



INTERNAL AUDIT DIVISION

REPORT 2023/043

Audit of the management of cash-based interventions in UNHCR response to the Ukraine crisis

Management of cash-based interventions was generally adequate, with some areas in need strengthening for increased efficiency and effectiveness

21 September 2023

Assignment No. AR2022-121-02

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EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of cash-based interventions in United Nations High Commissioner for Refugees (UNHCR) response to the Ukraine crisis. The objective of the audit was to assess whether UNHCR's management of cash assistance for the Ukraine situation was adequate, efficient and effective in meeting the needs of affected populations. The audit covered the period from 24 February to 31 December 2022 and included the following functions for CBI activities: (a) programme planning and design; (b) programme delivery; (c) programme monitoring, including feedback mechanisms; and (d) coordination and partnerships.

UNHCR rapidly scaled up its operations and established a Cash Hub to support the provision of cash assistance by the Representations in Moldova, Poland, Slovakia, and Ukraine. UNHCR was thus able to make the first cash disbursement of life-saving assistance to affected populations within weeks of the crisis. The audit found that the management of cash assistance in the four Representations was generally adequate. For instance, the four Representations established eligibility criteria and targeting methods to support the identification of beneficiaries, and the audit could confirm directly with a sample of beneficiaries that cash assistance was being received.

The audit also identified the following areas where controls needed to be strengthened for increased efficiency and effectiveness in managing CBI: (a) assessment of sufficiency of cash assistance amounts; (b) integration of CashAssist with other UNHCR corporate systems and with Financial Service Providers (FSP) systems; (c) management of FSPs; (d) mechanisms for receiving and managing feedback and complaints about the interventions; and (e) inclusion of the affected populations into national social programming. The first two areas were also identified by the Board of Auditors in its 2020 report.

OIOS made six recommendations. To address issues identified in the audit, UNHCR needed to:

- Review the sufficiency of cash assistance amounts in Moldova and Ukraine based on operational contexts.
- Ensure full integration of CashAssist with the Enterprise resource Planning (ERP) and FSP systems; and enhance related data capture and traceability of transactions through the provision of a data dictionary for CashAssist.
- Strengthen processes for: (i) timely and accurate invoicing by FSPs; (ii) timely recording of related service fees in the ERP system; and (iii) the review of contract amendments to safeguard its interests.
- Implement an action plan to address delays in the disbursements of cash assistance and eliminate payments to absent beneficiaries and tardy recovery of the unclaimed funds from FSPs.
- Strengthen awareness of feedback mechanisms on cash assistance among the affected populations.
- Support the respective Governments in strengthening their national social protection infrastructure and promoting the inclusion of the affected populations into national social programming.

UNHCR accepted all recommendations, implemented two recommendations and initiated actions to implement the remaining ones. Actions required to close the recommendations are indicated in Annex I.

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Audit of the management of cash-based interventions in UNHCR response to the Ukraine crisis

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of cash-based interventions (CBI) in the United Nations High Commission for Refugees (UNHCR) response to the Ukraine crisis.

2. The escalation of the armed conflict in Ukraine on 24 February 2022 caused mass displacements of persons to neighboring countries as refugees, and within the country as internally displaced persons (IDPs). This happened within a month of the escalation, with displaced persons remaining highly mobile. In response to the displacements, on 25 February 2022 UNHCR declared a Level 3 emergency for Ukraine and a Level 2 emergency for Poland, Moldova, Slovakia and other neighboring countries. This was subsequently elevated to Level 3 on 15 March 2022. The emergency declaration expired on 5 March 2023 for Ukraine, and on 31 December 2022 for the other countries.

3. Between March and 31 December 2022, the UNHCR Representations in Ukraine, Poland, Moldova and Slovakia disbursed \$448 million to beneficiaries, as shown in Table 1.

Table 1. Cash disbursed to beneficiaries in the four countries audited.

Operation	Beneficiaries assisted	Cash disbursed (\$ millions)	Per cent disbursed (Percentage)
Ukraine	1,012,158	251	57
Poland	292,715	126	28
Moldova	107,705	61	13
Slovakia	29,366	10	2
Total	1,441,944	448	100

4. On 10 March 2022, the Regional Bureau for Europe (RBE), supported by the Division of Financial Administrative and Management (DFAM) and Division of Resilience and Solutions (DRS), established a Geneva-based Cash Hub to manage and oversee the cash transfer programmes to country operations affected by the Ukraine emergency. The Cash Hub worked with the operations to ensure that cash assistance was provided in accordance with the Administrative Instruction on the Financial Procedures for Cash-Based Interventions, UNHCR/AI/2017/15 (hereinafter referred to as 2017 CBI Instructions). This administrative instruction was superseded by the 2023 Administrative Instruction on the Financial Management and related Risks for Cash-Based Interventions (hereinafter referred to as 2023 CBI Instructions).

5. The operations used CashAssist, UNHCR's corporate application, designed to calculate cash assistance and prepare and execute payments to beneficiaries through its integration with the Financial Service Providers' (FSP) systems. CashAssist obtained beneficiaries' data from ProGres v4 system and prepared a cash plan (payment list or distribution list) against which payments were made to beneficiaries. In 2022, UNHCR prepared 908 cash plans against which 2.7 million payments were made to beneficiaries. OIOS audited 323,700 payment records, equivalent to 12 per cent of all the payment records.

6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether UNHCR’s management of cash assistance for the Ukraine situation was adequate, efficient and effective in meeting the needs of affected populations.

8. This audit was included in the 2022 risk-based work plan of OIOS due to the significant scale up of cash payments made to displaced persons following the Ukraine armed conflict.

9. OIOS conducted this audit from December 2022 to May 2023. The audit covered CBI management from 24 February to 31 December 2022, in the Representations in Moldova, Poland, Slovakia and Ukraine, and the technical and operational support provided by the Cash Hub. Based on an activity-level risk assessment, the audit covered the following higher and medium risk functions for CBI activities: (a) programme planning and design; (b) programme delivery; (c) programme monitoring, including feedback mechanisms; and (d) coordination and partnerships.

10. The audit methodology included: (a) interviews of key UNHCR staff and partner personnel; (b) review of operational and financial documentation; (c) analytical review of financial data and documentation from Managing for Systems, Resources and People (MSRP), ProGres v4 and CashAssist systems; (d) confirmation of cash assistance by beneficiaries; and (e) sample testing of controls.

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

III. AUDIT RESULTS

A. Programme planning and design

The Representations established eligibility criteria and targeting methods

12. The Representations in Moldova, Poland and Slovakia established eligibility criteria and targeting methods in their respective Standard Operating Procedures (SOPs). Potential beneficiaries in Poland were asked to register their interest in cash assistance. The Representation had by 31 May 2022 received 470,000 applications representing 968,000 individuals, which was much higher than the 360,000 individuals targeted for cash assistance. Thus, from 14 June 2022 the Representation in Poland reviewed its broad eligibility criteria and made it more targeted to reach the most vulnerable. The Representation in Ukraine did not have restrictions when providing cash between March to May 2022. Due to the urgency of rolling out the cash programme at scale, soft-targeting criteria were applied using the “no-regrets” approach¹. A strict implementation of eligibility criteria was introduced from 6 June 2022.

Need to review the sufficiency of cash assistance amounts

13. Due to the sudden onset of the emergency, only high-level needs assessments and market analyses were conducted to inform the design of the cash-based interventions. These preliminary assessments were later supplemented or to be supplemented by more comprehensive assessments:

- The Cash Working Group (CWG) in Ukraine conducted joint market-monitoring-initiatives in April 2022 to obtain data on price trends and market functionality indicators.

¹ An unrestricted and community-based targeting approach in which a strict, protection-based eligibility criteria was not applied.

- Poland based its initial response on secondary data and a limited rapid needs assessment conducted by one CWG member in March 2022. It intended to adjust the response once updated information became available. In fact, it was planning to conduct a multi-sectoral needs assessment which would help with the decisions on transfer amounts.
- The CWG in Moldova conducted a multi-sectoral needs assessment in July 2022, four months after CBI implementation. A market assessment and monitoring were important for Moldova considering the economic challenges the country was facing following the COVID-19 pandemic and the effect of sanctions imposed on Russia. Most respondents to Post-Distribution Monitoring (PDM) highlighted increased prices in July, September and November 2022. The Representation was engaging a company to conduct a market assessment in 2023.
- Slovakia conducted a multi-sectoral needs assessment between June and August 2022.

14. The four operations set different transfer values (cash transfer amounts) in response to their country contexts:

- The Ukraine CWG endorsed a transfer value of \$73 per person per month, based on the projected minimum expenditure baskets for April 2022. However, 61 and 90 per cent of the PDM respondents in June and December 2022 respectively, reported increased prices of items. Attempts to revise the transfer value following consultations with the Government were unsuccessful, due to a misalignment with the national social scheme.
- The Poland CWG established a monthly transfer value of \$156 for the first household member and \$133 for additional members (up to a maximum of four persons), in alignment with the Government of Poland basic subsistence estimates. The CWG had plans to revise the value in 2023.
- Moldova planned to use the results of the 2023 market assessment and ongoing monitoring exercises to inform transfer values in response to changes in prices amongst other things.

15. Operations needed to use information from needs assessments, market assessments and monitoring to assess the sufficiency of transfer values in mitigating protection risks in the different country contexts.

(1) The UNHCR Regional Bureau for Europe, in close collaboration with the relevant operations, should: (a) facilitate completion of the market assessment in Moldova by the Cash Working Group; and (b) support the review of the sufficiency of the transfer values in Moldova, Poland and Ukraine based on their respective operational contexts, and revise the values where necessary in coordination with the relevant Government authorities.

UNHCR accepted recommendation 1 and stated that: (a) the cash working group (CWG) completed the market assessment in Moldova and the revision of transfer value was ongoing, supported by the market assessment. In Ukraine, proposed revision of the transfer value by the CWG in October 2022 was unsuccessful. In a second attempt, an analysis was presented to the Humanitarian Country Team along with proposed transfer value and was endorsed on 17 August 2023. The Europe Bureau supported the Poland operations in the revision of transfer values, and new values were introduced in July 2023.

B. Programme delivery

CashAssist

Inadequate integration of CashAssist with other corporate systems

16. The use of CashAssist is mandatory for all operations according to the 2023 CBI Instructions. Prior to the 2023 instructions, related guidance is contained in the 2017 Administrative Instruction on the

Financial Procedures for CBIs. When fully integrated with other UNHCR corporate systems and FSP systems, CashAssist is meant to ensure full traceability and enhance internal controls by providing end-to-end process flows embedded in the systems.

17. The UNHCR CBI strategy requires that CashAssist interfaces effectively with other corporate systems and be interoperable with those for FSPs. However, there was a lack of interoperability between CashAssist and MSRP which led to delayed reconciliations, and affected timely recording, reporting and clearance of open items. Furthermore, the refund to UNHCR of the amounts transferred to FSPs that were not disbursed to beneficiaries was also affected by these delayed reconciliations. As recommended in the 2020 Board of Auditors' report, CashAssist's comprehensive set of integrated system functionalities and standardized processes should have been utilized to reduce manual interventions. The Cash Hub explained that Cloud ERP and CashAssist integration is part of the Oracle Cloud project whose implementation was slotted in the September 2023 rollout.

18. There was an unreconciled difference of \$71 million² between the global payment figures recorded in CashAssist and MSRP at the time of the audit. This was contrary to the SOPs that required that the Cash Hub reconcile total payments recorded in CashAssist to MSRP expense amounts and follow up and resolve any discrepancies. Subsequently, the Cash Hub stated that the unreconciled amounts reduced to \$1 million as of July 2023. Delays in reconciliations impacted the effectiveness of CashAssist as an end-to-end cash management system.

Limited integration of CashAssist with FSP systems

19. Cash was transferred through six FSPs for onward delivery to beneficiaries, i.e., FSP1, FSP2 and FSP3 in Ukraine, FSP4 in Poland, FSP5 in Moldova, and FSP3 and FSP6 in Slovakia. UNHCR shared CBI data with the FSPs in one of three ways: (i) integration of CashAssist with FSP as was the case with FSP6; (ii) uploading of a payment list obtained from CashAssist into the FSP platform as was the case with FSP4 and FSP5; and (iii) securely sharing of a payment list with the FSP as was seen with non-bank FSPs, i.e., FSP1, FSP2 and FSP3. Per the Cash Hub's SOPs, payments uploads and release of files and funds to the FSP was done by the RBE and Treasury on the Financial Gateway and FSP online portals.

20. The lack of required integration between UNHCR and FSP systems resulted in errors and administrative inefficiencies. For example, the Cash Hub made duplicate payments for the same cash plan/payment list for 10,619 beneficiaries in Poland totaling \$1.5 million in June 2022. These beneficiaries received two payments, although the second one was meant for a different list of beneficiaries. This error was noticed a week later, and a corrective cash plan was processed to pay affected beneficiaries 10 and 17 days later. In addition to the lack of integration, the erroneous payment also reflected a breakdown of controls over the review of payment lists by the Cash Hub prior to uploading them onto the bank portal for payment.

21. FSP1 systems were not fully integrated with UNHCR systems and thus made use of an application programming interface connection. The FSP transferred \$229 million (51 per cent) of the total CBIs in the four Representations. There were technical challenges in sharing files between CashAssist and this non-bank FSP's systems, which led to delays in transferring cash to beneficiaries. For example, payments to 92,947 beneficiaries totaling \$8 million that should have happened between 11 October and 17 November 2022 were only made between mid-February and March 2023 (3-4 months later). Similar integration problems were encountered with the other two non-bank FSPs, i.e., FSP2 and FSP3. The Cash Hub attributed this to limited time available to prepare and integrate CashAssist with the FSPs' systems.

² According to the CBI vouchers data extracted on 12 February 2023 from MSRP for the period from 24 February to 31 December 2022; and payment records in CashAssist at the same date.

However, this could have been rectified thereafter considering that it was over a year since the onset of the emergency.

Data quality issues in CashAssist and proGres v4

22. Data quality issues in various fields of CashAssist and proGres v4 compromised the reliability and traceability of information contained therein. For example:

- The ‘delivery date’ was not the date when the cash payment was made but an estimated timeline in CashAssist, when the cash would reach the beneficiary.
- There were also many data input errors, e.g., dates were recorded in the ‘dd/mm/yyyy’ sequence instead of the prescribed ‘mm/dd/yyyy’ date format hence capturing different timelines from what was intended.
- The field “entitlement card issuance date” in proGres v4 did not reflect the actual time when the card was issued and the data in “dispersion date” field in CashAssist was unrelated to the date of cash dispersion.

23. The issues above were caused by the lack of a data dictionary to guide users on the recording of data in the relevant fields, thereby weakening the controls which the system was supposed to support. Recording incorrect or irrelevant data also affected audit trail of information in the CashAssist system. For instance, the lack of a data dictionary for CashAssist created challenges for the auditors in matching the data recorded against the intended purpose of the field.

(2) The UNHCR Division of Financial and Administrative Management, in coordination with the Division of Resilience and Solutions, should institute arrangements that: (a) enable full integration of CashAssist with the Enterprise Resource Planning system; (b) facilitate seamless integration of CashAssist with the Financial Service Providers' systems through technical solutions; and (c) provide a data dictionary for CashAssist to support accurate data capture and ensure full traceability of transactions.

UNHCR accepted recommendation 2 and stated that: (a) Integration of CashAssist with the ERP system was part of the Oracle Cloud project and full integration was expected by 31 December 2023; (b) a Financial Gateway has been put in place through which FSPs would be progressively connected to achieve proper integration; and (c) UNHCR developed a data dictionary for CashAssist.

Financial Service Providers (FSPs)

24. Through a variety of assistance channels, FSPs provided UNHCR the flexibility to deliver cash assistance to beneficiaries at scale and with speed. To ensure that delivery arrangements were fit for purpose in each context, the modalities of cash delivery varied across the four Representations and from one FSP to another. Some FSPs: (i) directly transferred money into the beneficiary’s bank accounts; (ii) effected cash payments over the counter; (iii) provided beneficiaries with prepaid cards which were used for making payments and withdrawing money from Automated Teller Machines (ATMs); and (iv) provided beneficiaries with unique codes on their mobile phones that were used to withdraw money from ATMs.

FSPs’ challenges resulted in implementation inefficiencies, higher costs, and understatement of reported fees

25. While the other FSPs’ service fees were charged as a percentage of the actual cash delivered to beneficiaries, the fees of FSP3 were charged based on successful issuance of codes which allowed

beneficiaries to collect the assistance. This was regardless of whether the beneficiaries collected the cash or not. Consequently, the FSP was paid \$377,813 to disburse \$8 million in the two countries it operated in, \$123,639 of which was for cash that was not collected by the beneficiaries. Additionally, when assessed against other FSPs that charged between 0 and 1.1 per cent, FSP3's service fees represented 4.6 per cent of the cash disbursed and was the highest in the region.

26. Furthermore, due to problems with FSP3's invoicing system, operational inefficiencies, and difficulties in making payments, cash distribution of \$8 million in 2022 was pre-financed by FSP3 and reimbursed by UNHCR only by March 2023. However, the related service fees of \$377,813 remained unpaid as of May 2023 and was also not recorded in the 2022 financial statements. Similarly, the \$2.5 million service fees due to FSP1 had not been paid nor recorded in the financial statements for 2022, due to FSP1's operational challenges, thereby resulting in a combined understatement of FSP fees of \$2.9 million.

UNHCR extended FSP frame agreements using non-formal procurement methods

27. Due to the emergency, all the new FSPs were initially selected for one year through waivers to competitive bidding. After the first year, the operations extended the FSP frame agreements further by more than a year and increased the maximum ceiling amounts without conducting market assessments and a competitive bidding process. Considering that the emergency no longer existed, UNHCR should have conducted a formal solicitation process to identify other providers or extend FSP agreements. On the other hand, no specific agreement was entered into with FSP6 for provision of cash delivery services and FSP6 was used based on an existing corporate relationship. Contrary to the 2017 CBI Instruction, contracting for the additional services therefore did not follow the procurement regulation and rules. In addition, for the selection of FSP5, Regional Committee on Contracts (RCC) approval was obtained after implementation had been underway for more than three months.

28. Thus, there was a risk that the procurement process was not fair and competitive, and this increased UNHCR's exposure to service delivery failures and may not represent best value for money. UNHCR explained that this was necessitated by the emergency and the urgent need to deliver assistance, and that subsequently, it had commenced a competitive process, which was underway at the time of the audit. Based on the explanations received, the audit did not issue a recommendation in this regard.

Need to strengthen management of FSPs for improved performance, efficiency and economy

29. The RCC approved a one-year contract award for FSP1 to deliver cash services for a maximum ceiling amount in fees of \$880,000 in Ukraine.³ However, by 31 December 2022, FSP1 had delivered cash for a fee of \$ 2.5 million, substantially exceeding the maximum ceiling amount by 179 per cent and this, per UNHCR rules, required an amendment to the agreement which was not obtained. This was because FSP1 stepped in to deliver services when UNHCR faced challenges with FSP2 in Ukraine. The scale up of FSP1's contract also affected its performance, e.g., there were delays in providing confirmation reports (some of which were inaccurate) and preparing reconciliations, and this affected the timely execution of refunds to UNHCR.

30. FSP2 signed an agreement (under the exigency justification) to provide cash delivery services with an estimated price of UAH16 million (\$535,497) in the form of money orders in May 2017. The RCC retroactively approved a two-year extension of this contract on 7 July 2022, i.e., more than three months after FSP2 started delivering services. By which time, more than \$20 million had been paid to beneficiaries by the FSP. Moreover, the extension was done despite FSP2's limited technology and reporting capacity

³ The total maximum ceiling amount in service fees was \$2.4 million for Ukraine, Romania and Moldova.

and well-known performance challenges in prior years. For instance, it had cash stock-outs at withdrawal points and was delayed in preparing reconciliations and effecting refunds to UNHCR. Consequently, FSP2 was only able to transfer \$21 million of the contracted \$185 million to beneficiaries. FSP2's technical limitations necessitated manual interventions that resulted in errors and overpayments to 138 beneficiaries above their total entitlement by \$15,466.

31. The amendments to FSP2's agreement constituted material modifications to the previously approved contractual terms and conditions and should have been subjected to requisite approvals. For example, the new agreements introduced added terms such as estimated price, delivery fees and maximum ceiling amount, which were not clearly defined. Additionally, the revised contract noted that in case of a dispute that is not settled by means of negotiations, such dispute shall be settled by arbitration under the United Nations Commission on International Trade Law arbitration rules. It however also required that the arbitral tribunal be guided by the substantive laws of Ukraine, rather than the general principles of international commercial law.⁴

32. Furthermore, the agreement and its subsequent amendments did not make any reference to the mandatory annexes, in particular the United Nations General Conditions of Contract for Contracts for the Provision of Goods and Services. There was also no reference to protection of personal data, periodic reporting and reconciliation, complaints mechanism, code of conduct, etc. Additionally, the amended contract was not submitted for review by the Legal Affairs Service.

(3) The UNHCR Division of Financial and Administrative Management , in coordination with the Regional Bureau for Europe and Division of Resilience and Solutions, as Cash Hub entities, should strengthen management of Financial Service Providers (FSPs) by ensuring: (a) timely and accurate invoicing by FSPs to UNHCR; (b) timely recording of cash-based interventions service fees in the Enterprise Resource Planning system; and (c) a thorough review of FSP contract amendments and inclusion of relevant clauses in the United Nations General Conditions of Contract to safeguard the interests of UNHCR.

UNHCR accepted recommendation 3 and stated that there were a few delays in processing some of the 2022 FSP services fee charges, but the process had since been streamlined and strengthened and the planned integration of CashAssist, ERP and FSP systems would enhance UNHCR recognition of service fees related expenses. UNHCR contractual template, including General Terms and Conditions for FSPs, as specifically referred to, would be reviewed in consultation with Legal Affairs Service and DFAM.

Beneficiaries confirmed receipt of cash assistance

33. The Representations scaled up swiftly to make the first cash disbursement at the onset of the emergency. The operations in Moldova, Poland and Ukraine made their first cash disbursement in less than a month after the start of the emergency. All beneficiaries who were reachable when contacted by the auditors: (i) acknowledged receipt of the recorded transfer value; (ii) confirmed the personal information in proGres v4 (including the number of persons in their households); and (iii) provided feedback that the assistance was helpful.

There were irregular cash payments

34. The audit reached 89 (30 in Ukraine, 25 in Poland, 10 in Moldova and 24 in Slovakia) of the 168 beneficiaries (53 per cent) sampled in the four operations for confirmation of cash received. The other

⁴ As required in the United Nations General Conditions of Contract for Contracts for the Provision of Goods and Services

sampled beneficiaries (47 per cent) could not be reached. From the review of a sample of households in each Representation, the audit identified instances where the cash assistance provided was not consistent with the SOPs as follows:

- One of the 40 households reviewed in Moldova received double the winter top-up (extra \$153) than they were entitled to. The Representation attributed this overpayment to system errors. Another one of the 40 households received \$240 although it was ineligible⁵, due to what the Representation called an oversight.
- Additionally, 19 households in Poland received more than the prescribed transfer value (which were promised to beneficiaries at the time of their enrolment and before the launch of the programme). Their amounts were not adjusted after setting the country's transfer value, and excess payments totaling \$23,889 were made to them from March to June 2022.

Delays in delivery of cash assistance

35. There were delays in the provision of cash assistance to displaced persons. For example, as already mentioned in paragraph 21, 92,947 persons in Ukraine received cash assistance 3-4 months late. Additionally, due to capacity challenges with one of the FSPs, beneficiaries in Ukraine without bank accounts received their cash assistance with delays of up to six months. Some 2,866 beneficiaries who were enrolled in March and April 2022 received their assistance totaling \$396,360 eight months later, i.e., in December 2022. The primary feedback from PDM reports and the hotline in Ukraine was about delays in cash delivery and related matters.

36. As mentioned in paragraph 12, the expression of interest of 968,000 potential beneficiaries in Poland against the target of 360,000 reflected the needs were immense and time sensitive. Despite the CWG's consideration that the initial three-month period was critical, there were delays in enrolling refugees in the CBI when using UNHCR's Rapid Application whose data needed to be synchronized with proGres v4. For example, 348 households were affected by delays of 104 days on average, between their enrolment and receiving of cash. Moreover, due to inadequate planning, payment of winter cash assistance started three months late and in the last month of winter, i.e., in February 2023 instead of November 2022.

Payment of cash assistance to absentee beneficiaries

37. Most of the refugee populations in Moldova and Slovakia stayed for a short time and moved on to other European countries. In response to this, the Representation in Moldova started physical verification exercises in August 2022 for beneficiaries enrolled between March and July 2022. It was unable to verify the presence of 36 per cent of the refugees that had received monthly assistance between March and July 2022. This raised the risk that payments had been made to ineligible persons since the refugees were no longer in Moldovan territory. Although the prepaid cards could only be used in Moldova, it was possible that some people returned to withdraw the cash and/or had left their cards and personal identification number (PIN) with relatives or friends to make withdrawals.

38. The continued transfer of cash assistance into accounts of beneficiaries that were absent resulted in significant unclaimed balances on the prepaid cards. After verification and reconciliation, the Moldova Representation received \$3.6 million in November and December 2022 from 14,432 cards that were inactive between March and October 2022. An additional amount of \$55,000 was refunded on 7 March 2023. This was not an effective use of UNHCR funds because the amounts remained outstanding with FSP5 for long durations. Because fees were charged to transfer cash to absent recipients, this resulted in

⁵ As a household of only a 35-years old single male with no dependents and no specific protection needs

additional unnecessary costs to UNHCR. The FSP did not provide the Moldova Representation with reports on inactive card and bank accounts in a timely manner, which affected timeliness in recovery of unclaimed funds.

39. The Slovakia Representation conducted a physical verification exercise towards the end of the cash payments period, i.e., August and September 2022. It was only able to verify 12,510 of 30,770 “active” (41 per cent) of the individuals that received cash. Some 5,325 of the 15,927 individuals that did not show up during the verification exercise had not collected any of the four cash payments made through FSP3. These beneficiaries were easily identifiable because they had to collect the cash personally. FSP6 disbursed cash to beneficiaries’ accounts and could not identify those that had moved out of Slovakia, thereby raising the risk that absentees were able to receive the assistance.

Challenges in accessing cash in Poland

40. The FSP in Poland used technology where beneficiaries were provided with unique 9-digit code (blik codes) on their mobile phones that could be used to withdraw money at ATMs. The use of blik codes was common in Poland but new to Ukrainian refugees who found it difficult to use. For instance, one could not withdraw a portion of cash received as is the case with ATM cards because the blik code was considered ‘burned’ once used and could not be re-used to withdraw the remaining cash. To access outstanding balances, UNHCR had to reprocess another payment list for new blik codes to be generated.

41. In many instances, beneficiaries went without money when blik codes were used up or ‘burned’ and withdrawal transactions rejected without money being disbursed. During the audit period, the Poland Representation had to reprocess 35 of 177 cash plans due to erroneous transactions, and this increased the administrative workload of staff and resulted in payment delays. For example, 848 households received their assistance 73 days after their enrolment due to errors during withdrawal. The Cash Hub explained that this modality was selected over the use of cards due to a shortage of cards in the market and their regulation in Poland at the time of the emergency.

42. The CBI bank balance in Poland was depleted on 9 August 2022 with no cash available to pay 10,554 processed households that had received notifications to collect their money. While quick action was taken to replenish the bank account on the same day, more than 9,900 beneficiaries had already unsuccessfully attempted to obtain money from the bank and the long queues and congestion at the bank posed reputational risks to UNHCR. According to the Cash Hub this was an oversight caused by human error and mitigation measures were put in place.

(4) The UNHCR Regional Bureau for Europe in coordination with the Division of Resilience and Solutions and Division of Financial and Administrative Management, as Cash Hub entities, should implement an action plan to: (a) address delays in the disbursements of cash assistance, and (b) eliminate payments to absent beneficiaries and tardy recovery of the unclaimed funds from the financial service providers.

UNHCR accepted recommendation 4 and stated that: (a) the RBE in close coordination with DRS and DFAM has worked with operations to mitigate delays in the delivery of cash assistance through regular Cash Hub meetings and ad hoc engagements which address timeliness of processing and resolution of delays encountered. In addition, the Senior Programme CBI Officer has instituted a regular regional CBI meeting to monitor CBI transactions in the pipeline and for disbursement in each country; and (b) in-person verification exercises have reduced payments to absent beneficiaries and since November 2022, unclaimed funds are recovered from the FSP monthly.

C. Programme monitoring, including feedback mechanisms

Need to strengthen mechanisms for receiving feedback and complaints

43. All four Representations established various channels for receiving feedback and complaints regarding cash assistance, including conducting PDM. One of the most popular channels used by all the Representations was telephone hotline, referred to as counselling line in Poland and joint helpline in Slovakia. However, 27, 18, 50, and 60 per cent of PDM respondents in Ukraine, Moldova, Poland and Slovakia did not know the channels for contacting UNHCR and/or were unaware of available complaints and feedback mechanisms. In addition, 27 per cent of those who needed and tried to reach UNHCR through the hotline in Ukraine were unsuccessful, because the phone was not answered, or the line was busy.

44. While calls were a useful tool for identifying issues among displaced persons, the Representation in Poland did not respond to concerns raised through the counseling line in a timely and effective manner. For instance, issues reported by beneficiaries through the counseling center were not dealt with in detail to establish their root causes. Over 650 beneficiaries who were part of the 10,619 beneficiaries in Poland that did not receive their payments (detailed in paragraph 20) called the counselling line on the day payments were expected and more than 1,500 called during the week to report the incident, but it was not investigated for resolution in a timely manner. Similarly, over 800 refugees called the CBI counselling line to report the incident regarding the depleted bank balance, but the Representation did not investigate this.

(5) The UNHCR Regional Bureau for Europe should support the Representations in: (a) strengthening their feedback mechanisms on cash assistance including identification, swift resolution, and communication to the beneficiaries of the resolved issues; and (b) increasing awareness of the feedback mechanisms among the affected populations.

UNHCR accepted recommendation 5 and undertook substantial efforts to strengthen feedback mechanisms and corresponding awareness by beneficiaries including increasing staff capacity in Ukraine and Poland, introducing a new Customer-Relationship-Management system and an interactive payment status dashboard to provide timely feedback to the beneficiaries in Ukraine, using the Regional Call Centre in Budapest to receive calls for Poland, and launching a Communication Strategy in Slovakia.

D. Coordination and partnerships

Need to strengthen collaboration with key stakeholders to strengthen national social protection infrastructure

45. All the four countries established CWGs, which were inter-agency entities for operational coordination of cash assistance. Initially, UNHCR set out to provide a transitional safety net with payments to beneficiaries made for up to three months only. This would allow displaced persons to transition into national social assistance systems managed by Governments. However, this did not happen and UNHCR continued to provide assistance up to the time of this audit. In view of the challenging contexts in the operations, UNHCR should continue working with the respective governments, development partners, international and local actors to strengthen the national social protection infrastructure and its enabling environment, to pave the way for the inclusion of the affected populations into national social programming.

(6) The UNHCR Regional Bureau for Europe should work with the Representations in relevant countries to develop and implement plans for supporting the respective

Governments in strengthening the national social protection infrastructure and to promote the inclusion of the affected populations into national social programming.

UNHCR accepted recommendation 6 and stated that in line with the recommendation, the corresponding plans had been developed and were being implemented. Consistent with the RBE guidance on social protection, the four Country Operations have entered partnerships with the relevant Ministries of Labour and Social Protection to support social protection inclusion aligned with government temporary protection commitments.

IV. ACKNOWLEDGEMENT

46. 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.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the management of cash-based interventions in UNHCR response to the Ukraine crisis

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	C/ O ⁸	Actions needed to close recommendation	Implementation date ⁹
1	The UNHCR Regional Bureau for Europe, in close collaboration with the relevant operations, should: (a) facilitate completion of the market assessment in Moldova by the Cash Working Group; and (b) support the review of the sufficiency of the transfer values in Moldova, Poland and Ukraine based on their respective operational contexts, and revise the values where necessary in coordination with the relevant Government authorities.	Important	O	Receipt of documentary evidence of revision of transfer values in Moldova and Ukraine.	31 March 2024
2	The UNHCR Division of Financial and Administrative Management, in coordination with the Division of Resilience and Solutions, should institute arrangements that: (a) enable full integration of CashAssist with the Enterprise Resource Planning system; (b) facilitate seamless integration of CashAssist with the Financial Service Providers' systems through technical solutions; and (c) provide a data dictionary for CashAssist to support accurate data capture and ensure full traceability of transactions.	Important	O	Receipt of documentary evidence of full integration of CashAssist with the Enterprise Resource Planning and with Financial Service Provider systems.	31 December 2023
3	The UNHCR Division of Financial and Administrative Management, in coordination with the Regional Bureau for Europe and Division of Resilience and Solutions, as Cash Hub entities, should strengthen management of Financial Service Providers (FSPs) by ensuring: (a) timely and accurate invoicing by FSPs to UNHCR; (b) timely	Important	O	Receipt of documentary evidence of: (a) timely and accurate invoicing by Financial Service Providers, and timely recording of CBI service fees in the Enterprise Resource Planning system; and (b) review of the UNHCR contractual template, including United Nations General Terms and Conditions for the referred case.	31 December 2023

⁶ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁷ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁸ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁹ Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the management of cash-based interventions in UNHCR response to the Ukraine crisis

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	C/ O ⁸	Actions needed to close recommendation	Implementation date ⁹
	recording of cash-based interventions service fees in the Enterprise Resource Planning system; and (c) a thorough review of FSP contract amendments and inclusion of relevant clauses in the United Nations General Conditions of Contract to safeguard the interests of UNHCR.				
4	The UNHCR Regional Bureau for Europe in coordination with the Division of Resilience and Solutions and Division of Financial and Administrative Management, as Cash Hub entities, should implement an action plan to: (a) address delays in the disbursements of cash assistance, and (b) eliminate payments to absent beneficiaries and tardy recovery of the unclaimed funds from the financial service providers.	Important	O	Receipt of evidence of: (a) measures taken to address delays in the disbursements of cash assistance, and (b) elimination of payments to absent beneficiaries and resolution of tardy recovery of unclaimed funds.	31 December 2023
5	The UNHCR Regional Bureau for Europe should support the Representations in: (a) strengthening their feedback mechanisms on cash assistance including identification, swift resolution and communication to the beneficiaries of the resolved issues; and (b) increasing awareness of the feedback mechanisms among the affected populations.	Important	C	N/A	Implemented
6	The UNHCR Regional Bureau for Europe should work with the Representations in relevant countries to develop and implement plans for supporting the respective Governments in strengthening the national social protection infrastructure and to promote the inclusion of the affected populations into national social programming.	Important	C	N/A	Implemented

APPENDIX I

Management Response

Management Response

Audit of the management of cash-based interventions in UNHCR response to the Ukraine crisis

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	The UNHCR Regional Bureau for Europe, in close collaboration with the relevant operations, should: (a) facilitate completion of the market assessment in Moldova by the Cash Working Group; and (b) support the review of the sufficiency of the transfer values in Moldova, Poland and Ukraine based on their respective operational context, and revise the values where necessary in coordination with the relevant Government authorities.	Important	Yes	Senior Programme CBI Officer, Regional Bureau for Europe	Part a: 31 August 2023. Implemented. Part b: 31 March 2024 for Moldova. For Poland and Ukraine: 31 August 2023: Implemented.	<p>Part (a): The market assessment in Moldova by the Cash Working Group has been completed and is submitted to OIOS as supporting document to this reply. UNHCR therefore considers part a as implemented.</p> <p>Part (b): The Bureau ensured a close monitoring of, and support to the quantification of transfer values, as part of the work of the respective cash working groups in constant dialogue and alignment with Government programmes.</p> <p>Poland: This has been implemented. RBE supported Poland in revising the new transfer values that were introduced in the operations in July 2023, in line with the CWG guidelines. Please refer to Poland CWG Guidance note.pdf.</p> <p>Ukraine: This is considered closed with the following actions. The review of transfer values was coordinated through the CWG and endorsed by the HCT. The current</p>

¹⁰ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

¹¹ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>value was set based on “Minimum Consumption Basket” and aligned with national social protection schemes to avoid discrepancies between assistance provided by the Ministry and Humanitarian actors. In Sep/Oct 2022, the CWG revised the transfer value upwards but following consultations with HCT and the Ministry, it was kept unchanged. The gap analysis exercise to inform the revision of the transfer value was completed by 03 August 2023. An analysis was presented to the HCT along with proposed transfer value which was endorsed on 17 August 2023.</p> <p>Moldova: the transfer value was determined in March 2022 based on the Minimum Consumption Basket as calculated by the Government of Moldova. The revision of transfer value is ongoing, and the market assessment results will support a review of the transfer values in close coordination with the Ministry of Labor and social protection. The market assessment study for Moldova has been completed.</p>
2	The UNHCR Division of Financial and Administrative Management, in coordination with the Division of Resilience and Solutions, should institute arrangements that: (a) enable full integration of CashAssist with the Enterprise Resource Planning system; (b)	Important	Yes	Head of Treasury and Cash Service, DFAM,	Parts a and b: 31 December 2023 Part c: Implemented, 31 August 2023	Integration of Cash Assist with ERP is already part of the Oracle Cloud project. Functional design documents have been shared with OIOS. The full Integration is expected by 31.12.2023.

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
	facilitate seamless integration of CashAssist with the Financial Service Providers' systems through technical solutions; and (c) provide a data dictionary for CashAssist to support accurate data capture and ensure full traceability of transactions.					<p>UNHCR has put in place a Financial Gateway through which Financial Service Providers will be connected with UNHCR. UNHCR is working with all the current FSPs to connect them, to progressively achieve proper integration. While UNHCR agrees with the recommendation, we wish to highlight that, in general, in an emergency context and with a new FSP the integration requires the necessary development work and time.</p> <p>UNHCR has developed a data dictionary and is duly sharing it with OIOS as part of this reply. Taken into consideration UNHCR considers recommendation 2.c. closed.</p>
3	The UNHCR Division of Financial and Administrative Management, in coordination with the Regional Bureau for Europe and Division of Resilience and Solutions, as Cash Hub entities, should strengthen management of Financial Service Providers (FSPs) by ensuring: (a) timely and accurate invoicing by FSPs to UNHCR; (b) timely recording of cash-based interventions service fees in the Enterprise Resource Planning system; and (c) a thorough review of FSP contract amendments and inclusion of relevant clauses in the United Nations general conditions of contract to safeguard the interests of UNHCR.	Important	Yes	<p>Part a and b: Head of Treasury and Cash, DFAM</p> <p>Part c: Senior Supply Coordinator, Regional Bureau for Europe</p>	31 December 2023	<p>Part a and b: UNHCR works closely with country operations and FSP on disbursements / successful uploads, and on this basis validates FSP invoices, including service fees. Purchase Orders (POs) are issued on the processing of banking service fees. While there were few delays in processing some of the 2022 FSP services fee charges, the process has since been streamlined and strengthened and the integration will also enhance UNHCR recognition of service fees related expenses.</p> <p>Part c: UNHCR contractual template, including General Terms and</p>

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						Conditions for FSP, as referred to in this specific case, will be reviewed in consultation with LAS and DFAM.
4	The UNHCR Regional Bureau for Europe in coordination with the Division of Resilience and Solutions and Division of Financial and Administrative Management, as Cash Hub entities, should implement an action plan to: (a) address delays in the disbursements of cash assistance, and (b) eliminate payments to absent beneficiaries and tardy recovery of the unclaimed funds from the financial service providers.	Important	Yes	Reg. Controller, Regional Bureau for Europe	31 August 2023 Implemented	<p>UNHCR considers this recommendation as implemented by instituting closer monitoring and coordination through the Cash Hub and CBI Network in the region.</p> <p>Part a: Through the regular Cash Hub meeting and ad hoc engagements, RBE, in close coordination with DRS and DFAM has worked with the relevant operations to eliminate delays in the delivery of cash assistance. Timeliness of processing and encountered delays, if any, are regular agenda in the CH meetings and are addressed accordingly. In addition, the Senior Programme CBI Officer, has instituted a regular regional CBI meeting to monitor the CBI transactions (in the pipeline and for disbursement) for each country under the CH.</p> <p>Part b: Onward movements of refugees to EU countries was high at the onset of the emergency. However, by June 2022, physical in-person verification exercises were set up and continued to be conducted regularly, which has eliminated payments to absent beneficiaries. In addition, since November 2022, unclaimed funds are</p>

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						recovered back from the financial service provider on a monthly basis.
5	The UNHCR Regional Bureau for Europe should support the Representations in: (a) strengthening their feedback mechanisms on cash assistance including identification, swift resolution and communication to the beneficiaries of the resolved issues; and (b) increasing awareness of the feedback mechanisms among the affected populations.	Important	Yes	Senior Operations Coordinator, Regional Bureau for Europe	31 August 2023 Implemented	<p>UNHCR consider this recommendation as implemented with the substantial efforts to further strengthen feedback mechanisms and corresponding awareness by POCs. Key recent and new initiatives area as follow:</p> <p>Ukraine, the staff capacity was increased from 3 to 40 staff over the past year. From August to December 2022, 147,143 calls were successfully received. The operation developed an interactive payment status dashboard and provided access to relevant stakeholders in order to provide timely feedback to the beneficiaries. Additionally, the operation increased the capacity of the hotline by introducing a new CRM system. Information about feedback mechanisms is now regularly shared through: UNHCR and other UN webpages, social media and Telegram, SMSs sent to beneficiaries. Enrollment Centers, enumerators hand out pamphlets have posters, provide UNHCR hotline number to those who approach.</p> <p>Poland, the UNHCR Counseling Line is now staffed by 10 personnel. Additionally, there is the Regional Call Center located in Budapest</p>

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>which receives calls for Poland. During the period from October 2022 to September 2023, 51,000 calls were effectively answered. UNHCR has established a webpage where individuals can access information about cash assistance and other forms of support. In the course of 2023, the CBI team has recruited the services of two staff members from Randstad, responsible for reviewing the counseling cases generated in ProGres and received through mailboxes. Over 8,500 inquiries have been handled, successfully clearing all the previous backlog. All valid complaints related to cash assistance were meticulously verified and reprocessed for payment. In addition to webpage, social media, SMS and other means of communication, UNHCR conducts participatory assessments, PDMs, and various other activities designed to gather feedback from beneficiaries.</p> <p>Moldova established a countrywide cash hotline in March 2022, received 13,605 calls by December 2022. In September 2022, UNHCR Moldova increased the capacity of hotline staff from 7 to 11 for timely reception of more calls and quicker responses. From January to June 2023, 12,424 calls were addressed and 99% resolution rate within 7 days. The latest (6th round) PDM result reflects</p>

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>that 87% of beneficiaries was aware of the CFM, which increased from 80% (average). UNHCR Moldova collaborates with the government on a separate helpline, receiving 6,136 calls per month, with 35% related to cash assistance. Various communication channels, including email and an online form, are available for submitting written reports. In conclusion, UNHCR Moldova has improved and maintains an efficient, responsive, and inclusive complaint and feedback mechanism, focusing on beneficiary satisfaction, program improvement, and accountability.</p> <p>Slovakia, UNHCR has taken necessary steps to further enhance CFM in the country, conduct the context analysis, select adequate channels, and allocate sufficient resources. UNHCR-UNICEF Helpline, is in place since 15th June 2022 with 10 operators in 4 languages. UNHCR has introduced a Helpline dashboard that visualizes the community's interaction with the Helpline operators, the trends of the complaints, and provides information on UNHCR AAP. In addition, UNHCR has established five other channels such as UNHCR Help page, Helpdesks in its Registration Sites, Telegram and Facebook channels, a dedicated official mailbox</p>

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>(svkbrprot@unhcr.org & svkbrcash@unhcr.org). There are ongoing community consultations, (includes PDM) and focus group. In addition, this year, the Communication Strategy, including CFM in Slovakia for CBI was launched.</p>
6	<p>The UNHCR Regional Bureau for Europe should work with the Representations in relevant countries to develop and implement plans for supporting the respective Governments in strengthening the national social protection infrastructure and to promote the inclusion of the affected populations into national social programming.</p>	Important	Yes	Senior Operations Coordinator, Regional Bureau for Europe	31 August 2023 Implemented	<p>The corresponding plans have been developed and are being implemented.</p> <p>Consistent with RBE guidance on social protection, the four COs have entered into partnership with the relevant Ministries of Labour and Social Protection to support social protection inclusion consistent with government TP commitments.</p> <p>In Moldova, UNHCR has signed a MoU with the Ministry of Labour and Social Protection (MLSP) and other UN cash actors working on interoperability and inclusion and co-leads the CWG with the MLSP.</p> <p>In Slovakia, a transition plan from MPCA to social assistance was prepared by Ministry of Labor, Social Affairs and Family (MoLSAF) in collaboration with UNHCR and other CWG members, and UNHCR has signed a MoU with MoLSAF to reinforce partnership on data sharing, MIS interoperability, referral processes for social assistance</p>

Rec. no.	Recommendation	Critical ¹⁰ / Important ¹¹	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>benefits, and capacity building of MOLSAF staff.</p> <p>In Ukraine, UNHCR is on the steering committee of the Perekhid Initiative, a joint donor-UN agency-Ministry of Social Policy initiative to transition the humanitarian cash IDP caseload over to the government social assistance programmes. UNHCR has a senior social protection officer on the Technical Assistance Facility that works to operationalize this Initiative.</p> <p>In Poland, UNHCR partnered with the Ministry of Family and Social Policy (MFSP) to combine its RSD process with the enrolment process of the MFSP to directly register Ukrainians to the four major government social assistance programmes, with nearly a million Ukrainians benefiting from social assistance.</p>