



**United Nations
Office of Internal Oversight Services
Internal Audit Division II**

Audit Report

**Audit of UNOG Rental Subsidy
(AE2005/311/05)
Audit Report No. E05/R11**

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- **Auditors: Doremieke Kruithof, Auditor-in-Charge
Sylvia Deller, Assisting Auditor**



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EXECUTIVE SUMMARY

In April 2005, OIOS conducted an audit of UNOG Rental Subsidy. The audit covered activities with a total expenditure of US\$ 1.36 million in the years 2003 and 2004.

- OIOS assessed the systems and procedures relating to the administration of the rental subsidy entitlement as above average. Activities by the Human Resources Management Service (HRMS) and UNOG payroll were effective and adequately controlled.

Audit Observations and Findings

- ST/AI/2000/16 and ST/IC/2000/90 in relation with the rental subsidy scheme regarding reasonable maximum rent levels as set out in Geneva/OI/164/Amend.5 of 23 July 2002 provide UNOG staff members with clear information on the UN provisions. OIOS noted, however, that information of individual threshold percentage is not circulated in Geneva (as opposed to New York) and only available through the automatic computation in IMIS. It is therefore difficult for staff to establish what they are entitled to. OIOS suggests that HRMS inform UNOG staff on an annual basis, or at least when changes in the threshold percentages occur. *HRMS agreed, and stated that an information circular will be issued when ICSC revises the rental thresholds.*
- OIOS is pleased to note that UNOG has discontinued, as recommended, the garage/parking deduction for calculating the net rent for staff members' entitlement.
- The rental subsidy application (long) form is user friendly, and includes clear references to the supporting documents that are required for the application. However, it could be enhanced to include the staff members' nationality and place of recruitment under 'general information' to mitigate the risk of erroneous payments to non-entitled staff members, as found in one case.
- The rental subsidy reapplication (short) form presently reads that a "copy of lease/lease extension ... *must* be attached". OIOS found that such information was not systematically on file, and not requested by HRMS, as leases are normally for a period of more than one year. OIOS suggests therefore, in line with paragraph 5(a) of ST/IC/2000/90, the form be updated to state that such supporting documentation is only needed in case of a first time, or *revised* (re)application. *HRMS agreed that re-submission of the lease was not necessary.*
- OIOS appreciates that it is the Office of Human Resource Management (OHRM) that initiates changes to procedures and instructions, but would suggest that when the opportunity arises, HRMS requests that the above enhancements be made. *HRMS agreed to the suggestions made by OIOS.*

- HRMS' personnel filing system was found in good order. It was not clear, however, what the procedure was for staff members of UN organizations that have their own personnel administration and/or staff on loan, but pay-rolled through UNOG. OIOS found that in some cases, although personnel files had been opened for these staff members in HRMS, the documentation filed was sporadic and often did not include details of rental subsidy. In other instances personnel files were not available. As the IMIS payroll function regarding rental subsidy was only implemented in January 2002, the payment history of staff members before that date is not available in IMIS. Therefore it would have been appropriate for some record to be kept in HRMS of the rental subsidy status of the staff members concerned. OIOS suggests that HRMS refine their policy on what documentation should be held in HRMS and make efforts to ensure Human Resource Officers/Assistants comply with this. *HRMS is making efforts to streamline and rationalize its filing system on a continuous basis.*

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I. INTRODUCTION

1. In April 2005 OIOS conducted an audit of UNOG Rental Subsidy. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The rental subsidy scheme operates as part of the UN post adjustment system. The aim of the scheme is to facilitate the settlement of new staff members and to encourage mobility within the common system by subsidizing the rental costs of eligible staff members whose rental accommodations are of reasonable standard but cost significantly more than the average for the duty station.
3. The relevant UN provisions governing the rental subsidy entitlement are:
 - Staff Rule 103.7 (e);
 - ST/AI/2000/16, 5 December 2000; “Rental subsidies and deductions” (Last amended by ST/AI/2004/4, 17 December 2004, effective 1 January 2005);
 - ST/IC/2000/90, 5 December 2000; “Rental subsidies and deductions”, and
 - Geneva/OI/164/Amend.5 of 23 July 2002 and Amend.6 of 4 January 2005; “Rental subsidy scheme in Geneva”.
4. OIOS previously reviewed UNOG’s administration of rental subsidy in 1998 when it was found that the system was adequately administered, but annual re-applications were not always on file, IMIS data was not always reliable and spouse annual income information was not recorded on the rental subsidy form.
5. A draft of this report was shared with the UNOG Division of Administration. Their comments are reflected, as appropriate, in this report.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the administration of the rental subsidy entitlement at UNOG, and more specifically to:
 - Evaluate the adequacy, effectiveness and efficiency of internal controls;
 - Evaluate whether adequate guidance and procedures are in place;
 - Determine the reliability and integrity of the data available from IMIS;
 - Ensure compliance with UN regulations, rules, policies and procedures.

III. AUDIT SCOPE AND METHODOLOGY

7. The review focused on UNOG rental subsidy payments covering the period of 1 January 2003 to 31 December 2004. The total number of staff that received rental subsidy in 2003 and/or 2004 was 233, with total expenditure of US\$ 1.36 million. OIOS selected 46 personnel files for an in-depth review and analysed all payments made to staff. OIOS followed-up on unusual or unexpected trends in payments that were identified with regard to 52 staff members.

8. The audit activities included a review and assessment of internal control systems, interviews with staff, analysis of applicable data and a review of the available documents and other relevant records.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Rental Subsidy Guidance

(a) Individual thresholds and deductions for garage/parking

9. ST/AI/2000/16 and ST/IC/2000/90 in relation with the rental subsidy scheme regarding reasonable maximum rent levels as set out in Geneva/OI/164/Amend.5 of 23 July 2002 provide UNOG staff members with clear information on the UN provisions on the rental subsidy entitlement. However, the information with regard to individual threshold percentages is not circulated in Geneva (as opposed to New York) and is only available through the automatic computation in IMIS. It is therefore difficult for staff to establish what they are entitled to. To improve the information service to staff, OIOS suggests that UNOG circulate the individual threshold percentages on an annual basis, or whenever changes in these percentages occur. *HRMS agreed, and stated that an information circular will be issued when ICSC revises the rental thresholds applicable to staff with and without dependents. HRMS will continue to provide, upon request, trial calculations to all eligible staff so as to ensure that they are aware of their entitlements.*

10. In its report of 6 May 2003, concerning the OIOS audit of UNHCR rental subsidy (AR2003/601/03), OIOS recommended UNOG to reconsider the garage/parking fee deduction in calculating the net rent in order to ensure a consistent application of the rental subsidy scheme among duty stations and among staff living in Switzerland and France. OIOS is pleased to note that the application of the garage/parking deduction for the purpose of calculating net rent – when the relevant amount is not mentioned in the lease or in a separate contract – has been discontinued by Geneva/OI/164/Amend.6 of 4 January 2005.

(b) Rental Subsidy Application Forms

11. The rental subsidy application (long) form is user friendly and includes clear references to the supporting documentation that needs to be submitted. It furthermore provides a good basis for Human Resource Officers to verify the accuracy of the information provided by staff members.

12. OIOS noted in one of the personnel files reviewed, that a staff member whose nationality was Swiss and whose place of recruitment was Geneva, erroneously received rental subsidy. The error was detected, the rental subsidy payments were discontinued and action was taken to recover the previously paid amounts. Nonetheless, OIOS suggests that HRMS request OHRM to create a field in the rental subsidy application form under 'general information' for staff members' nationality and place of recruitment. This should mitigate the risk of such erroneous payments in the future. *HRMS agrees to include staff members' nationality and place of recruitment on the form.*

(c) Annual Reapplication

13. Section 4 of ST/AI/2000/16 requires staff members to reapply annually for rental subsidy, indicating all changes that may affect their individual situation and the amount of the rental subsidy to which they are entitled. OIOS noted that although the annual reapplication (short) form was submitted, in most of the cases staff members were usually late with their submission, which caused in some instances a significant delay in the rental subsidy payment process. While there is a good control built into IMIS, which automatically stops payment if the annual reapplication form has not been received, the delay of submission in the claims by staff members resulted in large retroactive payments, which require manual intervention and are thus more prone to error. OIOS was pleased to note, however, that since late 2004, as a default setting in IMIS, two reminders for rental subsidy re-application are included in the email covering the monthly payslips of the staff members concerned.

14. The rental subsidy reapplication (short) form reads under paragraph 7, heading II 'Income and rent information' that a "copy of lease/lease extension and evidence of recent rent payment *must* be attached". OIOS found that such information was not systematically on file. We understand that this was not requested by HRMS for staff members under their administration, but in the reapplication reference was made instead to the previous lease. OIOS appreciates that in many cases rental leases have duration of more than one year or are automatically extended, and in these cases it seems unnecessary to attach the same lease again. Moreover, paragraph 5(a) of ST/IC/2000/90 indicates that such supporting documentation is only needed in case of a first time, or *revised* (re) application. While OIOS agrees that evidence of recent rent payment should be submitted with the re-application, it does not see a need to re-submit the lease document with each re-application, unless there is a change or revision. OIOS therefore suggests that the reapplication (short) form be up-dated accordingly, stating that a copy of the lease/lease extension ... must be attached 'in case of change/revision of the lease agreement'. *HRMS agreed that a copy of the lease is not necessary, if the situation of the staff member remained unchanged.*

B. IMIS/ payroll processing

15. As noted above, IMIS automatically calculates the rental subsidies payable and IMIS and payroll are linked in such a way that rental subsidy payments automatically stop after one year, when the reapplication has not been received and/or processed, and after seven years, at the end of the entitlement. It also automatically reduces the payment after five years (60 per cent), six years (40 per cent) and seven years (20 per cent) – with regard to cases related to force majeure, 60, 40 and 20 per cent respectively as of the third year.

16. It is noteworthy to mention that as 'IMIS release 4; payroll (including rental subsidy)' was only implemented at UNOG in January 2002, specific information relating to the staff members' payroll history (before that date) is not available in IMIS. This is especially important as OIOS found that personnel files of staff posted outside Europe and North America were not always available and/or that their files did not always contain documentation relating to rental subsidy. Therefore, follow-up and control in these cases are difficult.

C. Personnel Files/Documentation

17. HRMS' personnel filing system was found to be in good order. It was not clear, however, what the procedure was for staff members of UN organizations that have their own personnel officers and/or staff on loan but pay-rolled through UNOG. OIOS found that in some cases, although personnel files had been opened for these staff members in HRMS, the documentation filed was sporadic and often did not include details of rental subsidy. In other instances personnel files were not available. For example, OIOS was not able to find personnel files for staff members in receipt of rental subsidy working for UNFCCC, UNITAR, OCHA and ECE. Most of the staff members concerned were serving at a duty station outside Europe and North America. While appreciating that HRMS does not administer UNFCCC and UNITAR staff, they are responsible for OCHA and ECE. Therefore it was reasonable to assume that appropriate personnel information including rental subsidy should be available in HRMS. On further follow-up with HRMS, we were informed that OCHA files were eventually found (but have not yet been presented to us for our review). No explanation was forthcoming as to the unavailability of the personnel file of an ECE staff member. For the ECE case in response to the draft report we were informed that the staff member had been transferred to New York. In OIOS' view, there is a need for HRMS to refine its policy on what files/documents should be maintained within HRMS, and once established make efforts to ensure Human Resource Officers/Assistants comply with it. *HRMS indicated that it is making efforts to streamline and rationalize its filing system on a continuous basis.*

V. ACKNOWLEDGEMENT

18. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of Human Resource Management Service and UNOG payroll.

Egbert C. Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services