



## INTERNAL AUDIT DIVISION

### REPORT 2015/143

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Advisory engagement related to the  
Office of Human Resources  
Management's strengthening of the  
new design of internal controls over  
selected human resources  
transactions

20 November 2015  
Assignment No. VH2014/512/01

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# **Advisory engagement related to the Office of Human Resources Management's strengthening of the new design of internal controls over selected human resources transactions**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an advisory engagement related to the Office of Human Resources Management's (OHRM) strengthening of the new design of internal controls over selected human resources transactions.
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. In December 2008, in its resolution 63/262, the General Assembly approved the deployment of Umoja throughout the United Nations Secretariat, including offices away from Headquarters, regional commissions, peacekeeping and political missions and other field missions. The United Nations Secretariat decided to implement Umoja through a phased deployment of functionalities and locations. The human resources functionality was deployed on 1 June 2015 in the United Nations entities in Nairobi, Office for the Coordination of Humanitarian Affairs and selected regional commissions, and on 9 November 2015 for international staff at other entities of the United Nations Secretariat.
4. The implementation of Umoja is expected to change the roles and functions of various staff members participating in administration processes including human resources transactions. Significant changes relate to the introduction of self-certification of human resources entitlements by staff members using the web-based Employee Self-Service (ESS) portal. Self-certification refers to the process whereby staff members certify that they are entitled to the benefits they are claiming and that the information they submitted in regards to the benefits is complete and accurate. Benefits certified in this manner include rental subsidy, education grant and home leave travel. The ESS portal is the front end tool that provides access to staff members to update their personal information, request services and view their own data on Umoja. Additionally, the Manager Self-Service portal will allow managers to approve leave requests; initiate contract extensions; maintain, loan and create positions; and create/maintain organizational units.
5. The self-certification process will eliminate the multiple verification checks previously performed by Executive and Administrative offices as well as human resources and finance personnel. Under Umoja, staff members will provide the information required for various benefits through the ESS portal and the system will validate the information provided against eligibility criteria built in the system. If the staff member is deemed eligible, the benefit will be approved for payment without additional prior review depending on the transaction. A sample of transactions would be reviewed periodically by human resources officers. This is referred to as the "pay-and-chase" approach, whereby an organization pays benefits upfront and performs periodic monitoring and verification checks afterwards to confirm that the benefit payments were appropriate.
6. Comments provided by the Department of Management are incorporated in italics

## **II. OBJECTIVE AND SCOPE**

7. The objective of this advisory engagement was to review OHRM proposed new design of internal controls over selected human resources transactions to be conducted in Umoja and to identify opportunities for improvement.
8. The advisory engagement was included in the 2014 OIOS risk-based work plan in response to a request from OHRM and due to the risk that the design of controls related to self-certified human resources transactions may not be adequate. OHRM made this request due to the expected changes in roles of staff members and the nature of controls over human resources transactions in Umoja. OHRM requested OIOS to review the design of controls it intended to put in place to mitigate the associated risks.
9. OIOS conducted the advisory engagement from July 2014 to March 2015. The review focused on the proposed controls related to the following human resources transactions that were identified by OHRM as presenting higher risks: (i) rental subsidy; (ii) contract extensions; and (iii) time management including annual leave, sick leave, and home-leave travel. This engagement did not undertake testing of business rules in Umoja that define eligibility criteria for the various human resources entitlements.
10. OIOS: (a) reviewed pertinent documentation; (b) interviewed selected key personnel from OHRM and Umoja including staff members involved in the user verification testing; and (c) conducted walk-throughs of Umoja processes relating to selected human resources transactions.
11. Using the results from the above procedures, OIOS compiled various risk scenarios based on common errors and discrepancies observed by OHRM in processing rental subsidies, contract extensions and time and attendance records. OIOS reviewed the design of proposed automated and manual controls and suggested actions to strengthen them. OIOS also suggested reports that could assist OHRM in carrying out its monitoring activities.

## **III. RESULTS OF THE ADVISORY ENGAGEMENT**

### **A. Rental subsidy**

12. The purpose of rental subsidy is to facilitate the settlement of staff members at a new location and to encourage mobility within the common system by subsidizing the rental costs of eligible staff members. The payment of rental subsidy is governed by the provisions contained in the administrative instruction on rental subsidies and deductions.
13. The main change in the processing of rental subsidy claims is that detailed manual checks of 100 per cent of rental subsidy applications prior to payment will be replaced by periodic reviews of a sample of claims after they have been paid.
14. In the current rental subsidy process, a staff member submits an application with supporting documents to a human resources (HR) assistant/officer for review and approval. Upon approval, the Finance Section validates and verifies the payment calculation and pays monthly rental subsidy through the payroll.
15. In the future rental subsidy process under Umoja, staff members will complete on-line applications through ESS and self-certify the accuracy and completeness of information provided. Staff members are not required to provide/attach supporting documents for review and approval, but are required to retain the original supporting documents for a period of five years. The system will

automatically check eligibility against criteria built in the system, calculate the subsidy, and route a request to the Payroll Section for processing. Periodically, a sample of rental subsidy claims will be selected for compliance monitoring by HR officers when staff members will be required to submit original supporting documents in support of their claim.

16. The change in the processing of rental subsidy in Umoja represents a behavioral shift for staff members and HR officials as detailed manual checks of documents and other specific conditions prior to payment will be largely eliminated. HR officials will only review supporting documents for a sample of rental subsidy claims resulting in reduced assurance on the validity of rental subsidy claims, as the following risks may not be fully mitigated:

- (i) Staff members may falsify information in the rental subsidy application (e.g. incorrect lease amount or lease period), claim inadmissible costs (e.g. parking fee, gym fee, and pet fee) or claim rental subsidy for children who are no longer dependent resulting in inappropriate payments;
- (ii) Staff members may not retain original supporting documents, as a result, OHRM may not be able to conduct the compliance monitoring;
- (iii) A staff member married to another staff member working in the United Nations Secretariat or a United Nations agency at the same duty station and residing at the same address may both claim rental subsidies;
- (iv) Staff members who are married to each other but arrived at the duty station separately may claim rental subsidy beyond the combined admissible period of seven years (for duty stations in Europe and North America) resulting in inappropriate payments;
- (v) Rental subsidy may be reset in cases where staff members return to a duty station in Europe and North America less than six months after their previous appointment; and
- (vi) OHRM may not have sufficient resources for undertaking adequate risk-based compliance monitoring with adequate samples.

17. To mitigate some of the above-mentioned risks, OHRM designed controls such as: (i) requiring staff members to confirm the authenticity of their application and to acknowledge the consequences of false self-certifications prior to submitting their claim; (ii) performing periodic compliance monitoring of selected rental subsidy claims to verify supporting documentation; and (iii) reviewing the annual declaration process, whereby staff members update and confirm status of their dependents.

18. OIOS evaluated the proposed design of controls and noted that guidelines for selecting the sample for and conducting periodic compliance monitoring had not yet been developed and appropriate reports for monitoring purposes were not yet designed. Further details on these aspects are provided below.

(a) **Development of procedures**

19. In order for OHRM to obtain reasonable assurance that it can substantiate the validity of rental subsidy claims paid, it would need to implement mechanisms to ensure that the periodic compliance monitoring checks that will be instituted are conducted systematically on a representative sample of claims selected in a fair and objective manner. OHRM would need to develop procedures that would provide guidance on determining the sample size, selecting the sample, conducting the tests, reporting and

following up on the results and over time, learning lessons from the results to improve controls in the future.

20. OHRM needs to determine how the monitoring checks will be carried out and to provide guidance on the procedures for dealing with the results of checks where documents are found to be missing or falsified, where inadmissible claims have been paid or where staff members who are married to each other are found to have been paid more rental subsidy than their entitlement. OHRM also needs to determine the actions that would be taken where claims cannot be substantiated including recovery of amounts paid and disciplinary measures.

21. OHRM could consider developing guidance for conducting periodic compliance monitoring of rental subsidy claims, including procedures for: (i) determining the sample size and selecting rental subsidy cases for review; (ii) conducting the compliance monitoring exercise; (iii) taking action on unsatisfactory results; and (iv) using the results to strengthen controls in processing rental subsidy transactions.

22. OHRM could review the level of resources to be allocated to compliance monitoring of rental subsidy claims to ensure they cover adequate samples and follow up on unsatisfactory results.

23. *OHRM accepted OIOS suggestions.*

**(b) Need to develop monitoring reports**

24. OHRM would need to design reports to enable it to monitor trends in rental subsidy claims and be alerted to any anomalies or discrepancies that may require further review or investigations. Such reports could include:

- (i) On a quarterly/annual basis, average rental subsidy claims at a duty station per staff member per month to identify whether there were any unexplained variances;
- (ii) Rental subsidy claims in respect of staff members married to each other both claiming rental subsidy at the same duty station and address; and
- (iii) Rental subsidy claims in respect of staff members returning to a duty station in Europe and North America where they were in receipt of rental subsidy within six months of their previous appointment.

25. OHRM could consider designing appropriate reports to analyze rental subsidy expenditure trends and identify any anomalies. Procedures could also be developed to address any anomalies identified.

26. *OHRM accepted OIOS suggestion.*

## **B. Contract extensions**

27. The main change in the contract extension process in Umoja is that managers will initiate contract extensions for staff members compared to current procedures where Executive and Administrative Offices initiate the contract extensions.

28. Under the current procedure, an Administrative Unit initiates the contract extension process by asking a manager whether he/she recommends renewal of a contract of a staff member based on satisfactory performance. If the manager recommends renewal, the Administrative Unit submits requests

for contract renewal to the Executive Office for processing. The Executive Office completes the contract extension process after a staff member signs a letter of appointment.

29. In the future contract extension process under Umoja, the system will automatically flag to a manager any upcoming staff member contract expirations. The manager will enter contract renewal information through the Manager Self-Service portal. The HR Partner will confirm the funding source for the post and approve the contract renewal. The system will automatically notify the manager and the staff member, and generate a letter of appointment to be signed by a staff member.

30. The change in the processing of contract extensions in Umoja will place additional responsibilities on managers, who have not yet been trained or provided with guidance to perform the additional functions. The decentralized process will also increase the risk of inconsistencies and errors by managers as contract extensions are not their primary function and they may not be performing the role frequently. Moreover, the criteria for determining the staff members who will be assigned the manager role and methods for delegating authority to such staff members have not yet been established.

31. The following risks may therefore not be fully mitigated:

- (i) Managers may not take timely action to extend contracts resulting in staff members working without contracts;
- (ii) Managers may not be adequately trained to perform contract extensions in Umoja;
- (iii) Managers may extend contracts of staff members with unsatisfactory performance or for posts not linked to a funding source;
- (iv) Managers may extend contracts for periods that are not in accordance with the administrative instructions on administration of fixed-term and temporary appointments;
- (v) Contracts may be extended beyond retirement age; and
- (vi) Delegation of authority to staff members to extend contracts may not be appropriate.

32. To mitigate above mentioned risks, OHRM designed automated features in Umoja such as: (i) sending reminders to managers to take action on the contracts expiring in six months' time; (ii) allowing only HR Partners to extend contracts beyond retirement age based on approval by appropriate authority; and (iii) producing an extension exception log to record contract extensions beyond retirement age. Reports that provide information on the progress of contract extensions and inappropriate contract extensions would facilitate managing these risks. These could include:

- (i) Reports on contract extension cases pending action by managers and HR partners;
- (ii) Reports on extension of contracts of staff members with unsatisfactory performance; and
- (iii) Reports on extension of contracts beyond staff members' retirement age.

33. OHRM could consider developing and issuing guidelines to managers on the contract extension process in Umoja to ensure compliance with procedures. The guidelines could include the criteria for determining the particular managers who will be assigned the role of renewing appointments.

34. OHRM could consider providing adequate training to managers and concerned staff on the contract extension process in Umoja to ensure compliance with procedures.

35. OHRM could consider designing appropriate monitoring reports on contract extensions and developing procedures to resolve discrepancies highlighted by the reports.

36. *The Department of Management agreed that there may be potential risks in the areas listed above. Manager Self-Service had not yet been deployed and even after its deployment, contract extensions would not be done by Managers but by HR Partners who would maintain responsibility for reviewing and extending contracts in Umoja. OHRM would develop reports to monitor and manage contract extensions.*

### **C. Time management**

37. The main change in time management is that the role of the time administrator will be mainly limited to entering and submitting leave requests on behalf of staff members who do not have access to Umoja. The time administrator will have a limited role in verifying the attendance of staff members and their compliance with working hours. Staff members will be responsible for recording all their absences from the office through ESS.

38. Time and attendance assistants currently verify the attendance of staff members and prepare monthly attendance reports for signature by staff members and their supervisors. They also maintain all time and attendance records including medical certificates. Additionally, staff members submit annual leave requests to supervisors for approval through a variety of manual and electronic systems.

39. On the implementation of Umoja, staff members will only be required to record their absences from the office, i.e., negative reporting. A staff member will submit a request for leave through ESS. The system will automatically check eligibility for the leave type and route the request to an approving officer accordingly. Annual leave and home leave requests will be approved by a supervisor through Manager Self-Service. In case of home leave, the staff member will also need to arrange his/her travel via the travel portal. Uncertified sick leave and certified sick leave up to 20 cumulative/consecutive days will be approved by the HR partner. Certified sick leave request for 20 or more cumulative/consecutive days will be routed to the Medical Service Division for approval. Certified sick leave must be supported with a medical certificate. The leave balance will be automatically calculated and updated in Umoja and will be visible to both staff members and their managers.

40. Other absences from the office are also recorded via ESS. These absences include telecommuting, external training activities and travel on official business.

41. The new process faces the following risks:

(i) Some staff members may not record their absences in Umoja, which may not be detected by their managers in a timely manner; and

(ii) The mechanism to verify staff attendance and working hours may not be adequate.

42. OHRM explained that the introduction of negative reporting represented a paradigm shift whereby there will be increased trust on staff members to record their absences, and increased expectation that programme managers would have a much closer involvement in guiding their teams and monitoring their productivity. Additionally managers would be able to generate various time and attendance reports from Umoja. The revised administrative instruction on time and attendance was being developed. This

should reinforce staff members' obligation to record their absences in Umoja and clarify managers' role in the time and attendance process. The training of staff members and managers on time and attendance process in Umoja is also being conducted.

43. There is, however, a need for OHRM to institute some mechanism to verify the authenticity of time and attendance records with other sources of information such as electronic security systems and computer log on records.

44. OHRM could consider developing appropriate mechanisms to monitor and verify accuracy of time and attendance of staff members including providing necessary guidance to managers.

45. *OHRM accepted OIOS suggestion.*

#### **IV. ACKNOWLEDGEMENT**

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

(Signed) David Kanja  
Assistant Secretary-General, Acting Head  
Office of Internal Oversight Services

# **APPENDIX I**

## **Management Response**

United Nations



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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume, Chief  
A: New York Audit Service, Office of Internal Oversight Services

DATE 12 November 2015

THROUGH: Christian Saunders, Director  
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service  
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an advisory engagement related to the Office of Human Resources**  
OBJET: **Management's strengthening of the new design of internal controls over selected human resources transactions (Assignment No. VH2014/512/01)**

1. We refer to your memorandum dated 23 October 2015 regarding the above subject draft report and provide the below comments of the Department of Management (DM).

2. DM agrees that potentially there may be risks in the areas listed in paragraph 30 of the draft report. At present, Manager Self-Service has not yet been deployed and even after its deployment, contract extensions will not be done by Managers. Contract extensions are reviewed and processed by Human Resources Partners who will maintain responsibility for reviewing and extending in Umoja. OHRM will be developing reports in order to monitor and manage contract extensions. OHRM will furthermore work toward implementing the good suggestions from OIOS that pertain to reporting as outlined in paragraph 31 of the draft report.

3. Thank you for giving us the opportunity to provide comments on the draft report.

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12 Nov 2015