



INTERNAL AUDIT DIVISION

REPORT 2017/087

Audit of education grant disbursement
at the United Nations Office at Vienna

There was a need to strengthen controls
in administration of education grant
entitlements

25 August 2017
Assignment No. AE2017/320/01

Audit of education grant disbursement at the United Nations Office at Vienna

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the effective management of education grant disbursement at the United Nations Office at Vienna (UNOV). The audit covered the period from 1 January 2015 to 31 December 2016 and included a review of compliance with applicable policies and procedures and the operational framework for processing education grant disbursements.

The education grant disbursements were made for eligible dependent children; were correctly computed, certified and approved; and advances were accounted for within the prescribed timelines. However, UNOV needed to strengthen controls in administration of field trips, boarding and travel entitlements.

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

- Strengthen review mechanisms to ensure that the destination of school trips is indicated in all field trip claims and only mandatory trips within commuting distance are reimbursed;
- Routinely check whether staff claiming flat sum for board have custody of the child and ensure that those who do not have custody submit the supporting documents required in ST/IC/2014/12/Rev.1; and
- Take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel.

UNOV accepted and implemented two of the recommendations and has taken action to implement the remaining one.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. OVERALL CONCLUSION	2
IV. AUDIT RESULTS	2-4
A. Regulatory framework	2-4
B. Operational framework	4
V. ACKNOWLEDGEMENT	4
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

Audit of education grant disbursement at the United Nations Office at Vienna

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of education grant disbursement at the United Nations Office at Vienna (UNOV).

2. Education grant is a benefit payable to staff members who are internationally recruited under Staff Rule 104.7 and meet the following criteria: (a) reside and serve at a duty station outside their home country; (b) have dependent children in full-time attendance at a school, university or similar educational institution; and (c) have an appointment or assignment for a minimum of six months. Special education grant is a component of the broader education grant entitlement which is available to all categories of staff members with a permanent, continuing or fixed-term appointment, who have children with special educational needs.

3. The administration of education grant entitlements was governed by the following set of policies and procedures:

- ST/SGB/2014/1- Staff Rules and Staff Regulations of the United Nations
- ST/AI/2011/4/- Administrative Instruction on Education Grant and Special Education Grant for Children with a Disability
- ST/IC/2014/12 Rev1 – Information Circular on Education Grant and Special Education Grant for Children with a Disability.

4. UNOV administered education grant entitlements for its staff as well as staff of five other organizations including the United Nations Office on Drugs and Crime, the United Nations Interregional Crime and Justice Research Institute, the United Nations Commission on International Trade Law, the United Nations Register of Damage, and the United Nations Office for Outer Space Affairs. The Staff Administration Unit within the UNOV Human Resources Management Service (HRMS) was responsible for processing staff entitlements, including education grant entitlements. The Unit was headed by a P-4 and supported by 14 staff.

5. Comments provided by UNOV 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 the effective management of education grant disbursement at UNOV.

7. This audit was included in the 2017 risk-based work plan of OIOS due to the risks associated with the administration of a large number of education grant disbursements, including the risk of fraud.

8. OIOS conducted this audit from March to June 2017. The audit covered the period from 1 January 2015 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the administration of education grant disbursements which included: (a) compliance with applicable policies and procedures; and (b) the operational framework including roles and responsibilities and information systems used for processing education grant claims.

9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) sample testing of a random sample of 132 education grant transactions; (e) circularization of 20 randomly selected educational institutions; and (f) recalculation of education grant.

III. OVERALL CONCLUSION

10. Controls over the administration of education grant disbursements were satisfactory except for deviations noted in the processing of field trips, boarding and travel entitlements. The disbursements were made for eligible dependent children, were correctly computed, certified and approved and advances were accounted for within the prescribed timelines. To fully comply with the policies and procedures for education grant, UNOV needed to ensure that: (a) the destination of field trips was indicated in all field trip claims and only field trips within commuting distance are reimbursed; (b) staff who did not have custody of their child submitted supporting documents for flat sums for board; and (c) requests for education grant travel were made within the required timelines.

IV. AUDIT RESULTS

A. Regulatory framework

Education grant disbursements were generally in accordance with applicable policies and procedures

11. ST/AI/2011/4 outlines the arrangements for processing education grant entitlements including expenses that are admissible and not admissible for reimbursement. Admissible expenses included, among others, expenses towards tuition fees, text books, boarding fees, special education, mother tongue fees, transportation, lunch and field trips. OIOS reviewed a random sample of 132 education grant claims with an approximate value of \$1 million (representing 24 per cent of the number of claims processed in 2015-2016) to assess compliance with the administrative instruction and to verify the accuracy of the amounts disbursed. In all the cases reviewed, the claims were for eligible dependent children, were properly reviewed and certified, and the staff members had submitted the required forms (Form P.41) or attestations certified by the respective schools. Special education grant claims were also appropriately supported by medical certificates issued by Medical Services as required. The admissible expenses were correctly determined and computed in accordance with applicable policies and procedures except for some deviations noted in the processing of field trips and flat sum for board entitlements which are discussed later in the present report. Based on the above, OIOS concluded that the education grant disbursements were generally computed in accordance with applicable administrative policies and procedures.

School field trip costs need to be computed in accordance with the provisions of ST/IC/2014/12/Rev.1

12. ST/IC/2014/12/Rev.1 states that costs of school field trips are only reimbursable if the trips are mandatory and within commuting distance of the duty station. UNOV defined commuting distance as 60 miles (100 kilometers) of the duty station. OIOS reviewed 10 claims relating to field trips totaling \$3,507 and noted that in two cases the trips were correctly disallowed because they were not mandatory. In the other eight cases, the respective schools indicated (in Form P.41 and attestations) that the trips were mandatory but did not specify the destination of the trips. HRMS reimbursed five of the field trip claims and disallowed the other three claims. In the absence of information on the destination of the trips, OIOS could not verify whether the commuting distance requirement was met and whether the decisions made to reimburse or disallow the claims were correct. UNOV needed to put in place mechanisms to ensure that the destination of the trips was indicated in all field trip claims and that the mandatory and commuting distance requirements were considered in determining whether the claims should be reimbursed.

(1) The UNOV Human Resources Management Service should strengthen review mechanisms to ensure that the destination of school trips is indicated in all field trip claims and that only mandatory trips within commuting distance are reimbursed.

UNOV accepted recommendation 1 and stated that in the processing of education grant claims for the 2016-2017 school year, where the destinations of the field trips were not clearly indicated, HRMS has already been requesting clarifications. Subsequent confirmations from the schools are kept in the concerned staff members' file and are available for audit or any follow-up reviews. Recommendation 1 remains open pending receipt of evidence that clarifications have been obtained in cases where schools did not specify the destination of field trips in Form P.41 or attestations.

Need to ensure that supporting documents for flat sums for board are submitted where applicable

13. Section 4.2 of ST/AI/2011/4 states that staff are eligible for a “flat sum for board” allowance when the child attends an educational institution outside the duty station, and the institution does not provide boarding services. Information Circular ST/IC/2014/12/Rev.1 which was effective from September 2014 states that if the child does not reside with the staff member, the staff member is required to submit documentary proof to demonstrate that the flat sums for board have been used for the intended purposes. The previous information circular (ST/IC/2005/25) stated that the staff member was required to submit the supporting documentation in cases where they did not have custody of the child. OIOS discussions with the Office of Human Resources Management indicated that although the language in the information circular was changed from “not having custody of the child” to “not residing with the child”, the intention was not to make any changes to the requirements for submitting supporting documents. HRMS indicated that it correctly continued with the practice of requiring supporting documents only from staff who did not have custody of the child. However, OIOS review of 20 claims where flat sums for board were paid showed that in none of these cases, supporting documents had been received. There was no evidence that HRMS had checked whether the staff had custody of the child in all these 20 cases. HRMS needs to ensure that supporting documents are provided for flat sums on board where staff members do not have custody of the child.

(2) The UNOV Human Resources Management Service should inform its staff to routinely check whether staff claiming flat sum for board have custody of the child and ensure that those who do not have custody submit the supporting documents required in ST/IC/2014/12/Rev.1.

UNOV accepted recommendation 2 and stated that Human Resource Partners of HRMS had been requested to routinely check that claims for flat sum for board are supported by the required documentation (per Section 19 of ST/IC/2014/12/Rev.1) where the staff member is not the custodial parent of the child. Based on the action taken by UNOV, recommendation 2 has been closed.

Need to ensure education grant travel requests are submitted in a timely manner

14. According to ST/AI/2011/4, staff members are entitled to education grant travel for each eligible child attending an educational institution in a country outside of the duty station. The entitlement is limited to the cost of travel between the duty station and place of home leave or the educational institution whichever is lower. Section 3.3 of ST/AI/2013/3 requires requests for education grant travel to be submitted within 16 days of travel and justifications made in cases where this requirement is not met.

15. OIOS selected a sample of 15 education grant travel claims to assess compliance with the administrative instructions. In 12 cases, the travel entitlements were correctly computed. However, in

three cases, OIOS could not determine whether the amounts were correctly computed because UNOV did not retain copies of underlying documents (such as airline quotations) used to calculate education grant benefit. Retaining the underlying supporting documents enhances accountability and is necessary to support the education grant travel paid. After the audit, UNOV took corrective action and started to maintain copies of the travel quotations consistently. Therefore, OIOS is not raising a recommendation on this issue. With regard to compliance with ST/AI/2013/3, in 2 out of the 15 cases reviewed, travel requests were not submitted within 16 days as required. There is a need for UNOV to ensure that travel requests are submitted in time and appropriate justification is provided in cases where the requests are late.

(3) UNOV should take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel.

UNOV accepted recommendation 3 and stated that the General Support Section (GSS) has begun issuing quarterly compliance reports to all UNOV/UNODC entities. GSS will identify trends and issues and will follow-up to ensure the policy is adhered to. If necessary, GSS will provide remedial training. Based on the explanations provided by UNOV, recommendation 3 has been closed.

B. Operational framework

Arrangements for processing of education grant claims were generally adequate

16. The authority and responsibility for processing education grant at UNOV was shared between HRMS and the Financial Resources Management Service (FRMS). Education grant advances were processed and approved by HRMS, while FRMS made the related disbursements. Within HRMS, there were appropriate work flow procedures and segregation of duties for processing education grant transactions. The self-service education grant module in Umoja had not been implemented at the time of the audit. UNOV continued to use a customized Lotus Notes based e-education grant system for processing entitlements. The system enabled staff to submit education grant applications electronically which was more efficient than paper-based processing. It also allowed tracking of the status of individual claims. Based on the above, OIOS concluded that the arrangements for processing education grant claims were adequate.

V. ACKNOWLEDGEMENT

17. OIOS wishes to express its appreciation to the management and staff of UNOV 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 education grant disbursement at the United Nations Office at Vienna

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNOV Human Resources Management Service should strengthen review mechanisms to ensure that the destination of school trips is indicated in all field trip claims and that only mandatory trips within commuting distance are reimbursed.	Important	O	Receipt of evidence that clarifications have been obtained in cases where schools did not specify the destination of field trips in Form P.41 or attestations.	Not provided
2	The UNOV Human Resources Management Service should inform its staff to routinely check whether staff claiming flat sum for board have custody of the child and ensure that those who do not have custody submit the supporting documents required in ST/IC/2014/12/Rev.1.	Important	C	Action completed	Implemented
3	UNOV should take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel.	Important	C	Action completed	Implemented

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 UNOV in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of education grant disbursement at the United Nations Office at Vienna

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementati on date	Client comments
1	The UNOV Human Resources Management Service should strengthen review mechanisms to ensure that the destination of school trips is indicated in all field trip claims and that only mandatory trips within commuting distance are reimbursed.	Important	Yes	Chief, Human Resources Management Service	Implemented as of July 2017	<p>The recommendation has been implemented and UNOV/UNODC requests OIOS to close it.</p> <p>In the education grant submissions for the 2016-2017 school year, where the destinations of the field trips were not clearly indicated, the Human Resources Management Service (HRMS) of UNOV/UNODC has already been requesting clarifications. Subsequent confirmations from the schools are kept in the concerned staff members' file and are available for audit or any follow-up reviews.</p> <p>A copy of the e-mail sent to all Human Resources (HR) Partners as a reminder to check compliance will be sent directly to IAD Geneva Section.</p>
2	The UNOV Human Resources Management Service should inform its staff to routinely check whether staff claiming flat sum for board have custody of the child and ensure that those who do not have custody submit the supporting documents required in ST/IC/2014/12/Rev.1.	Important	Yes	Chief, Human Resources Management Service	Implemented as of August 2017	<p>The recommendation has been implemented and UNOV/UNODC requests OIOS to close it.</p> <p>HR Partners of UNOV/UNODC HRMS had been requested to routinely check that claims for flat sum for board are supported by the required documentation (per Section 19 of ST/IC/2014/12/Rev.1) where the staff member is not the custodial parent of the child.</p> <p>As mentioned in the comments on rec. no. 1</p>

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 education grant disbursement at the United Nations Office at Vienna

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementati on date	Client comments
						above, a copy of the reminder sent to all HR partners will be provided directly to IAD Geneva Section.
3	UNOV should take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel.	Important	Yes	Chief, General Support Section	Implemented as of August 2017	<p>The recommendation has been implemented and UNOV/UNODC requests OIOS to close it.</p> <p>The General Support Section (GSS) of UNOV/UNODC S has begun issuing quarterly compliance reports to all UNOV/UNODC entities. GSS will identify trends and issues and will follow-up to ensure the policy is adhered to. If necessary, GSS will provide remedial training.</p> <p>A copy of the first quarterly compliance report (covering the 2nd quarter of 2017) will be sent directly to IAD Geneva Section.</p>