



INTERNAL AUDIT DIVISION

REPORT 2016/139

Audit of the management of the external service provider for information technology infrastructure at the Office of the United Nations High Commissioner for Refugees

Controls over management of the external service provider for information technology infrastructure were effective

28 November 2016
Assignment No. AR2016/166/02

Audit of the management of the external service provider for information technology infrastructure at the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of the external service provider for information technology infrastructure at the Office of the United Nations High Commissioner for Refugees (UNHCR). The audit covered the period from 1 January 2015 to 30 June 2016 and included: management of the service delivery; monitoring of the external service provider's controls over information and communication technology (ICT) hardware and invoicing for the assets supported; and management of the contractual relationship with the external service provider.

OIOS concluded that UNHCR had: (i) effectively managed the service delivery by the external service provider; (ii) put in place adequate controls to ensure that the external service provider maintained an up-to-date inventory of ICT hardware and invoiced UNHCR only for the supported assets; and (iii) satisfactorily managed the contractual relationship with the external service provider.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. OVERALL CONCLUSION	2
IV. AUDIT RESULTS	2-4
Managed services agreement	2-4
V. ACKNOWLEDGEMENT	4
APPENDIX I Management response	

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I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the external service provider for information technology infrastructure at the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The UNHCR Division of Information Systems and Telecommunications (DIST) is responsible for the maintenance, evolution and support of UNHCR's critical information and communication technology (ICT) systems. ICT continues to evolve at a rapid pace in UNHCR. DIST aims to be a service-oriented and field-focused Division by leveraging the expertise of external service providers to deliver quality ICT services in a cost effective and efficient manner.
3. In September 2013, UNHCR entered into a three-year managed service agreement with an external service provider (hereinafter referred to as "the service provider") for infrastructure support and maintenance at headquarters and field locations. The contract was extended in July 2016 for two years.
4. The infrastructure support services provided by the service provider include the following: data centre management; network management; install, move, add and change (IMAC); desktop support; messaging and collaboration; and skills inventory. In addition to these support services, the service provider was contracted to deploy upgraded infrastructure to 322 UNHCR field locations in 117 countries between 2014 and 2016. At the time of the audit in September 2016, 274 locations in 115 countries had been transitioned (85 per cent of the target). The service provider also provides Global Service Desk support from their centre in Bucharest, Romania. The service provider has posted two employees at UNHCR headquarters in Geneva and two in Budapest for service delivery. The rest of the UNHCR offices are supported by remote logons.
5. The total payments to the service provider for services rendered by them in 2015 and 2016 amounted to \$10 million.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of UNHCR's external service provider for information technology infrastructure.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the operational, financial and legal risks associated with the outsourcing of ICT infrastructure support activities.
8. OIOS conducted this audit from June to October 2016. The audit covered the period from 1 January 2015 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher risks pertaining to UNHCR's management of the service provider, which included: management of the service delivery; monitoring of the service provider's controls over ICT hardware and invoicing for the assets supported; and management of the contractual relationship with the service provider.

9. The audit methodology included: (a) interviews of key personnel, (b) review of relevant documentation, including minutes of the monthly steering committee meetings and monthly performance reports; (c) analytical reviews of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning system; and (d) review of incidents, problem management, change management and statements of work.

10. Global Service Desk support services were outside the scope of this audit, as these services were reviewed in an earlier audit of UNHCR's arrangements for ICT field support (OIOS audit report no. 2016/024 dated 23 March 2016). The service provider is also responsible for the security and administration of all desktops, servers and network devices in the UNHCR environment, including establishing, assigning and maintaining user privileges. These activities will be covered in a separate audit on ICT security at UNHCR, planned to be completed during 2017.

III. OVERALL CONCLUSION

11. OIOS concluded that UNHCR had: (i) effectively managed the service delivery by the external service provider; (ii) put in place adequate controls to ensure that the external service provider maintained an up-to-date inventory of ICT hardware and invoiced UNHCR only for the supported assets; and (iii) satisfactorily managed the contractual relationship with the external service provider.

IV. AUDIT RESULTS

Managed services agreement

DIST managed the service delivery by the external service provider effectively

12. In accordance with the agreement with the service provider, DIST is required to ensure that the service provider delivers consistently high quality services, in time and within budget. The service provider is required to submit to UNHCR monthly performance reports on the infrastructure support services it has provided, including: achievements during the month; listing of incidents; challenges faced; success rates for data backup; acknowledgements from users; and items that were not yet actioned.

13. OIOS review of the performance reports submitted by the service provider from January 2015 to June 2016 indicated that it generally delivered the different infrastructure support services in accordance with the time frames agreed upon, and no major breaches in service levels were identified. In instances where the service provider's actions had not resolved the identified problem in its entirety and within the timelines specified, the responsible service delivery manager had duly brought the issue to the service provider's attention and sought remedial action. For example, in a statement of work that involved the sourcing of technical expertise, DIST sought and obtained the replacement of experts who had not delivered the expected services. The performance reports did not indicate any major system failures that the service provider would not have been able to restore or to identify the root cause of such a problem.

14. DIST had obtained the necessary supplementary information required on the data reported in the performance reports from the service provider, and sought modifications to the information presented in the reports to enhance clarity. OIOS noted that in 2015 the performance reports were not provided on a monthly basis as required, and on three occasions the reports were consolidated and covered more than one month. The performance data was nevertheless available for all the months in these reports. In

addition, the situation improved from January 2016, and for the first six months of 2016 the reports were submitted regularly and in a timely manner.

15. OIOS therefore concluded that DIST had effective controls in place to ensure that the services delivered by the service provider were meeting the agreed upon levels and were delivered within the time frames and the budget specified.

DIST had ensured that the external service provider maintained an up-to-date inventory of ICT hardware and that UNHCR was billed only for assets supported

16. DIST is required to ensure that there is a central repository of all ICT assets of UNHCR so that the responsible managers can make informed decisions about their management, procurement and retirement. Schedule 5 to the contract with the service provider specifies that the provider will maintain an asset register that includes up-to-date information on all physical hardware assets in use within UNHCR's ICT environment. Schedule 11 to the contract sets out the fees payable, based on volumetric baselines such as number of servers and network devices, in consideration for the provision of the services and the performance of its contractual obligations. The accuracy of the asset register is significant as it determines the support fees payable to the service provider.

17. The service provider maintained an inventory of all ICT hardware (active and inactive) that it administered. OIOS noted that the functional managers responsible for different activities (such as desktops, network and servers) validated the number of assets supported and invoiced by the service provider before the monthly invoices for support services were approved for payment. Furthermore, DIST independently calculated the monthly charges payable to the service provider based on the devices in use and the user numbers. OIOS also observed that the internal verification process put in place by DIST was robust and had identified errors in billing which resulted in refunds to UNHCR amounting to \$237,000 between January 2015 and June 2016. OIOS re-performed the fee calculations for three months (April 2015, October 2015 and June 2016) aggregating to \$932,000, and confirmed that they were in accordance with the contract.

18. OIOS therefore concluded that DIST had adequate controls in place to ensure that the payments to the service provider were aligned with the active assets that the service provider supported.

DIST managed its relationship with the external service provider satisfactorily

19. Schedule 12 to the contract with the service provider specifies that the relationship with UNHCR should be based on mutual trust and respect, excellent communication, well-defined objectives and service levels, appropriate governance structures, and well-defined roles and responsibilities. DIST as the control owner for the management of the external service provider for information technology infrastructure is required to put in place and execute all necessary arrangements to meet the expectations outlined in schedule 12 and to effectively manage the contract with the service provider.

20. DIST had assigned service delivery managers for the platform, network/telecommunications and end-user devices who were responsible for management of the respective services provided by the service provider. OIOS discussions with the service delivery managers and review of the exchange of correspondence with the service provider's teams indicated that satisfactory arrangements were in place and implemented for management of the contractual relationship. These included organizing weekly technical meetings for the network and server issues and monthly steering committee meetings for the identification and resolution of technical issues and for ensuring effective, good quality and uninterrupted service availability. A vendor performance evaluation was conducted before extending the contract with the service provider for two years in July 2016. In the evaluation, the performance of the service provider

was assessed as satisfactory. On the basis of the foregoing, OIOS concluded that DIST had satisfactory arrangements in place for continuously managing its relationship with the service provider.

V. ACKNOWLEDGEMENT

21. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

APPENDIX I

Management Response



UNHCR


United Nations High Commissioner for Refugees
Haut Commissariat des Nations Unies pour les réfugiés


Memorandum

UNHCR

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CH-1211 Genève 2

To/A: Mr. Mika Tapio, Chief, UNHCR Audit Service, OIOS

Through: Ms. Linda Ryan, Controller and Director, Division of Financial and Administrative Management, DFAM 

From/De: Mr. Erwin Policar, Audit Coordinator, DFAM 

File: FIN-02-01-02
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Subject/Objet: **Response to the draft audit of the management of the external service provider for information technology infrastructure at the Office of the UNHCR (AR2016/166/02)**

Date: 17 November 2016

1. Please note UNHCR has reviewed the draft audit report of the management of the external service provider for information technology infrastructure. In view of the fact that the draft report does not raise any recommendations requiring action, UNHCR has no further comment.
2. Thank you for your attention.


Cw. Cristescu