



United Nations
Educational, Scientific and
Cultural Organization

Organisation
des Nations Unies
pour l'éducation,
la science et la culture

Organización
de las Naciones Unidas
para la Educación,
la Ciencia y la Cultura

Организация
Объединенных Наций по
вопросам образования,
науки и культуры

منظمة الأمم المتحدة
للتربية والعلم والثقافة

联合国教育、
科学及文化组织

Internal Oversight Service Audit Section

IOS/AUD/2010/08

Original: English

Follow-up Audit of UNESCO Transport Services

June 2010

Auditors:

Tuyet-Mai Grabiell
Teisha Mott

EXECUTIVE SUMMARY

Key Results of the Audit

In 2010 UNESCO decided to transfer to HRM the responsibility for administering the transport of household effects of newly hired, reassigned and departing UNESCO personnel. Until now ADM managed these transportation services. To facilitate the transfer, IOS was asked to determine the completeness and accuracy of the related contracting information in FABS.

The audit concluded that FABS records as of February 2010 were not complete and accurate. ADM had not recorded in FABS a substantial number of transport contracts that required payment, understating liabilities by 151,268 Euros and contributing to delinquent payments. In addition, the review identified duplicated or erroneous purchase orders. These have now largely been corrected.

Recognizing the costs and administrative burden of individually contracting these transport services, streamlining the process by outsourcing or introducing a lump-sum payment would be beneficial. Joining the long-term contract already shared by Rome-based UN agencies appears to be a favourable alternative that UNESCO could pursue.

Background, Scope and Objectives

The UNESCO Property Management and Transport Service (ADM/PRO/PTS) was established in 2004 to (i) oversee the management of non-expendable property and (ii) provide transport services, including the removal of staff's household effects, customs clearance, and expeditions. It consists of two staff members (G-5 and G-6) reporting to the Director of ADM/PRO. One staff recently retired and the position has been cancelled in the current biennial budget.

In 2010 UNESCO decided to transfer to HRM the responsibility for transporting household effects of personnel. At the request of management, IOS audited the financial records of transport services in order to determine the completeness and accuracy of records and to prepare a detailed analysis of unpaid invoices. In addition, the audit considered measures to streamline transport services.

Challenges and Opportunities

- Procurement and financial records of transport services are generally incorrect and unreliable. ADM had not recorded 31 contracts in FABS for transport services that required payment. This impaired the budget management process and understated liabilities by 151,268 Euros. In some instances, it allowed delinquent invoices to remain unpaid in the unit for up to 7.8 months. The audit also identified 62 erroneous or duplicate purchase orders in FABS that should be corrected and closed in the system.
- ADM continues to manage transport services without clear operating procedures and not in full compliance with UNESCO's budgeting and financial control procedures. Obligations are not recorded in FABS when contracts are awarded, and contracts are entered by staff without delegated procurement authority. This is principally due to a need for clear operating procedures, better supervision and training of responsible staff.
- In addition to the problems noted above, the contracting processes currently in place are too heavy, with each move individually contracted through a solicitation and examination of proposals and management of multiple vendor relationships. Following the practices of other UN organizations, this function can be effectively outsourced through a long-term agreement with a single vendor

and/or simplified through introduction of a lump-sum payment option. Review of both options shows that UNESCO's current opportunity to join a long-term agreement for transport services already in place at the Food and Agriculture Organization would be a cost-effective approach.

Table of Recommendations

Recommendation 1: We recommend that ADM/PRO, in consultation with BOC and DIT, clean the data in FABS to allow a clear view of actual open commitments prior to transfer of the transport service to HRM.

Recommendation 2: We recommend that ADM/PRO ensure prompt payment of vendors by:

- 1) Recording in FABS and processing for payment the pending invoices presented in Annex I. Where not already entered, corresponding purchase orders should first be recorded in the system in order to provide complete and meaningful data.
- 2) Establishing procedures requiring that any new engagements for transportation service are entered through purchase orders at the time the service is contracted.
- 3) Strengthening the monitoring of open purchase orders and unpaid invoices.

Recommendation 3: We recommend that HRM (1) solicit price proposals for outsourcing to a single service provider the transportation of household effects, (2) compare market costs to prices available through the FAO long-term agreement for relocation services and (3) as supported by expected net costs and qualitative improvements, HRM should enter a long-term agreement for transporting household effects of relocated personnel. Together with this initiative, HRM should ensure that information systems provide sufficient data to re-assess the cost-effectiveness of introducing a lump-sum option in the future.

Recommendation 4: We recommend that HRM clarify its policy and use a universal conversion rate in Rule 107.10 Section C of HRM Staff Rules and Regulations.