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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE
OIOS · BSCI

TO: Mr. Abou Moussa, Officer-in-Charge
A: United Nations Operation in Côte d'Ivoire

DATE: 19 July 2007

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

REFERENCE: AUD-7-5:75 (07- 00 347)

SUBJECT: **Assignment No. AP2007/640/13: Special audit of Citibank Agreement with**
OBJET: **UNOCI**

1. I am pleased to present the report on the above-mentioned audit of the above subject, which was conducted from 22 June to 2 July 2007 in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Based on your comments, we are pleased to inform you that we will close the recommendation in the OIOS recommendations database.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical, in its annual report to the General Assembly and semi-annual report to the Secretary-General.
4. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who deal directly with the auditors and complete the attached client satisfaction survey form.

I. INTRODUCTION

5. By memorandum dated 20 June 2007, the Controller requested OIOS to conduct a review of the ONUCI Teller Services Agreement (the Agreement) with Citibank (the Bank), which *inter alia* authorized the Bank to cash personal checks of UNOCI staff members against the UNOCI bank account. Under the Agreement, four checks deposited by three UNOCI staff members had been returned by Citibank to UNOCI for insufficient funds and the equivalent amounts plus fees for returned checks, totaling \$6,700, were deducted from the UNOCI bank account. The Controller requested UNOCI to recover immediately these monies from the staff members and instructed the Mission to cease the practice of guaranteeing staff member personal checks against the funds of the Organization. Pending the outcome of the review, the Controller withdrew the approving authority granted to the UNOCI Chief Finance Officer and certifying authority of the former and current UNOCI Chief Administrative Officers.
6. Comments made by UNOCI are shown in *italics*.

II. AUDIT OBJECTIVES

7. The major objectives of the audit were to:
- (a) Identify any potential fraud indicators with regard to bank guarantees made by UNOCI against personal checks cashed by Mission staff;
 - (b) Assess if UNOCI officials properly exercised the delegation of authority granted to them by the Controller in respect of local banking arrangements;
 - (c) Determine the number and dollar amount of personal checks returned by Citibank and if all losses were recouped;
 - (d) Confirm that the Mission has fully revoked any unauthorized guarantees given to Citibank; and
 - (e) Assess accountability of officials involved in the preparation and approval of the Citibank agreement.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered the agreement between UNOCI and Citibank and included reviews of all relevant accounting files and records, and interviews with concerned Mission and Citibank officials.

IV. OVERALL ASSESSMENT

9. OIOS did not find any indication of fraud relating to the Mission's banking agreement with Citibank. The audit confirmed that the amounts relating to returned checks deducted from the UNOCI Citibank account totaled \$6,700, and the guarantee given by UNOCI to Citibank to cover checks with insufficient funds presented by staff members has been fully revoked. However, OIOS determined that the responsible Mission officials did not seek or obtain clearance from the UN Treasurer before entering into the local agreement with Citibank, thus contravening established procedures.

V. AUDIT FINDINGS AND RECOMMENDATIONS

Delegation of authority

10. Financial Rule 104.4 stipulates that the Under-Secretary-General for Management (USG/DM) shall establish all official bank accounts required for the transaction of UN business and shall designate those officials to whom signatory authority is delegated for the operation of those accounts. This function was re-delegated by the USG/DM to the Controller as stipulated in ST/SGB/2003/16. OIOS found no evidence indicating that UNOCI had sought the authority to negotiate and sign a contract for banking services, nor that had the Controller delegated such authority. The UNOCI Management explained that they mistakenly believed that the Cash Teller Service Agreement with Citibank was in line with the policies of the Treasurer who had agreed with the selection of Citibank, in July

2005, to provide banking services to UNOCI as part of a global contract covering several missions. The global contract was yet to be finalized at the time of this review.

Terms of the Agreement

11. On 21 February 2006, the former UNOCI Chief Administrative Officer (CAO) signed the Cash Teller Service Agreement with Citibank Côte d'Ivoire. The purpose of the contract was to establish a working relationship between UNOCI and Citibank, whereby Citibank provided customary banking services at UNOCI Headquarters to UNOCI and its staff members. The Agreement, initially for one year, was extended on 15 March 2007 through an amendment signed by the current CAO.

12. Paragraph 6 of the Agreement stipulated that: "All money exchange transactions shall be a matter between Licensor [UNOCI]'s staff members, and the Licensee [Citibank], and the Licensor shall not be party thereto. The Licensor shall not be liable for checks with insufficient funds accepted by the Licensee; however, the Licensor agrees to exert reasonable efforts to encourage its staff members to regularize such a situation." However, Annex I to the Agreement contradicted this provision since it included the following stipulation: "The Licensee will accept third-party checks against a written approval from the Licensor [UNOCI] who will be held responsible for any bounced check which face value and related charges will be debited on the Licensor account."

13. OIOS also found that the CAO's 15 May 2006 memorandum to Citibank confirmed that the UNOCI CFO was delegated the authority to issue guarantee letters on behalf of UNOCI for staff members cashing personal checks. The CFO and Officer-in-Charge of the Finance Section actually signed guarantee letters to Citibank stating that UNOCI will be "held responsible, in case of non-collection of funds against the check."

14. The UNOCI Management informed OIOS that the above arrangements with Citibank were entered into only to assist UNOCI staff members, because of the difficulty in performing foreign cash transactions in Côte d'Ivoire.

Contract review

15. On 4 October 2005, the CFO requested the UNOCI Legal Officer to review the draft Agreement related to "Applicable Law and Jurisdiction," particularly item 12. On 11 October, the Legal Officer provided comments on the subject of amicable settlement and arbitration according to the UN General Terms and Conditions, which were inserted in paragraphs 12 and 13 of the Agreement. The Legal Officer reviewed the final draft on 15 February 2006, and commented on the draft Agreement's failure to reference the UN General Conditions for service contracts, the designation of the CFO as the representative of UNOCI, and the lack of a determination concerning office space and facilities needed by Citibank at UNOCI and banking hours. The draft Agreement was also reviewed by the Chief Administrative Services and Chief Procurement Officer, who provided only minor comments. It appears therefore that although the draft Agreement had been shared within UNOCI, none of the officials who reviewed it had noticed the contradiction between paragraph 6 and Annex I of the Agreement, or questioned the fact that UNOCI would be liable for staff members' bounced checks.

Financial implication

16. While the Agreement unnecessarily created a liability for the Organization, the timely reconciliation performed by the Finance Section allowed for the detection of returned checks as early as 15 June 2007 and the initiation of remedial action. OIOS examined the SUN system records of all check transactions for the period from 21 February 2006 to 22 June 2007 and did not find exceptions other than those already reported to the Controller, i.e., the four checks totaling \$6,700.

Remedial action

17. As of 21 June 2007, UNOCI recovered the full amount of the four returned checks (\$6,700) which was credited to the UNOCI Citibank account. In response to the Controller's instruction, UNOCI has discontinued the practice of issuing guarantee letters, and on 21 June 2007 sent a broadcast to all staff members accordingly. On the same day, the CFO sent a memorandum to Citibank questioning their debiting of the UNOCI account without prior advice. On 22 June, the CAO signed an amendment to the Agreement ending any Mission liability for personal checks of UNOCI staff members.

Recommendation

UNOCI Management should: (i) ensure that it is fully cognizant of the nature and scope of authority delegated to the Mission; (ii) carry out management functions within such delegated authority; and (iii) seek advice and clarification from responsible Headquarters officials regarding delegation of authority issues.

17. *UNOCI Management accepted the recommendation, stating that it had taken immediate actions to implement them. The Mission also provided OIOS with a copy of the memorandum issued to all senior managers, certifying and approving officers bringing to their attention the key elements of the audit recommendations. The memorandum stated that these managers and officers would be constantly reminded of the need to be vigilant in the exercise of their duties. Based on the action taken by the Mission, OIOS has closed the recommendation.*

VI. ACKNOWLEDGEMENT

18. We wish to express our appreciation to the Management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

cc: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations
Mr. Warren Sach, ASG/Controller
Mr. Philip Cooper, Director, ASD/DPKO
Mr. Wallace Divine, Chief Administrative Officer, UNOCI
Mr. Swatantra Goolsarran, Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Roland Bill, Chief Resident Auditor, UNOCI

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Special audit of Citibank agreement with UNOCI

(AP2007/640/13)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
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"/>
Your overall satisfaction with the conduct of the audit and its results.	<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: _____

*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, OIOS
 By mail: Room DC2-518, 2 UN Plaza, New York, NY 10017 USA
 By fax : (212) 963-3388
 By E-mail: knutsen2@un.org*