



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/117

Audit of accounts receivable and payable in the United Nations Mission in Liberia

Overall results relating to the effective management of accounts receivable and payable in the United Nations Mission in Liberia were initially assessed as partially satisfactory. Implementation of five important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

9 December 2013

Assignment No. AP2013/626/07

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AUDIT REPORT

Audit of accounts receivable and payable in the United Nations Mission in Liberia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in United Nations Mission in Liberia (UNMIL).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNMIL Finance Section was responsible for the management of accounts receivable and payable and was governed by the United Nations Financial Regulations and Rules, the Field Finance Procedure Guidelines, and Staff Rules. Accounts receivable and payable in UNMIL included balances due either from or payable to: staff members; vendors; governments; other field missions; and United Nations agencies, funds and programmes. The Finance Section was headed by an Officer-in-Charge at the P-4 level and had 33 approved posts. As at 30 June 2013, UNMIL had accounts receivable totaling \$3.5 million and accounts payable totaling \$3.3 million.
4. Comments provided by UNMIL are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNMIL governance, risk management and control processes in providing reasonable assurance regarding the **effective management of accounts receivable and payable in UNMIL**.
6. The audit was included in the OIOS 2013 risk-based work plan because of the financial and operational risks relating to the potential lack of reliable and accurate accounts receivable and payable opening balances for the adoption of International Public Sector Accounting Standards (IPSAS).
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (i) exist to guide the management of accounts receivable and payable; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from May to July 2013. The audit covered the period from 1 January 2012 to 30 June 2013 and reviewed the: (a) accuracy of accounts receivable and payable balances; (b) monitoring of accounts receivable and payable through ageing, collection and reporting; and (c) implementation of year-end closing instructions issued by the Department of Management.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through

interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. The UNMIL governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of accounts receivable and payable in UNMIL**. OIOS made five recommendations to address the issues identified. UNMIL satisfactorily recorded accounts receivable and payable, and ensured that related balances were adequately supported. The Finance and Procurement sections and self-accounting units regularly reviewed and validated unliquidated obligations and calculated liabilities for unused annual leave days and other staff entitlements. However, UNMIL needed to: (i) recover costs of fuel and services provided to various United Nations entities and other international organizations; (ii) monitor and ensure that travel advances and medical bills paid on behalf of staff members were recovered in a timely manner; (iii) settle long outstanding accounts payable; and (iv) ensure that recommendations made by claims review boards were implemented in a timely manner.

12. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of five important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of accounts receivable and payable in UNMIL	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Long outstanding accounts receivable needed to be recovered

13. The Field Finance Procedure Guidelines required prompt collection and settlement of accounts receivable balances through regular follow-up for recovery from entities and individuals. Further, the closing instructions issued by the Department of Management on 29 April 2013 required missions to undertake rigorous follow-up and cleansing of long outstanding accounts receivable to ensure accurate opening balances as of 1 July 2013. These instructions also required missions to seek approval from the Controller for write-off of accounts that were deemed irrecoverable.

14. As at 30 June 2013, UNMIL had \$3.5 million in accounts receivable and balances were properly recorded and adequately supported. UNMIL adequately cleaned up long outstanding accounts receivable and obtained approval from the Department of Management to write off \$174,000 of accounts receivable relating to 20 quick impact projects. However, as at 30 June 2013, \$110,000 had been outstanding for more than one year and further action was needed to settle these balances. The following issues were

noted with regards to the settlement of receivables relating to travel advances, medical costs, and balances from Member States:

- The Finance Section did not settle or recover costs in a timely manner related to medical bills paid on behalf of staff members. As at 30 June 2013, \$45,142 in medical payments made on behalf of 12 staff members had been outstanding for more than six months as concerned staff had not reimbursed the Mission after receipt of claims from insurance companies;
- Travel advances were accounted for and cleared within periods up to 12 months after completion of travel, although UNMIL standard operating procedures prescribed a timeframe of 44 days. This resulted from the lack of a mechanism to track travel advances separately from other accounts receivable balances; and
- UNMIL had requested the assistance of the Field Budget and Finance Division in the recovery of \$93,000, some of which had been outstanding since 2006, from Member States. This included costs incurred by the Mission due to early repatriation of troops, property survey board recommendations against contingent personnel and the cost of fuel supplied to contingents. At the time of the audit, the Field Budget and Finance Division had facilitated the recovery of \$2,000, but the remaining balance of \$91,000 was still outstanding.

(1) UNMIL should establish a tracking system to identify and recover in a timely manner travel advances and medical bills paid on behalf of staff members.

UNMIL accepted recommendation 1 and stated that it was in the process of establishing a tracking system which would be supported with the implementation of Umoja. Recommendation 1 remains open pending receipt of evidence that UNMIL has implemented an adequate tracking system to identify and recover travel advances and medical bills paid on behalf of staff members.

(2) UNMIL should follow up with the Field Budget and Finance Division on the recovery of long outstanding receivables from Member States.

UNMIL accepted recommendation 2 and stated that the Mission would continue to follow up with the Field Budget and Finance Division on the recovery of long outstanding accounts receivable from Member States. Recommendation 2 remains open pending receipt of evidence of the recovery of long outstanding accounts receivable from Member States.

Inadequate oversight over the recovery of costs for fuel and services provided to United Nations entities

15. In June 2008 and January 2009, UNMIL signed memoranda of understanding with members of the United Nations Country Team (UNCT) in Liberia to share premises and common services. UNMIL also entered into agreements with members of the UNCT and the World Bank for the supply of fuel. These agreements required UNMIL to bill: fuel costs on a monthly basis, and rent and common costs of shared premises and facilities on a six-monthly basis.

16. As at 30 June 2013, accounts receivable from UNCT members and other organizations was \$2.5 million; representing 74 per cent of total outstanding receivables. Due to inadequate oversight by UNMIL, the memorandum of understanding governing the use and occupancy of some of its regional premises had expired in May 2011. However, UNCT members continued to occupy the premises and were charged costs agreed upon in the expired agreements. UNMIL needed to update and finalize the memorandum of understanding to mitigate the risk of disputed costs.

17. Further, the Finance Section did not recover costs of shared premises, fuel and services provided to various entities in a timely basis. UNMIL had not issued 57 of the 152 debit advices to concerned entities for the period from 1 June 2008 to 31 May 2013, estimated at \$230,000. Also, the cost of fuel supplied to UNCT members were billed on average two months after the fuel was dispensed to the concerned entities.

(3) UNMIL should: (a) take action to ensure that formal agreements are in place to govern shared premises and facilities; and (b) issue debit advices in a timely basis and recover costs of such premises, fuel and services provided to other United Nations entities.

UNMIL accepted recommendation 3 and stated that it had submitted memoranda of understanding to the concerned entities for signature. Further, the Finance Section issued debit advices to respective entities to recover all outstanding costs for shared premises, fuel and other services. Recommendation 3 remains open pending receipt of: (i) memoranda of understanding between UNMIL and all concerned United Nations entities; (ii) evidence of recovery of all outstanding balances; and (iii) evidence of implementation of an adequate system to ensure that costs for shared premises, fuel and services are recovered in a timely manner.

Long outstanding accounts payable needed to be resolved

18. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to clean up accounts payable.

19. As at 30 April 2013, UNMIL had \$1.3 million in accounts payable to staff, vendors, other United Nations entities, and for quick impact projects. A review of \$1.2 million of the accounts payable balance indicated that they were adequately supported. However, the Mission had not settled / cleansed accounts payable of about \$900,000 that had been outstanding for more than one year. This included a payment of \$106,000 to a fuel supplier in July 2007 that was returned to UNMIL due to closure of the vendor's operations. The balance had been outstanding due to a lack of credible information on the subsequent vendor/owner that took over the operations. UNMIL was considering transferring the balance to miscellaneous income. There was also \$781,000 payable to a fire truck vendor that was withheld in June 2010 for short delivery; this case was being reviewed by the Office of Legal Affairs.

(4) UNMIL should resolve long outstanding accounts payable balances with concerned vendors.

UNMIL accepted recommendation 4 and stated that it had initiated actions to cleanse long outstanding accounts payable balances. Recommendation 4 remains open pending receipt of evidence that long outstanding accounts payable balances have been resolved.

Recommendations of claims review boards were not adequately implemented

20. The Field Finance Procedure Guidelines required missions to raise obligations prior to the end of the fiscal year to cover valid expenditures for the period for which bills had not been received. This included obligations for pending compensation claims against the Mission. Furthermore, the Finance Section was required to withhold funds from affected personnel upon receipt of recommendations made by the Local Property Survey Board.

21. UNMIL did not raise obligations for pending compensation claims totaling \$160,000 for the financial year 2012/13. This included an amount of \$158,000 for retroactive rent payments for land occupied by UNMIL since 2004. In addition, the Finance Section did not withhold a surcharge of \$1,500 from two staff members responsible for vehicle accidents. This resulted due to the absence of a process to notify the Finance Section in a timely basis of recommendations made by the claims review and property survey boards.

(5) UNMIL should establish a mechanism to ensure that: (i) the Finance Section is promptly notified of recommendations made by the claims review and property survey boards; and (ii) raise obligations for pending compensation claims and take action on other outstanding recommendations.

UNMIL accepted recommendation 5 and stated that the Finance Section would take action to record pending compensation claims. Further, the Chief Finance Officer would become a member of the claims/survey boards to ensure that recommendations would be addressed in a timely manner. Recommendation 5 remains open pending receipt of evidence of: (i) action taken on pending compensation claims; and (ii) implementation of an adequate system to ensure that the Finance Section is notified in a timely basis of recommendations made by the claims review and property survey boards.

Unliquidated obligations were adequately managed

22. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to review unliquidated obligations on a weekly basis up until 30 June 2013, and reconcile related balances in the procurement and financial systems.

23. As at 30 June 2013, UNMIL had unliquidated obligations totaling \$13 million, a 41 per cent reduction compared to the \$23 million balance as at 30 June 2012. UNMIL reviewed and validated outstanding balances and maintained adequate supporting documentation. As at October 2013, UNMIL was also taking action to address a variance of \$186,000 between the procurement and financial systems. OIOS was satisfied with the ongoing efforts by UNMIL to adequately manage its unliquidated obligations.

Liabilities for unused annual leave days and other staff benefits were accurately processed

24. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to calculate accrued liabilities of unused annual leave days for national staff. Missions were required to up-date the attendance data of international staff in the Integrated Management Information System and accrue liabilities for other staff benefits earned as of 30 June 2013.

25. UNMIL adequately updated time and attendance data for national and international staff members and computed annual leave liabilities as at 30 June 2013. UNMIL also updated records for the accrual of other staff benefits including home leave, rest and recuperation, travel allowances and education grant travel.

IV. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the Management and staff of United Nations Mission in Liberia for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of accounts receivable and payable in the United Nations Mission in Liberia

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNMIL should establish a tracking system to identify and recover in a timely manner travel advances and medical bills paid on behalf of staff members.	Important	O	Receipt of evidence that UNMIL has implemented an adequate tracking system to identify and recover travel advances and medical bills paid on behalf of staff members.	1 st quarter 2014
2	UNMIL should follow up with the Field Budget and Finance Division on the recovery of long outstanding receivables from Member States.	Important	O	Receipt of evidence of the recovery of long outstanding accounts receivable from Member States.	1 st quarter 2014
3	UNMIL should: (a) take action to ensure that formal agreements are in place to govern shared premises and facilities; and (b) issue debit advices in a timely basis and recover costs of such premises, fuel and services provided to other United Nations entities.	Important	O	Receipt of: (i) memoranda of understanding between UNMIL and all concerned United Nations entities; (ii) evidence of recovery of all outstanding balances; (iii) and evidence of implementation of an adequate system to ensure that costs for shared premises, fuel and services are recovered in a timely manner.	1 st quarter 2014
4	UNMIL should resolve long outstanding accounts payable balances with concerned vendors.	Important	O	Receipt of evidence that long outstanding accounts payable balances have been resolved.	1 st quarter 2014
5	UNMIL should establish a mechanism to ensure that: (i) the Finance Section is promptly notified of recommendations made by the claims review and property survey boards; and (ii) raise obligations for pending compensation claims and take action on other outstanding recommendations.	Important	O	Receipt of evidence of action taken on pending compensation claims and implementation of an adequate system to ensure that the Finance Section is notified in a timely basis of recommendations made by the claims review and property survey boards.	1 st quarter 2014

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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 UNMIL

APPENDIX I

Management Response


CONFIDENTIAL



Office of the Special Representative of the Secretary General

Date: 3 December 2013

To: Ms. Eleanor T. Burns
Chief Peacekeeping Audit Service
Internal Audit Division, OIOS

From: Mr. Tamrat Samuel 
Officer-in-Charge
United Nations Mission in Liberia

Subject: UNMIL's response to the draft report on an audit of accounts receivable and payable in the United Nations Mission in Liberia (Assignment No. AP2013/626/07)

Thank you for providing us the opportunity to comment on the above referenced audit.

Please see the comments of the mission in the attached matrix, as requested in your memorandum of 18 November 2013. A word version of the matrix has already been sent to you via Lotus Notes, while a hard copy of the matrix and this signed memorandum is delivered to you by mail and pouch.

Regards.

cc: - Mr. Hubert Price, Director of Mission Support, UNMIL
- Ms. Denise Wilman, Chief of Staff, UNMIL
- Mr. Saced Ahmed, Officer-in-Charge, Finance Section, UNMIL
- Mr. Anthony Azaglo, Chief, Payroll and Allowances Unit, UNMIL
- Mr. Bernard Philips, Officer-in-Charge, Audit Focal Point, UNMIL
- Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS

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Audit of accounts receivable and payable in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNMIL should establish a tracking system to timely identify and recover travel advances and medical bills paid on behalf of staff members.	Important	Yes	Chief, Payments Unit	1 st quarter 2014	This process of establishing a tracking system has already been initiated, supporting documents have already been provided to the resident auditors. This process will be greatly supported by the implementation of UMOJA. Finance Section will use the recoveries module under the "Sales and Distribution" in UMOJA to recover the outstanding monthly amounts.
2	UNMIL should follow up with the Field Budget and Finance Division on the recovery of long outstanding receivables from Member States.		Yes	Chief, Accounts Unit	1 st quarter 2014	Since May 2012, UNMIL requested Headquarters for assistance to recover through permanent missions of the concerned member states. Headquarters has written all concerned member states for recovery. Finance Section will follow up and send reminders during the first quarter of 2014.
3	UNMIL should: (a) take action to ensure that valid formal agreements are in place to govern shared premises and facilities; and (b) timely issue debit advices and recover costs of such premises, fuel and services provided to other United Nations entities.	Important	Yes	Chief, Accounts Unit	1 st quarter 2014	a) Cost Recovery for all Agencies with outstanding payments due under their respective former Memorandum of Understanding (MOU) were submitted to Finance Section in November 2013. In response to the Regional Coordinator September/October 2013

Management Response

Audit of accounts receivable and payable in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>request for the UNCT to respond and sign the MOU's for shared premises, and subsequent request on 05 Nov 2013 (supporting documents have already been provided to the resident auditors) only one Agency, UNICEF in Zwedru, signed the MOU. None of the other Agencies responded.</p> <p>On 09 November 2013, an email was sent to all UNCT notifying them that if resolution of back payments was not rectified by time of UNMIL's next Audit Response, notification as such would be provided in UNMIL's response (supporting documents have already been provided to the resident auditors).</p> <p>On 25 Nov 2013, rough draft cover letters to each UNCT owing past or current payments, and require signing of the new MOU's, were drafted and submitted for approval. The cover letters included copies of all cost recovery due.</p> <p>New UNICEF/UNMIL MOU valid 01 June 2013 through 31 May 2018: a copy has been signed by</p>

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Audit of accounts receivable and payable in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>UNICEF and is pending the Director of Mission Support signature. Under this new MOU, there is a once-a-year advance payment.</p> <p>On 26 Nov 2013, Zwedru Common Premises UNICEF cost recovery requests were submitted to Finance for recovery under:</p> <ul style="list-style-type: none"> - Signed UNICEF/UNMIL MOU valid through 31 May 2013. - UNICEF Zwedru cost recovery memos under UNICEF signed 01 June 2013– 30 May 2018 MOU. <p>On 26 Nov 2013, rough draft cover letters to each UNCT sharing common premises with UNMIL in Voinjama, owing past or current payments, and requiring signing of the new MOU's, were drafted and submitted for approval. The cover letters included copies of all cost recovery due.</p> <p>On 27 Nov 2013, Voinjama the UNCT cost recovery requests were submitted to Finance for recovery under:</p> <ul style="list-style-type: none"> WHO - Under prior MOU, which expired 29/01/11: Cost recovery required through 29/01/11 UNICEF – Under prior MOU

Management Response

Audit of accounts receivable and payable in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>which expired 29/01/11: Cost recovery required through November 2010. UNICEF departed in December 2010 (supporting documents have already been provided to the resident auditors). All Cost Recovery submissions for all UNCT were completed and in possession of the Regional Coordinator awaiting UNCT signing of MOUs before submission to Finance for recovery. Fuel costs for UNCT generator usage is included in the cost recovery memos. Fuel costs for Agency vehicles are covered by the Supply Section. Attached is the Regional Coordinators updated tracking document (supporting documents have already been provided to the resident auditors).</p> <p>b) Sales and Distribution module in UMOJA will permit Self Accounting Units to raise standard orders for the Finance section to convert into invoices for United Nations entities in UMOJA promptly.</p>

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Audit of accounts receivable and payable in the United Nations Mission in Liberia

Rec. no.	Recommendation	Critical/ Important	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	UNMIL should timely resolve long outstanding accounts payable balances with concerned vendors.	Important	Yes	Chief, Accounts Unit	1 st quarter 2014	This process has been initiated in June 2012 and will be intensified as of December 2013 and in the first quarter of 2014.
5	UNMIL should establish a mechanism to ensure that: (i) the Finance Section is promptly notified of recommendations made by the claims review and property survey boards; and (ii) raise obligations for pending compensation claims and take action on other outstanding recommendations	Important	Yes	Chief Finance Officer and Chief, Claims Unit	1 st quarter 2014	This process will be greatly aided by the implementation of IPSAS in the mission. Under the standard operating procedures for claims, the Chief Finance Officer is part of the UNMIL Local Claims Review Board and Local Property Survey Board. Depending on the frequency the Boards meets, the Finance section will therefore have a fore knowledge of claims due and appropriate action will be taken to record obligations for pending claims.