



INTERNAL AUDIT DIVISION

REPORT 2017/073

Audit of accounts receivable and payable in the United Nations Operation in Côte d'voire

There was a need for comprehensive review of accounts receivable and to ensure all accounts are supported by adequate documentation, timely followed up and settled

3 August 2017
Assignment No. AP2016/640/02

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire (UNOCI). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over accounts receivable and payable in UNOCI. The audit covered the period from 1 July 2015 to 31 March 2017 and included review of the structure of the Finance Section and management of accounts receivable and payable.

The UNOCI Finance Section was adequately structured. However, there was inadequate supporting documentation of the accounts receivable balance and a lack of monitoring to ensure amounts were settled in a timely manner, including recovery of security deposits relating to expired and terminated contracts.

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

- Implement effective supervisory controls and provide guidance to Finance Section staff to ensure: comprehensive review of accounts receivable; and all accounts are supported by adequate documentation, timely followed up and settled;
- Review all contracts for which security deposits were made and take steps to promptly recover more than \$295,000 in security deposits related to expired and terminated contracts; and
- Implement a proper review and validation mechanism prior to making payments to vendors, and take steps to recover the outstanding amount of \$32,216 erroneously paid to a vendor.

The Department of Field Support accepted the recommendations and has initiated action to implement them.

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Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire (UNOCI).
2. By its 2284 (2016) resolution, the Security Council authorized the complete withdrawal of all uniformed and civilian components of UNOCI by 30 April 2017 and complete closure/liquidation of the Mission by 30 June 2017.
3. UNOCI accounts receivable and payable balances as at 31 March 2017 were \$3.8 million and \$1.7 million, respectively. The UNOCI Finance Section was responsible for establishing effective and efficient financial and accounting systems and for managing the Mission's accounts including review and analysis, collection and settlement, accounting and reporting.
4. The Finance Section was headed by a staff at the P-4 level that was assisted by 12 international staff, 13 national staff and 6 United Nations volunteers, with a staff cost of \$2.6 million in the fiscal year 2015/16.
5. Comments provided by UNOCI 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 accounts receivable and payable in UNOCI.
7. This audit was included in the 2016 risk-based work plan of OIOS due to risks associated with the settlement of accounts receivable and payable during the Mission's drawdown and liquidation process.
8. OIOS conducted this audit from September 2016 to 31 March 2017. The audit covered the period from 1 July 2015 to 31 March 2017. Based on an activity-level risk assessment, the audit covered higher and medium risks related to the accounts receivable and payable balances, including the structure of the Finance Section and management of accounts receivable and payable.
9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) judgmental sampling of outstanding balances and related transactions.

III. OVERALL CONCLUSION

10. The UNOCI Finance Section was adequately structured. However, UNOCI needed to: (a) ensure that all accounts receivable and payable were supported by adequate documentation, timely followed up and settled; and (b) review all contracts for which security deposits were paid and take steps to promptly recover about \$295,000 relating to expired and terminated contracts.

IV. AUDIT RESULTS

A. Organization structure of the Finance Section

The Finance Section was adequately structured

11. The Field Finance Procedure Guidelines (FFPG) contains a model organization structure of Finance Sections in field missions and outlines the roles and responsibilities of units within the structure. The Umoja Enterprise Resource Planning System describes user roles for financial management and accounting, including accounts receivable and payable.

12. OIOS review of UNOCI Finance Section's structure and discussions with finance officers indicated that the Section was set up in line with model organizational structure in the FFPG with clearly defined Umoja Enterprise roles and responsibilities. OIOS concluded that UNOCI Finance Section was adequately structured to perform its mandated tasks.

B. Management of accounts receivable and payable

Need to accurately track and promptly settle accounts receivable

13. The FFPG and United Nations Liquidation Manual require the Finance Section to maintain adequate evidence of transactions, and follow up and investigate all receivables and payables older than three months.

14. OIOS review of the ageing analysis for accounts receivable showed that the Finance Section was not effectively following up and investigating all accounts older than three months. For example, ageing analysis of accounts receivable was not comprehensive and did not include ageing of all types of advance such as security deposits for leases and utilities, advances to the United Nations Development Programme representing United Nations volunteers' entitlements, and travel advances as shown in Table 1. While these types of advances are routinely settled within three months and therefore not usually aged, due to the rapid pace of the liquidation process, the Mission needed to implement robust measures to recover them.

Table 1: Status of accounts receivables

Description	Balance as at 31 March 2017 as per trial balance	Amounts older than three months
Commercial vendors	\$306,307	\$298,871
United Nations agencies, funds and programmes	181,057	128,137
Governmental entities	17,026	17,026
United Nations staff advances (mainly education grant)	842,995	758,749
Advance to UNDP (for UNV allowances)	1,550,000	1,250,000
Security deposit (see recommendation 3 below)	457,046	457,046
Travel advance (in Umoja awaiting approval)	380,479	244,654
Travel advance Travel (F10)	26,391	3,411
Others	32,396	32,076
TOTAL	\$3,793,697	\$3,189,970

15. There was also insufficient documentation supporting amounts recorded in accounts receivable. Examples of inadequate supporting documentation and lack of effective follow-up of accounts older than three months are given below:

- Five transactions amounting to \$53,279 out of \$306,307 in accounts receivable from commercial vendors had no supporting documents;
- Of the total open advances to United Nations agencies, funds and programmes that were older than three months, three transactions totaling \$27,912 were outstanding for 10 to 42 months. The Mission explained that these were Headquarters transactions but could not provide information on why they were still not recovered; and
- Some \$758,749 out of \$842,995 United Nations staff advances related to education grant advances were older than three months. OIOS was informed that the balances would be recovered by the Regional Service Centre Entebbe after staff members provided receipts at the end of the school year. However, it was not clear how the recovery would be made for staff that had already separated from UNOCI.

16. The above occurred due to inadequate guidance and supervision of Finance Section staff. As a result, the accounts receivable balance of \$3.2 million as at 31 March 2017 had been outstanding for over three months as indicated in Table 1, increasing the risk of financial loss that could result from the Mission's inability to settle these accounts during or after the liquidation period.

(1) UNOCI should implement effective supervisory controls and provide guidance to Finance Section staff to ensure: comprehensive review of accounts receivable; and all accounts are supported by adequate documentation, and settled.

The Department of Field Support (DFS) accepted recommendation 1 and stated that guidance was provided to UNOCI on the need to review all open items before the date of closure of the Mission. DFS would follow up with respective organizations to recover outstanding balances, and where necessary, through the Permanent Mission of respective Member States. Recommendation 1 remains open pending receipt of evidence that all outstanding amounts have been settled.

Need to accurately track and promptly adjust/recover security deposits for utilities and closed premises

17. The FPPG and United Nations Liquidation Manual require the Finance Section to ensure that advance payments such as deposits for rent and utilities are adjusted/recovered at the end of the contract, and prepare a case file containing all relevant supporting documents for each account receivable and payable.

18. OIOS review of the Mission's 83 security deposits for utilities and leases in Umoja indicated that the Mission had not recovered \$295,926 of \$457,046 security deposits related to leases for closed premises as shown in Table 2.

Table 2: Outstanding deposits as at 31 March 2017 for closed Mission premises

Mission premises	Date closed	Rental deposit	Utility deposits	Total
American School	31 July 2013	\$ 150,000	\$ 10,942	\$ 160,942
Rue du Canal	30 November 2013	45,797	5,301	51,098
Colas	31 March 2015	--	5,874	5,874
Koumassi	30 June 2015	63,117	2,382	65,499
Café Ivoire	30 June 2015	--	12,513	12,513
TOTAL		\$258,914	\$37,012	\$295,926

19. The above occurred because the Procurement Section failed to notify the Finance Section about the termination of the leases to ensure proper accounting for outstanding balances and initiation of recovery actions. Additionally, the Mission’s management had not taken effective steps to ensure review of contracts and settlement of related accounts. As a result, there was a risk of financial loss.

(2) UNOCI should review all contracts for which security deposits were made and take action to recover more than \$295,000 in security deposits related to expired and terminated contracts.

DFS accepted recommendation 2 and stated that it was following up on the balances and outstanding deposits have been reduced since the time of the audit. DFS would continue to follow up and, where necessary, initiate write-off action. Recommendation 3 remains open pending receipt of evidence that all outstanding deposits have been recovered or written off subject to approval by the Controller.

Controls over payment to vendors needed improvement

20. The FFIG requires the Finance Section to continuously review and analyse vendors’ accounts and promptly settling them.

21. A review of accounts payable balances and transactions showed that the Finance Section was reviewing and analysing vendors’ accounts and settling them. However, the audit results indicated that the Mission paid \$196,800 in error to a local vendor on 22 December 2015 and was yet to recover \$32,216 of this amount. UNOCI and the vendor had agreed on a payment plan; however, the Mission advised that the vendor had not honored the agreement. The Procurement Section had sent several follow-up letters to the vendor; however, the Section advised that the vendor had yet to refund the amount. At the time of the audit, the Mission had yet to take additional steps to recover this amount. The erroneous payment made to the wrong vendor and went undetected due to the lack of proper review and validation mechanism within the Finance Section, resulting in financial exposure.

(3) UNOCI should implement a proper review and validation mechanism prior to making payments to vendors, and take additional steps to recover the outstanding amount of \$32,216 erroneously paid to a vendor.

DFS accepted recommendation 3 and stated that it would follow up with the respective vendor to recover the outstanding balance. Recommendation 3 remains open pending receipt of evidence that the balance of \$32,216 erroneously paid to a vendor has been recovered.

V. ACKNOWLEDGEMENT

22. OIOS wishes to express its appreciation to the management and staff of UNOCI and DFS 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 accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOCI should implement effective supervisory controls and provide guidance to Finance Section staff to ensure: comprehensive review of accounts receivable; and all accounts are supported by adequate documentation, and settled.	Important	O	Receipt of evidence that all outstanding amounts are being timely followed up and settled.	31 March 2018
2	UNOCI should review all contracts for which security deposits were made and take action to recover more than \$295,000 in security deposits related to expired and terminated contracts.	Important	O	Receipt of evidence that all outstanding deposits have been recovered or written off subject to approval by the Controller.	31 March 2018
3	UNOCI should implement a proper review and validation mechanism prior to making payments to vendors, and take additional steps to recover the outstanding amount of \$32,216 erroneously paid to a vendor.	Important	O	Receipt of evidence that the balance of \$32,216 erroneously paid to a vendor has been recovered.	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 UNOCI in response to recommendations.

APPENDIX I

Management Response



UNCLASSIFIED

Routine

TO: Mr. Bolton Tarleh Nyema, Chief
A: Peacekeeping Audit Service, Internal Audit Division, OIOS

DATE: JUL 25 2017

THROUGH:
S/C DE:

REFERENCE: UNHQ-AR-BOI-Memo-2-
2017-11338

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

A handwritten signature in blue ink, appearing to be 'L. Buttenheim'.

SUBJECT: Draft report on the audit of accounts receivable and payable in the United
OBJET: Nations Operation in Côte d'Ivoire (Assignment No. AP2016/640/02)

1. I refer to your memorandum, dated 22 June 2017, regarding the above-mentioned audit. We note that OIOS has substantially taken into account our comments provided on the detailed results. We have, however, updated Appendix I to reflect our comments and the individual responsible for the implementation of the recommendations with the deadline.

2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Cynthia Avena-Castillo

Management Response

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOCI should implement effective supervisory controls and provide guidance to Finance Section staff to ensure: comprehensive review of accounts receivable; and all accounts are supported by adequate documentation, timely followed up and settled.	Important	Yes	Director, FBFD	First quarter 2018	Guidance was sent to ONUCI with specific timelines on the need to review all open items before the date of closure. Further guidance was provided through the Field Finance Procedures Guidelines, financial year-end closing instructions and liquidation instructions. Notwithstanding, DFS will follow up with the organizations to recover the outstanding balances, including, where necessary, through the Permanent Mission of the Member State to the United Nations.
2	UNOCI should review all contracts for which security deposits were made and take action to recover more than \$295,000 in security deposits related to expired and terminated contracts.	Important	Yes	Director, FBFD	First quarter 2018	DFS is following up on the outstanding balances and the deposits have further reduced since the time of the audit. The Department will continue to follow up and, where necessary, initiate write-off action.
3	UNOCI should implement a proper review and validation mechanism prior to making payment to vendors, and take additional steps to recover the outstanding amount of \$32,216 erroneously paid to a vendor.	Important	Yes	Director, FBFD	First quarter 2018	Please refer to our comments on recommendation 1 above.

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.