



INTERNAL AUDIT DIVISION

REPORT 2017/060

Audit of assets disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Timelines were needed for the review of cases by the Local Property Survey Board and submission of cases to the Headquarters Property Survey Board

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Audit of assets disposal and Local Property Survey Board in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over assets disposal and Local Property Survey Board (LPSB) activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The audit covered the period from 1 July 2015 to 31 December 2016 and included a review of assets write-off and disposal.

MONUSCO had properly constituted its LPSB; classified, written off and disposed assets in line with the Department of Field Support delegation of authority for property management; and implemented adequate controls over assets pending disposal. However, the Mission needed to establish timelines for review of cases by the LPSB and submission of cases to the Headquarters Property Survey Board (HPSB), and to timely initiate write-off and disposal actions.

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

- Establish timelines within which the LPSB is expected to complete reviewing cases to ensure timely write-off and disposal of assets;
- Develop and monitor timelines within which the relevant cases should be submitted to the HPSB following approval by the LPSB; and
- Implement effective mechanisms to promptly recover from concerned staff amounts assessed by the HPSB.

MONUSCO accepted the recommendations and has initiated action to implement them.

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Audit of assets disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of assets disposal and Local Property Survey Board (LPSB) activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).

2. During the period from 1 July 2015 to 31 December 2016, MONUSCO wrote off 8,308 non-expendable assets with a depreciated value of \$11.2 million and disposed of 6,505 of these assets with a depreciated value of \$9.8 million through destruction, cannibalization, direct disposal (scrap as is), commercial sale, sale at nominal value and donations/gifts, as summarized in Table 1.

Table 1: Summary of assets by disposal method

Disposal method	Quantity	Depreciated value
Cannibalization/scrap	95	\$664,461
Destruction/scrap	1,679	1,799,717
Direct disposal (scrap as is)	670	999,794
Donation/gift	1,081	3,509,672
Sale commercial	2,943	2,734,783
Sale nominal value	37	43,463
Total	6,505	\$9,751,890

3. MONUSCO self-accounting units, including the Communications and Information Technology, Transport, and Engineering Sections, initiate write-off of assets considered as unusable, uneconomical or lost. The LPSB is responsible for advising the Director of Mission Support (DMS) in respect of loss, damage and other discrepancies regarding United Nations property reported by self-accounting units/commodity managers. The Property Disposal Section is responsible for organizing, planning and disposing of all assets approved for write-off based on the DMS, LPSB and Headquarters Property Survey Board (HPSB) recommendations. The Property Disposal Section is headed by a staff at the P-3 level that reports to the Chief, Supply Chain Management and is supported by 2 international staff, 2 United Nations volunteers and 14 national staff.

4. The Property Survey Unit acts as the Secretariat of the LPSB and reviews all write-off cases to confirm the appropriateness of the disposal methods proposed by the self-accounting units/commodity managers. The Unit is headed by a staff at the P-3 level that reports to the Chief, Property Management Section and is supported by two international staff and a national staff.

5. Comments provided by MONUSCO 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 assets disposal and LPSB activities in MONUSCO.

7. This audit was included in the 2017 risk-based work plan of OIOS due to the operational and financial risks related to assets disposal and LPSB activities in MONUSCO.

8. OIOS conducted this audit from January to April 2017. The audit covered the period from 1 July 2015 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in assets disposal and LPSB, which included management of assets write-off and disposal activities. The audit was conducted in Bunia and Goma.

9. The audit methodology included: (a) interviews of key personnel, (b) review of relevant documentation, (c) analytical review of data, (d) sample testing of asset write-offs and disposals; and (e) physical inspection of assets pending disposal.

III. OVERALL CONCLUSION

10. MONUSCO properly constituted its LPSB; classified, wrote off and disposed assets in line with the Department of Field Support (DFS) delegation of authority for property management; and implemented adequate controls over assets pending disposal. However, the Mission needed to: (a) establish timelines within which the LPSB is expected to complete reviewing cases to ensure timely write-off and disposal of assets; (b) develop and monitor timelines within which “SB”¹ cases should be submitted to the HPSB following approval by the LPSB; and (c) implement effective mechanisms to promptly recover from concerned staff amounts assessed by the HPSB.

IV. AUDIT RESULTS

Management of assets write-off and disposal activities

The LPSB was properly constituted but delayed in completing the review of cases

11. The DFS delegation of authority for property management requires the DMS to establish an LPSB comprising finance, legal, administrative, military/police, logistics, property control officers and an ex-officio member to review and render written advice to the DMS on write-off and disposal of surplus, unserviceable, obsolete, damaged, impaired or lost property.

12. A review of the terms of reference of the LPSB and the minutes of all 12 meetings of the LPSB during the audit period indicated that the DMS had properly constituted the Mission’s LPSB, comprising staff from the relevant sections. LPSB members regularly participated in the Board meetings and reviewed 186 write-off cases related to 747 assets with a total depreciated value of \$2.6 million. The LPSB had correctly recommended the disposal of: 38 assets under end user license with a total depreciated value of \$202,514 through destruction that was conducted within the Mission premises, and the resultant debris was handed to the waste disposal contractor to dispose in accordance with MONUSCO waste disposal procedures; and 709 assets with a depreciated value of \$2.4 million through other methods including gifting/donation, commercial sale, sale at nominal value and cannibalization.

13. However, the LPSB did not always timely complete its reviews; in 6 of the 12 meetings, it took an average of 54 days to complete the review of the 186 cases presented to it. This occurred because the

¹ Category “SB” cases include those involving: property with an individual depreciated value in excess of \$25,000; loss or damage that might result in financial assessment; possible claims against Member States providing contingent personnel; gift, donations or sale at nominal price; and loss or damage to property by contractor personnel.

Mission had not established timelines within which the LPSB should complete its reviews. As a result, the Mission did not timely complete the write-off and disposal of assets, which posed the risk of: financial loss that could result from further deterioration in the value of assets; theft of assets and scrap awaiting disposal; and negative impact on the environment.

(1) MONUSCO should establish and monitor timelines within which the Local Property Survey Board is expected to complete reviewing cases to ensure timely write-off and disposal of assets.

MONUSCO accepted recommendation 1 and stated that it had established a timeline of 10 working days for the LPSB to complete its review and would update its standard operating procedures accordingly. Recommendation 1 remains open pending receipt of updated standard operating procedures that include timelines for the LPSB review of cases and evidence that these timelines have been adhered to.

MONUSCO properly classified and wrote off administrative cases related to assets

14. The Department of Peacekeeping Operations (DPKO)/DFS Property Management Manual and DFS delegation of authority for property management require the DMS to act directly and finally on administrative write-off cases referred to as category “AW²” cases without any property survey board review and advice, provided the reason for write-off relates to normal wear and tear, scheduled replacement or damaged assets that are beyond economic repair.

15. A review of records of assets written off in Galileo, minutes of the LPSB meetings and a sample of 115 category “AW” cases involving 115 assets with a depreciated value of \$904,856 out of 7,068 assets with a depreciated value of \$7.5 million indicated that: (a) the relevant self-accounting units had recommended the assets for write-off due to normal wear and tear, scheduled replacement or because they were beyond economic repair, and properly classified these cases as “AW”; (b) the DMS wrote off these assets without review and recommendations from any property survey board; and (c) the Mission disposed of the assets by sale at nominal value (1), destruction (19), direct disposal as scrap by sale to third parties (17), commercial sale (53) and cannibalization (25). A review of the 53 assets disposed of by commercial sale indicated that the Mission: classified the assets into lots and issued invitations to bid to parties interested in purchasing the assets being disposed of; awarded each lot to the highest bidder; received payments for the successful bids; and authorized the release of the assets only upon receiving evidence of payments. The Mission issued certificates of disposal to signify completion of the disposal process for the above assets. OIOS concluded that adequate controls were in place to ensure the proper classification and write-off of category “AW” cases.

MONUSCO classified and wrote off assets as recommended by the LPSB

16. The DPKO/DFS Property Management Manual and DFS delegation of authority for property management authorize the DMS to act directly and finally on the recommendations of the LPSB related to category “A³” cases, except for cases requiring financial assessment. The LPSB is required to investigate

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

³ Category “A” cases include property with an individual depreciated value of more than \$3,000 and less than or equal to \$25,000. Cases under this category include those involving: loss or damage to United Nations property by contractor personnel; accidental damage leading to total loss of usability; theft, loss and inventory shortages or discrepancies; hostile action or forced abandonment; write-off of faulty equipment due to a technical defect which renders it unserviceable and beyond economic repair.

cases involving financial assessment and establish the degree of responsibility; and obtain the HPSB clearance and approval of the maximum amount to be recovered by MONUSCO.

17. A review of minutes of LPSB meetings, records of assets written off in Galileo and a sample of 35 category “A” cases related to 35 assets with a total depreciated value of \$226,267 out of 143 assets with a depreciated value of \$900,992 indicated that: (a) the Mission had properly classified these cases as category “A”; (b) the DMS acted directly and finally on LPSB recommendations by approving the disposal of the assets; and (c) the LPSB determined that 12 of the 35 cases involved financial assessment and thereby established responsibility for the cases and subsequently submitted the cases for HPSB review and approval. OIOS concluded that MONUSCO had adequate and effective controls to ensure that write-off cases were correctly classified as Category “A” and disposed based on the LPSB recommendations.

There were delays in the submission of category “SB” cases to the HPSB and recovery of losses from staff

18. The DPKO/DFS Property Management Manual and the DFS delegation of authority for property management require MONUSCO to: forward category “SB” cases, together with LPSB recommendations, to the HPSB for review and recommendation, and subsequent approval by the Assistant Secretary-General for Central Support Services (ASG/OCSS); segregate assessment and write-off cases and proceed to finalize the write-off of assets involving financial assessment pending the determination of the assessment by the HPSB. The United Nations Financial Regulations and Rules require MONUSCO to recover from staff losses suffered by the United Nations as a result of gross negligence on their part.

19. A review of minutes of LPSB meetings, records of assets written off in Galileo and a sample of 58 category “SB” cases (comprising 30 assets disposed by donation, 2 by commercial sale, 3 by cannibalization, 7 by sale at nominal price and 16 assessment cases) with a total depreciated value of \$1.9 million out of 1,097 cases with a depreciated value of \$2.8 million indicated that MONUSCO:

- Properly classified them as “SB” cases;
- Had all these cases reviewed by the LPSB and submitted together with the LPSB recommendations to the HPSB;
- Recommended recovery of \$39,656 from 16 staff who were deemed to have been grossly negligent in causing damage and/or loss of 17 assets with a depreciated value of \$103,627 based on the reports of the Security Section and the Military Police Unit. However, the Finance Section withheld only \$20,271 of the recommended amount from 11 staff, as the other 5 staff (two military observers and three military personnel liable for \$16,816) had since left the Mission before the LPSB completed review of the cases. MONUSCO completed writing off 14 of the 17 assets that were damaged or lost, and the Transport Section determined that the remaining 3 assets could be repaired and did not require to be written off; and
- Disposed the assets as recommended through commercial sale, cannibalization, sale at nominal value to other United Nations entities and non-governmental organizations in the country and donation to beneficiaries that mostly comprised various departments of the Government of the Democratic Republic of the Congo. MONUSCO issued certificates of temporary possession to the beneficiaries of the donated assets pending approval of the donations by the HPSB and ASG/OCSS.

20. However, following the LPSB approval, MONUSCO delayed submitting “SB” cases to the HPSB by an average of 97 days. This resulted because the Mission had not established timelines within which the minutes of the LPSB meetings should be presented to the HPSB. As a result: the Mission did not timely complete the write-off and disposal of assets; there was an unmitigated risk that MONUSCO would not fully recover assessed amounts from concerned staff in the event the HPSB and ASG/OCSS concurred with the LPSB recommendations, resulting in financial loss.

(2) MONUSCO should develop and monitor timelines within which “SB” cases should be submitted to the Headquarters Property Survey Board following approval by the Local Property Survey Board.

MONUSCO accepted recommendation 2 and stated that it had established a timeline of 15 working days for the submission of “SB” cases to the HPSB and would update its standard operating procedures accordingly. Recommendation 2 remains open pending receipt of updated standard operating procedures with timelines for the submission of “SB” cases to the HPSB and evidence that these timelines have been adhered to.

(3) MONUSCO should implement effective mechanisms to promptly recover from concerned staff amounts assessed by the Headquarters Property Survey Board.

MONUSCO accepted recommendation 3 and stated that it would: promptly advise its Finance Section about the outcomes of the HPSB reviews regarding financial assessment against staff; and include in its operating procedures on property survey procedures to ensure that assessed amounts are promptly recovered from the concerned staff. Recommendation 3 remains open pending receipt of evidence that MONUSCO has implemented effective mechanisms to promptly recover amounts assessed by the HPSB from concerned staff.

There was a need to timely initiate write-off actions and complete disposal of assets

21. The DPKO/DFS Property Management Manual and the DFS standard operating procedures on monitoring key performance indicators for property management require self-accounting units/commodity managers to: (a) keep the backlog of plant and equipment pending write-off to less than 10 per cent; (b) initiate the write-off of assets not found during physical inspections within 90 to 120 days; (c) complete writing off assets within 90 to 120 days; and (d) complete disposal of assets by commercial sale within 180 to 210 days from the write-off initiation date.

22. A review of all four property management reports in 2016 and records of assets written off and pending disposal in Galileo indicated that the Mission did not achieve the key performance indicators for initiating and completing write-offs in all the quarters:

(a) The backlog of plant and equipment pending write-off averaged 93 per cent compared to the maximum target of 10 per cent;

(b) The average time to initiate the write-off of assets not yet found during physical inspections averaged 183 days compared to the maximum of 120 days;

(c) The time taken to complete the write-off process averaged 128 days compared to the maximum of 120 days; and

(d) The average time to complete disposal by commercial sale was 244 days compared to the maximum target of 210 days. Additionally, for the commercial disposal of 55 assets reviewed during the audit period, the Mission took an average of 246 days to complete the disposal.

23. The above occurred because the Mission had not implemented adequate procedures to monitor and assign responsibility for the inability to achieve the key performance indicators. MONUSCO indicated that it had prepared standard operating procedures on the disposal of assets and it was awaiting approval by the DMS. OIOS, in a report issued on an audit of asset management in MONUSCO, recommended that the Mission implement effective monitoring and supervisory controls to improve timeliness of assets write-off and disposal. MONUSCO is yet to satisfactorily implement this recommendation. Therefore, OIOS will continue to monitor the recommendation until it is implemented.

There were adequate controls to safeguard assets pending disposal but the Galileo/Umoja system needed to be updated with changes in the status of assets written off

24. The DPKO/DFS Property Management Manual requires self-accounting units/commodity managers to hand over assets written off and inspected by the Board of Survey to the Property Disposal Section for safe custody pending disposal.

25. A review of the assets pending disposal in the Galileo system and physical verification of a sample of 128 assets with a total depreciated value of \$148,897 out of 1,803 assets pending disposal, comprising computers, motor vehicles and engineering equipment indicated that MONUSCO: adequately secured them in disposal yards and sea containers which were controlled by the Property Disposal Section; and accurately updated the Galileo system with the location and status of 120 of the 128 assets as “assets pending disposal”. However, three sea containers which were written off and pending disposal could not be verified in Goma as the Mission had issued them to a military contingent. OIOS confirmed that the required handover documentation was prepared. Additionally, five assets recorded as based in Bunia were instead situated in Kisangani. These errors were attributed to the Galileo system not being promptly updated with results of physical verifications conducted by the Property Control and Inspection Section and the movement of assets not being recorded in handover vouchers. This resulted in inaccurate information recorded in the Galileo system on the location of the assets and the asset holdings of the Mission.

26. OIOS, in a report issued on an audit on asset management in MONUSCO, had noted that commodity managers did not update the Galileo system timely after identifying discrepancies despite repeated reminders from the Property Control and Inspection Section, and recommended that the Mission needed to implement effective monitoring and supervisory controls to improve accuracy of its asset records. MONUSCO is planning to decommission Galileo in September 2017 and replace it with Umoja but it is yet to satisfactorily implement this recommendation, and therefore, OIOS will continue to monitor the recommendation until it is implemented.

V. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of assets disposal and Local Property Survey Board activities in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO should establish and monitor timelines within which the Local Property Survey Board is expected to complete reviewing cases to ensure timely write-off and disposal of assets.	Important	O	Receipt of updated standard operating procedures that include timelines for the LPSB review of cases and evidence that these timelines have been adhered to.	31 March 2018
2	MONUSCO should develop and monitor timelines within which "SB" cases should be submitted to the Headquarters Property Survey Board following approval by the Local Property Survey Board.	Important	O	Receipt of updated standard operating procedures with timelines for the submission of "SB" cases to the HPSB and evidence that these timelines have been adhered to.	31 March 2018
3	MONUSCO should implement effective mechanisms to promptly recover from concerned staff amounts assessed by the Headquarters Property Survey Board.	Important	O	Receipt of evidence that MONUSCO has implemented effective mechanisms to promptly recover amounts assessed by the HPSB from concerned staff.	31 March 2018

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 MONUSCO in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of assets disposal and Local Property Survey Board in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should establish and monitor timelines within which the Local Property Survey Board is expected to complete reviewing cases to ensure timely write-off and disposal of assets.	Important	Yes	Chief Property Management Section	31 March 2018	MONUSCO has established a timeline of 10 working days for the Local Property Survey Board to complete its review as per Standard Operating Procedure on the Property Survey process that is being developed. This process will be monitored with trend analysis submitted as evidence of full implementation.
2	MONUSCO should develop and monitor timelines within which “SB” cases should be submitted to the Headquarters Property Survey Board following approval by the Local Property Survey Board.	Important	Yes	Chief Property Management Section	31 March 2018	MONUSCO has established a timeline of 15 working days for the submission of “SB” cases to the Headquarters Property Survey Board as per Standard Operating Procedure on the Property Survey process that is being developed. This process will be monitored with trend analysis submitted as evidence of full implementation.
3	MONUSCO should implement effective mechanisms to promptly recover from concerned staff amounts assessed by the Headquarters Property Survey Board.	Important	Yes	Chief Property Management Section	31 March 2018	MONUSCO Finance Section is promptly informed of the outcome of the Headquarters Property Survey Board recommendations regarding financial assessment against staff members as per Standard Operating

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 assets disposal and Local Property Survey Board in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Procedure on the Property Survey process that is being developed and will ensure that the assessed amounts are promptly recovered from the concerned staff.