized vehicles and placed in warehouses, and in Kinshasa the spare parts were put in the warehouse, but not entered in the Galileo system until the spare parts were re-used; and (c) changes in the method of disposal from cannibalization to “scrap as-is” in 40 out of 48 cases had no records of approval by the Director of Mission Support.

28. MONUSCO needed to comply with procedures over the cannibalization of spare parts to reduce the risk of parts being inappropriately used.

(5) MONUSCO should implement procedures to ensure that (a) cannibalization is conducted as per the approved recommendation of the Local Property Survey Board and approved by the Director of Mission Support; and (b) salvaged second-hand spare parts are placed in warehouses and recorded in Galileo as required.

MONUSCO accepted recommendation 5 and stated that the instructions issued in 2012 on the procedure of accounting for cannibalized spare parts had been reinforced by a follow-up memorandum dated 31 October 2013 with procedures from the Chief Transport Officer to all transport officers. This directive would be monitored by transport officers through checks of

cannibalization vouchers. Based on the action taken by MONUSCO, recommendation 5 has been closed.

IV. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of asset disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Recom. no.	Recommendation	Critical¹/ Important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
1	MONUSCO should ensure that all members of the Local Property Survey Board attend the required mandatory training.	Important	O	Receipt of evidence that all Local Property Survey Board members have completed the mandatory training.	31 January 2014
2	MONUSCO should take action to reduce the backlog of pending investigations and preparation of damage discrepancy reports by implementing an action plan that establishes priorities in clearing long outstanding cases and enhancing the Mission's capacity to conduct investigations in a timely manner.	Important	C	Action taken.	Implemented
3	MONUSCO should implement procedures to ensure that: (a) funds are withheld from staff as recommended by the Local Property Survey Board; and (b) recommendations of Headquarters and the Local Property Survey Boards are communicated to the Finance Section in a timely manner.	Important	O	Finalization of action by the Finance section to withhold funds in respect of the identified Local Property Survey Board cases.	16 December 2013

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

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

³ C = closed, O = open

⁴ Date provided by MONUSCO in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of asset disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Recom. no.	Recommendation	Critical ⁵ / Important ⁶	C/ O ⁷	Actions needed to close recommendation	Implementation date ⁸
4	MONUSCO should ensure that (a) the Damage Discrepancy Report Unit prepares all reports with work orders in the Galileo system; (b) action is taken to close cases in the Property Survey Board database on vehicles that have already been disposed of; and (c) the Internal Review Boards Section and the Transport Section meet periodically to review cases for which damage discrepancy reports are missing to have them completed in a timely manner.	Important	O	Receipt of evidence that all outstanding cases relating to lack of damage discrepancy reports in the Property Survey Board database have been closed.	30 June 2014
5	MONUSCO should implement procedures to ensure that (a) cannibalization is conducted as per the approved recommendation of the Local Property Survey Board and approved by the Director of Mission Support; and (b) salvaged second-hand spare parts are placed in warehouses and recorded in Galileo as required.	Important	C	Action taken.	Implemented

⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁷ C = closed, O = open

⁸ Date provided by MONUSCO in response to recommendations.

APPENDIX I

Management Response



INTEROFFICE MEMORANDUM

9 December 2013
Ref: ODMS/2013/278

To: Ms. Eleanor T. Burns
Chief, Peacekeeping Audit Service
Internal Audit Division, OIOS

From: Guy Siri
Director of Mission Support
MONUSCO

Subject: Assignment No. AP2013/620/08 – Draft report: Audit of asset disposal and LPSB activities in MONUSCO

1. Your interoffice memorandum IAD: 13-7-5-7(28) dated 24 November 2013 refers.
2. Attached please find the Mission response in respect of the recommendations in the above-mentioned audit report. Supporting documents will be provided to the Resident Auditors only.

Kind regards.

Cc Mr. Mike Dora, Chief Integrated Support Services, MONUSCO
Mr. Daniel Biart, Chief Internal Review Boards, MONUSCO
Mr. Mukesh Sethi, Chief Transport Section, MONUSCO
Mr. Innocent Dassanou, Chief Security Officer, MONUSCO
Ms. Jacoba Genis, Audit Focal Point, MONUSCO
Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS
Mr. Laud Botchwey, Chief Resident Auditor, MONUSCO, OIOS

Attachments:
Appendix I – Mission response

Management Response

**Audit of asset disposal and Local Property Survey Board activities in the
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Rec. no.	Recommendation	Critical ⁹ / Important ¹⁰	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should ensure that members of the Local Property Survey Board attend the required mandatory training.	Important	Yes	Chairman, LPSB	31 January 2014	Current LPSB members who have not done the required mandatory training will attend the LPSB training scheduled by the Headquarters Committee on Contracts from 27-28 January 2014 in Entebbe.
2	MONUSCO should take action to reduce the backlog of pending investigations and preparation of damage discrepancy reports by implementing an action plan that establishes priorities in clearing long outstanding cases and enhancing the Mission's capacity to conduct investigations in a timely manner.	Important	Yes	Chief Security Officer/ Chief Transport Officer	Implemented	The Mission has no further comments and the recommendation has been implemented as reflected in the draft report.

⁹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

¹⁰ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

**Audit of asset disposal and Local Property Survey Board activities in the
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Rec. no.	Recommendation	Critical ¹¹ / Important ¹²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	MONUSCO should implement procedures to ensure that: (a) funds are withheld from staff as recommended by the Local Property Survey Board; and (b) recommendations of Headquarters and the Local Property Survey Boards are communicated to the Finance Section in a timely manner.	Important	Yes	Chief Finance Officer Chief, Property Management Section	16 December 2013 Implemented	(a) MONUSCO Finance Section is continuing with review of the list of cases reported by OIOS for non-compliance with LPSB and HPSB recommendations and will provide the final analysis by 16 December 2013. In cases where funds were not withheld from serving staff members, the necessary action will be initiated. (b) MONUSCO Internal Review Board Section has introduced a monthly follow-up by all case officers on the status of cases. This will expedite finalization of cases and forwarding to Finance Section cases already reviewed by the HPSB.

¹¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

¹² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

**Audit of asset disposal and Local Property Survey Board activities in the
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Rec. no.	Recommendation	Critical ¹³ / Important ¹⁴	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	MONUSCO should ensure that (a) the Damage Discrepancy Report Unit prepares all reports with work orders in the Galileo system; (b) action is taken to close cases in the Property Survey Board database on vehicles that have already been disposed of; and (c) the Internal Review Boards Section and the Transport Section meet periodically to review cases for which damage discrepancy reports are missing to have them completed in a timely manner.	Important	Yes	Chief Transport Officer/Chief, Property Management Section	Implemented Implemented Implemented	(i) With the measures put in place by MONUSCO Transport Section, processing of Damage Discrepancy Reports (DDRs) has continued to improve. A further 291 DDRs have been processed and preparation of 26 DDRs will be completed by 15 December. A copy of the status of DDR processing has been provided to the Resident Audit Office. (ii) MONUSCO Transport Section is coordinating with Internal Review Board Section to identify vehicles disposed of in order to close these cases in the database. As of December 2013, a total of 295 cases had been submitted to the Internal Review Board Section, of which 123 had been written off and are awaiting disposal and 171 are at various stages of the write-off process. The list of vehicles has been provided to the Resident Audit office. (iii) MONUSCO Transport Section and Internal Review Board Section are in continuous contact either through phone calls, emails or meetings to settle all pending DDR cases.

¹³ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

¹⁴ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

**Audit of asset disposal and Local Property Survey Board activities in the
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Rec. no.	Recommendation	Critical ¹⁵ / Important ¹⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	MONUSCO should implement procedures to ensure that (a) cannibalization is conducted as per the approved recommendation of the Local Property Survey Board and approved by the Director of Mission Support; and (b) salvaged second-hand spare parts are placed in warehouses and recorded in Galileo as required.	Important	Yes	Chief Transport Officer	Implemented	The Mission has no further comments and the recommendation has been implemented as reflected in the draft report.

¹⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

¹⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.