



INTERNAL AUDIT DIVISION

REPORT 2018/078

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

The Department of Field Support needed to resolve outstanding accounts receivable balances due to the United Nations Mission in Liberia

29 August 2018
Assignment No. AP2018/626/01

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

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Mission in Liberia (UNMIL). The objective of the audit was to assess the effectiveness of UNMIL in managing accounts receivable and payable during the drawdown and liquidation period of the Mission. The audit covered the period from 1 July 2017 to 23 May 2018.

UNMIL coordinated with the Regional Service Centre in Entebbe and was reviewing and taking steps to close the open items of accounts receivable and payable. Nevertheless, as the Mission has closed, there was need for the Department of Field Support (DFS) to take action to resolve various outstanding accounts receivable balances due to UNMIL. OIOS made one recommendation in this regard, and DFS has initiated action to implement it.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. AUDIT RESULTS	2-5
A. Management of accounts receivable and payable	2-5
B. Write-off of accounts receivable and payable	5
IV. ACKNOWLEDGEMENT	5
APPENDIX I Management response	

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 the United Nations Mission in Liberia (UNMIL).
2. United Nations Security Council resolution 2333 (2016) required the complete withdrawal of all uniformed and civilian UNMIL components by 30 April 2018, except for those required to complete the Mission's liquidation by 30 June 2018. The liquidation of the Mission included the settlement of accounts receivable and payable balances, which is the responsibility of the Finance and Budget Section (FBS).
3. Accounts receivable mainly comprised advances/overpayments to staff and vendors, outstanding charges for common services and other logistics support provided by UNMIL to other United Nations offices and to contingents, and amounts due from the Government and non-governmental organizations for services rendered. Accounts payable consisted of accruals for operating expenses, staff benefits and entitlements, amounts due to commercial vendors for goods and services and to implementing partners including other United Nations offices for projects funded by UNMIL.
4. The FBS was headed by the Chief Finance and Budget Officer at P-4 level, who was assisted by seven international staff, eight national staff and three United Nations Volunteers (UNVs).
5. A breakdown of accounts receivable and payable as at 31 December 2017 and 23 May 2018 is as shown in Table 1.

Table 1: Summary of accounts receivable and payable as at 31 December 2017 and 23 May 2018

Item Description	Accounts receivable		Accounts payable	
	31 December 2017	23 May 2018	31 December 2017	23 May 2018
Commercial vendors	-	24,521	269,334	485,872
Staff members	-	624,626	25,996	336,811
United Nations entities	293,104	-	500,000	-
Member States	-	9,247	21,054	-
Government	116,234	-	-	2,774
Non-governmental organizations	295,967	-	-	39,981
External individuals	-	-	9,875	-
Total	705,305	658,394	826,259	865,438

Source: UNMIL Finance and Budget Section records

6. Comments provided by the Department of Field Support (DFS) are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the effectiveness of UNMIL in managing accounts receivable and payable during the drawdown and liquidation period of the Mission.
8. This audit was included in the 2018 risk-based work plan of OIOS due to the operational, compliance and financial risks associated with settlement of accounts receivable and payable during the Mission's drawdown and liquidation process.

9. OIOS conducted this audit from March to May 2018. The audit covered the period from 1 July 2017 to 23 May 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in management of accounts receivable and payable, including write-off of accounts receivable and payable.

10. The audit methodology included: (a) interviews of key personnel; (b) review of financial records and relevant documentation; and (c) analytical review of data and test of samples.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Management of accounts receivable and payable

UNMIL took action to update assigned roles in Umoja

12. As per the administrative instructions on closure of UNMIL from the Field Budget and Finance Division (FBFD) of DFS, delegations of authority and access rights to Umoja for UNMIL staff no longer functioning in the designated functions should be cancelled.

13. A review of the Umoja roles assigned to FBS staff in UNMIL showed that Umoja access for five staff who had already left the Mission had not been cancelled. In addition, one former FBS staff still had access to a finance related Umoja role despite having been transferred to another section and no longer performing the role. This was caused by inadequate monitoring by FBS to have Umoja roles no longer required cancelled.

14. The continued availability of access to Umoja for staff who had been separated or reassigned could allow unauthorized transactions to be executed. FBS has since written to the Geospatial Information and Telecommunication Technologies Section (GITTS) and the roles have been revoked. Therefore, OIOS did not make a recommendation on this issue.

Bank reconciliations were being adequately managed

15. The Field Finance Procedure Guidelines (FFPG) requires the preparation of monthly bank reconciliation statements that would highlight any anomalies/errors affecting accounts receivable and payable. Annex J of the liquidation plan also required that there should be no backlog in bank reconciliations.

16. UNMIL prepared bank reconciliations on time and investigated reconciling items. OIOS reviewed the bank reconciliations for December 2017, March and April 2018 and found that although there was initially a long list of reconciling items, efforts had been made to clear them with only 5 items of returned payments amounting to \$12,420 and 21 items of uncleared payments totaling \$36,009 outstanding as at 30 April 2018. OIOS concluded that bank reconciliations were being adequately managed.

Need for UNMIL to recover private telephone charges

17. The liquidation plan for UNMIL required FBS to coordinate with GITTS to update telephone bills for separating staff and ensure funds are withheld for any pending private telephone charges.

18. Monthly, UNMIL submitted lists of private telephone charges to United Nations Headquarters Payroll Section for international civilian staff and to the Regional Service Centre in Entebbe (RSCE) for local staff, UNVs and uniformed personnel for recovery. In the sampled months of July, October and December 2017, UNMIL submitted 1,292 private telephone charge items amounting to \$32,930 to United Nations Headquarters Payroll Section and RSCE. OIOS noted from a review of the pay slips of the affected personnel and other documentary evidence that 289 of the private telephone charge items amounting to \$9,491 (29 per cent of the total bills) had not been recovered as of 23 May 2018, as shown in Table 2.

Table 2: Summary of unrecovered private telephone bills for July, October and December 2017

Description of service	Staff category	No. of items	Amount \$
Mobile calls	International civilian staff	149	3,352
	Military staff officers	5	43
	Civilian police	2	32
Video satellite calls	International civilian staff	113	4,912
	Civilian police	3	47
	Local staff	4	654
Mobile internet usage	International civilian staff	13	451
Total		289	\$9,491

*Source: UNMIL Finance and Budget Section records

19. This occurred because: (a) in July 2017, the United Nations Headquarters Payroll Section did not upload the data containing private telephone bills amounting to \$8,715 for international civilian staff in Umoja for payroll deduction; and (b) in some instances, there were late submissions of telephone bills amounting to \$776 to the RSCE for local staff and uniformed personnel after separation. UNMIL had no mechanism to check on a regular basis whether telephone charges submitted to United Nations Headquarters Payroll Section and RSCE for recovery were affected. As explained by FBS, Headquarters Payroll Section only reverted to UNMIL in cases where the staff were no longer in the payroll.

20. In response to OIOS' detailed audit results, UNMIL informed OIOS that irrecoverable charges had been submitted for write-off action within delegation of authority during the year-end financial closure period. Due to Mission's liquidation, UNMIL discontinued the private telephone billing process on 31 May 2018 and initiated prepaid telephone requirements to avoid pending recovery action and to settle all outstanding private telephone recoveries through payroll before the end of mission on 30 June 2018. Based on the action taken, no recommendation was made.

Need for more efforts in the management of accounts receivable and payable

21. UNMIL was required by DFS to ensure the collection of accounts receivable and prompt settlement of accounts payable. UNMIL was also required to ensure that all pending staff balances are taken into consideration before any final payment is made to a staff member and travel documents are issued.

22. UNMIL in coordination with the RSCE was reviewing all open items of accounts receivable and payable and providing explanations for subsequent handover of records to the RSCE. As shown in Table 1, accounts receivable reduced from \$705,305 to \$658,394, while accounts payable increased from \$826,259 to \$865,438 as at 31 December 2017 and 23 May 2018, respectively. The accounts receivable arose from education grant advances, travel advances and medical expenses for local staff, while the accounts payable comprised mainly of pending payments for air tickets for separating staff, contractors and independent contractors assisting with the liquidation and current vendor invoices.

23. UNMIL disbursed education grant advances totaling to \$467,617 to 19 staff members between July 2017 and March 2018. Thirteen staff members have since transferred to other missions/offices, the fixed term appointments for two staff expired on 30 April and 31 May 2018, while appointments for the other four will expire on 30 June 2018. The staff member whose appointment expired on 31 May 2018 had an outstanding balance of \$75,743 and he is no longer employed within the United Nations system, increasing the risk that the balance will not be appropriately cleared. The balances have remained outstanding due to inadequate arrangements for their recovery during the checkout of staff. UNMIL stated that it would contact the affected staff to get the relevant documentation.

24. There was also an outstanding accounts receivable balance of \$54,933 to a deceased staff member generated on 17 August 2017. UNMIL was investigating the origin of this entry with a view to resolving it.

25. In addition, 10 travel advance payments amounting to \$16,928 made to separated staff were still outstanding. Nine payments amounting to \$15,982 had been outstanding for over a year, while one payment of \$946 had been outstanding for more than six months. These payments were outstanding because the separated staff did not submit their expense reports and due to an oversight, UNMIL had delayed contacting them to provide the relevant documents. However, UNMIL stated that it had started contacting the separated staff to provide the relevant documents with a view to raising expense reports on their behalf to resolve the issue.

26. OIOS recommended in the detailed audit results that UNMIL should: (i) clear outstanding education grant advance payments of \$467,617, including transferring the balances of reassigned staff to their new missions/offices and contacting separated staff for the relevant documentation; (ii) investigate, in coordination with the United Nations Headquarters Payroll Section, the outstanding staff accounts receivable balance of \$54,933 to a deceased staff member and resolve it; and (iii) follow up and clear outstanding travel advance payments from separated staff amounting to \$16,928.

27. UNMIL stated that the 2017/18 education grant advances would be cleared at the end of school year in June/July 2018 when staff members submit receipts (P.41 and P.45 forms) along with certification of school attendance from the respective educational institutions. UNMIL was in regular contact with RSCE on clearing and settling 2017/18 education grant advances and entitlements to all staff members and had made a number of broadcasts to remind staff to submit claims at the earliest possible time to facilitate the process.

28. UNMIL also stated that the outstanding amount receivable from the deceased staff member represented payment of repatriation grant and termination indemnity payment, which would be cleared upon completion of the relevant final personnel action by Field Personnel Division in DFS and Headquarters Payroll Section. In addition, UNMIL had cleared two of the outstanding travel claims and three were being finalized. The remaining staff members would be contacted to submit expense reports, and recovery of any uncleared travel advances would be arranged through their final payment. There was a need for DFS to follow up completion of these actions.

(1) DFS should take action to follow up and resolve outstanding accounts receivable balances due to UNMIL.

DFS accepted recommendation 1 and stated that as of 31 July 2018, outstanding accounts receivable balances amounted to \$468,903. RSCE had prepared an action plan to follow up and clear the balance that included: (i) engaging with the United Nations Country Team in Liberia as well as the individual agencies to recover amounts due from United Nations agencies; (ii) engaging with payroll processors to recover receivable balances from the monthly pay of active staff members, and from the final pay of

separated staff; and (iii) deducting receivable amounts from pending payments to vendors. For any amounts that are deemed irrecoverable, a request for write off would be submitted for approval to the Controller. Recommendation 1 remains open pending receipt of evidence by OIOS that all UNMIL accounts receivable balances have been cleared.

B. Write-off of accounts receivable and payable

Write-offs of accounts receivables and payables were well managed

29. The delegation of authority from the United Nations Controller authorizes the Director of Mission Support (DMS) to approve the write-off of low value accounts receivable balances of up to \$5,000 provided that reasonable collection efforts had failed to produce positive results and where further collection efforts would not be cost-effective. In addition, the FPPG and the DFS Liquidation Manual also required UNMIL to take steps to investigate accounts payable balances; ensure that they are correctly classified; and in cases where the forwarding details are not known, attempt to contact the persons at their last known address and if no response is received, it should be followed by two reminders. Any follow-ups regarding Military Observers, United Nations Police or governments can be forwarded to FBFD, who can address the respective Permanent Missions to the United Nations on behalf of the mission under liquidation.

30. UNMIL had on various dates between April and May 2018, written off 35 items of accounts receivable totaling \$13,024 and 11 items of accounts payable totaling \$1,337. FBS had submitted explanations to the DMS in matrix formats with relevant supporting documents such as recovery letters or e-mail correspondences to prove that UNMIL had made attempts to recover the amounts. In addition, in May 2018, UNMIL obtained approval from the United Nations Controller to write off two accounts receivable items amounting to \$103,176, which was owed by the Government of Liberia for flight services rendered by UNMIL but deemed to be irrecoverable.

31. OIOS therefore concluded that the write-offs of accounts receivable and payable were adequately managed.

IV. ACKNOWLEDGEMENT

32. OIOS wishes to express its appreciation to the management and staff of UNMIL 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 Mission in Liberia

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	DFS should take action to follow up and resolve outstanding accounts receivable balances due to UNMIL.	Important	O	Submission of evidence that outstanding UNMIL accounts receivable balances have been cleared.	30 September 2019

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 DFS in response to recommendations.

APPENDIX I

Management Response

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments																												
1	DFS should take action to follow up and resolve outstanding accounts receivable balances due to the UNMIL.	Important	Yes	Chief, RSCE	Third quarter of 2019	<p>Following the liquidation of UNMIL, RSCE took over the residual administrative functions in finance and human resources. During the hand over, the RSCE team worked with mission staff to resolve and clear open accounts payable and receivable items. For items that were not cleared as of 30 June 2018, RSCE obtained details for purposes of follow up and clearance. As of 31 July 2018, there were receivable balances amounting to \$468,902.99 under the mission's business area as shown in the table below:</p> <table border="1"> <thead> <tr> <th>GL account</th> <th>GL account name</th> <th>No. of items</th> <th>Amount USD</th> </tr> </thead> <tbody> <tr> <td>15101310</td> <td>AR Exch UN Agency Fund Programme</td> <td>29</td> <td>125,461.31</td> </tr> <tr> <td>19101610</td> <td>Advance to Staff Member</td> <td>75</td> <td>332,490.63</td> </tr> <tr> <td>33201010</td> <td>AP Exch Mmbr St</td> <td>2</td> <td>1,215.11</td> </tr> <tr> <td>35101210</td> <td>AP Govt and Local Authority</td> <td>1</td> <td>9,247.45</td> </tr> <tr> <td>35101310</td> <td>AP UN Agency Fund Programme</td> <td>1</td> <td>488.49</td> </tr> <tr> <td></td> <td></td> <td>108</td> <td>468,902.99</td> </tr> </tbody> </table> <p>RSCE has prepared an action plan for follow up and clearance of all receivable balances due to the United Nations. The main action points include:</p> <ol style="list-style-type: none"> For receivable balances from United Nations agencies, the RSCE is engaging with the United Nations Country team in Liberia, as well as the individual agencies, to settle the amounts due to UNMIL; 	GL account	GL account name	No. of items	Amount USD	15101310	AR Exch UN Agency Fund Programme	29	125,461.31	19101610	Advance to Staff Member	75	332,490.63	33201010	AP Exch Mmbr St	2	1,215.11	35101210	AP Govt and Local Authority	1	9,247.45	35101310	AP UN Agency Fund Programme	1	488.49			108	468,902.99
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Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>2. For receivables from staff members, the RSCE is engaging with the payroll processors to recover receivable balances from the monthly pay for active staff members, and from the final pay for separated staff. Emails have been sent to staff members who have been re-assigned to other missions, and still hold education grant advances, requesting them to immediately submit their claims to facilitate clearance of their accounts. Where staff have been fully separated and final pay released, follow up mechanisms will be put in place to engage the staff members to recover the amount owed to UNMIL; and</p> <p>3. For receivable balances from vendors, the RSCE is deducting the receivable amounts from the pending payments to the vendors.</p> <p>For any amounts that are deemed irrecoverable, a request for write off shall be submitted for approval to the Controller.</p>