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**POST-IMPLEMENTATION REVIEW OF UNHCR's MANAGEMENT SYSTEM  
RENEWAL PROJECT (MSRP) – PROJECT MANAGEMENT AND SUPPLY CHAIN  
MODULES**

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**EXECUTIVE SUMMARY**

Between October 2004 and January 2005, OIOS conducted a Post-Implementation Review of UNHCR's Management System Renewal Project (MSRP) at Headquarters. This report covers certain project management issues, training and security as well as functional issues concerning the implementation of the Supply Chain modules. Debriefing meetings were held with the Head, Supply Management Service in November 2004 and with the Director, MSRP Project in February 2005. Comments and clarifications provided at the debriefings and in response to the draft report have been considered and incorporated in this final report.

Overall Assessment

OIOS assessed the project management of MSRP and the implementation of the Supply Chain modules as average. Overall, they were adequately managed, however, some improvements in project management, training and IT security are warranted. Further, in view of the field rollout of MSRP, a number of measures are required to adequately support inventory and warehousing processes and to ensure information on items received in the field is complete.

Project Management

- Although detailed MSRP objectives had been established early on, related quantifiable goals were not fully developed. Also, benchmarking MSRP results was difficult as the legacy systems' work processes within finance and supply management had not been sufficiently measured and documented.
- The MSRP Governance Board did not meet regularly since April 2004, leaving a vacuum for MSRP reporting on performance and continuing activities. To ensure continuity of project oversight, an Alternate Chairperson should be designated.
- During phase I of the system implementation change management was neglected. *This aspect has now been included with the field rollout as it is considered a vital component of a successful system change.*
- Access to data from the legacy systems needs to be improved so that users can obtain information required for accounts processing and financial reporting.

Training

- General training for MSRP was offered at an early stage of the project. Information on the training sessions and the attendance of staff was not complete and results from user satisfaction surveys were inconclusive. The set-up of help facilities and subsequent training after the initial go-live sessions needed some adjustments. *The MSRP project team has considered many of these issues before the field rollout.*

#### Access controls, security issues and access to data from legacy systems

- UNHCR needs to develop a general security policy that can be used as a base line for all ICT matters in future. Also, given the frequent rotation of staff members, regular updating of user accounts and their access to MSRP needs to be ensured. *The MSRP project team agreed to address these matters.*

#### Supply Management

- Procurement activities were generally well supported by MSRP. However, for the interim period, until the system is fully operational organization-wide, some issues need attention, like confirming the receipt of items in the field.
- MSRP should be used to develop performance indicators for SMS. Also, some reports in MSRP did not give complete and accurate information.

#### Asset management

- AssetTrak data need to be verified and cleaned prior to loading in MSRP. That work should be aligned with the system rollout to the field.
- Procurement actions for non-expendable property should be the basis for the initial data input into the MSRP asset management module, thus avoiding an information gap, pending field offices' recording of assets in AssetTrak.

#### Inventories

- UNHCR operates different types of warehouses, including central warehouses for specialized or emergency stocks for dispatching to various locations, as well as local warehouses normally providing non-food items for country or regional programmes. Due to this diversity, UNHCR needs a flexible inventory/warehouse system. With some adjustments and upgrades, MSRP may sufficiently meet this need. Value tracking of inventories also needs to be considered, particularly for high-value stock that should be disclosed in the Financial Statements.

#### Preparedness for field rollout

- OIOS considers that UNHCR has prepared well the field rollout, starting in 2005. Some issues may still need further attention and consideration. Of importance is the access control and updating of static data, such as vendor payment information, bank account numbers etc. *The MSRP project team agreed to attend to these matters.*
- Workflow and processes need to be aligned with MSRP to ensure smooth transition between MSRP and FMIS in the field, particularly on paper-based information. Also, staff in smaller field offices, who are not specialized in one area, need to be able to manage the new MSRP processes. *The MSRP project team agreed to cover these issues during the field rollout.*

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## **I. INTRODUCTION**

1. Between October 2004 and January 2005, OIOS conducted a Post-Implementation Review of the UNHCR's Management System Renewal Project (MSRP). A separate audit report was issued in April 2005 on issues related to the implementation of the finance modules. This report deals with project management, training, security issues and the implementation of the supply chain modules. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and was largely based on Information Systems Audit and Control Association (ISACA) guidelines.
2. MSRP was officially launched in mid 2002. On 5 January 2004 the Finance and Supply Chain Modules at Headquarters went live. The supply chain modules consist of three main components; Purchasing, Inventory and Asset Management within Phase I activities of MSRP. The main objective of MSRP is to enhance UNHCR's operational and business management capability through real-time access to information, faster processing of transactions and timely decision-making. The aim was to allow UNHCR to increase the effectiveness of delivering services.
3. The findings and recommendations contained in this report have been discussed with the Head, Supply Management Service (SMS) and with the MSRP Project Director. Their comments as provided during the meetings have been reflected in this report. Also, a draft of this report was shared with SMS and the MSRP Project Director in March 2005. Some clarifications from SMS were received in April 2005 and they are reflected in this final report. No further comments were received from the MSRP project team.

## **II. AUDIT OBJECTIVES**

4. The main objectives of the review were to:
  - Assess whether the MSRP project objectives had been achieved;
  - Assess the adequacy of procedures and controls over the processing of data;
  - Determine if the information processing complies with established business rules and is accurate, reliable and generated timely.

## **III. AUDIT SCOPE AND METHODOLOGY**

5. OIOS conducted a general review of MSRP project management, training and selected aspects of user access and related security arrangements. A more detailed review was conducted of the MSRP system performance, including procedures applied in SMS for MSRP data input and processing.
6. OIOS reviewed relevant documentation and interviewed a number of staff from the MSRP project team and SMS. OIOS performed data integrity tests to examine the accuracy, completeness, consistency and authorization of data recorded in MSRP during 2004. Our tests focused on the processes at Headquarters.
7. The review of project management, training and access controls and related security was mainly based on interviews and relevant documents, such as minutes of the Governance Board and Business Owners' meetings and other reports.

## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Project Management

#### (a) MSRP Objectives and Governance Board

8. The development and initial start-up of MSRP was set up as a project, managed by a Project Director. Its “mission statement” was defined in the Project Charter, as to “develop business processes and system solutions that enable all MSRP stakeholders to perform current and expanded operational and financial functions with greatly heightened efficiency.”

9. The project objectives were listed as follows:

- Create the financial and supply chain processes and systems which will allow UNHCR to provide the highest level of accountability to its Executive Committee and to donors
- Increase the speed and accuracy at which goods will be purchased and distributed to UNHCR beneficiaries, while ensuring the most efficient possible use of funds
- Improve organization management through the improved availability of timely, accurate accounting, budgeting, procurement and distribution of information
- Achieve administrative cost savings through heightened operating efficiency
- Build a software infrastructure that can leverage current and future technologies and allow UNHCR to realize system efficiencies

10. The original project plan for implementing the finance and supply chain modules at Headquarters was very ambitious. The time frame from formal project “kick-off” in November 2002 to “going-live” was only some 14 months. The original idea of sharing code and experiences with UNDP, which was also implementing an ERP system based on PeopleSoft, did not materialize. This required additional efforts from the MSRP team, which could not bank on UNDP’s experience as planned. Coupled with possibly inadequate planning, insufficient user training, and technical problems related to the hosting services arrangements, this required the MSRP project team to commit considerable resources for production support after the system had gone live in January 2004. Yet, the Governance Board was consistently informed that the project was being delivered within time and budget.

11. Generally, a project should have a definite scope with clear objectives; one essential element is measurability. In the case of MSRP, measurable objectives had not been defined before launching the project. Terms like “greatly heightened efficiency”, “highest accountability” etc. are not complete without aligning them with quantifiable goals. Before commencing MSRP implementation UNHCR had not measured times or costs, or assessed the efficiency of processes previously in place. Established benchmarks were therefore not available to compare with the MSRP implementation.

12. According to studies of ERP projects, a major risk for an ERP project is to become a challenged implementation. As a replacement of legacy systems, MSRP may support business processes and ensure business continuity. However, its performance and output may be somewhat short of the expected delivery of strategic advantage and full business process

improvements that were originally anticipated. For the organization, the resource and confidence losses may be difficult to measure and rectify.

**Recommendation:**

- The UNHCR Division of Information Services and Telecommunications (DIST) should ensure that future project plans and objective settings are quantifiable and are monitored for tracking success and detecting deviations from initial plans. (Rec. 12)

13. The basic function of a post-implementation review is to evaluate whether the business objectives of a project were achieved. ERP literature lists critical success factors for an implementation phase as; senior management support and commitment to project; alignment of people, processes and technology; anticipated benefits from ERP implementation project; motivation behind ERP implementation (business- vs. system led); and scope of user training.

14. Initially, MSRP obtained strong senior management support. The MSRP Governance Board headed by the Deputy High Commissioner closely oversaw the project. Until April 2004, there were regular monthly Governance Board meetings. However, since then meetings were held at larger intervals only, in August 2004, February 2005 and May 2005.

**Recommendation:**

- The UNHCR Division of Information Services and Telecommunications should reactivate the regular meetings of the MSRP Governance Board. Designation of an Alternate Chairperson would be advisable to ensure that a regular schedule can be met in the absence of the Chairperson. (Rec. 13)

(b) Change Management

15. Change management has been defined to include communications of project results, training, and transition management. Transition management was defined to be “responsible for helping the organisation anticipate and manage changes in process execution and process ownership at the organisational (macro) level, particularly where changes will have an impact upon staff resources, roles, and workload”. A transition strategy was prepared and presented to business owners in August 2003 and submitted to the Governance Board in September 2003.

16. In January 2004, after going-live, the then Project Director presented the final outcome of Phase 1 “delivered on-time & over \$2m under budget”. Actually, 90 percent of these savings (US\$ 1.8 million) had been “saved” on change management. It would appear that the critical success factor of alignment of people, processes and technology was not sufficiently ensured. A presentation to a Business Owners meeting in May 2003 stated that customisations were done based on “greatest end-user benefit for the least amount of customisation.” Also, change management was defined not to include “comprehensive organizational change.” Therefore, such an approach of avoiding customizations to PeopleSoft, combined with minimal organizational change, could not result in an optimal outcome. A non-customized

system will not fully support the way to work nor will work processes comply with the practices anticipated by the system design.

17. In OIOS' opinion, change management review of processes requiring input/work by different units would have been beneficial to ensure timely actions, for example to streamline invoice verification, which is cumbersome. Such a review would require a team comprising of PeopleSoft technical experts and functional experts from the relevant units involved.

18. As pointed out earlier, the objectives of MSRP were defined very broadly. While the motivation behind MSRP implementation was listed in business terms, it seems that the driving force was rather the need to replace old legacy systems. Without process redesign and concrete quantifiable goals, the expected business benefits may not be realized. Without realizing business benefits, MSRP, despite all efforts, may be seen as just an expensive legacy system replacement.

**Recommendation:**

- The UNHCR Divisions of Information Services and Telecommunications should consider strengthening change management with process redesign over organizational boundaries for increased efficiency. (Rec. 14)

(c) Data from legacy systems

19. Data from various legacy systems, like PURREC, PURRUND and FMIS was archived for easy access and use along with the MSRP data. Presently, this database has the facility to run about 100 different reports. Due to the divergence of the data structure and format between MSRP and the legacy databases, extracting certain reports and analyzing the results has become cumbersome. For example, a report by vendor covering the period 2000 to 2005 may have to be generated in the legacy database for the period 2000-2003 and in MSRP for the periods thereafter.

20. OIOS noted that the number of users having knowledge and access to this database was very limited. However, the access to this data is vital, particularly as MSRP and the legacy systems were not run in parallel. Major use for this data will be, inter alia for:

- Running a number of statistical reports for different users, (SMS, FRS etc.)
- Preparing accounting reconciliations on receivables, payables etc.
- Settling queries on implementing partner installments when MSRP is rolled-out to field locations
- Facilitating closure of operational projects, implemented between 1994 and 2003 that are still open.

21. Also, the users may need additional information that is not provided by the existing reports. Obtaining consolidated information for extended periods, drawn from both systems, may not be cost effective, but UNHCR should assess whether further investment in report development is necessary. Finally, OIOS foresees a need for some basic training in extracting and using this data.

(d) User satisfaction survey

22. An integral part of the process in any system development project is to take stock of



lessons learned. A user satisfaction survey is normally used to measure such results, which can also provide valuable information on areas that still need attention. Two user satisfaction surveys were launched in 2004, on 14 February and 15 June. It would appear that the first one, was initiated too early and meaningful conclusions could not be drawn from the rather low number of replies, and the actual results were not published. The second survey only resulted in five replies. A comprehensive feedback from MSRP “users” is therefore not available.

**Recommendation:**

- The UNHCR Division of Information Services and Telecommunications should conduct a user satisfaction survey of the finance and supply chain modules. (Rec. 15)

B. Training

23. As part of the MSRP implementation the project team undertook a major effort to train all users. The training sessions focused on individual modules, which concentrated on various functionalities within the system, like accounts payable, commitments etc. For most staff members, to be able to use the system, attendance to several training sessions was necessary. While OIOS appreciates the achievement made, some issues surfaced that should be considered for future training, like:

- The training material was mostly on how to use PeopleSoft. A number of participants felt that this was a too technical approach and would have appreciated more explanations on “how do I do my work by using MSRP.” Participants would have benefited from more knowledge on MSRP and its integrated functionality as well as information on changes to their daily work.
- The knowledge of UNHCR operations among the trainers varied considerably. For the supply chain, all the trainers were UNHCR staff members with relevant experience. On the finance modules, mostly outside consultants were used who had excellent PeopleSoft skills but limited UNHCR knowledge. Therefore, participants felt that they did not always receive sufficient explanation on the actual PeopleSoft usage within UNHCR environment.
- The timeliness of training is essential, as skills trained for but not subsequently put into use would soon fade. The training was mostly delivered in a timely manner. However, in some cases staff members received training in January 2004 and started to use the system only in April or May 2004.
- MSRP team did not keep a complete record of the training sessions and the attendants. OIOS requested a list of all participants and the modules they attended, but such information was not available.
- The training modules did not include a systematic feedback for further development or adjustments. For example shortcomings of training material could have been addressed, if exceptions had been listed during the training.
- On-line help within MSRP did not work effectively during the most part of 2004.

24. OIOS is pleased to note that the training plans for the field rollout have taken into account many of the above issues. However, as already discussed, training is a very important aspect of successful ERP implementation. As MSRP is an integrated system, any errors or omissions made in previous stages require additional effort for subsequent rectifications. Making everyone understand “the UNHCR way” of using PeopleSoft and the effects of one’s

actions or non-actions on other people's work would help to maximize the benefits of MSRP.

25. According to the Project Charter, training and maintenance manuals were to be handed over to the Finance Policy and Training Unit and to the Supply Chain Unit. OIOS was not aware of any plans how FRS and SMS were systematically going to handle training of new users in Headquarters. In order to avoid similar problems after the field rollout, the MSRP team will need to ensure that staff replacements will be trained in a timely manner. Given the frequent rotation of staff, MSRP training cannot remain a one-time effort linked to the implementation of the system, but needs to be provided on an ongoing basis.

**Recommendation:**

- The UNHCR Division of Information Services and Telecommunications should in consultation with the users maintain training facilities for new users, who did not benefit from the initial MSRP training. (Rec. 16)

C. Security Issues

26. Although an IT security audit was not envisaged within the scope of this post implementation review, OIOS would like to comment on some security set-ups with MSRP. Since UNHCR does not have an organization wide information security policy, the MSRP team developed an application security strategy for the financial and supply chain modules. However, we could not establish if the users/business owners had considered and approved such security strategy. As MSRP is being rolled-out to the field and the human resources and payroll modules, with very sensitive personnel data, there is an urgent need for a UNHCR IT security policy to be developed.

**Recommendation:**

- The UNHCR Division of Information Services and Telecommunications should develop a UNHCR wide IT security policy, which should be approved by senior management. Such a policy should become a baseline for more detailed MSRP functional security procedures. (Rec. 17)

27. As MSRP is currently running in project mode, the security officer, granting access rights to the system, works within the MSRP team. Such an arrangement is contrary to normal segregation of duties in IT functions. To comply with best practises DIST should consider moving this function outside the MSRP team.

28. OIOS received a "snapshot" of MSRP usage on 1 October 2004, which showed that MSRP had 719 registered users in production environment, of which 132 had never logged in and 151 had not used the system during the two previous months. The users include several test users, including a "Super-Hyper-Mega User". Such test users might have extraordinarily large user rights, which could leave system vulnerable if passwords were not properly guarded.

29. In addition, there is no mechanism in place to ensure that user access rights are reliably tracked and updated within MSRP, especially when staff members move from one

post to another. Also, this cannot be tracked within MSRP, as personnel data is not yet integrated to the system. Therefore, an interim measure is needed outside MSRP.

**Recommendation:**

- The MSRP Project Team should develop, together with business owners, a mechanism to ensure that access control and user updates are properly handled so that staff changes are correctly reflected in MSRP. (Rec. 18)

D. Supply Chain Modules

(a) Process redesign

30. OIOS was pleased to note that SMS had started already under the Integrated Systems Project (ISP), the predecessor of MSRP, to design new supply chain processes. SMS was therefore in a position to base customization requests on a new and fully documented process. SMS also introduced a new procurement manual (Chapter 8 of the UNHCR Manual) in December 2003, just before MSRP went live. As a result, users adjusted to new processes and the system supporting it at the same time.

31. During introduction of MSRP, SMS had one staff member with computer expertise providing in-house system support. This appears to have positively influenced the users' ability to use the system and greatly facilitated information flow between SMS and MSRP.

(b) Supply Management

32. Since January 2004, MSRP has replaced the old purchasing legacy systems at Headquarters. During 2004 SMS created over 1,800 Purchase Orders (PO) in the new system at a total value of some US\$ 96 million; they contained some 7,000 PO lines. Procurement of IT and Telecom equipment has created major workload for procurement. While their value accounted for some 22 per cent of the total procurement value in 2004, they required 64 per cent of all PO lines created in 2004. In contrast, vehicle purchases accounted for some 12 per cent of UNHCR's procurement value, but constituted only two per cent of SMS' workload in terms of creating and maintaining PO lines in the system.

33. There is no single reason for such different workload needs; it may be caused partially by the system itself and partially by the processes for purchasing. Also, within MSRP each different budget code requires the creation of a separate PO line. A PO might contain 50 identical computers, but if paid from 20 different cost centres, the resulting PO will have 20 lines.

34. A general assessment indicates that MSRP has not yet delivered noticeable added value in this area compared to the old legacy systems, in terms of efficiency of processing requisitions. OIOS identified two main reasons for this.

35. Firstly, MSRP is only installed at Headquarters so information is not readily available from or to the field. Therefore, the supply chain process within the system is currently limited to Headquarters actions where it starts with users (Bureaux, ITTS, SMS etc.) who create purchase requisitions. It also means that some interim measures needed to be applied until the system becomes fully operational organization wide. For example, receipt in the field of

items that were procured from Headquarters cannot be monitored within MSRP. OIOS noted that over US\$ 20 million (about 25 per cent of the value of all POs initiated by SMS) was spent annually on essential non-food items, like blankets, jerry cans, kitchen sets, tents, tarpaulins and plastic sheets. However, due to limited functionality, the tracking and controlling of receiving reports from field locations could not be done within MSRP. The PURRUND legacy system covered this function until it was turned off by January 2004. In this regard, MSRP, in its current state, falls behind the level of service of the legacy system.

36. Absence of tracking receiving reports is a material internal control weakness and more cooperation is required from the field locations to ensure that such basic control is effectively in place. While this deficiency will be resolved with the completion of the field rollout, OIOS would reiterate that alternate arrangements should be in place to confirm receipt of goods by the field offices and to obtain assurance of the completion of the procurement cycle. With the absence of confirmation of receipt of goods, UNHCR risks to forego potential insurance claims if damages or losses are not confirmed on a timely basis.

**Recommendation:**

- The UNHCR Supply Management Service should ensure that the interim tracking of receipt of goods in the field, which is performed outside MSRP, is complete and reliable. (Rec. 19)

37. Secondly, the data available in MSRP is not fully used. After an audit of Headquarters Procurement in 2002, OIOS recommended that SMS should develop performance indicators for major steps in the procurement process to assess the level of achievement of procurement objectives. This was meant to benchmark the workflow and monitor the procurement process, as well as assisting to search for further improvements. To date SMS has not established concrete measures based on MSRP data to create such performance monitoring.

**Recommendation:**

- The UNHCR Supply Management Service should develop a system for performance indicators and make maximum use of MSRP data for performance monitoring. (Rec. 20)

38. UNHCR is not yet using workflow functionality in MSRP, e.g. access to some functions has not been fully aligned with functional authorities. Thus, it is possible for someone to create a purchase requisition and charge it to a different budget than his/her own. Also within SMS, current set-up enables staff to create and approve their own purchase orders. In addition, approval limits have not been fully set up, so any purchases exceeding normal limits or requiring further management approval or other submissions, like to the Committee on Contracts, needed to be tracked or followed up separately outside the system. In other words, there were no warning messages or automatic reaction from the system to comply with any such requirements. OIOS regrets that no such issues were addressed within the first year of MSRP being operational.

39. OIOS noticed, that reports currently in the system did not always provide reliable information. For example, OIOS was guided to use a report "Procurement Value by PO Date", which in practice did not provide accurate information. For some reason, data from beginning of year 2004 was missing and the results included data outside the set parameters. The problem seems to have been resolved since, but MSRP team and users should make sure that reports provide accurate, reliable and complete information.

**Recommendation:**

- The UNHCR Supply Management Service should ensure that standard MSRP reports on procurement are complete and accurate. (Rec. 21)

(c) Asset Management

40. The MSRP asset management function currently covers Headquarters activities only. Towards end of 2003, data from the Headquarters AssetTrak system was transferred to MSRP. During 2004, only assets procured at Headquarters were recorded in MSRP.

41. Quality of reports within any information system depends largely on the quality of data input. To make sure that only reliable data is transferred to MSRP, each of the 127 field offices running AssetTrak need to verify and “clean” their data. Otherwise current problems with asset management information in AssetTrak will be carried forward. *SMS explained that although the data verification and clean up had started in 2004, it was progressing slowly, mainly due to limited resources within the Asset Management Unit.*

**Recommendation:**

- The UNHCR Supply Management Service should coordinate the timetable of AssetTrak data migration to MSRP with the field rollout plans. Adequate human resources for data verification and clean-up need to be provided to ensure that only reliable data is transferred to MSRP. (Rec. 22)

42. OIOS tested the current use of field asset track by obtaining procurement information of terrain vehicles for which purchase orders had been raised between January and June 2004 for delivery to various field locations. There were 30 purchase orders for 147 vehicles with value of some US\$ 4 million. By November 2004 none of these vehicles had been entered in the AssetTrak system at Headquarters, by February 2005, some 40 per cent of the vehicles had been registered, however, that was 8 to 12 months after the procurement. Although, purchase information on assets is held in a transit account within MSRP, such a long gap in recording assets should be avoided. *SMS explained that it was considering options to reduce this gap in non-expendable property reporting within MSRP.*

**Recommendation:**

- The UNHCR Supply Management Service should ensure that information on non-expendable property items, that is available in the MSRP purchasing module flows directly into the asset management module, thus avoiding an information gap, pending field offices’ recording of such items in AssetTrak. (Rec. 23)

(d) Inventories

43. At the time of the audit, only three of UNHCR’s warehouses, i.e. the Central Emergency Stockpile (CES) in Copenhagen, the Telecom (Tcom) warehouse and the IT warehouse at Headquarters were included in MSRP. Although MSRP has been in use from January 2004, OIOS was told that inventory reporting was not reliably available until November 2004. Different organizational units manage each of these three warehouses and

the inventory values vary greatly. The warehouses are financed through regional VAR projects, which should provide each warehouse the flexibility to replenish stock and ensure that they always have some buffer stock for immediate distribution. The related budgets for purchases/stock replenishments in 2005 are; CES, US\$ 475,000, Tcom, US\$ 500,000 and IT, US\$ 100,000.

44. SMS manages CES directly and it considers that MSRP provides adequate tools for their needs. It also, nominally manages the IT warehouse, however, in practice ITTS is in charge of initiating distribution of items from the warehouse and initiating procurement of IT equipment. The Telecommunication Unit of ITTS manages the Tcom warehouse.

45. While all three warehouses fulfil similar basic functions, OIOS observed that their problems after MSRP implementation differed:

- For CES, the problems mainly related to emergency situations where, for example, trucks held by suppliers had to be shipped out quickly even before they could be physically tagged, while MSRP requires that all non-expendable property be asset-tagged before they can be entered and processed/tracked further within the system.
- For the Tcom warehouse, problems related to differences between expected functions and the actual system capabilities. The expectation gaps have not been addressed fully or there were some problems with processes that had been put in place to work-around some requirements or functionalities of the new system. For example MSRP does not assist with tracking of “backorders” when the number of items in stock were not sufficient to meet requests that were made. Furthermore, some consumable type of items at the Tcom warehouse are ordered when needed instead of replenishing stock levels, resulting in multiple small orders.
- For the IT warehouse, the procedures were the same, however with a significantly increased budget under the VAR project, fast moving items could be replenished regularly, hence reduce the number of POs. During 2004, UNHCR purchased almost 2,900 computers.
- Also, some new processes for transferring funds between operational projects and the VAR project had been established when items that had been released from stock were replenished by the users (Bureaux). This process required a spreadsheet report from MSRP and collection of other paper based documentation, which in some instances took months to complete.

46. MSRP does not include the PeopleSoft warehouse module. However, the MSRP inventory module provides some warehousing functions, but not all. As mentioned earlier, there is a limitation of handling and tracking “backorders” in the system. Also, handling of partial deliveries from suppliers is a cumbersome activity requiring detailed and continued reconciliations between POs and invoices. Consequently, the IT warehouse staff has informed suppliers that they will normally only accept complete deliveries. At the Tcom warehouse OIOS noted a PO with 16 different deliveries. Another challenge facing the warehouse staff is that MSRP does not automatically apply the first-in-first-out principle, on release/delivery requests. As the system is based on tracking “tag numbers” sometimes major editing of requests is needed to ensure proper ageing norms and normal flow of stock items.

47. As warehousing was not considered a UNHCR core function, detailed functionality was not considered necessary for MSRP. But as UNHCR operates warehouses for many of its programmes in many field locations, either by itself or with implementing partners, there are several different inventory systems in place. Using MSRP in some of these warehouses or

providing data to and from MSRP could support proper and efficient handling of items in stocks. Currently as a part of the field rollout planning, UNHCR is considering what kind of inventory functions should be provided for field offices.

48. OIOS noted in an audit of UNHCR Central Emergency and Regional Stockpiles that UNHCR was spending some US\$ 12 million per year in rent and running costs for worldwide warehousing services. These costs indicate that the warehouses may contain material stock levels. In accordance with the UN System Accounting Standards (# 49 (iv)), if inventory is material, it should be disclosed as an asset in a note to the Financial Statements. Whether such data is stored in MSRP or not should be clearly decided before the field rollout. *SMS stated that an enhanced version of the Commodity Tracking System (CTS) was useful in tracking inventory values, until the MSRP field rollout was complete.*

**Recommendation:**

- The UNHCR Supply Management Service should ensure that appropriate inventory and warehousing processes are incorporated within MSRP, taking also into account the Financial Statement requirements. These processes should be consistently applied and with clearly defined roles and responsibilities for all users. (Rec. 24)

(e) Preparedness for field rollout

49. OIOS was concerned with the MSRP and supply chain preparedness status for the field rollout starting in 2005. Apart from technical limitations, particularly the inactive workflow and some shortcomings in creating purchase requisitions and purchase orders, there were some issues outside MSRP that have not been satisfactorily dealt with.

50. For example, roles and responsibilities for creating and changing “static” data in MSRP, such as vendor information, have not been fully defined for ensuring smooth field usage. Important vendor information (like bank account numbers) should be entered and changed only under well-controlled process, with adequate separation of duties. Still simple procedures will be needed for the multiple smaller local bank payments. Currently the MSRP team enters such information centrally, which need subsequent approval from Finance in Headquarters.

**Recommendation:**

- The MSRP Project Team should establish proper procedures and controls over the completeness and accuracy of the vendor data input and their subsequent changes. (Rec. 25)

51. Checking as well as storing physical support documentation for payments should be made as simple as possible, still ensuring proper scrutiny. MSRP processes electronic data, but in reality, a lot of physical documents are still necessary. OIOS reviewed a draft purchase order payment instruction, which required seven steps for the physical documents to pass through various organizational units, including four times between SMS and Finance Section. If there are questions on invoices, such as payment terms, specifications, acknowledged receipts or other matters, some streamlining may be required in order not to build up bottlenecks within the work process. Processing within MSRP would be preferable on such matters, however, as the system cannot handle physical documents, a solution outside the system may be needed.

**Recommendation:**

- The MSRP Project Team in cooperation with the Division of Finance and Supply Management should endeavour to simplify the paper workflow and to align the physical processing documents to the MSRP workflow (Rec. 26)

52. MSRP requires precise and complete information and specifications on requisitions. Creating such requisitions using the system in the field can be a challenge at small UNHCR offices, which do not have dedicated supply staff with specialized skills. UNHCR may want to consider whether SMS should take the role of creating the requisitions in MSRP in such instances.

**Recommendation:**

- The UNHCR MSRP Project Team should consider in consultation with the main users that processes in MSRP will be manageable for “part-timers” in smaller field offices, otherwise sufficient help/assistance facilities need to be available for them. (Rec. 27)

53. Numerous OIOS audits have identified various problems with asset management in field locations. For example, timely recording of new assets or changes to existing data was frequently neglected. MSRP as a mere information system will not, by itself, solve such problems. Proper processes with a designated focal point for recording and checking assets need to be established at the country level and embedded within MSRP before the field rollout.

**Recommendation:**

- The UNHCR Supply Management Service should strengthen the asset management process in the field to ensure assets are properly tracked and controlled. (Rec. 28)

## V. ACKNOWLEDGEMENT

54. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff and managers of SMS and the MSRP Project Team.

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