



Office of Internal Oversight Services  
Internal Audit Division

MEMORANDUM

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REF: AUD/1725/07

14 March 2007

TO: Ms. Patricia Francis  
Executive Director  
International Trade Center

FROM: Corazon C. Chavez, Officer-in-Charge  
Internal Audit Division, Geneva and Nairobi  
Office of Internal Oversight Services

SUBJECT: **OIOS Audit of Property Management at ITC (AE2006/350/02)**

1. I am pleased to submit the final Audit Memorandum Report on the audit of Property Management at ITC (AE2006/350/02), which was conducted in November 2006 in Geneva by Ms. Gloria Irvin, Ms. Sophie Deflorin and Mr. Stefan Helck.
2. The main audit results were discussed with the Chief, General Services and Procurement Section, during the Exit Conference held on 26 January 2007. A draft of the report was shared with ITC on 23 February 2007, whose comments which were received on 13 March 2007, are reflected in this final report.
3. I am pleased to note that ITC has accepted the audit recommendation contained in this final report. I would appreciate if you could provide me with an update on the status of implementation of the audit recommendation not later than 31 May 2007. This will facilitate the preparation of the twice yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B. In accordance with General Assembly resolution A/RES/59/272, the Secretary-General should ensure that the final audit report in its original version is, upon request, made available to any Member State who may make it public.
4. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey form, and return it to me under confidential cover. Thank you for your cooperation.

## I. INTRODUCTION

5. The Office of Internal Oversight Services (OIOS) conducted an audit of Property Management at the International Trade Center (ITC) in November 2006. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

6. The responsibility for property management at ITC falls under the direction of the Division of Programme Support. The Chief, General Services and Publications Section had direct oversight of property management. An Inventory Clerk who also serves as the Executive Directors' driver carried out the day-to-day operations of property management and inventory control.

7. Property is categorized as either expendable or non-expendable. Non-expendable property with individual acquisition cost of at least \$1,500 is required to be reported on the financial statements. As of December 2005, the value of property at ITC was \$2.1 million. From 1 January 2006 to 31 November 2006, ITC wrote off property valued at \$828,000 and purchased property valued at \$827,000.

## II. AUDIT OBJECTIVES

8. The major objective was to determine if ITC had adequate controls over property to provide reasonable assurance that ITC assets were safeguarded, properly accounted for, tracked and monitored in accordance with UN policies and procedures. Specifically, we determined if:

- (i) ITC had adequate controls over its inventory, and if those controls were functioning as intended
- (ii) ITC conducted periodic physical inventory in accordance with prescribed policies and procedures; and
- (iii) ITC had adequate procedures for the write-off, sale, or disposal of property as well as procedures for lost, stolen or damaged items.

## III. AUDIT SCOPE AND METHODOLOGY

9. The audit consisted of a preliminary audit of ITC property management and a limited review of each aspect of property management. Using sampled data, the audit assessed the reliability of data contained in the automated system for property management, and determined if adequate controls were in place to provide reasonable assurance that assets were safeguarded and that property reports were complete and correct. The auditors reviewed ITC records, supporting documentation, and files for the calendar year 2005 and the period January to November 2006. As a result of the review, OIOS did not believe that it was necessary to conduct a more in-depth audit of ITC property management.

10. OIOS auditors reviewed existing policies and procedures and reports generated from the property control systems and conducted discussions with staff involved in procurement, financial management, general services and receiving functions, as well as members of the Property Survey Board (PSB). In addition, the auditors reviewed property management reports, minutes of the PSB, and discussed the ITC insurance policy and coverage. The audit team compared the ITC property management policies and procedures with those established at United Nations Headquarters in New York. The audit did not include an assessment of the automated system.

#### IV. FINDINGS AND RECOMMENDATION

##### Overall assessment

11. Overall, OIOS found that controls over property records were complete and assets were safeguarded. The Chief, General Services and Support Division assigned the day-to-day responsibility for property and inventory management to the Executive Director's driver, who also serves as the Inventory Clerk. The Inventory Clerk was responsible for carrying out all aspects of property management at ITC and maintained supporting documentation and updated the property control system for field offices. In addition, two ITC messengers served as backups to the Inventory Clerk and have access to the automated inventory control system.

12. ITC generally operated in compliance with ST/AI/2003/5. Property was recorded in the automated system in a timely manner, bar coded, and field property was included in the automated inventory system. The PSB conducted meetings as necessary and considered actions regarding property disposition (disposal/write-off, or sale of obsolete property), reviewed reports on lost, stolen, or damaged property and considered property for sale, and conducted physical inventory annually.

13. The ITC "Guidelines for Property Management Control" include the requirements of ST/AI/2003/5 with the exception of the designation of a Property Records Custodian (PRC) in different divisions and offices. Given the size and nature of operations of ITC, OIOS believes that the designation of PRCs would not necessarily enhance or improve the current process, as the Inventory Clerk and back-up staff have assumed the functions of the PRC. In addition, ITC requires that staff complete and sign forms for borrowed and returned property, or for damaged property. ITC also requires employees to submit police reports when appropriate for property that was lost or stolen.

##### Users' responsibility for property damages, loss, theft or liability to third parties

14. OIOS noted two items that needed revision in the ITC Guidelines: First, ITC should correct the statement regarding user responsibility. Paragraph 1, Section O of the Guidelines state, "*Users shall be responsible for any damages, loss, theft or liability to third parties...*" OIOS believes this may have been an oversight, since staff members or authorized users should not be held liable for third party damage while on official duty if it is proven that the staff member or user has exercised due care in his or her use of the property. Second, ITC needs to provide the effective date of the Guidelines.

**Recommendation:**

➤ The Chief, General Services and Procurement Section, should consult their legal advisors on the appropriateness of the language in the first sentence of paragraph 1, Section O of the ITC Guidelines Property Management Guidelines, “*Users shall be responsible for any damages, loss, theft or liability to third parties...*” The Guidelines should also include its effective date. (Rec. 01)

15. *ITC accepted the recommendation and stated that they would amend the Guidelines accordingly.* OIOS will record the recommendation as implemented upon receipt of a copy of the relevant revised portions of the Guidelines.

Attachment: Client Satisfaction Survey Form

cc: Ms. E. K. Murray, Director, Division of Programme Support, ITC  
Mr. J. Childerley, Chief, Oversight Support Unit, Department of Management, United Nations (by e-mail)  
Mr. R. Bellin, BOA, France (by e-mail)  
Mr. M. Tapio, Programme Officer, OUSG, OIOS (by e-mail)  
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