



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

Audit of asset management and disposal in MINUSTAH

24 October 2007

Assignment No. AP2007/683/08

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OIOS · BSCI

TO: Mr. Hedi Annabi
A Special Representative of the Secretary-General
MINUSTAH

DATE: 24 October 2007

REFERENCE: AUD-7-5:10 (07- 00667)


FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AP2007/683/08: Audit of asset management and disposal in MINUSTAH**
OBJET: **disposal in MINUSTAH**

1. I am pleased to present the report on the above-mentioned audit, which was conducted from February to May, 2007.

2. Based on your comments, we are pleased to inform you that we will close recommendations 4, 7, 8 and 9 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 1, 2, 3, and 5), 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 dealt directly with the auditors and complete the attached client satisfaction survey form.

cc: Mr. Luiz Carlos da Costa, Principal Deputy Special Representative of the Secretary-General, MINUSTAH
Mr. Philip Cooper, Director, DFS
Mr. Paul Aghadjanian, Chief Administrative Officer, MINUSTAH
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Malick Diop, Chief Resident Auditor

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Asset management and disposal in MINUSTAH

OIOS conducted an audit of asset management and disposal in MINUSTAH from February to May 2007. The main objectives of the audit were to assess whether: (i) internal controls over asset management are adequate; (ii) current practices comply with UN asset management policies and procedures and identify the nature, extent and reasons for any instances of non-compliance; and (iii) asset disposal decisions reflect the best interests of the Organization. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS found that internal controls over asset management needed to be strengthened, particularly in the following areas:

- Although the Property Disposal Unit was officially established in December 2005, the posts needed for the Unit to discharge its functions have yet to be approved;
- The disposal of hazardous materials is not effectively controlled. The Mission does not have an asset disposal yard to store and destroy disposed assets. The Environmental Compliance Unit is not involved in clearing the disposal of hazardous items such as computers, mobile phones and other information and communications technology (ICT) assets;
- Discrepancies reported by the Property Control and Inventory Unit in its physical verifications of assets have not been investigated, resolved, and updated in the Galileo inventory management system. For example, ICT assets valued at \$207,356 could not be located;
- Damage Discrepancy Reports pertaining to items returned to vendors are not quickly followed up, leaving the Mission with little or no time to file claims against the vendors for returned goods.

OIOS made a number of recommendations to address the above deficiencies and other issues noted in the report.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset management and disposal at the United Nations Stabilization Mission in Haiti (MINUSTAH) from February to May 2007.

2. In November 2005, the then Assistant Secretary-General, Office of Mission Support (OMS), Department of Peacekeeping Operations (DPKO) delegated the authority for property management and accountability to the Chief Administrative Officer of MINUSTAH. Asset management and disposal activities are assigned to the General Support Services, including the Receiving and Inspection, Property Control and Inventory, Claims, Environmental Compliance units and self-accounting units (SAUs)¹, e.g., Communications and Information Technology Section (CITS), Engineering Section, Transport Section and the Supply Section.

3. MINUSTAH's inventory of expendable and non-expendable assets² as of January 2007 was valued at \$25 million. In calendar years 2004 and 2005, the Mission wrote off assets worth \$356,011 and reported \$246,484 as pending disposal. The Engineering Section holds the biggest share of expendable assets, with 40 per cent of the total.

Table 1: Allocation of MINUSTAH's expendable and non-expendable assets as of January 2007

Category	Status	Value (\$)
Non-Expendable Assets	Pending disposal (as of 27 January 2007)	264,484
	Disposed/written-off (as of 27 January 2007)	356,011
	In stock (as of December 2006)	15,746,709
Expendable Assets	Engineering	3,319,265
	Supply	1,872,854
	CITS	1,608,962
	Transport	1,470,798
Total		24,639,083

4. Comments made by MINUSTAH are shown in *italics*.

¹ SAUs are administrative units in a mission responsible and accountable for assets and materials entrusted to them by the Organization. (paragraph 1.11, Property Management Manual)

² Non-expendable property consists of items of property or equipment valued at USD1,500 or more per unit at the time of purchase and with a serviceable life of 5 years or more. Expendable property consists of property and equipment that originally cost less than USD1,500, as well as items with an original cost of more than USD1,500 but with a serviceable life of less than 5 years. (paragraphs 2.4.1 and 2.4.3, Property Management Manual)

II. AUDIT OBJECTIVES

5. The major objectives of the audit were to assess whether:
- (a) Internal controls over asset management are adequate;
 - (b) Current practices comply with UN asset management policies and procedures and identify the nature, extent and reasons for any instances of non-compliance; and
 - (c) Asset disposal decisions reflect the best interests of the Organization.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered the period from June 2004 to April 2007 and involved:
- (a) reviews of policies, procedures, administrative guidelines, standard operating procedures and databases used for property control and inventory management;
 - (b) interviews with responsible personnel; (c) assessment of risks and controls; and (d) observation and verification of processes, as appropriate. Transaction testing was carried out to ascertain compliance with applicable rules and regulations.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Property disposal

Property Disposal Unit

(a) Staffing

7. In April 2004, the Chief, Special Support Services, LSD/OMS/DPKO requested (reference: 2004-UNHQ-016527, Property Write Off and Disposal Action) all missions to establish a property disposal function. In December 2005, MINUSTAH established the Property Disposal Unit (PDU) under the General Services Section. The authorization of posts for the Unit is pending approval in the 2007/08 budget. With the increasing need to dispose of and write off assets after three years of operations, the General Services Section transferred three staff members from other units to launch the PDU.

(b) Disposal yard

8. On 19 December 2005, the General Services Section requested the Engineering Section to provide PDU with a disposal yard. In response, an unfinished structure was installed in Sonapi, which was later (August 2006) closed by the Security Section due to security concerns. As of February 2007, MINUSTAH has no disposal yard to store and process assets awaiting final

disposal decisions by the LPSB/HPSB. In OIOS' opinion, the delay in establishing such a yard has exposed the Mission to the risk of theft and environmental pollution since disposed assets contain chemicals and hazardous materials.

Recommendation 1

(1) The MINUSTAH Administration should establish a property disposal yard as soon as possible to ensure proper collection, storage and processing of disposed assets.

9. *The MINUSTAH Administration accepted recommendation 1 and stated that work is progressing on the establishment of a new property disposal yard at MINUSTAH's logistics yard. It is expected that the yard will be operational by February 2008.* Recommendation 1 remains open pending confirmation by the Mission of the establishment of the property disposal yard.

Disposal of hazardous materials

10. In October 2005, the United Nations Environment Programme (UNEP) jointly with DPKO issued environmental guidelines for peacekeeping missions. The guidelines spell out environmental objectives, legal framework, responsibilities and other relevant matters. Accordingly, missions were requested to take measures to integrate environmental considerations into their planning and operations in order to minimize the impact on the environment and to protect human health.

Certificates of asset disposal

10. There was no evidence that the Environmental Compliance Unit (ECU) attended any disposal, destruction or treatment of assets containing hazardous materials such as computers, mobile phones and other ICT assets. To ensure adherence to the Environmental Guidelines for UN Peacekeeping Field Missions, the Certificate of Disposal, currently used to document disposal activities can be modified to include the ECU's certification that assets have been disposed of in an environmentally-friendly manner.

Recommendation 2

(2) The MINUSTAH Administration should ensure that:
(a) the Environmental Compliance Unit is involved in the disposal of assets that could contain hazardous materials to ensure that they are disposed of in an environmentally-friendly manner, in compliance with the Environmental Guidelines for UN Peacekeeping Field Missions; and (b) the Unit's involvement is documented in the Certificate of Disposal.

11. *The MINUSTAH Administration accepted recommendation 2 and stated that procedures will be reviewed to include the Environmental Officer's*

participation in the independent verification of the disposal process. The recommendation will be implemented by November 2007. Recommendation 2 remains open pending confirmation by the Mission of the implementation of the revised procedures whereby the Environmental Compliance Unit is involved in the disposal of assets that could contain hazardous materials.

Lack of contract for the disposal of hazardous materials

12. In September 2006, PDU submitted two scopes of work to the Procurement Section for the disposal of vehicles, metal and electronic and related scrap, including the handling and disposal of hazardous materials. As of March 2007, the procurement of services for the disposal of scrap assets and hazardous materials was still ongoing.

Recommendation 3

(3) The MINUSTAH Administration should expedite the procurement of services for the disposal of vehicles, metal and electronic and related scrap, including hazardous materials.

13. *The MINUSTAH Administration accepted recommendation 3 and stated that the Procurement Section has conducted several market surveys for the disposal of metal scraps and other hazardous materials. Due to the lack of vendors' interest, contracts could not be concluded for these items, but the Mission will continue to pursue the establishment of contracts for the disposal of hazardous materials. The recommendation will be implemented by March 2008.* Recommendation 3 remains open pending receipt of documentation from MINUSTAH showing that contracts for the disposal of hazardous materials have been signed with service providers.

B. Physical verification of assets

Inaccuracy of Medical Section's asset database

14. Reports on the physical verification of assets conducted by the PCIU showed that the Medical Section had not acted on the concerns raised by PCIU regarding the accuracy and integrity of the Section's Galileo records. According to PICU, the Medical Section has 58 per cent (or \$213,000) of its inventory holdings reflected in Galileo as "unit stock" (i.e., stocks available for issuance to end-users), 78 per cent of which has been labeled as "unit stock" for 12 months or longer. PCIU also noted, in its December 2006 physical verification of the Medical Section's assets, discrepancies in 112 inventory records (\$383,313), or 46 per cent of the Medical Section's total inventory. PCIU's verification of Galileo records against the assets' physical location showed the following discrepancies: (a) 2 items with different user, i.e., assets were in the custody of another user; (b) 27 items found elsewhere, i.e., assets were found in another location; (c) 25 items still recorded under the accountability of repatriated users; and (d) 58 items with a different status, i.e., assets' actual status was different from the recorded status.

Recommendation 4

(4) The MINUSTAH Administration should ensure that the Medical Section immediately addresses the concerns raised by the Property Control and Inventory Unit (PCIU) regarding the accuracy and integrity of the Section's inventory records by: (a) resolving the discrepancies noted by the PCIU in its December 2006 physical verification; and (b) updating Galileo records to reflect the correct status of "unit stock" inventories.

15. *The MINUSTAH Administration accepted recommendation 4 and stated that the Medical Section continues to address PCIU's concerns by reviewing and carrying out corrective measures as recommended by PCIU. All discrepancies from the December 2006 PCIU inspection have been resolved. As of the date of the submission of this response, the Medical Section does not have any more discrepancies, which will be reflected in the October 2007 report. Based on the actions taken and documentation provided by MINUSTAH, recommendation 4 has been closed.*

Missing/misplaced assets

16. The PCIU, in its two separate physical inventories conducted at the CITS warehouse, could not locate 227 CITS inventory items valued at \$231,035. As at 25 April 2007, CITS had only located 11 assets with a value of \$23,679, resulting in a possible need to write-off the 216 assets reported as not located, valued at \$207,356.

Recommendation 5

(5) The MINUSTAH Administration should determine the status of the 216 information and communications technology assets valued at \$207,356 reported by the Property Control and Inventory Unit as not physically verified and initiate a Board of Inquiry for those assets found to be missing.

17. *The MINUSTAH Administration accepted recommendation 5 and stated that the Asset Management Unit located a number of items listed in the initial PCIU report as missing. The latest figure of missing items is 158 with the approximate value of \$145,000. The case was reported to the Security Section on May 2007 and an investigation was conducted (SIU report number SIU/PAP/329/07). After the security investigation was concluded, the remaining items that were not verified were submitted for write-off. As a result, the LPSB recommended the initiation of a Board of Inquiry. Recommendation 5 remains open pending completion of the Board of Inquiry pertaining to the missing items.*

C. Asset management activities

Surplus stocks

18. As of March 2007, MINUSTAH reported surplus assets with a value exceeding \$1.6 million, as shown in table 2.

Table 2: Surplus assets as of March 2007

SAU	Group Item description	Value	Remarks
TPT	Renault flat rack refrigeration/garbage	\$146,280	Acquired in August 2004 at \$73,140 and April 2005 at the same cost of \$73,140. These items have never been used.
MED	Essential diagnostic equipment, first aid kits, lab sets, surgical equipment, ventilation system, etc.	84,898	Acquired in July 2004, February 2005, August 2005, October 2005, November 2005 and December 2005. The Chief Medical Officer, in his email dated 16 June 2006, requested the Chief Joint Logistics Operations Centre (JLOC) to transfer surplus stocks to other missions but JLOC did not act on the request.
SUP	Safes, metal detectors, projectors, banding machines, refrigerators, vacuum cleaners etc	102,191	Various items ordered at several times from the period September 2004 to January 2006.
CITS	Communications and EDP items	1,144,890	Ordered many times during the period June 2004 to March 2006.
ENG	Bailey Panel Bridge	115,438	In stock since April 2006. Reserved for emergency/in case of natural disasters.
TOTAL		\$1,593,697	

19. In OIOS' opinion, surplus stocks should be carefully reviewed to identify assets that could be freed up for use in other peacekeeping missions where they may be needed.

Recommendation 6

(6) The MINUSTAH Administration should review the status of its stock levels to identify surplus stocks that could be used by other peacekeeping missions.

20. *The MINUSTAH Administration accepted recommendation 6 and stated that this exercise was carried out last fiscal year. SAUs will be reminded to review their unit stock holdings in order to comply with HQ recommendations. Since last year, PCIU provides SAUs a bi-annual report of stock holdings for their review and appropriate action. The recommendation will be implemented by December 2007. Recommendation 6 remains open pending receipt of*

documentation from MINUSTAH showing the review of stock levels to identify surplus stocks has been completed.

Damage discrepancy reports and rejected items

21. The R&I Unit issues a Damage Discrepancy Report (DDR) on deliveries rejected by R&I representatives or by requisitioners, detailing the reasons for the rejection. The report is forwarded to the Chief Procurement Officer for consultation with the vendor to determine how the returned goods shall be shipped and who will bear the cost.

22. In 2006, MINUSTAH issued 37 DDRs pertaining to several discrepancies, such as damage, quantity differences, or expired goods. As illustrated in table 3, 21 cases are pending with the Procurement Section, in violation of paragraph 4.14.3 of the Property Management Manual, which provides a guideline for the notification of vendors regarding receipt of damaged goods. For goods transported by sea, road and rail, the guideline provides a time limit of one year for claims against the vendor for damaged goods, and two years for goods delivered by air. The Procurement Section failed to provide OIOS with any documentation showing follow-up actions taken on the DDRs raised.

Table 3: Unresolved DDRs

Requisitioner	Total # of DDR Issued	Pending Procurement Action	Ave. # of days unresolved
Engineering	10	6	200
Medical	8	8	570
Supply	9	5	113
CITS	8	2	210

Recommendation 7

(7) The MINUSTAH Administration should ensure that the Procurement Section follows up with the concerned vendors to resolve Damage Discrepancy Reports raised by the Receiving and Inspection Unit for returned goods.

23. *The MINUSTAH Administration accepted recommendation 7 and stated that the Procurement Section has a system in place for damaged/wrong deliveries whereby the Mission issues 'Return to Vendor' forms for discrepancies and follows up with the vendors to collect the damaged/wrong deliveries. As the vendors generally are not responsive to MINUSTAH's initial requests for the collection of damaged cargo or goods that are not in conformity with a Purchase Order, the Procurement Section advises the vendors with deadlines to respond. With this approach, and through persuasive negotiations, the Procurement Section has resolved disputed cases. Based on the actions taken and the documentation provided by MINUSTAH, recommendation 7 has been closed.*

Sea containers

24. As of March 2007, MINUSTAH did not have a yard to store empty containers. The Engineering Section had approximately 520 containers located at Port au Prince and in the regions. Some 120 of these containers were moved to the logistics base located near the Port-au-Prince International Airport, while other containers were also used as perimeter security fence at various locations.

25. Containers located in the logistics base were placed close to office areas, in some cases blocking windows, streets and warehouse entrances such as the R&I warehouse. The Engineering Section explained that it is constructing a concrete structure at the logistics base to secure the sea containers. The requisition for this project was raised on 19 December 2006, but, to date, a contract has not been raised.

Recommendation 8

(8) The MINUSTAH Administration should expedite the procurement activities relating to the construction of a concrete structure at the logistics base in order to securely house empty sea containers.

26. *The MINUSTAH Administration accepted recommendation 8 and stated that a contract for the construction of the concrete hard-stand has been established on 12 April 2007. The construction work has been completed and the yard is ready for securely housing empty sea containers.* Based on the action taken and documentation provided by MINUSTAH, recommendation 8 has been closed.

ICT equipment received from MINUGUA

27. During the early stages of MINUSTAH operations, ICT equipment with a total acquisition value of \$67,840 was received from the United Nations Verification Mission in Guatemala (MINUGUA). Subsequently, disposal action was initiated because of the assets' poor working condition and limited remaining useful life. The transfer and shipment of these assets cost the Mission \$37,602.

Recommendation 9

(9) The MINUSTAH Administration should ensure that:
(a) the shipping mission provides MINUSTAH with a certification that the items being shipped via inter-mission transfers are in good working condition; and (b) the cost of shipping the assets does not exceed the assets' residual value.

28. *The MINUSTAH Administration accepted recommendation 9 and stated that it has issued a memorandum to all Administration section chiefs and SAUs asking them to comply with the above recommendation.* Based on the action taken and the documentation provided by MINUSTAH, recommendation 9 has been closed.

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	Confirmation by the Mission of the establishment of the property disposal yard	February 2008
2	O	Confirmation by the Mission of the implementation of the revised procedures whereby the Environmental Compliance Unit is involved in the disposal of assets that could contain hazardous materials	November 2007
3	O	Submission to OIOS of documentation showing that contracts for the disposal of hazardous materials have been signed with service providers	31 March 2008
4	C	Action completed	Implemented
5	O	Submission to OIOS of a copy of the BOI report regarding the missing assets	September 2007
6	O	Submission to OIOS of documentation showing the review of stock levels to identify surplus stocks has been completed	December 2007
7	C	Action completed	Implemented
8	C	Action completed	Implemented
9	C	Action completed	Implemented

¹ C = closed, O = open

² Date provided by MINUSTAH in response to recommendations

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Asset management in MINUSTAH

(AP2007/683/08)

	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:
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 By E-mail: knutsen2@un.org*