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AUDIT OF UNHCR MOBILITY AND HARDSHIP ALLOWANCE

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EXECUTIVE SUMMARY

In March and April 2005, OIOS conducted an audit of UNHCR's administration of Mobility and Hardship Allowance (MHA). The audit covered activities with a total expenditure of US\$ 20 million in 2003 and 2004.

Overall Assessment

- OIOS assessed the administration of the entitlement as above average. Overall, it was well managed, and although some weaknesses in the application of internal controls were identified, the weaknesses concerned were not sufficiently critical to compromise the overall system of internal control.

Compliance with UN policies

- According to UNHCR Staff Administration and Management Manual and ST/AI/2000/2, after five years of service at one duty station the amount paid for the mobility element of the allowance shall be reduced and the non-removal element shall be discontinued. Exceptionally the payment of the unreduced amount for mobility may continue for a further year, and that of non-removal for a further two years. An exception can be granted if the continuation of the staff member's service at that duty station is at the instigation of the Organization. UNHCR did not apply the "exception rule" but automatically granted a two-year extension for non-removal. Exceptions for an extension of the mobility allowance were approved on a case-by-case basis.
- OIOS recommended that the practice be discontinued with each application reviewed and subsequently approved on a case-by-case basis, as is done for the mobility element. As DHRM was not able to provide information on the number of staff benefiting from an extension, the cost of the current practice could not be determined. OIOS expects significant savings, if the automatic extensions are discontinued. *DHRM agreed with OIOS' recommendation and with immediate effect have implemented a change in practice.*

Administration of the allowance

- Apart for the issue mentioned above, OIOS assessed that the administration of the mobility and hardship allowance (including all three elements of mobility, hardship and non-removal) generally complied with UNHCR's regulations, rules, policies and procedures and found that controls were operating effectively during the period under review.

- Some attention was required with regard to personnel files. Documents were not always filed chronologically, and one personnel file had been signed out in August 2004 and had still not been returned at the time of the audit. *The file was subsequently found.*
- A staff member was paid a lump sum advance of US\$ 18,000 for MHA in July 2004 (for the period June 2004 through May 2005). There was no justification as to why a lump sum was paid, which is contrary to rules and procedures. OIOS suggested that DHRM review the case and document on file the reason for paying the advance. In future, no lump-sum advances for MHA should be paid. *PAS is reviewing the case and will document for the staff member's personnel file the reason for the payment.*
- The UNHCR system of calculating MHA is manual and appropriate data such as the hardship category of the duty station is not automatically calculated, unlike the system (IMIS) used by the United Nations. As a result there is a higher risk of errors being made. Nonetheless, there is an 'in-built' control that normally captures errors when the staff member is reassigned. In one case observed there was a recovery of some US\$ 26,000.

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I. INTRODUCTION

1. In March and April 2005, OIOS conducted an audit of Mobility and Hardship Allowance. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Mobility and Hardship Allowance (MHA) is an incentive to mobility and to compensate for hardship and non-removal of personal effects and household goods. UNHCR Staff Administration and Management Manual (SAMM), Chapter 3, paragraph 3.17 as well as ST/AI/2000/2 (mobility, hardship and non-removal) as amended by ST/AI/2001/9 govern the administration of the allowance.
3. The amount of MHA payable to each eligible staff member is a function of his or her placement on a three-dimension matrix where the hardship element increases in order of difficulty. The mobility element varies according to the number of assignments and the length of service at one duty station. The hardship element depends on the assigned duty station category as defined by the International Civil Service Commission. The non-removal element compensates for non-removal of personal effects and household goods. Personnel Administration Section (PAS) administers the allowance and the payments are made through the regular payroll.
4. In 2002, the Board of Auditors (BOA) reviewed MHA as part of their Division of Human Resource Management (DHRM) audit at UNHCR Headquarters. The BOA noted that UNHCR continued to pay MHA as a lump-sum advance, which was discontinued by the UN under ST/AI/2001/9, dated 7 December 2001. UNHCR discontinued the practice of advance payments in May 2003.
5. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference with Personnel Administration Section held on 14 July 2005. A draft of the report was shared with the Director of Division of Human Resources Management. The comments made are reflected, as appropriate, in this final report.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the administration of the Mobility and Hardship Allowance at UNHCR, and more specifically to:
 - Evaluate the adequacy, effectiveness and efficiency of internal controls;
 - Evaluate whether adequate guidance and procedures are in place;
 - Ensure compliance with UN regulations, rules, policies and administrative procedures.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit focused on the administration and payment of mobility and hardship allowance paid for the period 1 January 2003 to 31 December 2004. There were disbursements of US\$ 20.4 million (as recorded on the general ledger) paid to approximately 1,600 staff members.

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. From information made available, OIOS analysed all payments made to staff, and followed-up on 76 cases where there were unusual or unexpected trends in payments. For these cases the information in personnel files was compared to payroll data to ensure the correctness of the allowance payments.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Compliance with UN policies

9. According to ST/AI/2002/2 and to the UNHCR Staff Administration and Management Manual (SAMM) Chapter 3, paragraph 3.17, after five years of service at one duty station the amount paid for the mobility element of the allowance shall be reduced and the non-removal element shall be discontinued. Exceptionally, however, the payment of the unreduced amount for mobility may continue for a further year, and that of non-removal for a further two years. An exception can be granted if the needs of the service require the staff member to remain at the duty station beyond five years.

10. UNHCR did not apply the “exception rule” but automatically granted a two-year extension for non-removal. This practice stems from a memorandum dated 26 May 1997 from the Chief, Policy and Planning Section to the Chief, Staff Support, now PAS, (both from DHRM). The memorandum was drafted when the time limit of the non-removal element (ST/IC/1997/28 dated 5 May 1997) was introduced. The justification for an automatic extension to seven years was that it was in the interest of consistency (with other UN agencies) since most organizations had interpreted “exceptionally” to mean “almost always” as assignments were always at the request of the organization. Moreover, the memorandum explained that UNHCR staff, unlike in the UN Secretariat, did not “own” their posts and could not expect to remain indefinitely at any one duty station. It was again mentioned that if UNHCR staff were obliged to remain at any duty station for periods beyond the maximum SAL of four years, it would be always at the request of the organization.

11. OIOS disagreed with this interpretation. ‘Exceptionally’ does not mean ‘almost always’, and in many cases the extension of SAL is at the staff member’s request and in the staff member’s interest. If it was/is at UNHCR’s request, OIOS would not object if an extension was granted, provided it has been processed through the proper channels and approved by the appropriate authority.

12. Unlike non-removal, exceptions with relation to mobility are approved on a case-by-case basis. *At the debriefing, PAS stated that exceptions were approved either by the Head of PAS or by the Director of DHRM.*

13. It did not seem correct or logical that two elements of the same allowance were treated differently when granting exceptions. DHRM justified the continued payment of the allowance as it was only paid to a few staff members. In OIOS’ opinion this is not a reasonable justification particularly as DHRM was unable to provide us with a list of the staff receiving the two-year extension. Moreover, no official IOM/FOM appears to have been issued on this matter. OIOS recommended that DHRM reconsiders the practice and discontinue granting automatic exceptions to staff, with each application reviewed on a case-

by-case basis as is done for the mobility element. The cost associated with a two-year extension for reference point of P-4 level staff is some US\$ 4,100 and therefore, there is a potential for significant savings by UNHCR. *DHRM agreed with OIOS' recommendation and with immediate effect have implemented a change in practice. In future, all cases where the staff members' SAL has been extended at the request of the Office it will be reviewed by the Chief, PAS for approval to grant an exceptional extension.*

B. Administration of the allowance

14. OIOS assessed that the administration of MHA (including all three elements of mobility, hardship and non-removal) generally complied with UNHCR's regulations, rules, policies and procedures and found that controls were operating effectively during the period under review.

15. Some attention was required with regard to personnel files. In some cases, Personnel Action Forms (P.5s) were not filed chronologically and evidence that recoveries had been instigated where not on file. One personnel file (index number 784591) had been signed out in August 2004 and at the time of the audit it was still missing. *The Personnel Administration Section has brought these findings to the attention of Human Resource staff. The missing file has been located and is available on record.*

16. In May 2003, UNHCR discontinued, in accordance with UN policies, the yearly advance payments of mobility and hardship. Yet, OIOS found one case (index number 067154) where the staff member was paid a lump sum advance of US\$ 18,000 in July 2004 (for the period June 2004 through May 2005). There was no justification as to why a lump sum advance was paid, contrary to rules and procedures. OIOS suggested at the exit conference that DHRM review this case and document on file the reason for paying the advance. In future, no advance lump-sum payments for MHA should be made. *PAS is in the process of reviewing and documenting the case for the staff member's personnel file.*

17. OIOS could not reconcile the Earnings and Deductions Reports (EDRs) data to the General Ledger. OIOS was led to understand that the EDR listing of MHA included other entitlements posted to the MHA column in the report, as there was no other column to post them due to the restricted structure of the old mainframe system. OIOS found 24 General Service Staff who, according to the EDR listing, had received MHA in June and September 2004. The Payroll Section dismissed this as an error, but they could not explain why these payments were recorded as MHA in the EDR. OIOS provided a list to DHRM, and suggested that even though the amounts involved are not significant (US\$ 4,000) the erroneous payments be reviewed. Moreover, OIOS found staff members whose salary was withheld while waiting for the separation action (P.35) to be processed were still included in the EDR. In one case reviewed, the former staff member remained on the EDR for eight months after separation. *PAS is in the process of reviewing the cases with payroll.*

18. The system of calculating the allowance is manual and data such as the hardship category of an assigned duty station is not automatically counted, unlike the system (IMIS) used by the United Nations. As a result there is a higher risk of error. OIOS noted that a number of errors were made, but they were normally captured when the staff member was reassigned. Nonetheless, the manual system resulted in a number of adjustment payments. For example, one case involved a recovery of some US\$ 26,000 from one staff member.

C. MSRP Human Resources and Payroll Module

19. During the development of the MSRP Human Resources and Payroll module, OIOS would advise DHRM and the Financial Resources Services to ensure appropriate and more accurate treatment of recording entitlement payments and temporary assistance costs. DHRM should also ensure that reporting is taken into account early on in the development work and that the testing phase includes assuring the reliability of reported data.
20. As mobility and hardship allowance is a complicated entitlement, this needs to be carefully taken into account in developing the MSRP Human Resources and Payroll Module.
21. *PAS has opened discussions with the Financial Resources Services concerning the issues raised above.*

V. ACKNOWLEDGEMENT

22. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of the UNHCR Division of Human Resources Management, in particular for the designation of an audit focal point, which greatly facilitated the audit while clearing issues with PAS.

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