



INTERNAL AUDIT DIVISION

REPORT 2018/010

Audit of assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti

There was a need to put measures in place to ensure the effective implementation of the approved asset disposal plan

22 February 2018
Assignment No. AP2017/683/10

Audit of assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti (MINUSTAH). The objective of the audit was to determine whether MINUSTAH established and implemented adequate controls to effectively manage the activities related to the disposal of assets during this period. MINUSTAH commenced liquidation activities in May 2017 and they were being completed by the United Nations Mission for Justice Support in Haiti (MINUJUSTH). The audit covered the period from 13 April to 30 November 2017 and included a review of the planning and disposal of assets as well as the safeguarding of assets.

MINUSTAH adequately planned the disposal of assets but MINUJUSTH needed to put measures in place to ensure the effective implementation of the plan.

OIOS made four recommendations. To address issues identified in the audit, MINUJUSTH needed to:

- Constitute an asset disposal working group and local property survey board with clear terms of reference to ensure the expeditious disposal of MINUSTAH assets;
- Actively engage the Police Component of the Mission to secure the release of assets identified for disposal as required by the Liquidation Manual;
- Liaise with the Host Government to identify ways of streamlining the tax payment process to facilitate the payment of tax by buyers and the removal of assets from the Mission's premises; and
- Review cases of assets reported as missing by staff members shortly before checking out of MINUSTAH and initiate action to recover the value of the missing assets, where applicable.

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

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Audit of assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti (MINUSTAH).

2. The Security Council, by resolution 2350 (2017), authorized the withdrawal of all military personnel of MINUSTAH by 15 October 2017. The Security Council also decided to establish the United Nations Mission for Justice Support in Haiti (MINUJUSTH) as a follow-on peacekeeping mission which is authorized to retain seven formed police units reduced from MINUSTAH's 11.

3. In a facsimile dated 10 May 2017, the Under-Secretary-General, Department of Field Support (DFS) stated that the appointment of all MINUSTAH staff will end on 15 October 2017 and the liquidation activities of MINUSTAH will be carried out by MINUJUSTH from 16 October through 31 December 2017 under a single support structure. However, the drawdown activities would commence immediately and be completed to the extent possible by 15 October 2017. In the facsimile dated 5 October 2017, the Under-Secretary-General, DFS approved the retention of 51 posts (33 of which were to be retained until 30 November 2017) against MINUSTAH's funding for tasks related to the liquidation. The functional support required for the Police, Engineering and Transport Sections, which totaled 18 posts, was extended until 31 December 2017.

4. Assets disposal includes the write-off of property considered as unusable, uneconomical or lost based on the advice of the Local Property Survey Board (LPSB) and/or Headquarters Property Survey Board, physical disposal of assets in accordance with the advice of the Boards mainly through commercial sale, gifting/donation and cannibalization/scraping. The Chief of Mission Support was responsible for overseeing the preparation and execution of the Mission's liquidation plan, while the Property Management Section was responsible for the write-off and disposal of assets in collaboration with the respective self-accounting units (SAUs).

5. The Asset Disposal Plan (ADP) approved by DFS on 22 August 2017, indicated that MINUSTAH had 12,111 assets that were categorized for transfer to MINUJUSTH or disposal through commercial/scrap sale based on the condition of the assets and their useful life, as shown in Table 1.

Table 1: Approved ADP by asset category

⁶ Categorization	Number of assets	Acquisition value \$	Depreciated Value \$
Group I - Transfer to MINUJUSTH	7,933	70,439,068	13,975,680
Group IV - Commercial/scrap sale	4,178	31,470,225	3,989,815
Total	12,111	101,909,293	17,965,495

6. Comments provided by MINUJUSTH are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to determine whether MINUSTAH established and implemented adequate controls to effectively manage the activities related to assets disposal during the liquidation period.

8. This audit was included in the 2017 risk-based work plan of OIOS due to scheduled drawdown and closure of MINUSTAH and related financial and reputational risk to the Organization.

9. OIOS conducted this audit from September to November 2017. The audit covered the period from 13 April to 30 November 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the inventory and disposal of assets during the MINUSTAH liquidation, which included: planning and disposal of assets as well as the safeguarding of the assets.

10. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, (d) sample testing of assets groupings using random and judgmental sampling approaches and (e) physical inspection of assets.

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

III. OVERALL CONCLUSION

12. MINUSTAH adequately planned the disposal of assets but MINUJUSTH needed to put measures in place to ensure the effective implementation of the plan. In addition, MINUJUSTH needed to: (a) constitute an asset disposal working group and local property survey board with clear terms of reference; (b) actively engage the Police Component of the Mission; (c) liaise with the Host Government; and (d) review cases of assets reported as missing by staff members shortly before checking out of MINUSTAH and initiate action to recover the value of the missing assets, where applicable.

IV. AUDIT RESULTS

A. Planning and disposal of assets

Need for additional staffing resources to prepare assets for write-off and disposal

13. The Liquidation Manual requires the liquidation team in coordination with DFS to: (i) prepare an ADP including a list of associated tasks; (ii) establish procedures on conducting the write-off and disposal processes; (iii) ensure that inventory records are accurate and up-to-date; and (iv) categorize assets into groups based on the disposal method.

14. Prior to the approval of the ADP, MINUSTAH had written off or disposed of 3,172 assets with a net book value of \$2,016,219 through gifting, cannibalization/scraping, commercial sales and sales to United Nations agencies at nominal value. The Mission established a gifting committee chaired by the Chief of Staff. The committee reviewed all requests for gifting from Government entities and ensured that they were approved by the Chief of Mission Support, who had received delegation of authority from the Controller. Cannibalized/scrapped assets were divided into metal and electronic scrap items and disposed of through a contract with a scrap contractor. Issues regarding commercial sale of assets are discussed later in the report.

15. As at 30 November 2017, with only one month left before the end of the liquidation period, the MINUSTAH Liquidation Team had yet to:

- Identify a disposal method and initiate action to dispose of 2,051 assets valued of \$1,697,353 that had already been written off. These items were stored at the Mission's disposal yard. OIOS site visits showed that the assets from SAUs were in unsorted containers making it difficult for the Property Disposal Unit to physically arrange them for disposal;
- Arrange with SAUs to initiate write-off action of 2,623 assets which are currently "in use" or "in stock". These assets were still at the respective SAUs and needed to be identified and prepared for write-off;
- Complete the physical verification of all Group IV assets currently "in use". A physical verification conducted by OIOS indicated that the Mission could not locate 16 assets including a generator, water pumps and sewage tanks valued at \$28,482;
- Cleanse the MINUSTAH asset database containing 7,933 Group I assets which were migrated from Galileo to Umoja Extension 2 as part of the Galileo decommissioning project; and
- Migrate the MINUSTAH asset database to Umoja and create the new MINUJUSTH Umoja database.

16. The above occurred because the Property Management Section was not adequately staffed. Prior to 15 October 2017, the Section had 29 staff including 6 staff dedicated for property disposal. After 15 October 2017 and in accordance with the facsimile dated 10 May 2017 from the Under Secretary-General, DFS, all property management staff were separated except for three staff (1 P-3, 1 FS-4 and 1 GS-5) who were included as part of the liquidation team and their contracts extended to 30 November 2017. In addition, the Asset Disposal Working Group (ADWG) tasked to ensure, among others the expeditious disposal of MINUSTAH assets, was not functioning as intended. The ADWG had no terms of reference, and only met twice since it was established in June 2017. This was because two of its members were separated after the closure of MINUSTAH and the other three members were reassigned to another mission. The MINUSTAH LPSB was also no longer functional as its members had left the mission with the closure of MINUSTAH. While MINUJUSTH LPSB established on 24 October 2017, it was not yet operational.

17. The inability to dispose of MINUSTAH assets in an expeditious manner may limit proceeds that could be generated from commercial sales, increase the risk of theft of assets, increase security costs and protract the liquidation process.

18. MINUJUSTH stated that it had recruited six individual contractors for the Property Disposal Unit and one individual contractor for procurement. Also, it was planned that the United Nations Global Service Centre in Brindisi would send one procurement staff and three property management staff on a temporary basis to finalize the MINUSTAH liquidation process and assist the Mission with the next commercial sale of disposed assets. In addition, the contracts of three individual contractors and one national staff that were on the liquidation team had been extended for the first three months of 2018 to assist with the liquidation. In light of actions taken by MINUJUSTH, no recommendation is made on this issue but weaknesses relating to the ADWG and LPSB still needed to be addressed.

(1) MINUJUSTH should constitute an asset disposal working group and a local property survey board with clear terms of reference to ensure the expeditious disposal of MINUSTAH assets.

MINUJUSTH accepted recommendation 1 and stated that the Mission would implement it by 15 February 2018, with the arrival of the Liquidation Team from the United Nations Global Service Centre. Recommendation 1 remains open pending receipt of evidence of the establishment of the ADWG and LPSB together with their terms of reference to ensure the expeditious disposal of MINUSTAH assets.

Need to retrieve all Group IV assets still in use for disposal

19. The Liquidation Manual and the ADP require the liquidation team to collect all assets categorized as Group IV from end users and prepare them for write-off and disposal either through commercial sale, gifting, cannibalization, destruction or donation.

20. Eighteen generators valued at \$91,982 belonging to the Engineering Section and 104 vehicles belonging to the Transport Section were still in use by the United Nations Police and yet to be recovered by the respective Sections as at 30 November 2017. This was because the MINUSTAH Liquidation Team had not actively engaged the Police Component to retrieve the assets and prepare them for write-off and disposal. The Police Component had also not finalized its new concept of operations to ensure that the release of the assets would not disrupt operations that were ongoing before the closure of MINUSTAH. There was a risk that continued use of Group IV assets by the Police Component would further delay the write-off and disposal of such assets by the concerned sections.

(2) MINUJUSTH should actively engage with the Police Component of the Mission to secure the release of assets identified for disposal in the asset disposal plan so that write-off procedures can be completed.

MINUJUSTH accepted recommendation 2 and stated that Mission Support had engaged constantly with the Police Component and foresaw the release of all assets for disposal by 31 March 2018. Recommendation 2 remains open pending receipt of evidence that the Police Component has released assets identified for disposal in the ADP and action has been taken to dispose of them.

Collection of sales proceeds and delays in removing assets purchased by buyers

21. The Procurement Manual requires the liquidation team to issue notices of award to successful bidders of sold assets and obtain full payment within five days of completing the sale. Buyers must remove their property within this time period. The Manual also requires the liquidation team to obtain deposits/payments exceeding \$1,000 by certified cheque.

22. MINUSTAH conducted two sales in July and September 2017 to dispose of Group IV assets. Commercial sales involved processes such as preparing a sales report of items to be sold, preparing invitation to bids and publishing requests for expressions of interest by the Procurement Section, opening of bids by the Tender Opening Committee and commercial evaluation of bids by the Procurement staff and receipt of payments from the winning bidders. These processes were all adequately carried out.

23. OIOS reviewed commercial sale documents for 104 vehicles (23 lots), 5 generators (1 lot), 3 containers (1 lot), 100 computers and other similar items (1 lot), and 5 tyres and other accessories (1 lot) for July 2017 sales; and 104 vehicles (22 lots), 165 containers (32 lots) and 5 compressors and 2 water

treatment items (9 lots) for September 2017. Due to difficulties experienced by bidders to obtain certified cheques, the Mission encouraged successful bidders to pay the 90 per cent balance of bid amounts totaling \$1,763,344 through direct cash deposits to the Mission's bank account and provide the deposit slips to the Finance Section for confirmation. OIOS assessed this control as adequate.

24. However, the buyers for the July sale took an average of 38 business days to collect their items from the Mission's compound. Also, the buyers for the September sale were yet to collect their items as at 30 November 2017, even though they had deposited the required amounts into the Mission's bank account since 20 October 2017.

25. The delay in the removal of purchased assets occurred because buyers were experiencing challenges in paying government taxes on the assets purchased, despite the Mission issuing Notes Verbale to the buyers to facilitate the payment of taxes. Continued delays by buyers to remove their items would result in unwillingness to participate in future commercial sales exercises, lack of space at the Mission's disposal yard to conduct further sales and the risk that the purchased items could be stolen and vehicles and generators could be cannibalized resulting in a financial loss to the Organization.

(3) MINUJUSTH should liaise with the Host Government to identify ways of streamlining the tax payment process to facilitate the payment of tax by buyers and the removal of assets from the Mission's premises.

MINUJUSTH accepted recommendation 3 and stated that Mission Support would escalate the issue with the office of the Special Representative of the Secretary-General to engage with the Host Government to facilitate the streamlining of the tax payment process. Recommendation 3 remains open pending receipt of evidence that the Mission has liaised with the Host Government on this issue, and assets have been removed from the Mission's premises.

Need to properly prepare assets before disposal through commercial sale

26. The Liquidation Manual requires the liquidation team to remove communication and other equipment, United Nations markings, car logs and license plates from all vehicles that are to be sold or transferred.

27. Site visits and observation of commercial sales of 104 vehicles parked at the Disposal Yard in October 2017 indicated that the already sold vehicles still had United Nations markings, car logs, ultra-high frequency/high frequency radios, police markings and license plates stuck on them. This was due to unavailability of staff to remove markings and equipment from vehicles because they had been separated from MINUSTAH. Non-removal of markings and other items from the vehicles before sale could give a false impression to the buyer that the vehicles were being sold with the items.

28. Subsequent to the end of the audit fieldwork, MINUJUSTH informed OIOS that it had removed all markings, radios and car logs from vehicles to be disposed of during the next sale. Also, the Transport Unit had contracted a vendor to remove all the markings from vehicles that were written-off. Car logs were removed by an individual contractor and radios had been removed by staff from the Communication and Information Technology Section. Based on the action taken by MINUJUSTH, no recommendation is made on this issue.

B. Safeguarding of assets

Need to hold separating staff members accountable for failure to promptly report missing assets

29. The Department of Peacekeeping Operations/DFS Property Management Manual requires MINUSTAH staff to be responsible for the safekeeping, proper handling/usage and prompt reporting of loss of items to the Special Investigation Unit (SIU) for investigation.

30. OIOS reviewed cases of missing items including nine vehicles, 17 laptop computers, a water tank, two desktop computers, two items of fitness equipment, four network switches and six radio broadcast equipment, 13 handheld radios and five phones, reported to SIU by 80 staff between June to October 2017. OIOS noted that 50 of these staff only reported that the assets entrusted to them had been lost just shortly before checking out of the Mission. Therefore, results of investigations by the SIU that concluded the staff members were to be held accountable for the missing assets were only available after they had already left the Mission. A review of minutes of LPSB meetings from June to September 2017 indicated that cases involving missing assets from staff was not discussed.

31. Without timely review and resolution of investigation results, the Mission may never recover the value of assets reported as missing by staff members just before checking out of the Mission.

(4) MINUJUSTH should convene meetings of the Local Property Survey Board to review cases of assets reported as missing by staff members shortly before checking out of MINUSTAH and initiate action to recover the value of the missing assets, where applicable.

MINUJUSTH accepted recommendation 4 and stated that it was in the process of establishing the LPSB, which would look into the reported missing assets. Owing to staffing challenges, the Board may only be constituted by 31 January 2018 since there were no dedicated Claims or LPSB staff foreseen in the staffing table. Recommendation 4 remains open pending the establishment of the LPSB and receipt of its report on this issue.

V. ACKNOWLEDGEMENT

32. OIOS wishes to express its appreciation to the management and staff of MINUSTAH and MINUJUSTH 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 assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MINUJUSTH should constitute an asset disposal working group and a local property survey board with clear terms of reference to ensure the expeditious disposal of MINUSTAH assets.	Important	O	Receipt of evidence that the Mission has established the Asset Disposal Working Group and Local Property Survey Board with clear terms of reference.	15 February 2018
2	MINUJUSTH should actively engage with the Police Component of the Mission to secure the release of assets identified for disposal in the asset disposal plan so that write-off procedures can be completed.	Important	O	Receipt of evidence that the Police Component of the Mission has released assets identified for disposal in the Asset Disposal Plan and has taken action to dispose of them.	24 January 2018
3	MINUJUSTH should liaise with the Host Government to identify ways of streamlining the tax payment process to facilitate the payment of tax by buyers and the removal of assets from the Mission's premises.	Important	O	Receipt of evidence that the Mission has liaised with the Host Government on this issue, and assets have been removed from the Mission's premises.	22 January 2018
4	MINUJUSTH should convene meetings of the Local Property Survey Board to review cases of assets reported as missing by staff members shortly before checking out of MINUSTAH and initiate action to recover the value of the missing assets, where applicable.	Important	O	Receipt of report from the LPSB, once it is established, on this issue.	15 February 2018

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 [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

APPENDIX I

Management Response

UNITED NATIONS
United Nations Mission for Justice
Support in Haiti



INTEROFFICE MEMORANDUM

NATIONS UNIES
Mission des Nations Unies pour
l'Appui à la Justice en Haïti

MEMORANDUM INTERNE

Date: 07 February 2018
Ref: CMS/18/OM/11

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

From: Frank Levasseur
Chief of Mission Support

Subject: Draft report – Audit of assets disposal during the liquidation of MINUSTAH

1. I refer to your interoffice memorandum with reference IAD: 18-683/01 dated 25 January 2018 on the above subject.
2. We appreciate the recommendations and are pleased to provide you with the responses in the enclosed Appendix I.
3. Should you require any additional information, we would be happy to answer them.

Thank you

Cc: Susan D. Page, SRSG, MINUJUSTH
Suradi Long, Chief of Property Management, MINUJUSTH
Miguel Aju, Audit Focal Point, MINUJUSTH
Ibrahim Bah, Chief Resident Audit Office, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of assets disposal during the liquidation of the United Nations Stabilization Mission in Haiti

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MINUJUSTH should constitute the asset disposal working group and the local property survey board with clear terms of reference to ensure the expeditious disposal of MINUSTAH assets.	Important	Yes	Chief SCM	15 Feb 2018	With the arrival of the Liquidation Team from GSC, MINUJUSTH will implement the recommendation by 15 February 18.
2	MINUJUSTH should actively engage the Police Component of the Mission to secure the release of the assets identified for disposal as required by the Liquidation Manual.	Important	Yes	Chief Transport	24 January 2018	Implemented
3	MINUJUSTH should liaise with the Host Government to identify ways of streamlining the tax payment process to facilitate the payment of tax by buyers and the removal of assets from the Mission's premises.	Important	Yes	Chief SCM/Legal	22 January 2018	Implemented
4	MINUJUSTH should convene meetings of the Local Property Survey Board to review cases of assets reported as missing by staff members in the month of checking out of MINUSTAH and initiate action to recover the value of the missing assets, where applicable.	Important	Yes	Chief SCM/PMU	15 Feb 2018	MINUSJTH is in the process of establishing the LCRB/LPSB Panel that will be reviewing and deliberating on assets write-offs above \$3000 as per DoA thresholds. Once established, MINUSTAH assets reported as lost, missing or stolen will be reviewed by the Panel who will recommend appropriate action by CMS or CMS's referral to HPSB for final approval by ASG OCSS.

⁵ 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.

⁶ 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.