



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

AUD: UNON (046/2005)

18 July 2005

TO: Mr. Klaus Toepfer, Director-General
United Nations Office at Nairobi (UNON)

FROM: Egbert Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services (OIOS)

SUBJECT: **Audit of Travel Sub Unit of UNON (AA2003/211/02)**

1. I am pleased to submit the final report on the audit of the travel sub unit of UNON, which was conducted between January and March 2004, and November 2004 and January 2005 in Nairobi, Kenya by Mr. Tetsuya Hirano. A draft of the report was shared with the Chief, Procurement, Travel and Shipping Section in May 2005, whose comments, which were received in June 2005, are reflected in the attached final report, in italics.
2. I am pleased to note that the audit recommendations contained in this final Audit Report have been accepted and that UNON Travel Shipping and Visa Unit has initiated their implementation. The table in paragraph 25 of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 1 and 3, which OIOS considers to be of critical importance.
3. I would appreciate if you could provide Mr. C. F. Bagot with an update on the status of implementation of the audit recommendations not later than 30 November 2005. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B.
4. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey and return it to me.
5. I would like to take this opportunity to thank you and your staff for the assistance and cooperation extended to the audit team.

Attachment: Final report and Client Satisfaction Survey Form

cc: Ms. C. Burnham, Under-Secretary-General for Management (by e-mail)
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors (by e-mail)
Ms. J. Villamin, Chief, Procurement, Travel and Shipping Section (by e-mail)
Mr M. Shah, Chief, Travel, Shipping and Visa Unit (by e-mail)
Mr. M. Tapio, Programme Officer, OUSG, OIOS (by e-mail)
Mr. C. F. Bagot, Chief, Nairobi Audit Section, IAD II, OIOS (by e-mail)

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Office of Internal Oversight Services
Internal Audit Division II

Audit Report

Audit of UNON Travel Sub Unit
(AA2003/211/02)

- **Report date: 18 July 2005**
- **Auditor: Tetsuya Hirano**



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

Audit of UNON Travel Sub Unit (AA2003/211/02)

EXECUTIVE SUMMARY

Between January and March 2004, and November 2004 and January 2005, OIOS conducted an audit of the Travel Sub Unit of UNON. The audit covered activities with an expenditure of approximately US\$7 million in 2003.

The overall conclusion is that the Travel Unit is carrying out its responsibilities in compliance with UN Regulations and Rules and that steps are being undertaken, through the employment of a travel consultant, to seek ways to further improve the value of services delivered. OIOS is pleased to note the positive response to its report and that implementation is underway or complete for many of the observations raised to improve management control and processing of travel payments.

Management of consultants

Whilst OIOS was pleased to note the use of consultants to seek expert advice in identifying where existing arrangements might be strengthened, OIOS felt that UNON could benefit from the development of general guidance on use of consultants to assist managers who do not use consultants on a regular basis to retain control, minimise reliance and optimise benefits.

Planning

OIOS was of the opinion that existing arrangements for air travel did not optimise the possibility of a traveller getting the cheapest tickets in a particular class. UNON responded by putting a number of measures in place to make organisations more aware of how ticket prices vary over time, and measures to cope with emergency travel. OIOS was appreciative of the action taken and no recommendation was raised.

Processing travel requests and travel claims

To assist in streamlining arrangements for processing travel, UNON introduced an electronic fare quotation form and agreed to put in place a mechanism to improve co-ordination between travel and payments.

Monitoring and reporting

OIOS was pleased to note an improvement in arrangements for monitoring and reporting, since its previous audit, which has been further strengthened by requiring the travel agent to complete, on a quarterly basis, a management information document prepared by the UNON consultant.

Financial management

Arrangements for financial management had improved since the last audit. All but one prior recommendation had been implemented resulting in savings of approximately US\$250,000 and steps had been put in place to prevent reoccurrence of the types of the problems noted. At the time of issuing this report UNON was also in the process of putting in place a credit card system to strengthen arrangements for payment processing.

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I. INTRODUCTION

1. This report discusses the results of an OIOS audit of the Travel Sub Unit of UNON, which was carried out between January and March 2004, and November 2004 and January 2005 in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Travel, Shipping and Visa Unit (TSVU) of UNON provides travel services to UNON, UNEP and UN-HABITAT as well as to other entities such as ICTR, upon their request. TSVU arranges for travel on official mission, home leave, education grant travel of eligible dependants, appointment, transfer and separation from service as well as travel for attendees to UN sponsored events.
3. TSVU is headed by a Chief at the Professional (P-2) level, supported by a supervisor at General Service (GS-7) level, a Secretary at the GS-4 level and four Travel Assistants at the GS-5 level.
4. TSVU was last audited in 2001 (AA2001/01/03, Audit of UNON Travel, Shipping and Transportation Unit (TSTU)).
5. A draft of this report was shared with the Chief, Procurement, Travel and Shipping Section on 11 May 2005, whose comments, which were received on 13 June 2005 have been reflected in the report in italics. UNON has accepted and is in the process of implementing the recommendations.

II. AUDIT OBJECTIVES

6. The overall objective of the audit was to advise Director-General, UNON on the adequacy of the arrangements for ensuring that travel was being carried out in compliance with UN Regulations and Rules. This included assessing:
 - (a) The internal control systems for managing travel services; and
 - (b) Compliance with UN Regulations and Rules.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit followed up on the findings and recommendations raised in the OIOS audit undertaken in 2001 (AA2001/01/03, Audit of UNON Travel, Shipping and Transportation Unit (TSTU)) and focussed on activities in 2004. It involved interviewing staff, reviewing available documents and using audit software to sample and analyse data.
8. TSVU processes approximately 6,500 travel requests a year. During 2003, the total volume of travel business amounted to approximately US\$7 million.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Management of Consultants

9. UNON entered into a consultancy agreement with Corporate Travel Partnership to undertake a review of the travel arrangements over the period June 2004 – March 2005 at the cost of approximately US\$61,000. OIOS, in cooperation with Support Services Services (SSS), reviewed the arrangement for management of the consultants with a view to identifying whether there were any areas where consultancy management might be strengthened for the future. OIOS was pleased to note that the arrangements for the selection and payment of the consultants appeared to be adequate and no areas for improvement were identified. However, OIOS is of the opinion that current arrangements for management of consultants place too much trust in consultants and there would be benefit in developing general guidance to assist managers who do not use consultants on a regular basis. Some examples of areas where further strengthening of existing arrangements may give UNON greater control over consultants are given below:

- a. Work plans / implementation schedules should contain more detailed information on methodology, criteria, scope of work and the milestones and timeframes within which work will be done.
- b. Work plans should include provision for how progress will be reported and the identification of major decision points where management review must take place before further work is undertaken.
- c. Focal points are required, to channel requests, to keep management informed of progress and to keep records of meetings and decisions agreed upon.

Recommendation:

To enhance arrangements for management of consultants, UNON should draw up guidance to assist UNON managers in optimising the benefits from use of consultants (Rec. 01).

10. *UNON commented that it accepted the recommendation.* OIOS notes the response and will close the recommendation upon receipt of a copy of the guidance to assist UNON managers in optimising the benefits from use of consultants.

B. Planning

11. OIOS noted that travelling by air often required lengthy approval and clearance procedures before tickets could be confirmed and bought. The consequence of these procedures was that tickets were usually bought in the last two weeks before departure, when cheaper ticket options were usually not available. Information to quantify the additional cost of the current procedures was not readily available preventing both OIOS and TSVU from calculating the cost implications. The lack of this information meant that UNON, UNEP and UN-HABITAT managers did not have access to information to assist them in determining the cost implications of delaying purchasing, and to assist them in changing internal procedures to enable early purchase of tickets.

12. In response to the above observations UNON commented that it had contacted the airlines to see how it could make an analysis on possible savings that might be realized as a result of early purchase of tickets. The airlines informed UNON, that although cheaper tickets are usually available in certain classes, there is no guarantee that these reduced fares will be maintained, due to changes in the travel market conditions (as a result of variables such as, competition, seasonality, fuel prices and taxes on travel). Furthermore, major carriers also have a worldwide inventory control mechanism (i.e. number of seats/fare structure/classes), whereby the number of seats available in the cheaper classes for travel out of Nairobi may be reduced based on demand. As a result of the above, Procurement, Travel and Shipping Section could not make any substantial analysis. However, the following measures have been undertaken:

- An announcement guiding the staff members on early booking and ticketing has been posted on the e-bulletin board. Other announcements will be posted as and when new issues arise or changes occur;
- A TSVU credit card solely for payment of tickets will be available and used shortly; and
- Fast track ticketing system is being developed for emergency/ unplanned urgent travel and will be implemented shortly.

13. In view of the measures already taken, no recommendation is raised.

C. Processing Travel Requests and Travel Claims

(a) Travel Request

14. OIOS noted the following weaknesses in current arrangements for processing travel requests, which need to be reviewed to improve effectiveness and efficiency:

- a) According to the memorandum issued by Chief, Division of Administrative Services (DAS) in 2001 entitled Procedures For Making Travel Arrangements Under The New Contracts For The Provision Of Travel Agency Services With Acharya Travel And Bunson Travel Services (i) when a cost estimate is required prior to approval by the substantive office, a copy of PT.8 should be submitted, (ii) individual travellers or requesting offices shall not directly contact any of the official travel agencies for preliminary bookings. However, current practice is that a cost estimate is obtained by the substantive office for planning purpose prior to the approval by Chief, TSVU and the substantive office did not submit a PT.8 (now IMIS TVRQ) to TSVU for obtaining a quotation.
- b) Whilst arrangements for processing the Fare Quotation Form appeared adequate, in the absence of performance indicators and management information to track processing time TSVU was unable to demonstrate that the processing times observed at the time of the audit, of around five working days, was reasonable. UNON commented that five days is the maximum number of days required to provide a fare quotation, it refers especially to meetings, and this benchmark has been indicated in the SLA with UNEP and UN-HABITAT, however, the norm for quotations for normal travel is 2- 3 days only: Current arrangements were not clear at what point the ticket price charged to a client was fixed, which is important for budgetary control and Current procedures for closure of the travel request after processing of the travel claim were not clear.

If this closure is not done, any unused portion of the funds committed as part of the travel request may not be released for further use.

15. *In response to the above observations, UNON commented that a fare quotation request form had been developed and implemented electronically and had proven to be effective and efficient. In addition, periodical meetings are held with the management team of the travel agency to address issues arising and TSVU/PTSS will consult and coordinate with BFMS on the timely processing of travel claims and closing of travel requests in IMIS.*

16. In view of the measures already taken, no recommendation is raised.

(b) Travel Claim

17. Guidelines for the preparation and submission of the travel claim (F.10) appeared adequate and were supported by the introduction of an electronic version of the F.10. However, UNON collected no management information on the time taken to process and settle travel claims to determine efficiency of current arrangements. Whilst OIOS appreciated the reasons why UNON currently used manual activation of recovery no action had been taken to put the F.10 submission into IMIS to monitor timeliness of submission in accordance with ST/AI/2000/20 (Official Travel) and to assist in tracking time it takes to process travel claims within two calendar weeks after completion of travel as stated in ST/AI/2000/20.

Recommendation:

To enable UNON to monitor the efficiency of arrangements for processing travel claims, Chief, Travel, Shipping and Visa Unit should discuss and agree with Chief, payment unit of Budget and Financial Management Service what information is required to track processing of travel claims and discuss with Information Technology Service the feasibility of collecting this information from IMIS and the possibility of storing the F.10 submission date in IMIS to track compliance with ST/AI/2000/20 (Official Travel) (Rec. 02)

18. *UNON commented that PTSS intended by the end of 2005 to put in place mechanism to improve Coordination between Payments Unit and TSVU with respect to processing of travel claims; and, jointly with Accounts Section, to discuss with the IMIS Coordinator measures to improve the tracking of the travel claims. OIOS notes the response and will close the recommendation upon receipt of details of the actions taken to improve arrangements for processing of travel claims.*

D. Monitoring and Reporting

19. Whilst there had been an improvement since the last audit in the quality and nature of management information, OIOS was concerned that it was not clear: (i) what management information was required (ii) who should provide it, and, (iii) when, how often and in what form it should be provided. In response to these concerns UNON explained that the consultant prepared a management information document/ format that the travel agency must fill in quarterly and which allows TSVU/PTSS to monitor travel

operations and trends. OIOS was pleased to note this development and no recommendation is therefore made.

E. Financial Management

(a) Commission earned under the travel agency services contract

20. In 2001, OIOS had recommended (AA2001/01/03/002) that UNON recover from the travel agent approximately US\$ 600,000. UNON undertook a reconciliation exercise, which resulted in recovering approximately US\$ 250,000. The audit team reviewed the exercise and has closed the recommendation and recorded an actual recovery of US\$ 250,000.

(b) Commission earned on override arrangement

21. In 2001, OIOS had recommended (AA2001/01/03/003) that UNON establish the amount payable by the travel agents relating to the override commission, and initiate action to recover this amount. *UNON commented that it had received an amount of US\$3,364 as override commission for 1999 and 2000. UNON tried its best to determine the exact amount payable but was not successful in doing so. It had discussed this issue with various parties and it was confirmed that the travel agencies receive override commissions as a reward for the exceeding their sales target with a particular airline. This amount is confidential between the airline and the travel (sales) agent. The travel agent may, in turn pass a percentage of that amount to the clients. As the amount is discretionary, PTSS/TSVU cannot judge whether it is appropriate or not. In view of this, payment of override commissions was excluded in subsequent travel agency contracts. OIOS has closed the recommendation and no further action is proposed beyond inclusion of this amount in the total recovery figure to be reported in the OIOS Annual Report.*

(c) Commissions earned from the preferred airline arrangements

22. In 2001 OIOS had recommended (AA2001/01/03/005) that UNON determine the amount due under the preferred airline agreement for the years 1999 to 2001, and initiate action to recover these funds. *UNON commented that similar to the explanation provided above regarding override commissions, it could not determine the exact commission payable to UNON since the calculation of the preferred airline agreement discounts was made by the respective airlines based only on their respective flown revenue. This refers to the portion of travel flown by the preferred airline and excludes the portion of a ticket flown on airlines, which have no agreement with the travel agent or UNON to pay commission. The only supporting documentation provided by the airlines was a list of tickets issued relating to the revenues earned by the airlines at the time of making the payment. In view of this, subsequent agreements with the airlines have a clause indicating that the discounts (on the segments flown on the preferred airline only) will be deducted by the travel agent at the point of sale/time of issuance of the ticket. In view of this information and the action taken to prevent a reoccurrence OIOS has closed the recommendation.*

(d) Sharing airline and travel agent commissions

23. In 2001, OIOS had recommended (AA2001/01/03/007) that UNON conduct a review of all commissions received from the travel agent and the airlines and ensure an

equitable distribution of these revenues between UNON, UNEP and UN-HABITAT. As with the previous section, Travel, Shipping and Visa Unit and Budget and Financial Management Service were unable to decide who was responsible for implementation and so no appropriate action was taken. The recommendation therefore remains open.

(e) Payment processing

24. Whilst arrangement for making payments appeared adequate, OIOS has concerns about the adequacy of the control system in place over processing in the Payment Unit described below:

- a) The current process is undocumented and not understood by all those involved. For example, the “Account Database” maintained by Payment Unit for monitoring outstanding invoices did not utilise downloadable IMIS data;
- b) The basis for reconciliation of the invoiced amount provided by the travel agency is flawed, as it is not done against any independent records maintained by UNON;
- c) Completeness of data could not be confirmed by Payment Unit which never received the list of invoices sent by the travel agent; Payment Unit had no idea how many invoices they were processing, to enable reconciliation with records held by TSVU;
- d) Complete absence of any filing structure. The latest invoices that could be found were the ones processed in July 2003.
- e) Timeliness of payments. OIOS reviewed a file that was randomly selected (2003-TVCT-581-587) that covered 39 invoices processed during July 2003. The results shown in table one support the complaint from the travel agent about late payments by UNON.

Table 1: Process time of invoices

Payment	Invoice		Amount	
	Number	%	Amount (\$)	%
Within 3 months	30	76.9	52,076	61.9
3 – 6 months	2	5.1	8,110	9.7
6 – 12 months	4	10.3	17,862	21.2
Over 1 year	3	7.7	6,064	7.2
Total	39	100.0	84,112	100.0

Recommendation:

To ensure an adequate control system over processing of travel payments and timely payment of invoices UNON, Chief, Budget and Financial Management Service and Chief, Support Services Service should review and develop procedures for the travel payment process (Rec. 03).

25. *UNON commented that the introduction of a credit card for the payment of travel was under negotiation with UNFCU. Separate discussions to this effect had been held*

with the travel agency, Chief, DAS, and UNFCU. OIOS thanks UNON for prompt action taken and will close the recommendation upon notification of the introduction of the credit card and receipt and review of details of the arrangements for its operation.

F. Lump Sum Travel Module in IMIS

26. UNON Information Technology Service (ITS) developed, in 2004, a new IMIS module for processing Lump Sum Travel. OIOS reviewed and is of the opinion that this was a good initiative whose effect was, however, diminished because insufficient attention was paid to the design stage. TSVU and Human Resource Management Service (HRMS) were not aware of the details and functions of the new module. In response to these observations *UNON commented that in consultation with all parties concerned, a module was developed by ITS and a circular was issued to staff. In addition, steps to facilitate the calculation of the lump sum (TSVU access to Galileo) have been taken which will enable the Travel Assistants to calculate and provide the lump sum amounts promptly to the clients.* In view of the prompt action taken no further action is proposed by OIOS.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

27. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

Recommendation No.	Action Required
Rec. 01	Receipt of a copy of the guidance to assist UNON managers in optimising the benefits from use of consultants.
Rec. 02	Receipt of details of the actions taken to improve arrangements for processing of travel claims.
Rec. 03	Notification of the introduction of a corporate credit card for travel payments and receipt and review of details of the arrangements for its operation.

VI. ACKNOWLEDGEMENT

28. I wish to express my appreciation for the assistance and cooperation extended to the audit team by staff and management of the UNON Procurement, Travel and Shipping Section.

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