



INTERNAL AUDIT DIVISION

REPORT 2018/092

**Audit of payroll processing for
uniformed personnel by the Regional
Service Centre in Entebbe**

**Respective responsibilities between the
Centre and client missions needed
clarification to ensure accurate and timely
submission and processing of mission
subsistence allowances**

**9 October 2018
Assignment No. AP2018/616/02**

Audit of payroll processing for uniformed personnel by the Regional Service Centre in Entebbe

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of payroll processing for uniformed personnel by the Regional Service Centre in Entebbe (RSCE). The objective of the audit was to assess whether RSCE processed payroll for uniformed personnel timely and accurately. The audit covered the period from 1 November 2016 to 31 May 2018 and included processing personnel actions and mission subsistence allowance (MSA).

RSCE promptly and accurately processed entry personnel actions, and monthly MSA payroll was processed within established deadlines. However, the respective responsibilities between RSCE and client missions needed to be clarified to ensure accurate and timely submission of payroll input data and processing of MSA.

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

- Provide guidance to its client missions on proper use of the bulk approval function in the Field Support Suite to accurately capture the number of days eligible for MSA in monthly attendance reports;
- Clarify the respective responsibilities of RSCE and client missions on timely submission and verification of all required information before monthly and final payments of MSAs; and
- Review and take necessary action, including recoveries, disbursements and writes-off for outstanding MSA receivables of \$392,000 and payables of \$199,000 relating to separated uniformed personnel.

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

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Audit of payroll processing for uniformed personnel by the Regional Service Centre in Entebbe

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of payroll processing for uniformed personnel by the Regional Service Centre in Entebbe (RCSE).
2. Uniformed personnel comprise the four categories of the United Nations Police, military observers, staff officers and correction officers. The payroll included payment of mission subsistence allowance (MSA) and recovery of costs for services provided by missions such as accommodation, rations and telephone usage. The administrative instructions on MSA (ST/AI/1997/6 and ST/AI/2002/5) and various instructions of the Department of Field Support (DFS), RSCE and missions provided guidance on processing of payroll for uniformed personnel.
3. The Uniformed Personnel Service Line (UPSL) of RSCE was responsible for processing uniformed personnel payroll for 13 peacekeeping and special political missions based on input data such as attendance reports and service charges that the missions submitted to RSCE through the Field Support Suite (FSS) and COSMOS systems. UPSL processed the uniformed personnel payroll through Umoja since its implementation on 1 November 2016. For the 19-month period from 1 November 2016 to 31 May 2018, UPSL processed payroll payments totaling \$401 million, averaging \$21 million for about 5,260 uniformed personnel each month.
4. UPSL consisted of 25 staff, and was headed by a Chief at the P-4 level who reported to Service Delivery Manager of RSCE at the P-5 level.
5. Comments provided by DFS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether RSCE processed payroll for uniformed personnel timely and accurately.
7. This audit was included in the 2018 risk-based work plan of OIOS due to operational and financial risks associated with payroll processing.
8. OIOS conducted this audit from February to June 2018. The audit covered the period from November 2016 to May 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in payroll processing for uniformed personnel which included processing personnel actions and MSA.
9. The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) analytical review of data, and (d) sample testing of payroll transactions.
10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Processing of initial and monthly mission subsistence allowances

Entry personnel actions were adequately processed

11. RSCE is required to accurately and timely process entry personnel actions in Umoja for the incoming uniformed personnel, capturing detailed personal data. RSCE is also required to receive and confirm statements of mission of assignment and tour of duty of the personnel from either the Office of Military Affairs or the Police Division of the Department of Peacekeeping Operations (DPKO) and relevant supporting documentation from the human resources officers of client missions.

12. OIOS review of 74 out of 11,910 entry personnel actions during the audit period showed that RSCE had accurately processed them in Umoja within one monthly payroll cycle. Relevant data were received through FSS and COSMOS systems. OIOS therefore concluded that RSCE had adequate and effective controls to accurately and timely process entry personnel actions.

Monthly MSA payroll was processed within established deadlines

13. RSCE is required to process 98 per cent of the uniformed personnel payrolls before the monthly deadlines established by the Treasury of the United Nations Headquarters. Further, the Field Finance Procedure Guidelines provides that RSCE may pay up to half of a month's MSA in advance to new uniformed personnel to cover their initial costs and recover the advance payments in the next payroll period.

14. During the 19 months reviewed, the payroll process was always completed within the monthly deadlines. Also, OIOS review of 93 (\$318,000) out 10,154 advances (\$44 million) indicated that all the 93 advances were recovered in the next payroll period. RSCE had established relevant milestones and monitored them. OIOS therefore concluded that RSCE had adequate and effective controls to ensure timely processing of monthly MSA payroll and recovery of advances.

There were some errors in processing monthly MSA

15. The administrative instruction on MSA (ST/AI/1997/6) requires RSCE to pay for actual days that the uniformed personnel are present in the mission area. Client missions are required to submit attendance records of the uniformed personnel to RSCE. The United Nations Financial Regulations and Rules require payroll payments to be certified and approved, to ensure that such payments have not been made previously.

16. OIOS review of attendance records for a sample of four months indicated that the attendance records submitted by the missions to RSCE were not always accurate. The attendance records of February 2018 for 4,664 uniformed personnel that missions submitted to RSCE indicated a total of 124 personnel (2.6 per cent) as present, even though they had been separated in the previous month. In addition, the attendance report of United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA) for November 2017 indicated 100 per cent attendance of its 828 uniformed personnel, even though a total of 59 (7.1 per cent) personnel joined and separated on various days during the month. RSCE detected these errors and ensured that payments were made accurately. Despite the action taken by RSCE, the risk of making incorrect payment in the future remained.

17. The above resulted because missions made bulk certification in FSS for all their uniformed personnel without properly verifying against attendance records of individual personnel. Further, some missions considered that RSCE was responsible for the verification. This was because the service level

agreements between missions and RSCE did not clearly promulgate their respective responsibilities for submitting and verifying attendance records (see Recommendation 2 for corrective action).

18. OIOS identified some processing errors by RSCE in the same sample review of the attendance records for four months. Three new personnel of United Nations Mission to the Republic of South Sudan (UNMISS) arrived in Juba on 5 November 2017 after completing the check-in process in Entebbe. Therefore, they should have received the daily MSA rate for Juba at \$136 from 5 November 2017; however, they continued to receive the daily MSA rate for Entebbe at \$205. This resulted in an overpayment of \$4,209. Further, the payments to the personnel of United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) and UNMISS in November 2017 and February 2018 respectively included three cases of unauthorized leave absence totaling 40 days, leading to overpayment totaling \$5,224.

19. This happened because RSCE had to manually review line by line the attendance records for about 5,000 personnel every month and make the necessary adjustments in Umoja. The Umoja team at United Nations Headquarters stated that there was no plan to automate the time and attendance processing for uniformed personnel in Umoja. Given the low error rate (a total of 6 occurrences out of four months with monthly processing for about 5,000 personnel) and the absence of any cost-effective alternatives to automate the manual process, OIOS did not make a recommendation on this issue.

20. OIOS analysis of all MSA payments during the audit period showed four instances of duplicate payments, leading to overpayments totaling \$9,519. Payments for two personnel were made twice in November 2016 and September 2017.

21. The duplicate payments occurred because UPSL processed the payments in the Human Capital Module of Umoja without confirming a listing for the same index number in the Accounts Payable Module. RSCE had not taken action to recover the overpayment from the two personnel who had separated from the Organization (see Recommendation 3 for corrective action).

(1) RSCE should: (a) provide guidance to its client missions on proper use of the bulk approval function in the Field Support Suite to accurately capture the number of days eligible for mission subsistence allowance in the monthly attendance reports; and (b) enforce measures to prevent duplicate payments by comparing payment records of the Human Capital and Accounts Payable Modules in Umoja.

RSCE accepted recommendation 1 and stated that in August 2018, RSCE provided user group training on management of attendance including the use of FSS. Moreover, a follow-up video conference would be organized to raise awareness and improve accuracy of the attendance reports submitted to the RSCE. Also, RSCE was taking actions to recover overpayments and enhanced review of the monthly attendance reports to prevent recurrence of processing errors. Recommendation 1 remains open pending receipt of recent monthly attendance reports showing proper use of the FSS bulk approval, evidence of recovery of overpayments and enhanced measures have been implemented to prevent overpayments.

B. Personnel separation procedures

Control weaknesses during separation process resulted in open accounts receivable of \$1.6 million and outstanding accounts payable of \$736,000

22. RSCE requires completion of exit personnel actions within 30 days of separation, where outstanding balances relating to uniformed personnel should be cleared. The service level agreements with

client missions require RSCE to monitor and timely clear outstanding balances arising from a reduction of MSA for the charges of accommodation provided to uniformed personnel and telephone usage. An amount of \$500 should be withheld from departing personnel for settlement of personal charges, and the balance be refunded within 90 days. The Field Finance Procedure Guidelines require coordination among the responsible units to facilitate check out procedures of personnel from the missions.

23. As at 31 March 2018, there was a total of 1,977 open accounts relating to 1,531 uniformed personnel, consisting of 625 accounts receivable totaling \$1.6 million and 906 accounts payable totaling \$736,000. OIOS identified the following control weaknesses:

- The open items in accounts receivable totaling \$1.6 million resulted from delayed personnel actions and overpayments due to incorrect and delayed payroll deductions. As at 4 October 2018, RSCE actions reduced the outstanding balance to \$392,000;
- In 336 out of 906 personnel accounts with credit balances of \$301,000, the accounts did not have valid bank account information of uniformed personnel in their home countries and therefore the amounts due to these personnel could not be remitted; and
- Some 262 of the 1,977 open accounts (13 per cent) remained outstanding over one year. However, RSCE had not initiated adequate follow up actions such as recoveries, disbursements and write-offs.

24. In addition, OIOS review of 93 cases out of 10,513 personnel who were separated during the audit period identified that in 50 of the 93 cases, processing of the exit personnel actions was delayed by 1 to 114 days beyond the 30-day period. The delays were due to the time taken to verify personal information and receive relevant data from missions.

25. This occurred because service level agreements with client missions did not clearly indicate the respective responsibilities of RSCE and missions. Consequently, the missions delayed submission of information on accommodation and other service charges for payroll deduction to RSCE. For example, in the four months reviewed, missions submitted data for accommodation charges on an average of three months after the deadline for monthly payroll processing. Also, missions and RSCE did not always enforce the requirement to obtain and update the bank details of uniformed personnel during the check-out process.

26. As a result, there was a risk that overpayments totaling \$392,000 may not be recoverable, and the outstanding payables totaling \$199,000 may increase the administrative burden on RSCE and the missions due to the additional effort to clear them.

- (2) RSCE should, in consultation with DFS and client missions, clarify the respective responsibilities of RSCE and client missions on timely submission and verification of all required information (including monthly attendance reports, accommodation and other service charges, and banking information) before monthly and final payments of mission subsistence allowances.**

RSCE accepted recommendation 2 and stated that the division of roles had been clarified as part of the recent review of the service level agreement with client missions and United Nations Headquarters. The service level agreement would be implemented as soon as it was approved. Recommendation 2 remains open pending receipt the revised service level agreement clarifying the respective responsibilities of RSCE and missions for accurate and timely processing of uniformed personnel payroll.

- (3) RSCE should, in consultation with DFS and client missions, review and take necessary action, including recoveries, disbursements and writes-off, for the outstanding mission subsistence allowance receivables of \$392,000 and payables of \$199,000 relating to separated uniformed personnel.**

RSCE accepted recommendation 3 and stated the existence of open items dated back to a period prior to the transfer of the payroll function to the Centre. However, corrective actions have been initiated including issuing 200 recovery memos to uniformed personnel. Positive response and repayments have been received from about 20 per cent of affected uniformed personnel so far. Recommendation 3 remains open pending receipt of evidence of clearance of the open accounts receivable and payable.

IV. ACKNOWLEDGEMENT

27. OIOS wishes to express its appreciation to the management and staff of RSCE 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 payroll processing for uniformed personnel by the
Regional Service Centre in Entebbe

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	RSCE should: (a) provide guidance to its client missions on proper use of the bulk approval function in the Field Support Suite to accurately capture the number of days eligible for mission subsistence allowance in the monthly attendance reports; and (b) enforce measures to prevent duplicate payments by comparing payment records of the Human Capital and Accounts Payable Modules in Umoja.	Important	O	Receipt of recent monthly attendance reports showing proper use of the FSS bulk approval, evidence of recovery of overpayments and enhanced measures have been implemented to prevent overpayments.	30 June 2019
2	RSCE should, in consultation with DFS and client missions, clarify the respective responsibilities of RSCE and client missions on timely submission and verification of all required information (including monthly attendance reports, accommodation and other service charges, and banking information) before monthly and final payments of mission subsistence allowances.	Important	O	Receipt the revised service level agreement clarifying the respective responsibilities of RSCE and missions for accurate and timely processing of uniformed personnel payroll.	30 June 2019
3	RSCE should, in consultation with DFS and client missions, review and take necessary action, including recoveries, disbursements and writes-off, for the outstanding mission subsistence allowance receivables of \$392,000 and payables of \$199,000 relating to separated uniformed personnel.	Important	O	Receipt of evidence of clearance of the open accounts receivables and payables.	30 September 2019

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by DFS in response to recommendations.

APPENDIX I

Management Response



UNCLASSIFIED


Immediate

TO: Mr. Daeyoung Park, Chief, Peacekeeping Audit Service,
A: Internal Audit Division, OIOS

DATE: **OCT 03 2018**

REFERENCE: 2018.UNHQ.AR-BOI.MEMO.112042.2

THROUGH:
S/C DE:

FROM:  Lisa Buttenheim, Assistant Secretary-General
DE: for Field Support

SUBJECT: **Draft report on an audit of payroll processing for uniformed personnel by RSCE-**
OBJET: **AP2018/616/02**

1. I refer to your memorandum, dated 12 September 2018, regarding the above-mentioned audit. We note that OIOS has substantially taken into account our comments provided earlier. Nevertheless, the Regional Service Center Entebbe is providing additional comments on the recommendations contained in the draft report as Appendix I.

2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Cynthia Avena-Castillo

Management Response

Audit of payroll processing for uniformed personnel by the
Regional Service Centre in Entebbe

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	RSCE should: (a) provide guidance to its client missions on proper use of the bulk approval function in the Field Support Suite to accurately capture the number of days eligible for mission subsistence allowance in the monthly attendance reports; and (b) enforce measures to prevent duplicate payments by comparing payment records of the Human Capital and Accounts Payable Modules in Umoja.	Important	Yes	Chief, Regional Service Centre Entebbe	(a) Implemented	<p>a) RSCE provided the required guidance to the User Group, comprising client missions' chief budget and finance officers (CBFOs) and chief human resources officers (CHROs), during the session held on 28 August 2018. In this regard, please find attached the presentation that was delivered to the participants of the User Group regarding the International Uniformed Personnel management of attendance including the use of Field Support Suite and the subsequent informative email that was forwarded to the CHROs after the meeting. Moreover, the Service Centre wishes to add that a follow-up working level video teleconference will be organized to raise awareness and improve the accuracy of the attendance submitted to the RSCE.</p> <p>Based on the provided evidence, RSCE requests closure of part (a) of the recommendation.</p>

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

Audit of payroll processing for uniformed personnel by the
Regional Service Centre in Entebbe

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
					(b) Second quarter of 2019	b). RSCE takes note of the reported errors and overpayments of mission subsistence allowances. Recoveries are scheduled for deductions from the affected officers. To prevent recurrence, RSCE has taken further steps to fill the identified gaps in the review of the monthly attendance submitted from client missions.
2	RSCE should, in consultation with DFS and client missions, clarify the respective responsibilities of RSCE and client missions on timely submission and verification of all required information (including monthly attendance reports, accommodation and other service charges, and banking information) before monthly and final payments of mission subsistence allowances.	Important	Yes	Chief, Regional Service Centre Entebbe	Second quarter of 2019	RSCE has clarified the division of roles as part of the recent review of the Service Level Agreement (SLA) with Client Missions and Headquarters.
3	RSCE should, in consultation with DFS and client missions, review and take necessary action, including recoveries, disbursements and writes-off, for the outstanding mission subsistence allowance receivables of \$700,000 and payables of \$584,000 relating to separated uniformed personnel.	Important	Yes	Chief, Regional Service Centre Entebbe	Third quarter of 2019	The Service Centre wishes to emphasize that the existence of large balances of open items dated back prior to the transfer of the payroll function to the Centre. The Service Centre requests the detailed breakdown of the mentioned outstanding accounts receivable and payable balances for reconciliation and validation purposes.