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OIOS AUDIT OF UNHCR OPERATIONS IN LIBERIA

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EXECUTIVE SUMMARY

In June and July 2004, OIOS conducted an audit of UNHCR Operations in Liberia. The audit covered activities with an expenditure of US\$ 16 million. Exit Conference Notes were shared with Representative in July 2004, on which comments were received by July 2004. *The Representative has accepted most of the recommendations made and is in the process of implementing them.*

Overall Assessment

- Liberia has just recently emerged from a war situation, and many systems and procedures were only in the process of being developed. Taking these factors into account, OIOS assessed the UNHCR Operation in Liberia as average. Nonetheless, if prompt action is not taken by management to significantly improve the application of key controls, it could considerably impair the future effectiveness of the Operation.

Programme Management

- Project development and implementation had been seriously hindered by the security situation. This had not allowed UNHCR, until fairly recently, to visit field locations to assess the needs of the potential returnees or to start, with any real momentum, project implementation.
- A needs assessment was conducted in December 2003 with other humanitarian actors. Nonetheless, the assessment was limited, as in-country movements were restricted. Up-to-date relevant and accurate statistical information on the expected returnee numbers was not readily available or the social/economic situation of the communities. OIOS recommended that as the security situation had improved, a new needs assessment be conducted and strategy developed to build/revise the programme on the actual requirements identified. *With the establishment of field offices, needs assessment, programme planning and implementation are expected to improve.*
- Project financial monitoring of partners was absent, with SPMRs certified without any independent verification of the partners' records. OIOS found serious weaknesses in the accounting and internal control systems established, and emphasized the need to improve project financial control and provide more training and capacity building to partners. *With the assignment of a Project Control Officer action is being taken.*
- For the three partners reviewed, reasonable assurance could only be taken that funds provided to LUSH were properly accounted for and disbursed in accordance with the Sub-agreements, however its internal controls needed to be strengthened. GTZ had technical problems with the accounting system and could not provide data to support the figures reported to UNHCR.

Serious problems were found in MECRI's financial management; the accounting system was less than satisfactory, a number of errors were identified and expenditure of over US\$ 30,000 could not be supported.

Supply Management

- The logistics systems and procedures needed to be considerably strengthened to be able to effectively provide the logistical support necessary for a large operation. A procurement pipeline should be established and an inventory management system put in place. The GTZ workshop, which had been looted during the war, was just re-establishing itself, but an overview of the systems and procedures already in place was positive.
- Extensive work was required to deal administratively with the assets that had been looted, with an estimated value of over US\$ 2 million. Considerable efforts have already been made to quantify the loss and verify assets. Nonetheless, OIOS recommended that a comprehensive strategy be developed on how to resolve the backlog in data verification and registration.

Security and Safety

- Security is a very high profile issue in Liberia, and all the staff interviewed by OIOS was aware of their responsibilities. Further work was required to ensure all UNHCR offices and staff residences are MOSS compliant.

Administration

- Some US\$ 1.3 million has been 'lost', hopefully temporarily, due to the closure of the bank where UNHCR funds were deposited. In hindsight it may not have been prudent, due to the unstable and deteriorating environment, to keep on deposit a large balance. The Representation needs to continually pursue this matter to ensure, at least, some of the funds are recovered.
- Duty was paid on fuel, but it had not been systematically reimbursed. OIOS estimated that UNHCR paid duty of US\$ 124,000 from January 2003 to March 2004. Moreover, OIOS was informed that UNMIL was able to negotiate fuel prices at about US\$ 1 per gallon less than UNHCR. If this is the case, OIOS estimated that at the present level of activities UNHCR could save some US\$ 230,000 per year if the same price was negotiated.
- The fast track system for the deployment of staff to Liberia was not effective. All deployments should have been completed by March 2004, but still in July some of the key persons were only arriving, others were not yet on the ground. OIOS is in accord with the observation of the UNHCR Real-Time Evaluation of the Chad operation where the effectiveness of the fast-track system was questioned and it was recommended that its relevance be analysed.
- For SOLAR payments, the Representation was not deducting 25 per cent from staff provided accommodation by UNHCR. *The Representation stated that staff members deployed to these locations were subject to extreme difficulties, given the limited accommodation facilities.* OIOS appreciates that the conditions are difficult and the accommodation was sub-standard, but would remind the Representation that SOLAR is a living allowance and not a hardship allowance.

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I. INTRODUCTION

1. From 24 June to 7 July 2004, OIOS conducted an audit of UNHCR's Operations in Liberia. The audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors and adopted by the Internal Audit Services of the United Nations Organizations. OIOS reviewed the activities of the UNHCR Representation in Liberia and conducted a brief review of its Sub-Office (SO) in Saclepea and Field Office (FO) in Gbarnga. OIOS also reviewed the activities of three of its implementing partners.

2. The Board of Auditors reviewed the UNHCR operation in 2001. They recommended that the sub-project objectives be more clearly defined, and proper and measurable indicators established. Also, there was a need to improve and strengthen the procedures over project monitoring, receivables and asset management.

3. The security situation in the country had not improved as quickly as expected. This caused delays in the deployment of staff to field locations, and for the 2004 reintegration activities, the Representation was still in the process of formulating the programme. It was expected that the assisted return of Liberians will not effectively commence until October 2004, and possibly early 2005. For other major activities in Liberia, the care and maintenance projects for Sierra Leone refugees came to an end in June 2004.

4. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held on 7 July 2004. Exit Conference Notes outlining the audit findings and recommendations were shared with the Representative in July 2004. The comments, which were received in July 2004, are reflected in the final report. *The Representation has accepted most of the audit recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

5. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on 2003 and current year programme activities under projects 03/AB/LBR/CM/201, 03/AB/LBR/RP/351, 03/SB/WAF/EM/131, and 03/SB/WAF/EM/132, with expenditure of US\$ 12 million. We also reviewed project 04/SB/WAF/EM/133, with a budget of US\$ 23 million (the obligation level as of 29 April 2004 was US\$ 6 million). Our review concentrated on the activities implemented by Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) – expenditure of US\$ 1.1 million; Liberians United to Serve Humanity (LUSH) – expenditure of US\$ 408,000; and Medical Emergency & Relief Co-operative International (MERCIC) – expenditure of US\$ 350,000. The majority of expenditure relating to direct implementation was international procurement. We did not include the

procurement activities in the scope of the audit, but reviewed the receipt and distribution procedures.

7. The audit reviewed the administration of the office of the Representation in Monrovia with administrative budgets totalling US\$ 4 million for 2002 and 2003 and assets (as recorded on Headquarters AssetTrak) with an acquisition value of US\$ 5.9 million and a current value of US\$ 639,000. In July 2004, some 180 staff were working for UNHCR Liberia. This included staff on regular posts, others pending approval for regular posts, United Nations Volunteers, and some 40 individuals contracted under Service Agreements.

8. The audit activities included a review and assessment of internal control systems, interviews with staff, analysis of applicable data and a review of the available documents and other relevant records.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. General Programme Matters

9. At the time of the audit, the expected returnee and reintegration programmes had not yet begun. Considerable work was still required by the Representation to be ready for the expected number of returnees, and develop and implement the various rehabilitation and reconstruction projects that are necessary to facilitate and encourage potential returnees.

(a) Needs assessment

10. Project development and implementation had been seriously hindered by the security situation. This had not allowed UNHCR, until fairly recently, to visit field locations to assess the needs of the potential returnees or start, with any real momentum, project implementation. A joint needs assessment was conducted in December 2003 in conjunction with other main humanitarian actors (UNDP, WFP, UNICEF, the Transitional Government, LRRRC, and many more). Nonetheless, due to the constraints of the security situation, there were limitations to the assessments done as in-country movements were restricted. This meant that there was a lack of up-to-date relevant and accurate statistical information on the expected returnee numbers as well as the social/economic situation of the communities. OIOS recommended that as the security situation had improved, a new needs assessment be conducted and strategy developed, in conjunction with other major players, to build/revise the programme on the actual requirements identified. *With the establishment of SOs and FOs in major operational areas, needs assessment, programme planning and implementation are expected to improve. The Representation actively participates in various UN inter-agency working groups/committees covering basic sectors, and regular bilateral discussions on joint programme planning and implementation.*

(b) Project management and financial monitoring

12. Project financial monitoring of partners was absent; the SPMRs were certified by the Representation, without any independent verification of the partners' financial information. *The Representation informed OIOS that due to limited staffing resources it had not been possible to visit partners.* OIOS' review found serious weaknesses in the accounting and

internal control systems established by local partners, and if this had been identified at an earlier stage, corrective action could have been taken. OIOS appreciated that the Representation has been dealing with a number of emergencies in recent years, and staffing resources have been limited. Nonetheless, OIOS emphasized the need to improve this important project management function as well as provide more hands-on training and capacity building to local partners. *The Representation stated that one of the first priorities of the new Project Control Officer would be to establish proper and systematic project financial monitoring procedures.*

(c) Other programme matters

13. The bank in which UNHCR deposited its funds closed in June 2003. At the time of closure UNHCR had a balance of nearly US\$ 1.3 million (refer to paragraph 36). OIOS reviewed the procedures adopted by the Representation for determining programme cash requirements, as the bulk of the 'lost' funds were for programme activities. Programme was not able to clarify how they were estimated due to the change around of staff. OIOS noted, however, that direct implementation expenditure (from FMIS) for January to March 2003 was only US\$ 300,000, but the cash replenishment request (for April to June 2003) indicated a requirement of US\$ 650,000. This may imply that the estimated requirements were overstated. OIOS noted procedures are now implemented to monitor more closely and systematically cash requirements.

14. Other areas with regard to programme management were raised with the Representation. OIOS' recommendations were accepted and appropriate action is or will be taken.

B. Review of Implementing Partners

15. For the three partners reviewed, reasonable assurance could only be taken that the UNHCR funds provided to LUSH were properly accounted for and disbursed in accordance with the Sub-agreements.

(a) Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

16. Partly as a consequence of the war and technical problems with the accounting system, GTZ could not provide OIOS with an accounting ledger or summary figures to support the 2003 accounting transactions; the basis of the SPMR financial reports. Therefore, although the supporting payment vouchers and invoices were available, no assurance could be taken as to the completeness and accuracy of the expenditure reported in the SPMRs for the 2003 sub-projects totalling over US\$ 1 million. Similar problems were noted when OIOS requested accounting data for 2004, and even though the technical problems were eventually solved, OIOS still recommended close monitoring of GTZ's financial activities, particularly as a sub-project budget of US\$ 4.9 million has been provided in 2004. *The Representation will closely monitor GTZ.*

(b) Medical Emergency & Relief Co-operative International (MERCRI)

17. A number of serious problems were noted in MECRI's financial management of UNHCR funds. The accounting system established was assessed as less than satisfactory; a number of errors were identified and certain expenditure could not be supported. OIOS

recommended that some US\$ 31,804 be recovered for (a) rental charges of US\$ 6,000 not disbursed, (b) some US\$ 10,690 for rehabilitation of a clinic without a budgetary provision or authorisation from UNHCR, and (c) expenditure of US\$ 15,114 charged that could not be supported.

Recommendation:

- The UNHCR Representation in Liberia should, unless appropriate documentation and explanations have been obtained in the intervening period, recover from Medical Emergency & Relief Co-operative International an amount of US\$ 31,804, which was charged without proper justification and/or without proof that it was eligible for UNHCR funding (Rec. 01).

(c) Internal controls

18. For the three partners reviewed there was a need to strengthen internal controls over cash and banking; cheques were pre-signed due to the lack of bank signatories; bank reconciliations were not prepared, and in most cases bank transactions were simply the means of withdrawing cash to make payments. OIOS understands that there is a lack of confidence in the banking system, and looking ahead when activities pick-up at the field level, the absence of banking facilities may mean a heavy reliance on cash payments. Nonetheless, OIOS would encourage the Representation to request partners to minimise the handling of cash to mitigate the risk of the loss of funds.

19. For MERCI, other internal controls were found to be seriously weak; payment vouchers and supporting documents were sometimes absent, authorisation and approval procedures were not adequate, and salaries were not always signed for. For LUSH, strengthening of internal controls was also warranted, and they would benefit from more advice and guidance from UNHCR.

(d) Audit Certification

20. For 2002, a budget provision was made for audit certification, and in some cases the budget was expended. OIOS did not consistently find 2002 audit certificates on file. For 2003 sub-projects, a competitive bidding exercise was conducted to select an audit firm. *The selection of audit firms has been finalized.*

C. Supply Management

21. At the time of the audit there was no dedicated Supply Unit, with the Logistics Unit mainly involved in warehousing and customs clearance activities. Administration was responsible for local procurement and asset management (Administration assets) and Programme was responsible for international procurement and asset management (Programme assets). OIOS recommended, with the assignment of Supply Officers, that the present responsibilities be reviewed, with the aim of centralising them. *Since the audit, a meeting has been held by the Representation and responsibilities and terms of reference were set for the Supply Officers assigned to Monrovia and Voinjama.*

(a) Procurement

22. There was limited procurement undertaken by the Representation. Purchasing was generally assessed as satisfactory. For the three highest value items purchased over the 15 months ending 31 March 2004: fuel (US\$ 622,000), security services (US\$ 66,000) and car insurance (US\$ 26,000), however, there was no evidence that these services were procured competitively. According to the Representation, these are procurement decisions taken at the Inter-Agency level, with the suppliers selected by a UN system wide procurement committee. OIOS accepts this, but noted that for fuel and security services the same vendors continued, without new bidding since 2001. The Representation informed OIOS that a new selection process should have taken place for 2004, but due to the urgency of operations it was postponed. For the future, the Representation should ensure that for major procurements such as fuel, Inter-Agency decisions are properly discussed and documented at the Representation level. Contracts, which are awarded as a result of cooperation with other organizations of the UN system according to UN Financial Rule 105.17, should be documented as such.

23. The majority of the non-food-items, vehicles, office equipment, etc., were procured or received internationally. We were unable to find, however, complete central information on all the goods ordered and received in 2003. For 2004, for programme procurement a list of goods ordered (internationally) per project was available. While this was a good start, OIOS recommended that a proper pipeline system for procurement (Programme and Administration) be established and managed centrally. *The Representation accepted OIOS' recommendation, and stated that various procedures are being instituted.*

(b) Warehousing

24. All the stock at the UNHCR warehouse was looted during the war, and from a stock report dated June 2003, OIOS estimated the loss at well over US\$ 300,000. To a lesser extent, some thefts occurred from the warehouse in September 2003 and June 2004. OIOS recommended that the Representation initiate procedures for the submission of the loss of stock to the Headquarters Asset Management Board (HAMB) for write-off. *Appropriate action is being taken.*

25. Warehousing procedures were not always operating effectively during the emergency period; the warehouse was too small and goods were not properly stacked. Moreover, the distribution of goods was not by purchase order (PO) number and waybills were not yet in place. OIOS was informed that periodic stock counts were made in an attempt to control stock balances, but due to the warehouse conditions this could only give a 'good estimate'. Nonetheless, at the time of our audit, a complete physical inventory was being conducted as part of the hand-over exercise of stock management to GTZ. Also, the new warehouse will allow stock to be stored by PO, and UNHCR Logistics has already established waybills and tighter internal controls.

26. From a review of the warehouse procedures, OIOS noted that a proper inventory management system had not yet been established. The system was manual and cumbersome and resulted in a duplication of effort as figures had to be re-entered by the UNHCR Logistics

Assistant in order to generate reports. This was an inefficient use of UNHCR Logistics' time. The warehouse staff (which are now GTZ staff) were not competent in the use of computers, and it was felt that they did not have the necessary experience to manage a large-scale operation. OIOS recommended that the Representation, in conjunction with GTZ, ensure that an adequate stock management system be introduced and adequate training provided to enable reliable and timely reporting to UNHCR. *GTZ is in the process of computerizing the warehouse records from which it is expected that various reports can be generated. Also systems will be implemented to ensure proper control of items in the warehouses.*

(c) Vehicle workshop activities

27. The GTZ workshop was looted during the war, and many vehicles were completely vandalised. All the spare parts, workshop tools and office equipment were stolen. GTZ estimated that this loss, including the cost for the rehabilitation of the building, was about US\$ 346,000. OIOS recommended that action be initiated to submit this loss to the HAMB. *Action is being taken.*

28. At the time of the audit, the GTZ's workshop operation was just being re-established, and GTZ was in the process of rehabilitating/constructing a new and much larger workshop to accommodate UNHCR's expanded activities. An overview of the systems and procedures already established by GTZ was positive.

29. There were limited spare parts at the workshop and the international procurement was only arriving. GTZ was still waiting for workshop tools and tyres, which SMS were procuring. These were requested in February 2004, but had not been received meaning that some local procurement had to be conducted in the intervening period. Although the procurement is now being initiated, OIOS highlighted the need for proper planning to ensure the timely receipt of spare parts and tools. If these are not readily available, it could adversely effect the operation. *The Representation stated that GTZ would be consistently monitored to ensure stock is maintained at an optimum level.*

30. The Representation maintains a workshop headed by an international UNV, with the other staff 'employed' under Service Agreements. The decision to do this was based on the fact that GTZ was too expensive. While appreciating this initiative, as the Liberian economy improves, and if GTZ is still deemed too expensive, it would be more appropriate to procure such services rather than implement them directly.

31. In the vehicle workshop yard there are 29 cannibalised vehicles (looted). They are taking up valuable space, which could be used by the office of the Representation as that courtyard had very limited space. OIOS also noted a number of cannibalised trucks at the GTZ workshop. *The Representation has identified a suitable location to park the scrapped vehicle pending the Local Asset Management Board (LAMB) decision.*

(d) Asset Management

32. Since operations restarted after the war, AssetTrak has not been working effectively, and we understand that from a programme perspective asset management data has not been updated for years. The data available on AssetTrak, therefore, was not reliable or complete.

OIOS noted that the Representation was attempting to update the records, and the current AssetTrak records showed an acquisition value of US\$ 8.7 million, and a net book value of US\$ 4.7 million (as recorded on UNHCR Liberia's AssetTrak). OIOS was informed that only 50 per cent of the entries may still be valid, as the database includes assets held by field offices, which had not yet been verified and in all likelihood were looted during the war.

33. OIOS was pleased to note the action already taken to bring the records up-to-date, to quantify the losses, and to initiate write-off procedures. Four GS-45s have been prepared for the vehicles looted and cannibalised, which included 67 vehicles, with an estimated replacement cost of US\$ 1.7 million. However, much more was still required. To move forward in a systematic manner, OIOS recommended that a comprehensive strategy be developed on how to resolve the backlog in data verification and updating of records, as well as determine if additional temporary assistance would be required to complete the exercise. *Considerable efforts have been made to resolve the pending issues concerning AssetTrak; a focal point has been identified; a follow-up meeting was scheduled to verify the final list of looted items to be submitted to HAMB. An inventory of all assets at the Representation level have been completed and properly entered in AssetTrak. For field offices, an inventory exercise is underway.*

D. Security and Safety

34. Security is a very high profile issue in Liberia, and for all the staff interviewed by OIOS it was clear that they were aware of their responsibilities. The Representative appears to be a very active member of the SMT, and ensures that staff are updated on security issues at least weekly. There are three Field Safety Advisors and a number of Security Assistants and Clerks based in Monrovia and in the east and west of the country. The most recent Country Security Plan was in draft form, but was in the process of being finalised. UNHCR is involved in contributing to the plan as well as its periodic updates.

35. Further work is required to ensure all UNHCR offices and staff residences are MOSS compliant. Fire equipment has been ordered and some of it was arriving at the time of the audit. Anti-fragmentation film for windows is being procured centrally for all UN Agencies in Liberia, but it has still to be received.

E. Administration

(a) Financial Management

36. As referred above (paragraph 13), funds of US\$ 1.3 million has been 'lost', hopefully temporarily, due to the closure of the Tradevco bank in which UNHCR funds were deposited. In hindsight it may not have been prudent, due to the very unstable and deteriorating security environment, to keep on deposit such a large balance. A cash replenishment request of \$ 2.1 million was made in April/May 2003. *The Representation is continuing to follow up with the Central Bank of Liberia on the recovery of funds deposited with the Tradevco Bank prior to its closure.* OIOS appreciates that the Representation is actively following up on this matter, but would like to be kept informed of the action being taken to resolve the issue to obtain at least part of the US\$ 1.3 million.

Recommendation:

- The UNHCR Representation in Liberia, in conjunction with UNMIL and other UN Agencies, should continue to follow-up on the recovery of UNHCR funds of US\$ 1.3 million that have been ‘lost’ as a result of the closure of the Tradevco Bank (Rec. 02).

37. Due to the lack of confidence in the banking system by UNHCR staff, salaries are paid in cash via the bank, and collected on the last Friday of the month. This procedure has its risks, as all UN staff go to the bank on the same day, and such a routine can be unsafe for staff. Moreover, due to the large number of persons going to the bank, considerable time is spent by staff waiting to be served. The Representation’s Finance Unit is encouraging staff to open bank accounts, and OIOS would support this. Opening bank accounts allows more flexibility and would streamline the present monthly procedures necessary by the Finance Unit. *The Representation indicated that this would take time to implement, as the Staff Association was avidly against the request to open bank accounts.*

38. Some attention was required to clear old receivables and the matching of the recording of advances paid against the recoveries made. At the SO and FO level activities were limited, but OIOS would recommend further training for staff, particularly as some are new to UNHCR operations and unfamiliar with its systems and procedures.

(b) Duty on fuel

39. Duty was paid on fuel, and although procedures were in place for the recovery of the duty imposed, in reality the full amount due to UNHCR has never been received. Also, since the end of the war, no duty has been refunded. OIOS estimated that UNHCR paid duty of US\$ 124,000 on fuel purchased from January 2003 to March 2004.

40. Moreover, OIOS was informed that UNMIL, as a result of negotiations at the DPKO New York level, was able to purchase fuel at about US\$ 1 per gallon less than UNHCR. At present UNHCR is paying an average of about US\$ 2.15 per gallon (including duty). If a US\$ 1 dollar price reduction was received (which we assume includes the duty element), it could result in considerable savings to UNHCR, particularly as activities expand. At the present level of activities, UNHCR could save some US\$ 230,000 per year. OIOS recommended that this issue be actively pursued to ensure UNHCR equally benefits from a reduced price in fuel. *The Representation in coordination with other UN Agencies is pursuing a country team approach aimed at ensuring that all UN Agencies are treated fairly with regard to local purchase of fuel in Liberia.* This is an important issue, which has a significant financial impact on UNHCR. In OIOS’ view, therefore, the involvement of UNHCR Headquarters, particularly as the negotiations were initiated at DPKO Headquarters, may facilitate the discussions at the field level.

Recommendation:

- The UNHCR Bureau for Africa should assist the UNHCR Representation in Liberia to ensure UNHCR obtains a reduction in the cost of fuel to the equivalent paid by UNMIL. This could result in significant savings to UNHCR, estimated at about US\$ 0.5 million over the next two years (on the basis of the present low level of activities) (Rec.03).

(c) Medical Insurance Plan (MIP)

41. OIOS was unable to assess whether adequate systems and procedures were in place over MIP as the person responsible was absent from the office (on mission for MIP training in Nairobi). We highlighted that it was a risk to have only one person competent on the system. The Representation had already identified this, and a Human Resources Assistant was now also being trained on MIP.

42. There seemed to be a problem with the MIP system and from the data received from Headquarters it recorded that no claims had been processed for 2002 and 2003. From the files in Monrovia, we noted that claims had been processed during that period, but there was a backlog. OIOS recommended that the Representation review the status of MIP claims and ensure the backlog is addressed. OIOS also stressed to the Representation that MIP was a high-risk area and strong internal controls need to be implemented to mitigate the potential of fraud as outlined in the Division of Human Resources Management's (DHRM) most recent instruction, issued in May 2004.

43. The Representation did not make MIP deductions from staff salaries until they were included on the Monthly Payment Order (MPO). This meant that when they were included on the MPO the full amount was deducted at one time causing some hardship for the staff member. OIOS would suggest that until staff are included on the MPO, only some 80 per cent of their net salary is paid (to account for MIP and Pension Fund deductions) so as not to exceed UNHCR's Payroll Section calculation of net salary.

(d) Personnel

44. The fast track system for the deployment of staff to the Liberia operation was not effective. Although deployments should have been completed by the end of March 2004, only 29 staff (60 per cent) had been deployed, and some of them were already staff on the ground on mission status. Still at the time of the audit, three months after the expected date of arrival, some staff were only arriving (Senior Admin Officer, Senior Protection Officer), and other key personnel (Supply Officer, Project Control Officer) had not yet arrived. Various reasons were given for the delays such as non-release from the previous duty station, sick leave and delays in obtaining visas for their assigned duty station. Some of the appointed staff had not even indicated when they would take up their position. If there had been a large influx of returnees, the Representation would not have been able to effectively cope with it. OIOS will not raise a specific recommendation on this issue, as it was noted in the recent Real-Time Evaluation of the Chad operation that the effectiveness of the fast-track system was questioned and it was recommended that the "relevance of fast track procedures" be analysed.

45. Over 40 persons are 'recruited' by UNHCR under Service Agreements, which is not a contractual arrangement permitted within UNHCR's rules and procedures. "Staff" employed using such a contract were security guards, maintenance men, mechanics and cleaners (both at Monrovia and in field locations). Some action, however, was being taken to address the issue, and a call for offers for some of these services (to be supplied by companies) has been initiated. Also, OIOS understands that the present Security Company will extend their services to the field locations.

46. The hiring of 'staff' under non-conventional methods continues to be an ongoing problem in UNHCR, which needs to be addressed at the Headquarters level. OIOS appreciates, particularly, at isolated field locations where companies are not always available, alternative arrangements need to be sought. UNHCR Headquarters has still not properly addressed this issue or has it provided adequate assistance to field offices on how to manage in situations where certain services are required, but posts have not been created. As all such ad-hoc arrangements should be phased-out by the end of 2004 (IOM 81/2001 & FOM 79/2001, dated 28 September 2001), more positive action is required to assist field offices. *The Representation is currently exploring the option of hiring National UNVs in the areas of Mechanics and Generator Technicians. For guards and cleaners, a company will be selected.* OIOS will re-address this issue on an UNHCR-wide basis, in 2005.

(d) Special Operational Living Allowance Rate (SOLAR)

47. From 1 July 2004, some US\$ 4,000 is payable monthly to staff under SOLAR. SOLAR is meant to contribute towards meeting living expenses within the Special Operational Area. The Representation did not deduct 25 per cent (US\$ 1,000) of SOLAR from staff at the SOs and FOs, who were provided free accommodation by UNHCR. The Representation was therefore not complying with IOM/FOM 12/2004, dated 23 January 2004, 'Special Operations Approach- SOLAR'. OIOS recommended that the Representation revised its practice with immediate effect (1 July 2004), and deduct 25 per cent deduction from SOLAR payments. *In reply, the Representation stated that they were currently in the process of fully establishing its presence at six field locations in Liberia. Staff deployed to these locations were subjected to extreme difficulties, given the limited accommodation facilities.*

48. OIOS fully understands that the living conditions are difficult. However, since accommodation, albeit, sub-standard is being provided by UNHCR, the 25 per cent deduction rule applies. It must be made clear to staff that SOLAR is a living allowance and not a hardship allowance. When accommodation is provided, staff are only eligible for 75 per cent of the SOLAR payment. OIOS agrees, however, that efforts are required to improve the living conditions of staff working at field locations.

Recommendation:

- The Division of Human Resources Management should review the practice adopted by UNHCR Liberia of paying 100 per cent SOLAR (US\$ 4,000) in addition to the provision of free accommodation and should ensure compliance with IOM/FOM 12/2004, 'Special Operations

Approach – Payment of SOLAR, dated 23 January 2004. The Representation should be requested to deduct 25 per cent (US\$ 1,000) of the SOLAR and recover any overpayments made since 1 July 2004 accordingly (Rec. 04).

IV. ACKNOWLEDGEMENT

49. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNHCR and implementing partners in Liberia.

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