



INTERNAL AUDIT DIVISION

REPORT 2018/020

Audit of assets disposal in the United Nations Mission in Liberia

The Mission adequately planned and executed asset disposal activities but needed to monitor transfer of assets to other missions and finalise investigation reports

29 March 2018
Assignment No. AP2017/626/01

Audit of assets disposal in the United Nations Mission in Liberia

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of assets disposal in the United Nations Mission in Liberia (UNMIL). The objective of the audit was to assess whether UNMIL had adequate arrangements for disposal of assets as the Mission draws down operations and prepares for liquidation. The audit covered the period from 1 January to 31 October 2017 and included: planning and oversight of asset disposal, execution of disposal activities and investigation of lost and damaged property.

The Mission maintained complete records of donated and gifted assets in the Galileo assets management system and properly organized the property disposal yard. Nevertheless, there was a need to strengthen controls over disposal of scrap metal, monitor transfer of assets to other missions and finalize investigation reports.

OIOS made three recommendations. To address issues identified in the audit, UNMIL needed to:

- Obtain the accurate weight of scrap metal before disposal;
- Monitor to ensure that all transfers of assets are acknowledged in a timely manner by the receiving missions; and
- Complete investigation reports into lost and damaged assets and take appropriate action against staff found to be negligent.

UNMIL accepted the recommendations, implemented one and has initiated action to implement the remaining two recommendations.

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Audit of assets disposal in the United Nations Mission in Liberia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of assets disposal in the United Nations Mission in Liberia (UNMIL).
2. From 1 January to 31 October 2017, UNMIL disposed of 2,182 assets with a depreciated value of \$6,447,212 as follows:

Table 1: Asset disposal at UNMIL from 1 January to 31 October 2017

Method of disposal	Number of assets	Depreciated value \$
Cannibalization	3	78,487
Destruction	341	868,604
Direct disposal	78	60,388
Gifting	589	1,702,990
Donations	4	21,507
Commercial sale	989	3,492,306
Sale at residual value	3	11,746
Write-off	175	211,184
Total	2,182	6,447,212

3. The Property Disposal Unit (PDU) is responsible for managing the property disposal process and for planning, organizing and physically disposing of expendable and non-expendable property of the Mission in cooperation with self-accounting units, Asset Management Unit, Claims/Property Survey Unit (CPSU), Procurement Section, Finance Section and Environment Unit. PDU is also responsible for disposal of hazardous waste produced by the Mission.
4. The Local Property Survey Board (LPSB) is responsible for advising the Director of Mission Support (DMS) on the disposal of assets considered unusable, uneconomical to repair or lost. The Procurement Section is responsible for the commercial disposal of assets. PDU had four national staff and two United Nations Volunteers with overall supervision provided by two field service staff from the CPSU and the Contingent-Owned Equipment Unit.
5. Comments provided by UNMIL are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether UNMIL had adequate arrangements for disposal of assets as the Mission draws down operations and prepares for liquidation.
7. OIOS conducted this audit from September to December 2017 and the audit covered the period from 1 January to 31 October 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the asset disposal process, which included: planning and oversight of asset disposal, execution of asset disposal activities and investigation of lost and damaged property.

8. The audit methodology included: (a) interviews of key personnel, (b) reviews of pertinent documentation, (c) analytical reviews of data, (d) compliance and substantive testing of a sample of control activities, and (e) physical observation of asset disposal activities.

III. AUDIT RESULTS

A. Planning and oversight of asset disposal

The preliminary asset disposal plan was recently approved

9. The DFS Liquidation Manual (2013) states that timely determination of the condition of assets and approval of the recommended disposal methods are prerequisites to the successful disposal of United Nations assets. Accordingly, the preliminary asset disposal plan (PADP) is expected to be timely developed by the mission, reviewed by relevant Headquarters units and sent to the United Nations Global Service Centre (UNGSC) for approval.

10. On 29 July 2017, UNMIL submitted part of the PADP for 1,609 Group I assets (transfers to other missions) with a depreciated value of \$12,444,180 and was still awaiting its approval at the time of the audit. The assets had already been transferred to the United Nations reserve although UNMIL still maintained full accountability and physical control over them.

11. On 17 November 2017, UNMIL submitted the other part of the PADP for 120 Group II assets, 592 Group III assets and 3,792 Group IV assets¹ with total depreciated values of \$483,476, \$609,983 and \$7,437,930 respectively. Of these assets, 4 were on loan, 657 were in unit stock, while 3,483 were in use. UNMIL stated that they had earlier shared the assets list with UNGSC but were later asked to submit it formally and were still waiting for the UNGSC approval at the time of the audit.

12. Subsequently, UNMIL received the UNGSC approval on 2 January 2018. UNGSC will also be sending a team to UNMIL to help in the liquidation process. OIOS assessed that adequate action had been taken to prepare and obtain approval for the PADP.

UNMIL addressed issues relating to the composition and operation of the LPSB

13. UNMIL delegation of authority (DoA) defines the composition of the LPSB. The DoA also provides that the chairperson of the LPSB shall be from finance or administration sections.

14. Eight out of 11 LPSB meetings held during the audit period were chaired by an aviation officer. PDU stated that the aviation officer had been appointed chairperson because officers from finance and administration sections were not available to chair the meetings. However, minutes of meetings indicated that a representative from the Finance Section attended some of the meetings and had been appointed as the alternative chairperson. UNMIL also stated that since membership to the LPSB is voluntary, no one from finance or administrative sections was willing to chair the LPSB meetings leading to the appointment of the aviation officer as the chairperson. OIOS wishes to point out that participation in the LPSB is official duty and not a voluntary activity.

15. Additionally, OIOS review of a sample of 82 out of 641 cases reviewed by the LPSB indicated that the average time taken between the submission of a write-off request and deliberations at LPSB meetings

¹ Group II assets: Transfer to United Nations activities funded from assessed contributions; Group III: Transfer to other United Nations entities; and Group IV: Commercial/scrap sale

was 35 days. Eleven of the 82 cases with depreciated value totaling \$235,331 were processed by the LPSB after more than 90 days. This was attributed to difficulties in getting a quorum for meetings when some members were away from the Mission area, high turnover of staff and lack of an adequate pool of properly trained staff.

16. The Director of Mission Support (DMS) reconstituted the LPSB on 19 January 2018 and appointed the Chief Finance and Budget Officer as the chairperson. UNMIL also provided evidence of more frequent meetings of the LPSB since January and that they had cleared the backlog of write-off requests. In light of action taken, OIOS did not make a recommendation on this issue.

Semi-annual reports of disposal activities were not submitted to the Headquarters Property Survey Board on time

17. The DPKO/DFS Property Management Manual requires UNMIL to submit semi-annual reports of all disposal activities for the preceding six-months. The semi-annual report is used by the Headquarters Property Survey Board (HPSB) to monitor and enforce compliance with the required disposal procedures and the specific DoA for UNMIL.

18. As at 30 October 2017, UNMIL was yet to submit the semi-annual report of its activities for the period January to June 2017 to the HPSB. Timely submission of this report is important not only for compliance purposes but also to help the HPSB in making recommendations to correct any deficiencies noted therein.

19. The Property Control and Inventory Unit explained that since they had been submitting other monthly reports that covered similar aspects, they felt that these were sufficient. However, the semi-annual report was submitted on 21 November 2017 after enquiry from OIOS. Therefore, no recommendation is made on this issue.

B. Execution of asset disposal activities

The PDU yard was appropriate and well organized

20. UNMIL standard operating procedure on PDU provides general guidelines on segregation and treatment of various types of waste in the PDU yard.

21. OIOS site visit to the PDU yard showed that it is divided into two sections, one for vehicles and the second for all the other assets to be disposed of. The yard had an appropriate perimeter fence and was well secured with guards both at the entrance and within the yard. The items to be disposed of were well segregated into metals, plastics, electronic waste, and tyres among others. Closed-circuit television cameras were installed and functional.

22. The yard also had a designated area for storage of used oils and oil filters. Hazardous waste was stored in a separate locked area. The Mission currently has a significant stock of hazardous waste as it previously did not have a contract for the disposal of hazardous waste. However, one was established in November 2017.

23. OIOS concluded that as currently located and designed, the PDU yard met the disposal needs of UNMIL.

Weight of scrap metal for sale was determined subjectively

24. The DPKO/DFS Property Management Manual provides that all scrap metal should be sold on a weight basis, separating ferrous and non-ferrous metal. UNMIL's contract for sale and disposal of scrap metal states that the contractor should weigh the scrap metal load at its own weighing facility. The contract specified unit prices for sea containers, generators and pallet loading systems but all other scrap metal should be weighed

25. UNMIL indicated that it had disposed of 200,900 kilograms of scrap metal valued at \$50,206 during the audit period; however, this could not be verified as UNMIL did not have a weighing machine to weigh scrap metal in preparation for disposal. Instead, PDU staff estimated the weight of the scrap metal by sight and UNMIL did not confirm these estimates by weighing the load at the contractor's facility. UNMIL had also not taken steps to implement a 2016 recommendation by OIOS on the mandatory use of weighing scales for all scrap metal loads released, due to suspected cases of discrepancies between the income received and tonnage of scrap sold by UNMIL.

26. UNMIL stated that it did not find it necessary to procure weighing scales at this stage of the Mission. However, with the downsizing of the Mission and the upcoming liquidation, it is expected that the amount of scrap metal to be disposed of will increase significantly. UNMIL may therefore lose revenue from the sale of scrap metal due to inadequate controls including the inaccurate determination of the weight of scrap metal.

(1) UNMIL should implement procedures to obtain the accurate weight of scrap metal before disposal.

UNMIL accepted recommendation 1 and stated that the scrap metal contractor had provided a weighing machine. UNMIL also submitted evidence of weighing recent scrap metal loads released. Based on the action taken by UNMIL, recommendation 1 has been closed.

There were delays in receipt of acknowledgement for assets transferred to other Missions

27. The DPKO/DFS Property Management Manual requires missions receiving assets from another mission to acknowledge receipt thereof to record the items received and note any visible damages or anomalies with the consignment. This may serve as a basis for a claim against the carrier or shipping agent if required.

28. UNMIL dispatched six items with a depreciated value of \$20,784 to the United Nations Mission in Kosovo in January 2017 but only received an acknowledgement on 16 November 2017 after a follow-up by OIOS. In July 2017, UNMIL shipped 33 assorted assets with a depreciated value of \$270,532 to the United Nations Department of Safety and Security in Liberia and two sea containers with a depreciated value of \$4,400 to the United Nations Interim Force in Lebanon but only received an acknowledgement on 7 November 2017 after a follow-up by OIOS.

29. In the intervening period, other Missions had migrated their property management records from Galileo to Umoja but UNMIL had not done so because of the impending liquidation. As there is no interface between Galileo and Umoja, UNMIL could not check whether the receiving missions had recorded receipt of the assets transferred. This could result in losing trail of these assets and hinder lodging effective claims against the carrier or shipping agent if needed.

(2) UNMIL should implement procedures to monitor all transfers of assets to other missions to ensure they acknowledge receipt in a timely manner and follow up any delays.

UNMIL accepted recommendation 2 and stated that it had established an interim procedure of following up with receiving missions on a monthly basis. UNMIL had also raised the issue with UNGSC, which confirmed that they were working on setting up a more formal procedure for ensuring receiving missions acknowledge assets transfers and would share the procedure with UNMIL when complete. Recommendation 2 remains open pending receipt of evidence of regular follow-up with receiving missions on receipt of assets transferred.

Procedures for gifting and donating assets to the host government were complied with

30. The DPKO/DFS Property Management Manual provides guidance on the disposal of property by gift or donation to the Government, where it is determined that it will be in the interest of the United Nations.

31. During the audit period, the Mission donated 4 assets with a depreciated value of \$21,507 and gifted 589 assets with a depreciated value of \$1,702,990 to the Government of Liberia.

32. A review of the 4 donated assets and 107 gifted assets (depreciated value of \$775,361) indicated that LPSB and HPSB approval was given and Certificates of Temporary Possession and handover certificates were approved. The Galileo systems records were also updated appropriately. OIOS concluded that UNMIL complied with the procedures for gifting and donating assets to the host government.

Controls over commercial sales of assets were adequate

33. The Financial Regulations and Rules and Procurement Manual outline procedures for the disposal of assets by commercial sale.

34. UNMIL conducted 57 commercial sales involving 383 assets with a total depreciated value of \$2,089,302 from 1 January to 31 October 2017. OIOS reviewed a sample of six commercial sales representing 67 assets with a total depreciated value of \$1,135,693. In all the cases, the correct procedure was followed in the disposal process: solicitation documents were issued, applicable bid deposits were received and the disposal process was competitive. Although there were minor delays in receiving the balances of sales bids, the Mission received full payments before delivering assets to purchasers. OIOS concluded that adequate controls had been implemented over commercial sales of assets.

Immoveable assets from closed offices were disposed of using appropriate methods

35. The Financial Regulations and Rules provide that any assets that have been installed in a country which, if dismantled, would set back the rehabilitation of that country shall be provided to the duly recognized Government of that country in return for compensation in a form to be agreed by the Organization and the Government. Where such assets cannot be disposed of in this manner or otherwise, they will be contributed free of charge to the Government of the country concerned.

36. During the period under review, there were 1,043 assets from closed offices with depreciated value of \$6,295,109. For a sample of 166 assets with depreciated value of \$2,939,274, OIOS noted that UNMIL conducted both initial and final inspections, during which the Mission established that it would not be appropriate to dismantle or move the items. Relevant approval was sought and obtained from the LPSB and the assets were disposed of through gifting to the Government of Liberia. Galileo records were updated accordingly.

37. OIOS concluded that UNMIL disposed of immovable assets from closed offices appropriately.

C. Investigations of lost/damaged property

Loss, theft and damage of property were investigated by the Special Investigations Unit

38. According to the DPKO/DFS Property Management Manual, cases of loss, theft or damage of property need to be properly investigated. Where negligence or willful misconduct by a staff member is found to have been the cause, recommendations shall cite the amount of any financial assessment that should be made against him or her.

39. There were 66 cases related to loss, theft or damage of property that were reported to the Special Investigations Unit (SIU) during the period under review. In seven of the cases that were reviewed by OIOS, the loss or damage was investigated promptly and fully and the write-off procedure initiated by the relevant self-accounting unit for the property.

40. In two of the cases, the SIU recommended that the staff members concerned should be held accountable. However, action had not yet been taken because the staff had not provided their comments on the report. Delays in finalizing the report may lead to staff separating from the Mission before completion of the cases.

(3) UNMIL should take action to complete investigation reports into lost and damaged assets and take appropriate action against staff found to be negligent.

UNMIL accepted recommendation 3 and stated an investigation would be conducted on implicated staff members who did not respond to the SIU, possibly resulting in the issuance of a letter of reprimand or imposition of other consequences. Recommendation 3 remains open pending submission of investigation reports and evidence of subsequent action taken.

IV. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of assets disposal in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNMIL should implement procedures to obtain the accurate weight of scrap metal before disposal.	Important	C	Action completed	Implemented
2	UNMIL should implement procedures to monitor all transfers of assets to other missions to ensure they acknowledge receipt in a timely manner and follow up any delays.	Important	O	Submission of evidence of regular follow-up with receiving missions on receipt of assets transferred.	15 June 2018
3	UNMIL should take action to complete investigation reports into lost and damaged assets and take appropriate action against staff found to be negligent.	Important	O	Submission of investigation reports on lost and damaged assets and evidence of subsequent actions taken.	15 June 2018

² Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

³ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNMIL in response to recommendations.

APPENDIX I

Management Response

United Nations
MISSION IN LIBERIA

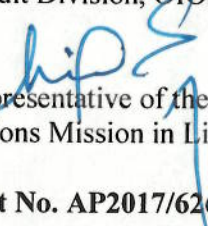


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MISSION AU LIBERIA

U N M I L

Date: 07 March 2018

To: Ms. Muriette Lawrence-Hume
Chief, New York Audit Service
Internal Audit Division, OIOS

From: Farid Zarif 
Special Representative of the Secretary-General
United Nations Mission in Liberia

Subject: **Assignment No. AP2017/626/01 – UNMIL’s response to the draft report on the audit of assets disposal in the United Nations Mission in Liberia**

Thank you for providing us with the opportunity to comment on the above-referenced audit.

Our comments on the draft report are contained in Annex I.

Regards

Cc: Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS
Mr. David Penklis, Director of Mission Support, UNMIL
Mr. Jasmin Kific, Chief of Service Delivery, UNMIL
Ms. Georgette Khraish, Chief Supply Chain Management, UNMIL
Ms. Teuta Vata, Acting Chief, Property Disposal Unit, UNMIL
Mr. Paul McNeill, Senior Administrative Officer, UNMIL

AUDIT RECOMMENDATIONS

Audit of assets disposal in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments ³	BOA assessment
1	UNMIL should implement procedures to obtain the accurate weight of scrap metal before disposal.	Important	Yes	PMS/PDU	Implemented	This recommendation has been implemented. The scrap contractor has brought the weighing machine and the process of weighing is already in place.	Proposed to be closed
2	UNMIL should implement procedures to monitor all transfers of assets to other missions to ensure they acknowledge receipt in a timely manner and follow up any delays.	Important	Yes	PMS	Ongoing process	UNMIL has established the interim procedure of following up with the receiving missions on a monthly basis. This OIOS recommendation has been raised with to UNGSC and they have been requested to help in following up with various missions regarding shipped UNMIL Assets. The UNGSC confirmed they are working on setting up a more formal procedure and will share their inputs with UNMIL when they are complete.	Open. Pending receipt of evidence of regular follow-up with receiving missions and timely update of asset records.
3	UNMIL should write letters reprimanding the staff accountable for the lost assets.	Important	Yes	CDT	Ongoing process	Regarding implicated staff members who did not respond to the Special Investigation Unit (SIU) during the course of the investigation, an investigation will be conducted pursuant to the ST/AI/2017/1, with the possible result that a letter of reprimand or other consequence maybe imposed.	Open. Pending the intake committee decision whether an investigation will be conducted or not.

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

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

³ Please indicate feasibility and realistic timelines for implementation of the recommendation.