



INTERNAL AUDIT DIVISION

REPORT 2017/086

Audit of education grant disbursement
at the United Nations Office at Geneva

There was a need to strengthen controls
in administration of education grant
entitlements

24 August 2017
Assignment No. AE2017/310/02

Audit of education grant disbursement at the United Nations Office at Geneva

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the effective management of education grant disbursement at the United Nations Office at Geneva (UNOG). The audit covered the period from 1 January 2015 to 31 December 2016 and included a review of compliance with applicable policies and procedures and the operational framework for processing education grant disbursements.

Controls over education grant disbursements were satisfactory except for deviations noted in the processing of field trips, boarding and travel entitlements. The disbursements were made for eligible dependent children; were correctly computed, certified and approved; and advances were accounted for within the prescribed timelines. However, UNOG needed to strengthen controls relating to the administration of field trips, boarding and travel entitlements.

OIOS made three recommendations. To address issues identified in the audit, UNOG needed to:

- Consult with the Office of Human Resources Management regarding its current practice of reimbursing field trip expenses without considering the commuting distance and obtain appropriate guidance on how to apply the commuting distance requirement;
- Clarify the requirements for submission of supporting documents for flat sums for board and review cases where staff were not paid the flat sums for board due to non-submission of documentation to determine whether they should be paid; and
- Take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel.

UNOG accepted the recommendations and has initiated action to implement them.

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Audit of education grant disbursement at the United Nations Office at Geneva

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of education grant disbursement at the United Nations Office at Geneva (UNOG).
2. Education grant is a benefit payable to staff members who are internationally recruited under Staff Rule 104.7 and meet the following criteria: (a) reside and serve at a duty station outside their home country; (b) have dependent children in full-time attendance at a school, university or similar educational institution; and (c) have an appointment for a minimum of six months. Special education grant is a component of the education grant benefit which is available to all categories of staff members with a permanent, continuing or fixed-term appointment who have children with special educational needs.
3. The administration of education grant entitlements was governed by the following set of policies and procedures:
 - ST/SGB/2014/1 - Staff Rules and Staff Regulations of the United Nations
 - ST/AI/2011/4/ - Administrative Instruction on Education Grant and Special Education Grant for Children with a Disability
 - ST/IC/2014/12 Rev1 – Information Circular on Education Grant and Special Education Grant for Children with a Disability.
4. UNOG administered education grant entitlements for UNOG staff as well as staff of 23 other United Nations departments, offices and organizations. Between January 2015 and December 2016, UNOG processed 1,706 education grant advances and 2,371 education grant claims.
5. Comments provided by UNOG are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the effective management of education grant disbursement at UNOG.
7. This audit was included in the 2017 risk-based work plan of OIOS due to risks associated with the administration of a large number of education grant disbursements, including the risk of fraud.
8. OIOS conducted this audit from February to May 2017. The audit covered the period from 1 January 2015 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the administration of education grant disbursements which included: (a) compliance with applicable administrative policies and procedures; and (b) the operational framework including roles and responsibilities and information systems used for processing education grant claims.
9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) sample testing of a random sample of 196 education grant claims; (e) circularization of 20 randomly selected educational institutions; and (f) recalculation of education grant.

III. OVERALL CONCLUSION

10. Controls over the administration of education grant disbursements were satisfactory except for deviations noted in the processing of field trips, boarding and travel entitlements. The disbursements were made for eligible dependent children; were correctly computed, certified and approved; and advances were accounted for within the prescribed timelines. Although UNOG verified that field trip expenses were mandatory, it did not check whether they were within the commuting distance as required by the education grant information circular. The requirement for submitting supporting documentation for flat sums for board was also unclear which led to inconsistencies in their processing. Further, UNOG needed to ensure that requests for education grant travel were made within the required timelines.

IV. AUDIT RESULTS

A. Regulatory framework

Education grant disbursements were generally in accordance with applicable policies and procedures

11. ST/AI/2011/4 outlines the arrangements for processing education grant entitlements, including the expenses that are admissible and not admissible for reimbursement. Admissible expenses include, among others, expenses towards tuition fees, text books, boarding fees, fees related to special education, mother tongue, transportation, lunch and field trips. OIOS reviewed a random sample of 196 education grant claims with an approximate value of \$1.9 million (representing nine per cent of the number of claims in 2015-2016) to assess compliance with the administrative instruction and to verify the accuracy of the amounts disbursed. In all the cases reviewed, the claims were made for eligible dependent children and the staff members had submitted the required forms (Form P.41) or attestations certified by the respective schools showing the amounts paid by the staff member to the schools, by expense type. Special education grants claims were also supported by medical certificates issued by the UNOG Medical Services Section, as required. Except in nine cases where errors were noted, the admissible expenses were correctly determined in accordance with applicable policies and procedures and the total entitlement was correctly computed at 75 per cent of the admissible expenses or 100 per cent in case of special education grant. The errors noted included six cases of overpayment totaling \$1,981 and three cases of underpayments totaling \$500 which were considered not systemic. The UNOG Human Resources Management Service (HRMS) took corrective action to address these cases. Other deviations noted related to the practice of reimbursing school trip expenses regardless of the commuting distance, and unclear guidance on flat sum for board entitlements. These are discussed later in the present report.

School field trip costs were not computed in accordance with the provisions of ST/IC/2014/12/Rev.1

12. Annex I of ST/IC/2014/12/Rev.1 provides a list of admissible and non-admissible expenses. According to the list, the costs of field trips are only reimbursable if the trips are mandatory and are within commuting distance of the duty station. OIOS review of 25 claims relating to various school field trips totaling CHF13,600 (approximately \$14,000) that were reimbursed by UNOG during the period 2015-2016 showed that in all the cases, the information provided by the school (in Form P.41 or attestations) stated that the trips were mandatory. However, UNOG HRMS did not verify whether the trips were within commuting distance, as required. In 24 of the 25 cases reviewed, the information provided by the school did not indicate the destination of the trips and therefore, it was not possible to determine whether the trips satisfied the commuting distance criteria. In the one case where the destination of the trip was indicated, the trip (costing \$590) was to Innsbruck, Austria, which is more than 500 kilometers away from the duty station (Geneva). This was outside of the commuting distance and should not have been reimbursed.

13. UNOG HRMS indicated that it relied on the schools to indicate whether the field trips were mandatory and did not check the commuting distance requirement because there were no guidelines on what constitutes commuting distance. UNOG HRMS was of the view that since field trip expenses would not be admissible in the new education grant rules that will be implemented from the 2017-2018 school year, it would not be cost effective for it to change its current practice which would entail consultations with Geneva-based organizations to define the commuting distance criteria. OIOS is of the view that ignoring the commuting distance requirement is a deviation which needs to be formally approved by OHRM if the practice is to be maintained on the grounds that it would not be cost-effective to change it.

(1) The UNOG Human Resources Management Service should consult with the Office of Human Resources Management regarding its current practice of reimbursing field trip expenses without considering the commuting distance and obtain appropriate guidance on how to apply the commuting distance requirement.

UNOG accepted recommendation 1 and stated that it had sent a formal request to OHRM for authorization to continue with its existing practice of reimbursing mandatory field trips irrespective of their distance for this last school year (2016-17) bearing in mind that the issue will become moot with the new rules applicable to education grant as of the 2017-18 school year. Recommendation 1 remains open pending receipt of the advice provided by OHRM.

The information circular on flat sums for board needs to be clarified

14. According to Section 4.2 of ST/AI/2011/4, staff are eligible for a “flat sum for board” allowance when the child attends an educational institution outside the duty station, and the institution does not provide boarding services. Information circular ST/IC/2014/12/Rev.1 which was effective from September 2014 states that if the child does not reside with the staff member, the staff member will be required to submit documentary proof to demonstrate that the flat sum for board and textbook allowances were used for the purposes intended. The previous information circular (ST/IC/2005/25) stated that the staff member was required to submit supporting documentation in cases where they did not have custody of the child. OIOS discussions with OHRM indicated that although the language in the information circular was changed from “not having custody of the child” to “not residing with the child”, the intention was not to make any changes to the requirement. Therefore, the practice of requiring supporting documentation only from staff who did not have custody of their child should have been continued. However, when ST/IC/2014/12/Rev.1 was issued, OHRM did not explain why the change in language was necessary and did not state that the change in language was not intended to change the requirement for supporting documentation.

15. As a result, there were inconsistencies in interpretation of the requirement and inefficiencies associated with its implementation. OIOS review of 25 claims showed that: in nine cases staff submitted the required supporting documentation; in three cases staff were not paid the flat sums for board because they did not provide supporting documentation; and in the remaining 13 cases, staff did not provide the supporting documentation but they were paid flat sums for board totaling \$71,326. In four of the 13 cases referred to above, OHRM advised UNOG (through a decision of the Management Evaluation Unit) to pay the flat sum for board entitlement of \$13,909 without the supporting documentation. OHRM acknowledged that the language in the information circular needs to be revised to reflect more clearly what was intended and indicated that it would clarify the issue in the revised administrative instruction to be issued in 2017. In view of the clarification provided by OHRM, UNOG HRMS needs to inform staff accordingly and re-assess cases where staff were not paid the allowance due to lack of supporting documentation. This is particularly necessary because some staff members were already paid the flat sums without providing supporting documents and there is a need to ensure that all claims are treated consistently.

(2) The UNOG Human Resources Management Service should: (a) clarify to its staff the requirements for submission of supporting documents for flat sums for board; and (b) review cases where staff were not paid the flat sums for board due to non-submission of documentation to determine whether they should be paid.

UNOG accepted recommendation 2 and stated that it has issued a service note to HRMS HR Partners clarifying the requirements for submission of supporting documents for flat sum for board. HRMS will review cases where staff were not paid the flat sum for board for non-submission of documentation to determine whether correction is warranted. Recommendation 2 remains open pending receipt of evidence that UNOG HRMS has reassessed the 2015-2016 flat sum for board claims that were not reimbursed to determine whether they are admissible.

Need to ensure that travel requests are submitted in a timely manner

16. Section 8 of ST/AI/2011/4 states that staff members are entitled to education grant travel (being the expenses of one return journey each academic year between the school and the duty station) for each child, provided the school is outside of the country of the duty station. The entitlement is limited to the lower of cost of travel between the duty station and place of home leave or the educational institution. Based on a review of 20 education grant travel claims, OIOS determined that the amounts paid towards eligible dependent children were accurately computed. UNOG had also improved controls to ensure that staff submitted travel expenses on time after completion of travel. The improvements included monthly reporting of long outstanding travel advances and configurations made within Umoja system from April 2017 to enforce automatic recovery of overdue travel advances.

17. However, UNOG did not fully comply with Section 3.3 of ST/AI/2013/3 on official travel which requires requests for education grant-related travel to be submitted within 16 days of travel and justification in cases where this requirement is not met. Twelve out of the 20 education grant travel claims reviewed were submitted late including three that were submitted ex post facto by up to 60 days. UNOG needs to ensure that travel requests are submitted in a timely manner as required by ST/AI/2013/3.

(3) The UNOG Division of Administration should take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel.

UNOG accepted recommendation 3 and stated that the continued enforcement of this policy, it's monitoring and compliance is performed by the relevant certifying officers of each individual client entity. UNOG Administration has regularly solicited support from certifying officers and staff members through memoranda and broadcasts to ensure compliance with the official travel policy. A reminder was issued on 21 August 2017 to all certifying officers of different offices/entities on the importance of policy compliance and accurate recording for non-compliant trips. Based on the action taken by UNOG, recommendation 3 has been closed.

B. Operational framework

Arrangements for processing of education grant claims were generally adequate

18. Roles and responsibilities for processing education grant were clear and appropriately segregated. The authority and responsibility for processing education grant entitlements at UNOG was shared between HRMS and the Financial Resources Management Service (FRMS). Education grant advances were processed and certified by HRMS while FRMS approved and made the related disbursements. Within

HRMS, there were appropriate work flow procedures and segregation of duties for processing education grant transactions. The self-service module for education grant in Umoja had not yet been implemented at the time of the audit. UNOG continued to use a locally developed and customized Lotus Notes-based e-education grant system for processing education grant entitlements. The system enabled staff to submit education grant applications electronically which was more efficient than paper-based processing. It also allowed tracking of the status of individual claims. OIOS therefore concluded that the existing arrangements for processing of education grant claims were generally adequate.

V. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of education grant disbursement at the United Nations Office at Geneva

| Rec. no. | Recommendation | Critical ¹ / Important ² | C/ O ³ | Actions needed to close recommendation | Implementation date ⁴ |
|----------|---|---|----------------------|--|----------------------------------|
| 1 | The UNOG Human Resources Management Service should consult with the Office of Human Resources Management regarding its current practice of reimbursing field trip expenses without considering the commuting distance and obtain appropriate guidance on how to apply the commuting distance requirement. | Important | O | Receipt of the advice provided by OHRM. | 31 December 2017 |
| 2 | The UNOG Human Resources Management Service should: (a) clarify to its staff the requirements for submission of supporting documents for flat sums for board; and (b) review cases where staff were not paid the flat sums for board due to non-submission of documentation to determine whether they should be paid. | Important | O | Receipt of evidence that UNOG HRMS has reassessed the 2015-2016 flat sum for board claims that were not reimbursed to determine whether they are admissible. | 30 June 2018 |
| 3 | The UNOG Division of Administration should take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel. | Important | C | Action completed | Implemented |

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 UNOG in response to recommendations.

APPENDIX I

Management Response

Office des Nations Unies à Genève  United Nations Office in Geneva

MEMORANDUM INTERIEUR

INTEROFFICE MEMORANDUM

TO: Mr. Gurpur Kumar
A: Deputy Director
Internal Audit Division, OIOS

DATE: 21 August 2017

REF.

FROM: Ms. Nataliya Myronenko
DE: Officer-In-Charge
Division of Administration, UNOG



SUBJECT: **Confidential: Draft Report on an audit of education grant disbursement at**
OBJET: **the United Nations Office at Geneva (Assignment No. AE2017/310/02)**

1. UNOG acknowledges receipt of the detailed results of an audit of education grant disbursement at the United Nations Office at Geneva (Assignment No. AE2017/310/02) dated 7 August 2017.
2. We take note of the overall results of the audit and the recommendations made to UNOG.
3. As requested, please find attached Appendix 1 duly completed, including comments on each recommendation.

Cc. The Director General, UNOG

Mr. Clemens M. Adams, Director of Administration, UNOG

Ms. Nataliya Myronenko, Chief, Human Resources Management Service, UNOG

Mr. Hans G. Baritt, Chief, Financial Resources Management Service, UNOG

Mr. Hugues Noumbissie, Special Assistant to the Director, Division of Administration, UNOG

Ms. Anna Nyaoro, Chief, European Audit Section, OIOS

Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of education grant disbursement at the United Nations Office at Geneva

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|---|---|-----------------------|---------------------------------|-------------------------------|--|
| 1 | The UNOG Human Resources Management Service should consult with the Office of Human Resources Management regarding its current practice of reimbursing field trip expenses without considering the commuting distance and obtain appropriate guidance on how to apply the commuting distance requirement. | Important | Yes | Chief, HRMS/UNOG | December 2017 | HRMS/UNOG accepts this recommendation and has sent a request to OHRM for the authorization to continue with its existing practice of reimbursing mandatory field trips irrespective of their distance for this last school year (2016-18) bearing in mind that the issue will become moot with the new rules applicable to EG as of the 2017-18 school year. Copy of request to OHRM of 7 July 2017 attached. |
| 2 | The UNOG Human Resources Management Service should: (a) clarify to its staff the requirements for submission of supporting documents for flat sums for board; and (b) review cases where staff were not paid the flat sums for board due to non-submission of documentation to determine whether they should be paid. | Important | Yes. | Chief, HRMS/UNOG | June 2018 (for comment b) | UNOG accepts this recommendation. A Service Note has been issued to HRMS HR Partners clarifying the requirements for submission of supporting documents for flat sum for board. Copy of Service Note of 16 August 2017 is attached and UNOG considers paragraph (a) of recommendation closed. With respect to paragraph (b) HRMS will review cases where staff were not paid the flat sum for board for non-submission of documentation to determine |

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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.

Management Response

[Insert audit title]

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|---|---|-----------------------|---|---------------------|--|
| | | | | | | whether correction is warranted. |
| 3 | The UNOG Division of Administration should take steps to ensure that all education grant travel requests are approved a minimum of 16 days before the travel date in accordance with the principle enunciated in ST/AI/2013/3 on official travel. | Important | Yes. | Director, Division of Administration/UNOG | | UNOG accepts the recommendation and notes that the continued enforcement of this policy, it's monitoring and compliance is performed by the relevant Certifying Officers of each individual client entity. In accordance with the administrative instruction on Official Travel, ST/AI/2013/3, Certifying Officers are responsible to ensure that all travel arrangements, including education grant travel, should be finalized at least 16 calendar days in advance of commencement of official travel, and they must also assess all justifications presented with travel requests submitted less than 16 days in advance. UNOG administration has regularly solicited support from Certifying Officers and staff members, through memoranda and broadcasts, to ensure compliance with the official travel policy. A reminder to all certifying officers of different offices/entities from the Director of the Administration (copy attached), on the importance of policy compliance and accurate recording for non-compliant trips, is attached. |

Management Response

[Insert audit title]

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|----------------|---|-----------------------|---------------------------------|---------------------|---|
| | | | | | | <p>Notwithstanding the provisions of section 3.3 of ST/AI/2013/3, it should also be noted that for lump sum payments for Education Grant travel calculation is based on a standard least restrictive carrier specific economy base between two points and as such the date on which of the reference lump sum is referenced does not affect the amount of the lump sum.</p> <p>UNOG therefore considers this recommendation closed.</p> |