



AUD - II / 001312/06

30 June 2006

TO: Mr. Antonio Maria Costa, Executive Director  
United Nations Office on Drugs and Crime

FROM: Corazón C. Chávez, Acting Director  
Internal Audit Division II  
Office of Internal Oversight Services

SUBJECT: **Audit of the UNODC Regional Office Mexico and Central America (AE2006/366/03)**

1. I am pleased to submit the final Audit Report on the audit of United Nations Office on Drugs and Crime Regional Office Mexico and Central America (ROMEX), which was conducted between February 2006 in Mexico City by Mr. Berner Matthee and Mr. Diomedes Tinana.
2. A draft of the report was shared with the Director, Division for Operations, UNODC on 19 May 2006, whose comments, which we received on 21 June 2006, are reflected in this final report.
3. I am pleased to note that all of the audit recommendations contained in the final Audit Report have been accepted and that UNODC ROMEX, has initiated their implementation. The table in part V of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 02, which OIOS considers to be of critical importance.
4. I would appreciate if you could provide me with an update on the status of implementation of the audit recommendations not later than 30 November 2006. 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.
5. 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.
6. Thank you for your cooperation.

Attachment: Client Satisfaction Survey

cc: Ms. S. Noyan, Director, Division for Operations, UNODC (by e-mail)  
Mr. K. Eriksson, Audit Focal Point, UNODC (by e-mail)  
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**United Nations  
Office of Internal Oversight Services  
Internal Audit Division II**

# **Audit Report**

**Audit of UNODC Regional Office Mexico and Central America  
(AE2006/366/03)  
Audit Report No. E06/R05**

- **Report date: 30 June 2006**
- **Auditors: Berner Mathee  
Diomedes Tinana**

UNITED NATIONS



NATIONS UNIES

Office of Internal Oversight Services  
Internal Audit Division II

**OIOS AUDIT OF THE UNODC REGIONAL OFFICE MEXICO AND CENTRAL  
AMERICA (AE2006/366/03)**

**EXECUTIVE SUMMARY**

In February 2006, OIOS conducted an audit of the United Nations Office on Drugs and Crime Regional Office, Mexico and Central America (ROMEX). OIOS' overall assessment is that ongoing projects were well managed and that adequate systems were in place to ensure that regulations and rules, operational and administrative, are complied with. Coordination efforts were substantial, with partners appreciating the work of ROMEX. Although more was to be done, the programme portfolio was increasing in an environment of institutional problems that required considerable coordination efforts. *UNODC accepted all the recommendations and has either fully implemented or started to implement them.*

ROMEX's strategies and coordination efforts

- It was evident that there were still institutional problems in countries within Central America that constrain the work of ROMEX. They include weak institutions, inadequate legal frameworks, limited resources and a lack of regional coordination and cooperation between Governments, civil society and the private sector to combat organized crime in the region. Also, the lack of data and information made it difficult to determine the magnitude of crimes, drug consumption and drug manufacturing. Therefore, ROMEX's efforts were firstly towards fortifying structures and establishing coordination mechanisms. In this regard and in Mexico, the Attorney General's Office, Ministry of Health, Ministry of Foreign Affairs, Centre of Juvenile Integration and the Narcotics Affairs Section of the Embassy of the United States of America in Mexico, expressed, to OIOS, their full support to and satisfaction with ROMEX's work. Counterparts in Costa Rica and Honduras were equally satisfied.

Programme

- The programme portfolio mainly concentrated on prevention, treatment and rehabilitation projects. *ROMEX recognized that the project portfolio is to be increased further but it should be noted that there are numerous coordination activities that are carried out that has little financial implication to ROMEX.* OIOS noted ROMEX's efforts, but is of the opinion that a strategy should be developed, in consultation with the Partnership and Development Branch, to further increase the programme portfolio. *ROMEX has drafted the strategic frameworks for 2006-2008 – one for Mexico and one for Central America.*

### Ongoing projects

- Projects CAM/F17: Programme on Prevention, Rehabilitation and Social Reinsertion; were well advanced in its implementation, while project CAM/H90; Establishment of a treatment, rehabilitation and social reintegration network in Central America; progressed on its first phase with a further two phases remaining. Both the projects had a clear implementing methodology and good accountability arrangements.
- OIOS viewed HON/H88: Special Programme for labour market (re-) integration of youth at risk and former drug abusers in Honduras; to be a best practice in vocational training projects.
- Project MEX/H32: Project for the fortification of the program of the prevention of crime in the State of Nuevo Leon; is a comprehensive and complicated project that involves the Central Government, the Government of Monterrey, Nuevo Leon, Mexico and the Private Sector; in particular the Mexican Employers' Confederation (COPARMEX). *Other states also showed interest.* ROMEX did well in coordinating the efforts of counterparts in this comprehensive project and according to the counterparts at Central level and the State of Nuevo Leon the project would receive substantial funding from COPARMEX. The project was still at the early stages of implementation, but it was evident that the counterparts viewed this project as a project with "big potential", not only in the State of Nuevo Leon, but also in other States.
- With only one ROMEX staff member dedicated to the installation of the computer-based NDS in Latin America, the achievements thus far in installing the system and training of operators were impressive.

### Project monitoring, accountability and consultancies

- Project implementation was adequately monitored, financially and technically. They were properly formulated and reported on, with Project Coordinators displaying accountability throughout implementation. There were, however, two areas for improvement. Firstly, ROMEX should regularly review the expenditures incurred by implementing partners in cases where instalments are paid. Expenditure reports from CIJ, FUNDASALVA and ICESI with reported expenditures totalling \$159,000 were still to be verified. Secondly, ROMEX should establish a roster for consultants and ensure that, at completion of a consultancy, the required evaluations are completed. *Financial revisions of the expenditure reports were successfully concluded and a project for a roster of consultants is planned.*

### Administration

- The general administration and financial management at ROMEX was of a good standard. Records were properly maintained, internal controls were in place and effective and the accounts were well managed.

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## I. INTRODUCTION

1. In February 2006, OIOS conducted an audit of the United Nations Office on Drugs and Crime Regional Office in Mexico and Central America (ROMEX). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. In spite of efforts of Governments (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama) within the region to combat drugs and crime more effectively, much is still to be done to reduce organized crime and drug trafficking.
3. The work of ROMEX had been to encourage, promote, give technical support and implement initiatives that have assisted in coordinating with authorities of the Central American countries in strengthening structures intended to fight drug trafficking and organized crime. Specifically, since the “Declaration of Guatemala”, sponsored by UNODC and signed unanimously by all the Central American countries in July 2000, the CCP committed itself to develop a Regional Action Plan (RAP) to establish shared solutions to those drug-related problems common to the region. The multilateral agreement was endorsed and went into force in June 2003. Structures responsible for administering justice to empower governments to face organized crime have been modernized. Nevertheless and despite the updating of constitutional and judicial frameworks, the systems that administer justice still work with limited budgets and are subject to attacks from other state authorities and society actors. The little comparable information suggests that problems regarding access to justice persist. Almost all democracies of the region face a high rate of social violence.
4. Staff were the following: the Regional Representative, a National Programme Officer, 2 Project Coordinators, 3 Project Assistants, a Technical Support Specialist, an Administrative Assistant, a Bilingual Executive Assistant and a Driver. Except for the Regional Representative’s post, personnel costs are charged to projects.
5. UNDP Mexico provides administrative support to ROMEX that includes staff administration, logistical support and finance. Locally recruited staff members also hold UNDP letters of appointment.
6. No external reviews had been carried out at ROMEX. The audit findings and recommendations contained in this report were discussed during the Exit Conference held on 20 February 2006, in Mexico City, with the Representative. His comments on the draft audit report are shown in this final audit report, in italics.

## II. AUDIT OBJECTIVES

7. The main objectives of the audit were to:
  - Determine whether projects are properly formulated, planned, implemented and evaluated and whether project resources are used effectively and economically.
  - Determine the effectiveness of projects’ internal controls to ensure reliable

recording and reporting of transactions, safeguarding the assets and compliance with relevant UN, UNODC and UNDP regulations and rules.

- Evaluate the system for reimbursement of costs for services locally provided by UNDP Country office to ROMEX.
- Determine whether the administration adheres to the relevant directives, rules and procedures and assess the adequacy of systems in place to ensure sound management practices in key functional areas.

### III. AUDIT SCOPE AND METHODOLOGY

8. Since inception, project budgets totalled \$20 million of which \$17.7 million was expended prior to 2004, \$560,000 in 2004 and \$860,000 in 2005.

9. The audit covered the following projects with project budgets totalling \$3.6 million against which expenditures totalling \$2.4 million was incurred:

- AD/CAM/99/D43: Strengthening of Forensic Laboratory Services in countries in Central America with expenditures totalling \$131,000 prior to 2004, and \$59,000 in 2004 (Total approved budget of \$195,000).
- AD/CAM/00/F17: Programme on Prevention, Rehabilitation and Social Reinsertion with expenditures totalling \$522,000 prior to 2004, \$172,000 in 2004 and \$44,000 in 2005 (Total approved budget of \$767,000).
- AD/MEX/01/F84: Treatment and Rehabilitation Centre for Drug Abusers in Chiapas, Mexico with expenditures totalling \$221,000 prior to 2004 and \$59,000 in 2004 (Total approved budget of \$283,000).
- AD/CAM/02/F86: Coalition of Central American youth organizations for the prevention of drug abuse and HIV/AIDS with expenditures totalling \$143,000 prior to 2004, \$20,000 in 2004 (Total approved budget of \$164,000).
- AD/MEX/02/F83: Preparatory assistance for a Masters degree programme in addiction studies with expenditures totalling \$17,000 prior to 2004 and \$18,000 in 2004 (Total approved budget of \$35,000).
- AD/MEX/03/H32: Project for the fortification of the program of the prevention of crime in the State of Nuevo Leon with expenditures totalling \$134,000 in 2005 (Total approved budget of \$155,000).
- AD/HON/04/H88: Special Programme for labour market (re-) integration of youth at risk and former drug abusers in Honduras with expenditures totalling \$20,000 in 2004 and \$130,000 in 2005 (Total approved budget of \$300,000).
- AD/CAM/04/H90: Establishment of a treatment, rehabilitation and social reintegration network in Central America with expenditures totalling \$181,000 in 2004 and \$555,000 in 2005 (Total approved budget of \$1.7 million).

10. The audit focused on the formulation of the country programme and project management that included budgeting, monitoring, reporting and the evaluation of projects. OIOS reviewed project documents and other records related to operational and financial management and assessed internal control systems in place. The audit team also discussed project operations and results with project personnel and counterparts. Furthermore, the general administration at ROMEX, were also subjected to audit.

#### IV. AUDIT FINDINGS AND RECOMMENDATIONS

##### A. ROMEX and its strategy

11. ROMEX was established in December 1993 and concluded a Memorandum of Understanding with the Governments of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama in 1996.

12. Since 2000, Central American countries became more involved in the fight against drug trafficking and organized crime. National Anti-Drugs Commissions were strengthened, national plans and strategies against drug trafficking were established and the multilateral system of regional coordination was reinforced by means of the Permanent Central American Commission for the Eradication of Production, Traffic, Consumption, and Illegal Uses of Drugs and Psychotropic Substances (CCP). ROMEX provided technical support to strengthen the structures intended to fight drug trafficking and organized crime. In particular and since the “Declaration of Guatemala” that was sponsored by UNODC, the CCP committed itself to develop a Regional Action Plan (RAP) to find solutions to drug-related problems that are common to the region.

13. Systems that administer justice still work with limited budgets. It was evident that there were still institutional problems that constrain the work of ROMEX, that include weak institutions, inadequate legal frameworks, limited resources and a lack of regional coordination and cooperation between Governments, civil society and the private sector to combat organized crime in Central America. Furthermore, the lack of data and information makes it difficult to determine the magnitude of crimes, drug consumption and drug manufacturing. Therefore, ROMEX’s efforts were firstly towards fortifying structures to combat crime and drug trafficking, establishing coordination mechanisms and ensuring commitment of the multilateral sphere to support efforts against crime, drugs and corruption within the region. It was within this context that ROMEX’s coordination efforts, actions aimed at gathering financial resources and ensuring private sector’s commitment and technical assistance were reviewed. Also, the legal framework in which ROMEX operates within the Host Country, Mexico, that defines the country’s support towards UNODC’s work in Mexico.

##### B. Coordination in Mexico

14. The Attorney General’s Office, Ministry of Health, Ministry of Foreign Affairs, Centre of Juvenile Integration (CIJ) and the Narcotics Affairs Section of the Embassy of the United States of America in Mexico, expressed their full support to and satisfaction with ROMEX’s programme and projects.

15. The Attorney General’s Office viewed the relationship to be very productive and close, especially in regard to inter-institutional cooperation. Mentioning that, in the case of Mexico, it is not possible to fight against crime without a multidisciplinary focus and a focus on the structural causes of crime. In this regard, ROMEX triggered unified positions on inter-institutional cooperation between the different governmental and non-governmental institutions. However, recognizing that work must be done within the social ambit and not only in the political affair and that crime is a global matter. Therefore, they are motivated to work with UNODC. Appreciating that UNODC works in the field and not only behind the desk.

16. According to the Ministry of Foreign Affairs, UNODC proved to be a powerful tool to balance bilateral relationships in its work related areas. The Ministry interacts with all the

UN agencies represented in Mexico according to the mandate of each. Yet, the work and relationship with UNODC is closer, not only because of the kind of work, but also because of the cooperative posture of ROMEX. Furthermore, the Ministry argued that although a Memorandum of Understanding already exists between the Ministry and UNDP Mexico, there was a need for a more specific framework. A draft Memorandum of Understanding (MOU) was submitted to ROMEX at the time of the audit for review. It took quite some time to draft the MOU and the completion should now be expedited.

**Recommendation:**

- UNODC, Regional Office, Mexico and Central America should expedite the review and completion of the Memorandum of Understanding with the Ministry of Foreign Affairs (Rec. 01).

*UNODC accepted the recommendation. A draft Memorandum of Understanding has been elaborated and is under revision by ROMEX and the Ministry of Foreign Affairs. OIOS will close this recommendation upon receipt of a copy of the approved Memorandum of Understanding.*

17. ROMEX also entered into a Collaboration Agreement with the Federal Commission for the Protection from Sanitary Risks (COFEPRIS) of the Ministry of Health that provided premises free of charge to ROMEX. The meetings with the Federal Sanitary System, Control of Psychotropic, Narcotics and Controlled Substances and COFEPRIS focused more on the implementation of the National Drug System (NDS) and the new project XCA/I86: “Mesoamerican Control Group of Narcotics, Psychotropic and Chemical Precursors”, but it was evident that there was a well established relationship with the Ministry of Health.

18. CIJ had been involved in UNODC projects for more than 10 years. Main projects were CAM/C89; CAM/F17; HON/H88; MEX/F84 and CAM/H90. Their role was mainly to conduct workshops, developing courses and methodologies and conducting evaluations. Therefore, more practical than strategic and the review of the projects indicated that CIJ had proactive approaches that are fully supportive of UNODC’s work.

19. The Narcotics Affairs Section of the Embassy of the United States of America in Mexico were satisfied with UNODC’s events and projects and valued ROMEX’s coordination role. However, it mentioned the need for UNODC to increase “seed money” for more projects within Mexico.

**C. Counterparts in Costa Rica and Honduras**

20. The Auditors met a number of ROMEX’s counterparts in Costa Rica and Honduras, including the Costa Rican Institute on Drugs (ICD) and the National Council against Drug Trafficking in Honduras and the Honduran Institute to Prevent Alcoholism and Drug Dependence. ROMEX, in particular its Project Coordinator in Honduras, coordinated activities well. This was evident from the review of projects HON/H88 and CAM/H90. In project HON/H88 alone, ROMEX had five counterparts; the National Anti-drug Council (CNCN); Municipality of Tegucigalpa (AMDC); Honduran Institute for Professional Training (INFOP); Honduran Institute to prevent Alcoholism and Drug Dependence (IHADFPA) and the Non-governmental Organization COMPARTIR. The engagement of a Project Coordinator in Honduras proved to be an efficient and effective arrangement, not only to ensure good cooperation and coordination, but also to facilitate project implementation on a day-to-day basis.

#### D. ROMEX's Programme

21. Priority problems remain drug trafficking and the use of illegal drugs, social violence, human trafficking and smuggling, corruption and money laundering. Since inception and until 2003, ROMEX incurred project expenditures totaling \$17.7 million of which \$14.5 million was for procurement within the period 1989 and 1994, undertaken by UNOPS in respect of projects MEX/590; MEX/591 and MEX/592. Apart from procurement, only \$3.2 million was spent on other projects over the ten-year period 1994 to 2003, which is an average of \$320,000 per year.

22. In 2004, the expenditures were \$560,000; an increase of 75 per cent on the aforementioned yearly average and in 2005, the expenditure increased by \$300,000, 53 per cent, to \$860,000. The increase in expenditures was mainly because of project CAM/H90; "The establishment of a treatment, rehabilitation and social reintegration network in Central America" that has an approved project budget of \$1.7 million. Apart from this project, the main ongoing project was MEX/H32; "Program of prevention of crime in the State of Nuevo Leon, Mexico" with an approved budget of \$155,000, but a substantial increase was anticipated.

23. The programme portfolio mainly concentrated on prevention, treatment and rehabilitation projects. The portfolio lacked law enforcement projects, but project ideas were under development for anti-corruption, counter-narcotics and anti-human trafficking. ROMEX was also in the process to arrange funding for law enforcement activities and expertise. *ROMEX recognized that the project portfolio is to be increased further and apart from the project ideas, that are under development, it is in the process of starting new projects. Furthermore, there are increasing activities in project MEX/H32. It should be noted, however, that there are numerous coordination activities that are carried out that has little financial implication to ROMEX.* OIOS noted ROMEX's efforts, but is of the opinion that a strategy should be developed, in consultation with the Partnership and Development Branch, to increase the programme portfolio.

#### **Recommendation:**

- UNODC, Regional Office, Mexico and Central America should, in consultation with the Partnership and Development Branch at Headquarters, develop a strategy to increase its programme portfolio, especially in areas in which there are limited activities, such as law enforcement (Rec. 02).

*UNODC accepted the recommendation in general. The recommendation to increase activities in law enforcement cannot be accepted in general. With regard to the recommendation to increase activities in law enforcement, the decline of donor interest in funding such activities does not allow UNODC to develop such projects - in the region at large. Several projects needed to be closed prematurely because of a decline of donor interest in this thematic area. ROMEX elaborated draft strategic frameworks for 2006 - 2008 - one for Mexico and one for Central America. OIOS will close this recommendation upon receipt of a copy of the approved strategic frameworks.*

### E. Implementation – ongoing projects

24. Ongoing projects were CAM/H90; HON/H88; CAM/F17 and MEX/H32. Also and within the framework of collaboration between OAS/CICAD and UNODC, the Central American countries belonging to CCP adopted the NDS system in 2004 that is implemented by ROMEX.

25. Projects HON/H88 and CAM/F17 were well advanced in its implementation, while CAM/H90 progressed on its first phase with a further two phases remaining. Project MEX/H32 is a comprehensive and complicated project that involves the Central Government, the Government of Monterrey, Nuevo Leon, Mexico and the Private Sector; in particular the Mexican Employers' Confederation (COPARMEX) that required extensive preliminary work. Agreements between the counterparts had been reached, but the project is still in its early stages.

26. OIOS reviewed the implementation of the above-mentioned projects in Mexico, Costa Rica and Honduras. The status of implementation at the date of the audit and the results of the visits to the project sites are presented below.

#### CAM/H90

27. The project endeavors to create a Treatment, Rehabilitation and Social Reinsertion network in Central America and followed on the pilot project MEX/F84 that created a Module for attention for drug abusers in Chiapas, Mexico. A total amount of \$1.7 million was pledged by the Government of Luxembourg's Fund for the fight against Drug Trafficking. The funding covers three phases, each phase was planned for one year and a half.

28. The first phase includes the following goals; establishing a Technical Regional Committee; conducting national studies to design a strategy; agreeing on a calendar of activities with the Anti-drug Commissions and Health Ministries of each country; and setting up of Liaison Centres within each country and an external evaluation.

29. OIOS found the implementing methodology to be clear and ROMEX established coordination mechanisms at regional level and, through the Anti-drug Commissions, at national levels. Health Ministries set the minimum treatment standards and focal points were established to facilitate communication and coordination within each country. All counterparts were members of the Regional Technical Committee that was established in September 2004. In April 2005, one year since the project commenced, a second regional workshop was held in Honduras during which national directories and studies on the infrastructure of treatment, rehabilitation and social reinsertion were presented and the Liaison Centres were defined by each of the countries. Therefore, the first three of the four goals were entirely met, but some centers were still to be finished. The completion should be expedited prior to the interim evaluation that was originally planned for April 2006.

30. OIOS recommended that UNODC, Regional Office, Mexico and Central America should expedite the completion of the Liaison Centres under project CAM/H90 prior to conducting the interim evaluation originally planned for April 2006. *UNODC accepted and implemented the recommendation and replied that, except for Nicaragua, technically all were fully equipped and operating at the time of the evaluation of the first phase of Project CAM H90, which took place between March and April 2006. In the case of*

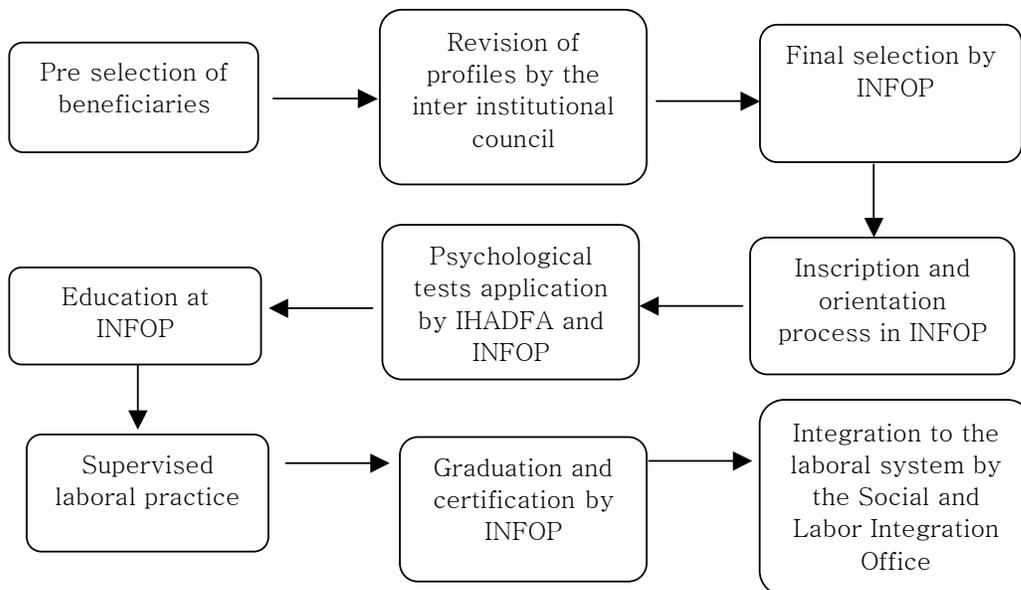
*Nicaragua, there were several difficulties outside of ROMEX's scope, given that the land that the government of Nicaragua had initially donated for the establishment of the centre, had legal problems. Therefore, another space free of legal difficulties was assigned. The construction of the centre was initiated in June.*

31. We visited ICD in Costa Rica and the Honduran Institute for the Prevention of Alcoholism and Drug Dependence in Honduras. The Centre in Honduras was already completed and equipment was already procured, whereas, Costa Rica, the Centre was almost completed. The development of the Centres were well supervised and ROMEX had adequate internal control systems in place to demonstrate overall accountability.

32. Other achievements in the project were that of collaboration agreements that were signed with each of the six countries and three collaboration agreements were signed with counterparts CIJ, Proyecto Hombre and CCP to strengthen training opportunities. A web page was established for the project and online courses, implementing documents and presentations are available on the Intranet. Work of the second phase that includes equipping the Liaison Centres was also in progress.

### HON/H88

33. OIOS viewed this project to be best practice for vocational training projects. In the case of HON/H88, labor market integration of youth at risk through training and subsequent employment. The project provides a model for training and employment programs for youths that are at risk of psychosocial disintegration. It also facilitates special programs of this nature in the policies of the local governments of Central America. The project process comprised of a thorough selection process to identify beneficiaries, an educational programme that is conducted by an established institute, regular psychometric tests applied to beneficiaries, supervision and scholarship fund management and the creation of a jobs database for beneficiaries. ROMEX involved five counterparts to implement the project. Each of the counterparts had responsibilities that were aligned with their normal activities. The diagram below presents the process.



34. The project commenced with a global agreement document that described the main responsibilities of each counterpart. Each counterpart is a member of the inter-institutional council (CTI) that coordinates the project throughout the year and supervises

and evaluates the activities continuously. A main achievement was the creation of the Social and Labor Insertion Office (OISL) in February of 2005. OISL works within the structure of the municipality of Tegucigalpa. Since its establishment, contacts have been made with the private sector to identify the required professional skills within the private sector that would enhance the possibility to find work for the beneficiaries after they complete their trainings. The project has also maintained a database with information regarding the beneficiaries and has assisted them in finding employment opportunities.

35. As a cost-effective measure, and instead of establishing its own facilities, the project identified an established institution, INFOP, that was equipped and that agreed to the integration of the youth beneficiaries in their training workshops. The following training courses, that were similar to those noted in other UNODC operations, were offered: air conditioning and refrigeration, carpenter, car painting, cooking, bar tending and construction. UNODC's contributions were limited to the purchase of equipment for the training workshops that will be donated at the end of the project. We found good internal controls in place during the procurement process and the Project Coordinator regularly inspected the equipment at the workshops.

**Recommendation:**

- UNODC, Regional Office, Mexico and Central America should consider implementing methodology of project HON/H88 when formulating future vocational training projects because it could be regarded as a best practice, especially in labour market integration through training projects (Rec. 03).

*UNODC accepted the recommendation and expects its implementation by the fourth quarter of 2006. The idea of expanding the project to other countries has been discussed with LACS and included in the draft SPF. In line with existing management instructions and practices and considering that HONH88 is a pilot project, the project will first be evaluated before a revision or expansion is undertaken. The preparations of the evaluation have started and the report can be expected for the 4th quarter of 2006. OIOS will close the recommendation upon receipt of a copy of the evaluation report of HONH88.*

**MEX/H32**

36. From the discussions with ROMEX and counterparts it was evident that it was difficult to find funding for initiatives that promote the prevention of illegal drug use and crime, including drug trafficking and there was little coordination between governmental, non-governmental and private organisms to improve the situation. In Mexico, there are 32 States that further complicates coordination efforts.

37. Project MEX/H32 endeavors to overcome the afore-mentioned weaknesses by coordinating the initiatives of the State of Nuevo Leon, Mexico to prevent crime in the State. It is a pilot project with an approved budget of only \$155,000 for the initial period of one-year but, according to ROMEX and counterparts at Central level and the State of Nuevo Leon, the project would receive substantial funding from the Mexican Employers' Confederation (COPARMEX) in the State. *Other states also showed interest.*

38. ROMEX did well in coordinating the efforts of counterparts that included the Attorney General's Office at Central and State levels, Ministries of Foreign Affairs, Public Security and Health and the main donor COPARMEX.

CAM/F17

39. Project CAM/F17's Programme on Prevention, Rehabilitation and Social Reinsertion had three components, that of scholastic prevention, the development of social communication programs and treatment. More than 95 per cent of the approved budget of \$770,000 had already been spent. It should be noted, however, that in addition to the approved budget of UNODC, governments in-kind contributions were some \$500,000 that equaled almost 70 per cent of the approved budget. These in-kind contributions were not reflected in project documents. Similar was the case in project CAM/H90, where the in-kind contributions, in the form of property, were not reflected.

**Recommendation:**

- UNODC, Regional Office, Mexico and Central America, in consultation with FRMS, Vienna, should determine a method to calculate in-kind contributions from Governments and reflect it in project documents of future projects, and in the project document revisions of existing projects (Rec. 04).

*UNODC accepted and implemented the recommendation. In coordination with FRMS, in March 2006 a method to calculate in-kind contributions was designed and included in the PROFI portal. "In kind" contributions for 2004 and 2005 of Projects H88, F17 and H90 were calculated, as well as the ROMEX "in kind" contributions". As part of the methodology, ROMEX verifies contributions by governments in order to include them as in-kind contributions. OIOS will close the recommendation upon receipt of a copy of the relevant project documents showing the amount of in kind contributions.*

40. An evaluation of the project's "Establishment of Anonymous Narcotic groups in the Independent Region of the South Atlantic, RAAS, Nicaragua" had been carried out in 2005 and the results were positive. A further evaluation will be carried out by CIJ at the schools in Costa Rica at which the programme of prevention on drug-dependencies were piloted. During the audit, a school was visited and the responses from staff were positive.

41. Nevertheless, the impact of the project in Costa Rica could only be assessed after a thorough assessment by CIJ. From an audit point of view, the project was properly formulated and the project implementation well supervised by the Costa Rican Institute on Drugs that dedicated a Project Coordinator for the project. Depending on the outcome of CIJ's evaluation and ROMEX's decision to continue, priority should be given to ensure further funding.

**Recommendation:**

- UNODC, Regional Office, Mexico and Central America should, considering that 95 per cent of the approved budget had been spent and depending on the outcome of the forthcoming interim evaluation, give priority to the funding needs of project CAM/F17, to allow the project to continue until its planned objectives are met. (Rec. 05).

*UNODC accepted the recommendation. Subject to the interim-evaluation results (which will be ready by the end of the year) and considering the positive response of project counter-parts regarding school prevention, UNODC will consider the implementation of the project in the rest of Costa Rica and in two other Central American countries. OIOS will close the recommendation upon receipt of information on the implementation of the*

rest of project CAM/F17.

NDS

42. ROMEX was responsible for the installation of the computer-based system in Latin America and for providing technical support and training. With only one ROMEX staff member dedicated to these responsibilities, the achievements thus far in installing the system and training of operators were impressive.

F. Review of closed projects

43. In addition to the above-mentioned projects that were ongoing at the date of the audit, OIOS reviewed project expenditures incurred in projects CAM/D43, MEX/F83, MEX/F84 and CAM/F86 that were closed at the date of the audit, but in which expenditures were incurred in the period under review. The projects were properly closed and final evaluations were conducted of which the reports were submitted to UNODC for action.

G. Project monitoring, accountability and consultancies

44. ROMEX adequately monitored project implementation, financially and technically. Projects were properly formulated and project revisions made as and when necessary. Financial reports were regularly prepared and submitted, with Project Coordinators displaying accountability throughout implementation. There were, however, two areas for improvement.

45. Firstly, ROMEX should regularly review the expenditures incurred by implementing partners in cases where installments are paid. The contracts were properly entered into and financial reports were required from the implementing partners for the amounts that they received. Expenditure reports were received from CIJ, FUNDASALVA and ICESI with reported expenditures totaling \$159,000, but they had not been verified as yet by ROMEX. Secondly, ROMEX should establish a roster for consultants and ensure that, at completion of each consultancy, the required evaluations are completed.

46. OIOS recommended that UNODC, Regional Office, Mexico and Central America should verify the expenditures reported in the reports submitted by CIJ, FUNDASALVA and ICESI with expenditures totalling \$159,000. The financial revisions of the reports submitted by CIJ, FUNDASALVA and ICESI, were successfully concluded. Furthermore, following the recommendation below, the Regional Representative instructed project coordinators to include in all project agreements a clause regarding financial reports and periodic financial revisions by ROMEX. OIOS is pleased to note the implementation of this recommendation.

**Recommendation:**

- UNODC, Regional Office, Mexico and Central America should establish a roster for Consultants and ensure that, at the completion of a consultancy, the required evaluations are completed (Rec.06).

*UNODC accepted the recommendation, full implementation of which is expected by the end of July 2007. Following the Regional Representative's instructions, a roster of consultants will be concluded by the end of July 2007. The application will be available through LOTUS NOTES and it will contain the consultant's general information, a specific field for their service evaluation and the "Short Performance Reports for*

*Consultants and Individual Contractors” as an attachment.* OIOS will close the recommendation upon receipt of a copy of documentation confirming the establishment of a roster of consultants.

#### H. Administration

47. OIOS found the general administration and financial management at ROMEX to be of a good standard. Records were properly maintained, internal controls were in place and effective and the accounts were well managed.

### V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

48. 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:

Rec. no.	Action/document required to close the recommendation
1	Copy of the approved Memorandum of Understanding.
2*	Copy of the approved strategic frameworks for 2006 – 2008 – one for Mexico and one for Central America.
3	Copy of the evaluation report of HON/H88.
4	Copy of the relevant project documents showing the amount of in kind contributions.
5	Receipt of information on the implementation of the rest of project CAM/F17.
6	Copy of documentation confirming the establishment of a roster of consultants.

\* Critical recommendations

### VI. ACKNOWLEDGEMENT

49. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of ROMEX.

Corazón C. Chávez, Acting Director  
Internal Audit Division II  
Office of Internal Oversight Services