Audit of vendor payment processing at the United Nations Headquarters in New York

There was a need to improve timeliness of payments and strengthen procedures for detection and prevention of fraud and duplicate vendor payments, update and maintenance of vendors bank records, and use of corporate credit cards

26 February 2019
Assignment No. AH2018/511/02
Audit of vendor payment processing at the
United Nations Headquarters in New York

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of vendor payment processing at the United Nations Headquarters in New York. The objective of the audit was to assess whether vendor payments in New York were processed effectively and efficiently, and all vendor payments were adequately monitored and reviewed by the Office of Programme Planning, Budget and Accounts (OPPBA) in the Department of Management. While the entities covered in this report are referred to by their names at the time of the audit; recommendations are made to the new departments and offices responsible for implementing them as part of the ongoing management reforms. The audit covered the period from 1 January 2016 to 31 March 2018 and reviewed the accuracy and timeliness of vendor payments and supporting administrative processes.

OPPBA processed a large volume of vendor payments and established controls over prior approval of invoices for payment. There was, however, a need to improve timeliness of payments and strengthen procedures for: detection and prevention of fraud and duplicate vendor payments, update and maintenance of vendors bank records, and use of corporate credit cards.

OIOS made 12 recommendations. To address issues identified in the audit,

The Department of Management Strategy, Policy and Compliance (DMSPC) needed to:

- Develop and implement procedures to prevent and detect fraud related to vendor payments; and
- Review and take appropriate action on identified cases of potential engagement of staff in business transactions with the Organization.

The Office of Programme Planning, Finance and Budget needed to:

- Develop guidelines and monitor the use of fund commitments;
- Strengthen controls to prevent processing of duplicate invoices;
- Establish and monitor key performance indicators to address the causes of delayed payments;
- Strengthen controls to ensure the accurate capturing of information in the date fields in Umoja, including those used to run payment reports;
- Review the accuracy with which Umoja identifies invoices due for payment;
- Disburse payments to vendors only when due to avoid loss of potential investment income due to early payments;
- Instruct requisitioning departments and offices to immediately submit invoices received from vendors to the Payments and Travel Claims Section for recording;
- Identify and correct cases of multiple vendors mapped to the same bank account and mitigate the risks associated with workarounds introduced to facilitate bank payments; and
- Establish a policy and monitoring mechanism on the use of corporate credit cards to ensure transparency and accountability.

The Office of Information and Communications Technology needed to monitor time taken to certify service entry sheets and address the causes of delays.

DMSPC accepted the recommendations and initiated action to implement them.
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY</td>
<td>1-2</td>
</tr>
<tr>
<td>III. AUDIT RESULTS</td>
<td>2-11</td>
</tr>
<tr>
<td>A. Accuracy of vendor payments</td>
<td>2-4</td>
</tr>
<tr>
<td>B. Timeliness of vendor payments</td>
<td>4-9</td>
</tr>
<tr>
<td>C. Administration of payment process</td>
<td>9-11</td>
</tr>
<tr>
<td>IV. ACKNOWLEDGEMENT</td>
<td>11</td>
</tr>
</tbody>
</table>

ANNEX I  Status of audit recommendations

APPENDIX I  Management response
Audit of vendor payment processing at the United Nations Headquarters in New York

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of vendor payment processing at the United Nations Headquarters (UNHQ) in New York. The entities covered in this report are referred to by their names at the time of the audit. Some of the entities have since been rebranded as part of the ongoing management reforms; however, the recommendations are made to the new departments and offices responsible for implementing them.

2. The Vendor Claims and Accounting Unit1 (VCAU) in the Insurance and Disbursement Service of the Accounts Division2, Office of Programme Planning, Budget and Accounts3 (OPPBA) in the Department of Management4 (DM) was responsible for processing various payments including to vendors for supply of goods and services. The payment procedures for vendors included certification of service entry sheets (SES) by requisitioning departments/offices and goods receipt (GR) by the Material Management Team in Travel and Transport Section in the Office of Central Support Services (OCSS); processing and approving of invoices for payments by the Accounts Division; and payments by Treasury in OPPBA. The total payments processed by VCAU to vendors was $1.8 billion from 1 January 2016 to 31 March 2018. The total payments processed globally by the Secretariat for the same period was $5.9 billion.


4. At the request of executive offices of departments/offices, OPPBA authorized issuance of corporate credit cards to be used solely for official purposes including urgent and unforeseen expenses. At the time of the audit, 29 credit cards were issued in New York with incurred expenditure of $952,904 from January 2016 to July 2018. VCAU processed the payments of credit card transactions after verification of the corresponding vouchers and claim forms certified by the executive offices of the card holders.

5. VCAU comprised 12 staff and was headed by a staff at the P4 level, who reported to the Chief of Insurance and Disbursement Service.

6. Comments provided by the Department of Management Strategy, Policy and Compliance (DMSPC) are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether vendor payments in New York were processed effectively and efficiently; and vendor payments in the Secretariat were adequately monitored and reviewed by OPPBA, including identification and mitigation of fraud risks.

---

1 Currently Payments and Travel Claims Section
2 Currently Finance Division
3 Currently Office of Programme Planning, Finance and Budget
4 Currently Department of Management Strategy, Policy and Compliance
8. This audit was included in the 2018 risk-based work plan of OIOS due to the financial risks associated with inaccurate and late payments to vendors.

9. OIOS conducted this audit from April to September 2018. The audit covered the period from 1 January 2016 to 31 March 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas related to the accuracy and timeliness of vendor payment processing and supporting administrative processes.

10. The audit methodology included: (a) interviews of key personnel in OPPBA, OCSS, Office of Enterprise Resource Planning System, Office of the Information and Communication Technology (OICT) and Department of Field Support (DFS), (b) analytical reviews of data related to vendor payments in New York and Secretariat wide, and (c) reviews of relevant documentation for a sample of 65 vendor payments, and 79 credit card transactions using random sampling.

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

III. AUDIT RESULTS

A. Accuracy of vendor payments

The Office of Programme Planning, Finance and Budget needed to improve the functioning of internal controls over invoice processing.

12. The Financial Regulations and Rules of the United Nations require approving officers to ensure prior to making payments that they are due and necessary goods and services have been received in accordance with the contracts, purchase orders (POs) or the purpose for which the financial commitment was established. This is facilitated by the Umoja automated three-way matching of invoices with corresponding POs and SES.

13. During the audit period, total payments of $207.6 million for 32,303 invoices were processed globally for supply of goods and services through the funds commitments process, for which no POs were raised. Around 10,125 of such invoices were related to travel and shipping of personal effects services for which, according to VCAU, funds commitment was an accepted method for these payments. The rest of the payments were for various other goods and services, which should not be acquired through funds commitment as it could lead to circumvention of procurement procedures and distortion of usage figures for commodities, and they cannot be matched against an SES or a GR. About 10 per cent of these payments were above $10,000 each (the threshold for low-value payments), with 41 ranging from $500,000 to $3.3 million. OPPBA had not established guidelines on the proper use of funds commitments and did not have monitoring/reporting tools to identify inappropriate use of funds commitments and require corrective actions.

14. While three-way matching of vendor invoices, POs, and SES/GR was effectively used for processing invoices for goods, it was not effective in the processing of invoices for services, which accounted for 84 per cent of the total vendor payments amounting to $4.8 billion. This was because there was not a one-to-one relationship between POs and invoices for some services and Umoja did not allow partial payments. This resulted in requisitioners disabling the three-way matching function in Umoja when creating a PO. Consequently, the benefits of the automated three-way matching for the majority of payments were not achieved. OIOS, in its report 2018/102 recommended that DM implement control enhancements.
over high-risk processes and for specific gaps, including disallowing requisitioners to disable the three-way matching function when creating POs.

15. Invoices in Umoja were entered and processed by a financial accounting user and reviewed and approved for payments by an approver. Although Umoja was configured to trigger an alert for duplicate invoice numbers related to the same PO at the time of processing the invoice, it was not configured to alert for a duplicate invoice at the time invoices were approved for payment. This made it difficult for the approver to identify if an invoice had been processed twice and the alert had been overridden by the financial accounting user. OIOS identified three duplicate payments totaling $432,281 globally that were recovered from the vendors at the time of issuing this report. Inadequate automated controls to identify duplicate invoices at the time of approving invoices for payment may result in incorrect payments.

16. Furthermore, the automated controls to identify duplicate invoices at the time of entering and processing invoices in Umoja were ineffective because invoice numbers were only entered correctly in the “reference” field around 50 per cent of the time globally. For the remaining 50 per cent, accounts payable users entered dates of transactions, description of goods or services and various other information due to inadequate understanding of the purpose of the field and its importance for preventing duplicate payments. Therefore, the Office of Programme Planning, Finance and Budget (OPPFB) would not be able to detect when duplicate invoices are processed.

(1) OPPFB should develop: (a) guidelines on the use of fund commitments; and (b) monitoring and reporting tools to identify and correct any inappropriate use.

DMSPC accepted recommendation 1 and stated that the Director of Finance Division would issue a memorandum on the use of fund commitments. Monitoring and reporting mechanisms will be in place to ensure that fund commitments are used in accordance with the memorandum. Recommendation 1 remains open pending receipt of a copy of the memorandum and evidence of the establishment of monitoring and reporting tools.

(2) OPPFB should strengthen the proper functioning of the control to prevent processing of duplicate invoices including: (a) issuing guidelines to all accounts payable users on the importance of entering correct vendor invoice number in the designated field in Umoja; and (b) considering the feasibility of configuring Umoja to trigger an alert for potential duplicate invoices at the time of approving invoices for payment.

DMSPC accepted recommendation 2 and stated that the Director of Finance Division would issue guidelines on processing accounts payable to all offices to ensure correct entry of vendor invoice numbers in the designated field in Umoja. Also, a three-way-matching solution in Umoja whereby users are not able to save as complete or approve invoices for a quantity higher than the GR/SES amount was implemented on 25 January 2019. Recommendation 2 remains open pending receipt of a copy of the guidelines and evidence of controls to prevent processing of duplicate invoices.

DMSPC needed to develop procedures for prevention and detection of fraud

17. The information circular on Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) specifies that every manager in the Secretariat is responsible for identifying and mitigating risks that might affect operations under his or her responsibility. Systematic fraud risk assessments should be undertaken in accordance with the Secretariat’s enterprise risk management and internal control policy and methodology.
18. OPPBA did not conduct fraud risk assessment or implement procedures to identify red flags that could potentially pertain to fraud. OIOS review identified bank accounts of 10 vendors that matched the individual bank accounts of seven staff members, suggesting that these staff members may have conducted business transactions with the Organization, without the necessary approval.

19. The above examples demonstrate that additional analysis of the payment process by the Secretariat may identify potentially fraudulent activities by staff members. Enhanced awareness of fraud risks may increase the detection of questionable transactions and thus strengthen the control environment.

(3) DMSPC should develop procedures to prevent and detect fraud by conducting fraud risk assessments of vendor payments and implementing procedures to identify and detect fraud.

DMSPC accepted recommendation 3 and stated that segregation of duties was enforced in Umoja through separating roles for entering vendors’ banking information and processing payments. OPPFB would conduct fraud risk assessments of vendor payments and implement procedures to improve the monitoring of fraud cases and ensure prevention and detection of fraud. Recommendation 3 remains open pending receipt of the completed fraud risk assessment and an action plan to mitigate fraud risks.

(4) DMSPC should review identified cases of potential engagement of staff in business transactions with the Organization and take appropriate action.

DMSPC accepted recommendation 4 and stated that OPPFB would institute a process to ensure ongoing review of cases of potential engagement of staff in business transactions by ensuring that the same bank account information is not entered under other names in the system. Recommendation 4 remains open pending receipt of the results of the review and action taken to address the identified cases.

B. Timeliness of vendor payments

OPPFB needed to establish a mechanism to ensure the timely processing of vendor payments.

20. The United Nations Procurement Manual requires payments to be made for goods and services within 30 days upon satisfactory delivery of the vendor’s obligations. These terms may vary in specific contracts.

21. VCAU did not establish controls to ensure that vendor payments were timely and to follow up on overdue invoices. Out of $1.8 billion of vendor payments processed in New York, approximately 78 per cent of invoices totaling $1.4 billion did not meet the payment terms. They were paid, on average, 51 days
after the due dates for various reasons, some of which are discussed in this report. Table 1 shows an ageing analysis of the number of days taken to process overdue invoices in New York.

Table 1: Age analysis of invoices processed beyond the payment terms in New York

<table>
<thead>
<tr>
<th>Overdue timeframes</th>
<th>Amount (in millions of $)</th>
<th>Percentage of invoices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3 months</td>
<td>1,260</td>
<td>84.0</td>
</tr>
<tr>
<td>3-6 months</td>
<td>133</td>
<td>12.0</td>
</tr>
<tr>
<td>6-12 months</td>
<td>27</td>
<td>3.6</td>
</tr>
<tr>
<td>Over 12 months</td>
<td>4</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>1,424</td>
<td>100</td>
</tr>
</tbody>
</table>

22. Outside New York, 34 per cent of the invoices totaling $1.7 billion were paid according to the payment terms. For the remaining 66 per cent amounting to $2.4 billion, payments were made, on average, 33 days after the due dates.

23. OPPBA also did not establish and monitor key performance indicators (KPIs) for each stage of the payment process, including certification of SES/GR, processing and approval of invoices, and payments by Treasury. As a result, OPPBA could not identify and follow up with requisitioning departments and offices to address the causes of bottlenecks in the payment process. The audit found, for example, that it took requisitioning offices at UNHQ an average of 57 days to certify SES. Delayed payments may result in vendors increasing prices for future goods and services to absorb the costs of overdue payments.

(5) OPPFB should establish and monitor key performance indicators for each stage of the vendor payment process to identify and follow up with requisitioning offices to address the causes of delayed payments.

DMSPC accepted recommendation 5 and stated that it already sends email reminders regularly to certifying officers to follow up on long outstanding invoices. Key performance indicators would be established to monitor the processing of vendor payments. Recommendation 5 remains open pending receipt of established KPIs and evidence of follow-up to address causes of delayed payments.

OPPFB needed to improve the accuracy of the baseline date field in the accounts payable and treasury modules

24. In Umoja, the ‘baseline date’ is central to the timely payment of invoices as the system uses the ‘baseline date’ and ‘terms of payment’ fields to determine the date on which an invoice is due for payment.

25. Payment dates could not be accurately determined by the system because various date fields in the accounts payable and treasury modules were not correctly or consistently completed, including the baseline date, document entry date, document posting date, clearing date, value date, due date, and payment date. This was partly due to users’ poor understanding of their meanings and inadequate monitoring of the correct entry of date fields.

26. The default value for the baseline date in Umoja is the document date (invoice date), although it sometimes needed to be updated with the later of the invoice date and the date of receipt of goods/services when vendors issue invoices before the delivery of goods and services. For example, there were 22,114 cases where goods were delivered after the receipt of invoices. For 65 per cent of global transactions, the baseline date matched with the vendor invoice date. In the remaining 35 per cent of cases the following dates were entered as a baseline date:
The date of certification of SES/GR, although the certification date was much later than the dates on which the goods and services were received. The date of certification of SES/GR was entered as the baseline date for 5,234 invoices totaling $150.44 million delaying the payment by an average of 27 days. The actual date of receipt of goods and services were entered in other tracking systems or spreadsheets;

The invoice posting date (when invoice is entered in Umoja by the processor) for 23,858 invoices totaling $1.25 billion delaying the payment by an average of 42 days;

The accounts payable entry date (when invoice is approved for payment in Umoja) for 2,860 invoices totaling $205.49 million delaying the payment by an average of 52 days; and

No apparent basis for 9,718 invoices totaling $678.03 million delaying the payment by an average 38 days.

27. In addition, Umoja did not always correctly pick up invoices due for payments based on baseline date and payment terms. An analysis of global data indicated that 963 invoices amounting to $12 million were paid before the due date, while 41,807 invoices totaling $2.3 billion were paid late by an average of 40 days for this reason. This was because the configuration settings in Umoja had not been adequately reviewed to confirm that the system was correctly picking up the invoices due for payment based on applicable parameters. Also, such parameters could be manually modified at the time of the payment run by a single user as there were no dual controls. A total of $918.7 million for 6,603 invoices was paid an average of 29 days earlier than the due dates as parameters such as baseline date were adjusted manually. The cost to the organization for such early payments was approximately $1.2 million due to potential loss of interest of investment income, as no early payment discounts were received.

(6) OPPFB should strengthen controls to ensure the accurate capturing of information in date fields in Umoja, including those used to run payment reports.

DMSPC accepted recommendation 6 and stated that the Director of Finance Division would issue guidelines to all offices on processing accounts payable to ensure uniform and correct entry of dates in Umoja related to vendor payments. OPPFB would also conduct periodic reviews to ensure adherence to the guidelines. Recommendation 6 remains open pending receipt of a copy of the guidelines, and evidence of action taken to ensure the accuracy of date fields used to run payment reports.

(7) OPPFB should review the accuracy with which Umoja identifies invoices due for payment based on specified parameters.

DMSPC accepted recommendation 7 and stated that OPPFB would review the accuracy with which Umoja identifies invoices due for payment and identify specific parameters to be used. Recommendation 7 remains open pending receipt of the results of the review.

OPPFB needed to establish procedures to limit early payment to vendors

28. The Treasury is responsible for disbursing payments to vendors in accordance with the Financial Regulations and Rules of the United Nations. Payment of invoices only when they are due is necessary for effective cash management and optimal return on investment.

29. The Treasury had adopted a procedure to initiate the payment of approved invoices six working days in advance of the due date and ensure payments are made in the next two days. This procedure resulted in paying vendors at least four days in advance of the due date in some instances. This happened because
the Treasury had not established a procedure to make vendor payments just-in-time or when they are due. It led to an opportunity cost of $352,333 during the audit period of potential return on investment.

30. Furthermore, OIOS noted that the ‘payment term’ field could be modified by accounts payable users and cashiers globally after raising of POs. The payment terms were changed from ‘net 30 days’ in POs to ‘pay immediately’ at the time of processing payments to the advantage of vendors for 53,721 invoices totaling $2.31 billion. This led to payments by an average of 19 days earlier than the due dates for 30,834 invoices totaling $1.13 billion. The cost to the organization for such premature payments was $941,346 due to potential loss of interest from investment. This happened because there were no additional controls over the change of payment terms by the accounts payable users and cashiers globally. OIOS report 2018/102 recommended that DM should implement control enhancements over high risk processes, including changes in payment terms.

<table>
<thead>
<tr>
<th>Recommendation 8</th>
<th>OPPFB should establish a procedure to disburse payments to vendors only when due to avoid loss of potential investment income due to early payments.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DMSPC accepted recommendation 8 and stated that payments were made on the value date equal to the payable document baseline date, provided the payable document had been approved at least three business days prior to the payable document baseline date. Recommendation 8 remains open pending receipt of evidence of implementation of this procedure.</td>
</tr>
</tbody>
</table>

OPPFB needed to streamline the recording of invoices in Umoja

31. One of the main goals of implementing an enterprise resource planning system is to gain efficiency through the use of automation and streamlining and integrating of business processes.

32. The procedures for processing invoices were cumbersome. VCAU utilized iNeed, a web-based application, to register incoming vendor invoices and generate emails to request requisitioning offices to certify the corresponding SES/GR. Upon certifying the SES/GR in Umoja, the requisitioning offices had to send a confirmation email to VCAU with the reference information of the PO and SES/GR, after which VCAU registered and processed the invoice in Umoja. The various exchanges of emails increased the timeline for making payments. This could have been avoided if the invoices were recorded directly in Umoja on receipt from vendors. An average of 16 days was taken globally and at UNHQ to start processing invoices after the SES/GR had been certified although such processing ought to have commenced immediately thereafter in Umoja. This hindered the Organization from deriving the full benefits of a streamlined procure-to-pay process. In some instances, VCAU staff overlooked the email correspondences prolonging the processing of invoices. For example, confirmation email sent by a requisitioner on 10 January 2018 for several invoices totaling $1.6 million did not trigger invoice processing until 27 February 2018. Similarly, it took about a month to process an invoice of $510,000 after the issuance of confirmation email.

33. OPPBA commented that the current invoice recording process was implemented to avoid the loss of attachments on “parked” documents created at year-end but not posted before closure. While Umoja automatically deleted the entry in the old fiscal year, it recreated it in the new fiscal year without the necessary attachments. OPPBA indicated that it will now record invoices in Umoja upon receipt and explore the feasibility of the creating a utility to carry linked attachments from invoices recorded in one fiscal year to the invoices in the new fiscal year.

34. Also, there was no central intake of invoices and around 90 per cent of vendors submitted invoices to VCAU, while 10 per cent submitted them directly to requisitioning departments/offices. This made it difficult to track outstanding invoices.
OPPFB should issue instructions to requisitioning departments and offices to immediately submit invoices to the Payments and Travel Claims Section for recording after they are received from vendors.

DMSPC accepted recommendation 9 and stated that the Director of Finance Division would issue a memorandum to all United Nations Headquarters offices stressing the importance of timely submission of invoices to the Payments and Travel Claims Section. Recommendation 9 remains open pending receipt of a copy of the memorandum.

OICT needed to monitor time taken to certify service entry sheets and address delays, while DFS was reviewing its certification processes.

35. The Financial Regulations and Rules of the United Nations require the commitments, disbursements and expenses relating to contracts and POs to be certified by duly designated certifying officers prior to their approval.

36. Requisitioning offices and departments at UNHQ took on average 57 days to certify SES relating to 18,616 invoices valued at $1.6 billion during the audit period. OIOS noted that 39 per cent of SES totaling $629 million were processed within a month. Table 2 shows an ageing analysis of the time taken to certify SES for the remaining 61 per cent of the invoices totaling $980 million.

<table>
<thead>
<tr>
<th>Timeframes</th>
<th>Amount of invoices (in millions $)</th>
<th>Percentage of invoices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3 months</td>
<td>815</td>
<td>44</td>
</tr>
<tr>
<td>3-6 months</td>
<td>142</td>
<td>13</td>
</tr>
<tr>
<td>6-12 months</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Over 12 months</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total SES</strong></td>
<td><strong>980</strong></td>
<td><strong>61</strong></td>
</tr>
</tbody>
</table>

37. The longer time for certification of SES was attributable to high volumes of transactions, operational complexity and the diverse procedures for verifying delivery of services adopted by some of the main requisitioning departments including OICT and the Logistics Support Division (LSD) in DFS.

38. For example, the Movement Control Section and the Air Transport Section in LSD took on average 47 and 48 days respectively to certify 5,439 SES totaling $956.96 million for shipping and cargo and air transport services. The operational complexities, including the receipt of movement completion reports from various missions receiving cargos, proof of evidence that the vessel had sailed, review of monthly aviation reports endorsing flying hours, and dependence on a sole certifying officer in the Air Transport Section impacted the timeline for certification of SES. As part of the establishment of the new Department of Operational Support, a comprehensive functional design is underway, including simplification of processes. Therefore, OIOS did not make a recommendation to DFS on this issue.

39. OICT took an average of 84 days to certify 1,679 SES totaling $90 million for various information technology and related infrastructure, operations and security services received during the audit period. The creation of SES was dependent on: (a) confirmation of delivery of such services from relevant project managers; (b) availability of funds in cost recovery budget; and (c) verification of time and attendance for the provision of manpower services. Additionally, OICT had only one certifying officer in New York responsible for certifying all SES. This impacted the timeline for certifying SES.
C. Administration of payment processes

There were conflicts in role combinations assigned in Umoja

40. Financial Regulations and Rules of the United Nations and Umoja User Roles Guide and Security Liaison Officer Workbook specify role combinations that should be avoided to safeguard segregation of duties (SoDs).

41. There were 737 cases where role combinations assigned in Umoja violated the SoDs matrix, including role combinations for certifying and approving officer, and approving officer and bank signatory. Furthermore, roles reserved exclusively for staff in the Security Liaison Officer workbook were assigned to non-staff including individual contractors and consultants in 1,420 cases. This included the roles of global cashiers and bank data approvers. In addition, 306 bank signatories in different offices of the Organization were assigned global bank signatory roles instead of local roles allowing them unrestricted user rights and privileges. This happened because the controls over SoDs were not enforced during mass role provisioning at the time of implementation of Umoja. Furthermore, the automated controls in Umoja for monitoring user roles against the SoDs matrix had been turned off and were only turned back on during the audit in June 2018. The role provisioning data was also not reviewed to disable user roles with SoDs conflict.

42. These weaknesses could lead to unmitigated risk of fraud and financial losses to the Organization. OIOS, in its report 2018/102 recommended that DM reviews and removes conflicts in the authorizations embedded in the critical enterprise roles. Therefore, no recommendation is made on these issues in this report.

OPPFB needed to review vendors’ bank records and establish monitoring mechanisms for their update and maintenance

43. The Treasury is responsible to update bank records of payees including vendors in accordance with the Financial Regulations and Rules of the United Nations. OPPBA is required to implement dual controls for review and approval of important modifications pertaining to vendor payments.

44. There were no standard procedures for updating bank records that included dual controls and/or approval hierarchy for modification. Vendors’ bank records were updated unilaterally by business partner (BP) bank data maintainers in various cashiers’ offices of the Organization based on various sources of information. For example, some cashiers’ offices changed bank accounts based on requisitioning offices using the prescribed form in iNeed or through signed banking details maintenance forms (F.249), while other offices updated the bank records based on telephone or email requests by requisitioning offices. This increased the risk of incorrectly updating bank records. There were at least two cases where vendors’ bank accounts were changed based on fictitious emails resulting in a potential loss of more than $1.5 million. OIOS was investigating these cases at the time of audit. During the audit, Treasury established a new procedure effective 15 June 2018 for the BP banking detail maintenance process.
including implementation of dual control, and approval from four central locations in New York, Geneva, Bangkok and Entebbe for updating bank records based on supporting documents prescribed in the new procedure. Therefore, OIOS did not make a recommendation at this time.

45. The operational complexity of banking operations in different countries exposed the Organization to financial risk. For example, a number of countries had bank account numbers exceeding the length of the bank account number field in Umoja. As a result, the extra digits were put in the reference field, which could be modified by a single user as there were no dual controls. In addition, because the formal banking system in one country was no longer functioning, payments to payees in that country were made through a single house bank agent who in turn was responsible to pay beneficiaries. Details of the vendor or staff (beneficiary) to be paid were included in a specified field in Umoja, which can also be modified by a single user due to lack of a dual control. While these workarounds were required due to operational necessities, the associated financial risks were not adequately assessed and mitigated.

46. Additionally, there were 292 cases where the same bank account number was shared by multiple vendors. This occurred because the BP bank data maintainers added multiple vendors’ names to the bank account holder field of some vendors in the vendor master data. Some of this was also due to errors in data inputs at the time of data conversion from legacy systems to Umoja that were not subsequently cleansed. The sharing of the same bank account by multiple vendors indicated their possible connections and increased the risk of collusion. Furthermore, same bank account numbers for multiple vendors created confusion and increased the risk of erroneous payments.

(11) OPPFB should: (a) review vendor bank records to identify and correct cases of multiple vendors mapped to the same bank account; and (b) review and implement controls to mitigate the risks associated with workarounds introduced to facilitate bank payments.

DMSPC accepted recommendation 11 and stated that OPPFB would initiate a project to review banking details. A new banking details maintenance procedure was implemented to monitor requests for banking details maintenance and enforce a 24-hour cooling period when vendor banking details are maintained. Recommendation 11 remains open pending receipt of evidence of corrective actions to address multiple vendors mapped to the same bank account and risks associated with workarounds introduced to facilitate bank payments.

OPPFB needed to establish a policy on the use of corporate credit cards and a monitoring mechanism to ensure transparency and accountability in their use

47. The proper use and effective management of corporate credit cards requires a written credit card policy and related procedures.

48. OPPBA developed draft guidelines on the use of corporate credit cards but they were not comprehensive as they did not specify important provisions such as eligibility, criteria for monthly spending limits, and accountability for misuse of credit cards. There were 29 corporate credit card holders with monthly spending limits ranging from $4,000 to $40,000. The monthly spending limits were exceeded in three instances and the payments could not be processed within the stipulated 30 days per the bank credit card statement in 39 cases. OIOS noted that the bank charged interests of $943 from 1 January 2017 to 31 March 2018 on 45 transactions of 14 corporate credit card holders due to late payments.

49. OPPBA also did not establish adequate monitoring controls and accountability mechanisms over the use of credit cards. This could lead to their misuse. A review of bank credit card statements, vouchers, and claim forms for 79 credit card transactions totaling $218,024 out of total 515 transactions during the audit period indicated following:
The controls established by the Office of Human Resources Management to regulate ad hoc daily subsistence allowance (DSA) rates were bypassed by using credit cards to book hotels. Credit cards were used for travel, hotel and hospitality expenses totaling $134,656 in 24 transactions. This included bookings of hotels at rates much higher than the applicable DSA. For example, credit cards were used to book hotels for seven staff at the rate of $467 per day against the regular DSA rate of $232 per day for the location;

- Office equipment of $6,048 and other items totaling $26,533 that were covered under existing contracts were procured by using credit cards;
- Card holders did not sign the accompanying claim forms in 23 cases as the credit cards were used by staff other than the named card holders;
- Some pages were missing from a bank credit card statement produced for a transaction of $8,422; and
- A description for payments of $18,000 and $9,601 were missing from the vouchers and line items precluding examination.

50. Consequent to the audit, VCAU followed up the above issues with relevant executive offices and was in the process of resolving them.

(12) OPPFB should establish: (a) a policy and related procedures on the use of corporate credit cards; and (b) a monitoring mechanism to ensure transparency and accountability in the use of credit cards.

DMSPC accepted recommendation 12 and stated that the Director of Finance Division would issue guidelines on the use of corporate credit cards, and the Payments and Travel Claims Section would ensure adherence to all the procedures stipulated therein. Recommendation 12 remains open pending receipt of the guidelines on the use of corporate credit cards and evidence of monitoring of credit card usage.

IV. ACKNOWLEDGEMENT

51. OIOS wishes to express its appreciation to the management and staff of DM and DFS for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services
## STATUS OF AUDIT RECOMMENDATIONS

Audit of vendor payment processing at the United Nations Headquarters in New York

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical&lt;sup&gt;5&lt;/sup&gt;/Important&lt;sup&gt;6&lt;/sup&gt;</th>
<th>C/ O&lt;sup&gt;7&lt;/sup&gt;</th>
<th>Actions needed to close recommendation</th>
<th>Implementation date&lt;sup&gt;8&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>OPPFB should develop: (a) guidelines on the use of fund commitments; and (b) monitoring and reporting tools to identify and correct any inappropriate use.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of a copy of the Director of Finance Division’s memorandum on the use of fund commitments and evidence of the establishment of related monitoring and reporting tools.</td>
<td>31 March 2019</td>
</tr>
</tbody>
</table>
| 2        | OPPFB should strengthen the proper functioning of the control to prevent processing of duplicate invoices including: (a) issuing guidelines to all accounts payable users on the importance of entering correct vendor invoice number in the designated field in Umoja; and (b) considering the feasibility of configuring Umoja to trigger an alert for potential duplicate invoices at the time of approving invoices for payment. | Important                                  | O               | a) Receipt of a copy of the guidelines on processing accounts payable to all offices to ensure correct entry of vendor invoice numbers in the designated field in Umoja.  
                                                                                                        |                               | b) Receipt of evidence of controls to prevent processing of duplicate invoices.                      | 31 March 2019                 |
| 3        | DMSPC should develop procedures to prevent and detect fraud by conducting fraud risk assessments of vendor payments and implementing procedures to identify and detect fraud. | Important                                  | O               | Receipt of the completed fraud risk assessment and an action plan to mitigate fraud risks.               | 31 March 2019                 |
| 4        | DMSPC should review identified cases of potential engagement of staff in business transactions with the Organization and take appropriate action. | Important                                  | O               | Receipt of the results of the review and action taken to address the identified cases.                   | 31 March 2019                 |
| 5        | OPPFB should establish and monitor key performance indicators for each stage of the vendor payment process to identify and follow up with requisitioning offices to address the causes of delayed payments. | Important                                  | O               | Receipt of established KPIs and evidence of follow-up to address causes of delayed payments.             | 30 June 2019                  |

---

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> C = closed, O = open

<sup>8</sup> Date provided by DMSPC in response to recommendations.
## STATUS OF AUDIT RECOMMENDATIONS

Audit of vendor payment processing at the United Nations Headquarters in New York

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical/ Important</th>
<th>C/ O</th>
<th>Actions needed to close recommendation</th>
<th>Implementation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>OPPFB should strengthen controls to ensure the accurate capturing of information in date fields in Umoja, including those used to run payment reports.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of a copy of the guidelines on processing accounts payable to ensure uniform and correct entry of dates in Umoja related to vendor payments, and evidence of the action taken to ensure the accuracy of date fields used to run payment reports.</td>
<td>31 March 2019</td>
</tr>
<tr>
<td>7</td>
<td>OPPFB should review the accuracy with which Umoja identifies invoices due for payment based on specified parameters.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of the results of the review.</td>
<td>31 March 2019</td>
</tr>
<tr>
<td>8</td>
<td>OPPFB should establish a procedure to disburse payments to vendors only when due to avoid loss of potential investment income due to early payments.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence of implementation of the procedure to disburse payments to vendors only when due.</td>
<td>31 March 2019</td>
</tr>
<tr>
<td>9</td>
<td>OPPFB should issue instructions to requisitioning departments and offices to immediately submit invoices to the Payments and Travel Claims Section for recording after they are received from vendors.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of a copy of the Director of Finance Division’s memorandum to all United Nations Headquarters offices stressing the importance of timely submission of invoices to the Payments and Travel Claims Section.</td>
<td>31 March 2019</td>
</tr>
<tr>
<td>10</td>
<td>OICT should establish procedures to monitor time taken to certify service entry sheets and address causes of delays.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence of established procedures to monitor and address causes of delays.</td>
<td>31 December 2019</td>
</tr>
</tbody>
</table>
| 11       | OPPFB should: (a) review vendor bank records to identify and correct cases of multiple vendors mapped to the same bank account; and (b) review and implement controls to mitigate the risks associated with workarounds introduced to facilitate bank payments.                                                                                                                                                     | Important           | O    | a) Receipt of evidence of corrective actions to address multiple vendors mapped to the same bank account; and  
b) Receipt of evidence of controls to mitigate the risks associated with workarounds introduced to facilitate bank payments.                                                                                     | 31 March 2019       |
| 12       | OPPFB should establish: (a) a policy and related procedures on the use of corporate credit cards; and (b) a monitoring mechanism to ensure transparency and accountability in the use of credit cards.                                                                                                                                                                                    | Important           | O    | Receipt of the guidelines on the use of corporate credit cards and evidence of monitoring of credit card usage.                                                                                                                                                                                              | 31 March 2019       |
APPENDIX I

Management Response
TO:          Ms. Muriette Lawrence-Hume, Chief
A:          New York Audit Service, Internal Audit Division
            Office of Internal Oversight Services

THROUGH:    Olga de la Piedra, Director
            Office of the Under-Secretary-General
            Department of Management Strategy, policy and Compliance

S/C DE:     Mario Baez, Chief, Accountability Service
            Business Transformation and Accountability Division
            Department of Management Strategy, policy and Compliance

FROM:       
DE:          

DATE:       18 February 2019

SUBJECT:    Draft report on an audit of vendor payment processing at the United Nations
            Headquarters in New York (Assignment No. AH2018/511/02)

OBJET:       

1. We refer to your memorandum dated 7 December 2018 regarding the above-mentioned
subject and provide you with the revised comments of the Department of Management
Strategy, Policy and Compliance (DMSPC) in the attached Appendix I. This memorandum
supersedes the previous one dated 21 December 2018.

2. Thank you.
### Management Response

**Audit of vendor payment processing at the United Nations Headquarters in New York**

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical¹/Important²</th>
<th>Accepted? (Yes/No)</th>
<th>Title of responsible individual</th>
<th>Implementation date</th>
<th>Client comments</th>
</tr>
</thead>
</table>
| 1        | OPPBA should develop: (a) guidelines on the use of fund commitments; and (b) monitoring and reporting tools to identify and correct any inappropriate use. | Important | Yes | Director of Finance Division, OPPFB | 31 March 2019 | a) A memorandum from the Director of Finance Division on the use of fund commitments is expected to be issued by 31 March 2019.  
b) Monitoring and reporting mechanisms will be in place to ensure that fund commitments are used in accordance with the memorandum. |
| 2        | OPPBA should strengthen the proper functioning of the control to prevent processing of duplicate invoices including: (a) issuing guidelines to all accounts payable users on the importance of entering correct vendor invoice number in the designated field in Umoja; and (b) considering the feasibility of configuring Umoja to trigger an alert for potential duplicate invoices at the time of approving invoices for payments. | Important | Yes | Director of Finance Division, OPPFB | a) 31 March 2019 | a) A memorandum from the Director of Finance Division on accounts payable processing with guidelines to all offices to ensure correct vendor invoice number in the designated field in Umoja is expected to be issued by 31 March 2019.  
b) Implemented  
b) The three-way-match solution in Umoja whereby users are not able to save as complete or approve invoices for a quantity higher than the goods receipt/service entry sheet amount was implemented on 25 January 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.
## Appendix I

### Management Response

**Audit of vendor payment processing at the United Nations Headquarters in New York**

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical¹/Important²</th>
<th>Accepted? (Yes/No)</th>
<th>Title of responsible individual</th>
<th>Implementation date</th>
<th>Client comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>DM should develop procedures to prevent and detect fraud by conducting fraud risk assessments of vendor payments and implementing procedures to identify and detect fraud.</td>
<td>Important</td>
<td>Yes</td>
<td>Director of Finance Division, OPPFB</td>
<td>31 March 2019</td>
<td>The banking information is entered by Treasury. The certification of expenditures is separate from the actual payment processing through role separation in Umoja. OPPFB will conduct fraud risk assessments of vendor payments and implement procedures to improve the monitoring of fraud cases to ensure prevention and detection of fraud.</td>
</tr>
<tr>
<td>4</td>
<td>DM should review identified cases of potential engagement of staff in business transactions with the Organization and take appropriate action.</td>
<td>Important</td>
<td>Yes</td>
<td>Director of Finance Division, OPPFB</td>
<td>31 March 2019</td>
<td>OPPFB will institute a process to ensure ongoing review of identified cases of potential engagement of staff to ensure that when banking information is entered in the system, the same bank account information is not entered under other names.</td>
</tr>
<tr>
<td>5</td>
<td>OPPBA should establish and monitor key performance indicators for each stage of the vendor payment process to identify and follow up with requisitioning offices to address the causes of delayed payments.</td>
<td>Important</td>
<td>Yes</td>
<td>Director of Finance Division, OPPFB</td>
<td>30 June 2019</td>
<td>The follow-up procedures for long outstanding invoices is already in place for vendor payment processing. The Vendor Processing Unit in the United Nations Headquarters sends email reminders to certifying officers on a regular basis. Key performance indicators will be established to monitor the processing of vendor payments.</td>
</tr>
</tbody>
</table>
## Management Response

### Audit of vendor payment processing at the United Nations Headquarters in New York

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical¹/ Important²</th>
<th>Accepted? (Yes/No)</th>
<th>Title of responsible individual</th>
<th>Implementation date</th>
<th>Client comments</th>
</tr>
</thead>
</table>
| 6        | OPPBA should: (a) monitor that important dates related to vendor payments are correctly entered in Umoja to ensure uniform application; and (b) strengthen controls to ensure the accuracy of the date field used to run payment reports. | Important | Yes | Director of Finance Division, OPPFB | 31 Mar 2019 | a) A memorandum from the Director of Finance Division on accounts payable processing with guidelines to all offices to ensure uniform and correct entry of dates related to vendor payment is expected to be issued by 31 March 2019.  
  
b) Periodic reviews will be done by OPPFB to ensure adherence to the guidelines. |
| 7        | OPPBA should review the accuracy with which Umoja identifies invoices due for payment based on specified parameters. | Important | Yes | Director of Finance Division, OPPFB | 31 March 2019 | OPPFB will review the accuracy with which Umoja identifies invoices due for payment and identify specific parameters to be used. |
| 8        | OPPBA should establish a procedure to disburse payments to vendors only when due to avoid loss of potential investment income due to early payments. | Important | Yes | Director of Finance Division, OPPFB | Implemented | All payments are paid on the value date equal to the payable document baseline date, provided the payable document has been approved at least 3 business days prior to the payable document baseline date. |
| 9        | OPPBA should issue instructions to requisitioning departments and offices to immediately submit invoices to the Vendor Claims and Accounting Unit for recording after they are received from vendors. | Important | Yes | Director of Finance Division, OPPFB | 31 March 2019 | This is applicable for United Nations Headquarters vendors primarily for low-value items. A memorandum will be issued by the Director of Finance Division to all United Nations Headquarters offices stressing the importance of timely submission of invoices to the Vendor Claims Unit. |
## Management Response

### Audit of vendor payment processing at the United Nations Headquarters in New York

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical¹/ Important²</th>
<th>Accepted? (Yes/No)</th>
<th>Title of responsible individual</th>
<th>Implementation date</th>
<th>Client comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>OICT should establish procedures to monitor time taken to certify service entry sheets and address the causes of delays.</td>
<td>Important</td>
<td>Yes</td>
<td>Chief, Office of Central Support, OICT</td>
<td>31 December 2019</td>
<td>OICT is working on monitoring the time taken to certify service entry sheets and addressing the causes of delays.</td>
</tr>
<tr>
<td>11</td>
<td>OPPBA should: (a) review vendor bank records to identify and correct cases of multiple vendors mapped to the same bank account; and (b) review and implement controls to mitigate the risks associated with workarounds introduced to facilitate bank payments.</td>
<td>Important</td>
<td>Yes</td>
<td>Director of Finance Division, OPPFB</td>
<td>a) 31 March 2019 b) Implemented</td>
<td>a) A project to review banking details will be initiated in the first quarter of 2019. b) A new banking details maintenance procedure has been implemented across the Organization. This new procedure enforces the four-eye principle as well as the monitoring of the banking details maintenance requests. Furthermore, a 24-hour cooling period (freeze of the vendor banking details) is enforced when vendor banking details are maintained.</td>
</tr>
<tr>
<td>12</td>
<td>OPPBA should establish: (a) a policy and related procedures on the use of corporate credit cards; and (b) a monitoring mechanism to ensure transparency and accountability in the use of credit cards.</td>
<td>Important</td>
<td>Yes</td>
<td>Director of Finance Division, OPPFB</td>
<td>31 March 2019</td>
<td>A memorandum from the Director of Finance Division stating the guidelines on the usage of corporate credit cards procedures will be issued by 31 March 2019. The Payments Unit will ensure that all the procedures stipulated in the memorandum are adhered to.</td>
</tr>
</tbody>
</table>