



INTERNAL AUDIT DIVISION

REPORT 2014/053

Audit of the Regional Representation
in Washington for the Office of the
United Nations High Commissioner for
Refugees

Overall results relating to the effective
management of the UNHCR Regional
Representation in Washington were initially
assessed as partially satisfactory.
Implementation of nine important
recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

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AUDIT REPORT

Audit of the Regional Representation in Washington for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Regional Representation in Washington (hereafter referred to as 'the Representation') for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The Representation commenced operations in 1979 and was responsible for UNHCR operations in 25 countries, including the United States as well as countries in the Caribbean region. It assisted 62,452 refugees, asylum seekers, stateless persons and internally displaced persons with international protection and humanitarian assistance in 2013. The Representation was managed from a regional office in Washington and had offices in Port-au-Prince (Haiti) and Santo Domingo (the Dominican Republic).
4. The Representation spent \$8.5 million in 2011 and \$12.8 million in 2012 and worked with 11 implementing partners in 2011 and 33 in 2012. As at 31 August 2013, the Representation had 25 staff positions in Washington, 10 in Haiti and 12 in the Dominican Republic. These 47 posts included 13 international staff, 7 national officers, 18 general service staff and 9 temporary positions. Two of the posts were vacant. The Representation had 7 Property, Plant and Equipment (PPE) with a procurement value of \$242,000 and 102 Serially Tracked Items (STI) with a procurement value of approximately \$152,000.
5. Comments provided by the UNHCR Regional Representation in Washington are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Representation's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR operations in the United States and the Caribbean**.
7. This audit was included in the 2013 risk-based annual work plan due to risks related to the Representation's wide span of coverage, financial management, programme management and procurement.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** - controls that are designed to provide reasonable assurance that there is accurate and complete monitoring and reporting of the Representation's project activities.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist, are adequate and are effective.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from September to October 2013. The audit covered the period from 1 January 2011 to 31 August 2013.

11. The audit team conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. The audit reviewed operational documentation and administrative guidelines, sampled purchase orders and data from Managing Systems, Resources and People (MSRP) and reviewed programme activities and expenditures at the Representation offices in Washington, Port-au-Prince and Santo Domingo.

III. AUDIT RESULTS

12. The Representation governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in the United States and the Caribbean**. OIOS made nine recommendations to address issues identified in the audit.

13. Project management was assessed as partially satisfactory as action was needed to: (a) strengthen the honorary liaison network in the Caribbean countries; (b) strengthen control procedures for financial assistance provided to beneficiaries; (c) develop an action plan to address the risk of statelessness; and (d) strengthen performance and financial monitoring of project activities and related expenditures.

14. Regulatory framework was assessed as partially satisfactory because: (a) actions were needed to ensure implementation of the authorities delegated to country offices; (b) there was a need to engage with the governments of the Dominican Republic and Haiti to enter into legal agreements to formalize operations and obtain value added tax exemptions; (c) controls over hiring of consultants needed to be improved; and (d) improvements were required for the management of private sector fundraising contracts.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of nine important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in the United States and the Caribbean	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

The Representation needed to strengthen the honorary liaison network in the Caribbean region

16. Where UNHCR has no presence due to funding constraints, the organization seeks to ensure a measure of protection through protection networks sometimes utilizing the system of “honorary liaison officers”. Such networks are present in the Caribbean region in 25 countries and UNHCR rules require that arrangements with honorary liaison officers are formalized and roles and responsibilities clearly defined. The honorary liaison officers were an important resource and acted as the ‘eyes and ears’ for the Representation and provided basic assistance to refugees on behalf of the Representation. However, the arrangements for the management of the honorary liaison officers network were not satisfactory because the Representation had not:

- Signed the 2012 and 2013 agreements or terms of reference with honorary liaison officers explaining their roles and responsibilities;
- Provided financial assistance to honorary liaison officers for use in executing their tasks; and
- Conducted training in 2012 and 2013 for the honorary liaison officers. They had been last trained in February 2011.

17. As a result, there was inadequate progress in the adoption of refugee laws in these countries and refugees faced delays in receiving material assistance and obtaining required documentation. A network with reduced effectiveness could also not assist in facilitating refugee access to basic services. The main reason why honorary liaison officers were not effective was due to inadequate management attention and lack of training.

(1) The UNHCR Regional Representation in Washington should strengthen its honorary liaison network in the Caribbean region by entering into formal agreements with honorary liaison officers that clearly define their respective roles and responsibilities, and conducting regular training of the officers.

The Representation accepted recommendation 1 and stated that the Honorary Liaison (HL) Network had since been overhauled and the Framework Agreement with an implementing partner containing clearly defined roles and responsibilities was expected to be adopted by the end of September 2014.

Additionally, there existed Terms of Reference for Honorary Liaisons not affiliated with the partner. At the request of the Regional Office, the UNHCR Global Learning Centre had developed a special module targeting HL on asylum, refugee and statelessness issues, which would take place later in the year. The non-affiliated HLs had been receiving training from UNHCR, including on-the-job training. Recommendation 1 remains open pending receipt of the framework agreement with the implementing partner concerning honorary liaison officers and details of the training conducted for the honorary liaison officers and implementing partners.

Controls over financial assistance given to beneficiaries needed to be strengthened

18. UNHCR rules for the distribution of financial assistance required the Representation to clearly define the criteria for the selection of beneficiaries, the duration of assistance to be provided and the procedures for verification and approval of assistance payments.

19. During 2012, the Representation distributed \$211,000 as financial assistance to beneficiaries in the Caribbean through its honorary liaison network and partners. However, it did not clearly define the criteria for the selection of beneficiaries, the duration of assistance to be provided and the control procedures for verification and approval of the payments disbursed. The Representation cleared advances given to the honorary liaison network and partners without verifying the cash distributed to beneficiaries. It also did not ensure that operational advances given to honorary liaison officers for cash assistance were always cleared regularly. For example, a honorary liaison officer did not settle advances in a timely manner and had accumulated advances of \$35,215 in 2013. As a result, the Representation was not able to ensure that the cash assistance was distributed in an effective manner.

20. These shortcomings occurred because the Representation had not finalized and implemented Standard Operating Procedures (SOPs) for financial assistance.

(2) The UNHCR Regional Representation in Washington should finalize Standard Operating Procedures outlining: (a) criteria for beneficiary selection; (b) duration of cash assistance ; and (c) steps for the verification and approval of the cash distributed by partners and honorary liaison officers.

The Representation accepted recommendation 2 and stated that: (a) it was reviewing draft SOPs for beneficiary selection; (b) new forms and templates had been designed and given to the HL to ensure consistency in assistance criteria and establishing the type and duration of assistance for each case based on the specific protection needs; and (c) they were in discussions to develop a template to increase financial oversight and serve as a tracking tool for the verification and approval of cash assistance. Recommendation 2 remains open pending receipt of the beneficiary selection criteria detailed in an approved SOP, the revised HL forms and template, and the finalised verification flow chart.

An action plan needed to be developed to guide implementing partners in Haiti and the Dominican Republic to address the risk of statelessness

21. One of the objectives of the 2013 Country Operations Plan was to provide technical support and capacity building to implementing partners on the subject of statelessness. However, the Representation had not developed a plan on how to implement such support. As a consequence, there was inadequate awareness of statelessness issues among implementing partners in the Dominican Republic and Haiti. There was also insufficient guidance from the Representation on actions required to mitigate the risk of statelessness. As a result there was inadequate baseline data on stateless people and insufficient measures to prevent and reduce the risk of statelessness.

22. This occurred due to inadequate management attention to the subject and lack of guidance to partners in mitigating the risk of statelessness.

(3) The UNHCR Regional Representation in Washington should: develop an action plan to address the risk of statelessness in the Dominican Republic and Haiti; and provide related training to implementing partners.

The Representation accepted recommendation 3 and stated that the Dominican Congress passed the Law 169-14 on 23 May 2014, which offered solutions for the reacquisition of nationality. The Representation would work on an action plan to address the risk of statelessness in the Dominican Republic and Haiti in partnership with national authorities, other Agencies and the civil society. The Dominican Republic would conduct specific consultations to discuss and agree the 2015 civil society strategy for the reduction/prevention of statelessness. An action plan for statelessness in Haiti would be drafted by the end of September 2014 linked to Haiti's plan for accession to the Stateless Convention and the adoption of a new law on nationality currently under discussion. Recommendation 3 remains open pending receipt of the action plans for the Dominican Republic and Haiti and evidence that relevant training was provided to implementing partners.

The monitoring of project activities implemented by partners needed to be strengthened

23. UNHCR rules required the Representation to periodically verify and monitor implementing partner project activities. These rules further required that the monitoring be done by a multi-functional team and be documented.

24. The Representation did not undertake monitoring of project activities at Washington, Haiti and the Dominican Republic in 2011, 2012 and 2013. As a consequence: (a) the Representation lacked assurance that accomplishments reported by partners were in accordance with planned targets; and (b) payments made were correlated to the physical progress of the projects.

25. This situation was caused mainly by the lack of a plan to monitor project activities.

(4) The UNHCR Regional Representation in Washington should develop and implement a plan for monitoring the performance of project activities implemented by partners.

The Representation accepted recommendation 4 and stated that in Haiti, a monitoring plan had been completed and was being implemented. For the Dominican Republic and the United States, a monitoring plan and matrix would be created and shared by the end of September 2014. The system would be used retroactively to monitor performance for the first semester of 2014. Recommendation 4 remains open pending receipt of the project monitoring plans and a sample of verification reports for the three locations.

The financial monitoring of expenditures reported by implementing partners needed to be strengthened

26. UNHCR rules require project financial verifications to be carried out with the involvement of UNHCR administration and finance staff. In principle, at least one financial monitoring visit per year is required.

27. The Regional Office in Washington responsible for operations in the Caribbean did not conduct any financial verification visits. Country offices in the Dominican Republic and Haiti undertook one or

two financial verification visits per year for each partner. A review of available financial monitoring reports for six implementing partners in the Dominican Republic and Haiti indicated that:

- a) The country offices did not reconcile partner accounting records to the figures reported by the relevant implementing partners or ensure that their verifications included spot checking of accounting records.
- b) Verification findings were not supported by working papers.
- c) The text of the financial verification reports frequently did not highlight high risk areas where the potential for irregular transactions was high.
- d) The country offices did not involve administration and finance staff in the conduct of project financial verifications.

28. Given the weaknesses in the existing arrangements, OIOS also reviewed the accounting systems and financial transactions at six implementing partners and observed weaknesses related to: Promoters of one partner taking loans from UNHCR funds; an excess charge of \$47,500 for salary costs by two partners, which needed to be recovered; use of three bank accounts instead of one; incorrect payment of \$55,000 for lump-sum travel allowances by one partner; and failure to use competitive selection processes for procurements aggregating to \$216,000 at four implementing partners. OIOS also observed that UNHCR had not detected these weaknesses through its financial verifications.

29. These shortcomings in financial verification were caused by a lack of standard operating procedures, inadequate training and a lack of management supervision.

(5) The UNHCR Regional Representation in Washington should: (a) ensure that arrangements for financial verifications are strengthened through the adoption of appropriate local standard operating procedures, training and regular oversight from the regional office; and (b) include finance and administration staff in verification teams; and (c) recover identified overpayments amounting to \$47,500.

The Representation accepted recommendation 5 and stated that new templates on partner financial verifications would be used to carry all the verifications and as part of the procedures, the Implementing Partner Performance Monitoring Report had been made a mandatory requirement. Recovery of \$ 13,000 in the Dominican Republic would be recorded by 30 June 2014. In Haiti the recovery of \$ 34,500 would continue to be sought. Recommendation 5 remains open pending: adoption of standard operating procedures; receipt of a sample of verification reports using the new template for the three locations; details of the training conducted for programme staff, and; confirmation of the recovery of overpayments.

B. Regulatory framework

The Representation needed to implement effective delegation of authority to the country offices

30. It is UNHCR policy to entrust its staff with decision making authority, where responsibility can most effectively be exercised and where accountability for results can be determined, in order to enable them to administer programmes or services under their jurisdiction. In line with this, the Regional Representative in Washington delegated authority to the head of country offices in Haiti and the Dominican Republic to ensure that: (a) planned results were achieved; (b) resources (staff, material and

financial) were managed cost effectively; and (c) operations were managed in accordance with relevant rules.

31. However, a review of the arrangement showed that there were gaps in the implementation of the delegation of authority, for example:

- Staff at country offices lacked access to MSRP to manage staff, material and financial resources allocated to them; and
- Staff at country offices did not have access to Focus, and therefore could not undertake responsibilities relating to programme planning and management in relation to the statelessness population planning group. The management of these activities was centralized in Washington.

32. As a consequence, country offices continued to undertake procurement and financial transactions outside the MSRP system. For the statelessness population planning group, the country offices could not establish performance indicators; and monitor and report on the achievement of planned results. Another factor was that the country offices lacked training to operate MSRP and Focus systems.

(6) The UNHCR Regional Representation in Washington should ensure that staff in the Dominican Republic and Haiti are provided access to MSRP and Focus systems, and related training.

The Representation accepted recommendation 6 and stated that payment and programme functions through MSRP and FOCUS had been implemented in both Haiti and the Dominican Republic. Training and coaching was carried in Haiti in May 2014. Further training and coaching activities would be carried out in 2014. A new Regional Admin/Finance position was created in Washington in January 2014 to support and supervise colleagues in the Region. Recommendation 6 remains open pending confirmation that planned training was conducted.

The Representation needed to enter into legal agreements with the Governments of countries where it operated and obtain relevant tax exemptions

33. UNHCR rules require its Representations to enter into agreements with the host governments to formalize operations. The Representation did not have a country agreement in place with the Governments of the Dominican Republic and Haiti. As a result, the office could neither open a bank account in the Dominican Republic, nor enter into commercial contracts or register its vehicles in the Dominican Republic and Haiti. The Representation was pursuing the establishment of a legal agreement in these countries.

34. In the absence of a host country agreement, no tax exemption were available for UNHCR in the Dominican Republic and Haiti, including for procurement by implementing partners. This resulted in avoidable payment of value added tax (VAT) estimated at \$300,000 per year for procurement aggregating yearly to \$2 million.

(7) The UNHCR Regional Representation in Washington should: (a) in consultation with the Legal Affairs Service, continue to engage with the governments of the Dominican Republic and Haiti to enter into legal agreements to formalize operations; and (b) establish procedures to ensure that exemption from Value Added Tax is obtained on the purchase of goods and services.

The Representation accepted recommendation 7 and stated that the Accord de Siege with the Government of Haiti had been cleared and was ready for signature by UNHCR and the Ministry of Foreign Affairs. The signature of Accords de Siege in the Dominican Republic and the USA would not be possible for the foreseeable future. The Representation stated that the Dominican Republic Ministry of Foreign Affairs had been addressed with regard to VAT exemption on behalf of all UN agencies currently affected by this issue. In Haiti UNHCR benefited from VAT exemption. Recommendation 7 remains open pending receipt of a copy of the signed Accord de Siege for Haiti and documentation showing VAT exemption obtained in the Dominican Republic and Haiti.

The Representation needed to consistently follow proper procedures for hiring of consultants

35. UNHCR rules indicate that consultants can only be hired with the approval of the concerned Directors in Headquarters. They also require competitive selection processes to be used for selections and consultancy payments to be made subject to satisfactory delivery of service.

36. The head of country office in the Dominican Republic hired two consultants (one international and a local consultant) without the approval of the concerned Director. The office also did not use a competitive selection process. Payments of \$152,000 were made to these consultants without the required documentation showing that work was completed to the satisfaction of UNHCR. Staff at the office explained that the required procedures were not followed due to what was considered to be an urgent need to implement the project activities and utilize the available funding.

(8) The UNHCR Regional Representation in Washington should implement procedures to ensure that: (a) country offices follow competitive processes for selecting consultants and consistently obtain related approvals from the Bureau Director; and (b) consultancy payments are released only after relevant work is completed.

The Representation accepted recommendation 8 and stated that it would carry out an internal review of all consultants' contracts from October 2013 to June 2014 and introduce appropriate accountability measures based on UNHCR's global policies and procedures. Recommendation 8 remains open pending receipt of the results of the internal review on consultants hired during October 2013 to June 2014.

The Representation needed to strengthen controls for the management of private sector fundraising activities

37. UNHCR finalized a contract for face-to-face fundraising activities with a private entity in 2011. The contract was approved by the Committee on Contracts (CoC). Arrangements for managing the fundraising contract were not satisfactory because:

- (a) The initial CoC approval was for \$3.04 million based on the recruitment of 20,000 donors at an average cost of \$152.42. However, actual performance was below the estimates as the vendor recruited only 15,456 donors, with an increased average cost of \$198.30.
- (b) An overall analysis prepared in July 2012 by the PSFR Senior Officer, showed that there was a deficit of \$1.78 million for UNHCR from this project, being the difference between net funds transferred to UNHCR (\$2.24 million) against the total payments made by UNHCR to the vendor (\$4.02 million) for the project activities during 2009-2011. The PSFR Senior Officer calculated an overall ROI of 1.38 per cent for the total contract period and this was below the minimum ROI of 1.5 per cent for the first 24 months required for such activities. The donor attrition rate was very high (70 per cent) which reduced the number of donors and related monthly donations.

- (c) The Representation made payments of \$1.6 million through direct vouchers without raising required requisitions and purchase orders. The Private Sector Fundraising (PSFR) Senior Officer approved 21 payment vouchers above \$20,000, although his delegated authority was limited to \$20,000.
- (d) The PSFR Senior Officer also signed the 4th amendment to the contract for \$285,000, although he did not have any delegated authority to sign contracts and make any commitments on behalf of UNHCR.
- (e) Details of the monitoring of vendor expenditures and project progress were not available, and 21 invoices amounting to \$2.72 million were approved for payment without complete supporting documentation.
- (f) The PSFR Senior Officer approved a payment of \$584,745 to the vendor that was in excess of agreed terms. This payment was authorised to accommodate increases in vendor staff costs and other sundry costs, although no supporting documentation was available to substantiate this.
- (g) The PSFR Senior Officer approved a final advance payment of \$250,000 on 23 December 2011, which pertained to the activities carried out in January 2012 for the donors recruited in December 2011, although the contract had been terminated in December 2011.

38. Due to performance issues in last quarter of 2011 and a change of senior management at the vendor, the contract was terminated and fundraising activities transferred to another vendor for 2012. The shortcomings in the management of the vendor were due to inadequate supervision and oversight, and lack of contract management procedures.

(9) The UNHCR Regional Representation in Washington and the Private Sector Fund-Raising Service should: (a) establish procedures to provide the required oversight and supervision of fundraising contracts; and (b) obtain approval of the Committee on Contracts to regularize payments in excess of the terms of the contract.

The Representation accepted recommendation 9 and stated that necessary controls had been introduced, aimed at strengthening financial management and compliance with the Financial Internal Control Framework. The Representation noted that the amounts paid in excess were not overpayments but were related to increase in cost of services. The Representation would submit the cases to the Committee on Contracts for validation and approval of the excess amounts. The Representation clarified that the payment of \$250,000 was for contracted services that took place in December 2011 although the invoice incorrectly indicated that it was for 2012 activities. Recommendation 9 remains open pending confirmation that the Committee on Contracts validated and approved the excess expenditures.

IV. ACKNOWLEDGEMENT

39. OIOS wishes to express its appreciation to the Management and staff of the Management and staff of the UNHCR Regional Representation in Washington for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Regional Representation in Washington for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Regional Representation in Washington should strengthen its honorary liaison network in the Caribbean region by entering into formal agreements with honorary liaison officers that clearly define their respective roles and responsibilities, and conducting regular training of the officers.	Important	O	Receipt of the framework agreement with the implementing partner concerning honorary liaison officers and details of the training conducted for the honorary liaison officers and implementing partners.	30/09/2014
2	The UNHCR Regional Representation in Washington should finalize Standard Operating Procedures outlining (a) criteria for beneficiary selections ;(b) duration of cash assistance ; and (c) steps for the verification and approval of the cash distributed by partners and honorary liaison officers.	Important	O	Receipt of the beneficiary selection criteria detailed in an approved SOP, the revised HL forms and template, and the finalised verification flow chart.	30/09/2014
3	The UNHCR Regional Representation in Washington should: develop an action plan to address the risk of statelessness in the Dominican Republic and Haiti; and provide related training to implementing partners.	Important	O	Receipt of the action plans for the Dominican Republic and Haiti and evidence that relevant training was provided to implementing partners.	30/09/2014
4	The UNHCR Regional Representation in Washington should develop and implement a plan for monitoring the performance of project activities implemented by partners.	Important	O	Receipt of the project monitoring plans and a sample of verification reports for the three locations.	30/09/2014
5	The UNHCR Regional Representation in Washington should: (a) ensure that arrangements for financial verifications are strengthened through	Important	O	Adoption of standard operating procedures; receipt of a sample of verification reports using the new template for the three locations; details	30/09/2014

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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 the Regional Representation in Washington in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Regional Representation in Washington for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	the adoption of appropriate local standard operating procedures, training and regular oversight from the regional office; and (b) include finance and administration staff in verification teams; and (c) recover identified overpayments amounting to \$47,500.			of the training conducted for programme staff, and; confirmation of the recovery of overpayments.	
6	The UNHCR Regional Representation in Washington should ensure that staff in the Dominican Republic and Haiti are provided access to MSRP and Focus systems, and related training.	Important	O	Confirmation that planned training was conducted.	30/09/2014
7	The UNHCR Regional Representation in Washington should: (a) in consultation with the Legal Affairs Service, continue to engage with the governments of the Dominican Republic and Haiti to enter into legal agreements to formalize operations; and (b) establish procedures to ensure that exemption from Value Added Tax is obtained on the purchase of goods and services.	Important	O	Receipt of a copy of the signed Accord de Siege for Haiti and documentation showing VAT exemption obtained in the Dominican Republic and Haiti.	31/07/2014
8	The UNHCR Regional Representation in Washington should implement procedures to ensure that: (a) country offices follow competitive processes for selecting consultants and consistently obtain related approvals from the Bureau Director; and (b) consultancy payments are released only after relevant work is completed.	Important	O	Receipt of the results of the internal review on consultants hired during October 2013 to June 2014.	30/07/2014
9	The UNHCR Regional Representation in Washington and the Private Sector Fund-Raising Service should: (a) establish procedures to provide the required oversight and supervision of fundraising contracts; and (b) obtain approval of the Committee on Contracts to regularize payments in excess of the terms of the contract.	Important	O	Confirmation that the Committee on Contracts validated and approved the excess expenditure.	30/09/2014

APPENDIX I

Management Response

MANAGEMENT RESPONSE

Audit of the Regional Representation in Washington for the Office of the United Nations High Commissioner for Refugees

Rec no.	Recommendation	Critical ⁵ / Important ⁶	Accepted (Yes/No)	Title of responsible individual	Implementation date	Client comment
1	The UNHCR Regional Representative in Washington should strengthen its honorary liaison network in the Caribbean region officers that clearly define their respective roles and responsibilities, and conducting regular training of the officers.	Important	Yes	ROW Deputy Regional Representative	30/09/2014	<p>The Honorary Liaison (HL) Network has since been overhauled with the impending signing of a Framework Agreement between an Implementing Partner and UNHCR. The draft Agreement is currently being amended by the partner and is expected to be adopted by the end of September 2014. The document contains clearly defined roles and responsibilities of partner and affiliated Honorary Liaisons. Additionally, there exist Terms of Reference for Honorary Liaisons not affiliated with the partner. Normally, training of all the HLs takes place at least every other year. The last collective training took place in February 2011 and further trainings were suspended due to discussions between UNHCR and the partner.</p> <p>The HL Network colleagues attended a UNHCR-organized conference in May 2013. The purpose of the meeting was to brief on the outcome of the conference on mixed migration, provide an update on UNHCR's relationship with the implementing partner, review country conditions in Haiti and Cuba and to allow Honorary Liaison's to share information on refugee assistance.</p> <p>At the request of the Regional Office, the UNHCR Global Learning Centre put together a special module targeting HL on asylum, refugee and statelessness issues, which was planned to be administered this year but was suspended due to ongoing discussions between UNHCR and the partner on the framework agreement. The non-affiliated HLs have been receiving training from UNHCR, including on-the-job training.</p>

⁵ Critical recommendations address significant and / or pervasive deficiencies or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and /or business objectives under review.

⁶ Important recommendations address important deficiencies or weakness in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of the control and / or business objectives under review.

MANAGEMENT RESPONSE

Audit of the Regional Representation in Washington for the Office of the United Nations High Commissioner for Refugees

Rec no.	Recommendation	Critical ⁵ / Important ⁶	Accepted (Yes/No)	Title of responsible individual	Implementation date	Client comment
2	The UNHCR Regional Representation in Washington should finalize Standard Operating Procedures outlining (a) criteria for beneficiary selections ;(b) duration of cash assistance ; and (c) steps for the verification and approval of the cash distributed by partners and honorary liaison officers.	Important	Yes	ROW Deputy Regional Representative	30/09/2014	<p>The existing draft Standard Operating Procedures (SOPs) for (a) beneficiary selection are currently being reviewed. They are expected to be adopted by 30 September 2014. In close cooperation with the HL, new planning mechanisms have been developed for the purpose of distribution of humanitarian assistance and to ensure timely transfer of the financial resources from the Regional Representation.</p> <p>On point (b), new forms and templates have been designed and introduced to the HL, ensuring consistency of assistance criteria and establishing the type and duration of assistance for each case based on the specific protection needs. In particular, a template for assistance requests has been created, which facilitates the monitoring of assistance and its duration.</p> <p>(c) The template together with a verification and approval flow chart (currently being discussed) will increase financial oversight and serve as tracking tools which will facilitate the verification and approval of cash assistance to persons of concerns being channel through the HL's and implementing partners. The template and verification/approval flow chart will be fully implemented by 30 August 2014. An agreement with an Implementing Partner in the Bahamas, setting out clearly their roles and responsibilities, is in the process of being finalized (to start as of 1 August 2014).</p>
3	The UNHCR Regional Representation in Washington should: develop an action plan to address the risk of statelessness in the Dominican Republic and Haiti; and provide related training to implementing partners.	Important	Yes	Chief of Mission (DR) Head of National Office (HT)	30/09/2014	The Dominican Congress passed the Law 169-14 on 23 May 2014, which now offers some solutions for the reacquisition of nationality. An action plan to address the risk of statelessness is therefore now foreseeable in partnership with national authorities, other UN Agencies and the civil society. UNHCR is currently working in this direction and will adopt a plan to be implemented from August 2014, which will include follow up with civil society and Implementing Partners through consultations and capacity building. The Dominican Republic will conduct specific consultations in November 2014 to

MANAGEMENT RESPONSE

Audit of the Regional Representation in Washington for the Office of the United Nations High Commissioner for Refugees

Rec no.	Recommendation	Critical ⁵ / Important ⁶	Accepted (Yes/No)	Title of responsible individual	Implementation date	Client comment
						<p>discuss and agree the 2015 civil society strategy for the reduction/prevention of statelessness.</p> <p>An action plan for statelessness in Haiti will be drafted by the end of September 2014 linked to Haiti's plan for accession to the Stateless Convention and the adoption of a new law on nationality (currently under discussion).</p>
4	The UNHCR Regional Representation in Washington should develop and implement a plan for monitoring the performance of project activities implemented by partners.	Important	Yes	Admin/ Finance Officer (ROW) Programme Officer (DR) Associate Programme Officer (HT)	30/09/2014	<p>In the Dominican Republic and USA, a monitoring plan and matrix will be created and shared by the end of September 2014 in order for protection and programme staff to monitor and report on the performance of project activities implemented through UNHCR's partnerships. The system will be used retroactively to monitor performance for the first semester of 2014.</p> <p>In Haiti, the monitoring plan has been completed and is being implemented.</p>
5	The UNHCR Regional Representation in Washington should (a) ensure that arrangements for financial verification are strengthened through the adoption of appropriate local standard operating procedures training and regular oversight from the regional office; and (b) include finance and administration staff in verification teams; and (c) recover identified overpayments amounting	Important	Yes	Admin/ Finance Officer (ROW) Programme Officer (DR) Associate Programme Officer (HT)	30/09/2014	<p>Financial verifications have been standardized using templates on partner financial verification made available at the 2013 Enhanced Framework for Implementing with Partners workshop that took place in November 2013 in Budapest. Additionally as part of the Standard Operating Procedures the Implementing Partner Performance Monitoring Report has been made a mandatory requirement and was requested to strengthen partnership agreement compliance.</p> <p>Recovery of USD 13,000 in the Dominican Republic is forthcoming and will be recorded by 30 June 2014. In Haiti the recovery of USD 34,500 has and will continue to be sought. Necessary administrative action will be taken in the event that recovery of this amount is not possible by 31 August 2014.</p>

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	to \$ 47,500.					
6	The UNHCR Regional Representation in Washington should ensure that staff in the Dominican Republic and Haiti are provided access to MSRP and Focus systems, and related training.	Important	Yes	Admin/ Finance Officer (ROW) Programme Officer (DR) Associate Programme Officer (HT)	30/09/2014	<p>Payment and programme functions through MSRP and FOCUS are now being implemented in both Haiti and the Dominican Republic following confirmation of the Delegation of Authority Plan (DOAP) and Budgetary Control Plan (BCP) implementation.</p> <p>Training and coaching was carried in Haiti in May 2014. Further training and coaching activities are foreseen during 2014.</p>
7	The UNHCR Regional Representation in Washington should: (a) in consultation with the Legal Affairs services, continue to engage with the governments of Dominican Republic and Haiti to enter into legal agreements to formalize operations; and (b) establish procedures to ensure that exemption from Value Added Tax is obtained on the purchase of goods and services.	Important	Yes	Chief of Mission (DR) Head of National Office (HT)	31/07/2014	<p>The Dominican Republic Ministry of Foreign Affairs (MOFA) had been addressed with regard to VAT exemption on behalf of all UN agencies currently affected by this issue.</p> <p>Concerning UNHCR's VAT exemption in Haiti, it was informed that UNHCR also benefited from VAT exemption.</p> <p>The Accord de Siege with the Government of Haiti has been cleared and is ready for signature by UNHCR and the Ministry of Foreign Affairs. The Accord de Siege is expected to be signed by 15/07/2014.</p> <p>The signature of Accords de Siege in the Dominican Republic and the USA will not be possible for the foreseeable future.</p>
8	The UNHCR Regional Representation in Washington should implement procedures to ensure that: (a) country offices follow competitive processes for selecting	Important	Yes	Admin/ Finance Officer (ROW)	30/07/2014	The Regional Representation ensures that proper procedures are followed when hiring consultants by consistently requesting Dominican Republic and Haiti to apply UNHCR's Policy on Individual Consultants. Particular attention has been drawn to the action list for the administration of individual consultants, the roles and responsibilities in the recruitment and administration of consultants and the standard evaluation

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	consultants and consistently obtain related approvals from the Bureau Director; and (b) consultancy payments are released only after relevant work is completed.					report and certification for payment. The Regional Representation will carry out an internal review, which will include the Dominican Republic and Haiti, of all consultants' contracts from October 2013 to June 2014 and introduce appropriate accountability measures based on UNHCR's global policies and procedures.
9	The UNHCR Regional Representation in Washington and the Private Sector Fund-Raising service should: (a) establish procedures to provide the required oversight and supervisor of the fundraising contracts; and (b) take action to recover overpaid amounts estimated at \$834,745 which were in excess of the terms of contracts.	Important	Yes to (a) Partially (b)	Regional Representative Head of Service, Private Sector Fund Raising Service	30/09/2014	<p>In response to recommendation 9 (a), necessary controls have been introduced aimed at strengthening financial management and compliances with the Internal Financial Control Framework.</p> <p>UNHCR partially agrees with recommendation 9 (b). The amount of \$834,745 is composed of two separate amounts.</p> <p>The amount stated as an overpayment in paragraph 48 (f) is \$584,745. This amount is not an overpayment but the resulting cost of the service overrunning the contract.</p> <p>The amount stated as an overpayment in paragraph 48 (g) is \$250,000. This amount was also a payment for contracted services that took place in December 2011. Unfortunately, the wording on the invoice paid was incorrect.</p>