



INTERNAL AUDIT DIVISION

REPORT 2018/106

Audit of reimbursements for contingent-owned equipment by the Department of Field Support

The Department established the structure and processes to calculate and certify reimbursement claims timely and accurately but needed to strengthen controls over the creation and monitoring of service entry sheets and further clarify reimbursement entitlements in exceptional circumstances

**14 November 2018
Assignment No. AP2017/615/05**

Audit of reimbursements for contingent-owned equipment by the Department of Field Support

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of reimbursements for contingent-owned equipment (COE) by the Department of Field Support (DFS). The objective of the audit was to assess the adequacy and effectiveness of controls in DFS to ensure the timeliness, accuracy and consistency of reimbursements for COE. The focus of the audit was on reimbursements for major equipment, self-sustainment, and loss and damage of equipment from hostile action. The audit covered the period from July 2015 to December 2017 and reviewed COE reimbursement policies and procedures, calculation and certification, coordination and communication, and related DFS performance management.

Overall, DFS established the structure and processes to calculate and certify reimbursement of COE claims timely and accurately but needed to strengthen controls over the creation and monitoring of service entry sheets and further clarify reimbursement entitlements in exceptional circumstances.

OIOS made six recommendations to address issues identified in the audit. DFS needed to:

- Develop policy and guidelines on:
 - Reimbursing COE when their repatriation is unduly delayed by actions of the troop contributing country;
 - Effective date of applying reduced reimbursement rates when operational requirements for COE decreases; and
 - Eligibility for reimbursement of non-serviceable COE in the period after cessation of operation.
- Periodically reconcile service entry sheets created in Umoja with COE claims and regularly review outstanding SES.
- Improve timeliness in reviewing and approving memoranda of understanding with troop and police contributing countries.
- Establish expected timelines for processing claims for loss or damage of COE due to hostile actions or force abandonment, to avoid unnecessary delays.

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

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Audit of reimbursements for contingent-owned equipment by the Department of Field Support

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of reimbursements for contingent-owned equipment (COE) by the Department of Field Support (DFS).
2. The COE reimbursement framework is specified in the Manual on Policies and Procedures concerning the Reimbursement and Control of Contingent-Owned Equipment of Troop/Police Contributors Participating in Peacekeeping Missions (the COE Manual), which also includes the standard rates of reimbursement of most COE. Where standard rates are not available, reimbursement rates are negotiated between the United Nations and COE contributing Member States and documented in the respective memorandum of understanding (MOU).
3. Since 2004, the COE Manual has been subject to triennial reviews by the Working Group (of experts) on COE. Recommendations by the Working Group are subject to the approval of the General Assembly, which also considers reports of the Secretary-General and the Advisory Committee on Administrative and Budgetary Questions on the subject. The latest review and recommendations of the Working Group were approved by General Assembly resolution 71/296 in June 2017.
4. The MOU and Claims Management Section (MCMS) in Field Budget and Finance Division (FBFD), DFS is responsible for calculating and certifying COE reimbursement claims for all peacekeeping missions and certain other field operations. MCMS comprises 11 Professional and 7 General Service staff.
5. MCMS calculates COE reimbursement claims quarterly based on signed MOUs, field missions' signed COE verification reports, and in accordance with the COE Manual using the Government Claims Management System (GCMS). Table 1 shows the number of certified claims for the 2015/16 and 2016/17 financial years:

Table 1: Number of certified claims and related COE reimbursements

Financial year	Number of certified claims	Amount certified \$ million
2015/16	2,964	935
2016/17	2,920	954

Source: Government Claim Management System

6. MCMS also prepares purchase orders and service entry sheets (SES) confirming services rendered by troop/police contributing countries (T/PCCs) in Umoja, and monitors payment of certified claim requests.
7. Comments provided by DFS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of controls in DFS to ensure the timeliness, accuracy and consistency of COE reimbursements. The focus of the audit was on reimbursements for major equipment and self-sustainment, loss and damage of equipment from hostile action, and painting/repainting of equipment.

9. This audit was included in the 2018 risk-based work plan of OIOS due to financial risks associated with COE reimbursements.

10. OIOS conducted this audit from December 2017 to May 2018. The audit covered COE claims for the period from July 2015 to December 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in processing reimbursements for COE by DFS, which included: policies and procedures; calculation and certification of COE reimbursements; coordination and communication; and related DFS performance management.

11. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of COE reimbursement data, and (d) sample testing of COE claims using a combination of statistical and non-statistical sampling methods.

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

III. AUDIT RESULTS

A. Policies and procedures

There was a need for additional guidelines for consistent application of the COE Manual

13. In addition to the COE Manual, DFS has developed several internal guidelines such as the guidelines for the calculation of reimbursement rates for self-sustainment and major equipment based on verification reports, guidelines for registering and processing claims, and guidelines for negotiating and approval of the MOU between the United Nations and a T/PCC. These internal guidelines help DFS to consistently and accurately implement the COE Manual.

14. However, OIOS noted instances with financial implication that required DFS to further clarify the guidelines, as indicated below.

(a) Reimbursement in cases of delayed COE repatriation

15. In accordance with the COE Manual, the contributing country is entitled to reimbursements at 50 per cent of the rates agreed in the MOU after cessation of operations until the equipment is repatriated from the mission. There is no pre-determined timeline for the repatriation of COE as it can be affected by many factors such as arranging for transportation and actions by the host country. However, a case in 2015 relating to the repatriation of COE from the African Union-United Nations Hybrid Operation in Darfur (UNAMID) to a Member State highlighted the need for clearer guidelines on reimbursement when repatriation is unduly delayed due to the T/PCC's own actions.

16. The United Nations engaged a contractor to repatriate the major equipment of Battalions 41 and 42 and Formed Police Unit 2 from Darfur to a Member State on 4 May 2015. The repatriation was stopped due to an unsettled court case against the TCC's contingent in the host country. The COE was kept at Port Sudan while the issue was being resolved and was being reimbursed at 50 per cent of the reimbursement rates. In a code cable dated 10 June 2015 to DFS, UNAMID recommended that the United Nations ceases payment for the related equipment at a reasonable date (such as the end of May 2015), on which departure from Port Sudan should have taken place, and that all storage fees and losses incurred by the contractor should be recovered from the Member State. MCMS stated that the matter was discussed with the Office

of Legal Affairs, which advised that it was within the rights of the United Nations to start recovering the additional reimbursement from other payments due to the Member State.

17. The United Nations stopped reimbursement for the concerned COE from January 2016 and was assessing the total cost that needed to be recovered. On 22 June 2017, UNAMID again requested the recovery of costs related to the delayed repatriation, including COE reimbursement (amounting to \$1.4 million approximately) made for the period from 26 May to 31 December 2015.

18. Although this case had been discussed within the United Nations and with the concerned Member State, the additional reimbursement costs had still not been recovered because there were no clear guidelines for dealing with this scenario.

(1) DFS should: (i) develop guidelines on the reimbursement for contingent-owned equipment (COE) when their repatriation is delayed due to troop and police contributing countries' own actions that are not directly related to United Nations operations; and (ii) recover from the concerned Member State additional reimbursements and other costs incurred after 26 May 2015 due to delayed repatriation of COE from UNAMID.

DFS accepted recommendation 1 and stated that it was reviewing the circumstances of the delayed repatriation with the help of the Office of Legal Affairs and would further engage with the Government of the concerned Member State if recovery is needed. Recommendation 1 remains open pending promulgation of guidelines on reimbursements of COE during periods of delayed repatriation, and notification of the outcome on action taken to recover additional costs from the concerned Member State.

(b) Effective date to apply reduced reimbursement rates for COE no longer operationally required

19. MOUs are amended from time to time to reflect the changing requirements of missions. While the COE Manual specifies that upon cessation of operations or termination of a field mission reimbursement of COE is calculated at 50 per cent of the established rates until the equipment is repatriated, there is no clear guidance on the effective date to apply the reduced rates for equipment identified as no longer operationally required. In practice, they are reimbursed at the full rate until the date the reduced requirement is agreed with all relevant parties including the T/PCC, and the MOU is amended. This can be a few months later.

20. In 3 out of a sample of 10 changes in operational requirement for major equipment during the audit period, OIOS noted that \$408,000 could have been saved had reduced reimbursement rates been applied on the dates new operational requirements for COE were determined by the United Nations. This is detailed in Table 2.

Table 2: Potential financial impact from the difference between actual date of reduced requirement and MOU amendment date

MOU reference	Contingent Unit	Document detailing new COE requirement	Date of new COE operational requirement	Effective date of revised MOU	Estimated difference on COE reimbursement \$
DFS/MINUSTAH/URU/02	Infantry Battalion II	SUR	24/12//2014	01/10/2015	154,000
DFS/MINUSTAH/BRA/02	Engineering (Vertical) Company	SUR	30/06/2015	01/10/2016	125,000
DPKO/UNMIL/CPR/01	Transport and Maintenance Company	UNMIL Facsimile	30/09/2015	01/01/2016	129,000
Total					408,000

Notes: SUR: Statement of Unit Requirement; UNMIL: United Nations Mission in Liberia

21. The case by case negotiation of the effective date of reduced requirements might lead to ineffective use of resources and inequitable COE reimbursements among T/PCCs.

(2) DFS should develop guidelines to determine the effective date to apply the reduced reimbursement rates for contingent-owned equipment determined to be no longer operationally required.

DFS accepted recommendation 2 and stated that it was necessary to secure the agreement of all parties for any MOU amendments including their effective dates. Nevertheless, clarification and guidance were needed to ensure a consistent, equitable and transparent process for determining the effective date of the revised/amended MOU regarding changes to the level of equipment for reimbursement purposes. Recommendation 2 remains open pending receipt of the relevant guidelines.

(c) Reimbursement for non-serviceable major equipment in case of cessation of operations

22. Chapter 2 of the COE Manual states that reimbursement should be limited to those items of serviceable equipment agreed to by the United Nations. While this provision was applied accurately during normal operations, non-serviceable COE were reimbursed after cessation of operations based on MCMS interpretation of a provision in Chapter 4 of the Manual, which states that reimbursement of major equipment will be calculated at 50 per cent of the rates agreed in the MOU until equipment departure date. Therefore, non-serviceable equipment that had not been reimbursed prior to cessation of operations were reimbursed at 50 per cent thereafter, even though they had not been repaired. For example, an amount of \$294,717 had been deducted from payment to a Member State’s Infantry Battalion in UNAMID for non-serviceable equipment in the first quarter of 2016. The battalion ceased operations in April 2016, but no deductions were made for the non-serviceable equipment for the following three quarters until the COE was repatriated in December 2016. It was therefore estimated that the TCC was paid \$442,076 for this non-serviceable equipment over the nine months between cessation of operations and repatriation. These payments were made even though the verification reports indicated that the equipment was non-serviceable.

23. MCMS confirmed that it has been an established practice to reimburse for non-serviceable major equipment after cessation of operations, because the equipment would nevertheless have become non-serviceable while they were being prepared for repatriation. However, OIOS is of the opinion that the reimbursement after the date of cessation should not include non-serviceable equipment which had been excluded from payment before that date. In addition, reimbursing for non-serviceable equipment may not provide incentive to T/PCCs to maintain serviceable equipment during the period immediately before cessation of operations.

- (3) DFS should develop a clear policy regarding the reimbursement of contingent-owned equipment identified as non-serviceable prior to the cessation of operations of troop/police contributing countries.**

DFS accepted recommendation 3 and stated that this issue was currently being reviewed as part of the Reimbursement and Payment Solution (RAPS) Umoja UE2 project that will replace the GCMS platform currently in use for processing COE claims calculations. Recommendation 3 remains open pending development of guidelines on reimbursement of non-serviceable COE after cessation of operations.

B. Calculation and certification of COE reimbursements

Controls over service entry sheets in Umoja needed improvement

24. OIOS reviewed 70 claims amounting to approximately \$20 million and noted that in general, there were adequate and effective controls for calculating and certifying COE reimbursements. The calculations were accurate and based on signed MOUs, verification reports prepared by field missions and signed by representatives of the T/PCCs, and appropriate rates approved by the General Assembly. Calculations were done within the quarter and designated MCMS officials duly approved and certified the calculations.

25. OIOS conducted further analytical reviews, such as: (i) reconciliation of SES created in Umoja to GCMS claim data; (ii) review of outstanding SES; and (iii) identification and review of claims that had more than one SES. The analytical review focused on SES because it is a key document that confirms services rendered by T/PCCs in Umoja. The review identified a need for improved control over the SES, as below:

- (a) Duplicate SES were approved

26. The SES is created by MCMS staff and approved by a designated certifying officer in MCMS. OIOS noted that MCMS had duplicated five SES, one of which amounting to \$152,618 was erroneously paid. OIOS advised MCMS of this error, and in January 2018, MCMS informed the concerned TCC and recovered the overpayment. While this type of error was an exception, had MCMS reviewed and reconciled SES with COE claims periodically in addition to the existing procedures, it could have been detected and resolved.

- (b) Long outstanding SES needed to be reviewed for appropriate actions

27. Some SES created in Umoja were not used for payment purposes for various reasons including creation of replacement SES and revision of some SES amounts to zero, indicating that they were no longer needed. However, they were not routinely reviewed and deleted from Umoja on a timely basis to avoid the risk of accidental processing and incorrect COE payment. This resulted in the accumulation of long outstanding SES as shown in Table 3:

Table 3: Outstanding Service Entry Sheets in Umoja as of 31 December 2017

Year	Number of unapproved SES	Aggregate Amount \$
2016	10	903,597
2017	42	3,197,385
Total	52	4,100,982

- (4) DFS should take steps to strengthen the controls over service entry sheets (SES) created in Umoja to process reimbursement of contingent-owned equipment (COE), including periodic review and reconciliation of SES with COE claims and regular review of outstanding SES.**

DFS accepted recommendation 4 and stated that several business requirements to strengthen controls over SES had been incorporated in the planning and design of the RAPS system currently being developed. Until its implementation, manual reviews and reconciliations would be conducted at the end of each quarter to monitor and detect SES that need to be adjusted/deleted. Recommendation 4 remains open pending receipt of evidence of implementation of the strengthened control process over SES.

C. Coordination and communication

Communications with T/PCCs on COE reimbursements were adequate

28. The COE Manual provides that T/PCCs should be informed of the status of COE claims upon request. Nevertheless, MCMS has been informing T/PCCs about the status of newly certified COE claims and associated remittances on a quarterly basis, while providing the status of past and off-cycle claims when requested. Quarterly briefings were organized to provide an overview of COE reimbursements and new developments such as revised rates and equipment recognition criteria to permanent missions of T/PCCs to the United Nations. MCMS was also available to discuss with representatives of T/PCCs as needed. OIOS therefore concluded that communications with T/PCCs on COE reimbursements were adequate.

Year-end accrual for COE reimbursements may be understated

29. With the adoption of the International Public Sector Accounting Standards, the financial statements of the Organization are prepared and presented under the accrual basis of accounting, which requires that transactions and events are recorded and recognized in the financial statements of the period to which they relate.

30. FBFD informed the Controller in September 2017 that due to budget constraints, an aggregate amount of \$16.5 million was not accrued in Umoja for COE reimbursement at the end of the financial year 2016/17. Additionally, there were deployed contingent units for which purchase orders for the related COE had not been created at the end of the financial year. OIOS noted two such cases for which the maximum potential liabilities that could have accrued was \$5 million at the end of the 2016/17 financial year. This could lead to understatement of the accrual for COE reimbursement. However, as the amounts were not material in the context of the financial statements, OIOS did not make a recommendation on this matter.

D. Performance management

FBFD needed to streamline efforts to ensure timely signing of MOUs

31. Chapter 2 of the COE Manual states that one of the goals of the reimbursement system is to have an MOU signed by the T/PCC and the United Nations prior to deployment to specify the obligations of each party related to personnel, major equipment and self-sustainment. As such, DFS result-based budgets includes timely finalization of MOUs as one of the performance indicators (within 90 days of deployment). FBFD is tasked with coordinating and finalizing MOU negotiations with Member States.

32. At the time of the audit, there were 39 unsigned MOUs, some of which had been outstanding since 2013. Four out of the 12 outstanding MOUs reviewed by OIOS were under negotiations with T/PCCs. Another five had been drafted and were awaiting internal clearance by counterparts in the Logistics Support Division of DFS, field missions or the Department of Peacekeeping Operations. According to MCMS, many factors contributed to the delays in signing MOUs including changes in staff at both MCMS and counterpart offices and lack of urgency to respond to requests for additional information or to clarify matters, especially when contingent units had already deployed to field missions.

33. Some contingent units repatriated without signed MOUs making it difficult for MCMS to retrospectively negotiate the MOU for calculation of COE reimbursements, especially when there had been changes to the unit's COE requirements during the term of deployment. It was also difficult to correctly determine amounts to be recognized as payable to T/PCCs in the Organization's year-end financial statements. In the absence of a signed MOU, the United Nations would not have any formal agreements with T/PCCs on the non-financial provisions in the MOU such as prevention of sexual exploitation and abuse, which therefore limits proper avenues for recourse in the event of a disagreement.

34. FBFD explained that it had strengthened the monitoring and follow-up arrangement for signing MOUs. For example, FBFD had established an escalation mechanism whereby the Director was informed when MOUs were outstanding for more than 18 months and the audit noted that discussions were held with T/PCCs accordingly. However, as MCMS had not instituted an adequate tracking mechanism for each stage of the MOU review and approval process, records were not available to determine how long MOUs had been with various internal parties to trigger a follow-up action.

(5) DFS should strengthen the internal processes for reviewing and approving memoranda of understanding with troop and police contributing countries, including: (i) establishing expected timelines for internal review and clearance of draft documents; and (ii) monitoring and reporting delays to senior management for necessary actions.

DFS accepted recommendation 5 and stated that detailed timelines for each step leading to negotiation and signing of MOUs, together with the monitoring, reporting and escalation mechanism, would be incorporated in the revised standard operating procedure on the MOU process that is currently being updated. Recommendation 5 remains open pending receipt of the revised standard operating procedure.

The target for timely processing of quarterly COE claims was generally met

35. DFS performance indicators in result-based budgets aim at assessing and processing COE reimbursement claims within three months of the end of the relevant quarter. Certified claims are limited to those for which MOUs and verification reports have been signed.

36. MCMS processed about 700 COE claims each quarter, most of which were processed within the timeline. At the time of the audit, there were only nine overdue COE claims. Nevertheless, it was determined that the current information management system, GCMS, had limitations in extracting, reporting and presenting data for management purposes, and these issues are expected to be addressed in the replacement system, RAPS. As such, OIOS did not make a separate recommendation on this matter.

Timelines are needed for each stage in processing claims for loss and damage of COE from hostile actions

37. As part of its mandate and for reporting purposes on behalf of DFS, MCMS registers in GCMS all claims related to provision of goods and services to peacekeeping operations by Member States. These

include claims relating to packing materials, inland transportation and damage during transportation, in addition to loss and damage of COE from hostile action that MCMS is responsible for.

38. As of December 2017, there were 83 claims totaling \$10 million in the Pending Reports that were more than one year old. They included one large claim of \$753,000 related to loss and damage of COE from hostile action in the United Nations Multidimensional Integrated Stabilization Mission in Mali in 2016. Although the procedure to process this type of claim is well defined in the COE Manual, the claim had been outstanding for two years because there were no established timelines for each sub-process to enable the parties involved to share the same understanding of their time-bound responsibility, and for effective monitoring and follow-up.

(6) DFS should establish the expected timelines for processing claims for loss or damage of contingent-owned equipment from hostile action to facilitate effective follow-up.

DFS accepted recommendation 6 and stated that it had significantly cleared the backlog of claims for loss or damage of COE due to hostile actions. A few claims were outstanding pending receipt of missing information from TCCs or Board of Inquiry/Investigations reports, which DFS was following up. DFS would develop timelines for processing these types of claims considering the time needed for supporting documents to be made available. Efforts were also being made to design a possible technical solution to automate the calculations of such claims. Recommendation 6 remains open pending establishment of expected timelines for each stage of the process to certify claims for loss or damage to COE caused by hostile action.

IV. ACKNOWLEDGEMENT

39. OIOS wishes to express its appreciation to the management and staff DFS 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 reimbursements for contingent-owned equipment by the Department of Field Support

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	DFS should: (i) develop guidelines on the reimbursement of contingent-owned equipment (COE) when their repatriation is delayed due to troop and police contributing countries' own actions that are not directly related to United Nations operations; and (ii) recover from the concerned Member State additional reimbursements and other costs incurred after 26 May 2015 due to delayed repatriation of COE from UNAMID.	Important	O	Promulgation of guidelines on reimbursements of COE during periods of delayed repatriation, and notification of the outcome on action taken to recover additional costs from the concerned Member State.	31 March 2020
2	DFS should develop guidelines to determine the effective date to apply the reduced reimbursement rates for contingent-owned equipment determined to be no longer operationally required.	Important	O	Promulgation of guidelines on determining the effective date of reduced reimbursement rates for COE that are no longer operationally required.	31 March 2020
3	DFS should develop a clear policy regarding the reimbursement of contingent-owned equipment identified as non-serviceable prior to the cessation of operations of troop/police contributing countries.	Important	O	Promulgation of guidelines on reimbursement of non-serviceable COE after cessation of operations.	31 March 2020
4	DFS should take steps to strengthen the controls over service entry sheets (SES) created in Umoja to process reimbursement of contingent-owned equipment (COE), including periodic review and reconciliation of SES with COE claims and regular review of outstanding SES.	Important	O	Submission of evidence of implementation of a strengthened control process over SES.	31 March 2020
5	DFS should strengthen the internal processes for reviewing and approving memoranda of understanding with troop and police contributing	Important	O	Promulgation of the revised standard operating procedure on the MOU process that includes	31 March 2020

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 DFS in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of reimbursements for contingent-owned equipment by the Department of Field Support

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	countries, including: (i) establishing expected timelines for internal review and clearance of draft documents; and (ii) monitoring and reporting delays to senior management for necessary actions.			timelines, and the monitoring, reporting and escalation mechanism.	
6	DFS should establish the expected timelines for processing claims for loss or damage of contingent-owned equipment from hostile action to facilitate effective follow-up.	Important	O	Establishment of expected timelines for each stage of the process to certify claims for loss or damage to COE caused by hostile action.	31 March 2020

APPENDIX I

Management Response



UNCLASSIFIED

Immediate

TO: Ms. Muriette Lawrence-Humes, Chief, New York Audit
A: Service, Internal Audit Division
OIOS

DATE: NOV 02 2018

REFERENCE: 2018.UNHQ.AR-BOI.MEMO.137804.2

THROUGH:
S/C DE:

FROM: Lisa Buttenheim, Assistant Secretary-General
DE: for Field Support

A handwritten signature in blue ink, appearing to be 'LH' or similar initials.

SUBJECT: **Draft report on an audit of reimbursements for contingent-owned equipment by the**
OBJET: **Department of Field Support (Assignment No. AP2017/615/05)**

1. I refer to your memorandum, dated 3 October 2018, regarding the above-mentioned audit. We note that OIOS has substantially taken into account our comments provided earlier. Please note that DFS does not have further comments on the findings in the report. We have, however, updated Appendix I to reflect the individual responsible for the implementation of the recommendations with the deadline.
2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Cynthia Avena-Castillo

Management Response

Audit of reimbursements for contingent-owned equipment by the Department of Field Support

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	DFS comments
1	DFS should: (i) develop guidelines on the reimbursement of contingent-owned equipment (COE) when their repatriation is delayed due to troop and police contributing countries' own actions that are not directly related to United Nations operations; and (ii) recover from the concerned Member State additional reimbursements and other costs incurred after 26 May 2015 due to delayed repatriation of COE from UNAMID.	Important	Yes	Director, FBFD	First quarter of 2020	(i) DFS' comments are reflected in the report. (ii) DFS' comments are reflected in the report.
2	DFS should develop guidelines to determine the effective date to apply the reduced reimbursement rates for contingent-owned equipment determined to be no longer operationally required.	Important	Yes	Director, FBFD	First quarter of 2020	DFS' comments are reflected in the report.
3	DFS should develop a clear policy regarding the reimbursement of contingent-owned equipment identified as non-serviceable prior to the cessation of operations of troop/police contributing countries.	Important	Yes	Director, FBFD	First quarter of 2020	DFS' comments are reflected in the report.

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.

Management Response

Audit of reimbursements for contingent-owned equipment by the Department of Field Support

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	DFS comments
4	DFS should take steps to strengthen the controls over service entry sheets (SES) created in Umoja to process reimbursement of contingent-owned equipment (COE), including periodic review and reconciliation of SES with COE claims and regular review of outstanding SES.	Important	Yes	Director, FBFD	First quarter of 2020	DFS' comments are reflected in the report.
5	DFS should strengthen the internal processes for reviewing and approving memoranda of understanding with troop and police contributing countries, including: (i) establishing expected timelines for internal review and clearance of draft documents; and (ii) monitoring and reporting delays to senior management for necessary actions.	Important	Yes	Director, FBFD	First quarter of 2020	DFS' comments are reflected in the report.
6	DFS should establish the expected timelines for processing claims for loss or damage of contingent-owned equipment from hostile action to facilitate effective follow-up.	Important	Yes	Director, FBFD	First quarter of 2020	DFS' comments are reflected in the report.