



INTERNAL AUDIT DIVISION

REPORT 2017/146

Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

Controls over overtime, medical insurance, rental subsidy and residential security payments needed to be strengthened

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Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of management of benefits and allowances at the United Nations Office at Nairobi (UNON), the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over management of benefits and allowances at UNON, UNEP and UN-Habitat. The audit covered the period from 1 June 2015 to 31 March 2017 and included a review of overtime, medical insurance, settling-in grant, rental subsidy and residential security payments.

From 1 June 2015, benefits and allowances for UNON, UNEP and UN-Habitat staff were managed centrally at UNON through the Umoja system. Controls over administration of settling-in grant were generally adequate. However, controls needed to be strengthened in the management of overtime, medical insurance, rental subsidy and residential security payments.

OIOS made 10 important recommendations. To address issues identified in the audit, UNON needed to:

- Provide appropriate training to time managers and staff to ensure that overtime allowances and compensatory time off are regulated in accordance with applicable rules and procedures;
- Review the overtime cases processed from 1 June 2015 onwards and recover overtime allowances incorrectly paid at the higher rate as well as inadmissible overtime payments made instead of allowing compensatory time off;
- Enforce the 40 hours per month overtime ceiling by requiring the exceptional approval of senior managers each time this ceiling is exceeded;
- Establish a mechanism to ensure that staff enrolment for the medical insurance plan is completed within the stipulated timeline;
- Work closely with the Insurance Section at Headquarters to facilitate the recovery of co-pay from staff members in a timely manner;
- Require staff members to: (i) submit lease agreements where all extra charges included in gross rent are itemized and quantified; and (ii) periodically certify that the rent declared in their rental subsidy application in Umoja is net rent and does not include service charges or other extras that are not admissible under ST/AI/2013/2;
- In consultation with the Department of Safety and Security, clarify the cost and non-cost elements of reimbursable benefits under the Residential Security Measures policy as well as the related supporting documents required;
- Ensure that residential security payments are made only based on adequate and valid supporting documents;
- Clean up the migrated data in the residential security portal and ensure that it is complete and up to date; and institute a mechanism to periodically require staff to provide valid documents and update the portal accordingly;
- Establish a procedure to ensure that overpayments are recovered in a timely manner to avoid losses to the Organization.

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

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Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of benefits and allowances at the United Nations Office at Nairobi (UNON), the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat).

2. UNON was established by the General Assembly in 1996 to provide common administrative and support services to UNEP, UN-Habitat and other organizations of the United Nations system in Kenya. Among the key administrative services provided by UNON is the management of benefits and allowances for members of staff of UNON, UNEP and UN-Habitat.

3. The five major benefit categories that cost the Organization a total of \$30.3 million for the period 1 June 2015 to 31 March 2017 were as follows:

(a) Overtime: Information Circular UNON/IC/2015/07 on Official Hours of Work, Overtime, Compensatory Time Off and Night Differential at Nairobi, Kenya and ST/AI/2000/3 on overtime compensation of staff members in the Field Service category at established missions set out the conditions under which staff members in the General and Field Service categories shall be compensated for overtime work and stand-by duty. Between 1 June 2015 and 31 March 2017, a total of 731 staff from UNON, UNEP and UN-Habitat received overtime compensation amounting to \$3.6 million and 1,964 hours of compensatory time off (CTO).

(b) Medical insurance: The medical scheme for both local and international staff is managed by the Insurance Section at United Nations Headquarters. UNON only managed staff enrolment into and separation from the scheme. Further, UNON recovered the co-pay portion from locally recruited staff members through payroll. The Medical Insurance Plan (MIP) is a health insurance scheme operated by the United Nations for the benefit of locally recruited General Service and National Officer staff members in active service and eligible former staff members and their eligible family members serving at designated duty stations. Between 1 June 2015 and 31 March 2017, a total of 2,438 staff from UNON, UNEP and UN-Habitat received medical insurance benefits amounting to \$7 million.

(c) Settling-in grant: The purpose of settling-in grant, previously known as assignment grant, is to provide eligible staff members with a reasonable cash amount for relocation on initial appointment, assignment or transfer to a duty station. It is the total compensation payable by the Organization for costs incurred by the eligible staff member and his or her family members as a result of an appointment, assignment or transfer involving relocation, as well as any pre-departure expenses that the staff member may incur as a result. Between 1 June 2015 and 31 March 2017, a total of 196 staff from UNON, UNEP and UN-Habitat received assignment or settling-in grant amounting to \$6 million.

(d) Rental subsidy: The purpose of the rental subsidy is to facilitate the settlement of new staff members and to encourage mobility within the common system by subsidizing the rental costs of eligible staff members. ST/AI/2013/2 Rev. 1 on rental subsidies and deductions, and ST/IC/2016/30 on rental subsidies and deductions, stipulate the eligibility requirements as well as terms and conditions of the scheme applicable to different duty stations. Between 1 June 2015 and 31 March 2017, a total of 459 staff from UNON, UNEP and UN-Habitat received rental subsidy amounting to \$5.3 million.

(e) Residential security: The Residential Security Measures for Kenya dated 25 October 2016 provide guidelines on security cost reimbursements to all internationally recruited staff residing at Nairobi and those installed at Nairobi as their administrative place of assignment. It replaced the Kenya Minimum Operating Residential Security Standards dated 16 July 2015. The policies are mandatory and intended to strengthen security at staff residences. Between 1 June 2015 and 31 March 2017, a total of 318 staff from UNON, UNEP and UN-Habitat received residential security payments amounting to \$8.4 million.

4. At UNON, benefits and allowances are managed centrally by the Staff Pay and Benefits Section (SPnB) within the Human Resources Management Service (HRMS) of UNON. The SPnB Section was divided into six clusters and had a total of 36 staff. The clusters were headed by cluster leads who reported to the Chief of Section.

5. Comments provided by UNON are incorporated in italics.

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 management of benefits and allowances at UNON, UNEP and UN-Habitat.

7. This audit was included in the 2017 risk-based work plan of OIOS due to the risk that control weaknesses in the management of benefits and allowances may have a negative impact on overall economy, efficiency and effectiveness of operations in Nairobi.

8. OIOS conducted this audit from February to August 2017. The audit covered the period from 1 June 2015 to 31 March 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of benefits and allowances which included overtime, medical insurance, settling-in grant, rental subsidy and residential security.

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

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

III. AUDIT RESULTS

A. Overtime

Need to strengthen controls over compensation for overtime

11. According to information circular UNON/IC/2015/07 on Official Hours of Work, Overtime, Compensatory Time Off and Night Differential at Nairobi, Kenya, official work hours on Monday to Thursday are 8 am to 4:30 pm or 8.30 am to 5 pm with a 45-minute lunch break. Friday work hours are from 8 am to 2 pm or 8:30 am to 2:30 pm without a lunch break. For overtime in excess of the scheduled work day, compensation shall take the form of an equal amount of CTO up to a total of eight hours of work on the same day. This means that the time between 2 pm and 4:30 pm on Friday is supposed to be compensated by CTO, not monetary payment. Other overtime compensation shall take the form of payment at the straight time rate in respect of each hour in excess of 40 hours per week. Since 40 hours ends at 5

pm on Friday, payment for overtime only starts after 5 pm as is the case for other weekdays. In addition, overtime on weekdays and Saturday should be earned at the rate of 1.5 whereas overtime on Sundays and public holidays should be earned at the rate of 2.0.

12. OIOS reviewed data on overtime earned during weekdays excluding public holidays. Based on official hours of work, a cut-off of 4:30 pm from Monday to Thursday and 2 pm on Friday was used. A total of 122 staff from UNON, UNEP and UN-Habitat received overtime on 736 occasions during weekdays (which were not public holidays) between 2 pm and 4:30 pm, which resulted in overstatement of overtime by 1,288 hours as shown in Table 1. Staff were allowed to earn overtime during working hours on weekdays which were not public holidays, contrary to the policy. Nearly 80 per cent of all cases occurred on Fridays when CTO was supposed to be earned instead of overtime.

Table 1: Number of staff who received overtime on weekdays between 2:00 pm and 4:30 pm

	Number of staff	Number of cases	Cases on Friday	Percentage on Fridays	Overstated overtime hours
UNON	52	370	342	92%	687
UNEP	58	327	218	67%	536
UN-Habitat	12	39	15	62%	65
Total	122	736	575	78%	1,288

13. OIOS also reviewed data on overtime earned at the double rate during the audit period. The review excluded overtime earned on Sundays and public holidays because staff are entitled to earn overtime at double rate on those days. As shown in Table 2, 90 staff on 211 occasions received overtime at the double rate on days other than Sundays and public holidays. In 53 per cent of the 211 cases, the double rate was applied on Saturdays, which was contrary to the policy.

Table 2: Staff who incorrectly received overtime at the double rate on days other than Sundays and public holidays

	Number of instances overtime was earned at double rate instead of 1.5 times*	Total number of staff these instances relate to	Comments
UNON	39	22	21 cases (54%) related to 4 out of 22 staff
UNEP	132	52	74 cases (56%) related to 11 out of 52 staff
UN-Habitat	40	16	31 cases (78%) related to 4 out of 16 staff
Total	211	90	126 cases (60%) related to 19 out of 90 staff

Note: * Only overtime on Sundays and public holidays should be earned at the double rate

14. The above weaknesses were attributed to inadequate review by time managers prior to certification of overtime as well as inadequate controls within Umoja. There was also lack of monitoring after certification and payment of overtime allowances to ensure that errors such as overstatements and overpayments were detected and prevented.

15. As a result of control deficiencies, staff were overcompensated for time that was meant to be recorded as CTO and overtime that was incorrectly charged at the higher rate. UNON acknowledged the inconsistencies noted where staff had recorded overtime without first recording CTO as required. It committed to making the necessary adjustments to correct the overtime entries wrongly recorded, after advising the concerned staff members and their respective time managers. According to UNON, no specific training or guidance has been provided to the different human resources officers, time managers and/or staff at large to ensure compliance with locally applicable provisions and address implementation of

overtime rules and procedures. UNON therefore planned to revise the Information Circular accordingly and undertake required training activities targeting the different time management user groups.

16. UNON further stated that the overtime issue was flagged at the time of Umoja go-live in 2015 and was included in the Umoja Post-Implementation Review that was sent to the Umoja Team. The lack of budget control and the fact that time managers are not authorized to certify transactions with financial implications for the organization was also raised in the Umoja Post-Implementation Review. But the issue has not been resolved and UNON cannot build controls outside of Umoja.

- (1) UNON should provide appropriate training to time managers and staff to ensure that overtime allowances and compensatory time off are regulated in accordance with applicable rules and procedures.**

UNON accepted recommendation 1 and stated that SPnB plans to organize training sessions (starting in February 2018) with time administrators and time senior administrators, as well as launch a communication campaign to target audiences (staff members, time managers and time senior administrators) to reinforce procedures and available guidelines. Recommendation 1 remains open pending receipt of evidence that appropriate training has been provided to time managers and staff.

- (2) UNON should review the overtime cases processed from 1 June 2015 onwards and recover overtime allowances incorrectly paid at the higher rate as well as inadmissible overtime payments made instead of allowing compensatory time off.**

UNON accepted recommendation 2 and stated that SPnB has conducted review and recovery of overtime incorrectly recorded for the period 1 June 2015 to 31 March 2017. For the period 1 April to 31 December 2017, review and recovery is expected to be completed by 31 March 2018. Recommendation 2 remains open pending receipt of evidence that UNON has conducted the review and recovery of overtime incorrectly paid for the period June 2015 to December 2017.

Need to ensure exceptional approval for monthly overtime in excess of 40 hours

17. According to the information circular UNON/IC/2015/07, in the interests of the health of the staff and efficiency of the service, supervisors shall not require a staff member to work more than 40 hours of overtime during any one month, except where unusual exigencies of service so require. In such situations, exceptional approval by the authorized official is necessary.

18. OIOS review showed that on average, 51 per cent of the 731 staff who received overtime in any given month exceeded 40 hours as shown in Table 3. Majority of staff received over 40 hours of overtime for multiple months. Two staff (one in UNON and another in UNEP) consistently received over 40 hours per month of overtime for each month between 1 June 2015 and 31 March 2017. It was not uncommon for staff to receive over 100 hours in overtime in a given month.

Table 3: Number of staff who exceeded 40 hours' overtime in any given month

Entity	Number of staff who received over 40 hours' overtime in a month	Total staff who received overtime monthly	Percentage of staff who exceeded 40 hours monthly (once or more)
UNON	256	423	61%
UNEP	104	274	38%
UN-HABITAT	15	34	44%
Total	375	731	51%

19. It appeared that exceeding the 40-hour ceiling had become the norm rather than the exception. The information circular discourages the above trend for health reasons. For UNON, there was no evidence of exceptional approval by the Deputy Director, Division of Administrative Services as required. For UNEP and UN-Habitat, the circular did not specify who should provide exceptional approval. UNON acknowledged that overtime claims had been approved in excess of 40 hours without receiving the requisite exceptional approval which it attributed to inadequate monitoring.

(3) UNON should enforce the 40 hours per month overtime ceiling by requiring the exceptional approval of senior managers each time this ceiling is exceeded.

UNON accepted recommendation 3 and stated that SPnB will communicate with the respective offices and request compliance with the required exceptional approval by senior managers when staff exceed 40 hours of overtime per month. Recommendation 3 remains open pending receipt of evidence that UNON has enforced the 40 hours per month overtime ceiling by requiring exceptional approval of senior managers each time this ceiling is exceeded.

B. Medical insurance

Need to enroll staff members in a timely manner

20. Pursuant to Section 4.2 of Secretary-General's bulletin ST/SGB/2009/4, participation in MIP is mandatory for all locally recruited staff members holding an appointment in the General Service and National Officer categories. Participation is required even if a staff member is also insured under a different medical insurance plan. All local staff members, regardless of their length of appointment, will be enrolled in MIP and have a deduction made from their salary from the first day of their employment in respect of their participation in MIP. Further, ST/IC/2016/13 on renewal of the United Nations Headquarters-administered health insurance programme states that all eligible international staff members are enrolled automatically into the scheme unless the staff member shows proof of enrolment to an equal or superior scheme. Enrolment into the scheme is effected through finalization of the staff member's Personnel Action form.

21. OIOS reviewed a sample of 67 newly recruited staff out of the 114 new staff members that were enrolled during the audit period. Of the 67 reviewed, there were delays in processing the enrolment of 14 staff members (21 per cent). There was no mechanism in place to ensure medical scheme enrolment, which is part of the on-boarding process, is completed within the required timelines. UNON HRMS did not provide explanation as to why the enrolments were not completed within the stipulated period.

22. There was a risk that new staff members requiring urgent medical attention may not have access to medical facilities which could lead to adverse consequences to them and/or their dependents.

(4) UNON should establish a mechanism to ensure that staff enrolment for the medical insurance plan is completed within the stipulated timeline.

UNON accepted recommendation 4 and stated that SPnB has enhanced the on-boarding induction process for new staff members by introducing an additional induction/briefing by the Approver Work Center, covering procedures for enrollment in insurance (except for local staff members whose enrollment in MIP is automatic) and other relevant Employee Self-Service (ESS) portal functionality including time management. Recommendation 4 remains open pending receipt of evidence that a mechanism has been established to ensure that staff enrolment for MIP is completed within the stipulated timeline.

Need to strengthen the mechanism to recover co-pay deductions

23. Under the MIP for locally recruited staff at designated duty stations away from Headquarters (ST/AI/2015/3), a staff member is responsible for the share of the cost of a covered health-care service or expense that is calculated as a percentage of the allowed amount for a service, currently at 20 per cent for outpatient services.

24. For the Nairobi duty station, local staff of UNON, UNEP and UN-Habitat obtained medical services from authorized hospitals and facilities and their co-pay was recovered through payroll on a monthly basis. The previous arrangement between the United Nations and the service provider was that all the medical recovery data was shared only with the Insurance Section at Headquarters which uploaded the same to the service provider's website to enable access by HRMS to make the recoveries. OIOS review of 20 out of the 198 local staff separations showed that UNON had not deducted the MIP co-pay for 19 separating staff. However, 3 of the 19 separated staff had the recoveries made after they were reappointed.

25. UNON was unaware of the magnitude of outstanding recoveries as the information had not been made available by the Insurance Section for the period February 2016 to March 2017. From September 2017, the Insurance Section commenced uploading the data into Umoja. Also, there was no existing framework on how to handle pending recoveries from separating staff members. Failure to make these recoveries would result in financial loss to the Organization.

(5) UNON should work closely with the Insurance Section at Headquarters to facilitate the recovery of co-pay from staff members in a timely manner.

UNON accepted recommendation 5 and stated that in coordination with Headquarters Insurance Section, arrangements are already in place for monthly co-pay deductions for active staff members. For separated staff, an amount (\$500) is being withheld to off-set pending bills and this is applied through payroll when processing end of service payments. Recommendation 5 remains open pending receipt of evidence that recovery of co-pay from staff members is being done in a timely manner.

C. Settling-in grant

Controls over administration of settling-in grant were generally adequate

26. According to ST/AI/2016/5 on settling-in grant and ST/AI/2012/1 on assignment grant, an eligible staff member shall be entitled to payment of the grant (equivalent to one month net salary plus post-adjustment) when he or she has been authorized to proceed on travel involving relocation on initial appointment, assignment or transfer and when the period of service at the new duty station is expected to be for at least one year. If the assignment is expected to be for three years or longer, a second lump sum is

paid at the beginning of the third year, equivalent to one month net salary plus post adjustment. In cases where the staff member has not completed the period of service except for compelling and/or compassionate reasons, the grant should be pro-rated and recovered accordingly.

27. OIOS review of 59 out of 136 cases (43 per cent) of staff who received the first lump sum and all 42 staff who received second lump sum between 1 June 2015 and 31 March 2017 showed that the entitlements were correctly administered. In four cases where staff had not completed the full year after the lump sum was paid, appropriate recoveries had been made. OIOS therefore concluded that controls over administration of the settling-in grant were generally adequate.

D. Rental subsidy

Need to strengthen controls over processing and monitoring of rental subsidy payments

28. According to ST/AI/2013/2 on rental subsidies and deductions for the purposes of calculating rental subsidy, “rent paid by the staff member” shall be the recurring amount indicated in the lease agreement which the staff member as a tenant agrees to pay for the right to live in the rented dwellings, minus all rebates and gratuities and charges towards, but not limited to, furniture, car parking and gym and/or club membership. These reductions, which must be disclosed by the staff member, are considered in determining the actual monthly rent paid.

29. A total of 459 staff from UNEP, UN-Habitat and UNON received rental subsidy between June 2015 and March 2017 amounting to \$5.3 million. OIOS reviewed a sample of 159 staff (34 per cent) including 50 from UNEP, 50 from UN-Habitat and 59 from UNON. The results of the review are summarized below:

a) Required documentation was not attached in Umoja

30. Staff are required to attach the original signed lease agreements and first rental receipt or other proof of payment such as bank statements in support of rental subsidy claims. Staff in Europe and North America are additionally required to attach their original electricity bills. Out of the 159 cases reviewed, 52 staff fully complied with the requirement to attach all stipulated supporting documents in support of rental subsidy claims. A total of 107 out of 159 staff (67 per cent) sampled either did not comply at all (37 staff or 23 per cent) or only partially complied (70 staff or 44 per cent) with the requirement to attach the required documents in Umoja. Consequently, it was not possible to confirm whether these staff members were eligible to continue receiving the benefit.

b) Net rent was not computed in all cases when calculating rental subsidy

31. Of the 159 cases reviewed, rental subsidy for 35 staff (22 per cent) was paid on gross rent instead of net rent, contrary to the administrative instruction. Also, there was insufficient information in the lease agreements or in Umoja to verify whether all extras/service charges were considered for 23 staff (15 per cent). Only in 82 of the 159 cases (51 per cent) reviewed, the correct amount of rent was used in the calculation of rental subsidy.

32. The risk exposure arising from use of gross rent instead of net rent was higher in shared compounds where service charges were payable for common services and landlords often provided extras such as water, electricity, internet, furniture, cable television, gym use, garbage collection, and housekeeping services as part of the rent. In many cases, leases did not show the costs for such extras separately.

33. The Organization pays staff security-related benefits as provided for in the Minimum Operating Residential Security Standards and Residential Security Measures for Kenya (RSM). Staff therefore receive double compensation for security-related claims in cases where gross rent inclusive of security costs embedded in service charges are used for computing their rental subsidy. Furthermore, there was no evidence that the (up to) 20 per cent security reimbursement received by staff for shared compounds was taken into consideration when calculating and processing rental subsidy payments.

34. According to UNON, Umoja processes are not in sync with existing policies and procedures, which are now outdated and need to be revised. Administrative instructions cannot be universally applied across all duty stations due to differences in contractual arrangements. This matter was outside of UNON's jurisdiction and needed to be escalated to Headquarters. Further, UNON cannot ask staff to provide supporting documentation on rental subsidy outside of Umoja because the accountability lies with individual staff members through ESS self-certification.

35. Due to the anomalies pointed out above, there was a risk that the Organization was subsidizing not just rent as intended, but also paying inadmissible charges such as utilities, furniture and common service costs.

(6) UNON should require staff members to: (i) submit lease agreements where all extra charges included in gross rent are itemized and quantified; and (ii) periodically certify that the rent declared in their rental subsidy application in Umoja is net rent and does not include service charges or other extras that are not admissible under ST/AI/2013/2.

UNON accepted recommendation 6 and stated that it has already issued a revised information circular on rental subsidy advising staff on procedures to follow, including a reference on the need for itemized leases to base rental subsidy on the net rent. Enhancements to the existing entitlement monitoring functionality in Umoja will be recommended to OHRM to address this audit concern. Recommendation 6 remains open pending receipt of evidence that staff members are: (i) submitting lease agreements where extra charges included in gross rent are itemized and quantified; and (ii) periodically certifying that the rent declared in their rental subsidy application in Umoja is net rent excluding extra charges which are not admissible under ST/AI/2013/2.

E. Residential security

Need to clarify the cost and non-cost-based elements in the RSM policy

36. The RSM policy did not specify what constitute cost and non-cost elements, the related supporting documents required, and the procedure for claiming security-related reimbursements. For example, costs relating to security guards and alarms, security improvements and security services for staff in shared compounds were reimbursable based on receipts from the security companies which were linked to valid lease contracts or title deeds. Similarly, the recurring monthly security expenditure at the flat rate of Kenyan Shillings (Kshs) 40,000 (equivalent to \$393) was still paid as if it was an allowance.

37. UNON explained that a staff member qualifies for the reimbursements after a residential security survey which confirms that the residence meets the required security standards. However, lack of clarity on cost and non-cost elements of the reimbursements and the required supporting documentation may result in inconsistent interpretation and implementation of the RSM policy.

(7) UNON, in consultation with the Department of Safety and Security, should clarify the cost and non-cost elements of reimbursable benefits under the Residential Security Measures policy as well as the related supporting documents required.

UNON accepted recommendation 7 and stated that the RSM have recently been updated and circulated to all staff, accordingly. Based on the action taken by UNON, recommendation 7 has been closed.

Security expenditure was reimbursed within the set financial limits

38. For the period 1 June 2015 to 31 March 2017, UNON, UNEP and UN-Habitat paid security-related costs to staff in the amounts of \$2.2 million, \$4.1 million and \$2.1 million respectively, totaling \$8.4 million. On average, a total of 318 staff members claimed security reimbursements between 1 June 2015 and 31 March 2017.

39. OIOS review of reimbursements made to a sample of 151 staff showed that the costs for security guards, alarm systems and security services in own and shared compounds were reimbursed in accordance with established policy thresholds and approved tariffs.

Reimbursement of security-related costs without contracts or with expired lease contracts

40. Staff members are required to attach valid documents (such as the current lease agreements and title deeds for home owners) to the requests made through the residential security allowance portal prior to payment calculations and finalization by the SPnB Section. These costs should be reimbursed based on receipts from security companies, which should be linked to valid lease contracts or title documents.

41. OIOS review of a sample of reimbursements to 151 staff showed that only 41 out of 151 (27 per cent) staff were paid based on valid lease contracts while 58 staff were paid without lease agreements and 52 had expired agreements.

42. There was no mechanism in place to require staff to submit valid lease agreements after they were renewed. UNON explained that this was partly because some of the lease agreements provided for automatic renewal hence staff did not sign new agreements. Similarly, contracts for security services provided for automatic renewal and staff as well as UNON were only advised of any change in rates. UNON explained that the anomalies noted were because data in Umoja had not been updated since 2015. Without valid documents, staff members may be receiving security-related reimbursements they are not entitled to.

(8) UNON should ensure that residential security payments are made only based on adequate and valid supporting documents.

UNON accepted recommendation 8 and stated that a regular monitoring exercise is being introduced and will require submission of relevant supporting documentation. Recommendation 8 remains open pending receipt of evidence that residential security payments are being made only based on adequate and valid supporting documents.

Need to clean up data in the residential security portal

43. The Department of Safety and Security (DSS) carried out surveys of staff members' proposed residences and prepared the necessary survey reports. Staff whose residences were RSM compliant were cleared by DSS to claim reimbursements whereas non-compliant compounds/houses were required to

undergo improvements as recommended by DSS. Fresh surveys had to be done to certify compliance before staff members could claim reimbursements.

44. OIOS reviewed sample data relating to 152 staff for the period 1 June 2015 to 31 March 2017 and noted that only 16 had accurate reimbursable rates in the portal; the rest were incomplete or outdated. Further analysis showed that in 53 instances, outdated tariffs were reflected in the portal. This made it difficult to verify and reconcile data in Umoja and the portal. Consequently, staff members continued to be reimbursed based on incomplete requests.

45. Further, only 137 out of 1,073 requests (13 per cent) were complete; the remaining 87 per cent of payments were made to staff based on incomplete or outdated information. UNON needs to ensure the integrity of data in the residential security portal to ensure that the related payments are adequately supported.

(9) UNON should: (i) clean up the migrated data in the residential security portal and ensure that it is complete and up to date; and (ii) institute a mechanism to periodically require staff to provide valid documents and update the portal accordingly.

UNON accepted recommendation 9 and stated that the monitoring exercise that will be introduced early next year will serve to request relevant supporting documentation for inclusion in the official status file since the old Lotus Notes application cannot handle attachments after the fact. The periodicity of the RSM monitoring exercise is yet to be determined. Recommendation 9 remains open pending receipt of evidence that: (i) migrated data in the residential security portal has been cleaned up with checks done to ensure it is complete and up to date; and (ii) a mechanism has been instituted to periodically require staff to provide valid documents to update the portal.

Need to ensure timely recovery of overpayments

46. ST/AI/2009/01 dated 30 November 2009 on recovery of overpayments made to staff states that if the Organization discovers that an overpayment has been made, the office responsible should notify the staff member immediately, and if staff members discover that overpayments occurred, they should advise the Organization immediately. Overpayments shall normally be recovered in full unless determined by the Controller that the overpayment was caused by the Organization, and that the staff member was unaware. Also, the recovery of the overpayment should be limited to amounts paid during the two-year period prior to the notification of the staff member.

47. There were overpayments totaling \$59,078 (\$13,383 under UNON, \$9,607 under UNEP and \$36,088 under UN-Habitat) made to staff members resulting from change of residence from stand-alone to apartments/shared compounds, which had not been declared by the staff. For example, a UN-Habitat staff member was incorrectly paid \$26,024 (Kshs 2,661,941) from January 2012 to March 2014 for security guards in a stand-alone compound; it was recovered in full in the February 2017 payroll.

48. There were other overpayments for periods prior to Umoja implementation that were not recorded for recovery in Umoja as follows:

- (a) Security allowance payments made to a UNEP staff totaling \$44,894 (Kshs 4,571,619) from 2009 to 2014. The staff member had moved from a stand-alone compound to a shared compound without making a declaration. By 5 July 2017, no recoveries had been initiated, but an amount of \$17,364 had been recorded in Umoja as receivables for recovery. The full amount may not be recovered due to the limits indicated in ST/AI/2009/1; and

- (b) A total of \$53,617 (Kshs 5,459,803) was overpaid to a UN-Habitat staff member for the period 2007 to April 2015. The staff member had moved from a stand-alone compound to a shared compound without making a declaration to adjust payments accordingly. The staff member retired on 31 January 2016 and there was no evidence to show that the amount was recovered from his final pay.

49. UNON explained that it did not have a monitoring tool to know if there were changes in the residential status of staff members unless advised by DSS or the affected staff members to discontinue payments. However, UNON stated that it would require staff to periodically provide invoices and receipts for security service payments which indicate the staff member's current residential address.

(10) UNON should establish a procedure to ensure that overpayments are recovered in a timely manner to avoid losses to the Organization.

UNON accepted recommendation 10 and stated that any overpayments and/or adjustments resulting from the above-mentioned RSM monitoring exercise will be handled under established provisions. Recommendation 10 remains open pending receipt of evidence that a procedure has been established to ensure that overpayments are recovered in a timely manner to avoid losses to the Organization.

IV. ACKNOWLEDGEMENT

50. OIOS wishes to express its appreciation to the management and staff of UNON, UNEP and UN-Habitat for the assistance and cooperation extended to the auditors during this assignment.

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

STATUS OF AUDIT RECOMMENDATIONS

**Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme
and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNON should provide appropriate training to time managers and staff to ensure that overtime allowances and compensatory time off are regulated in accordance with applicable rules and procedures.	Important	O	Receipt of evidence that appropriate training has been provided to time managers and staff.	31 March 2018
2	UNON should review the overtime cases processed from 1 June 2015 onwards and recover overtime allowances incorrectly paid at the higher rate as well as inadmissible overtime payments made instead of allowing compensatory time off.	Important	O	Receipt of evidence that UNON has conducted the review and recovery of overtime incorrectly paid for the period June 2015 to December 2017.	31 March 2018
3	UNON should enforce the 40 hours per month overtime ceiling by requiring the exceptional approval of senior managers each time this ceiling is exceeded.	Important	O	Receipt of evidence that UNON has enforced the 40 hours per month overtime ceiling by requiring exceptional approval of senior managers each time this ceiling is exceeded.	31 March 2018
4	UNON should establish a mechanism to ensure that staff enrolment for the medical insurance plan is completed within the stipulated timeline.	Important	O	Receipt of evidence that a mechanism has been established to ensure that staff enrolment for MIP is completed within the stipulated timeline.	31 January 2018
5	UNON should work closely with the Insurance Section at Headquarters to facilitate the recovery of co-pay from staff members in a timely manner.	Important	O	Receipt of evidence that recovery of co-pay from staff members is being done in a timely manner.	31 December 2017
6	UNON should require staff members to: (i) submit lease agreements where all extra charges included in gross rent are itemized and quantified; and (ii) periodically certify that the rent declared in their rental subsidy application in Umoja is net rent and does not include service charges or other extras that are not admissible under ST/AI/2013/2.	Important	O	Receipt of evidence that staff members are: (i) submitting lease agreements where extra charges included in gross rent are itemized and quantified; and (ii) periodically certifying that the rent declared in their rental subsidy application in Umoja is net rent excluding extra	31 March 2018

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or 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 UNON in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme
and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical/ Important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
				charges which are not admissible under ST/AI/2013/2.	
7	UNON, in consultation with the Department of Safety and Security, should clarify the cost and non-cost elements of reimbursable benefits under the Residential Security Measures policy as well as the related supporting documents required.	Important	C	Action completed.	Implemented
8	UNON should ensure that residential security payments are made only based on adequate and valid supporting documents.	Important	O	Receipt of evidence that residential security payments are being made only based on adequate and valid supporting documents.	31 March 2018
9	UNON should: (i) clean up the migrated data in the residential security portal and ensure that it is complete and up to date; and (ii) institute a mechanism to periodically require staff to provide valid documents and update the portal accordingly.	Important	O	Receipt of evidence that: (i) migrated data in the residential security portal has been cleaned up with checks done to ensure it is complete and up to date; and (ii) a mechanism has been instituted to periodically require staff to provide valid documents to update the portal.	31 March 2018
10	UNON should establish a procedure to ensure that overpayments are recovered in a timely manner to avoid losses to the Organization.	Important	O	Receipt of evidence that a procedure has been established to ensure that overpayments are recovered in a timely manner to avoid losses to the Organization.	30 June 2018

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Management Response

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MÉ MORANDUM INTÉRIEUR

UNITED NATIONS OFFICE AT NAIROBI

DIVISION OF ADMINISTRATIVE SERVICES

TO: Gurpur Kumar, Deputy Director
Internal Audit Division, OIOS

DATE: 13 December 2017

RÉFÉRENCE:

FROM: Chris Kirkcaldy, Officer-in-Charge
United Nations Office at Nairobi

SUBJECT: **Draft report on an audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme (Assignment No. AA2017/210/04)**

Please find enclosed our comments on the recommendation outlined in the report.

We take this opportunity to thank your office for the collaborative manner in which the audit was conducted and for the guidance provided in the report.

cc: Mr. Eric Solheim, Executive Director, United Nations Environment Programme
Dr. Joan Clos, Executive Director, United Nations Human Settlements Programme

Management Response

**Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme
and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNON should provide appropriate training to time managers and staff to ensure that overtime allowances and compensatory time off are regulated in accordance with applicable rules and procedures.	Important	Yes	Chief SPnB	1 st Quarter of 2018	SPnB plans to organize training sessions (starting in February 2018) with Time Administrators and Time Senior Administrators, as well as launch a communication campaign to target audiences (Staff members, Time Managers, Time and Time Senior Administrators) to reinforce procedures and available guidelines.
2	UNON should review the overtime cases processed from 1 June 2015 onwards and recover overtime allowances incorrectly paid at the higher rate as well as inadmissible overtime payments made instead of allowing compensatory time off	Important	Yes	Chief SPnB	1 st Quarter of 2018	SPnB has conducted review and recovery of Overtime incorrectly recorded for the period 1 June 2015 – 31 March 2017. For the period 1 April to 31 Dec. 2017, review and recovery is expected to be completed by 31 March 2018.
3	UNON should enforce the 40 hours per month overtime ceiling by requiring the exceptional approval of senior managers each time this	Important	Yes	Chief SPnB	1 st Quarter 2018	SPnB will communicate with the respective offices and request compliance

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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Management Response

Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical/ ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	ceiling is exceeded.					with the required exceptional approval by senior managers when staff exceed 40 hours of overtime per month.
4	UNON should establish a mechanism to ensure that staff enrolment for the medical insurance plan is completed within the stipulated timeline.	Important	Yes	Chief SPnB	31 st January 2018	SPnB has enhanced the on-boarding induction process for new staff members introducing an additional induction/briefing by the Approver Work Center, covering procedures for enrollment in insurance (except for local staff members whose enrollment in MIP is automatic) and other relevant ESS Portal functionality including Time Management.
5	UNON should work closely with the Insurance Section at Headquarters to facilitate the recovery of co-pay from staff members in a timely manner.	Important	Yes	Chief and Deputy Chief SPnB	31 Dec 2017	In coordination with UNHQ Insurance Section, arrangements are already in place for monthly co-pay deductions are now for active staff members. For separated staff, an amount (US\$500) is being withheld to off-set pending bills from CIGNA and this is applied through payroll

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Management Response

Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						when processing end of service payments.
6	UNON should require staff members to: (i) submit lease agreements where all extra charges included in gross rent are itemized and quantified; and (ii) periodically certify that the rent declared in their rental subsidy application in Umoja is net rent and does not include service charges or other extras that are not admissible under ST/AI/2013/2.	Important	Yes	Chief SPnB	31 st March 2018	UNON has already issued a revised Information Circular on Rental Subsidy, advising staff on procedures to follow, including a reference on the need for itemized leases to base Rental Subsidy on the net rent. Enhancements to the existing Entitlement Monitoring functionality in Umoja, will be recommended by UNON/HRMS to OHRM, to address this audit concern.
7	UNON, in consultation with the Department of Safety and Security, should clarify the cost and non-cost elements of reimbursable benefits under the Residential Security Measures policy as well as the related supporting documents required.	Important	Yes	HRMS/DAS	Completed	The Residential Security Measures have recently been updated and circulated to all staff, accordingly.
8	UNON should ensure that residential security payments are made only based on adequate and valid supporting documents.	Important	Yes	Chief and Deputy Chief SPnB	31 March 2018	A regular monitoring exercise is being introduced and will require submission of relevant supporting documentation.
9	UNON should: (i) clean up the migrated data in the residential security portal and ensure that it is complete and up to date; and (ii)	Important	Yes	Chief and Deputy Chief SPnB	31 March 2018	The monitoring exercise that will be introduced early next year will serve to

Management Response

**Audit of management of benefits and allowances at the United Nations Office at Nairobi, the United Nations Environment Programme
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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	institute a mechanism to periodically require staff to provide valid documents and update the portal accordingly.					(i) request relevant supporting documentation for inclusion in the Official Status File since the old Lotus Notes Application cannot handle attachments after the fact. (ii) The periodicity of the RSM monitoring exercise is yet to be determined.
10	UNON should establish a procedure to ensure that overpayments are recovered in a timely manner to avoid losses to the Organization.	Important	Yes	Chief and Deputy Chief SPnB	2 nd Quarter 2018	Any overpayments and/or adjustments resulting from the above-mentioned RSM monitoring exercise will be handled under established provisions.