



INTERNAL AUDIT DIVISION

REPORT 2017/095

Audit of education grant disbursements and travel management in the Economic Commission for Africa

While education grants were disbursed only to employees who met the eligibility requirements and entitlement conditions, there was a need to clarify some documentation requirements and improve the compliance rate of advance purchase of air tickets

27 September 2017
Assignment No. AN2017/710/01

Audit of education grant disbursements and travel management in the Economic Commission for Africa

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of education grant disbursements and travel management in the Economic Commission for Africa (ECA). The objective of the audit was to assess the adequacy of ECA governance, risk management and control processes over the effective management of education grant disbursements and travel management. The audit covered the period from January 2014 to December 2016 and focused on determining eligibility of staff to education grant, verifying admissibility of grant claims and reviewing compliance with guidance on official travel.

Education grants were disbursed only to employees who met the eligibility requirements and entitlement conditions. However, there was a need to clarify documentation requirements for the flat sum payment of boarding expenses and improve the compliance rate of advance purchase of air tickets.

OIOS made two recommendations to ECA and the Office of Human Resources Management (OHRM). To address issues identified in the audit:

- OHRM needed to develop and circulate a practice guide on documentation requirements for claiming the flat sum for boarding expenses to ensure consistent application of the education grant entitlement throughout the Secretariat; and
- ECA needed to make advance plans for official travel to ensure arrangements are finalized at least 16 days prior to commencement of travel.

The Department of Management and ECA accepted the recommendations and have initiated action to implement them.

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Audit of education grant disbursements and travel management in the Economic Commission for Africa

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of education grant disbursements and travel management in the Economic Commission for Africa (ECA).

2. The purpose of the education grant is to help staff members to meet the extra costs they incur for the education of their children because of their expatriation in United Nations service. ECA processed approximately \$8 million in education grants during the period January 2014 to December 2016 to an average of 135 staff members and 285 children per year as illustrated in Table 1.

Table 1: Education grant disbursements

<i>Year</i>	<i>Disbursement amount</i>	<i>Number of staff</i>	<i>Number of children</i>
2014	\$2,332,250	126	272
2015	\$2,582,540	129	264
2016	\$3,045,427	150	320
Total	\$7,960,217		
Average	\$2,653,406	135	285

3. During the three years between January 2014 and December 2016, ECA purchased 14,600 air tickets valued at \$11.6 million through its two contracted travel agents.

4. The Division of Administration is responsible for the management of education grant disbursements and travel. Education grants are processed by the Human Resources Support Section (HRSS) through five teams of Human Resources (HR) partners. Each team of HR partners has four staff members tasked with the processing of all transactions related to personnel administration and entitlements for specific organizational units within ECA. Travel is arranged by the Travel, Transport and Visa Services Unit, which consisted of four staff: one G-7 travel supervisor, and three travel assistants at the G-6 level.

5. Comments provided by ECA and the Department of Management are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy of ECA governance, risk management and control processes over the effective management of education grant disbursements and travel management.

7. This audit was included in the 2017 risk-based work plan of OIOS due to the risk of noncompliance with regulations and rules, as well as the potential for fraud and error, associated with education grant disbursements and travel management, including processing of claims.

8. OIOS conducted this audit during April and May 2017. The audit covered the period from January 2014 to December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in education grant disbursements and travel management, which included: (i) determining eligibility of staff to education grant; (ii) verifying admissibility of education grant claims; and (iii) reviewing compliance with guidance on official travel.

9. The audit methodology included interviews of key personnel, reviews of relevant documentation, analytical reviews of data, and sample testing of education grant disbursements. OIOS selected a sample of claims submitted by 21 staff members for 50 children, including six staff members who had six children with disabilities, over the three-year period between January 2014 and December 2016. The total claims for the selected sample amounted to \$604,641 in 2016, including claims totaling \$50,230 and \$13,230 as flat sums for boarding expenses and textbooks respectively. Tuition represented the largest proportion of admissible expenses at approximately 80 per cent of total claims.

III. OVERALL CONCLUSION

10. Education grants were disbursed only to employees who met the eligibility requirements and entitlement conditions. However, there were processing errors that resulted in under or over payments. ECA settled all under or over payments identified during the audit. In addition, Office of Human Resources Management (OHRM) needed to develop and broadcast a clear practice guide on the documentation requirements for the flat sum payment of boarding expenses to ensure consistent application throughout the Secretariat.

11. The compliance rate of the advance purchase of air tickets at ECA was very low at 15 per cent. Consequently, ECA needed to improve planning of official travel to enable compliance with the requirement for tickets to be purchased at least 16 days prior to commencement of travel.

IV. AUDIT RESULTS

A. Management of education grant disbursements

Education grants were disbursed only to eligible staff that satisfied the conditions of entitlement

12. Under staff rule 3.9, internationally recruited staff members holding a continuing, permanent or fixed term contract are eligible to the education grant entitlement. In addition, all staff members who hold fixed term or continuing appointments are entitled to special education grants for children with disabilities. Eligible staff members may claim education grants for a child if the conditions specified in various administrative issuances are met.

13. For the selected claims, OIOS verified whether staff members were eligible and satisfied the conditions of entitlement. OIOS also reviewed the admissibility of the expenses claimed, including whether they were supported by a duly completed form P.41 (Certificate of attendance and costs and receipt for payments), recalculated the amount of the grant payable and compared it to the actual amount paid in order to identify any under or overpayments. The contract status of staff members and their children's age and dependency status were verified against human resources records, while the level of instruction for the children was verified against the information on the form P.41 returns from the children's schools. The Medical Services Division provided the requisite certification for staff members whose children had a disability that qualified them to receive the special education grant.

14. Based on the tests conducted, OIOS concluded that the eligibility requirements and conditions of entitlement were satisfied in all the cases reviewed. However, some errors were identified in the processing of education grant advances as detailed below.

Some education grant advances were miscalculated

15. Per the administrative instruction on education grant (ST/AI/2011/4), staff members who are entitled to education grant and who are required to pay all or a portion of the full-time school attendance expenses at the beginning of the school year may apply for an advance against their entitlement. The amount of the advance would exclude the flat sum for board, and be calculated based on either: (i) 100 per cent of the amount paid for the previous school year; or (ii) 100 per cent of the anticipated amount of the education grant (i.e. 75 per cent of admissible costs) based on the information provided by the educational institution.

16. In 11 of the cases reviewed, the amount of education grant advances paid in 2015 exceeded the amount that was due as follows:

- a. In one case the amount of advance paid exceeded the maximum education grant entitlement for the currency zone by \$1,567. This overpayment was subsequently recovered after the end of the school year in 2016.
- b. In 10 cases, also related to 2015, staff members were overpaid by a total of \$15,614. In some of these cases the advance was paid at 100 per cent of admissible costs instead of 75 per cent, while in other cases it was not clear what the basis of calculation of the advance amount was. The excess payments were recovered from the staff members after the end of the school year.

17. The incorrect advances noted above were paid through the Integrated Management Information System. Audit results showed that all advances for the 2016/17 school year that were processed in Umoja were made correctly. Thus, OIOS did not make a recommendation on this issue.

Requirements for supporting documentation for flat sum for boarding were implemented in accordance with OHRM guidance

18. The administrative instruction on education grant provides for the payment of a flat sum for boarding expenses where an educational institution does not provide board. This flat rate would be in addition to 75 per cent of other admissible educational costs, up to the maximum education grant approved for the currency zone.

19. The related information circular (ST/IC/2014/12/Rev.1) however states that if the child for whom the claim is made does not reside with the staff member, the staff member would be required to provide documentary proof that the flat sum for board was used for the intended purposes. Since children who would qualify for the flat sum for board ordinarily do not reside with the staff member during the school year, there had been uncertainty whether this provision meant that supporting evidence would be required in all cases where the flat sum for board was claimed. However, in 2015, ECA sought further clarity from OHRM on the conditions that would define a child as not residing with the staff member and what types of documentary evidence would be deemed acceptable for the purposes of claiming the flat rate for board. In their response OHRM's Human Resources Policy Service indicated that staff members and their children are deemed to reside together if they have "a common residence to call home where they ultimately return when they are off duty or school," and that documentary evidence on the use of the flat sum is only required where the children do not share a common home with the staff member because of a breakdown of marriage, whether through a divorce or legal separation. It was not clear whether the interpretation that OHRM provided to ECA had been communicated to the entire United Nations Secretariat, or that it was being applied consistently. The nature of the supporting evidence required, such as evidence of bank transfers to a separated or divorced spouse, could not independently and conclusively prove that the bank transfers were related specifically to the flat sum for board and that all the money was used to pay for the affected children's costs of boarding while they resided with the separated or divorced spouse.

20. From the 21 staff members selected for testing, 6 had made claims for the flat sum for board during the period under review. All six staff members had legal custody of their children, based on their human resources records. As a result, no additional documentation was required to prove that the amounts claimed for the flat sum for board had been used for the intended purposes.

21. In view of the fact that the revised education grant scheme set to be implemented in the next school year would allow for boarding related expenses to be reimbursed at a flat sum of \$5,000 to staff serving in field locations whose children are boarding to attend school outside the duty station (with special exceptions for headquarters duty stations), a clear interpretation of the conditions for payment of the flat sum needs to be published to ensure consistent application across the Secretariat.

(1) OHRM should develop and circulate a practice guide on the documentation requirements for claiming the flat sum for boarding expenses to ensure consistent application of the education grant entitlement throughout the Secretariat.

The Department of Management accepted recommendation 1 and stated that a new policy on education grant would be promulgated upon approval by the General Assembly of the required amendments to the Staff Regulations and Rules. Recommendation 1 remains open pending receipt of a copy of the new policy.

B. Travel management

Some long outstanding travel advances were yet to be recovered

22. The administrative instruction on official travel (ST/AI/2013/3) requires completion of expense reports within two weeks of completion of the travel, failure of which recovery of the advances through payroll would be initiated.

23. OIOS noted that expense reports from staff members for 122 trips costing approximately \$200,000 with trip end dates earlier than 31 December 2016 were still outstanding as of 18 April 2017, and the related advances had not yet been recovered from them.

24. Based on review of correspondence, OIOS noted that ECA was informed by the Department of Management that an Organization wide recovery of all outstanding travel advances would be processed centrally at Headquarters in phases, beginning in April 2017. Consequently, the Director, ECA Division of Administration issued an information circular in February 2017 informing all ECA staff of the impending recoveries, and advising them to complete their expense reports to prevent the recoveries. However, an official action plan had not yet been disseminated widely by the Department of Management with specifics on the planned recoveries.

25. The Board of Auditors made a similar observation in their management letter to ECA. OIOS is also undertaking an audit of official travel at headquarters. As a result, OIOS did not make a recommendation on this issue.

Most trips did not comply with the 16-day rule for finalization of travel requests

26. Section 3 of the administrative instruction on official travel requires all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, to be finalized at least sixteen calendar days in advance of commencement of official travel.

27. During 2016, only 713 out of 4,867 trips undertaken at ECA were finalized at least 16 days in advance of commencement of travel, representing a compliance rate of 14.6 per cent. On average, trips were finalized 5 days before the travel date, primarily because travel requests were submitted on average 10 days before the travel date. On a quarterly basis, the ECA Travel, Transport and Visa Services Unit submitted a compliance report to the Chief of Travel Unit in New York. The reports reflected that losses borne by ECA as a result of trips that were not compliant with the advance purchase requirements amounted to \$29,340 in 2016.

28. Of the 4,154 trips that were noncompliant, there were no explanations for the delays in finalizing arrangements for 592 trips. For the remainder, there were varied explanations with a common theme being late confirmation of meeting arrangements or attendees. Eighteen of the noncompliant trips were related to education grant travel.

(2) ECA should take action to make advance plans for official travel, including ensuring that meeting arrangements are finalized in a timely manner, to enable compliance with the requirement for tickets to be purchased at least 16 days prior to commencement of travel.

ECA accepted recommendation 2 and stated that the Division of Administration would issue an inter-office memo to remind staff of the 16 days' rule. Performance against this target would be monitored and presented to the Senior Management Team on a regular basis for effective oversight and decision making. However, advance planning would only be enforced for meetings solely within ECA's control. Invitations involving travel that are received late, some of them Member States driven, would not be declined because of the 16 days' rule. Recommendation 2 remains open pending notification of actions taken to ensure meeting arrangements are finalized timely.

ECA needed to improve the management of travel contracts

29. ECA signed contracts with two travel agencies on 1 December 2010 for an initial one-year term with options to extend for not more than five years. The contracts were, however, renewed nine times up until 31 May 2017.

30. OIOS noted the following weaknesses in the management of the contracts:

- a) Performance bonds and public liability insurance policies were not promptly renewed

The contracts required submission of performance bonds equal to 10 per cent of the contract amount in the form of bank guarantees or 25 per cent of the contract amount in the case of bonds issued by an insurance company. The performance bonds or insurance policies should be extended to cover contract extensions. However, the two travel agencies did not extend the performance bonds and insurance policies when they expired upon the expiry of the second contract amendment on 30 November 2012. ECA management explained that it had overlooked following up on their replacement, due to inadequate contract management capacity. ECA subsequently received the extension of the performance bonds from the two travel vendors, dated 24 April 2017. As of the audit date, ECA was also close to finalizing new five year contracts for travel services. Therefore, OIOS did not make a recommendation on this issue.

- b) Compensation for office space provided by the United Nations was not being administered as per contract terms

Each travel agency was required to pay to the United Nations Ethiopian Birr 7,398.60 (approximately \$322) per month for use of office space made available to them. The rent was payable quarterly in advance during the term of the contract, but this provision was not adhered to. For instance, for the last contract period ended on 30 November 2016, the travel agencies were billed in arrears for the 11 months up to that date, and they were yet to be billed for rents due on 1 January 2017. As a result of the late billings, rents totaling Ethiopian Birr 88,783 (\$3,860) remained unpaid as of May 2017. ECA informed OIOS after the audit that it had collected 91 per cent of rental bills for 2016, and billing and collection efforts were underway for 2017 rent. Therefore, OIOS did not make a recommendation on this issue.

IV. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the management and staff of ECA and OHRM 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 disbursements and travel management in the Economic Commission for Africa

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	OHRM should develop and circulate a practice guide on the documentation requirements for claiming the flat sum for boarding expenses to ensure consistent application of the education grant entitlement throughout the Secretariat	Important	O	Receipt of the new policy on education grant entitlements.	31 January 2018
2	ECA should take action to make advance plans for official travel, including ensuring that meeting arrangements are finalized in a timely manner, to enable compliance with the requirement for tickets to be purchased at least 16 days prior to commencement of travel	Important	O	Notification of actions taken to ensure meeting arrangements are finalized timely.	30 September 2017

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 ECA and the Department of Management in response to recommendations.

APPENDIX I

Management Response



United Nations
Economic Commission for Africa

INTEROFFICE MEMORANDUM — MEMORANDUM INTERIEUR

To: Ms. Muriette Lawrence-Hume, Chief
New York Audit Service
Internal Audit Division OIOS

Date: 31 August 2017
Ref.: SPOQD/17/08/0204

SW

From: Ms. Ingrid Cyimana, Director
Strategic Planning and Operational Quality
Division (SPOQD)

Subject: **ECA Management Response on OIOS audit of education grant disbursements and travel management in the Economic Commission for Africa (Assignment No. AN2017/710/01)**

In reference to inter office memorandum (IAD:17-00379) dated 16 August 2017 on the above subject, we are pleased to enclose ECA's management response where we have accepted the recommendation related to travel arrangements in ECA.

We would like to take this opportunity to thank OIOS auditors for their constructive engagement with the Commission during the course of the above mentioned audit.

Thank you.

Cc: Mr. Victor Kisob, Acting Assistant Secretary-General for Human Resources, (OHRM)
Mr. Tilchand Acharya, Chief, Field Section, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS
Ms. Eskedar Nega, Chief of Evaluation Section, Strategic Planning and Operational Quality Division (SPOQD)

Management Response

Audit of Education Grant and Travel Management in the Economic Commission for Africa

Rec. no.	Recommendation	Critical/ ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OHRM should develop and circulate a practice guide on the documentation requirements for claiming the flat sum for boarding expenses to ensure consistent application of the education grant entitlement throughout the Secretariat	Important				Directed to OHRM
2	ECA should take action to make advance plans for official travel, including ensuring that meeting arrangements are finalized in a timely manner to enable compliance with the requirement for tickets to be purchased at least 16 days prior to commencement of travel.	Important	Yes	Carlos Haddad, Director of Administration	10 September 2017	<p>Division of Administration will issue inter office memo to remind staff of the 16 days' rule. Programme managers and certifying officers will ensure compliance with the rule.</p> <p>Performance monitoring against target for effective oversight and decision making will be presented to Senior Management Team on a regular basis.</p> <p>However, ECA can only enforce such a recommendation for cases in which the organization of meetings is solely within its control. Invitations for missions which come at late notice and some of them demand driven by member States cannot be declined because of the 16 days' rule.</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.

DM/OUSG

Out: 21 Sept 2017

DM-2017-02145

United Nations



INTEROFFICE MEMORANDUM

Nations Unies

MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume, Chief, New York Audit Service DATE: 20 September 2017
A: Internal Audit Division, Office of Internal Oversight Services

THROUGH: Christian Saunders, Director
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service *CMB for*
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an audit of education grant disbursements and travel management in
OBJET: the Economic Commission for Africa (Assignment No. AN2017/710/01))**

1. We refer to your memorandum dated 16 August 2017 regarding the above-subject draft report and provide you with comments of the Department of Management in the attached Annex I.
2. Thank you for giving us the opportunity to provide comments on the draft report.

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OHRM should develop and circulate a practice guide on the documentation requirements for claiming the flat sum for boarding expenses to ensure consistent application of the education grant entitlement throughout the Secretariat	Important	Yes	Chief, Policy and Conditions of Service Section, OHRM	31 January 2018	A new policy on education grant will be promulgated upon approval by the General Assembly of the required amendments to the Staff Regulations and Rules.
2	ECA should take action to make advance plans for official travel, including ensuring that meeting arrangements are finalized in a timely manner to enable compliance with the requirement for tickets to be purchased at least 16 days prior to commencement of travel.	Important				

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.