



## **INTERNAL AUDIT DIVISION**

### **REPORT 2018/116**

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**Audit of travel transactions in the  
Regional Service Centre in Entebbe for  
the last quarter of 2017**

**The Regional Service Centre needed to  
enhance monitoring of cancelled air tickets  
and collection of corresponding refunds**

**30 November 2018  
Assignment No. AP2018/616/03**

# **Audit of travel transactions in the Regional Service Centre in Entebbe for the last quarter of 2017**

## **EXECUTIVE SUMMARY**

Due to concerns raised by management regarding travel processed in the last quarter of 2017, the Office of Internal Oversight Services (OIOS) conducted a focused audit of travel transactions for that period in the Regional Service Centre in Entebbe (RSCE). The objective of the audit was to assess the adequacy and effectiveness of controls over travel processing in RSCE during 1 October to 31 December 2017. The audit included processing of travel requests, selection of airfare and processing of travel invoices.

In the last quarter of 2017, although control weaknesses continued in areas related to the processing of duplicate travel requests and payments, and keeping evidence that the most economical air tickets were purchased, OIOS noted that RSCE was taking corrective action. This included conducting a real-time verification of airfare and implementing a control to cap all ticket prices according to the Global Distribution System. However, OIOS made one recommendation to further enhance RSCE travel operations by implementing a mechanism to monitor cancelled tickets and to ensure related refunds are obtained from the travel vendors. RSCE accepted the recommendation and has initiated action to implement it.

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# **Audit of travel transactions in the Regional Service Centre in Entebbe for the last quarter of 2017**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of travel transactions in the Regional Service Centre in Entebbe (RSCE) for the last quarter of 2017.
2. RSCE was established in July 2010 as a shared service centre for missions in the African region. Among other functions, the RSCE travel service line is responsible for processing out-of-mission air travel for 12 missions for United Nations staff, their dependents and uniformed personnel in accordance with the United Nations travel policy. Travel for international staff were processed in Umoja while those of uniformed personnel and local staff were processed in the Field Support Suite (FSS).
3. Since 2013, RSCE engaged three travel vendors on long-term contracts to provide airline reservation and ticket booking services. During the three-month period to 31 December 2017, RSCE processed 1,828 travel vendor invoices totaling \$4.5 million to the three travel vendors.
4. Comments provided by RSCE are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

5. The objective of the audit was to assess the adequacy and effectiveness of controls over travel processing in RSCE in the last three months of 2017.
6. This audit was included in the 2018 work plan of OIOS at the request of the Department of Management, arising from missions' complaints that tickets issued were not the most economical and concerns that vendors may be manipulating ticket fares and invoices and other risks of increased control weaknesses during the last quarter of 2017. OIOS had already conducted an audit of travel processing in RSCE (2018/071 issued on 12 July 2018) covering up to 30 September 2017.
7. OIOS conducted this audit from August to October 2018. The audit covered the period from 1 October to 31 December 2017. The audit covered areas in processing of travel requests, selection of airfare and processing of travel invoices.
8. The audit methodology included interviews of key personnel, review of relevant documentation, analytical review of data of all the 1,828 invoices and corresponding travel authorizations processed and in-depth sample testing of 100 out of the 1,828 invoices.
9. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### **III. AUDIT RESULTS**

#### **A. Processing of travel requests**

##### Need to enhance the review of travel requests to ensure their accuracy and validity

10. Financial Regulations and Rules (105.5 and 105.6) require payment of travel-related entitlements based on certified and approved travel authorizations. Certifying officers are responsible for reviewing the staff members' travel request, including the history of the requests to ensure that a travel request is accurately recorded in Umoja/FSS. The Staff Rules (paragraph 7.4) and the administrative instruction on official travel (ST/AI/2013/3) require that all travels are authorized and certified in writing prior to their commencement, while the travel management service contracts require RSCE to provide its travel vendors approved travel authorizations prior to issuance of tickets.

11. RSCE uses the FSS system to process travel for its client missions' uniformed personnel and national staff, and Umoja for international staff. OIOS noted the following:

- There were instances where staff members had duplicate travel requests which were approved and paid. For example, during the period under review, there were 48 travel authorizations to staff members with similar or overlapping travel dates with a value of \$51,200. An in-depth review of the 48 trips indicated that 10 were duplicates, which resulted in overpayments totaling \$10,900. This resulted as: staff members submitted duplicate travel requests for the same and/or overlapping dates and certifying officers did not always properly review the staff members' travel requests in Umoja to confirm that travel request details were accurate.
- RSCE did not always maintain evidence to demonstrate that it provided the travel vendors with approved travel authorizations prior to issuance of tickets, as required. In 15 out of the 100 travel authorizations that were reviewed, the travel authorizations were completed after the respective trips had started. OIOS reviewed the payment status of all 1,828 vendor invoices received during the quarter and noted that there were 38 vendor invoices (amounting to \$48,000) that had not been paid as of September 2018 since the travel authorizations did not include funds commitment. This resulted because RSCE was not enforcing the requirements to obtain a travel authorization when processing travel requests before the start of travel and provide its travel vendors approved travel authorizations prior to issuance of tickets.

12. The inadequate review of travel requests led to duplication of travel payments and loss of funds to the Organization. The issuance of tickets without travel authorizations to vendors led to delays in processing vendor payments and could result in reputation risk for the United Nations. Further, no administrative sanction was taken against staff members who applied and received duplicate travel entitlements which may lead to recurrence of the practice.

13. OIOS however noted that RSCE subsequently initiated internal reviews to identify all possible duplicates after Umoja travel module implementation in November 2015 and make recoveries. As of the audit date, RSCE had identified 186 duplicate travels and recovered the related travel advances amounting to \$256,612. RSCE was also in the process of reviewing pending invoices and generating travel authorizations for those that had not been done at the correct time.

14. As the above observations were reported in Audit Report 2018/071 on an audit of travel processing in RSCE (Assignment No. AP2017/616/01), recommendations 1 and 2, OIOS is not making further recommendations.

### Selection of most economical airfare

15. The United Nations travel policy requires RSCE to ensure travel itineraries are economical and direct. RSCE required travel vendors to provide three quotations for each proposed travel to ensure the most economical airfare. The Travel Processing Officers (TPOs) had access to the Global Distribution System (GDS), which contains information on airfares, to assess the reasonableness of air tickets provided by the travel vendors.

16. A review of a sample of 100 travel requests processed (amounting to \$490,000) indicated that 87 travel requests (valued at \$476,000) were processed and tickets issued without obtaining and analyzing at least three quotations. This was the control that RSCE had in place during the audit period, although later realized it was redundant, due to the fast-moving pace of the cost of air tickets. In addition, there was no evidence that RSCE compared the quotations obtained with the information in the GDS for reasonableness of air ticket costs. Hence, there was no evidence to demonstrate that RSCE always obtained the most economical fare.

17. This resulted as RSCE had no mechanism in place to review the TPOs' ticket issuance process including comparing airfare with GDS prior to issuing tickets. Despite this, OIOS did not find any indications of manipulation of airfares.

18. OIOS in its Audit Report 2018/071 on an audit of travel processing in RSCE (Assignment No. AP2017/616/01) recommended that RSCE undertake corrective actions. In response, RSCE commissioned and conducted a real-time airfare audit from June 2018 to November 2018. A review of the airfare audit report for June 2018 indicated only one exception of about \$489 in potential savings. Further, RSCE in August 2018, implemented a control to cap all ticket prices based on available ticket information the TPOs extracted from GDS. As RSCE took corrective actions, OIOS is not making a recommendation to further improve controls on the selection of most economical airfare.

## **B. Processing of travel vendors invoices**

### Need to improve monitoring of ticket cancellations and corresponding payment of refunds

19. Financial Regulations and Rules (105.5 and 105.6) require payment of travel-related entitlements based on certified and approved travel authorizations, and after confirming the services have been rendered. The travel management services contract requires the travel vendors to process duly authorized flight changes and cancellations when required, and credit the related amounts to the United Nations with any compensation due for cancelled travel segments. Further, the payment for refunds should be made within three months of such cancellation.

20. A review of all the payments made in the period under review totaling \$4.5 million showed that in all cases, invoice amounts reconciled with the approved financial commitments without duplication. Also, a review of 100 invoices during the period showed that the invoice amounts were reconciled with the amounts of travel authorization and copies of tickets issued within the approved limit. Therefore, OIOS did not find any indications of manipulation of vendor invoices.

21. However, RSCE did not have a robust mechanism to monitor refunds on cancelled or unused air tickets, although the travel management services contract required the travel vendors to credit the amounts to the United Nations with any compensation due for cancelled travel segments within three months of such cancellation. For example, while RSCE had a control in place to ensure fund commitments were reviewed

and revised to meet cancellation charges, the control did not extend to track refunds where ticket cancellations happened after vendor invoices had been paid. RSCE first requested a statement of ticket refunds from one travel vendor in September 2018 and was in the process of reviewing it for accuracy and completeness of refunds. The report for the period from April to September 2018 included 21 changed travels valued at \$23,674. A review of this statement indicated that the vendor processed four credit notes and made refunds totaling \$2,557 to RSCE, but RSCE did not maintain an independent mechanism to track or confirm completeness of these credit notes. The statement also included one cancelled ticket available for use by RSCE before August 2019, which RSCE was not aware of. The Vendor Contract Management Unit of RSCE informed OIOS that RSCE would have to rely on vendor statements as they did not have a mechanism to independently view such statements in GDS without travel agent registration.

22. Failure to monitor ticket usage and cancellations and the corresponding refund payment status may expose United Nations to loss of funds that is not detected and corrected on time.

**(1) RSCE should establish a mechanism to monitor cancelled tickets and corresponding payment of refunds by the travel vendors.**

*RSCE accepted the recommendation and stated that the traveller was ultimately responsible for informing the TPO about the trip cancellation. To implement the recommendation, RSCE established a contract management team that was tasked with monitoring ticket cancellation and corresponding payment of refunds by travel vendors. Since October 2018, RSCE had progressively implemented the recommendation. To this end, 30 cancellation requests were compared against vendor payments, from which the vendor confirmed four credit notes would be issued. Further, RSCE would take the following action: (a) use Umoja Business Intelligence cancellation report to generate pending transactions and post relevant refunds due from the vendor; (b) request ticket cancellation and refund report from the vendors; and (c) using the information from the above sources, reconcile the credit notes due from the vendors. RSCE would continue to explore additional options, such as GDS reporting tool, to further strengthen the existing mechanism. Recommendation 1 remains open pending receipt of evidence that the measures established to monitor cancelled tickets and refunds have been implemented.*

#### **IV. ACKNOWLEDGEMENT**

23. OIOS wishes to express its appreciation to the management and staff of RSCE 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 travel transactions in the Regional Service Centre in Entebbe**  
**for the last quarter of 2017**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	RSCE should establish a mechanism to monitor cancelled tickets and corresponding payment of refunds by the travel vendors.	Important	O	Receipt of evidence that the measures established to monitor cancelled tickets and refunds have been implemented.	30 June 2019

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

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by RSCE in response to recommendations.



# **APPENDIX I**

## **Management Response**



UNCLASSIFIED

Immediate

TO: Mr. Daeyoung Park, Chief  
A: Peacekeeping Audit Service  
Internal Audit Division, OIOS

DATE: NOV 21 2018

REFERENCE: 2018.UNHQ.AR-BOI.MEMO.138847.2

THROUGH:  
S/C DE:

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

A handwritten signature in black ink, appearing to be 'Lisa B. B. B.' with a stylized flourish at the end.

SUBJECT: **Draft audit report on the audit of travel processing in RSCE for the last quarter of**  
OBJET: **2017**

1. I refer to your memorandum, dated 7 November 2018, regarding the above-mentioned audit. We note that OIOS has substantially taken into account our comments provided earlier. Please note that DFS does not have any further comments on the findings in the report. We have, however, updated Appendix I to reflect our comments and the individual responsible for the implementation of the recommendation with the deadline.
2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Cynthia Aveno-Castillo

## Management Response

**Audit of travel transactions in the Regional Service Centre in Entebbe  
for the last quarter of 2017**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	RSCE should establish a mechanism to monitor cancelled tickets and corresponding payment of refunds by the travel vendors.	Important	Yes	Chief, RSCE	Second quarter of 2019	The RSCE's comments are reflected in the report. The Service Centre continues to explore additional options, such as a Global Distribution System reporting tool, to further strengthen the existing mechanism.

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<sup>2</sup> 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.