

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

DOMINICAN REPUBLIC

Report No. 2039
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Report on the Audit of UNDP Dominican Republic Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Dominican Republic (the Office) from 11 to 22 March 2019. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 31 December 2018. The Office recorded programme and management expenses of approximately \$81 million. The last audit of the Office was conducted by OAI in 2014.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory/some improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." The rating was due to the inadequate use of the budget override policy.

Good practice

The Office developed an automated system (based on Lotus Notes and Excel spreadsheets) for tracking and charging Direct Project Costs (DPC) for support services provided to projects. The Office also developed standard operating procedures that detailed the way DPC should be recovered and provided guidance to users within the Office on the correct application of DPC. The Office calculated the total amount per project output using the Universal Price List for operational transactions and a Local Price List for the services not covered by the Universal Price List including programmatic support. The Office verified the availability of funds before charging DPC to projects ensuring that, by the end of each fiscal year, all DPC was fully recovered. OAI considered this a good practice that could be replicated for use and application in other offices within UNDP.

Key recommendations Total = 7, high priority = 1

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	Medium
Reliability and integrity of financial and operational information	3	High
Effectiveness and efficiency of operations	5	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 6, 7	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Inadequate use of budget override policy and budget adjustments (Issue 3)

The Office issued a budget override policy in 2016, which outlined the conditions for acceptable budget overrides and identified the staff authorized to do so, and which was submitted to the Office of Financial Resources Management for approval; however, formal approval was not received in writing. The policy required the Programme Unit to prepare the budget override form for all budget override requests, including the written justification for the approval of the Resident Representative once cleared by the Deputy Resident Representative.

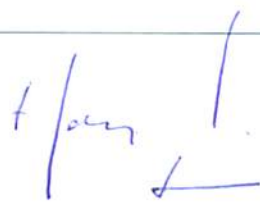
The audit disclosed that the Office processed 3,215 payment vouchers, amounting to \$8 million, that were covered by the unapproved budget override policy. The audit also disclosed that there were 285 general ledger journal entries that were used to move funds between government-funded projects to make funds available to pay for project expenditures or to reverse such transactions, once funds were made available to projects. The purpose of these transfers was to ensure a timely response for priority needs of the government-funded projects.

Recommendation: The Office should improve controls on project budgets by: (a) assessing the pertinence of the existing local override policy with the incoming Resident Representative, to either adjust it or keep as it is, and obtain approval for its use from the Comptroller; (b) strengthening controls on project budgets prior to committing funds and ensuring adjustments and transfers of funds to temporarily cover project deficits are limited to exceptional circumstances and duly authorized by the donor; and (c) enhancing the monitoring of budget override activities so as to keep overrides within controlled financial risks.

Management comments and action plan

The Resident Representative accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
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