



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

**Audit Report**

Audit of UNOG Sales and Marketing Operations  
(AE2005/314/01)  
Report No.E06/R04  
June 2006

**Auditor**

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Office of Internal Oversight Services  
Internal Audit Division II

**AUDIT OF UNOG SALES AND MARKETING OPERATIONS (AE2005/314/01)**

**EXECUTIVE SUMMARY**

Between September and December 2005, OIOS conducted an audit of UNOG sales and marketing operations managed by the Geneva office of UN Publications Sales and Marketing Section (SMS), Department of Public Information (DPI). The audit covered the distribution of publications and the bookshop operation with income of US\$ 4.9 million and expenditure of US\$ 4.6 million in 2004 and 2005.

- OIOS assessed that the systems and procedures relating to the distribution of publications and the bookshop operation were adequately managed, and although many of the key controls were being applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management was required. *SMS has accepted all of the recommendations and is in the process of implementing them.*

Distribution of Publications

- Considerable efforts are required to review and analyse the accounts receivable balance of US\$ 1.23 million (about US\$ 580,000 relating to invoices issued in 2003 and earlier, some as far back as 1996) to determine if they are still recoverable, and if not, to initiate appropriate write-off action. *SMS indicated that prior to 2002 the Office of Programme Planning, Budget and Accounts was responsible for collecting payments and tracking accounts receivable, and will follow-up with them on this matter as to the steps to take to write-off accounts prior to 2002 that have been identified as no longer being collectible.*
- The procedures in place by SMS to follow-up on unpaid invoices needed to be improved. It was not systematic and only done on a very informal basis relying heavily on the integrity of agents delegated the responsibility of distributing UN publications. OIOS recommended that a more rigid follow-up procedure be introduced, as well as a clear enforceable credit policy. *SMS has contacted by telephone agents with overdue accounts, focusing on major accounts and have also sent out written reminders.*
- Until recently no formal agreements were entered into with agencies outlining the terms and conditions of working with SMS. A Letter of Agreement was (LOA) forwarded to agents for signature in October 2005, but in January 2006 many of them had not been signed meaning that the terms and conditions of agents working with the UN were not clear or consistently applied. *As of April 2006 ten LOAs, covering the top ten distributors have been returned signed.*

- SMS did not apply DPI's credit policy (approved by DPI's Publications Board) as it felt that it was not appropriately customised to the European market. Although a customised version was prepared, it had not been finalized. *SMS stated that the revised policy will be reviewed between New York Headquarters and UNOG to confirm its applicability to the European and African markets.*
- SMS did not enforce its policy for the return of publications. OIOS noted that currently (starting 2005) SMS revised its policy and extended its return period to two years, but this was still not complied with. OIOS recommended that the established return period be respected to minimize financial losses for the UN. *SMS stated that LOAs will be used to specify the terms of return and these terms will be enforced.*
- SMS had performed neither an annual inventory nor perpetual stock count of publications in recent years. There was no assurance therefore that the inventory records kept by SMS are accurate and complete. OIOS appreciates that due to the nature, type and quantity of stock this is a long and labour-intensive exercise. Nonetheless, proper stock controls should be established to identify any losses and publications that have been damaged or are out-dated. *In the opinion of SMS, the introduction of the perpetual stock counting system would be the most efficient.*

#### Book and Gift Shop Activities

- The bookshop operation, in general, was well established and properly organized by the contractor. OIOS reviewed the systems and procedures implemented by the contractor and found them satisfactory and operating effectively in the period under review.
- The contract for the bookshop contractor was renewed in October 2005, with the winning offer given to the company managing the operation since 2002. There were delays in the procurement process, meaning that the previous contract had to be extended. On June 2005, SMS started to apply the provisions of the new contract, i.e. five months before the contract was awarded. OIOS acknowledged that the contractor started to fulfill its responsibilities from the initial planned date of the new contract, but would highlight that this was an unusual practice, and could have had potential legal risks attached. *SMS stated that the possible risks involved had to be balanced against the fact that without a contract the bookshop would have had to close, not only losing income but creating the potential for the situation to be brought to the attention of the local press.*

#### Personnel matters

- The warehousing space that is used exclusively by SMS is, administratively, the responsibility of the Distribution Section, Conference Services Division. In OIOS' opinion, the warehousing function should be reviewed with consideration given to assigning administrative responsibility to SMS to reflect the existing arrangements and be in line with the reorganization in DPI, NYHQ. *Publications Sales and Marketing Section, DPI, UNHQ has already had initial discussions with Conference Services Division, UNOG on this matter. It has been agreed to include the responsibility for the warehousing activities to under SMS's scope of work as part of the next budget plan.*

June 2006

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## I. INTRODUCTION

1. Between September and December 2005, OIOS conducted an audit of the activities of the Geneva office of UN Publications Sales and Marketing Section (SMS), Department of Public Information. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. SMS is responsible for marketing, sales and licensing. It coordinates sales activities in Europe, Africa and the Middle East and administers and manages the Geneva book and gift shop. The overall mandate of SMS is to project a positive image of the United Nations and to reach out to the public by way of disseminating publications and other products reflecting the work and achievements of the United Nations. At the same time, SMS seeks to be self-financing and if possible to derive profits for the United Nations. SMS' activities mainly consist of:

- The book and gift shop operation - (income about US\$ 0.8 million annually)
- Distribution of publications - (income about US\$ 1.5 million annually)
- Licensing (payment for copyrights) - (income about US\$ 0.2 million annually).

3. The last OIOS audit of SMS was conducted in 1999, and revealed that internal controls required strengthening, particular in the areas of the promotion of publications and inventory controls. Action was taken by SMS to implement OIOS' recommendations.

4. The findings and recommendations contained in this report have been discussed during the exit conference held on 22 December 2005 with the Chief, Geneva office of UN Publications Sales and Marketing Section and the Chief, UN Publications Sales and Marketing Section, Outreach Division, Department of Public Information, New York. A draft report was shared with the Chief, UN Publications Sales and Marketing Section in February 2006 and a reply was received from him on 18 April 2006. The comments received in April 2006 are reflected as appropriate in the report. *SMS has accepted all of the recommendations and is in the process of implementing them.*

## II. AUDIT OBJECTIVES

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

- The reliability and integrity of financial and other information;
- The effectiveness and efficiency of its activities;
- Safeguarding of assets; and,
- Compliance with UN regulations, rules and other procedures.

## III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on the two main activities of SMS, namely, the distribution of publications and the UN book and gift shop operation. The audit covered the years 2004 and 2005. OIOS reviewed and assessed the adequacy of the arrangements established by SMS over the safeguarding, distribution, invoicing and payment of UN publications, as well as the

agreements/contracts with agents. OIOS also reviewed how SMS managed the UN book and gift shop in Geneva and assessed the level of compliance with the terms and conditions of the current and proposed new contract in light of the expansion of the UN book shop operation.

7. The audit activities included a review and assessment of SMS' systems and procedures and its compliance thereof. OIOS interviewed various staff, analyzed applicable data and reviewed available documents and other relevant records.

#### IV. AUDIT FINDINGS AND RECOMMENDATIONS

##### A. Distribution of Publications

8. SMS deals mainly with agents for the distribution of UN publications. An agent requests publications by placing an order, and upon receipt of this, SMS releases them from stock, packs them and ships them to the agent. The agent pays the shipping and handling charges.

9. OIOS found that in general SMS had established a system for the distribution of publications; albeit some improvement was still required to strengthen internal controls as outlined below. Once this is done, OIOS was of the opinion that SMS' activities could be more efficient, accountabilities more clearly defined and potential financial losses reduced. Throughout the audit, OIOS suggested enhancements to internal controls, and was pleased to note that SMS responded positively. In most cases immediate action was initiated.

10. Moreover, as noted below many procedures were done on an ad hoc basis. While in most cases the actions taken were justified when explained to OIOS, with the recent retirement of the Head of SMS in Geneva, the lack of adequately documented systems, established criteria and procedures poses a risk to the smooth hand-over of operations and relations with agents. *SMS stated that a thorough review will be undertaken by the new Head of SMS in Geneva in order to document key procedures and policies.*

##### (a) Accounts receivable

11. As of 29 September 2005, the accounts receivable of SMS (amounts invoiced to agents) was US\$ 1.23 million, of which about US\$ 580,000 related to balances outstanding for more than two years. Some of the debts dated as far back as 1996, and a few even earlier, as follows:

Period	Amount of accounts receivable (US\$)
1996 and earlier	54,400
1997 – 2000	109,800
2001 – 2003	414,500
2004 – 2005	649,100
<b>Total (as at 29.09.05)</b>	<b>1,227,800</b>

12. In OIOS' opinion, it is extremely unlikely that the amounts of over US\$ 150,000 will be recovered (2000 and earlier), and unlikely that all of those of more than two years old will be fully received. There is a situation therefore that considerable income may be lost to the UN due to the non-recovery of these debts. Moreover, if more positive action is not taken or a more aggressive follow-up policy introduced, the level of old unpaid debt is likely to increase.

13. The issue was discussed with both the Chief of SMS in Geneva and his immediate supervisor, the Chief of Publications Sales and Marketing Section (PSMS) of DPI in New York. *OIOS was informed that prior to 2002 the Office of Programme Planning, Budget and Accounts (OPPBA) was responsible for collecting payments and tracking accounts receivable. In 2002 the balance of the accounts receivable (US\$ 1.8 million) was transferred to SMS, Geneva. It was also their opinion that some payments may have been received but not correctly matched and cleared against the appropriate invoice. The Chief, SMS was of the opinion that amounts due from current agents were collectible no matter how old the outstanding invoices were.* OIOS appreciates that from a Geneva perspective, particularly as prior to 2002 OPPBA (with the assistance of DPI) was responsible for receipt of payments and monitoring the accounts, it may be difficult to determine the current status of unpaid invoices. However, the non-clearance of these debts cannot continue indefinitely, and balances should not be carried forward from year to year without any concrete action being taken or evidence obtained that the amounts are actually recoverable. SMS in conjunction with PSMS and OPPBA needs to resolve the issue either by clearing the receivable against a payment made or by writing off amounts identified as non-recoverable.

14. *SMS stated that during 2005 considerable efforts were made to resolve many of these outstanding accounts. SMS further stated that as of the date of the response, the balances outstanding for more than 2 years have been reduced to US\$ 313,000.* OIOS is pleased to note that older debts are being cleared.

15. SMS' procedures for following-up on outstanding receivables were not fully effective. Efforts were limited to the monthly printing and issuance of a Statement of Account to agents, and oral reminders during meetings with agents at various book fairs. This is not sufficient, and OIOS suggested that a more rigid follow-up system be introduced. This could include regular formal reminders and the establishment of preventive controls such as enforcing a credit policy that includes "accounts four months in arrears will not receive further shipments".

16. OIOS also noted that no evaluation of the performance of agents was conducted or documented. A regular evaluation would have allowed SMS to draw conclusions on the patterns of performance of an agent, including its credit history. This would be a sound basis for continuing business with them.

### **Recommendations:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information with the assistance of the Department of Public Information in New York should ensure that receivables are reviewed and analysed (for the accounts

receivable prior to 2002) with the assistance of OPPBA to determine if payment has been made. If not, appropriate procedures should be initiated for the write-off of non-recoverable amounts (Rec. 01).

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should introduce a more rigid system for the follow-up of unpaid invoices, and as a first step, issue formal written reminders to all agents with debts of four months or more outstanding. SMS should also review and analyse all debts (which were incurred under its responsibility) to determine if they are recoverable. If not, appropriate action should be taken to write them off (Rec.02).

17. *SMS agreed with the recommendations. For recommendation 01, SMS stated it will take the matter up with OPPBA to write off accounts prior to 2002 that are not collectible. For recommendation 02, SMS confirmed that it had started to send out the written reminders, and this would be extended further in 2006, as staff issues are resolved. In the interim SMS has focused on major accounts and agents are being contacted by telephone when accounts are overdue to attempt to resolve issues in a timely fashion.*

(b) Letters of Agreement

18. OIOS was pleased to note that by October 2005, SMS had developed a formal Letter of Agreement (LOA) and had forwarded it to its agents for signature. As of January 2006, however, it appears that many of the LOAs had not been signed by agents and returned to SMS. It means therefore that there was still no formal agreement with agents to ensure that terms and conditions of working with the UN are clear and consistently applied. As before, business was simply conducted under a 'gentleman's agreement'. For example, SMS should ensure that agents comply with DPI's credit policy, but no formal arrangement or policy had been systematically shared or signed by agents. As a result there had been no mechanism to ensure compliance with DPI's established credit policy. This informal approach may have contributed in part to the significant outstanding receivables as referred to above. There was a similar situation with regard to the policy on returns of publications and the discounts given, as outlined in more detail below.

(c) Credit Policy

19. The LOA was developed by SMS taking into consideration the UN's general terms and conditions. OIOS noted however that it still did not contain DPI's credit policy for non-payment or late payment, a policy that was approved by DPI's Publications Board. *SMS was of the opinion that DPI's policy required to be customized for the European market.* OIOS understands that SMS was instrumental in revising the policy, which was subsequently approved for use in 2002. It contained conditions such as 'an agent whose account is four months in arrears will not receive further shipments'. Despite its approval and of the conditions therein that would safeguard and/or mitigate the risk of large outstanding debts arising, SMS did not include the policy in the LOA. It was SMS' view that the provisions might still not yet be suitable (in particular the establishment of a credit limit) to the specific

market realities. In OIOS' view, SMS should have further communicated this to DPI New York to ensure it was amended accordingly instead of *de facto* non-compliance.

**Recommendations:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should ensure all business with agents is done under a formal LOA. Further efforts should be made to ensure all LOAs are signed by agents and returned to SMS (Rec. 03).
- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information, assisted by the UN Publications Sales and Marketing Section, New York should review the revised current credit policy and determine the applicability of its provisions to the current market realities in Europe and Africa (Rec. 04).

20. *SMS agreed with the recommendations. For recommendation 03, SMS stated that 25 Letters of Agreement for all major agents were issued in September 2005. As of April 2006 10 have been returned signed, covering the top ten distributors. Reminders were sent in October 2005 and April 2006. For recommendation 04, a new policy was drafted and will be submitted for the approval of DPI. Additionally, the credit policy would be included as an attachment to the new form of the LOA. SMS confirmed that the revised policy will be reviewed between New York and UNOG to confirm its applicability to the European and African markets. SMS has included the credit terms specific to an agent in their LOAs. The general credit policy, for all other customers, will be posted online and publicized once the review has been undertaken.*

(e) Discount policy.

21. The procedure for discounts given to agents on the sale of publications was not clearly documented nor was there a systematic formula applied. SMS explained that a number of factors were considered including the following: volume of sales; involvement in promotion activities; and, the geographical location (developing countries receive a larger discount). OIOS's review of sales records showed however that these criteria were not applied consistently. The variations could not be easily explained, and the rationale for awarding a particular level of discount was not documented.

22. OIOS highlighted that an established discount policy is essential to ensure transparency and that agents are treated fairly and consistently. The discount granted to the agent should be documented and reflected in the LOA with the agent.

**Recommendation:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should maintain records of the discounts given to agents and document justifications of any

non-compliance and/or variations to the policy. This information should be appropriately filed either centrally or by agent (Rec. 05).

23. *SMS agreed with this recommendation. A new discount policy has been incorporated into the LOAs. A further review will take place between UNOG and New York sales offices to harmonize the discount policy where possible. However, in the opinion of SMS, given the wide disparity in market conditions in different countries, implementation of a single unified policy is impossible without some exceptions. SMS agreed that such cases should be documented and the justification recorded to maintain transparency.*

(f) Return of publications

24. SMS has a policy whereby agents can return publications that are not sold. SMS accepts returns upon the fulfillment of several criteria and conditions. OIOS was informed that this included a pre-approval of returns by SMS, an assessment of the most efficient way of return (the entire publication if it can be resold or only its cover page if no resale is possible) and an assessment of the capacity of the agent to sell this type of publications in future. OIOS assessed these criteria and conditions and found them justified. However, no documented policy was established, and it was found that the criteria and conditions were not applied consistently.

25. OIOS was informed that, in general, agents were given a one-year return period. It was noted however that the newly introduced Letter of Agreement with agents stated the return period as two years. In practice, OIOS noted that agents were returning publications, which they had kept in stock for more than two years (even before the new LOA form was developed). These returns were accepted by SMS. *SMS stated that it was its policy to maintain a small stock of publications with major agents for extended periods of time, and to eventually accept returns of unsold publications. SMS also stated that the return rate, in general, was quite low and did not exceed 10 to 15 per cent.*

26. In OIOS' opinion the returns should be governed by the pre-established timeframe to minimize financial losses for the UN. Should there be a necessity to extend the return period on an exceptional basis, it should be done in advance and be properly documented.

**Recommendation:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should enforce the provision of the return period, and establish criteria for exceptionally granting extensions to it (Rec. 06).

27. *SMS agreed with this recommendation. SMS agreed that the issue of the treatment of returns from certain large sales agents needed to be better documented. The LOAs will be used to specify terms for each individual customer where they depart from the normal policy. SMS stated that that this policy, once set, will be enforced. Furthermore, a set of criteria will be developed to guide the granting of exceptions.*

(f) No annual inventory of publications.

28. SMS stored the publications in six different locations in the Palais des Nations. For the main location, where most of the new publications were stored, OIOS observed that the conditions were satisfactory. Publications were kept in a dry environment and were properly stacked on shelves and/or palettes. Two locations situated in the corridors (near the main storage and near the garage) were found to be insecure enabling easy unauthorized access. The location near Door 13 contained publications dating back as early as 1957; some of the material was visibly damaged. OIOS suggested that the locations and conditions of storage be assessed. The lack of security poses a higher risk of loss and theft, as well as the threat of fire.

29. OIOS discussions revealed that neither an annual inventory nor a perpetual stock counts had been performed in recent years. This, in OIOS' opinion, is a weakness in internal control that needs to be addressed. While appreciating that due to the type and quantity of stock this is a long and labour-intensive exercise, proper stock controls need to be established. It will help to identify any losses that may have occurred, as well as identify any publications that have been damaged or become obsolete. OIOS would suggest that a perpetual stock counting inventory system be introduced to provide management with assurance that stock balances match inventory records.

**Recommendation:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should assess the locations and conditions of storage of publications. SMS should also strengthen its internal controls over inventory management by conducting periodic physical counts. Considering the nature and type of stock a perpetual stock counting system may be the most efficient. Consideration needs to be given to disposing of damaged publications (Rec. 07).

30. *SMS agreed with this recommendation. SMS stated that the need for the additional storage at the Palais des Nations was acute and this has resulted in stock having to be stored in the corridor areas. Over the years, SMS has attempted to gain more storage to solve this. Also the situation may get worse when the new bookshop opens. SMS will assess what options are available to resolve the situation.*

31. *SMS stated that the disposing of the damaged and old stock will be undertaken in conjunction with a programme of inventory management. SMS agreed that the introduction of the perpetual stock counting system would be the most efficient, and a move to initiate this was started at the beginning of 2006 through cooperation with Publishing Service, CSD. However an implementation has been delayed due to staffing constraints. SMS agreed to address the issue.*

(g) Informal practice for destruction of publications.

32. Currently SMS has no coherent policy on the retention of publications. The decision

to reduce stock is taken on an ad hoc basis, usually when extra space is needed for new publications.

33. The decision-making process and the rationale for the stock reduction was explained to OIOS, however the reasons for destruction, as well as the authorization and verification of the destroyed material were not properly documented.

**Recommendation:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should establish appropriate procedures for the destruction of publications (Rec. 08).

34. *SMS agreed with this recommendation, and stated that the internal guidelines established by PSMS, New York will be used as a basis establishing its policy. SMS further stated that as space requirements differ at each location, some local modification might be expected.*

**B. Book and Gift Shop Activities**

(a) Contract for the book and gift shop

35. The UN book and gift shop has been managed by ADECO - Editions van Diermen (Switzerland) since 2002. The first contract expired on 31 March 2005 and was renewed for three years in October 2005 (with optional extensions) for a maximum cost of US\$ 1,758,000. OIOS reviewed the procurement process for the new contract, including the Request for Proposal's (RFP), terms of reference and the evaluation of submitted proposals. OIOS noted that the terms and conditions of RFP were adequate to SMS' scope of work and that the proposals were evaluated fairly.

36. While the procurement process was assessed as adequate, it took an exceedingly long time to complete (15 months). OIOS noted that although the procurement action was initiated well in advance, the various delays led to the vendor operating on monthly extensions between March and October 2005. All instances of delays were explained by UNOG Purchasing and Transport Section (PTS) and SMS. However, in OIOS's opinion, better cooperation between the two offices could have reduced the inordinately long lead-time.

(b) No independent verification of bookshop sales

37. In OIOS' opinion, the bookshop operation, in general, was well established and properly organized by the contractor. OIOS reviewed the systems and procedures over sales recording and reporting, as well as the computerized inventory system. The spot test checks conducted of sales items showed no exceptions, and overall OIOS assessed systems and procedures were satisfactory, and operating effectively during the period under review.

38. At the same time, while acknowledging the staffing constraints of SMS (extended sick leave of the Bookshop Liaison Officer), OIOS noted that SMS' supervision and management

of the bookshop operation could be strengthened, in particular in respect to the accountability of the contractor.

39. At the time of the audit SMS relied on the contractor for information on sales. The sole source of data for the reporting of sales proceeds were the daily print-outs of the cash registers and the credit card readers submitted by the contractor to SMS. In OIOS' view, this reliance, without an independent verification, posed a risk of data manipulation and possible financial losses.

40. OIOS verified a selection of daily printouts and found them accurate. OIOS also reviewed the cash register and credit card reader procedures and concluded that the internal controls over report generating by the contractor were adequate, and the information provided to SMS was reliable. At the same time OIOS noted that the data still could be changed manually in the contractor's inventory database. This fact by itself does not render the data unreliable, nor does it indicate any wrongdoing, however, it implies that SMS's controls over what have been released to the bookshop should be tightened.

41. Upon OIOS' inquiry it transpired that SMS does not perform a reconciliation of what was issued to the bookshop from the warehouse against the reported sales of the bookshop. While to conduct a complete inventory may not be cost-effective, the periodic spot checks of high value items would provide an effective risk mitigating control.

**Recommendation:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should strengthen supervision and management of the bookshop activities. Periodic verifications and independent spot checks should be conducted to provide assurance systems and procedures are in place and operating effectively (Rec. 09).

42. *SMS agreed with this recommendation and stated that its ability to manage this aspect of the operation has been adversely affected by the long-term sickness of the responsible staff member. Another staff member has now been trained to take over many of the functions. SMS stated that the spot checks would best be undertaken by someone other than the Bookshop Coordinator and will assign such responsibility accordingly.*

(c) Application of the provisions of the new contract before its award

43. The OIOS noted that SMS started to apply the provisions of the new contract (in particular with regard to the new scheme of additional incentive fees) in June 2005, i.e. five months before it was awarded.

44. OIOS acknowledges that the contractor started to fulfill its responsibilities starting from the initial planned date of the new contract, which, due to various reasons was presented to the Committee on Contracts with a delay of at least five months. While no formal audit recommendation has been issued on the matter, OIOS would like to highlight this unusual practice to DPI New York, and the resulting potential legal risks such an informal

arrangement may have had.

45. *SMS stated that the possible risks involved had to be balanced against the fact that without a contract the bookshop would have had to close, not only losing income, but creating the potential for the situation to be brought to the attention of the local press.*

### C. Personnel matters

46. The warehousing space that is used exclusively by SMS is, administratively, the responsibility of the Distribution Section, Conference Services Division (DS). One of the two staff working there was on a post belonging to DS. The responsibilities of the mentioned staff member included the receipt, handling and dispatch of books and publications to agents. Though this staff member administratively was on the staffing table of DS, functionally, she reported to, and got instructions from SMS. Her duties were fully within the scope of work of SMS.

47. It should be noted that a similar situation exists in the UN Publications Sales and Marketing Section, Department of Public Information, New York (PSMS/DPI), where the Sales Dispatch Unit, though servicing exclusively PSMS, belongs to the Publishing Section, Department of General Assembly and Conference Management (DGACM). At the request of DPI and DGACM, OIOS had reviewed the arrangement in May 2005. OIOS recommended, among other things, that the functions of the Sales Dispatch Unit be transferred to DPI.

48. In OIOS's opinion, the warehousing function should be made administratively the responsibility of SMS, in order to reflect the existing arrangements and be in line with the reorganization in PSMS.

#### **Recommendation:**

- The Geneva office of UN Publications Sales and Marketing Section, Department of Public Information should request the Department of Public Information, New York to initiate discussions with Conference Services Division, UNOG on the transfer of the warehousing function to SMS (Rec. 10).

49. *Publications Sales and Marketing Section, DPI, UNHQ has already had initial discussions with Conference Services Division, UNOG on this matter. It has been agreed to include the responsibility for the warehousing activities under SMS's scope of work as part of the next budget plans. It should be noted that PSMS is not necessarily agreeing to the transfer of posts, rather just the responsibility for the activity. SMS will propose, as was done with a transfer that took place in New York, the most cost-effective option available to it, including the feasibility of outsourcing the complete warehouse operation, or use of contract staff similar to the situation in the Bookshop.*

50. In July - December 2005, SMS employed two staff on an hourly basis as follows:
- Staff A: secretarial duties and assistance to various SMS staff (accounting, bookshop matters, shipping of publications);
  - Staff B: software development and IT support (maintenance of the SMS database and

developing additional functionalities of this database)

51. Both staff were employed on the basis of an agreement developed by SMS (Contrat d'engagement temporaire à l'heure). *SMS stated that it had taken the form used by the Visitor's Service as an example, and modified it for the needs of SMS.* OIOS' review of the agreement showed that it contained several clauses that, in OIOS's opinion, are not applicable for the staff on hourly pay. For example, the agreement stated that the incumbent is entitled to sick leave, which is accumulated at a rate of two days per month, up to 24 sick leave days. (Annex, clause "Conge de maladie").

52. OIOS' inquiry with HRMS revealed that the United Nations Office in Geneva does not normally hire staff on an hourly basis with the sole exception of the Visitor's Service, where it is being used for employing guides. The rationale for hourly payments to guides was that their services are only needed for the actual time of guided tours, and may not cover the whole working day. HRMS further stated that there is no standard form of hourly engagement, and, in case of the Visitor's Service, the hiring is done entirely by the Service, without HRMS's involvement.

53. *In the view of HRMS, the employment of an administrative assistant or an IT specialist on an hourly arrangement was improper, and should have been done through the regular HRMS procedures.* Following OIOS's discussions with SMS and HRMS on hourly staff, SMS initiated the conversion of these staff to individual contractors.

54. *SMS stated that the hiring of the temporary staff described by the audit arose as the result of a misinterpretation from a discussion with HRMS, which led the management of SMS to believe that they could hire under the same terms as the Visitor's Service.*

## V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

55. 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:

<b>Rec. no.</b>	<b>Action/document required to close the recommendation</b>
1*	1. Evidence that the receivables were reviewed to determine whether they are recoverable. 2. Determination of the amount to be written off. 3. Evidence that the write-off has been initiated.
2*	Statistics on how many reminders were sent and samples of them.
3*	Updated list of agents to whom the LOAs were sent and who already signed them.
4	Evidence of the review of the credit policy and its outcome.
5	Records on discounts are maintained and available for the auditor's review on the site.
6	Documented set of criteria of granting exceptions to the return periods.
7*	Evidence that the perpetual stock counting is established. Records are

	available for the auditor's review on the site.
8*	Internal guidelines to be used for the destruction of publications
9*	Evidence that the periodic spot checks are made. Records are available for the auditor's review on the site.
10*	Documented decision on the modalities of the warehousing function

\* Critical recommendations

## **VI. ACKNOWLEDGEMENT**

56. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of the Geneva office of UN Publications Sales and Marketing Section, Department of Public Information.

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