

INTERNAL AUDIT DIVISION  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Ms. Jan Beagle, Assistant Secretary-General  
A: Office of Human Resources Management

DATE: 2 April 2007

Mr. Jean-Marie Guéhenno  
Under-Secretary-General for Peacekeeping Operations

REFERENCE: AUD-7-1:6 (07-00147)

THROUGH:

FROM: Dagfinn Knutsen, Acting Director  
DE: Internal Audit Division,  
Office of Internal Oversight Services



SUBJECT: **OIOS Assignment No. AP2006/600/10: Audit of Mission Subsistence**  
OBJET: **Allowance (MSA) rates**

1. I am pleased to present herewith our final report on the audit of the above subject which was conducted from September to November 2006.
2. We note from the response to the draft report that OHRM and DPKO have generally accepted the recommendations. Based on this response, we revised recommendations 5 and 11, and obtained OHRM comments thereon. We have also modified the report structure and adjusted the recommendation numbering accordingly.
3. In order for us to close out the remaining recommendations, we request that you provide us with additional information as indicated in the text of the report. Please refer to the revised recommendation numbers concerned to facilitate monitoring of the implementation status.
4. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
5. I take this opportunity to thank the management and staff of OHRM and DPKO for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Philip Cooper, Director, ASD/DPKO  
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Mr. Mika Tapio, Programme Officer, OIOS

# Office of Internal Oversight Services

## Internal Audit Division



### **Audit of Mission Subsistence Allowance (MSA) Rates**

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**Audit no:** AP2006/600/10  
**Report date:** 2 April 2007  
**Audit team:** Irene Gichinga, Auditor-in-Charge  
Anna Halasan, Audit Assistant

**Audit of Mission Subsistence Allowance (MSA) Rates  
(AP2006/600/10)**

**EXECUTIVE SUMMARY**

Mission Subsistence Allowance (MSA) is a daily allowance payable by the United Nations for living expenses incurred by staff members in the field in connection with their temporary assignment or appointment to a special mission. The present policy on MSA is embodied in Administrative Instruction ST/AI/1997/6, which came into effect as of 1 November 1997 as well as subsequent amendments ST/AI/2002/5 and ST/AI/2005/6.

The Office of Internal Oversight Services (OIOS) carried out an audit of MSA rates from August to September 2006. The objectives of the audit were to: (i) determine whether the policies and procedures for establishing and monitoring the MSA rates are appropriate and are being complied with; (ii) review the reasonableness of the MSA rates in comparison with the actual subsistence costs in the various mission areas and with the Daily Subsistence Allowance rates (DSA) set by the International Civil Service Commission (ICSC) as per existing methodologies and criteria; and (iii) establish whether the internal controls in monitoring the MSA rates are adequate.

The audit was conducted in furtherance of the General Assembly's request (A/RES/58/258) to the Secretary-General to ensure that OIOS continues to audit the MSA rates in order to ensure their reasonableness in comparison with the actual subsistence allowance set by the ICSC in the same areas.

OIOS found that the processes and current methodology for the establishment of the MSA rates were appropriate and covered all necessary factors to support the cost-of-living of the field staff. However, while the Office of Human Resources Management (OHRM) is responsible for establishing MSA rates and setting the policies and procedures for their administration, OIOS found that the monitoring function was not defined in the existing policies guiding the MSA process. The Department of Peacekeeping Operations (DPKO) provides the administrative support to all peacekeeping and special political missions and should be responsible for monitoring the use of established MSA rates to ensure compliance with applicable policies and procedures. In this regard, the policies and procedures on the MSA rates as well as the monitoring mechanisms need to be reviewed and revised to include:

- Definition of the roles and responsibilities for establishing and monitoring the MSA process;
- Frequency of MSA rates reviews;
- Field visits surveys and data analysis procedures;
- Policy on MSA when both accommodation and food are provided by the UN;
- Methodology and policy on establishment of provisional MSA rates including defining timelines of thereafter establishing an initial MSA rate;
- Monitoring mechanisms including a system for addressing requests from DPKO, DPA and field personnel concerning MSA issues;

- Process mapping of the entire procedures of establishing and monitoring MSA rates to enable OHRM management to identify possible bottlenecks, errors and risks in the entire process as well as come up with appropriate controls to mitigate risks identified; and
- Clarification of Section 5.1 (c) of ST/AI/1997/6 to cover the payment of MSA in cases of advance leave taken.

OIOS also identified the following cases of non-compliance with existing MSA policies:

- Non-compliance with Section 5.2 of ST/AI/1997/6 which calls for payment at 50 per cent of the MSA rate when accommodation has been provided free of charge by the UN. OIOS was not provided with any written justification for reductions noted that were other than 50 per cent of the MSA rates;
- Non-compliance with the policy on payment of the accommodation portion of the MSA while on official business outside the mission area. Cases noted were mainly due to the untimely provision of information on MSA rates components whenever there was a revision of the rates; and
- Lack of written justification for cases where the first 30 days MSA rate was maintained beyond 30 days in contravention of the requirement of existing policies which suggest establishment of two MSA rates, a higher first 30 days MSA rate and a lower MSA rate thereafter.

OIOS supports OHRM's initiative to review the conditions of service of the staff in the field and is of the view that the MSA, as one of the components of the compensation package should be reviewed with a view of addressing current perception of inequity by staff in the field. Further efficiency in the establishment and monitoring processes can be achieved through:

- Advising the interested parties of all components of each MSA rate at the time of its promulgation for ease of reference;
- Online surveys of the cost-of-living data of the field personnel;
- A requirement for field missions to submit the cost-of-living data periodically, i.e. every two years;
- Ensuring MSA reviews are done in a timely manner;
- Directing more resources to the MSA process to avoid delays in establishing MSA rates; and
- More frequent comparison of MSA rates to DSA rates. OIOS reiterates in this report its prior recommendation in GA report A/59/698 that MSA should be more frequently compared to DSA and that cases where MSA rates are higher than DSA rates should prompt a review of the MSA rates and reasons thereof documented.

OHRM and DPKO generally agreed with OIOS' recommendations.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Mission Subsistence Allowance (MSA) rates to assess the reasonableness of MSA rates in comparison with the actual subsistence costs in the various mission areas as well as with the Daily Subsistence Allowance rates (DSA) set by the International Civil Service Commission (ICSC) as per existing methodologies and criteria. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. MSA is a daily allowance payable by the United Nations for living expenses incurred by staff members in the field in connection with their temporary assignment or appointment to a special mission. MSA responds to the operational demands of the United Nations missions and provides a cost effective mechanism to meet the cost of subsistence in the field. The present policy on MSA is embodied in Administrative Instruction ST/AI/1997/6, which came into effect as of 1 November 1997 as well as subsequent amendments ST/AI/2002/5 and ST/AI/2005/6.
3. MSA is payable to all international civilian staff, civilian police and military observers assigned to a special mission and is based on Staff Rule 103.21 which grants the Secretary-General the authority to designate a special mission whose staff in the three categories named above are eligible to receive MSA. The Secretary-General is also mandated to set the rates and conditions for the MSA payable in each mission. The delegated responsibility for establishing the MSA rates is vested with the Office of Human Resources Management (OHRM) of the Department of Management (DM), while the Department of Peacekeeping Operations (DPKO), which provides the administrative support to all peacekeeping and special political missions, administers and promulgates established MSA rates in the missions.
4. When a special mission is launched, a provisional MSA rate is established on the basis of prevailing DSA rates. Subsequently, a survey is conducted by a compensation specialist from OHRM, in close cooperation with DPKO, for the purpose of gathering data on living expenses that will serve as a basis for determining the initial MSA rates applicable to mission personnel. The rates of MSA are reviewed on a regular basis in order to verify that the various elements and costs taken into account in arriving at the initial rates are still valid. Established MSA rates are communicated by OHRM to DPKO for onward dissemination to staff. OHRM establishes the MSA rates and sets the policies and procedures for their administration. DPKO is responsible for ensuring compliance with applicable policies and procedures.
5. The audit was conducted in fulfillment of the General Assembly's request to the Secretary-General to ensure that OIOS continues to audit MSA rates to ensure their reasonableness in comparison with the actual subsistence allowances set by the ICSC for the same areas.
6. The comments made by OHRM and DPKO on the draft report have been included in the report as appropriate and are shown in *italics*.

## **II. AUDIT OBJECTIVES**

7. The objectives of this audit were to:

- (i) Determine whether policies and procedures for establishing and monitoring the MSA rates are appropriate and complied with;
- (ii) Review the reasonableness of MSA rates in comparison with the actual subsistence costs in the various mission areas and with the DSA rates set by ICSC as per existing methodologies and criteria; and
- (iii) Establish whether adequate internal controls are in place for monitoring the MSA rates.

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

8. The audit was conducted from September to November 2006 at UN Headquarters. It involved a review of the appropriateness and completeness of the methodology and criteria applied in establishing and monitoring MSA rates. The audit also included an assessment of the existence, adequacy and effectiveness of applicable policies and procedures as well as the adequacy of the internal control structure in the MSA rate monitoring process.

9. In conducting the audit, OIOS interviewed key OHRM and DPKO officials involved in the establishment and monitoring of MSA rates. The audit included a comparative analysis of DSA and MSA rates and their component elements, and an assessment of the reviews of MSA rates conducted by OHRM. The audit team examined 15 mission files to assess the methodology, criteria and sources of data in the MSA rate establishment and monitoring processes.

## **IV. FINDINGS AND RECOMMENDATIONS**

### **1. Review of MSA rates**

#### **A. Policies for establishing and monitoring MSA rates**

10. The present MSA policy is embodied in administrative instruction ST/AI/1997/6, which came into effect as of 1 November 1997. This policy was developed by OHRM in close cooperation with DPKO and took into account the guidance provided by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the comments and recommendations of the Internal Audit Division, OIOS. The above ST/AI has subsequently been amended by ST/AI/2002/5 and ST/AI/2005/6. While acknowledging OHRM's effort to constantly review the policies to meet the operational needs of the field staff, OIOS found that there was a need for further revision of the policies on MSA rates in order to further improve internal controls and accountability in the MSA process.

Monitoring roles and responsibilities should be stipulated in the MSA policies and enforced

11. According to OHRM, the Department of Management establishes and reviews the MSA policies, while DPKO is vested with the responsibility of the administration and implementation of established MSA rates. However, OIOS found no policies or procedures defining the roles and responsibilities for monitoring established MSA rates. For instance, there was a lack of clarification and documentation with regard to OIOS' inquiry as to who was ultimately responsible for ensuring that rates paid were in accordance with the directives. While the Chief Administrative Officers in the missions were responsible for implementing established rates, it was not clear as to whether any entity in the United Nations headquarters was carrying out this control function as called for by Sec 3.1 of the revised administrative instruction ST/AI/1997/6.

12. OIOS further observed non-compliance with this policy on the monitoring function. For example, in two of the 15 files reviewed, staff members were paid DSA instead of MSA. In one of the cases, the DSA rates of \$230 for the first 30 days and \$177 thereafter were paid to staff in UNMIL instead of the MSA rate of \$177 for the first 30 days and \$115 thereafter. OIOS found no evidence on file that the responsible office had followed up on this case or that corrective action had been taken, and this issue will be followed up in the respective missions.

13. Failure to define the roles and responsibilities of the different entities and staff may lead to incorrect application of the MSA policies and result in overpayments such as in the case noted above. It may also lead to inconsistent practices, as well as weaknesses in internal controls where there is no separation of duties between the staff performing the procedures and those monitoring them. Furthermore, a recovery of overpayments from staff is a painful procedure and can be avoided if the policies are clearly defined and documented to ensure compliance and correct use thereof.

**Recommendation 1**

OHRM should ensure that responsible and accountable entities and staff in the MSA rate monitoring process are stipulated in the MSA policies and procedures (AP2006/600/10/01).

14. *OHRM and DPKO accepted recommendation 1 on the need for a revision of the current ST/AI/1997/6 to clarify the process and responsibilities of the officials involved in the monitoring of MSA rates. OHRM stated that it is the responsibility of the certifying and approving officers to ensure that correct payments are made. They further stated that they would continue to advise missions and monitor their correct application of MSA-related policies and procedures, as defined in the relevant administrative and financial rules and regulations.*

15. OIOS concurs that this responsibility of the certifying and approving officer is defined within the relevant financial rules and regulations; however, this responsibility should be stipulated in MSA rates policies. In OIOS' opinion, there is a need for revision of the current policies. OIOS will keep this recommendation open in its recommendations database pending its implementation.



## Need to define the type and frequency of MSA rate reviews

16. According to OHRM, established MSA rates are reviewed on a regular basis in order to assess whether the various elements and costs taken into account in arriving at the existing rates are still valid. Using a combination of questionnaires and field survey visits, MSA rates reviews are done as part of either the periodic two-year cycle or as requested by staff in the mission. Between the comprehensive reviews, OHRM makes adjustments to the MSA rates on the basis of information provided by the administrative services of the missions as well as information obtained from other sources such as reports from ICSC.

17. OIOS found that ensuring the accuracy of the data obtained by way of these questionnaires which forms the basis of the MSA rates is an arduous exercise. Notably, the providers of the information may lack objectivity as they are directly affected by the results of the MSA reviews. As well, it is not practicable from a resources point of view, to verify 100 per cent of the data provided. Even when field visits are undertaken, only a sample of the data provided is validated. Nevertheless, a combination of field surveys and other forms of validating the data obtained from the questionnaires (such as comparison with applicable DSA rates and other reports produced by the ICSC on cost-of-living) are applied to ensure that the MSA rates are reasonable and comparable to the actual cost of living of mission staff.

18. The frequency of conducting MSA rate reviews was inconsistent and differed between missions. Cases were noted where there were undue delays of up to five years in performing the MSA rate reviews. In UNAMSIL, between the period October 1993 and March 1998, there were no reviews of the MSA rates except for a review of special rates for staff accommodated in hotels. In an August 1993 memo to OHRM from MINURSO, the field staff cited that “it is noted that a review of living expenses in MINURSO has not been conducted since the mission inception” in April 1991. Following this request, a field survey was carried out in May 1994. Thereafter, the next survey, which was a questionnaire survey, was carried out in April 2001. Delays in returning questionnaires were also noted. In one instance, questionnaires expected to be returned from the field by 31 October 1999 were not received until March 2000 despite several reminders by OHRM. The policies on MSA rates currently do not stipulate the frequency of reviews or conditions that may call for an earlier review as well types of review to be undertaken, i.e., whether questionnaires and/or field survey are to be conducted and at what intervals which may result in outdated MSA rates and may lead to inconsistencies in the review methodology.

### **Recommendation 2**

OHRM should review and update the policies on the MSA rate establishment and monitoring process to include the type and frequency of MSA rate reviews (AP2006/600/10/02).

19. *OHRM accepted recommendation 2, commenting that MSA rates are reviewed every second year, with the vast majority of rates having been reviewed within the past two years. Additionally, OHRM stated that the MSA reviews are timed to coincide with other trips to the region such as salary surveys so it was not possible to guarantee that rates are reviewed on their*

*second anniversary. OHRM also pointed out that it could revise the ST/AI to require a review to be conducted every year using a modified data collecting /survey methodology, and every second year using the MSA questionnaire and on-site visit. OHRM further commented that it may not always have available resources to review the MSA rate according to a pre-determined timetable, and that significant cost savings are achieved by combining travel for MSA surveys with salary surveys. OIOS will keep this recommendation open in its database until it is fully implemented.*

#### Lack of policy on MSA rates when both accommodation and food are provided

20. Section 5.2 of ST/AI/1997/6 provides for a 50 per cent reduction of the MSA rate when accommodation is provided free of charge by the UN. However, neither this ST/AI nor any subsequent instructions give any guidance on cases where both accommodation and food are provided free of charge to staff. The current practice is for OHRM to establish a suitable rate for such cases which, in OIOS' opinion, may lead to inconsistencies in applying the MSA rates.

#### **Recommendation 3**

OHRM should establish a policy on MSA rates payable in cases when accommodation and food are provided to the staff free of charge (AP2006/600/10/03).

21. *OHRM accepted recommendation 3, commenting that a clear policy needs to be established in cases when accommodation and food are provided free of charge by the Organization. OIOS will keep this recommendation open in its database until it is implemented.*

#### Need to review the MSA policy on accommodation provided MSA rates

22. Section 5.2 of ST/AI/1997/6 stipulates that when accommodation is provided free of charge by the United Nations, the standard rate of MSA will be reduced by 50 per cent regardless of the type of accommodation provided. However, cases were noted where the MSA for staff accommodated by the United Nations was reduced by factors other than 50 per cent. OHRM informed OIOS that certain circumstances warranted computing MSA rates that were not strictly 50 per cent of the MSA rate. In all such cases, OIOS noted that OHRM always approved and provided the rates to be applied when accommodation was provided. OIOS agrees with the principle of computing MSA rates specific for each situation. However, the reasons for deviating from the established policy should be documented.

23. The policy should be reviewed with an aim of developing clear directives on the MSA rate reductions for various types of accommodation. Also, when accommodation is provided by entities other than the United Nations, for instance, by the local government, the directive should be made more explicit as to which freely provided accommodation qualifies for the applicability of the reduction in MSA rate.

#### **Recommendation 4**

OHRM should review Section 5.2 of ST/AI/1997/6 which calls for reduction of MSA rates by 50 per cent when accommodation is provided by the United Nations, irrespective of type of accommodation, with an aim of applying different rates of reduction of MSA for various types of accommodation provided (AP2006/600/10/04).

24. *OHRM accepted recommendation 4 and commented that a clear policy needs to be established in cases when MSA rates need to be reduced when accommodation is provided by the Organization.* OIOS will keep this recommendation open in its database until the MSA policy has been reviewed.

#### Policy on payment of MSA for annual leave needs to be reviewed

25. Section 5 of ST/AI/1997/6 and subsequent amendments ST/AI/2002/5 and ST/AI/2005/6 stipulate that MSA is payable for annual leave accrued while on mission assignment, provided that annual leave with MSA at the end of the mission assignment may not exceed 10 working days. Exceptionally, staff members assigned from one mission to another may be allowed to carry forward up to 14 calendar days of annual leave with MSA accrued at the previous mission.

26. OIOS noted cases where MSA was paid to staff having negative leave balances, which is not provided for in the established policy. For instance, in MONUC, as indicated in OIOS report AP2003/62/7, the practice is to pay MSA to staff members under the 100 series in cases where their leave balances reflect a negative number of days. In OIOS' view, the policy on payment of MSA during annual leave needs to be given attention and a directive should be issued to all missions concerning the payment of MSA for advance leave taken.

#### **Recommendation 5**

OHRM should revise Section 5.1 (c) of ST/AI/1997/6 on payment of MSA to include the requirement that MSA payment on an exceptional basis for advance leave taken should be justified and properly documented (AP2006/600/10/5).

27. *DPKO accepted recommendation 5, which had been originally addressed to both OHRM and DPKO, commenting that it agreed that in line with Staff Rule 105.1(e), granting of advance annual leave should only be made in exceptional cases. It stated that bearing in mind that 93 per cent of international staff in United Nations peace operations serve in non-family duty stations and are separated from their families for prolonged periods, DPKO believes that there is a need to exercise flexibility in granting advance leave to field staff. DPKO will provide clear directives to missions regarding the policy on MSA for advance annual leave, but sees the need to retain the possibility of paying MSA retroactively for advance annual leave taken once the leave is actually accrued. In this respect, DPKO also notes that MSA is not currently paid through IMIS, which verifies rules and procedures and allows for effective monitoring. Therefore, there is a*

*need to ensure that in the future, MSA payments are processed through an Enterprise Resource Planning (ERP) system, which would be programmed to prevent payment of MSA where there is a negative leave balance.*

28. Based on this response, OIOS has revised recommendation 5 to include the need for the revision of the current directive on payment of MSA for advance leave on an exceptional basis. OIOS plans to conduct a horizontal audit of MSA payments in the field and will take into consideration the need to have MSA processed and monitored using the future ERP system. OIOS issued the revised recommendation to OHRM for their comments.

29. *OHRM accepted the revised recommendation stating that the administrative instruction, ST/AI/1997/6 and its subsequent amendments; ST/AI/2002/5 and ST/AI/2005/6 should be revised. However, OHRM noted that it would be better to await the outcome of the review of the Human Resources reform proposals by the International Civil Service Commission (ICSC) and the General Assembly.*

30. OIOS acknowledges the view of OHRM on the need to wait for the outcome of the Human Resources reform proposals and it will keep the recommendation open in its database pending the outcome of the reviews of the ICSC and the General Assembly.

## **B. Internal guidelines and methodology**

### Methodology for the establishment of provisional MSA rates should be documented

31. When a special mission is established by the Security Council, provisional MSA rates are set to serve as the initial subsistence allowances for the staff in the mission. Although OHRM has established a methodology for establishing the provisional rates, this methodology is not documented in the existing internal guidelines and the ST/AIs. This may lead to inconsistencies in using the methodology for establishing the provisional rates.

### **Recommendations 6**

OHRM should formalize the methodology for establishing provisional MSA rates and include it in the existing policies, procedures and guidelines (AP2006/600/10/06).

32. *OHRM accepted recommendation 6.* OIOS will keep this recommendation open in its database pending receipt of documentation showing that it has been implemented.

### Need for process mapping and documenting the MSA rate establishment and monitoring methodology

33. Process mapping allows one to examine a process and identify internal control points since it offers a clear picture of what activities are carried out and responsibilities for such activities in the operational process. The process should be mapped as it currently stands so as to identify the existing process and form the basis for its review.

34. To date, the procedures involved in the MSA rate establishment and monitoring process have not been mapped in a process flow chart. Without a flow chart of the entire process, it is difficult for management to identify risks at each step and indicate the internal controls that mitigate these risks. A well mapped process also acts as a good training tool for new staff and other parties interested in understanding the process.

35. The review identified cases where there was an apparent breakdown of the process flow which, in OIOS' opinion, would have been averted or identified by a well documented process flow chart. It was noted that delays in handling requests to review MSA rate were possibly caused by a lack of procedures on handling such requests. Failure to map the process exposes the Organization to risks of errors and inefficiencies in the monitoring process. In the spirit of assisting OHRM in risk management, OIOS has attached a process map of the MSA rate establishment and monitoring steps (Annex II), which could be used in developing a more detailed process map of the entire process.

36. OHRM has developed internal guidelines on the procedures for the establishment of MSA rates. OIOS found these detailed guidelines to be quite detailed stipulating the process of establishing the first 30 days and after 30 days MSA rates. However, the guidelines should be further developed to encompass all procedures and steps in the MSA rates establishment and monitoring process such as field visits surveys, obtaining data from sources of information and data analysis. The procedures should also identify the sources of information used.

### **Recommendations 7 and 8**

OHRM should:

- (i) Develop a detailed flow chart of the entire MSA rates establishment and monitoring process to identify internal controls to mitigate the risks in the process (AP2006/600/10/07); and
- (ii) Review and update the internal procedures guidelines document on the MSA rate establishment and monitoring process to include all steps and pertinent details concerning MSA field surveys, sources of information, data analysis and monitoring procedures (AP2006/600/10/08).

37. *OHRM accepted recommendations 7 and 8 and stated that they believe that mapping would be a clearer way to present the process. However, Annex III should be carefully reviewed as it does not reflect the current process. OHRM recommends that OIOS provide comments on how the attached flow chart identifies and mitigates risks.*

38. OIOS would like to point out that recommendation 7 suggests that OHRM develop a detailed process flow chart to be used as a way of identifying internal control weaknesses, which is the responsibility of OHRM management. Annex II is provided as an example of a flow chart which should further be developed by OHRM to reflect all details of the MSA process. OIOS has

clarified this annex to indicate examples of control points and gaps that could be identified using the process flow chart and will keep this recommendations open in its database until implemented.

### **C. Internal controls**

#### Review process can be improved through online surveys

39. OHRM periodically reviews MSA rates for purposes of assessing their reasonableness. Data on the cost of living in the field is obtained in the form of hard copy questionnaires sent to all recipients of MSA in the missions. The information from the questionnaires received is then analyzed by OHRM. This practice is labor intensive and time consuming.

40. While the hard paper practice has worked so far, with the advancement in Information and Communication Technology (ICT), OIOS is of the view that performing online surveys is a more efficient method especially since most field staff have access to ICT facilities and are well versed with online surveys as carried out by other UN entities including the ICSC.

#### **Recommendation 9**

OHRM should consider carrying out online MSA surveys which will be a more efficient and faster method for obtaining necessary information (AP2006/600/10/09).

41. *OHRM accepted recommendation 9, commenting that an on-line tool is currently being developed and is undergoing a pilot study in UNMIS.* OIOS will keep this recommendation open in its database until the online MSA survey tool is implemented.

#### Provisional MSA rates should be monitored more closely

42. When a special mission is established, normally by a resolution of the Security Council, preliminary MSA rates are set to serve as provisional allowances for the staff in the mission. These rates are based on prevailing DSA rates. Subsequently, data is gathered on the cost-of-living in the mission after which the MSA rate is established. However, there is no stipulated period within which MSA rates must be established and cases were noted where the provisional MSA rate was in use for long periods. The provisional MSA rate is often higher than the rate eventually established. In one mission, nine staff members involved in the initial mission set-up received provisional MSA being full DSA for 16 months before the MSA rate was established. OIOS is of the view that closer monitoring and review of the justification for the continued existence of the provisional rates should be put in place, as inadequate monitoring may result in higher costs to the Organization. Failure to conduct such reviews should be documented specifying justification for not establishing an initial MSA rate within a shorter period.

## Recommendation 10

OHRM should closely monitor provisional MSA rates established at the outset of new missions in order to ensure their reasonableness and justify their continued application (AP2006/600/10/10).

43. OHRM accepted recommendation 10 commenting that in the future when provisional MSA rates are set, OHRM will review them within six to nine months. OIOS will keep this recommendation open in its database pending OHRM's formalization of the requirement to review provisional MSA rates within nine months.

### D. Reasonableness of MSA rates

#### Need for more frequent comparison of MSA rates with DSA rates

44. The Daily Subsistence Allowance (DSA) established by the ICSC is designed to offset travel costs incurred for short periods of official travel. While DSA rates are based on the cost of hotel rooms and meals and a standard rate for incidentals, MSA rates are based on the costs of longer-term accommodation, food and miscellaneous expenses.

45. The General Assembly and the ACABQ are of the opinion that the two allowances are linked. As well, the ICSC believes that there is a link between the MSA rates and DSA rates, as the two allowances serve for the same needs but for differing timelines. At its fifty-fourth session (April/May 2002), the ICSC noted that disparities existed between MSA and DSA rates. In the view of all the above bodies, it would not be unreasonable to assume that MSA rates should typically be lower and never higher than DSA rates for the same location.

46. Repeatedly, ACABQ has called for the review of MSA rates particularly in cases where it has observed in a number of operations that the MSA was substantially higher than the DSA. In its report A/47/990, the ACABQ stated that there were anomalies in the determination and application of the rates. OIOS reviewed case files on the establishment and review of MSA rates for 15 missions (see Annex 1) and observed that in most missions, the established MSA was lower than DSA. However, as shown in the table below, MSA was higher than the first 60 days DSA in a few of the cases.

Mission	First 30 days MSA	After 30 days MSA	First 60 days DSA
MINUSTAH (Provisional MSA)	203	139	92 (Elsewhere) 203 (Port au Prince)
MONUC- Kampala	193	108	160
-Kigoma	128	96	97
UNMEE-Addis Ababa	80	80	72

47. According to OHRM, these anomalies were caused by timing differences in reviewing both rates. While ICSC regularly updates the DSA rates, OHRM does not always compare the revised

DSA rates with the MSA rates at each revision of DSA rates. OIOS is of the view that the MSA rates should be more closely monitored against prevailing DSA rates and reiterates its recommendation in GA report A/59/698 that whenever the MSA rate is found to be higher than the DSA rate, there should be a review of the MSA rate to ensure justified and the reasons thereon documented.

### **Recommendation 11**

OHRM should monitor MSA rates vis-a-vis prevailing DSA rates to ensure that cases with MSA rates higher than DSA rates are justified and the reasons thereof documented.  
(AP2006/600/10/11)

48. *OHRM and DPKO did not accept the recommendation suggesting that MSA rates should be linked to the DSA rates. Both departments commented that, in certain locations, DSA has no bearing upon the longer term living costs of international staff. In some locations, the hotels that are the basis of the “regular” DSA rate do not fully meet the criteria of “good quality, commercial hotels” as stipulated by the ICSC. The security of staff should not be compromised by linking MSA and DSA rates and a reasonable comfort level should be ensured.*

49. OIOS agrees that there might be specific cases where it might be warranted to have higher MSA rates than DSA rates and that each rate is established in consideration of the prevailing circumstances. However, OIOS is of the opinion that all cases where the MSA rates are higher than DSA rates should be justified and the reasons thereof documented. In this regard, OIOS revised and obtained OHRM comments for this recommendation.

50. *OHRM accepted the revised recommendation but noted that prior to promulgating revised MSA rates; they always compare these with prevailing DSA rates. They further stated that in instances where the MSA rate is higher, the reasons justifying such a differential are documented.*

51. OIOS acknowledges this response and agrees that comprehensive documentation should always accompany any reviews and revisions of MSA rates. However, OIOS would like to emphasize the need for more frequent proactive comparisons of MSA rates and DSA rates than the current two year cycle. OIOS will keep the recommendation open in its database pending review of documentation on justification for cases where MSA rates are higher than DSA rates.

#### Need for written justification where MSA rates are not reduced after 30 days

52. In accordance with ST/AI/1997/6 Section 3.3, normally, two rates of MSA are established. A higher MSA rate applicable for the first 30 days is established on the premise that new mission staff are likely to stay in hotels for the first month and thereafter secure long term rented accommodation and prepare their own meals. Hence, the MSA rates are reduced after 30 days due to the lower cost of living. The following table shows examples of field missions where the MSA rate did not change after 30 days.



## Current MSA Rates

Mission	First 30 days	After 30 days
UNAMSIL	115	115
UNMEE	80	80
UNMOGIP-New Delhi	86	86
UNOMIG-Georgia	80	80

53. OIOS found no documentation on file justifying the non-compliance with the established policy. UNAMSIL, for example, was established in 1998 and throughout the life of the mission, the MSA rates did not change after the first 30 days. Consistently, a single rate was promulgated at the time of reviews with a comment but no further explanation that there would be no change in the rate after 30 days. While it is expected that in the early days of the mission most staff were accommodated in hotels, as the mission matured, most staff were able to secure long term housing which would in effect lower their costs of living. In this regard, failure to reduce the rate after 30 days to more accurately reflect the expected cost-of-living may result in over-expenditures on MSA payments made by the Organization.

### Recommendation 12

OHRM should ensure that the reasons justifying all cases where the first 30 days MSA rates are not reduced are documented and duly approved by management (AP2006/600/10/12).

54. *OHRM did not accept recommendation 12 commenting that justifications are included in the MSA report and are approved when MSA rates are promulgated.*

55. As OIOS found no documented evidence on file justifying the cases cited in paragraph 52 above during the audit fieldwork, the recommendation will remain open in OIOS database until OHRM provides documentation supporting the retention of the first 30 days MSA rates.

### E. Staff perception of inequities in applying MSA rates

#### Uniform reduction in MSA rates irrespective of accommodation provided

56. According to Section 5.2 of ST/AI/1997/6, when accommodation is provided free of charge by the United Nations, the standard rate of MSA will be reduced by 50 per cent regardless of whether the accommodation provided is permanent, prefabricated or tented. Staff in the missions felt that it was inequitable to deduct the same amounts of MSA for staff housed in shared tents and for those housed in modern accommodation facilities.

57. While OIOS agrees with the principle of reducing MSA rates when accommodation has been provided, concerted effort should be made to ensure that accommodation provided merits the proposed reduction in the MSA rate. Notably, the United Nations Development Program, (UNDP) limits the reduction to 25 per cent when substandard accommodation has been provided. OIOS also supports DPKO's proposal, (Memo dated 9 January 2002) to OHRM to introduce the

concepts of substandard accommodation and shared accommodation to the MSA policy as is stipulated in ST/AI/2000/16 on rental subsidies and deductions. This perception of inequity by staff may inhibit highly qualified individuals from serving in the field and hamper the retention of experienced personnel.

### **Recommendation 13**

OHRM should introduce the concepts of substandard and shared accommodation into the MSA policy so as to ensure equity in the accommodation-provided MSA rates (AP2006/600/10/13).

58. *OHRM accepted recommendation 13 and stated that it considers this recommendation to be a substantial issue which is under review, and is considering making uniform reductions by percentage, taking into account whether the accommodation is substandard or shared. DPKO fully supported the recommendation to limit the reduction in the MSA rate when the accommodation provided is substandard, and reiterated the proposal contained in its memorandum of 9 January 2002 to limit the reduction to 50 per cent of the accommodation portion, rather than the full accommodation portion, when accommodation provided is substandard. OIOS will keep this recommendation open in its database pending receipt of documentation showing that the policy has been reviewed.*

#### Lack of harmonization of staff compensation: Post adjustment and other entitlements for mission appointees recruited from outside the UN system

59. The logic and rationale for the establishment and application of MSA rates is partly based on the operational needs of the mission as well as the need to attract and retain the services of highly qualified and experienced personnel to serve in field missions.

60. OIOS noted that discrepancies existed among organizations in establishing special entitlements for staff serving in high risk and hardship duty stations. Mission appointees recruited from parent duty stations receive their salary plus the post adjustment and all other applicable entitlements at the parent duty station in addition to the MSA. Mission appointees specifically recruited from outside the United Nations only receive their salary component plus the MSA. The rationale for paying staff in the first category is based on the premise that staff are expected to maintain a household at the home duty station during the mission assignment. Staff members recruited from outside the United Nations system are not compensated even when they maintain a household in their countries of origin and they are not entitled to payment of an assignment grant, post adjustment or rental subsidy. The current human resources management framework, which was designed for a stable, largely Headquarters-based environment, has been only partially adapted to accommodate more dynamic field-based operations, and an interdepartmental Working Group has been established to address the need to institutionalize a common approach in the granting of entitlements to staff serving at high risk duty stations.

61. Arguably, the United Nations Compensation package is competitive and may be attractive to new appointees. However, once within the system, staff morale is likely to be affected when the differences in compensation become apparent. OIOS believes there is merit in eradicating

these inequities, and notes that several reforms are expected in the compensation package for all staff in line with recent reform proposals. In his report, the Secretary-General proposes several reforms including the harmonization of the compensation package to staff - "Investing in people"<sup>1</sup>. As well, a Working Group has been constituted to undertake a review of the entitlements and conditions of service of staff in the field including MSA rates, with a view to examining where further harmonization might be possible. Also, the need to attract highly qualified individuals and to retain the services of experienced personnel for service in field missions is of critical importance as reiterated in the United Nations Peace Operations 2010 program of the USG, DPKO.

62. In accordance with ST/AI/2000/21 of December 2000, the UN has recognized the need for regular periods of recuperation after working for extended periods at special missions under hazardous, stressful and difficult conditions by granting an Occasional Recuperation Break (ORB). Currently, such travel costs are the exclusive responsibility of the staff member as they are not paid for by the United Nations. Staff have been requesting that a review be made of their compensation to include an element of ORB travel compensation in line with the practices of the other United Nations funds and programmes.

#### **Recommendation 14**

OHRM should review the conditions of service of staff serving in field missions in order to ensure that any inequities in the compensation packages are addressed and hence to facilitate recruitment and retention of qualified personnel (AP2006/600/10/14).

63. *OHRM accepted recommendation 14 and stated that it would wish to refer to the current reform initiatives under review by the General Assembly. In support of the recommendation, DPKO made reference to the Secretary-General's human resources reform measures in his report on Investing in People (A/61/255) aimed at improving the conditions of service and contractual arrangements of staff in the field, and stated that these measures include proposals to streamline contractual arrangements, harmonize conditions of service for staff serving in non-family duty stations, replacing ORB with Rest and Recuperation travel paid by the Organization, and the designation of missions as family or non-family based on the security phase in effect. OIOS will keep this recommendation open in its database pending completion of the review of conditions of service for staff in the field.*

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<sup>1</sup> The Secretary-General (SG) report "Investing in People" (A/61/255) is a product of the request of the General Assembly to develop the proposals of the SG prior management reform report "Investing in the United Nations: For a Stronger Organization Worldwide" (A/60/692).

## 2. Implementation of MSA

### F. Policies for the administration of MSA rates

Policy on application of DSA versus MSA for official business travel to special missions should be reviewed

64. Rule 21 of the DPKO Handbook provides that staff members who travel on official business to a special mission for periods of less than one month are normally entitled to DSA rather than MSA. According to the same rule, if their temporary duty is extended beyond one month, MSA would be payable from the 31st day onwards, and if the period of temporary duty is expected from the onset to be more than one month, then MSA instead of DSA should be paid for the entire period.

65. OIOS was informed by OHRM that this rule was established for staff members on official business travel to special missions, who were required to stay in a “compound” area together with the regular staff whose costs of living were deemed not high enough to justify payment of DSA. In such situations, it was felt that it would be seen as inequitable if visiting staff subject to the same living conditions and costs as the mission staff were to be paid higher DSA instead of MSA for prolonged periods. However, OIOS is of the view that this guideline, which is currently invariably applied to all staff that travel on official business to special missions, should not be applied to all official business travel, as the DSA rates have been established to provide for such travel. Nevertheless, in those situations meriting the payment of MSA rather than DSA, a policy to this effect should be established and promulgated accordingly. In the meantime, OIOS is of the view that the first 60 days DSA should be paid for all official business travel for the first two months and the after 60 days DSA for all other official travel longer than two months.

#### **Recommendation 15**

DPKO, in cooperation with OHRM and ICSC, should review rule 21 of its Handbook which provides for payment of MSA rather than DSA to staff who travel on official business for periods longer than 30 days to determine whether this practice is in compliance with the existing UN policy on the application of DSA versus MSA rates in special missions (AP2006/600/10/15).

66. *DPKO and OHRM accepted recommendation 15. Accordingly, OHRM will inform DPKO and ICSC that staff on official business travel should receive DSA, and only upon assignment to a special mission should MSA become payable.* OIOS will keep this recommendation open in its database pending receipt of documentation showing that it has been implemented.

### G. Communication of revised MSA rates

67. Upon establishment, MSA rates are communicated by the Assistant-Secretary-General, OHRM to the Under-Secretary-General, DPKO, who then disseminates them to the missions. OIOS found that the communication to DPKO was done in a timely manner. However, although the OHRM reports contained the breakdown of the MSA rates into the three components, i.e.

accommodation, food and miscellaneous, these were not disseminated to DPKO, DPA and to the missions at the time of promulgating the revised MSA rates.

68. No explanation was provided to OIOS as to why the components were not provided at the time of promulgating the rates. When rates are revised, the components change accordingly and, therefore, not providing the breakdown may lead to the application of the wrong amounts in the computation of various entitlements. OIOS identified in the audit of the office of the Special Representative of the Secretary-General for the Great Lakes Region (OSRSG/GLR)<sup>2</sup>, a case where the retained accommodation had been paid at the old accommodation component rate, since the components had not been communicated to the Mission at the time of promulgating the revised MSA rates. Also, several cases were noted where staff in the mission made requests for the composition of the MSA rate on a need basis.

69. OIOS is of the view that the breakdown of the MSA rates into components should be communicated to the staff at the time of promulgating the revised MSA rates. Also, in order to provide information and to increase transparency, the breakdown of the MSA rates into its components should be indicated in the OHRM website in a similar fashion as done with DSA rates. Furthermore, to ensure that field missions apply correct MSA rate components, OHRM should consider including a reminder in the memo promulgating the MSA rates that those entitlements pegged on the MSA components, such as retained accommodation, may change accordingly.

#### **Recommendation 16**

DPKO should ensure that the breakdown of MSA rates into the three components; accommodation, food and miscellaneous is communicated to the staff at the time of promulgating revised MSA rates (AP2006/600/10/16).

70. *OHRM accepted recommendation 16, commenting that it fully supports it. DPKO also stated that they support this recommendation, and noted that with the introduction of a new ERP system that would process MSA claims, the breakdown of the components would be included in the electronic system, thus ensuring that correct amounts are paid.* As this issue relates to promulgation of the MSA rates to staff, OIOS has readdressed it to DPKO and will keep it open in its database pending the receipt of documented evidence that the recommendation has been implemented.

#### **H. Handling queries on MSA from field personnel**

71. With the recently obtained additional resources, OHRM has become more responsive to requests from DPKO, DPA or from the field staff to conduct MSA rate reviews. Also, DPKO frequently supports the MSA reviews by providing funding for the field surveys. Nevertheless, the current mechanism for analyzing client feedback from field personnel on the MSA rates needs to be formalized and documented. OIOS is of the view that establishing time guidelines within which such requests should be attended to, would ensure that the reviews are carried out

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<sup>2</sup> Audit assignment No. AP/2006/560/02

in a timely manner. OIOS also notes that more frequent field visits may require additional resources and calls for alternative review methods to ensure that the MSA rates remain appropriate. OIOS suggests a procedure to be established requiring every mission to complete the questionnaires on cost of living every two years. In addition, OHRM should perform a monthly comparison of MSA rates with applicable DSA rates that would reveal any anomalies which may require a more thorough review.

### **Recommendations 17**

DPKO should develop and document a system for addressing queries from field personnel concerning MSA issues (AP2006/600/10/17).

*72. DPKO and OHRM accepted recommendation 17 and noted that as part of every MSA review, staff members receiving MSA are invited to a briefing that explains the purpose of MSA and the review methodology. OHRM also stated that feedback from the staff is an important aspect of the survey and helps provide the Compensations Officers with an insight to local living conditions. This exchange of views greatly contributes to a fuller understanding of living conditions and the determination of the applicable MSA rate. Additionally, this feedback has subsequently been used by OHRM's working groups formulating and providing inputs into the reform initiatives. DPKO further stated that it will continue to liaise with OHRM in clarifying the implementation of the MSA policy in field missions through facsimile transmissions or through its on-line Human Resources Handbook. OIOS will close this recommendation after DPKO establishes a system for maintaining all such queries including frequently asked questions and lessons learned.*

### **V. ACKNOWLEDGEMENT**

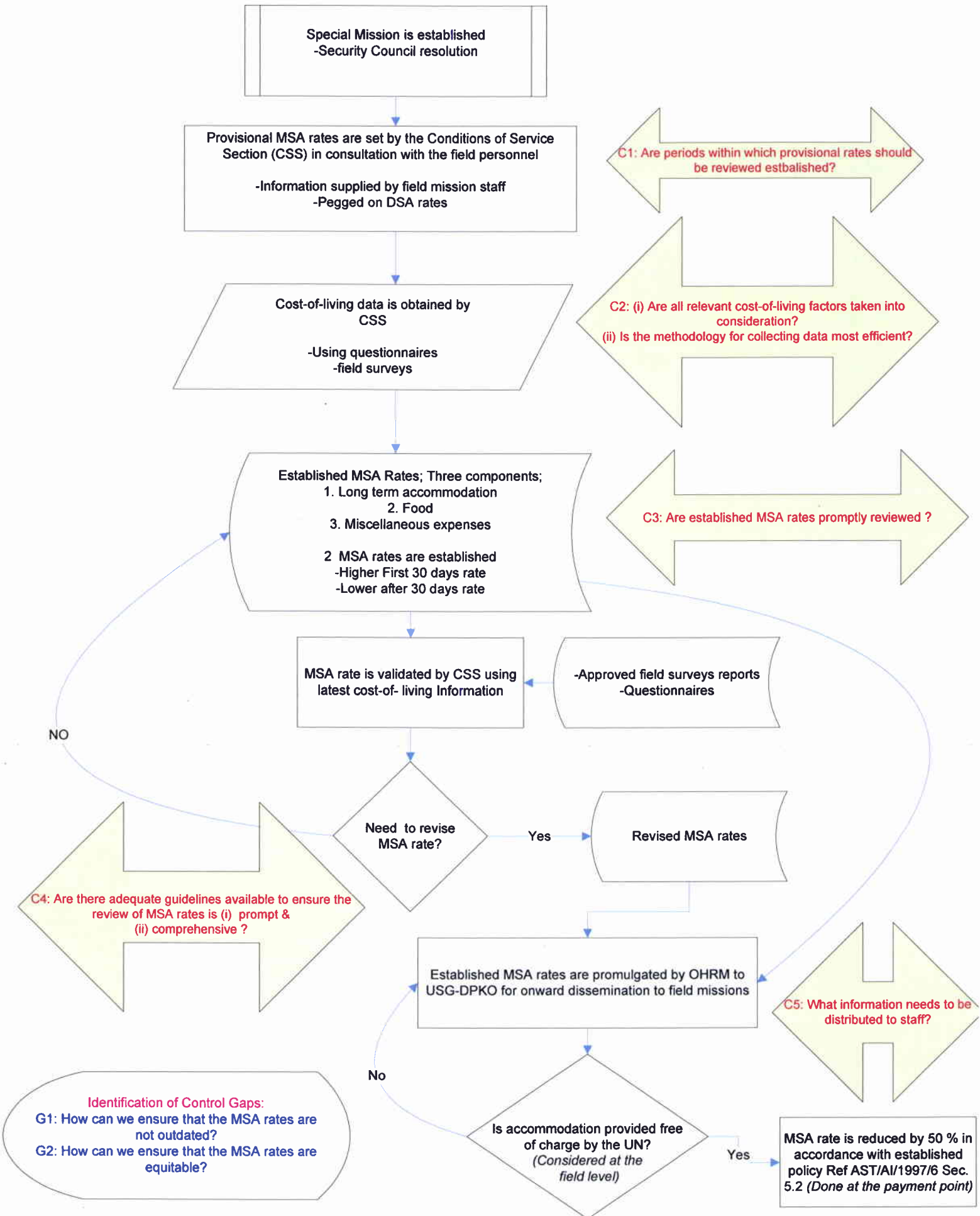
73. We wish to express our appreciation for the assistance and cooperation extended to the audit team by the staff of DPKO and OHRM.



Dagfinn Knutsen, Acting Director  
Internal Audit Division, OIOS

**Annex I****MISSION SUBSISTENCE ALLOWANCE RATES: SAMPLED CASE FILES**

	<b>MISSION</b>	
1	UNMIS	United Nations Mission in Sudan
2	MINURSO	United Nations Mission for the Referendum in Western Sahara
3	MONUC	United Nations Organization Mission in the Democratic Republic of Congo
4	UNFICYP	United Nations Peacekeeping Force in Cyprus
5	UNAMSIL	United Nations Mission in Sierra Leone
6	UNOGBIS	United Nations Peace-Building Support Office in Guinea-Bissau
7	UNMIK	United Nations Mission in Kosovo
8	UNTSO	United Nations Truce Supervision Organization
9	UNMOGIP	United Nations Military Observer Group in India and Pakistan
10	ONUB	United Nations Operation in Burundi
11	UNAMI	United Nations Assistance Mission for Iraq
12	UNMIL	United Nations Mission in Liberia
13	MINUSTAH	United Nations Stabilization Mission in Haiti
14	UNAMA	United Nations Assistance Mission in Afghanistan
15	UNOTIL	United Nations Office in Timor-Leste



C1: Are periods within which provisional rates should be reviewed established?

C2: (i) Are all relevant cost-of-living factors taken into consideration?  
(ii) Is the methodology for collecting data most efficient?

C3: Are established MSA rates promptly reviewed ?

C4: Are there adequate guidelines available to ensure the review of MSA rates is (i) prompt & (ii) comprehensive ?

C5: What information needs to be distributed to staff?

Identification of Control Gaps:  
G1: How can we ensure that the MSA rates are not outdated?  
G2: How can we ensure that the MSA rates are equitable?

MSA rate is reduced by 50 % in accordance with established policy Ref AST/AI/1997/6 Sec. 5.2 (Done at the payment point)



UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Mission Subsistence rates

(AP2006/600/10)

	1	2	3	4	5
	Very Poor	Poor	Satisfactory	Good	Excellent
<b>By checking the appropriate box, please rate:</b>					
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Your overall satisfaction with the conduct of the audit and its results.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

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*Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:*  
 Director, Internal Audit Division-1, OIOS  
 By mail: Room DC2-518, 2 UN Plaza, New York, NY 10017 USA  
 By fax: (212) 963-3388  
 By E-mail: [iad1support@un.org](mailto:iad1support@un.org)