



INTERNAL AUDIT DIVISION

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Audit of asset management in the United Nations Multidimensional Integrated Stabilization Mission in Mali

There were adequate controls over processing of asset write-off cases and impairment reviews, but oversight and monitoring of physical verification of assets needed improvement

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Audit of asset management in the United Nations Multidimensional Integrated Stabilization Mission in Mali

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over asset management in the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). The audit covered the period from 1 July 2013 to 30 June 2016 and it included review of asset verifications, activities of the Local Property Survey Board, write-off and disposal of assets, and impairment testing.

There were adequate controls over processing of asset write-off cases and impairment reviews, but oversight and monitoring of physical verification of assets needed improvement. MINUSMA also needed to timely resolve identified discrepancies in physical counts, update records of assets in Galileo, conduct complete physical verifications, and identify and address slow moving assets as well as dispose of them in a timely manner.

OIOS made four recommendations. To address issues identified in the audit, MINUSMA needed to:

- Ensure timely physical verification of assets and resolution of identified discrepancies;
- Ensure accurate updating of Galileo by self-accounting units in a timely manner to reflect the results of physical verifications and inspections of assets;
- Ensure self-accounting units periodically review their assets to identify slow moving and obsolete items, declare surplus for redistribution to other missions, and take prompt write-off actions; and
- Expedite the sourcing of asset disposal services and implement the recommendations of the Local Property Survey Board related to asset disposals.

MINUSMA accepted the recommendations and has initiated appropriate action to implement them.

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Audit of asset management in the United Nations Multidimensional Integrated Stabilization Mission in Mali

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset management in the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA).
2. The MINUSMA Director of Mission Support (DMS) is responsible for the overall management of the Mission's assets consisting of property, plant and equipment (PPE) and inventory. The self-accounting units (SAUs), namely; Communication and Information Technology, Engineering, Medical, Supply and Transport are responsible for the day-to-day management of and accountability for the assets entrusted to them. The Property Control and Inventory Unit (PCIU) is responsible for the physical verification of assets and maintenance of asset records in the Galileo inventory management system (Galileo), the Local Property Survey Board (LPSB) is responsible for advising the DMS of loss, damage and discrepancies found related to United Nations property, and for reviewing property write-off cases submitted by SAUs. The Property Disposal Unit (PDU) is responsible for organizing, planning and physically disposing of all assets written-off.
3. The PCIU and PDU units are within the Property Management Section, which is headed by an Officer-in-Charge at the P-3 level who reports to the DMS through the Chief Services Delivery. The Section has 33 authorized posts comprising 15 international staff, 14 national staff and four United Nations volunteers.
4. As of 30 June 2016, the Mission had recorded in Galileo 7,212 line items of expendable properties valued at \$28.6 million and 19,655 units (4,636 in stock) of non-expendable properties with a depreciated value of \$160 million.
5. Comments provided by MUNISMA are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over asset management in MINUSMA.
7. The audit was included in the 2016 risk-based work plan of OIOS due to the operational and financial risks related to asset management in MINUSMA.
8. OIOS conducted the audit from May to August 2016. The audit covered the period from 1 July 2013 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in asset management, which included review of asset verifications, the activities of LPSB, write-off and disposal of assets, and impairment testing.
9. The audit methodology included: (a) interviews of key personnel; (b) review of inventory management reports, inventory verification reports of PCIU, and minutes of the meetings of LPSB; (c) analytical reviews of data recorded in Galileo; (d) visits to warehouses in Bamako, Timbuktu, Gao and Kidal for physical verification of 1,051 of 26,861 inventory items comprising 629 non-expendables and 432 expendables with a combined depreciated value of \$56.4 million; and (e) review of all MINUSMA write-off case files for 1,373 non-expendables with a depreciated value of \$2.4 million.

III. OVERALL CONCLUSION

10. MINUSMA had properly established its LPSB and implemented adequate controls relating to the processing of asset write-off cases and the conduct of the annual impairment review. However, MINUSMA needed to: (a) timely resolve discrepancies identified during physical verification of assets; (b) update the records of assets in Galileo; (c) physically verify expendable assets; (d) analyze assets in stock to identify and address slow moving assets; and (e) take action to dispose of assets in a timely manner.

IV. AUDIT RESULTS

A. Asset verifications and records

Need to timely address discrepancies resulting from physical verification of assets

11. The Department of Peacekeeping Operations (DPKO)/Department of Field Support (DFS) Property Management Manual, guidelines on cycle counts of expendable property, and standard operating procedures on key performance indicators (KPIs) require PCIU and SAUs to physically verify 95 to 100 per cent of non-expendable assets and 90 to 100 per cent of expendable assets at least once a year. SAUs are required to reconcile and resolve identified discrepancies within 30 days of the completion of the physical verification or initiate write-off actions of assets not found within 90 to 120 days of identifying a discrepancy by reporting to the Mission's Special Investigation Unit.

12. A review of MINUSMA KPIs as well as various property management and inventory reports indicated that PCIU completed the required physical verification of non-expendable assets. However, as at 30 June 2016, SAUs had not:

- Completed physical verification of all expendable assets entrusted to them as only two of five SAUs had completed physical verification of their assets, which represented 6,121 line items (84 per cent) valued at \$8.5 million of the Mission's 7,212 line items in Galileo. For example, OIOS field visit to Gao showed that containers with 470 mattresses with the acquisition value of \$22,748 received in August 2015 had never been opened for physical verification;
- Started resolving discrepancies more than 30 days after they were identified. These comprised 437 non-expendable assets with a depreciated value of \$572,900 and 691 expendable assets valued at \$619,000 that were not found; and 1,338 expendable assets that were not recorded in Galileo; and
- Initiated write-off actions for 434 non-expendable assets not found for more than six months including 47 air conditioners with a depreciated value of \$572,900, 29 tents with a depreciated value of \$396,800, 135 prefabricated accommodations with a depreciated value of \$816,600, and 74 transceivers with a depreciated value of \$148,400.

13. The above occurred as physical verifications of assets were not always possible in high-risk security areas and because MINUSMA: (i) had not implemented effective oversight and monitoring procedures to ensure timely resolution of discrepancies; and (ii) had inadequate warehousing facilities, which resulted in poor inventory management, with items stored in containers in no particular order making it difficult for them to be physically verified. As a result, asset records were not reliable and high-levels of assets could not be located. At the time of the audit, the Mission was constructing new

warehouses to increase its capacity to store stock items and implement and improve inventory management, and to also increase safeguards to mitigate risk of loss of assets through theft. Therefore, OIOS did not make a recommendation on the need for improved warehousing and inventory management.

(1) MINUSMA should implement effective oversight and monitoring procedures to ensure timely physical verification of assets and resolution of identified discrepancies.

MINUSMA accepted recommendation 1 and stated that it had put in place effective oversight and monitoring mechanisms to ensure the prompt resolution of discrepancies. Recommendation 1 remains open pending receipt of evidence that the Mission is conducting physical verification of assets and is resolving discrepancies in a timely manner.

Need for complete and accurate records of assets

14. The DPKO/DFS Property Management Manual requires MINUSMA to accurately reflect the quantity, location and condition of property in Galileo.

15. OIOS review of expendable inventory reports, asset records in Galileo and physical verification of 629 non-expendable and 432 expendable assets indicated that: (a) 1,338 expendable assets were not recorded in Galileo; (b) the condition and status of 106 non-expendable assets with a depreciated value of \$335,700 was not updated in Galileo; (c) 434 non-expendable assets with a depreciated value of \$2 million could not be located; and (d) SAUs had not recorded the results of physical verifications in Galileo.

16. The above occurred because PCIU and SAUs did not implement effective procedures to ensure timely updating of Galileo. As a result, there was an increased risk of loss and misstatement of the assets.

(2) MINUSMA should implement effective measures to ensure timely and accurate updating of Galileo by self-accounting units to reflect the results of physical verifications and inspections of assets.

MINUSMA accepted recommendation 2 and stated that it put in place effective measures such as weekly summary reporting of discrepancies by PCIU, periodic meetings of SAUs and asset managers, and systematic reminders addressed to asset managers. Recommendation 2 remains open pending receipt of evidence that weekly summary reports of discrepancies are submitted by PCIU and that periodic meetings with SAUs and asset managers have resulted in timely and accurate updating of Galileo.

Need to review and address slow moving non-expendable property

17. The DFS Property Management Directive dated February 2014 requires MINUSMA to put assets into use immediately after they are acquired to avoid loss, wastage, unauthorized use, obsolescence, deterioration and unwarranted accumulation of property. The standard operating procedures on KPIs for property management require MINUSMA to keep the level of assets in stock for more than six months below 50 per cent of the Mission's holdings of non-expendable properties.

18. A review of inventory and property management reports, analysis of Galileo, and field visits to Bamako, Kidal and Gao indicated that: (i) 284 line items of expendable assets in Galileo received more than a year earlier were still in stock and had never been used by the Mission; and (ii) 2,321 or 63 per cent

of the Mission's non-expendable assets had been in stock for more than a year. This occurred for various reasons, including: delays in the implementation of engineering projects that affected the deployment of engineering assets; various communication assets inherited from other missions which quickly became obsolete; and other assets that may not be useful as they were received when the Mission was being established in 2014. The Mission had also not implemented procedures to ensure items in inventory were reviewed to identify slow moving and obsolete items, and once identified declare them as surplus for redistribution to other missions, or take action to write them off. As a result, there was an unmitigated risk of wastage, unwarranted accumulation of property, and financial loss.

(3) MINUSMA should implement effective measures to ensure that self-accounting units periodically review their assets to identify slow moving and obsolete items and take appropriate corrective actions.

MINUSMA accepted recommendation 3 and stated that, as part of the DFS Inventory Optimization Project, it was taking appropriate measures to ensure that SAUs review and identify slow moving and obsolete items; declare surplus for redistribution to other missions; and promptly write-off assets. This review would be completed by 30 June 2017. Recommendation 3 remains open pending receipt of evidence that SAUs have reviewed their respective assets to identify and address slow moving and obsolete assets.

B. Local Property Survey Board

MINUSMA properly established its LPSB

19. The DPKO/DFS Property Management Manual and DFS delegation of authority for property management dated 15 May 2013 and the United Nations Financial Rule 105.21 require MINUSMA to establish a LPSB to review property write-off cases and make necessary recommendations to the DMS for approval.

20. OIOS review of MINUSMA property write-off process, the terms of reference of LPSB, minutes of all the eight meetings of the LPSB held in fiscal years 2014/15 and 2015/16 indicated that the Mission: properly established its LPSB that comprised representatives from all the required sections, met as required, adequately documented proceedings of their meetings and updated its membership periodically to manage staff changes. OIOS concluded that MINUSMA established adequate controls over the functioning of the LPSB.

C. Write-off and disposal of assets

Need to expedite the disposal of assets

21. The DPKO/DFS Property Management Manual and DFS standard operating procedures on KPIs require SAUs asset managers to: complete the disposal of assets by commercial sale within 180 to 210 days from the write-off initiation date.

22. A review and analysis of information in Galileo, property management reports and LPSB minutes indicated that the Mission had not disposed of any asset approved for disposal by the LPSB since its inception in July 2013. As at 30 June 2016, 298 assets with a depreciated value of \$1.4 million were pending disposal for more than 210 days, and included 48 engineering assets valued at \$502,609, three vehicles valued at \$92,074, and 247 communication assets valued at \$860,965. The assets were not disposed of because the Mission experienced difficulties in sourcing qualified disposal contractors in

Mali. As a result, the Mission's assets were overstated and there was a risk of environmental degradation that may result from the prolonged presence of scrap metals in Mission areas.

(4) MINUSMA should take effective measures to expedite the sourcing of asset disposal services and implement the recommendations of the Local Property Survey Board related to asset disposals.

MINUSMA accepted recommendation 4 and stated that it initiated a solicitation for disposal services that would be completed by February 2017. Recommendation 4 remains open pending confirmation that asset disposal services have been contracted, and receipt of evidence that the Mission has timely disposed of assets approved for such action by the LPSB.

Write-off cases were adequately processed

23. The DPKO/DFS Property Management Manual requires MINUSMA to categorize losses, damages, shortages or discrepancies in assets as administrative write-off cases: "SB"¹, "AW"² and "A"³. The DFS delegation of authority for Property Management and guidelines for LPSB authorizes the DMS to act directly and finally on: (a) "AW" cases without LPSB investigation and recommendation, irrespective of value, provided that the reason for write-off relates to normal wear and tear; (b) "A" cases based on recommendations of LPSB; and (c) write-off assets related to "SB" cases after obtaining approval from the Assistant Secretary-General for Central Support Services (ASG/OCSS). The Mission is required to submit its request for write-off and disposal of "SB" cases to the Headquarters Property Survey Board (HPSB) for review and recommendation.

24. OIOS reviewed 5 of 10 category "A" cases related to 90 assets with a depreciated value of \$536,852; all 9 category "SB" cases related to 10 assets with a depreciated value of \$734,455; and all 22 category "AW" cases approved by the DMS related to 1,080 assets written-off with a depreciated value of \$964,711. The review showed that the DMS: acted directly and finally on LPSB recommendations and wrote off the five category "A" cases; and wrote off the 22 category "AW" cases in accordance with the DMS' delegation of authority. All nine category "SB" cases were submitted to HPSB for review and were approved by ASG/OCSS before the Mission wrote them off. The Mission had also established an adequate mechanism to follow up on seven of the nine "SB" cases submitted to the HPSB related to eight assets with a depreciated value of \$369,278.

25. OIOS concluded that the Mission implemented adequate controls relating to the processing of asset write-off cases.

¹ Category "SB" cases involve: property with an individual depreciated value in excess of \$25,000; loss or damage that might result in financial assessment; possible claims against a Member State providing contingent personnel; gift, donation, or sale at a nominal price; and lost or damaged property (with depreciated value in excess of \$25,000) by contractor personnel.

² Category "AW" cases include property with individual depreciated value of less than or equal to \$3,000 not covered under categories "A" and "SB" cases.

³ Category "A" cases include loss or damage to United Nations property with a depreciated value of more than \$3,000 and less than or equal to \$25,000 that is caused by contractor personnel; accident leading to total loss of usability; and theft, forced abandonment, etc.

D. Impairment tests of assets

MINUSMA consistently conducted impairment tests of assets

26. The International Public Sector Accounting Standards (IPSAS) policy framework adopted by the United Nations requires MINUSMA to conduct annual impairment tests for all items for communication and information technology, machinery equipment and vehicles with a net book value of over \$25,000, in accordance with an annual impairment review plan. The Mission is also required to undertake the impairment review consistent with the instructions from the Logistic Support Division of DFS.

27. A review of 2014/15 and 2015/16 impairment review work sheets and reports indicated that MINUSMA consistently conducted impairment tests for communication and information technology, machinery equipment and vehicles in accordance to IPSAS. The PCIU and SAUs reviewed 256 assets with a depreciated value of \$23.8 million for fiscal year 2014/15 and 475 assets with a depreciated value of \$36.6 million for fiscal year 2015/16. These tests resulted in impairment losses of \$16,000 and \$511,100 which were reported in the financial statements of 2014/15 and 2015/16, respectively.

28. OIOS concluded that MINUSMA had implemented adequate procedures to ensure compliance with the requirement of annual impairment review.

V. ACKNOWLEDGEMENT

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

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STATUS OF AUDIT RECOMMENDATIONS

Audit of asset management in the United Nations Multidimensional Integrated Stabilization Mission in Mali

Rec. no.	Recommendation	Critical ⁴ / Important ⁵	C/ O ⁶	Actions needed to close recommendation	Implementation date ⁷
1	MINUSMA should implement effective oversight and monitoring procedures to ensure timely physical verification of assets and resolution of identified discrepancies.	Important	O	Receipt of evidence that the Mission is conducting physical verification of assets and is resolving discrepancies in a timely manner.	30 June 2017
2	MINUSMA should implement effective measures to ensure timely and accurate updating of Galileo by self-accounting units to reflect the results of physical verifications and inspections of assets	Important	O	Receipt of evidence that weekly summary reports of discrepancies are submitted by PCIU and that periodic meetings with SAUs and asset managers have resulted in timely and accurate updating of Galileo.	30 June 2017
3	MINUSMA should implement effective measures to ensure that self-accounting units periodically review their assets to identify slow moving and obsolete items and take appropriate corrective actions.	Important	O	Receipt of evidence that SAUs have reviewed their respective assets to identify and address slow moving and obsolete assets.	30 June 2017
4	MINUSMA should take effective measures to expedite the sourcing of asset disposal services and implement the recommendations of the Local Property Survey Board related to asset disposals.	Important	O	Confirmation that asset disposal services have been contracted and receipt of evidence that the Mission has timely disposed assets approved for such action by the LPSB.	30 June 2017

⁴ 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.

⁵ 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.

⁶ C = closed, O = open

⁷ Date provided by MINUSMA in response to recommendations.

APPENDIX I

Management Response

c. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MINUSMA should implement effective oversight and monitoring procedures to ensure timely physical verification of assets and resolution of identified discrepancies.	Important	Yes	Commodity Managers, PCIU	30 June 2017	The Mission has put in place effective oversight and monitoring mechanisms to ensure the prompt resolution of discrepancies. The measures that MINUSMA Property Management Section has implemented include: a) Mission-wide verification of all expendable assets scheduled for completion by 30 November 2016. a) Annual physical verification of all non-expendable assets, scheduled for completion by the end of FY 2016-2017 (30 June 2017.) b) PCIU sends monthly discrepancy reports to Commodity Managers (SAUs) for reconciliation. In compliance with the Property Management manual, PCIU sends detailed Inventory discrepancy reports at the end of each month, reflecting the findings of their monthly physical verification exercises.
2	MINUSMA should implement effective measures to enforce timely and accurate updating of Galileo by self-accounting units to reflect the results of physical verifications and inspections of assets.	Important	Yes	PCIU, Commodity Managers	30 June 2017	The Mission has already put in place effective measures to ensure that self-accounting units promptly and accurately update Galileo to reflect the results of physical verification and inspection of assets. These measures include: a) Use of Galileo built-in reminders regarding discrepancy resolution to Asset Managers. b) PCIU Weekly Summary report on discrepancies to follow up on the actions taken by SAUs to resolve the discrepancies. c) Periodic meetings with asset managers on outstanding Galileo updates.

c. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						d) Scheduled and unscheduled physical visits to warehouse asset managers.
3	MINUSMA should take effective measures to ensure that self-accounting units periodically review their assets to identify slow moving and obsolete items and take appropriate corrective actions.	Important	Yes	Commodity Managers	30 June 2017	The Mission has taken the appropriate measures to ensure that self-accounting units review and identify slow-moving and obsolete items, to declare surplus for redistribution to other missions, and to take prompt write-off actions. This is being conducted under the DFS Inventory Optimization Project.
4	MINUSMA should take effective measures to expedite the sourcing of asset disposal services and implement the recommendations of the Local Property Survey Board related to asset disposals.	Important	Yes	PDU, Procurement Section	30 June 2017	The Mission has initiated solicitation for a contract for disposal services. It is estimated that the contract will be awarded before 1 February 2017.