



INTERNAL AUDIT DIVISION

REPORT 2013/142

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Overall results relating to the effective management of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

23 December 2013
Assignment No. AP2013/640/06

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AUDIT REPORT

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire (UNOCI)
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNOCI Finance Section was responsible for the management of accounts receivable and payable in UNOCI and was governed by United Nations Financial Regulations and Rules, the Field Finance Procedure Guidelines, and Staff Rules. Accounts receivable and payable in UNOCI included balances due either from or to: staff members; other payroll personnel; vendors; government; quick impact projects; and other United Nations entities. The Finance Section was headed by the Chief Finance Officer at the P-4 level and had 29 approved posts. As at 31 May 2013, UNOCI had accounts receivable totaling \$4.3 million and accounts payable totaling \$527,000.
4. Comments provided by UNOCI are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNOCI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of accounts receivable and payable in UNOCI**.
6. The audit was included in the OIOS 2013 risk-based work plan because of the financial and operational risks relating to the potential lack of reliable and accurate accounts receivable and payable opening balances for the adoption of International Public Sector Accounting Standards (IPSAS).
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of receivables and payables; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from April to September 2013. The audit covered the period from 1 January 2012 through 31 May 2013 and reviewed the: (a) accuracy of accounts receivable and payable balances; (b) monitoring of accounts receivable and payable through ageing, collection and reporting; and (c) implementation of financial year end closing instructions issued by the Department of Management.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through

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

III. AUDIT RESULTS

11. The UNOCI governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the effective **management of accounts receivable and payable in UNOCI**. OIOS made six recommendations to address the issues identified. UNOCI had not implemented adequate procedures to ensure that accounts receivable and payable were settled in a timely manner. UNOCI needed to: (a) ensure that accounts receivable and payable transactions were adequately supported by appropriate documentation; (b) systematically monitor and clear accounts receivable and payable in a timely manner; (c) agree on the future payment of embarkation fees to the Government, and continue to seek reimbursement of amounts already paid; (d) ensure effective review and approval of miscellaneous obligating documents; and (e) update leave records for national staff to ensure correct computation of accrued liabilities.

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

Table 1: Assessment of key control

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

Regulatory framework

Accounts receivable and payable were not always adequately supported

13. United Nations Financial Regulations and Rules required all financial transactions to be properly supported. A review of 311 out of 1,389 accounts receivable transactions indicated that 48 transactions, totaling \$407,405, were not adequately supported with appropriate documentation. Also, a review of 157 accounts payable transactions indicated that 36 transactions, valued at \$112,899, had no or insufficient supporting documentation. This was mainly attributed to ineffective procedures for ensuring that documentation for accounting entries was properly maintained.

(1) UNOCI should ensure that accounts receivable and payable transactions are consistently adequately supported with appropriate documentation.

UNOCI accepted recommendation 1 and stated that accounts receivable and payable transactions were based on adequate and relevant documentation and amounts had been certified and properly approved. UNOCI also stated that supporting documents were filed in a manual filing system. At the

time of the audit, the Finance Section was unable to provide relevant documents to support all of the transactions selected by OIOS for review. Recommendation 1 remains open pending OIOS verification that adequate documentation is available to support accounts receivable and payable transactions.

Procedures over monitoring and settling accounts receivable needed to improve

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

15. The 31 May 2013 accounts receivable report for UNOCI had a total accounts receivable balance of \$4.7 million, including \$2.4 million that was over one year and \$1.9 million that was older than three years. This included an amount of \$1.5 million, which UNOCI had submitted to the Controller in April 2013 for write-off. The following amounts were included in the request for write-off:

- \$10,000 related to amounts due from staff members who had already checked out of the Mission. UNOCI did not implement adequate check-out procedures to ensure outstanding accounts receivable were communicated to the Finance Section prior to final payments being made. Moreover, for 64 of the 201 mission personnel who checked out of the Mission from 1 March to 31 May 2013, UNOCI did not collect the minimum \$500 as required by the Field Finance Procedure Guidelines;
- \$182,000 related to value added tax paid in 2006 on fuel invoices. UNOCI was unsuccessful in obtaining a refund from the Ivorian Government, which was requested only in 2009, three years after payment;
- \$35,000 was for electricity charges paid by UNOCI but incurred by the catering services contractor. The electricity charges were for the period from 1 September 2008 to 31 August 2009. UNOCI followed up with the contractor only on 17 August 2009, two weeks before the contract expired on 31 August 2009, and was unsuccessful in obtaining a recovery; and
- \$1.2 million was for the payment of aviation embarkation fees to two vendors and was related to conflicting interpretations of the Status of Forces Agreement. Consequently, the two vendors continued to charge passenger embarkation fees on UNOCI contingent flights based on their interpretation of the Status of Forces Agreement. UNOCI contended that it was exempt from paying embarkation fees because of the Status of Forces Agreement and previous practices by the United Nations. This issue had remained unresolved since 2005, and UNOCI continued to pay embarkation fees.

16. The write-off requests for the above-mentioned receivables were approved by the Controller. However, UNOCI needed to implement procedures to strengthen controls to ensure that accounts receivable were regularly monitored and settled on a timely basis.

17. Moreover, although UNOCI standard operating procedures required travel claims to be submitted within two weeks after completion of the travel, this was not systematically done. For example, an

advance totaling \$3,000 relating to a former staff member had not been settled although the travel was completed in December 2012.

(2) UNOCI should implement procedures to monitor and settle outstanding receivables on a timely basis to ensure that write-offs are minimized.

UNOCI accepted recommendation 2 and stated that they had started reviewing accounts receivable balances on a daily and monthly basis prior to running payroll for recovery action. Also, travel-related receivables were settled by the submission of the required travel claim or deducted from the staff member's salary if not submitted on a timely basis. Recommendation 2 remains open pending OIOS verification that an adequate system is in place to monitor and settle outstanding receivables.

(3) UNOCI should continue to follow up on the reimbursement of embarkation fees paid to the Government, and agree with all concerned parties on the common interpretation of the Status of Forces Agreement on the payment of embarkation fees.

UNOCI accepted recommendation 3 and stated that discussions on the issue of embarkation fees were ongoing with local authorities. In addition, the UNOCI Legal Office, in consultation with the United Nations Legal Office, was reviewing legal instruments to identify a solution. Recommendation 3 remains open pending resolution of the embarkation fee issue, and an agreed method for accounting for these fees in future years.

Controls over the transfer of payables to miscellaneous income accounts needed to improve

18. The UNOCI standard operating procedures required that payables outstanding for more than 12 months be cleared by transferring them to miscellaneous income accounts. Also, a memorandum issued by the Department of Management on 20 March 2013 required missions to review all outstanding payables and clear accounts for which no further liability existed by transferring balances to miscellaneous income accounts.

19. As at 31 May 2013, UNOCI had accounts payable totaling \$173,000 (or 37 per cent of total payables) exceeding one year, and did not take sufficient action to review and settle these balances throughout the audit period. However, in June 2013, UNOCI transferred 76 accounts payable totaling \$73,000 to a miscellaneous income account. UNOCI took this action to clear these accounts, as they did not have information such as bank details and addresses of individuals to settle the balances. UNOCI was unable to provide evidence that the Mission had undertaken the required follow-up attempts.

20. To mitigate the risk of understating payables, UNOCI needed to obtain mission personnel bank and contact details prior to departure from the Mission and implement procedures to systematically follow up with them to return amounts owed.

(4) UNOCI should review and analyze payables at least monthly and take adequate measures to ensure that no further liability exists before transferring payables to miscellaneous income accounts.

UNOCI accepted recommendation 4 and stated that payables were reviewed daily and monthly and adjusted accordingly. Follow-ups were regularly made, with payables transferred to the miscellaneous income account for lack of information from staff members, the Personnel Section and/or Force Headquarters. Recommendation 4 remains open pending receipt of evidence of the follow-ups made to contact individuals, and OIOS verification that accounts payable are analyzed

monthly and adequate measures are taken to settle outstanding balances.

The use of the miscellaneous obligating documents required effective monitoring

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

22. As at 31 May 2013, the net balance of 841 unliquidated obligations created in the fiscal year 2012/13 was \$32 million, of which about \$5.4 million (or 17 per cent) was obligated through miscellaneous obligating documents. A review of 170 obligations with a net value of about \$16 million (or 52 per cent) indicated that funds obligated through purchase orders or contracts and travel authorizations were adequately supported.

23. A review of 66 miscellaneous obligating documents, valued at \$3 million, indicated that 32 documents, valued at \$1.3 million, did not have any evidence of approval. This resulted as the approval of miscellaneous obligating documents was delegated to a Finance Assistant without the required delegation of authority and supervisory review.

24. Additionally, an analysis of 53 fiscal year 2011/12 miscellaneous obligating documents, valued at \$1.3 million, indicated that the documents were used to obligate funds for the purchase of services in the fiscal year 2012/13. This was contrary to the Field Finance Procedure Guidelines that required missions not to use miscellaneous obligating documents to reserve funds for the future purchases of goods and services. This resulted as the approval of miscellaneous obligating documents was not properly reviewed and approved.

(5) UNOCI should ensure that all miscellaneous obligating documents are properly reviewed and approved.

UNOCI accepted recommendation 5 and stated that all miscellaneous obligating documents were signed by both budget and certifying officers before approval and the required supporting documents were attached. Miscellaneous obligating documents were not created for the purchase of future goods/services beyond the financial period in which they were created. OIOS identified numerous cases where miscellaneous obligating documents created in fiscal year 2011/12 were used to obligate funds for the purchase of services in the fiscal year 2012/13. Also, a Finance Assistant was approving miscellaneous obligating documents without the required delegated authority. Recommendation 5 remains open pending OIOS verification that miscellaneous obligating documents are prepared and approved by a staff member with the correct delegated authority, and in compliance with the Field Finance Procedure Guidelines.

National staff unused leave balances were inaccurate

25. The instructions issued by the Department of Management required missions to calculate accrued liabilities for unused annual leave days of national staff, update attendance data for international staff, and accrue liabilities for other staff benefits earned as at 30 June 2013.

26. UNOCI calculated and reported accrued liabilities of \$2.1 million, as at 30 June 2013, for the unused annual leave days for 782 national staff. A review of unused annual leave balances recorded in the Field Support Suite for 156 (or 20 per cent) national staff members indicated that unused leave days and accrued liabilities for 80 national staff were overstated by 948 days or the equivalent of \$110,870.

Therefore, the report on accrued liabilities submitted to the Department of Management was inaccurate. This was attributed to the late submission and approval of leave reports for up-dating balances in the Field Support Suite. UNOCI advised that the business object report used in computing accrued liabilities was produced by the United Nations Global Support Centre in Brindisi. The United Nations Global Support Centre acknowledged the inaccurate leave data and stated that the issue had been escalated to the Department of Field Support Data Management Team for further investigation.

27. A review of 84 international staff records indicated that that UNOCI correctly updated attendance data for international staff by 30 July 2013. OIOS was satisfied by the action taken.

(6) UNOCI should implement procedures to ensure that (a) leave reports are submitted and approved in the Field Support Suite in a timely manner; and (b) leave data provided through Business Objects or other sources is reconciled to the Field Support Suite for completeness and accuracy before it is used to compute accrued liabilities for national staff.

UNOCI accepted recommendation 6 and stated that it had established a procedure whereby the Personnel Section would not approve any leave until the completion of previous leave reports. It had also implemented a change in the Field Support Suite that would enable the Personnel Section to remind staff to submit leave reports upon returning from leave. UNOCI further stated that the Department of Field Support and United Nations Logistic Base had been working to find a solution to extract data directly from the Field Support Suite rather than through Business Objects. Recommendation 6 remains open pending receipt of evidence of implementation of the new procedures and the extraction of data directly from the Field Support Suite.

IV. ACKNOWLEDGEMENT

28. OIOS wishes to express its appreciation to the Management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOCI should ensure that accounts receivable and payable transactions are consistently adequately supported with appropriate documentation.	Important	O	OIOS verification that adequate documentation is available to support accounts receivable and payable transactions.	31 December 2013
2	UNOCI should implement procedures to monitor and settle outstanding receivables on a timely basis to ensure that write-offs are minimized.	Important	O	OIOS verification that an adequate system is in place to monitor and settle outstanding receivables.	31 December 2013
3	UNOCI should continue to follow up on the reimbursement of embarkation fees paid to the Government, and agree with all concerned parties on the common interpretation of the Status of Forces Agreement on the payment of embarkation fees.	Important	O	Resolution of the embarkation fee issue, and an agreed method for accounting for these fees in future years	31 December 2013
4	UNOCI should review and analyze payables at least monthly and take adequate measures to ensure that no further liability exists before transferring payables to miscellaneous income accounts.	Important	O	Receipt of evidence of the follow-ups done to contact individuals, and OIOS verification that accounts payable are analyzed monthly and adequate measures are taken to settle accounts payable.	31 December 2013
5	UNOCI should ensure that all miscellaneous obligating documents are properly reviewed and approved.	Important	O	OIOS verification that miscellaneous obligation documents are prepared and approved by a staff member with the correct delegated authority, and in compliance with the Field Finance Procedure Guidelines.	31 December 2013

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

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNOCI

STATUS OF AUDIT RECOMMENDATIONS

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Recom. no.	Recommendation	Critical ⁵ / Important ⁶	C/ O ⁷	Actions needed to close recommendation	Implementation date ⁸
6	UNOCI should implement procedures to ensure that (a) leave reports are submitted and approved in the Field Support Suite in a timely manner; and (b) leave data provided through Business Objects or other sources is reconciled to the Field Support Suite for completeness and accuracy before it is used to compute accrued liabilities for national staff.	Important	O	Receipt of evidence of implementation of the new procedures and the extraction of data directly from the Field Support Suite.	31 December 2013

⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁷ C = closed, O = open

⁸ Date provided by UNOCI

APPENDIX I

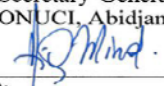
Management Response

NATIONS UNIES
Opération des Nations Unies
en Côte d'Ivoire





UNITED NATIONS
United Nations Operation
in Côte d'Ivoire

FACSIMILE TRANSMISSION

OUTGOING FAX NO:	DATE: 17 December 2013
TO: Ms. Eleanor Burns, Chief Peacekeeping Audit Service Internal Audit Division, OIOS UNHQ, New York	FROM: Aichatou Mindaoudou Souleymane Special Representative of the Secretary-General and Head of Mission ONUCI, Abidjan 
	FAX NO:
NUMBER OF PAGES: 1 212 963 2498 / 3388	REF:
SUBJECT: OIOS Draft Report – Audit of accounts receivable and payable in the United Nations Operation in Cote d'Ivoire (Assignment No. AP2013/640/06)	

Please receive hereby attached UNOCI's comments, including an action plan with target dates and the titles of the individuals responsible for implementing the recommendations in Appendix I as per your memorandum IAD: 13-640-17 of 28 November 2013.

Best regards.

Drafted by: Jasmin Kanza SAO 	Cleared by: Robert Cannon Chief of Mission Support 
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APPENDIX I

Management Response

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOCI should ensure that accounts receivable and payable transactions are consistently adequately supported with appropriate documentation.	Important	Yes	Chief Finance Officer	31 December 2013	All receivable and payable transactions are processed based on adequate and relevant documentation. Such payments are processed by a processor, certified, and approved by an Approving Officer before generating payment. Upon release of funds, documentations are filed in a separate filing system (manual). Any adjustment entries to those receivable/payable accounts are supported with account listings from the system.
2	UNOCI should implement procedures to monitor and settle outstanding receivables on a timely basis to ensure that write-offs are minimized.	Important	Yes	Chief Finance Officer	31 December 2013	Outstanding receivables are reviewed on a daily and monthly basis prior to running of monthly payroll for recovery action. Month-end reports on both Receivable and Payable is

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

² Important recommendations address important deficiencies or weaknesses in governance, risk management, or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						shared among all payroll and disbursement staff members for necessary recovery action. Any travel related receivables are recovered through settlement of Travel Claims or in the event no Travel Claims is submitted in due time, receivables are recovered through salary payment.
3	UNOCI should continue to follow up on the reimbursement of embarkation fees paid to the Government, and agree with all concerned parties on the common interpretation of the Status of Forces Agreement on the payment of embarkation fees.	Important	Yes	Senior Legal Adviser	31 December 2013	Discussions are ongoing between Senior Management and Local Authorities. In parallel, ONUCI Legal Office in consultation with Office of Legal Affairs United Nations Headquarters is reviewing the legal instruments with a view to identify solutions.
4	UNOCI should review and analyze payables at least monthly and take adequate measures to ensure that no further liability exists before transferring payables to miscellaneous income accounts.	Important	Yes	Chief Finance Officer	31 December 2013	Payable accounts are reviewed on a daily/monthly basis for processing. Adjustments to payable accounts are based on the review undertaken. Regular follow up is also made with concerned staff members and Human Resources office for payments. For military

APPENDIX I

Management Response

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						staff payables, follow up is made with Force Headquarters for banking information. Failure to receive any information with regard to payable accounts from staff members as well as from Human Resources and/or Forces Headquarters offices, such payable accounts are moved to Miscellaneous account. The minimum period for transfer of payable accounts to miscellaneous income is 12 months.
5	UNOCI should ensure that all miscellaneous obligating documents are properly reviewed and approved	Important	Yes	Chief Finance Officer	31 December 2013	All Miscellaneous Obligating documents are signed by Budget Officer and Certifying Officer before the approval. Required supporting documentations are attached to the specific Miscellaneous Obligating Document documents. Miscellaneous Obligation Documents are approved by the delegated Approving Officers in the SUN systems.

Management Response

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Miscellaneous Obligor Documents are not created for the purposes of future goods/services requirement beyond financial period.
6	UNOCI should implement procedures to ensure that (a) leave reports are submitted and approved in the Field Support Suite in a timely manner; and (b) leave data provided through Business Objects or other sources is reconciled to the Field Support Suite for completeness and accuracy before it is used to compute accrued liabilities for national staff.	Important	Yes	Chief Civilian Personnel Officer	31 December 2013	(a) Human Resources established a procedure within the Human Resources Section not to approve any leave until previous leave reports are finalized, Additionally, a Field Support System change has been implemented to enable Human Resources remind staff members to submit the Leave reports upon arrival. (b) Since October 2012, Human Resources has repeatedly reminded United Nations Logistic Base to find a solution to existing problems with Business Objects reporting. United Nations Logistic Base development team is aware of the problem. The problem has been escalated to the Division of Field Support Data

Management Response

Audit of accounts receivable and payable in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Management team in New York for further investigation. Recent development shows that Division of Field Support and United Nations Logistic Base are working on a solution to extract data directly from the application rather than Business Object