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**OIOS AUDIT OF UNHCR OPERATIONS IN CHAD**

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**AUDIT OF UNHCR OPERATIONS IN CHAD (AR2004/111/06)**

**EXECUTIVE SUMMARY**

In November and December 2004, OIOS conducted an audit of UNHCR Operations in Chad. The audit covered activities with a total expenditure of US\$ 23 million in 2004. Audit Observations were shared with the Representative in December 2004, on which comments were received by January 2005. *The Representative has accepted most of the recommendations made and is in the process of implementing them.*

Overall Assessment

- OIOS assessed the UNHCR Operations in Chad as below average. While OIOS noted significant improvements compared to the previous audit, there were still weaknesses, which taken together or individually, impaired the overall system of internal control, in particular in the areas of procurement, warehousing, fleet management and with respect to implementing partners. Additional efforts by management are required to significantly improve the application of key controls. The problems identified could to a large extent be attributed to the lack of continuity of professional staff in all areas - programme, finance, human resources and logistics. There was still too heavy a reliance on staff on short-term missions. As the staffing situation stabilizes and more and more staff are assigned, OIOS expects the situation to improve.

Programme Management

- For two of the four partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements. For SECADEV and CRT that were entrusted UNHCR funds totalling nearly US\$ 1.2 million, the accounting and internal control systems established were found to be deficient and weaknesses identified in OIOS' previous audit still persisted. *The Representation proposes to discontinue partnership with CRT in the South and will monitor SECADEV's activities closely.*
- Project financial and performance monitoring was satisfactorily performed, though OIOS suggested closer monitoring of those partners with less than adequate systems and procedures and those allocated large budgets.
- SECADEV was incorrectly paid US\$ 32,000 as overhead support costs. *The Representation stated that overhead costs paid to SECADEV earlier were removed from the revised budgets and the amounts incorrectly paid recovered.* Also, though not authorized to do so, SECADEV charged UNHCR some US\$ 73,000 as "rental cost" for use of their own vehicles in the sub-project and an additional US\$ 19,500 as repair costs for the same vehicles. *The Representation disallowed a portion of the inadmissible charges and recovered these amounts from the partner.*
- GTZ spent more than US\$ 3 million on transport services without proper competitive bidding and

without signing formal contracts. The partner did not economically manage the large logistical operation involving prolonged reliance on a large fleet of privately rented trucks with very high rental rates. *The Representation informed OIOS that with the arrival of UNHCR's fleet of trucks including tankers, the need for renting private trucks on such a large scale should not arise in the future.*

- UNHCR's five per cent contribution to international NGO support costs was paid without partners contributing, at least, a comparable amount to the project. Also the failure to exclude major local procurement budgets from the calculation resulted in the overpayment of support costs of some US\$ 93,000 to partners. *The Representation stated that strict application of the UNHCR rules was not possible as a large number of NGO's were engaged in the operations at a very short notice. This was rectified to some extent during the December 2004 revisions, and the rule would be carefully applied in 2005.*

#### Supply Management

- Procurement was identified by OIOS as an area of concern, with instances of inefficient and uneconomic purchasing due to lack of advance planning and non-observance of prescribed procedures. *The Representation has submitted their procurement plans for 2005.*
- Warehouse management and controls in place were weak and required significant improvement. Shortages observed by OIOS were attributed to theft and the matter referred to the Inspector General's Office, as staff members were involved in the pilfering of computers valued at US\$ 18,000. *The Representation pointed to the lack of qualified local staff and absence of trained professionals and added that action has been taken to address the situation*
- Asset Management had improved, albeit work was still required to update AssetTrak records, correct inaccurate entries and to convene the Local Asset Management Board regularly.

#### Security and Safety

- Security issues identified during OIOS' previous audit have been satisfactorily addressed. Some additional measures still remained to be implemented, as the Security Phase had been raised.

#### Administration

- In some areas in administration and finance, the UNHCR Offices in Chad were not fully complying with UNHCR's regulations, rules, policies and procedures.
- OIOS found overpayments of SOLAR and DSA totalling some US\$ 22,000, of which some US\$ 14,000 has already been recovered by the Representation. *The Representation agreed to recover the remaining amounts.*
- For staff provided with accommodation in the SOA, only US\$ 10 per day was charged, instead of the prescribed 25 per cent deduction of the SOLAR rate (US\$ 25 per day). *The Representation stated that recovery at 25 per cent would cause frustration among staff due to the present difficult living conditions in the field. This matter needs to be urgently addressed by DHRM.*

## TABLE OF CONTENTS

CHAPTER	Paragraphs
I. <b>INTRODUCTION</b>	1-4
II. <b>AUDIT OBJECTIVES</b>	5
III. <b>AUDIT SCOPE AND METHODOLOGY</b>	6-9
IV. <b>AUDIT FINDINGS AND RECOMMENDATIONS</b>	
A. Review of Implementing Partners	10-24
B. Other Programme Issues	25-27
C. Supply Management	28-36
D. Security and Safety	37
E. Administration	38-50
V. <b>ACKNOWLEDGEMENT</b>	51

## I. INTRODUCTION

1. From 23 November 2004 to 10 December 2004, OIOS conducted an audit of UNHCR's Operations in Chad. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Representation in Chad and its Sub-Office (SO) in Abeche and of four of its implementing partners.

2. OIOS' previous audit of UNHCR operations in Chad was conducted between March and June 2004 and focused on 2003 activities covering expenditure of US\$ 6.4 million. The operation was assessed as seriously deficient due to the lack of sound and proper internal controls and as partners' performance was marked by an absence of accountability. OIOS accordingly recommended implementation of immediate corrective measures.

3. Following the massive influx of refugees from the Darfur region of Sudan in 2003, an equally large protection and care and maintenance programme was established, mainly in the east. Although the initial emergency phase is stabilizing, many refugees still live in precarious situations, facing the constant danger of incursions across the border. UNHCR has re-established its presence in the east and provides assistance to refugees through a number of implementing partners.

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 10 December 2004. Audit Observations detailing the audit findings and recommendations were shared with the Representative in December 2004. The detailed comments, which were received in January 2005, are reflected in this 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; and,
- Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

## III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on 2004 programme activities (up to October 2004) under projects 04/AB/CHD/LS/403 and 04/SB/CHD/CM/230 with expenditure of US\$ 14.4 million. Our review concentrated on the activities implemented by Secours Catholique et Developpement (SECADEV) - expenditure of US\$ 623,000; INTERSOS - expenditure of US\$ 904,000; GTZ - expenditure of US\$ 4.7 million and Croix Rouge Tchadienne (CRT) - expenditure of US\$

543,000. OIOS also reviewed activities directly implemented by UNHCR with expenditure of US\$ 2.6 million.

7. The audit reviewed the administration of the Representation at N'djamena and Sub-Office Abeche with administrative budgets totalling US\$ 8.9 million for 2004 and assets with an acquisition value of US\$ 7.7 million and a current value of US\$ 6.6 million. The number of staff working for the UNHCR Operation in 2004 was 268. This included staff on regular posts, United Nations Volunteers and staff on mission.

8. The audit also followed up on findings and recommendations made in the 2004 OIOS audit report regarding the serious deficiencies identified in administrative expenditure, supply chain activities as well as the weak controls established by implementing partners.

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

#### IV. AUDIT FINDINGS AND RECOMMENDATIONS

##### A. Review of Implementing Partners

10. For INTERSOS and GTZ, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements. However, for SECADEV and CRT, OIOS assessed that the accounting and internal control systems established for the UNHCR sub-projects were deficient. No improvement had been made since the previous audit, and in OIOS' view, these persistent weaknesses significantly undermined the ability of the partners to account for expenditures and report on programme implementation. Audit certificates for 2004 were not yet due at the time of our audit.

##### (a) SECADEV

##### Accounting system

11. SECADEV was assigned responsibility under the sub-project for camp management and the distribution of food and non-food items. SECADEV had a computerized general ledger accounting system called SAARI, which allowed the tracking of disbursements by budget line and by donor. This system was used by SECADEV for its own internal accounting requirements, but not for UNHCR's sub-projects. Instead expenditure was recorded and controlled on Excel spreadsheets by simply listing the invoices. No analysis of the expenditure by budget line was made. In the absence of a budgetary control system, numerous budgetary overruns were noted, most significantly under transport contracts and salaries. *The Representation stated that budgetary overrun under transport contracts was attributed to very high rental rates prevailing due to heavy demand of vehicles locally, as compared to the budget estimates.* An OIOS audit of SECADEV in 2001 had revealed the same weaknesses. OIOS regrets that three years later, no improvement was visible. OIOS reiterated its recommendation regarding the installation of an effective accounting system for tracking and reporting on UNHCR expenditures. *The Representation and SECADEV accepted the recommendation and also proposed to engage an accountant to manage the system.*

### Overhead charges

12. As a local NGO, SECADEV is not eligible for Headquarters support costs. Nonetheless, a budget provision was made totalling some FCFA 21.1 million (US\$ 41,000), as well as FCFA 1.1 million (US\$ 2,000) for “institutional cost”. As at 30 September 2004, SECADEV had charged some FCFA 16.5 million (US\$ 32,000) against these budget lines. *The Representation acknowledged the error and stated that overhead costs paid to SECADEV earlier were removed from the revised budgets and that UNHCR did not cover these costs. The amounts already charged (US\$ 32,000) were recovered by adjustment from subsequent instalments paid to the partner.*

### Procurement

13. OIOS noted that there was a budgetary overrun of some FCFA 51 million (US\$ 98,000) against transport costs. This resulted as SECADEV was charging rental cost to UNHCR for the use of vehicles owned by them. From OIOS’ review of two internally generated invoices, dated 1 June 2004 and 9 August 2004, the amount charged was FCFA 37.8 million (US\$ 73,000). These costs could not be substantiated, had not been budgeted for nor subsequently authorized by UNHCR. OIOS accordingly recommended for recovery of the amounts charged to UNHCR for such rentals. *SECADEV stated that as UNHCR had only provided them with only one vehicle for the management of three camps, they decided to rent their own vehicles to UNHCR, using the same rental rate negotiated by UNHCR with private transport companies (US\$ 135 per day). After discussions with the NGO and taking into consideration that SECADEV’s contribution of vehicles at the outset of the emergency was useful, the Representation deducted an amount of FCFA 18.9 million (US\$ 36,400) from the final payments, representing 50 per cent of the rental costs charged by SECADEV to UNHCR towards use of their own vehicles for operations under the sub-project. The remaining charges were considered as legitimate operational costs for fuel, drivers, maintenance, wear and tear, and other operational costs, which were not covered, by GTZ or UNHCR.*

14. In addition to the rental charges, SECADEV charged FCFA 10.2 million (US\$ 19,500) to UNHCR for the repair costs of the ‘rented’ vehicles. OIOS highlighted that for similar vehicles directly rented by UNHCR from private transporters at a daily cost of US\$ 135, the cost of repair was included in the flat rate paid. *The Representation stated that the vehicle repair charges of US\$ 19,500 were also left out from the revised budget and the supplementary agreement signed in December 2004 did not cover these costs. The amounts already charged (US\$ 19,500) were recovered from the partner.*

### (b) GTZ

15. GTZ was the principal implementing partner for UNHCR operations in the east of the country. Logistical operations constituted the main activity undertaken by GTZ. This included rental and management of private trucks, maintenance and repair of UNHCR vehicles and storage of non-food items. Significant procurement activities were undertaken, totalling some US\$ 5.4 million and representing over 90 per cent of the annual budget. Most of this money was spent on transport services (over US\$ 3 million) and fuel (over US\$ 755,000).

### Transport contracts

16. OIOS' review showed that GTZ had no formal procurement procedures at N'djamena and Abeche, despite the sizeable levels of procurement. No proper competitive bidding was carried out, and no proper approval procedures such as the establishment of a Committee on Contracts were in place. Also, although more than US\$ 3 million was disbursed on transport services, no formal contracts were signed and the criteria for the selection of the transport companies were not documented. *GTZ stated that the tender for the transport contracts had been jointly processed with UNHCR.* No documents substantiating this claim were provided to OIOS. GTZ only recently (October 2004) introduced contracts, but there was still no evidence that the companies were selected competitively.

17. OIOS observed several deficiencies in the management and monitoring of the transport contracts. Earlier the Senior Emergency Officer in his mission report dated 27 July 2004 had also warned of numerous logistical problems. At the time of the audit, many of the issues raised had still not been addressed. GTZ's operation was not cost-effective, as the rental rates applied (which generally included fuel and drivers) were on the high side (e.g. US\$ 770 per day for a 60-seater bus, US\$ 576 per day for a 20T truck and US\$ 430 per day for a water tanker). OIOS understands that a reasonable rental rate for a water tanker in other operations would be some US\$ 200 per day only. *The Representation stated that the fact that Chad is a land-locked country makes the costs of most goods and services extremely high and that the rates obtained by GTZ compared well with the general market situation in Chad.* Transport invoices for NFIs for significant sums were paid even though there was no indication on the payment voucher or in the supporting documentation of the tonnage and distance carried. Certification that the services were satisfactorily rendered or delivered was also not available. The value of the transport contracts was significant, but there were no central records on the value and quantity of goods, or the number refugees transported.

18. Fleet management involving the monitoring and control of the privately rented trucks was deficient and according to reports, the badly maintained vehicles suffered from frequent breakdowns resulting in substantial idle time. *While conceding poor fleet management, GTZ attributed this to the lack of proper planning by UNHCR field offices. Also, road conditions were poor, as were the condition of the vehicles. GTZ added that on numerous occasions the transport contractors had been requested (at UNHCR's instance) to pre-finance activities, sometimes to the extent of US\$ 1 million. In such circumstances the quality of service would naturally decline. The Representation stated that with the augmentation of its own fleet, reliance on rented vehicles would reduce.*

### Fuel Management

19. OIOS confirmed the findings of the Senior Emergency Officer whereby GTZ continued to procure fuel through an unsatisfactory contract arrangement from a local supplier. It had been recommended that UNHCR negotiate a contract for bulk supplies to the East of the country. However, appropriate action had not been taken, and GTZ continued to rely on the local supplier.

20. Fuel was supplied in drums, which resulted in spillage and inaccurate measurement. SO Abeche reported that fuel shortages and stock outs had been experienced in 2004. *GTZ claimed that fuel procurement had been done in a cost-effective manner and that the fuel shortages could be attributed to inadequate release of instalments by UNHCR.* Controls over the issuance of fuel



were found to be inadequate; they consisted of handwritten slips, which were not issued in a sequential order and were not countersigned by the driver confirming receipt of the fuel. In the absence of any additional checks, no assurance could be obtained that the quantity of fuel paid for, was indeed drawn and used for legitimate purposes. *GTZ informed OIOS that it was the contractors who had prepared the handwritten invoices but that for its part GTZ only used pre-numbered fuel vouchers. Other additional controls such as the introduction of the Fuel Management System have also been initiated.*

21. Distribution networks had not been set up in the East of the country, with none of the 14 fuel bladders (rubber fuel tanks) installed in the various field locations established. *GTZ informed that the fuel bladders would be in place by January 2005 at Abeche, Goz Beida and Iriba. The Representation stated that during 2005, procurement of fuel would be done by UNHCR, with GTZ retaining responsibility for its management and distribution. UNHCR have also requested that GTZ provide fuel distribution reports for 2004 as well as monthly reports in 2005.*

(c) Croix Rouge Tchadienne

22. OIOS noted that serious shortcomings continued to persist. CRT had not set in place proper books of account, and internal controls were still absent. The Project Control staff at the Representation had noted similar deficiencies and had made recommendations for improvement, including the hiring of a qualified accountant. No action had been taken by CRT to improve systems and procedures and strengthen internal controls. In OIOS' view, these recurrent weaknesses significantly undermined the partner's ability to account for UNHCR's funds. *The Representation concurred with OIOS and stated that they would discontinue the partnership with CRT in the South, while the association in the East would continue only if the IFRC agreed to jointly implement the sub-projects through a tripartite agreement.*

(d) INTERSOS

23. OIOS observed that expenditures were often not adequately supported, especially for cash payments, where there was no receipt or any other proof of payment. In the majority of the cases, only an invoice was available to justify the disbursement and often there was neither a purchase order nor any evidence of delivery of the goods/services. Significant improvement is necessary to strengthen internal controls.

24. Moreover, INTERSOS did not apply UNHCR IP Procurement Guidelines, and transport companies had not been selected after competitive bidding. The reasons for the selection of companies were not documented. *Corrective action will be taken under the supervision of Sub-Office Abeche.*

B. Other Programme Issues

Financial and performance monitoring

25. OIOS assessed that project financial and performance monitoring was satisfactorily performed. OIOS reviewed available verification reports prepared at N'djamena and Abeche and were satisfied with the coverage and analysis of the reviews. OIOS suggested that the verification reports include comments on the performance aspects of the sub-projects. For

large partners and partners assessed as weak, the frequency of monitoring visits should be increased. *The Representation will take appropriate remedial action.*

#### Minimum Standards in Camps

26. Vital parameters such as for water availability, number of latrines, medical facilities and education are far below the acceptable levels at most of the camps, as outlined in internal monitoring reports prepared by SO Abeche. At Amnabak (some 16,000 inhabitants) and Mile (some 14,000 inhabitants) camps, the daily per capita of water availability was merely 7.4 and 9.8 litres respectively, against the norm of a minimum of 15 litres per day. The global per capita availability for all camps was some 12.5 litres per day. The situation of latrines at these camps was grave at both the above camps with 428 (Amnabak) and 100 (Mile) persons sharing one toilet, against the norm of less than 20 persons per toilet. Evidently considerable work is still required by UNHCR to meet minimum standards and to improve the present precarious situation. *The Representation is aware of the situation and expects matters to improve in 2005.*

#### Headquarters Support Costs

27. OIOS found that partners were receiving the five per cent Headquarter overhead cost without contributing a comparable amount to the individual project or the country operation. Also, the amount budgeted and subsequently charged by partners was not reduced when a significant portion (30 per cent) of the sub-project budget related to local procurement. OIOS estimated that partners were overpaid by some US\$ 93,000 for Headquarter support costs. *The Representation stated that strict application of the UNHCR rules was not possible as many NGOs were engaged in the operations at a very short notice. This was rectified to some extent during the December revisions, and the rule would be carefully applied in 2005.*

### C. Supply Management

#### Procurement

28. Procurement was identified by OIOS as an area of concern for both UNHCR and implementing partners. Numerous instances were found where efficient and cost-effective procurement was not done. Non-adherence to procurement procedures was particularly marked in SO Abeche. In part, this was attributable to the emergency nature of the situation, the lack of advance planning, and in the eastern region, to a certain extent, as a result of a restricted market environment, which did not foster open competition. OIOS recognized, however, that once training was provided to staff the adherence to procurement procedures had improved considerably. *The Representation acknowledged that procurement procedures were not always observed due to urgency and lack of trained logistics personnel. To promote adherence to prescribed procurement procedures by partners, UNHCR has distributed IP procurement procedures to all partners and training is also envisaged.*

29. Competitive bidding was waived for several large contracts entered into in 2004. Since the emergency situation has now stabilized, OIOS suggested that whenever feasible contracts are concluded following competitive bidding procedures.

30. Purchasing Plans were not prepared in a timely manner. Procurement lists were still not available for 2004 and the Logistics Unit was unable to indicate the quantity and value of

purchases undertaken during the year. *The Representation attributed the situation to the high turnover of staff and the lack of suitable trained personnel and has since prepared the procurement plan for 2005 and will also ensure that procurement lists are routinely prepared and updated.*

#### Warehouse Management

31. OIOS' review of the N'djamena warehouse showed that adequate segregation of duties was not in place for the receiving, recording, safeguarding and despatching goods. The supply clerk/storekeeper was entrusted with several incompatible functions. The warehouse issue and receiving records did not consistently show the PO number and the waybill number. Numerous erasures and corrections were made to the bin cards and the storekeeper did not initial the outgoing/incoming goods. Goods were issued from stock without following the correct authorization procedures. The bin/stock cards were not up to date, which was vital considering the high movement of stocks. The physical security over the entrance and exit of the warehouse was lacking and needed to be improved.

32. OIOS identified discrepancies while physically verifying the stock of computers, and recommended that a review be conducted. Following inventory verification by the Representation, it was discovered that 11 computers valued at some US\$ 18,000 had been stolen from the warehouse. *The Representation further reported that the two staff members had been arrested and were under police investigation.* OIOS has referred the matter to the Inspector General's Office for further investigation.

#### Goods lost in transit

33. A consignment of tents valued at US\$ 22,500, was despatched to the field in April 2004, and of these some 80 tents valued at US\$ 10,000 were lost. The circumstances of the loss were unclear. The contract with the responsible transporter was terminated for poor performance, prior to resolving the issue of the lost consignment. No follow-up action had been initiated by the Representation, and it is not clear, due to the absence of information at the Representation whether the loss could be recovered under an insurance claim. *The Representation stated that this case remained unresolved due to pressure of work and the absence of trained staff. It was added that the dismissed contractor had complained to the Chamber of Commerce and that UNHCR submitted an appropriate response. Given the circumstances of the case, however, the Representation deemed it proper not to further pursue the case in order to save on legal fees and time.*

#### Asset Management

34. There was a noticeable improvement in this area. The AssetTrak was installed both at the Representation at N'djamena and at SO Abeche. Most of the assets had been recorded, and records were generally accurate at the Representation at N'djamena. For SO Abeche inaccuracies were observed and the current value of certain items was overstated (e.g. a Toyota 4x4 with a purchase price of US\$ 20,000 was shown with a net book value of US\$ 344,000. OIOS estimated that the total value of assets was overstated by about US\$ 2 million. According to the Logistics Unit, the overstatement arose as the US\$ Dollar purchase price was incorrectly expressed in FCFA. OIOS recommended that a physical inventory be carried out, especially for assets with implementing partners, to ascertain/confirm the validity of the entries in AssetTrak.

35. A LAMB was established in April 2004, and recently renewed (September 2004), but it was not being regularly convened although several asset issues needed to be dealt with, although the appropriate documentation (policy reports, GS-45s) had not been prepared. *The Representation indicated that they would take remedial action to update AssetTrak, correct wrong entries and to convene the LAMB regularly in 2005.*

#### Fleet management/private use of vehicles

36. The selection of garages for the repair/maintenance of UNHCR vehicles was until recently made on the basis of three pro forma invoices. From December 2004, the Logistics Unit decided on SMS' advice that vehicles should exclusively be taken to the local Toyota dealer, even though this was an expensive option. Considering that in 2004, some US\$ 50,000 was paid for the repair and maintenance of the vehicles in N'djamena, OIOS recommended that a competitive bidding exercise be carried out and the approval of the selection of the garage be made by the LCC, and not by the Logistics Unit. Similarly, a competitive bidding exercise should be undertaken for vehicle insurance, as the current provider had not been selected competitively and in 2004 some US\$ 20,000 had been paid for insurance. *The Representation stated that there was a major shortfall in the quality and availability of garages in Chad. Since the current provider's future was uncertain, it was being considered whether GTZ could be vested with the responsibility for maintenance and repair of UNHCR vehicles. Competitive bidding would be carried out to select the insurance provider.*

#### D. Security and Safety

37. Many of the security issues identified during OIOS' previous audit have been satisfactorily addressed. There is still a need, however, to implement some other requirements. For instance, the UN Field Security Handbooks had still not been distributed to the staff, official vehicles have not been registered with local authorities, first aid kits were not available in all vehicles and plastic film had not been installed on glass windows in the office premises to make them shatter-proof. In a recent development, since late 2004, the security phase in N'djamena has been raised from I to II (III in the rest of the country). This implies additional security measures, such as security alarm systems at staff residences, etc.

#### E. Administration

38. In the areas of administration and finance, OIOS noted improvements since the last audit of March and April 2004, although shortcomings were seen with respect to SOLAR payments, settlement of travel claims, VARI and a few other matters.

#### SOLAR Payments

##### (a) Incorrect payment of Living Allowance

39. Certain discrepancies and inaccuracies were noted in the application of the SOLAR instructions. For example, a living allowance is not payable to SOLAR recipients, while undertaking mental health travel. The Representation erroneously paid this to 15 staff members resulting in an overpayment of some US\$ 10,500. *OIOS was pleased to note that the Representation very promptly reviewed all of the cases and has so far recovered some US\$ 6,300 and that the balance will be recovered shortly.*

(b) Erroneous determination of eligibility to SOLAR

40. Staff members on travel status to the Special Operations Area (SOA) are entitled to DSA at the applicable rate for the first 60 days spent in and to SOLAR from the 61<sup>st</sup> night spent in the SOA. In two cases the eligibility to SOLAR was incorrectly determined, resulting in overpayment of some US\$ 3,374. *Further review by the Representation identified one more case and a total recovery of some US\$ 3,584 has been made. Also payments relating to SOLAR will in future be centrally regulated at N'djamena.*

(c) SOLAR - Non-recovery of Rental Deductions

41. International staff members in receipt of SOLAR who live in houses provided by the organisation are subject to deduction from SOLAR at prescribed rates depending on the standard of accommodation. For sub-standard accommodation, (as categorised at Abeche), a deduction of 25 per cent should be made. However, this was not implemented, and instead, deductions for accommodation were made at daily rates of only FCFA 5000 (US\$ 10) for a single room and FCFA 3000 (US\$ 6) for a shared room. Applying the 25 per cent would equate to US\$ 25 per day, whereas the rate applied corresponded to only about 10 per cent of SOLAR. The financial implications of the reduced rates of deductions are considerable. OIOS estimated that the recovery at the lower rates could result in short recovery of more than US\$ 100,000 per year. In OIOS' view, the January 2004 instructions on SOLAR deductions are quite clear and do not leave any room for a different interpretation by Field Offices. OIOS wishes to emphasize that SOLAR is not a salary element nor an allowance to compensate for hardship, but an allowance to cover accommodation and other living costs in the SOA.

42. *The Representation agreed in principle with the OIOS recommendation, but stated that many UNHCR offices in SOA locations were using the same procedure of charging a fixed rate, instead of the 25 per cent deduction from SOLAR. They added that the deduction at the prescribed rate of 25 per cent for accommodation assessed as 'below acceptable standards' would cause frustration among staff but they will review the rates periodically to ensure the recovery of the amounts spent by the office for food and accommodation of staff as conditions improve. UNHCR Chad is currently engaged in improving the living and working conditions in Abeche and in all field offices. Any further decision on an increase of cost-recovery from staff will be reviewed together with DHRM on the basis of a re-assessment of the conditions on the ground. OIOS takes note of the Representation's position, but would highlight that it is not only contrary to UNHCR's policy instructions, but also sets a wrong precedent for adoption of divergent practices and interpretations across UNHCR global operations.*

**Recommendation:**

- The UNHCR Division of Human Resources Management should review the rental deductions for housing provided by UNHCR to staff in receipt of SOLAR in Chad and direct the UNHCR Representation in Chad to make deductions at 25 per cent of the SOLAR rate as per UNHCR's policy (Rec. 01).

### Travel claim overpayments

43. There was significant mission travel within Chad and OIOS noted some overpayments in travel claims. The incidence of such mistakes highlighted a weakness in internal controls whereby payments were not adequately checked. The cases detected by OIOS involved the application of incorrect DSA rates, non-deduction of travel advances and non-reduction of DSA after 60/120 days. OIOS detected three cases of overpayments totalling close to US\$ 5,000. Further review by the Representation disclosed one more overpayment of about US\$ 800. *The Representation has recovered some US\$ 4,300 and the balance will be recovered shortly.*

### Extended Assignment Grant

44. An international staff member who arrived at N'djamena in April 2004 was paid extended assignment grant totalling FCFA 4.68 million (US\$ 8,747). The payment was calculated at 60 per cent of the standard DSA rate and not restricted to the actual hotel cost (FCFA 3 million US\$ 5,607), which should have been applied in this case. While the approval of the extended assignment was retroactively requested and obtained from UNDP, the original hotel receipts were not attached to the payment vouchers. *The Representation agreed with staff member to recover US\$ 3,140 from his March, April and May SOLAR payments.* OIOS requests confirmation that the recovery has been made.

### Mental Health Travel-VARI

45. VARI claims were not accompanied by adequate proof of travel or certification that travel had been completed. In some cases, even though the qualifying service between two travels was inadequate, the staff member was permitted to proceed on VARI. *The Representation agreed to enforce compliance with instructions on Mental Health Travel and to monitor such travel closely.*

### Medical Evacuation

46. Proper procedures were not followed for the MEDEVAC of a local staff member from Adre to N'Djamena in July 2004. DSA entitlements were also not correctly determined. The UNHCR Medical Service authorized over the telephone the staff member's evacuation. No e-mail other written authorization was subsequently filed or other essential documentation, which is required for MEDEVAC. For local staff members undergoing MEDEVAC within the country of recruitment, the entitlement is only for reimbursement of the actual hotel charges, up to 50 per cent of the standard DSA on provision of hotel receipts. However the staff member was paid 75 per cent of the standard DSA totalling some FCFA 790,200 (US\$ 1,520) and no hotel receipts were placed on file. In the absence of hotel receipts, the staff member was not eligible to receive DSA and OIOS recommended that the DSA paid be recovered. *The Representation have since agreed to recover the amounts overpaid to the S/M and will also inform all local staff members about the need for compliance with MEDEVAC instructions.*

### Outstanding Receivables and Communications

47. OIOS acknowledges the Representation's efforts in updating the receivables account since April 2004. *The Representation will also issue additional guidance for the speedy adjustment of operational advances, observe the maximum limit for authorized payment on a single cheque and adhere to the instructions governing reimbursement of hospitality expenditure.* Recovery of costs

for private use of telephone has been initiated, though it was noted that internal controls were not fully established to ensure private calls are adequately tracked.

#### Medical Insurance Plan

48. The Representation has commenced the processing of MIP claims but only 10 claims have been processed. Fifteen claims submitted in October and November 2004 were still to be processed. The number of MIP claims is likely to increase as the operation grows and new staff joins. MIP deductions were being made from the staff members' salaries. Lists of selected hospitals or standard prices were however not available and these lists should be prepared in consultation with the UN Clinic. Additional training for the staff member handling MIP would be useful, so that entries are correctly made into the system and appropriate reports generated.

#### Staffing Situation

49. Operations are still heavily dependent on missions, UNVs, consultants and staff deployed on mission. Only 20 out of 75 professional staff and 50 out of 193 of the GS staff have been appointed through APPB/APPC and many staff members are on FTAs of short duration. Even though a Fast Track system was in place, there was a marked gap between the initial deployment of ERT staff and the appointment of staff under Fast Track procedures. Some 29 staff members are on mission varying in duration and 26 UNVs were posted at various locations, besides nine consultants. Staff on short missions has very little overlap with the new incumbents and valuable experience could be lost. High turnover of international staff should be kept in check and whenever there is change of incumbent, debriefing and handover should be done properly.

50. At the time of the audit, due to the exceptionally high turnover of staff, crucial posts at N'djamena and in the field such as Senior Supply Officer, Programme Officer, Finance Officer, Human Resources Officer lacked the required continuity essential for effective operations. The problems identified during the audit can to a large extent be attributed to the lack of continuity on the ground of professional staff in all areas - programme, finance, human resources and logistics, as well as too heavy a reliance on staff on short-term missions. As the staffing situation stabilizes and more and more staff is assigned, OIOS expects this to be sorted out.

### **V. ACKNOWLEDGEMENT**

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

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