OIOS
Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2018/043

Thematic audit of education grant disbursements at the United Nations Secretariat

While education grants were disbursed to employees who met eligibility requirements and entitlement conditions, there was a need to improve the efficiency and effectiveness of processing education grants through the establishment of performance indicators and monitoring procedures, including those for addressing the risk of fraud

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Thematic audit of education grant disbursements at the
United Nations Secretariat

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted a thematic audit of education grant disbursements at the United Nations Secretariat. The objectives of the audit were to assess whether: (i) education grant claims were processed effectively and efficiently; (ii) guidance and monitoring of the process by the Office of Human Resources Management (OHRM) in the Department of Management (DM) was adequate and effective; and (iii) fraud risks were adequately managed. The audit covered the period from 1 January 2016 to 31 May 2017 and included: (i) overall monitoring of education grant payments by OHRM, including exercise of delegated authority and management of fraud risks; (ii) processing of education grant claims by OHRM and the Office for Coordination of Humanitarian Activities (OCHA); (iii) performance management; and (iv) records management.

OHRM processed a large volume of education grant advances and claims for staff in New York Headquarters and selected field offices, while the OCHA office in Geneva processed education grant for OCHA field staff members. Education grants were disbursed to employees who met eligibility requirements and entitlement conditions. However, in order to improve the efficiency and effectiveness of processing the education grants and to address the risk of fraud, other areas needed to be improved.

OIOS made seven recommendations. To address issues identified in the audit, OHRM needed to:

- Develop and implement procedures for monitoring education grants processed across the Secretariat;

- Follow up on education grant processing errors identified by the audit and take corrective actions;

- Establish procedures to ensure up-to-date certification by the Medical Service Division for disbursement of special education grants;

- Establish, monitor and report on performance indicators on processing of education grants; and

- Improve record-keeping procedures.

In addition, DM needed to ensure timely and accurate recovery of education grant advances, while OCHA needed to review and recover two overpayments.

DM and OCHA accepted the recommendations and initiated action to implement them.

CONTENTS

Thematic audit of education grant disbursements at the United Nations Secretariat

I. BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted a thematic audit of education grant disbursement at the United Nations Secretariat.

2.   Education grant is an expatriate benefit that is payable to eligible staff members in respect of each dependent child's educational expenses. It is provided to staff members who are: internationally recruited under United Nations Staff Rule 3.9; hold a fixed-term, or continuing appointment; reside and serve at a duty station outside their home country; have dependent children in full-time attendance at a school, university or similar educational institution; and are assigned for a minimum period of six months from one duty station to another. The administrative instruction (ST/AI/2011/4[1]) and the information circular (ST/IC/2014/12/Rev.1[1]) on education grant and special education grant for children with a disability set rules and procedures on submitting and processing education grant claims and requests for advances.

3.   The authority to approve education and special education grant claims is delegated to the Assistant Secretary-General of the Office of Human Resources Management (OHRM) in the Department of Management (DM) and to heads of offices away from Headquarters (administrative instruction on administration of the Staff Regulations and Staff Rules - ST/AI/234/Rev.1). The Assistant Secretary-General for OHRM sub-delegated the authority to approve education grant for staff members serving in the field to the Under-Secretaries-General (USG) of the Department of Field Support (DFS) and the Office for the Coordination of Humanitarian Affairs (OCHA). OHRM processes and approves education grant claims for staff members at United Nations Headquarters in New York. The Office of Programme Planning, Budget and Accounts (OPPBA) in DM executes payments of education grant advances and claims.

4.   Education grant is set at 75 per cent of admissible educational expenses up to a maximum of $34,190. The maximum amount of the special education grant for disabled children is $45,586. Admissible costs include: tuition, tuition in mother tongue, enrolment related fees, capital assessment fees, daily school transportation, cost of textbooks, boarding, special equipment and education-related travel. Requests for payment of education grant are submitted on the P.45 form, which has to be accompanied by documentation evidencing the child's school attendance, educational costs and other specific amounts paid by the staff member.

5.   In 2016, almost 5,800 staff members in the Secretariat worldwide made claims amounting to $142 million for more than 11,200 children. The average amount per claim per child was approximately $12,700. The United Nations Secretariat paid $155 million in education grant claims from January 2016 to May 2017. Table 1 provides an overview of United Nations Secretariat entities that processed claims from January 2016 to May 2017 and those that were covered by the thematic audit of education grant disbursements by OIOS.

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[1] Administrative instructions ST/AI/2018/1 on education grant and related benefits and ST/AI/2018/2 on special education grant and related benefit for children with a disability were issued on 1 January 2018, and related ST/IC/2018/7 and ST/IC/2018/8 were issued on 1 March 2018. They superseded this administrative instruction, information circular and related amendments and set rules and procedures for the revised education grant scheme, which was adopted by General Assembly resolution 70/244 and applies to the school year in progress on 1 January 2018. The audit report has been updated with changes introduced by these documents, where applicable.

Table 1: Payments of education grant claims from January 2016 to May 2017, approved by human resources processing units across the Secretariat (amounts in millions of United States dollars)

Human Resources processing units*		2016		2017 (January to May)		OIOS coverage
		Number of claims	Amount of claims	Number of claims	Amount of claims	
Regional Service Centre in Entebbe (RSCE) and its client missions**		4,913	57.2	730	8.2	Report 2018/025
OHRM	for Headquarters staff	1,122	24.4	65	1.1	Covered in this report
	for field staff	210	1.5	16	0.2	
United Nations Office in Geneva (UNOG)		831	15.0	42	0.4	Report 2017/086
United Nations Office in Nairobi		609	9.1	37	0.3	Report 2017/109
Kuwait Joint Support Office (KJSO)**		547	7.9	60	0.7	Included in report 2018/025
United Nations Interim Force in Lebanon (UNIFIL)**		528	6.1	33	0.5	Included in report 2018/025
OCHA – for field staff only		244	4.0	34	0.5	Covered in this report
United Nations Office in Vienna		246	3.6	10	0.1	Report 2017/087
Economic Commission for Africa (ECA)		199	3.0	19	0.2	Report 2017/095
United Nations Stabilization Mission in Haiti (MINUSTAH)**		207	2.7	20	0.2	
Economic and Social Commission for Asia and the Pacific		156	2.4	4	0.0	
United Nations Global Service Centre (UNGSC) in Brindisi and its client missions**		113	1.4	4	0.0	
International Criminal Tribunal for the former Yugoslavia and the Mechanism for International Criminal tribunals		95	1.3	5	0.1	Report 2017/029
Economic and Social Commission for Western Asia		82	1.0	-	-	
Economic Commission for Latin America and the Caribbean		90	0.9	36	0.3	
United Nations Interim Administration Mission in Kosovo (UNMIK)**		57	0.6	1	0.0	
Grand total		**10,249**	**142.1**	**1,116**	**12.8**	

Source: Umoja reports
*This is an approximate distribution of claims by human resources processing units. Exact data is not available, due to limited data categorization capabilities in Umoja reports.
**Claims processed by DFS on behalf of human resources processing units in the field could not be distinguished and are included in totals for the relevant processing units.

6.   Between January 2016 and May 2017, OHRM processed 1,187 education grant claims totaling $25.5 million to staff members at Headquarters in New York. In addition, OHRM processed 226 education grant claims totaling $1.7 million for staff members not residing in New York. These included staff in the field from OIOS, Office of the United Nations Ombudsman and Mediation Services, and Department of Public Information. The Umoja Headquarters Deployment Group in the Human Resources in the Learning, Development and Human Resources Services Division of OHRM was responsible for processing requests for education grant advances and claims for the 2015/2016 school year. In April 2017, the newly created

Entitlements and Separations Team in the same division became responsible for processing requests for education grant advances and claims. The team is headed by a chief at the P-5 level and has two desk officers and 10 human resources partners (HR partners).

7. Comments provided by DM and OCHA are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objectives of the audit were to assess whether: (i) education grant claims were processed effectively and efficiently by OHRM and OCHA; (ii) OHRM guidance and monitoring of the process was adequate and effective; and (iii) fraud risks were adequately managed.

9. This audit was included in the 2017 risk-based work plan of OIOS as part of the global thematic audit of education grant disbursements in the United Nations Secretariat due to the risks associated with processing and paying education grant entitlements, including the risk of fraud.

10. OIOS conducted this audit from June to October 2017. The audit covered the period from 1 January 2016 to 31 May 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the education grant disbursement at the United Nations Headquarters in New York, which included: (i) overall monitoring of education grant payments including exercise of delegated authority and management of fraud risks; (ii) processing of education grant claims; (iii) performance management; and (iv) records management. Education grant travel was not included in the scope of this audit.

11. The audit methodology included: (a) interviews of key personnel in OHRM and OPPBA, the Field Personnel Division (FPD) of DFS and OCHA; (b) reviews of relevant documentation; (c) analytical reviews of data; (d) sample testing of claims and payments; (e) external confirmations from educational institutions; and (f) review of cross-cutting issues reported by other OIOS audit teams.

12. The audit tested a statistical sample of claims processed by OHRM and a judgmental sample of unusual transactions Secretariat-wide (high amounts per claim, per staff member or per country) in the Umoja system. Table 2 indicates the sample sizes:

Table 2: Sample size of claims processed by OHRM

	Statistical sample	Judgmental sample	Total
Sample amount	$1.5 million	$1.9 million	$3.4 million
Total population	$27 million	$155 million	
Percentage of claims tested	5.5%	1.2%	
Number of education grant claims reviewed	107	109	216
Number of staff covered	59	28	87
Number of children covered	89	70	159

13. In addition, OIOS reviewed education grants processed by the OCHA Office in Geneva for OCHA field staff members. For the period under review, 145 OCHA field staff members submitted 744 individual claims totaling $4.5 million. OIOS tested a sample of claims amounting to $795,529 (18 per cent) submitted by 21 staff members for 60 children.

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

III.   AUDIT RESULTS

A.   Overall monitoring of education grant payments

<u>OHRM needed to develop guidelines and implement monitoring procedures over education grants</u>

15.   The administrative instruction on the administration of the Staff Regulations and Staff Rules (ST/AI/234/Rev.1) stipulates that OHRM has responsibility for monitoring the direct application of Staff Regulations and Rules, including interpretation of the Staff Rules. The Secretary-General's bulletin on the organization of OHRM (ST/SGB/2011/4) states that OHRM, as the central authority for matters pertaining to the management of human resources, is responsible for supporting the monitoring of the implementation of rules, policies and programmes.

16.   Education grant payments were processed at 16 locations throughout the Secretariat, including 6 under delegation of authority to USG/DFS, who further sub-delegated the authority to peacekeeping missions. However, OHRM did not design and implement any monitoring procedures to review education grants and advances processed within the Office or across the Secretariat. OIOS identified the following issues:

    i.   *Inadequate monitoring of delegation of authority to DFS.* Neither OHRM nor FPD was able to provide a complete list of entities delegated to process and approve education grant advances and claims. Between 2009 and 2016, RSCE, UNGSC, FPD, KJSO, UNIFIL, MINUSTAH and UNMIK became responsible for processing education grant advances and claims. In addition, some missions were delegated authorities to process advances. Such decisions were formalized in various internal memoranda and other documents, but no central repository was maintained, impeding monitoring of the use of the delegation.

    ii.   *Inconsistent policy interpretation.* OIOS noticed different interpretations and application of the provisions on flat sums for boarding expenses. While UNOG sometimes required documentary proof from staff members prior to paying the flat sum for board, other processing offices did not. As a result, OHRM did not ensure consistent and equitable treatment of staff members.

    iii.   *Inadequate internal monitoring.* OHRM did not review and analyze trends in education grant payments, did not compare average amount of claim per location, and did not review unusual claims to detect potential errors or red flags. DFS, which had sub-delegated authority granted by OHRM, also did not conduct monitoring of education grants, but was in the process of establishing a new monitoring framework during the audit. As a result, some deficiencies related to processing of education grants such as errors and long outstanding education grant advances may not be timely addressed.

17.   DFS stated that the current delegation of authority framework was outdated and did not properly function in their constantly changing environment, including the evolving governance structures of RSCE and implementation of the Global Field Support Strategy. Secretariat-wide, the delegation of authority framework is being reviewed as part of the proposed reforms of the Secretary-General in his report to the General Assembly (A/72/492). Therefore, OIOS did not issue a recommendation on the management of delegation of authority at this time.

18.   There was a need however, to develop monitoring procedures and Umoja reports to extract, categorize, and analyze education grant data to mitigate the risks of erroneous education grant payments,

potentially fraudulent claims, non-recovery of education grant advances and inconsistent application of existing policies, in light of the dispersed processing locations.

> **(1) OHRM should develop guidelines and implement monitoring procedures to review trends and accuracy of processing education grants across the Secretariat.**
>
> *DM accepted recommendation 1 and stated that OHRM was developing Business Intelligence reports for monitoring education grants as well as guidance on the monitoring procedures. Fifteen monitoring reports had been identified and specifications drafted.* Recommendation 1 remains open pending receipt of guidance on the monitoring procedures and specimens of the Business Intelligence reports developed for education grants.

Inadequate organization-wide monitoring mechanisms to recover long outstanding education grant advances

19.   The administrative instruction on education grant and special education grant for children with a disability stipulates that recovery of education grant advances shall take place three and four months after the end of the relevant school year for Headquarters and field staff, respectively, or on separation from service. No advance shall be authorized for subsequent school years until previous advances have been cleared.

20.   As of October 2017, at least 37 education grant advances totaling $518,342 that were due for recovery on or before 31 December 2016 had not been recovered organization-wide. Moreover, 15 of these advances totaling $170,420 were due from staff members who had separated from the Secretariat. Multiple staff members had also received new education grant advances although earlier advances had not been recovered from them.

21.   Even though the human resources module in Umoja properly triggered automated recovery of outstanding advances when due, because of user-initiated changes to the settlement date on the system, such recovery was not always picked up by the payroll module. In such cases OHRM had to notify the Payroll Unit outside of Umoja to execute a recovery. However, neither OHRM nor OPPBA which was responsible for reviewing financial obligations of staff members separating from the Organization, had established adequate monitoring procedures to identify, review and recover long outstanding advances. OPPBA commented that although it had monitoring procedures, recovery could only be done if there were sufficient funds in the staff member's final pay and upon processing the relevant separation payroll. In the absence of these, education grant advances can remain open beyond the separation date of a staff member. In OIOS' opinion, additional mechanisms were needed to ensure that all advances are settled prior to staff members' separation.

22.   In addition, the education grant advances monitoring report in Umoja did not include all outstanding advances. This was due to several technical problems, which according to DM had now been resolved. Furthermore, some advances from the previous Integrated Management Information System (IMIS) were not showing in the human resources module in Umoja even though they had been migrated to Umoja and were still outstanding. DM informed OIOS that only advances from active staff were recorded in the Human Capital Management module in Umoja. Outstanding advances from staff who had separated prior to the implementation of Umoja were being processed through accounts payable.

23.   Inadequate mechanisms to recover long outstanding education grant advances may lead to financial losses. DM commented that OPPBA and OHRM worked closely in identifying outstanding advances to ensure that applicable recoveries were made before finalizing any separation entitlements and prevent financial losses.

> **(2) DM should: (i) enhance monitoring procedures to ensure timely and accurate recovery of education grant advances and other outstanding balances due from staff members; and (ii) recover all long outstanding balances.**
>
> *DM accepted recommendation 2 and stated that it had enhanced monitoring procedures through monthly reconciliation of the Education Grant Advance Recovery Report with the Payroll Recovery Report to ensure all recovery cases are captured. OHRM would continue to enforce the timely submission of education grant documents by staff members to avoid long outstanding advances.* Recommendation 2 remains open pending receipt of evidence that long outstanding education grant advances have been recovered.

<u>OHRM needed to address the risk of fraud in its monitoring procedures for education grant</u>

24.   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.

25.   Although the risk of submitting fraudulent education grant claims was included in the draft Fraud and Corruption Risk Register of the United Nations Secretariat developed in 2017, OHRM did not actively manage fraud risks pertaining to education grants. Only 36 cases of suspected education grant fraud committed by staff members were reported to the Investigation Division in OIOS in the last 10 years. Despite a recommendation for DM to establish a mechanism to collect and reconcile information on cases of fraud (OIOS report 2014/051), OHRM did not keep any log of detected or reported cases of questionable education grant claims or analyze data to identify unusual payment patterns. Also, OHRM did not introduce procedures to mitigate the risk of known fraud schemes such as duplication of claims from staff members whose spouses also work for international organizations, continuation of education grant for staff members who had become permanent residents of the country of their duty station, and submission of falsified documents. Since June 2016, education grant claims have been submitted electronically and supported with scanned documents, which could not be inspected for signs of authenticity such as seals of educational institutions as these were not visible in most electronic copies.

26.   As part of the audit procedures, OIOS solicited confirmation of school attendance and educational expenses directly from schools and requested staff members currently in New York to submit original documentation supporting 93 claims in our sample. OIOS received responses from 84 per cent of the schools and obtained documents for 83 claims. For the remaining 10 cases, neither the staff member nor OHRM reported being in possession of the original documents, each claiming that the other party had them. However, for these 10 cases, OIOS reviewed confirmations received from schools. In addition, OIOS reviewed the permanent residency status of the sampled staff members against the information obtained from the Tax Income Unit in OPPBA. Based on the audit work performed, OIOS did not identify any falsification of documents or ineligible staff members in the audited sample; however, this did not eliminate the risk.

27.   The new information circulars on education grant and special education grant promulgated after the audit fieldwork require claiming staff members to attest whether the child's other parent is a staff member of the United Nations common system and whether the other parent claims the education grant benefits as well. The newly issued administrative instruction also stipulate that providing incorrect information or failing to provide the requested information may result in rejection of claim, recovery of prior payments and administrative/disciplinary measures in accordance with staff rule 10.2, including

dismissal for misconduct. However, inadequate monitoring procedures to mitigate the risk of fraud may result in undetected fraudulent education grant claims. Recommendation 1 also addresses this issue.

B.   Processing of education grant claims and requests for advances

OHRM and OCHA needed to follow up on education grant processing errors and determine corrective actions

28.   OHRM and OCHA are required to implement processing and review controls to ensure that education grants are calculated and approved in accordance with applicable rules. OPPBA is required to ensure that grants are paid in the right amounts as approved by the relevant HR partner, as well as that grant advances are recovered in the right amounts.

29.   For the 216 education grant claim transactions reviewed at Headquarters, OIOS found 12 cases of overpayments totaling $31,628, 10 cases of underpayments totaling $32,607, and 5 cases of potentially incorrect payments due to premature certification of documents. During the audit, an overpayment of $14,745 and an underpayment of $18,864 were corrected by DFS and OPPBA respectively. Remaining processing errors were under review by the relevant offices.

30.   For the sample of claims reviewed that were submitted by 21 staff members and processed by the OCHA Office in Geneva, OIOS found two inappropriate payments totalling $69,826. A 2016 payment of $44,761 that was not supported by an education grant claim and an overpayment of approximately $25,065 after an incorrect exchange rate was used to convert a claim from the original currency to United States dollars. DM commented that the issue of incorrect currency conversion had been referred to the vendor of the Umoja system and a fix was recently received that would be put into production following the standard testing processes.

31.   The other deviations primarily occurred because of human error and inexperience. Some errors were also due to incomplete review of supporting documentation and/or insufficient review by the second HR partner ("desk officer"), who settled them after they had been entered in the system by the first HR partner.

> **(3) OHRM should follow up on education grant processing errors identified by the audit and implement corrective actions.**
>
> *OHRM accepted recommendation 3 and stated that it would review the root cause of the errors and take corrective actions to avoid future errors.* Recommendation 3 remains open pending receipt of evidence that corrective actions have been implemented to prevent processing errors.
>
> **(4) OCHA should follow up on education grant processing errors identified by the audit and implement corrective actions.**
>
> *OCHA accepted recommendation 4 and stated that it had resolved both identified cases.* Recommendation 4 remains open pending receipt of evidence of the actions taken.

The new administrative issuances clarified requirements for claiming flat sums for board

32.   The administrative instruction on education grant and special education grant for children with a disability specifies that expenses for board are admissible when a child attends an educational institution outside the duty station or when a child attends an educational institution beyond commuting distance from

the area where the staff member is serving and, in the opinion of the Secretary-General, no school in the area would be suitable for the child. The flat sum for board is payable where the educational institution does not provide board.

33.   OHRM automatically disbursed flat sum payments when the above conditions were met, without requiring staff members to claim reimbursement of boarding expenses or to confirm that the board expenses had been incurred. OIOS reviewed 38 payments of flat sums for board totalling $165,173 in respect of 24 children (12 children in primary school, 6 in secondary school and 6 in university). The general eligibility criteria for education grant were met and the amounts paid were in line with applicable education grant entitlements, ranging between $3,430 and $6,265. However, OIOS review of the schools' websites showed that 10 were day schools and therefore the staff members could not have incurred boarding expenses.

34.   Conversely, the information circular on education grant and special education grant for children with a disability requires the staff member to submit documentary proof for flat sums for board only if the child does not reside with the staff member. OHRM clarified that this pertains only to cases where the staff member is not the custodial parent of a child. However, in one case OHRM disbursed flat sums for board and textbooks amounting to $3,754 to a non-custodial parent of a child without obtaining the required documentary proof of these expenses.

35.   Unclear requirements for claiming flat sums for boarding expenses could lead to reimbursements of expenses not incurred and pose a reputational risk as staff members receive these payments without any formal request. The new information circulars require staff members to claim boarding assistance and attest that the child does not reside with his parents. They also require staff members to maintain all relevant documentation pertaining to claims for reimbursement in their original form for a period of five years. Therefore, OIOS did not make a recommendation on this issue.

OHRM needed to strengthen controls pertaining to special education grant

36.   The administrative instruction on education grant and special education grant for children with a disability requires certification by the Medical Services Division (MSD) of the disability that gives rise to the claim for special education grant. It further requires staff members to provide evidence that he or she has exhausted all other sources of benefits that may be available for the education and training of the child, including those from state and local governments and from the United Nations contributory medical insurance plans.

37.   OIOS reviewed 17 special education grant claims and noted weaknesses pertaining to expired certification from MSD and inadequate evidence that staff members had exhausted other sources of benefits. In four cases reviewed, OHRM could not provide the certificate from MSD covering part of or the whole school year for which the special education grant was paid. In addition, OHRM did not centrally track the expiration of certificates. OIOS noted instances where OHRM requested certification from MSD retroactively at the end of the school year. However, these certificates did not cover the full school year.

38.   As part of the special education grant, therapies such as occupational, speech or neuro therapy were reimbursed. However, in two cases reviewed OHRM did not request written confirmation from the medical insurance providers that the benefits from the insurance had been fully exhausted. According to OHRM, HR partners relied on oral or e-mail confirmation from staff members that they did not receive any benefits from or that such benefits were not reimbursable by their medical insurance. As a result, disbursed special education grants totalling $81,817 did not comply with internal rules requiring certification by MSD and evidence of exhaustion of benefits from other sources.

39.   The new information circular on special education grant requires staff members to attest that all other sources of benefits that may be available for the education and training of child(ren), including those provided by states, local governments and medical insurance have been exhausted. It also requires staff to retain the supporting documentation for five years in their original form and to submit them upon request for monitoring and compliance purposes. Therefore, OIOS did not make a recommendation on this issue. However, OHRM still needed to ensure that special education grants were supported by valid certificates by MSD.

> **(5) OHRM should establish procedures to ensure the existence of current disability certificates issued by the Medical Services Division that cover the full school year for which special education grant claims are disbursed.**
>
> *DM accepted recommendation 5 and stated that OHRM would review the Special Education Grant Certification Review Report and take necessary action if it does not meet business requirements.* Recommendation 5 remains open pending receipt of evidence that the Special Education Grant Certification Review Report enables adequate monitoring of disability certificates and their validity.

C.   Performance management

OHRM needed to improve performance standards for processing education grant claims and advances

40.   According to Secretary-General's bulletin on the organization of OHRM (ST/SGB/2011/4), one of the core functions of the Learning, Development and Human Resources Services Division is conducting business process reviews to streamline procedures for increased efficiency and effectiveness. In addition, in his report to the General Assembly (A/72/492) on 27 September 2017, the Secretary-General called for strengthening transparency and accountability mechanisms for the exercise of delegated human resources management authority against established key performance indicators.

41.   OHRM did not establish performance standards or performance indicators for processing education grant claims and requests for advances. In 2016, OHRM set up a database to log education grant claims for the school year 2015/2016 and requests for advances for 2016/2017, assign their processing to HR partners and track the dates when the claim or advance request was processed and approved. However, this database was only about 75 per cent complete as OHRM staff did not consistently enter the required information into the database. The incomplete database showed that 41 per cent of requests were processed within one month.

42.   In June 2017, OHRM introduced the iNeed web-based application for staff members to submit electronically education grant claims for the school year 2016/2017 and requests for advance for the school year 2017/2018. As of 30 August 2017, only 34 cases out of 1,163 submissions had been closed. The closed cases also included rejected submissions which did not fall under the scope of OHRM. As of 31 October 2017, OHRM had not provided OIOS with the updated analysis from iNeed.

43.   OHRM did not analyze how many education grant claims or requests for advances were processed by individual HR partners, or how long it took on average to process a claim. OIOS' analysis of processing timelines based on the data relating to 59 education grant disbursements indicated that it took on average 54 days from the claim submission to its approval by OHRM. After deducting six staff members whose claims took more than 100 days to process, the average dropped to 40 days. Once the claim was approved by OHRM, it took on average 28 days to pay the claim by OPPBA.

44.   Without measuring performance in processing of education grant claims, OHRM was not able to compare the performance of its staff with other entities or among different HR partners in OHRM. In addition, long processing times suggest that the processing of education grant claims was not managed efficiently. Furthermore, to allow staff members to pay tuition on time at the beginning of the school year, OHRM disbursed advances for the subsequent school year prior to settling the education grant claims and recovering advances for the current school year. This was however in violation of the requirements of the administrative instruction (ST/AI/2011/4) which states that no advances should be paid before clearing the prior outstanding advances.

45.   Learning curve and several re-organizations within OHRM following the Umoja deployment in November 2015 contributed to the slow processing times of education grant claims. OHRM further noted that with the limited existing resources and no budget availability to pay for overtime it remained challenging to process education grant claims and requests for advances in the peak summer period. OHRM informed OIOS that it intended to establish performance standards as part of the Global Service Delivery Model.

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(6) OHRM should establish, monitor and report on performance indicators related to the processing of education grant claims and advances to improve efficiency.

DM accepted recommendation 6 and stated that as part of the Global Service Delivery Model, service level agreements and performance indicators would be established for all human resources transactions, including education grant processing. Recommendation 6 remains open pending receipt of the performance indicators for processing education grant transactions.

D.   Records management

OHRM needed to enhance records management procedures

46.   The Secretary-General's bulletin on record-keeping and the management of United Nations archives (ST/SGB/2007/5) stipulates responsibilities of staff members and departments and offices related to records management. Records management should ensure efficient and systematic control of the creation, receipt, maintenance, use and disposition of records.

47.   OHRM did not implement proper records management procedures. Prior to 2016, staff members submitted original documents to support education grant claims to OHRM, which maintained hard copies. From 2016, staff members were required to submit education grant claims electronically and retain the originals. OHRM used the Unite Docs records management system to file electronically documentation substantiating education grant claims. However, for 24 out of 59 staff in the audit sample, there were no documents filed in Unite Docs and they had to be manually retrieved from OHRM offices during the audit. In two cases, OHRM was not able to retrieve the requested documents. Furthermore, the filed electronic documentation was not always complete. For example, there were instances of missing P.45 forms or certificates from MSD for special education grant. Moreover, the electronic documents were scanned in non-searchable formats which did not allow for quick search and retrieval of specific information in long documents. This was because HR partners were not instructed and monitored on scanning and filing of submitted documentation into Unite Docs. In 10 cases, neither staff member nor OHRM was able to retrieve the required original records, both claiming that the records were with the other party.

48.   Inadequate records management might lead to loss of valuable records and time trying to retrieve information.

> **(7) OHRM should implement procedures to comply with the Secretary-General's bulletin on record-keeping to ensure completeness, availability and proper format of records in Unite Docs and to enable quick retrieval of records maintained by OHRM.**
>
> *DM accepted recommendation 7 and stated that the recommendation had been implemented as operating procedures for record-keeping were in place.* Recommendation 7 remains open pending notification of procedures introduced and evidence of their implementation.

IV.   ACKNOWLEDGEMENT

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

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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Thematic audit of education grant disbursements at the United Nations Secretariat

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
1	OHRM should develop guidelines and implement monitoring procedures to review trends and accuracy of processing education grants across the Secretariat.	Important	O	Submission of guidance on the monitoring procedures and specimens of the Business Intelligence reports developed for education grants.	30 June 2019
2	DM should: (i) enhance monitoring procedures to ensure timely and accurate recovery of education grant advances and other outstanding balances due from staff members; and (ii) recover all long outstanding balances.	Important	O	Submission of evidence that long outstanding education grant advances have been recovered.	30 June 2019
3	OHRM should follow up on education grant processing errors identified by the audit and implement corrective actions.	Important	O	Submission of evidence of actions taken to prevent identified errors.	30 June 2019
4	OCHA should follow up on education grant processing errors identified by the audit and implement corrective actions.	Important	O	Submission of evidence of actions taken to correct identified errors.	31 December 2018
5	OHRM should establish procedures to ensure the existence of current disability certificates issued by the Medical Services Division that cover the full school year for which special education grant claims are disbursed.	Important	O	Submission of evidence that the Special Education Grant Certification Review Report enables adequate monitoring of disability certificates and their validity.	31 December 2018
6	OHRM should establish, monitor and report on performance indicators related to the processing of education grant claims and advances to improve efficiency.	Important	O	Submission of performance indicators for processing education grant claims.	30 September 2019
7	OHRM should implement procedures to comply with the Secretary-General's bulletin on record-	Important	O	Submission of record-keeping procedures introduced and evidence of their implementation.	31 December 2018

[2] 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.

[3] 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.

[4] C = closed, O = open

[5] Date provided by DM and OCHA in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Thematic audit of education grant disbursements at the United Nations Secretariat

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
	keeping to ensure completeness, availability and proper format of records in Unite Docs and to enable quick retrieval of records maintained by OHRM.				

APPENDIX I

Management Response

United Nations ● Nations Unies

INTEROFFICE MEMORANDUM ● MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume, Chief, New York Audit Service   DATE 1 May 2018
A: Internal Audit Division, Office of Internal Oversight Services

THROUGH: Christian Saunders, Assistant Secretary-General, OCSS and
S/C DE: Officer-in-Charge, Office of the Under-Secretary-General for Management

FROM: Mario Baéz, Chief, Policy and Oversight Coordination Service
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on a thematic audit of education grant disbursements at the United Nations**
OBJET: **Secretariat (Assignment No. AH2017/512/01)**

1.   We refer to your memorandum dated 23 March 2018 regarding the above-subject draft report and provide you with the comments from the Department of Management (DM) below and in the attached Appendix I.

Paragraph 18

There was a need however, to develop monitoring procedures and reliable Umoja reports to extract, categorize, and analyze education grant data to mitigate the risks of erroneous education grant payments, potentially fraudulent claims, non-recovery of education grant advances and inconsistent application of existing policies, in light of the dispersed processing locations.

2.   DM disagrees with the notion that the current Umoja reports are not reliable. The reports currently available in Umoja have been designed to generate different results depending on the parameters entered when running a report. This does not mean that the reports are unreliable. It requires the user to enter the proper parameters to obtain the required results. To the extent that any discrepancies are identified, they will be managed through the normal work order process.

Paragraph 20

OIOS observed that Umoja reports that could be used to review education grant data were either incomplete or inaccurate to facilitate effective analysis and monitoring. Different Umoja technical teams in DM were in charge of developing and updating Umoja reporting tools, based on the requirements of their responsible departments. Even though OHRM had developed and submitted its requirements for business intelligence reports on education grant and other processes to the Umoja technical team in 2015, these requirements had not been prioritized resulting in inadequate management information. In addition, although OHRM was aware of multiple education grant processing and reporting issues in Umoja, it did not maintain a comprehensive log of the identified issues and report them to the Umoja technical teams systematically.

3.   It should be noted that Umoja reports are developed based on design specifications from business users to meet defined needs and are only implemented after testing and validation by business users. The development of reports and changes in Umoja functionality is based on a

DM-2017-13005
2-May-2018

governance process involving iNeed tickets and Change Control Board (CCB) requests taking into consideration several factors, including an indication of priority by the Process Owner. At present, there are no pending iNeed tickets or CCB requests that either request the resolution of an identified defect or improve or expand on existing reports related to education grant processes.

Paragraph 21

In addition, OIOS identified 78 long outstanding education grant cases for which advances had been recovered, but the cases were not closed in Umoja. At the time of audit, OHRM was testing a solution to close long outstanding education grant cases. To allow for efficient and effective data analysis, accurate reporting on education grant needed to be developed and expired transactions closed.

4.   DM acknowledges that a technical issue was identified, which inhibited the automatic closure of education grants for which advances had been recovered. However, the resolution of this issue was completed and it is now in Umoja production.

Paragraph 24

Even though the human resources module in Umoja properly triggered automated recovery of an outstanding advance when due, because of changes to the settlement date in the system such recovery was not always picked up by the payroll module. In such cases OHRM had to notify the Payroll Unit outside of Umoja to execute a recovery. However, neither OHRM nor OPPBA had established monitoring procedures to identify, review and recover long outstanding advances. Even though OPPBA was responsible for reviewing financial obligations of staff members separating from the Organization, outstanding advances of separating staff members were not systematically recovered.

5.   It should be noted that a technical issue was identified that when a settlement date was brought forward (i.e., settlement made earlier than the initial due date), the required retroactive payroll process was not triggered to recover the advance from the current period. The resolution of this issue was moved into Umoja production in January 2017. To the extent that any further discrepancies are identified, they will be managed through the work order process.

6.   DM disagrees with the statement that "outstanding advances of separating staff members were not systematically recovered". Payroll procedures for reviewing outstanding education grants for recovery action from a separating staff member are systematically adhered to as a part of the processing of a staff member's separation payments. The Office of Programme Planning, Budget and Accounts (OPPBA) has monitoring procedures to identify, review and recover outstanding advances from separating staff members. However, recovery can only be put into effect if there are sufficient funds in the final pay of the related staff member and only upon the processing of the relevant separation payroll. While these conditions can result in education grant advances being open beyond the separation date of a staff member, they are not the result of inadequate monitoring or the lack of systematic recovery of outstanding advances from the final pay of separating staff members.

Paragraph 25

In addition, the education grant advances monitoring report in Umoja did not include all outstanding advances. This was due to several technical problems, which at the time of audit were under review by Umoja technical team. Furthermore, some advances from the

previous Integrated Management Information System were not showing in the human resources module in Umoja even though they had been migrated to Umoja and were still outstanding in accounts receivable.

7.   With regard to the first two sentences of paragraph 25 highlighted in red, reference should be made to DM's comments above in respect of paragraphs 18 and 24.

8.   It should also be noted that when transitioning from the Integrated Management Information System (IMIS) to Umoja, all outstanding advances were converted to the ERP Central Component (ECC). However, only advances for active staff were recorded in the Human Capital Management (HCM) module in Umoja. This was because the calculation of the final pay for staff who separated prior to the implementation of Umoja was not possible through HCM and so the outstanding advances could not be recovered through the HCM process. The final pay for these separated staff are calculated in IMIS and the relevant results are processed through the Accounts Payable (AP) process in Umoja with the outstanding converted advances recovered as a part of that process.

Paragraph 26

Inadequate monitoring of outstanding education grant advances, inconsistent application of separation procedures for departing staff, and unreliable information in Umoja reports, may lead to financial losses as some advances might not be properly settled or recovered.

9.   DM disagrees with the comments on unreliable information in Umoja reports as addressed above in the response to paragraph 18. Furthermore, OPPBA consistently applies separation procedures for departing staff as noted above in the responses to paragraphs 24 and 25, taking into consideration whether the staff member separated before or after the implementation of Umoja payroll functionality. OPPBA does not rely on Umoja reports for this process but rather it reviews all outstanding receivables for each separating staff member. The ultimate timing and full recovery of outstanding advances, however, is contingent on the completion of the separation process and the sufficiency of the resulting final pay amount to recover the outstanding advance.

10.   It should also be noted that the Office of Human Resources Management (OHRM) has a defined set of procedures in conducting entitlements clearance for separating staff members. Furthermore, OHRM works very closely with OPPBA in identifying receivables that have to be settled. This is to ensure that applicable recoveries are applied before finalizing any separation entitlements and in order for the organization not to incur any financial loss.

Paragraph 33 and OCHA's response to recommendation 5

For the sample of claims reviewed that were submitted by 21 staff members and processed by the OCHA Office in Geneva, OIOS found two inappropriate payments totalling $69,826. A 2016 payment of $44,761 that was not supported by an education grant claim and an overpayment of approximately $25,065 after an incorrect exchange rate was used to covert a claim from the original currency to United States dollars.

OCHA accepted recommendation 5 and stated that the claim in the amount of $44, 761 had been settled. The remaining processing error in the amount of $25,065 was referred to Umoja technical team for resolution.

11.   It should be noted that when reviewing the issue of the incorrect currency conversion that was noted in the audit findings, DM found a technical issue that occurred when the user entered

an expired currency in the education grant claim, which ultimately resulted in an incorrect conversion of the currency to United States dollars. This issue was referred to SAP (the vendor of the Umoja system) and a fix was recently received and it will be put into production following the standard testing processes.

12.   Thank you for giving us the opportunity to provide comments on the draft report.

Management Response

Thematic audit of education grant disbursement at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OHRM should develop guidelines and implement monitoring procedures to review trends and accuracy of processing education grants across the Secretariat.	Important	Yes	Senior Human Resources Officer, OHRM	30 June 2019	OHRM, through the Business Intelligence Process Owner Governance, is working on developing Business Intelligence (BI) reports for monitoring Education Grants (EG). Fifteen EG monitoring reports have been identified and specifications have been drafted. Along with the reports, OHRM will provide guidance on the monitoring procedures. It is expected that the BI reports on EG and related monitoring procedures will be available by the second quarter of 2019.
2	OHRM should develop a procedure to provide regular feedback and follow-up on its user and reporting requirements on education grant processing with the Umoja teams in the Department of Management.	Important	Yes	Senior Human Resources Officer, OHRM	30 June 2019	The mechanism is already in place and OHRM will ensure to provide feedback to Umoja when and if shortcomings are identified with current ERP Central Component (ECC) reports through the iNeed Governance Structure.
3	DM should: (i) enhance monitoring procedures to ensure timely and accurate recovery of education grant advances and other outstanding balances due from staff	Important	Yes	Senior Human Resources Officer, OHRM	30 June 2019	DM considers part (i) of the recommendation to be implemented. In Umoja, the recovery date of EG advance is automatically set. However, the Human Resources (HR)

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[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.

Management Response

Thematic audit of education grant disbursement at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	members; and (ii) recover all long outstanding balances.					Partner has the possibility of overriding the recovery date of the EG advance to a future date, if justified. An example of justification to defer recovery of the advance is when an HR Partner has received the documentation/claim from the staff within proper time frame, but has not yet processed the claim in Umoja. On a monthly basis, OHRM runs the EG Advance Recovery report in ECC and cross-references this report with the Payroll Recovery report to ensure that all cases are captured. OHRM will ensure to provide feedback to the Umoja team when and if shortcomings are identified with current ECC reports.

Regarding part (ii) of the recommendation, with the first-time implementation of the iNeed platform in the submission of EG applications by staff members, more effort was required on the part of EG processors to track submissions, request for more documentation from staff members, and gain access to submitted documents. Furthermore, this also affected the processing of recoveries for outstanding balances. For the 2018 school year processing, OHRM will continue to enforce the timely |

Management Response

Thematic audit of education grant disbursement at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						submission of EG documents by staff members, so as to avoid having long outstanding balances.
4	OHRM should follow up on education grant processing errors identified by the audit and implement corrective actions.	Important	Yes	Senior Human Resources Officer, OHRM	30 June 2019	OHRM will be reaching out to the United Nations Office at Geneva (UNOG) colleagues who are responsible for processing EG for the Office for the Coordination of Humanitarian Affairs (OCHA) in Geneva and field staff to understand the root cause of the errors and ensure that corrective actions have been taken to avoid any future errors.
5	OCHA should follow up on education grant processing errors identified by the audit and implement corrective actions.	Important				
6	OHRM should establish procedures to ensure the existence of current disability certificates issued by the Medical Services Division that cover the full school year for which special education grant claims are disbursed.	Important	Yes	Senior Human Resources Officer, OHRM	31 December 2018	Special EG Certification Review is already available in ECC. OHRM will review the report to ensure that it provides the necessary information. If the report does not meet the business requirements, an iNeed ticket will be raised by OHRM providing the requirements.
7	OHRM should establish, monitor and report on performance indicators related to the processing of education grant claims and advances to improve efficiency.	Important	Yes	Senior Human Resources Officer, OHRM	30 September 2019	OHRM has established a global work effort standard for EG processing. However, it has not yet established a turnaround time standard. As part of the Global Service Delivery Model

Management Response

Thematic audit of education grant disbursement at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						(GSDM), Service Level Agreements and performance indicators will be established for all human resources transactions, including EG processing.
8	OHRM should implement procedures to comply with the Secretary-General's bulletin on record-keeping to ensure completeness, availability and proper format of records in Unite Docs and to enable quick retrieval of records maintained by OHRM.	Important	Yes	Senior Human Resources Officer, OHRM	N/A	OHRM considers this recommendation to be fully implemented since operating procedures for record-keeping are already in place.

United Nations ⬤ Nations Unies

INTEROFFICE MEMORANDUM   MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume, Chief,   DATE: 10 April 2018
A: New York Audit Service,
        Internal Audit Division, OIOS

                                                REFERENCE:

THROUGH:
S/C DE:

FROM: Mark Lowcock, Under-Secretary-General for
DE: Humanitarian Affairs and Emergency Relief
        Coordinator

SUBJECT: **Response to the draft report on a thematic audit of education**
OBJET: **grant disbursements in the United Nations Secretariat**
          (AH2017/512/01)

1.   In reference to your memorandum dated 23 March 2018, I am
enclosing my comments on the draft report on a thematic audit
of education grant disbursements (attached).

2.   The findings of the audit include errors in two education
grants administered by OCHA. While one case was indeed human
error, the second case resulted from a technology error within
the Umoja platform.

3.   Nonetheless, I have reviewed, resolved, and closed both
cases as of April 2018.

4.   In addition, my office will continue to monitor education
grant payments in order to keep errors to a minimum.

5.   Thank you.

cc: Ms. Martha Helena Lopez, ASG for Human Resources Mangaement, DM
     Ms. Bettina Tucci Bartsiotas, ASG, Controller, OPPBA, DM
     Ms. Chhaya Kapilashrami, Director, Field Personnel Division, DFS
     Mr. Barnaby Jones, Executive Officer, EO, OCHA
     Mr. Zachary Ikiara, Chief, Oversight and Coordination Support Unit, DM
     Ms. Helene Thorup-Hayes, Audit Focal Point, OPPBA
     Ms. Leslie Cleland, Special Assistant to ASG and Audit Focal Point, OHRM
     Ms. Auk Neletta Ridderikhoff, Audit Focal Point, OCHA
     Mr. Tilchand Acharya, Chief, Field Audit Section, Internal Audit Division,
     OIOS
     Ms. Assel Omarova-Reister, Chief, Headquarters Audit Section, Internal Audit
     Division, OIOS
     Ms. Cynthia Avena-Castillo, Internal Audit Division, OIOS

Management response

Thematic audit of education grant disbursement at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OHRM should develop guidelines and implement monitoring procedures to review trends and accuracy of processing education grants across the Secretariat.	Important				
2	OHRM should develop a procedure to provide regular feedback and follow-up on its user and reporting requirements on education grant processing with the Umoja teams in the Department of Management.	Important				
3	DM should: (i) enhance monitoring procedures to ensure timely and accurate recovery of education grant advances and other outstanding balances due from staff members; and (ii) recover all long outstanding balances.	Important				
4	OHRM should follow up on education grant processing errors identified by the audit and implement corrective actions.	Important				
5	OCHA should follow up on education grant processing errors identified by the audit and implement corrective actions.	Important	Yes	Executive Officer	Case 1: Nov 2017 Case 2: April 2018	The audit identified two cases of processing errors in OCHA education grant disbursements and both have been resolved and closed as of April 2018.
6	OHRM should establish procedures to ensure the existence of current disability certificates issued by the Medical Services Division that cover the full school year for	Important				

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[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.

Management Response

Thematic audit of education grant disbursement at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	which special education grant claims are disbursed.					
7	OHRM should establish, monitor and report on performance indicators related to the processing of education grant claims and advances to improve efficiency.	Important				
8	OHRM should implement procedures to comply with the Secretary-General's bulletin on record-keeping to ensure completeness, availability and proper format of records in Unite Docs and to enable quick retrieval of records maintained by OHRM.	Important				