OIOS
Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2019/132

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

Controls over the management of services provided needed to be strengthened

19 December 2019
Assignment No. AT2019/800/01

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of services provided by a United Nations agency (hereafter referred to as "the Agency") to the Secretariat of the United Nations Joint Staff Pension Fund (UNJSPF). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of services provided by the Agency to the Fund Secretariat. The audit covered the period from January 2015 to October 2019 and included a review of risk areas relating to: (a) planning and budgeting for services; (b) the regulatory framework; and (c) service and project management.

The audit showed that controls over the management of services provided by the agency to the Fund Secretariat needed to be strengthened. OIOS made nine recommendations. To address the issues identified in the audit, the UNJSPF Secretariat needed to:

- Establish appropriate delegation of authority for its senior officials to ensure that they are duly authorized to enter into commitments with the Agency within established limits;
- Enhance transparency in budgeting and reporting of services entrusted to the Agency by: using consistent project descriptions to facilitate monitoring and comparison against reports for the previous years; separating the resource requirements for call centre services which were incorrectly budgeted under ICT services; and ensuring that credit notes due from the Agency are taken into account when projecting the resource requirements in the Fund's budget;
- Initiate a formal competitive bidding exercise for call centre services in accordance with the principles stipulated in United Nations Financial Regulation 5.12 and General Assembly resolution 63/269 to assure best value for the money that the Fund would spend on such services;
- Ensure that the good practices established by other United Nations entities, including the Fund's Office of Investment Management, for acquisition and management of services provided by the Agency are adopted and implemented to strengthen controls and enhance accountability;
- Combine its agreements related to data warehouse, business intelligence and report development under one umbrella agreement to avoid potential duplication and document a business case and project plan with clear deliverables;
- Enhance transparency in the use of services provided by the Agency by: identifying clearly described deliverables for projects assigned to the Agency; completing the project closure reports by including the status of deliverables and final cost; and converting recurring application development activities into projects with clear specifications, cost and deliverables;
- Periodically perform a verification of its physical and virtual assets hosted and managed by service providers; update the configuration management database to ensure completeness of information about its assets; and review and merge multiple infrastructure elements under a single agreement clearing up the decommissioned assets;
- Assign dedicated service managers for services rendered by the Agency and document their responsibilities to ensure accountability; and
- Review and update its agreements with the Agency to include measurable performance indicators to monitor actual performance and ensure accountability.

The UNJSPF Secretariat accepted the recommendations and has initiated action to implement them.

CONTENTS

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund (UNJSPF).

2.   The United Nations agency (hereafter referred to as "the Agency") was established by a Memorandum of Understanding (MOU) between the United Nations Secretariat, among others. It operates as a self-funding, not-for-profit inter-organization facility. According to its mandate, it provides information and communications technology (ICT) services, including operational services and training, to partner organizations and users by maximizing the sharing of its computing and communications infrastructure, the associated systems, and software and specialist skills so that recipients of its services can benefit from economies of scale. Its mandate also states that it must operate on a purely cost-recovery basis, with no core funding. The Agency is governed by a Management Committee composed of one representative from each partner organization.

3.   Each partner organization signs a MOU with the Agency that sets out the general terms under which the Agency conducts its business (including roles and responsibilities, payment terms and confidentiality requirements). Service specifications provided by the Agency under the MOU are detailed in service delivery agreements (SDAs) which may contain a one-time project component (also known as "project agreements") and a recurring service component. Major changes to services are managed through business change requests (BCRs) which are agreements signed by both parties. The Agency's mandate and the related MOU, SDAs, and BCRs constitute the contractual framework for its specific service deliverables.

4.   At the time of the audit, the services provided by the Agency to the Fund Secretariat were covered by 65 contractual instruments (SDAs, BCRs and project agreements) which included: (i) infrastructure and hosting services (i.e., servers and enterprise server hosting and support, storage on demand, and enterprise backup); (ii) network services; (iii) email services; (iv) call centre services; (v) software development; (vi) ICT security support; and (vii) consultancy services.

5.   The costs of services provided by the Agency to the Fund Secretariat are shown in Table 1.

Table 1: Cost of services provided by the Agency to the Fund Secretariat

Year	Cost ($)
2015	6.2 million
2016	4.4 million
2017	5.2 million
2018	6.9 million

6.   Comments provided by the UNJSPF Secretariat are incorporated in italics.

II.   AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7.   The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of services provided by the Agency to the Fund Secretariat.

8.   This audit was included in the 2019 risk-based work plan of OIOS due to the risk that potential weaknesses in management of services provided by the Agency could lead to sub-optimal utilization of resources and/or non-achievement of the intended objectives.

9.   The audit covered the period from January 2015 to October 2019. Based on an activity-level risk assessment, the audit focused on risk areas relating to provision of services by the Agency including: (a) planning and budgeting for services; (b) the regulatory framework; and (c) service and project management.

10.   The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of performance documents, invoices, and usage reports related to the various services provided by the Agency per the SDAs, MOUs and BCRs.

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

III.   AUDIT RESULTS

A.   Planning and budgeting for services

<u>Need to ensure that commitments entered into are based on established delegation of authority</u>

12.   In resolution 63/269, the General Assembly requested the Secretary-General, when utilizing the services of the Agency, to ensure compliance with all regulations and rules regarding procurement, in order to guarantee the cost-effectiveness of the services provided by the Agency. However, as explained later in the present report, the Fund Secretariat did not procure services from the Agency on a competitive basis.

13.   OIOS' review of the Fund Secretariat's agreements with the Agency (see Table 2) showed that most of them were signed by officials other than the CEO, without any written delegation of authority authorizing them to enter into commitments of this magnitude.

Table 2: Examples of commitments entered into with the Agency

Description of services	Date	Service type	Value ($)	Signed by
ISO-IEC 20000 Surveillance Preparation Project	December 2016	One-time	57,120	CEO
Application Development and Support Project	August 2018	One-time Recurring (biennial)	430,275 719,880	Deputy CEO
Call Centre Services	September 2016	Recurring (biennial)	1,829,376	Deputy CEO
Call Centre Services Extension	June 2017	Recurring (biennial)	1,375,824	CIO
Financial Processing and Contribution Reconciliation Portal	December 2017	One-time	447,850	CIO
Business Intelligence (BI) Development and Platform Extension	December 2017	One-time Recurring (biennial)	675,860 335,808	CIO

14.   The Fund Secretariat needs to ensure that commitments with the Agency are entered into by authorized officials within established limits.

> **(1) The UNJSPF Secretariat should establish appropriate delegation of authority for its senior officials to ensure that they are duly authorized to enter into commitments with the Agency within established limits.**
>
> *The UNJSPF Secretariat accepted recommendation 1 and stated that it will establish delegations and sub-delegations of procurement authority.* Recommendation 1 remains open pending receipt of evidence showing that it has been implemented.

Lack of segregation of duties between requisitioner and approver of agreements

15.   Segregation of duties is essential in the procurement function to ensure proper checks and balances and also mitigate potential conflict of interest. The audit showed that the Fund's CIO had signed two agreements with the Agency in the amounts of $447,860 (Financial Processing and Contribution Reconciliation Portal) and $675,860 (Business Intelligence Development and Platform Extension) for which he was also the requisitioning officer in his capacity as the head of ICT operations. The CIO and the Chief Technology Officer (who directly reported to the CIO) were also members of the Agency's Management Committee which also created a functional conflict of interest because the Management Committee decides the Agency's catalogue of services and the rates charged. Similar conflict of interest arising from the CIO's role and relationship with Agency A was reported in OIOS' report on a "Comprehensive audit of the governance structure and related processes" of the Pension Board (A/73/341). The Fund stated that the conflicting roles were segregated in July 2018 and that the CIO has not signed any new agreements with the Agency since then.

Need to enhance transparency in services procured from the Agency

16.   Presentation of budget information should be transparent, and the original and final budget amounts should be disclosed along with actual expenditures on a comparable basis. Any material variances should be explained.

17.   The costs (approximately $10 million) associated with services procured from the Agency were equivalent to 49.8 per cent of the Fund Secretariat's total programme support cost. In 2015, 2016 and 2017, the Fund performed a detailed variance analysis between the budget and actual expenditure relating to the services provided by the Agency and provided explanation for material variances as part of the budget process as well as in its financial statements. However, in its budget performance report of 2018 (A/74/331), the Fund Secretariat presented a consolidated figure for "contractual services" without separately identifying the services received from the Agency. This information was not presented in the detailed supplementary documents either. Similarly, the financial statements for 2018 did not separately disclose the services provided by the Agency for comparison with the previous year.

18.   OIOS is of the view that information on the services procured and planned to be procured from the Agency should be presented in a more transparent manner to enable the governing bodies (i.e., the Pension Board, the Advisory Committee on Administrative and Budgetary Questions, and the Fifth Committee of the General Assembly) to make informed decisions on the Fund's budget requests for such services and ensure accountability for the funds provided.

Need to ensure greater clarity in presentation of resource requirements

19.   Results-based budgeting requires that there should be a direct link between expected accomplishments and resource requirements. OIOS' review of the Fund Secretariat's 2020 budget proposal and the related supplementary information showed that:

(a)   The Fund Secretariat did not provide adequate information about its ongoing and planned projects assigned to the Agency in 2020. The total estimated budget for information technology (IT) projects and maintenance was indicated as $8,556,600 but it was not clear how much of this related to the Agency.

(b)   There was no consistency in the description and definition of projects and programmes delivered by the Agency over the various budget periods. Consequently, the justification for resources was presented in a fragmented manner without any indication of timelines and cumulative costs.

(c)   Resource requirements for call centre services (which were essentially a client service activity) were presented under IT projects and maintenance.

(d)   According to information provided by the Agency, there was approximately $2 million representing the advance payment made to it by the Fund Secretariat for the 2018-2019 biennium, for which the Agency is to issue a credit note in December 2019. The Fund Secretariat did not take the credit amount into consideration while preparing its budget proposal for 2020. The amount already paid to the Agency during the previous biennium should have been reduced from the Fund's budget request for 2020.

20.   The Fund Secretariat needs to ensure greater clarity in the justification it provides for its resource requirements to enable the governing bodies to make informed decisions and assure accountability for the resources provided.

(2) The UNJSPF Secretariat should enhance transparency in budgeting and reporting of services entrusted to the Agency by: (a) using consistent project descriptions to facilitate monitoring and comparison against reports for the previous years; (b) separating the resource requirements for call centre services which were incorrectly budgeted under ICT services; and (c) ensuring that credit notes due from the Agency are taken into account when projecting the resource requirements in the Fund's budget.

The Fund secretariat accepted recommendation 2 and stated that it will: (a) include additional details in the Budget Supplementary Information and internal documents to identify those projects related to the United Nations agency and the required budget; and (b) budget call centre services under Client Services. In relation to (c), the Fund secretariat stated that credit notes are already taken into account when projecting resource requirements. Recommendation 2 remains open pending receipt of evidence showing that: (a) the budget and budget performance documents use consistent project descriptions to facilitate monitoring and comparison against reports for the previous years; (b) resource requirements for call centre services have been budgeted under the appropriate budget line; and (c) credit notes due from the Agency are taken into account when projecting the resource requirements in the Fund's budget.

B.   Regulatory framework

Call centre services were awarded and extended without market analysis

21.   According to United Nations Financial Regulation 5.12, the general principles that shall be given due consideration when exercising procurement functions are: (a) best value for money; (b) fairness, integrity and transparency; (c) effective international competition; and (d) the interest of the United Nations.

22.   In 2016, due to significant delays in responding to client inquiries received through email (particularly those classified as "high priority") as well as the very low response (as low as 4 per cent in 2016) to clients' telephone calls (see OIOS Report 2017/002), the Fund Secretariat decided to establish a call centre on a pilot basis to strengthen the capacity of its Client Services. In view of the urgency and criticality of this requirement, the Fund Secretariat entered into a SDA with the Agency in September 2016 without conducting market research to assess the reasonableness of the costs ($914,688 annually) proposed by the Agency for the pilot call centre. In June 2017, the Fund Secretariat signed another SDA with the Agency expanding the scope of the call centre services with an additional annual cost of $687,912. With this amendment, the total cost of the call centre services increased to $1,602,600 annually.

23.   According to its mandate, the Agency provides ICT services to partner organizations by maximizing the sharing of its computing and communications infrastructure, the associated systems, and software. Since the Agency had never provided this kind of non-ICT service before, the Fund Secretariat provided training to the Agency's personnel to enable them to answer client inquiries relating to pension matters. This clearly demonstrated that the provision of call centre services on pension matters was not an area in which the Agency had any expertise. Records show that in 2017, 87 per cent of the phone calls received by the call centre related to pension administration and benefits, while the remaining 13 per cent related to issues such as access to the Member Self Service portal on the Fund's website, unlocking of accounts, or assistance in navigating through the Fund's website. While the Fund stated that it entrusted call centre services to the Agency because only a United Nations entity (such as the Agency) could assure confidentiality of data pertaining to UNJSPF participants and beneficiaries, OIOS is of the view that risks relating to confidentiality of data could be mitigated by including appropriate confidentiality clauses in contracts with non-United Nations entities (i.e., external contractors).

24.   The Fund paid $1,392,668 in 2017, $1,585,851 in 2018 and is expected to pay a similar amount in 2019 to the Agency for the provision of call centre services. Although three years have passed since the establishment of the call centre on a pilot basis, the Fund neither initiated a competitive procurement exercise nor conducted market research to assess the cost of similar services provided by other vendors. This was contrary to the general principles for procurement stipulated in United Nations Financial Regulation 5.12 and also in contravention of General Assembly resolution 63/269 in which the Assembly asked for compliance with all regulations and rules regarding procurement in order to guarantee the cost-effectiveness of the services provided by the Agency.

(3) The UNJSPF Secretariat should initiate a formal competitive bidding exercise for call centre services in accordance with the principles stipulated in United Nations Financial Regulation 5.12 and General Assembly resolution 63/269 to assure best value for the money that the Fund would spend on such services.

The UNJSPF Secretariat accepted recommendation 3 and stated that in November 2018, it requested the United Nations Procurement Division to benchmark all services provided by the United Nations agency, including call centre services. The Fund Secretariat will reiterate its request to the Procurement Division and seek its advice on how to fully address this recommendation. Recommendation 3 remains open pending receipt of evidence showing that call centre services are procured in accordance with United Nations Financial Regulation 5.12 and General Assembly resolution 63/269 to assure best value for the money that the Fund would spend on such services.

The Fund Secretariat needs to implement good practices established in other United Nations entities

25.   Other entities of the United Nations (including the United Nations Secretariat and the Office of Investment Management of UNJSPF) use the United Nations procurement machinery for acquisition of services from the Agency. In these entities, SDAs entered into with the Agency were mapped to a contract number in Umoja and a not-to-exceed (NTE) amount was set for the SDA. Thereafter, the entities issued purchase orders in Umoja to use the agreements in place with the Agency. However, the UNJSPF Secretariat followed a different practice by using 'fund commitments' to make payments to the Agency, thereby circumventing the Procurement Division and the purchase order process, as well as the control exercised by setting a NTE amount in Umoja.

26.   Furthermore, the United Nations' Procurement Manual provides that contracts can be extended by the authorized officials for up to 8 months and an increase up to 20 per cent of the contract value or $500,000 whichever is lower.   However, despite the General Assembly's resolution 63/269 which required compliance with all regulations and rules regarding procurement to guarantee the cost-effectiveness of the

services provided by the Agency, the Fund Secretariat did not consider its agreements with the Agency as regular contracts, and the NTE increase thresholds indicated in the Procurement Manual were circumvented. The Fund Secretariat expanded the agreement for call centre services and increased the annual cost by $687,912 from the initial amount of $914,688 to $1,602,600 which exceeded the limits prescribed in the Procurement Manual. If call centre services were procured through competitive bidding and a regular contract was established, the expansion in scope and cost indicated above would have required review by the Headquarters Committee on Contracts.

> **(4) The UNJSPF Secretariat should ensure that the good practices established by other United Nations entities, including the Fund's Office of Investment Management, for acquisition and management of services provided by the Agency are adopted and implemented to strengthen controls and enhance accountability.**
>
> *The UNJSPF Secretariat accepted recommendation 4 and stated that it is seeking advice of the Procurement Division to define and implement the required actions to address this recommendation.* Recommendation 4 remains open pending receipt of evidence showing that it has been implemented.

C.   Service and project management

Project requirements were scattered in multiple agreements

27.   The Fund Secretariat signed multiple project agreements, SDAs and BCRs with the Agency to essentially achieve a common strategic objective or initiative. Some of these could have been treated as a single project and implemented in a coordinated manner in accordance with best practices, with a clear budget allocation to facilitate monitoring and control.

28.   For example, there were multiple projects (one-time project agreements) and recurring development activity (professional services in SDAs) to implement data warehouse and BI reports as shown in Table 3 below. Reporting requirements were not considered in a comprehensive manner and formal project management practices were not followed to identify the needs and the related budget to implement them. At the time of the audit, the total one-time cost of these projects amounted to $2,152,860 which had been paid to the Agency in advance. Additional ongoing recurring annual cost was $664,860. As it was not clear as to how long the recurring services would continue, and the total cost of implementation of portals and dashboards were not known.

Table 3: Agreements related to data warehouse and BI reports

Agreement	Date	Cost type	Cost ($)
Data warehouse, BI and Reporting Services Project	March 2016	One-time	56,411
Data warehouse, BI and Reporting Services (Recurring)	March 2016	Annual recurring	17,424
Data warehouse and Enterprise dashboard services project	July 2016	One-time	151,783
Data warehouse and Enterprise dashboard services	July 2016	Annual recurring	133,224
BI Development and Support Project	July 2016	One-time	490,028
Monthly contribution process monitoring and reconciliation portal	December 2017	One-time	447,850
BI development and platform extension project	December 2017	One-time	675,860
BI development and platform extension	December 2017	Annual recurring	167,904
BI Services project	August 2018	One-time	330,984
BI Services	August 2018	Annual recurring	363,732

29.   The absence of a comprehensive needs assessment, combined with a fragmented approach to planning and acquisition of ICT requirements through the Agency increased the risk of duplication, inefficient use of resources, and a weak control framework for effective service management.

> **(5) The UNJSPF Secretariat should combine its agreements related to data warehouse, business intelligence and report development under one umbrella agreement to avoid potential duplication and document a business case and project plan with clear deliverables.**
>
> *The UNJSPF Secretariat accepted recommendation 5 and stated that it is working with the United Nations agency to better document contractual agreements related to data warehouse and BI reports.* Recommendation 5 remains open pending receipt of a consolidated project agreement with clear requirements, work packages, costs, timelines and relevant project documents.

Need for clarity in project requirements, deliverables, cost allocation and closure

30.　　Project agreements should be detailed enough to describe the requirements, deliverables, acceptance criteria, implementation timelines and cost. Best practice requires that at the end of a project, all deliverables should be signed off and a closure report should be produced detailing the final cost, with comments as to the achievement of objectives and the status of the expected deliverables.

31.　　Although the Fund Secretariat adopted "Projects in Controlled Environments" (PRINCE 2) as its project management methodology, the project management practices followed by the Fund demonstrated several weaknesses. Project agreements relating to application development did not contain clearly documented requirements or specifications, list of deliverables, acceptance criteria, implementation timelines and cost distribution across project deliverables.

32.　　Furthermore, several activities that should be part of one-time projects were contracted through SDAs as open-ended professional support services with annual recurring cost, making it impossible to estimate the total cost of an intended project.

33.　　According to the Agency's business model, two types of project reports should be prepared for all projects: (i) quarterly "Project to date reports"; and (ii) "end of project reports". The purpose of these reports was to summarize the status of project deliverables and to show project budget versus the resources utilized. OIOS' analysis of various project documents showed that "end of project reports" were not prepared for the majority of projects. Therefore, the status of deliverables was not known, and it was not clear whether the projects achieved the intended objectives. For example:

(a)　　In July 2016, the Fund entered into a project agreement ("Pension Interface Project") which included implementation of data interfaces in its Integrated Pension Administration System (IPAS) with a one-time project cost of $645,323. Some of the deliverables listed in the project agreement were not implemented because they depended on actions to be taken at the Fund's end (such as providing access to United Nations systems for reference data). At the time of the audit, the Fund had not yet implemented interfaces related to salary scales and duty station codes, and these processes were still manual. Since the final status of project deliverables were not documented and the project cost was not linked to cost of the deliverables, it was not possible to monitor project budget versus expenditure. The Fund Secretariat stated that the project has a remaining balance of $100,000. However, it was not documented as part of a project status report or closure report.

(b)　　An agreement for "IPAS Release Application Development Project" was signed in November 2017 with a one-time cost of $549,579. However, there was no documented business case, project plan and list of deliverables related to this project at the project agreement phase. The Fund stated that deliverables of the project were the IPAS application releases that were implemented, documented and validated in coordination with the UNJSPF team, tracked within the JIRA ticketing system. An "End of project" report

indicated that the final cost of the project was $259,233 although the Fund had paid the initial estimate of $549,579 at the beginning of the project.

(c)   An agreement for "Capture IPAS Business Processes Project" was signed in December 2017 with a cost of $255,360. No project closure report was available confirming the receipt of the deliverables and documenting how the resources were used.

(d)   An agreement for "IT Business Testing Project" signed in April 2016 with a one-time cost of $107,010 did not contain any clear deliverables. No project status report or closure report was available documenting the utilization of project resources.

(e)   In August 2018, the Fund signed an agreement for "Application development and support services project" to implement automated monthly financial pension contributions at a one-time cost of $430,275. There was also a recurring service for application development with an annual cost of $359,940. Success criteria of the project were defined as "successful implementation of the requirements provided based on user requirements. Successful implementation of projects that are mutually agreed". There was no requirements document associated with the agreement and it was not clear how the project cost was determined. Additionally, there was no project closure report.

> **(6) The UNJSPF Secretariat should enhance transparency in the use of services provided by the Agency by: (a) identifying clearly described deliverables for projects assigned to the Agency; (b) completing the project closure reports by including the status of deliverables and final cost; and (c) converting recurring application development activities into projects with clear specifications, cost and deliverables.**
>
> *The UNJSPF Secretariat accepted recommendation 6 and stated that the Fund and the United Nations agency are working to identify mechanisms to better document and report on the status of deliverables of the projects as well as to reconcile the related cost.* Recommendation 6 remains open pending receipt of evidence showing: (a) updated project agreements with clear requirements and deliverables; (b) project closure reports showing the status of deliverables and final cost; and (c) converting recurring application development activities into project agreements with clear specifications, cost and deliverables.

The Configuration Management Database (CMDB) needs to be completed

34.   For effective management of ICT systems and services, it is imperative for organizations to have an up-to-date inventory of their ICT assets and accurate data for effective configuration management. In 2017, the Fund implemented an automated CMDB and ticketing system which improved the operational processes and allowed the tracking of its ICT assets (configuration items), incident tickets, changes and service contracts.

35.   OIOS reviewed the completeness of information in the CMDB maintained by the Fund. An analysis of 68 servers in the North America Data Centre showed weaknesses in asset management. Seventeen production server records did not contain any information about the description, serial number, criticality, and operating system, and whether the server was virtual or physical.   The Fund needs to complete the missing information in CMDB to have better visibility of the services provided by the Agency.

CMDB was not in sync with SDAs

36.   The Fund Secretariat managed its infrastructure and network (the majority of its physical or virtual assets) through multiple SDAs established since 2014 reflecting the ICT environment at that time. Since 2014, the Fund's ICT infrastructure went through major changes due to the need for development, test,

production and disaster recovery environments for the newly introduced business applications and support systems. In addition, several servers were decommissioned or virtualized using new technologies. There were around 120 change records on decommissioning of servers (106 virtual servers and 14 physical servers) since 2017. However, after these major changes, the scope and cost of the existing SDAs were never updated. Changes that required additional cost were implemented through new BCRs or SDAs, but they did not trigger an update of the existing SDAs. Each new SDA or BCR was independently prepared without considering the previous ones. This caused a misalignment between agreements and actual services received.

37. Furthermore, the Agency's business model requires that invoices should be paid in advance for services planned to be delivered in the subsequent quarter. However, the invoices sent by the Agency were based on the original SDAs without reflecting the decrease in the services rendered. The misalignment between agreements and actual services resulted in unnecessary advance payments for unused services. At the end of each biennium, the Agency issued a credit note for the payments it received for unused services. The Fund did not have a mechanism to verify the accuracy of the credit notes until July 2019 at which time it gained access to the Agency's financial management portal, including information relating to service charges from January 2018 onwards. This enabled the Fund to compare the Agency's invoices against actual records. However, a full comparison of the two data sources (i.e., the Fund's CMDB vs. the Agency's records), and actual verification of assets were yet to be performed.

38. Weaknesses in management of changes in scope and controls over configuration and asset management resulted in misalignment between agreements and the services actually received, inaccurate budgeting, and unnecessary advance payments for unused/decommissioned services.

> **(7) The UNJSPF Secretariat should: (a) periodically perform a verification of its physical and virtual assets hosted and managed by service providers; (b) update the configuration management database to ensure completeness of information about its assets; and (c) review and merge multiple infrastructure elements under a single agreement clearing up the decommissioned assets.**
>
> *The UNJSPF Secretariat accepted recommendation 7 and stated that it will implement this recommendation with the implementation of its Service Management System. Any required adjustments will be identified and remediated during the planned periodic assessments. Specifically, the Fund will conduct an annual review of CMDB and a reconciliation with SDAs with the United Nations agency.* Recommendation 7 remains open pending receipt of evidence of periodic review and updating of CMDB for completeness of information, and periodic review and reconciliation with SDAs.

Service management and coordination need to be strengthened

39. Communication and coordination are crucial elements of the service management process especially for services involving multiple teams. Services should be managed by a service manager who is in charge of coordination, integration and communication between the involved parties.

40. Upon the implementation of the new accounting system (Oracle EBS) in August 2015, data from the legacy system (Lawson) was migrated to the new system and legacy data was archived for future use. Due to some data migration issues, users needed to access the archived legacy data from time to time with the help of the IT team. The legacy database was archived in 2015 but decommissioning of the legacy system was not completed until 2019, four years after the system was archived and no longer being used. Due to lack of coordination between applications developers, database administrators and infrastructure

managers, some of the idle servers continued to be hosted by the Agency at a cost of $19,000 a month since 2015 under the agreement for Legacy Infrastructure Services.

41.   In another case, a recurring issue was raised with the Agency multiple times through incident tickets. Each time, the reported issue was resolved in a timely manner, but no analysis of the root cause was conducted until one of the team members urged for a permanent solution. Better coordination between dependencies through a single service manager and regular service review meetings could enhance the effectiveness of the services received from the Agency and potentially result in cost savings. The Fund Secretariat could improve service management by assigning dedicated service managers for each service. For example, a dedicated service manager could ensure that changes in configuration items pertaining to his/her area of responsibility (upgrades, additions, decommissioning) are correctly reflected in CMDB and necessary actions are taken by all relevant groups including issuance of amendments to existing SDAs or BCRs which would eventually impact the invoicing of services.

> **(8) The UNJSPF Secretariat should assign dedicated service managers for services rendered by the Agency and document their responsibilities to ensure accountability.**
>
> *The UNJSPF Secretariat accepted recommendation 8 and stated that it will be addressed with the extension of scope of the Fund's Service Management System.* Recommendation 8 remains open pending receipt of terms of reference for service managers describing their roles and responsibilities, and a list of service managers for each service.

Service level monitoring needs to be strengthened

42.   Best practices require that ICT services should be reviewed on a regular basis to maintain and improve service quality.

43.   The Agency produced periodic service reports for some of its services such as Share Point, email, Data Warehouse and Call Centre Services. There was an automated real-time monitoring system which sent alerts to the relevant parties, thereby allowing the Fund and the Agency to monitor and resolve issues in a coordinated manner. Although real-time monitoring helps to resolve issues quickly, it should be supported by periodic reports for the systems and the network showing the utilization and capacity trends and total down-times.

44.   Contracts with the Agency did not include KPIs for service delivery to assure a certain quality of service. For example, the SDA for Call Centre Services did not specify any target KPI. The absence of KPIs weakened the monitoring process because there was no benchmark to compare the Agency's performance and ensure accountability.

> **(9) The UNJSPF Secretariat should review and update its agreements with the Agency to include measurable performance indicators to monitor actual performance and ensure accountability.**
>
> *The UNJSPF Secretariat accepted recommendation 9 and stated that it will be addressed with the extension of scope of the Fund's Service Management System.* Recommendation 9 remains open pending receipt of updated SDAs with measurable performance indicators and evidence of monitoring.

IV. ACKNOWLEDGEMENT

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

(*Signed*) Eleanor T. Burns
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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	The UNJSPF Secretariat should establish appropriate delegation of authority for its senior officials to ensure that they are duly authorized to enter into commitments with the Agency within established limits.	Important	O	Receipt of evidence of the establishment of appropriate delegation of authority for Fund's senior officials for entering into commitments with the Agency within established limits.	31 December 2020
2	The UNJSPF Secretariat should enhance transparency in budgeting and reporting of services entrusted to the Agency by: (a) using consistent project descriptions to facilitate monitoring and comparison against reports for the previous years; (b) separating the resource requirements for call centre services which were incorrectly budgeted under ICT services; and (c) ensuring that credit notes due from the Agency are taken into account when projecting the resource requirements in the Fund's budget.	Important	O	Receipt of evidence showing that: (a) the budget and budget performance documents use consistent project descriptions to facilitate monitoring and comparison against reports for the previous years; (b) resource requirements for call centre services have been budgeted under the appropriate budget line; and (c) credit notes due from the Agency are taken into account when projecting the resource requirements in the Fund's budget.	31 December 2020
3	The UNJSPF Secretariat should initiate a formal competitive bidding exercise for call centre services in accordance with the principles stipulated in United Nations Financial Regulation 5.12 and General Assembly resolution 63/269 to assure best value for the money that the Fund would spend on such services.	Important	O	Receipt of evidence showing that call centre services are procured in accordance with United Nations Financial Regulation 5.12 and General Assembly resolution 63/269 to assure best value for the money that the Fund would spend on such services.	31 December 2021
4	The UNJSPF Secretariat should ensure that the good practices established by other United Nations entities, including the Fund's Office of Investment Management, for acquisition and management of services provided by	Important	O	Receipt of evidence showing that the recommendation has been implemented.	31 December 2020

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

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

[3] C = closed, O = open

[4] Date provided by UNJSPF Secretariat in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
	the Agency are adopted and implemented to strengthen controls and enhance accountability.				
5	The UNJSPF Secretariat should combine its agreements related to data warehouse, business intelligence and report development under one umbrella agreement to avoid potential duplication and document a business case and project plan with clear deliverables.	Important	O	Receipt of a consolidated project agreement with clear requirements, work packages, costs, timelines and relevant project documents.	31 December 2020
6	The UNJSPF Secretariat should enhance transparency in the use of services provided by the Agency by: (a) identifying clearly described deliverables for projects assigned to the Agency; (b) completing the project closure reports by including the status of deliverables and final cost; and (c) converting recurring application development activities into projects with clear specifications, cost and deliverables.	Important	O	Receipt of evidence showing: (a) updated project agreements with clear requirements and deliverables; (b) project closure reports showing the status of deliverables and final cost; and (c) converting recurring application development activities into project agreements with clear specifications, cost and deliverables.	31 December 2021
7	The UNJSPF Secretariat should: (a) periodically perform a verification of its physical and virtual assets hosted and managed by service providers; (b) update the configuration management database to ensure completeness of information about its assets; and (c) review and merge multiple infrastructure elements under a single agreement clearing up the decommissioned assets.	Important	O	Receipt of evidence of periodic review and updating of CMDB for completeness of information, and periodic review and reconciliation with SDAs.	31 December 2020
8	The UNJSPF Secretariat should assign dedicated service managers for services rendered by the Agency and document their responsibilities to ensure accountability.	Important	O	Receipt of terms of reference for service managers describing their roles and responsibilities, and a list of service managers for each service.	31 December 2020
9	The UNJSPF Secretariat should review and update its agreements with the Agency to include measurable performance indicators to monitor actual performance and ensure accountability.	Important	O	Receipt of updated SDAs with measurable performance indicators and evidence of monitoring.	31 December 2020

APPENDIX I

Management Response

MEMORANDUM

Ref: New York, 16 December 2019

To / A:	Mr. Gurpur Kumar, Deputy Director Internal Audit Division, OIOS

From / De : Janice Dunn Lee, Acting Chief Executive Officer, United Nations Joint Staff Pension Fund

OIC UNJSPF Secretariat

Subject / **Response to draft report audit of services provided by a United Nations**
Objet: **agency to the Secretariat of the UNJSPF (Assignment No. AS2019/800/01)**

1.   Reference is made to your memorandum dated 2 December 2019, in which you submitted for the Fund's review and comments, the draft report on the above-mentioned audit.

2.   As requested, the Fund's comments to the audit recommendations are included in **Annex I**. Clarifications to the observations contained in the audit report are presented in **Annex II**.

3.   The Fund would like to thank OIOS auditors for the analysis and recommendations to strengthen the management of the services provided by the United Nations agency.

cc.:   Mr. K. Soll, Chief Financial Officer
        Mr. D. Dell'Accio, Chief Information Officer
        Ms. M. O'Donnell, Chief of Operations
        Ms. J. Sareva, Chief Risk Management and Legal Services Section
        Ms. K. Manosalvas, Risk Officer, Audit Focal Point

Management Response

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important [2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNJSPF Secretariat should establish appropriate delegation of authority for its senior officials to ensure that they are duly authorized to enter into commitments with the Agency within established limits.	Important	Yes	Chief Financial Officer	December 2020	The Fund secretariat will establish delegations and sub-delegations of procurement authority.
2	The UNJSPF Secretariat should enhance transparency in budgeting and reporting of services entrusted to the Agency by: (a) using consistent project descriptions to facilitate monitoring and comparison against reports for the previous years; (b) separating the resource requirements for call centre services which were incorrectly budgeted under ICT services; and (c) ensuring that credit notes due from the Agency are taken into account when projecting the resource requirements in the Fund's budget.	Important	Yes	Chief Financial Officer	December 2020	The Fund secretariat will: (a) include additional details in the Budget Supplementary Information and internal documents to identify those projects related to the United Nations agency and the required budget; and (b) budget call center services under Client Services. In relation to (c), the Fund secretariat notes that credit notes are already taken into account when projecting resource requirements.
3	The UNJSPF Secretariat should initiate a formal competitive bidding exercise for call centre services in accordance with the principles stipulated in United Nations Financial Regulation 5.12 and General Assembly resolution 63/269 to assure best value for the money that the Fund would spend on such services.	Important	Yes	Chief of CSRMS and Chief Information Officer	December 2021	In November 2018, the Fund secretariat already requested the United Nations Procurement Division (UNPD) to benchmark all the services provided by the UN Agency, including call center services. The Fund secretariat will reiterate its request to UNPD and seek its advice on how to fully address this recommendation.

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

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

Management Response

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical1/ Important²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	The UNJSPF Secretariat should ensure that the good practices established by other United Nations entities, including the Fund's Office of Investment Management, for acquisition and management of services provided by the Agency are adopted and implemented to strengthen controls and enhance accountability.	Important	Yes	Chief Financial Officer/ Chief Information Officer	December 2020	The Fund secretariat is seeking the advice of the United Nations Procurement Division to define and implement the required actions to address this recommendation.
5	The UNJSPF Secretariat should combine its agreements related to data warehouse, business intelligence and report development under one umbrella agreement to avoid potential duplication and document a business case and project plan with clear deliverables.	Important	Yes	Chief of Enterprise Application Section	December 2020	The Fund secretariat is working with the UN Agency to better document contractual agreements related to data warehouse and business intelligence reports. Project documentation relating to projects assigned to the UN Agency, including project plans and project initiation documents were provided to OIOS.
6	The UNJSPF Secretariat should enhance transparency in the use of services provided by the Agency by: (a) identifying clearly described deliverables for projects assigned to the Agency; (b) completing the project closure reports by including the status of deliverables and final cost; and (c) converting recurring application development activities into projects with clear specifications, cost and deliverables.	Important	Yes	Chief Information Officer	December 2021	The Fund and the UN Agency are working to identify mechanisms to better document and report on the status of deliverables of the projects as well as to reconcile the related cost.

Management Response

Audit of services provided by a United Nations agency to the Secretariat of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	The UNJSPF Secretariat should: (a) periodically perform a verification of its physical and virtual assets hosted and managed by service providers; (b) update the configuration management database to ensure completeness ofinformation about its assets; and (c) review and merge multiple infrastructure elements under a single agreement clearing up the decommissioned assets.	Important	Yes	Chief Enterprise Operations Section	December 2020	The recommendation will be addressed with the implementation of the Service Management System. Any required adjustments will be identified and remediated during the planned periodic assessments. Specifically, EOS will conduct an annual review of the Configuration Management Database and a reconciliation with the service delivery agreements stipulated with the UN Agency, which is currently in progress.
8	The UNJSPF Secretariat should assign dedicated service managers for services rendered by the Agency and document their responsibilities to ensure accountability.	Important	Yes	Chief Information Officer	December 2020	The recommendation will be addressed with the extension of scope of the Fund's Service Management System.
9	The UNJSPF Secretariat should review and update its agreements with the Agency to include measurable performance indicators to monitor actual performance and ensure accountability.	Important	Yes	Chief Information Officer	December 2020	The recommendation will be addressed with the extension of scope of the Fund's Service Management System.

Comments and clarifications to the observations contained in the draft report of the audit of the services provided by a United Nations agency to the Secretariat of the UNJSPF

1. **Paragraph 15:** In July 2018, the Fund segregated the roles of: (i) Requisitioner of the services provided by the UN Agency, which since then has been performed by the CEO and/or Deputy/CEO of the Fund; and (ii) Representative of the Fund to the governing bodies of the UN Agency, which since then has been performed by the Chief Information Officer and/or Chief Technology Officer of the Fund.

2. **Paragraphs 16-20:** The Fund secretariat notes that UNJSPF annual budget document follows the format used by the UN Secretariat for its regular budget, as applicable.

3. **Paragraph 33:** The Fund kindly requests OIOS to revise this paragraph in light of the project documentation shared with the audit team. Specifically:

   (a) With regard to the "Pension Interface Project", interfaces related to UN Salary Scales and Duty Station codes were put on hold because the Fund could not obtain access to the United Nations Business Intelligence system. The interface projects were resumed when this was addressed, and related deliverables were implemented successfully.

   (b) With regard to the "IPAS release application development project", the Fund shared with OIOS the project report, the business case and the application releases as project deliverables, which were implemented, documented, validated, and tracked with an automated tool (JIRA). The remaining budget allocated to the project of $269,166 was re-allocated to other services provided by the UN agency.

   (c) The "Capture IPAS business processes project" signed in December 2017, involves two efforts that are still on-going: i) Gap Analysis of the IPAS Functionality as Implemented vs. the System Design Documents (SDD); and ii) Gap Analysis of the Requirements Traceability Matrix vs. the functionality delivered in IPAS. The documentation for both efforts has been created and is currently in an internal quality assurance review.

   (d) With regard to the "Application development and support services project" for the implementation of automated monthly financial pension contributions, while the monthly FIN project with ICAO was implemented, no additional monthly FIN interface has been initiated yet. Thus, the UN Agency continues to implement HR and Interim FIN interfaces.

9. **Paragraph 35:** The Fund secretariat notes that out of 186 servers currently recorded in the Configuration Management Database, only 17 had incomplete records, therefore, 90.1% records were accurate.