



AUDIT

OF

UNDP COUNTRY OFFICE

IN

AFGHANISTAN

GENERAL ADMINISTRATION MANAGEMENT

Report No. 1287
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Report on the audit of General Administration Management in UNDP Afghanistan Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of general administration management in UNDP Afghanistan (the Office) from 16 February to 4 March 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to general services, facilities management, travel and protocol, and transport management which are under the responsibilities of the Administrative Services Unit and Travel and Protocol Unit. The audit excluded asset management even though it is under the responsibility of the Administrative Services Unit, since this was separately audited in November 2013 (OAI Report No. 1261).

The audit covered the activities of the two units from 1 January 2013 to 28 February 2014. The Office recorded programme and management expenditures totalling \$759 million in 2013. The last audit of the Office covering general administration management was conducted by OAI in July 2008 (OAI Report No. 589).

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

Overall audit rating

OAI assessed the general administration management of the Office as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to inefficiencies in general administration management, and weaknesses in managing cost recoveries relating to shared premises, residential accommodation, and transport services.

Key recommendations: Total = 9, high priority = 5

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. All high (critical) priority recommendations are presented below:

Need to enhance efficiency and utilization of resources in general administration (Issue 1)

The roles and responsibilities of the Heads of the Administrative Services Unit and the Travel and Protocol Unit were not in accordance with their job descriptions. The Administrative Services Manager (a national staff member – NOB) headed the Administrative Services Unit and supervised 87 personnel, managed the Office's premises in Kabul, the Office's assets valued at \$8 million, the Office's transportation with 34 armored vehicles, as well as accommodations. The Administrative Specialist (an international staff member at the P3 level) supervised 43 personnel, managed the Travel and Protocol Unit, the Office's travel arrangements, and the six regional offices. Further, he was discharging only some responsibilities set out in his job description.

Additionally, the Office had hired personnel on service contracts at a monthly cost of \$1,200 to \$1,300 per cleaner for cleaning the Office's premises. However, there was an opportunity to outsource the cleaning services to a local company at a monthly cost of \$260 per person. Furthermore, the seven vehicle mechanics of the Office were underutilized mainly due to the unavailability of spare parts and demand for vehicle repairs.

Recommendation: Continue exploring opportunities for more cost efficient

	<p>operations and optimum use of resources in conjunction with the recommended clustering of relevant functions in the Office's operations units.</p>
<p>Inadequate maintenance of documents for recording expenditures and calculating the related cost recoveries (Issue 2)</p>	<p>There was inadequate record keeping in several areas of the Office's general administration. In addition, there was a practice of using outdated pricing and delayed collection of recoverable costs from office and project budgets and from staff members.</p> <p><u>Recommendation:</u> Review and improve the processes for the documentation, recording, calculating, and tracking of cost recoveries from projects and other units of the Office and from staff members and consultants.</p>
<p>Weaknesses in managing operating costs of common premises and services (Issue 3)</p>	<p>The supporting documents to validate the operating costs of common premises and services were incomplete. Additionally, documents provided after the audit fieldwork were not the appropriate documents. The reported total operating expense of \$400,000 in Kabul was not fully substantiated, and a total of \$1 million in two selected regional offices was incomplete. In addition, payment of rental costs for the 3rd and 4th quarters of 2013 totalling \$400,000 for the two regional offices were not paid promptly.</p> <p><u>Recommendation:</u> Strengthen the management, controls, and recovery of operating costs of common premises and services by: (a) ensuring that the basis for the computations of allocations of costs are accurate, fully documented and reviewed by the responsible supervisor; (b) increasing oversight on timely processing of relevant general ledger journal entries for recording costs of common premises and services; and (c) enhancing monitoring of common premises and service costs so that allocations to the projects are based on actual costs incurred and recorded in the proper accounting period.</p>
<p>Weaknesses in managing costs of residential accommodation for staff and consultants (Issue 4)</p>	<p>The Office had been subsidizing the daily accommodation costs of staff and consultants by \$30 per day, on account of residential security costs. In 2013, the Office incurred \$600,000 for this cost but was unable to provide the basis for the calculation and appropriateness of the subsidy rate of \$30 per day.</p> <p>Further, there were delays in recovering these accommodation costs from the staff and the consultants. The Office had sought the assistance of the Office of Human Resources, Copenhagen in deducting the accommodation costs from the staff salaries and issued a revised process flow for efficient tracking of payments. Accordingly, OAI did not make a recommendation in regard to the process of recovering accommodation costs.</p> <p><u>Recommendation:</u> Determine and establish an appropriate security subsidy given to personnel.</p>
<p>Transport service costs not recovered from international personnel (Issue 5)</p>	<p>The Office had been providing transport services on armored vehicles between residential and office premises to all international UNDP personnel since November 2009 and was not recovering these costs from them. Prior to 2009, free transport was also provided to international personnel, but was not limited to armored vehicles. The Administrative Services Unit estimated that the transport costs for these services amounted to \$200,000 in 2013. The Office inquired from Headquarters the basis of this practice of providing free transport. However, the response received did not directly address the issue.</p>

Recommendation: Obtain clear and specific guidance from the Bureau of Management on whether international personnel should be charged for transport services in armored vehicles provided by the Office for commuting between residences and the Office.

Management comments and action plan

The Country Director accepted all of the recommendations in the areas of governance, general services, facilities management, and transport management, and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A handwritten signature in blue ink is positioned above the printed name. The signature is stylized and appears to read 'H. Ostveiten'.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Kabul, Afghanistan (the Country). Its 2010-2013 Country Programme Document focuses on four themes: stabilization and peace building; democratic governance; livelihoods, natural resource management and disaster risk reduction; and national development policies for economic growth and poverty reduction. The Office's programme and management expenditures totalled \$759 million during 2013.

The Office is UNDP's largest programme globally, delivering close to 20 percent of all of UNDP's delivery, in one of the world's most insecure environments. The challenges of the Office are significant, both internally and externally, as are the opportunities for sustainable development, and made more difficult as a result of the security, political and socio-economic transition facing the Country. Thus, UNDP Headquarters continues to undertake strategic reviews (in 2011 and 2014) of the Office to adapt to the ongoing changes and to improve efficiency, quality and timeliness in the implementation of its programme and operations.

Starting in 2013, the Office had the following two units for general administration: (a) the Administrative Services Unit, responsible for general services, and management of facilities, assets, and transport in Kabul; and (b) the Travel and Protocol Unit, responsible for overall management of six regional offices, travel and asset management, protocol functions, logistics support management of common premises and services, and partnerships with other UN organizations in the Country. Prior to 2013, the travel and protocol functions were part of the Administrative Services Unit.

II. Audit results

Satisfactory performance was noted in the following area:

Registry. The Office had maintained an e-registry system for its incoming and outgoing mail and pouches. The system was generally working, and during the audit planning, OAI did not identify any significant risks.

OAI has made nine recommendations that are ranked high (critical) and medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Continue exploring opportunities for more cost efficient operations and optimum use of resources (Recommendation 1).
- (b) Review and improve the processes for the documentation, recording, calculating, and tracking of cost recoveries (Recommendation 2).
- (c) Strengthen the management, controls and recovery of operating costs of common premises and services (Recommendation 3).
- (d) Determine and establish an appropriate residential security subsidy for security given to UNDP personnel (Recommendation 4).
- (e) Obtain clear and specific guidance from the Bureau of Management on whether international personnel should be charged for transport services in armored vehicles provided by the Office (Recommendation 5).

Medium priority recommendations, arranged according to significance:

- (a) Finalize and immediately implement the new policy for use of the Office's telephone system (Recommendation 6).
- (b) Enhance the process of determining and monitoring room requirements and occupancy of the rented residential premises (Recommendation 7).
- (c) Enhance controls over transportation services to national personnel (Recommendation 8).

- (d) Enhance the management and cost recovery of vehicle maintenance and repairs (Recommendation 9).

The detailed assessment is presented below, per audit area:

A. Governance

Issue 1 Need to enhance efficiency and utilization of resources in general administration

UNDP's 'Financial Regulations and Rules' require that the Head of the Office be responsible and accountable for the effective and efficient use of UNDP resources in the implementation of programmes and operations. OAI identified the following opportunities for improvement in the Office's general administration:

- Disproportionate distribution and discharge of roles and responsibilities – The Administrative Services Unit and the Travel and Protocol Unit were headed by the Administrative Services Manager (national staff - NOB) and the Administrative Specialist (international staff - P3), respectively. In OAI's view, the roles and responsibilities of the two staff members were not proportionate to the levels of their posts. The Administrative Services Manager was responsible for supervising 87 personnel, maintaining the Office's premises in Kabul, managing the Office's assets valued at \$8 million, managing the Office's transportation consisting of 34 armored vehicles, and managing accommodations of international personnel and consultants. The Administrative Specialist, hired in 2013, was supervising 43 personnel, attending to the Office's travel arrangements valued at \$2 million and managing the six regional offices, and was not discharging other responsibilities such as asset management and logistics support, and management of premises and common services as set out in his job description.
- Opportunity for cost savings for support personnel – The 87 personnel in the Administrative Services Unit included 15 cleaners, 7 vehicle mechanics, and 4 generator mechanics. Except for one cleaner, all 26 support personnel were hired under service contracts. The annual salaries and entitlements of these support personnel amounted to approximately \$630,000 for 2013.

OAI noted that there was a significant opportunity for cost savings on salaries of support personnel. For example, the cleaners under service contracts were receiving monthly remuneration ranging from \$1,200 to \$1,300. At the same time, the Office had also been utilizing the services of a local company for additional requirements on cleaning services. The company charged about \$260 per month per cleaner, which was less than 25 percent of the remuneration paid to a service contract holder. Therefore, there could have been potential cost savings of \$14,000 per month, or \$168,000 per year, if all of the cleaning services were completely outsourced.

Furthermore, the Office indicated that the seven vehicle mechanics were not fully utilized, mainly due to the unavailability of vehicle spare parts. The mechanics were receiving monthly remuneration ranging from \$1,300 to \$2,700. OAI was unable to do a workload analysis because the Office did not maintain complete records of the mechanics' workload in 2013.

The Office indicated that they were exploring restructuring operations and aligning job descriptions and had initiated workload analysis. However, this restructuring of operations could not be completed during 2013, as they were occupied with renovating and relocating to the new premises. Furthermore, due to the heavy workload, the Administrative Services Manager was pre-occupied with managing the day-to-day operations of the unit. In terms of cost saving opportunities, the Office indicated that they were aware of potential savings in the outsourcing of cleaning services, as well as in offering vehicle maintenance and repair services

to other UN organizations for better utilization of mechanics and the workshop facilities to possibly share costs.

The draft report on the recent 'Strategic Operations Review Mission in Afghanistan' (February 2014) recommended clustering of functions in the Office's operations units to UNDP's regional office in Thailand and Global Shared Services Centre in Malaysia to improve efficiency, quality and timeliness, while better managing risks and facilitating business continuity.

Priority	High (Critical)
Recommendation 1:	
Continue exploring opportunities for more cost efficient operations and optimum use of resources in conjunction with the recommended clustering of relevant functions in the Office's operations units by:	
<ul style="list-style-type: none"> (a) conducting a workload and cost analysis of its general administration; and (b) reviewing the option to outsource support services for cost savings, including efficient utilization of staff and facilities and take appropriate action. 	
Management action plan:	
The Office will conduct a workload analysis of the two units in conjunction with the planned clustering, and based on the initial result of the workload analysis, functions will be outsourced and some personnel will be separated.	
Estimated completion date: 30 June 2014	

Issue 2 Inadequate maintenance of documents for recording expenditures and calculating the related cost recoveries

The 'Programme and Operations Policies and Procedures' require that all activities, particularly financial transactions, be adequately documented and that supporting documentation be properly maintained and retained based on the organization's retention policy. These documents serve as evidence of actual expenditures and are used as a basis for costs that are to be recovered from the Office and project budgets. Such cost recoveries should be based on actual amounts incurred.

There was inadequate organization in the documentation of financial activities and in record keeping in several areas of the Office's general administration. Specifically, appropriate supporting documents of financial transactions that were selected as samples were incomplete or were not made available at all for review during the audit.

This weakness in documentation related to the computation and allocation of costs for common premises in Kabul (Issue 3); workload of the vehicle mechanics (Issue 1); basis and calculation of the subsidy for accommodation costs on account of residential security costs (Issue 4); and the transport service rate of \$26 per month per national personnel (Issue 9).

In addition, there was a practice of using outdated or unsubstantiated pricing and delayed collection of recoverable costs from office and project budgets and from staff members. This practice related to the unsubstantiated cost of \$30 per day for accommodation of staff on account of residential security allowance (Issue 4); unclear policy on the recovery of cost of transport services for international staff and consultants (Issue 5); unrecovered costs of personal telephone calls of staff members (Issue 6); outdated cost of transport

services ranging from a monthly rate of \$31 to \$187 per person (Issue 9); outdated rate of cost of labour for maintaining or repairing vehicles at \$16.44 per hour (Issue 10).

The lack of supporting documents described above was also noted during the Office's financial management audit (Audit Report No. 1233, 10 December 2013) and directly implemented project audits (Audit Report Nos. 1248, 1249, 1250, 1251, and 1252) covering 2012 expenditures. Additionally, OAI's inquiry from the Operations Managers of Projects 60777 and 58922 disclosed that the Operations Managers neither requested nor reviewed the supporting documentation for the cost recovery report.

Maintaining complete and appropriate records ensures transparency, accuracy and validity for the costs of services provided and charged to the projects and other units in the Office, as well as from the concerned staff members. Not adequately maintaining and organizing documents could result in time-consuming retrieval of documents, or in the risk of using inappropriate information as a basis for making calculations and decisions.

Priority	High (Critical)
Recommendation 2:	
Review and improve the processes for the documentation, recording, calculating, and tracking of cost recoveries from projects and other units of the Office and from staff members and consultants.	
Management action plan:	
The Office has completed the development of the SharePoint application which will enable each unit to record their files through scanning.	
Estimated completion date: 30 June 2014	

B. General services

Issue 3 Weaknesses in managing operating costs of common premises and services

According to the 'Operational Guide of the Internal Control Framework for UNDP' (January 2013), all general ledger journal entries should be supported by appropriate documentation and these documents should be maintained. Furthermore, expenditures should be recorded in the proper accounting period.

- Common premises and services in Kabul – OAI reviewed the 3rd quarterly report for 2013 prepared by the Administrative Services Unit for the rent of the premises, compound maintenance, personnel salaries, and sundry totalling \$700,000, as well as the corresponding general ledger journal entries.

The supporting documents to validate the operating costs of the common premises and services were incomplete, and although some were provided to OAI after the audit fieldwork, these were not the appropriate documents. Except for the rent (\$300,000), the audit team was unable to fully substantiate expenditures for the compound maintenance, salaries of personnel, and internet and communication technology totalling \$400,000 with the documentation presented for audit. Furthermore, there was a mathematical error in the costs recovery report, resulting in overpricing of generator supplies by \$36,000.

- Common premises and services in regional offices – OAI reviewed the 2013 cost recovery reports for two of six regional offices (Mazar and Herat). The justification and the supporting documents for the costs charged to the projects totalling \$1 million were incomplete. The Administrative Specialist explained that costs for fuel, internet services, and miscellaneous expenses were based on past payments to service providers; however, no supporting documents were provided. Furthermore, rental costs for the 3rd and 4th quarters of 2013 totalling \$400,000 for the two regional offices in Mazar and Kandahar had not been paid until the audit fieldwork. The Office explained that the premises were managed by another UN agency and they received the related invoices late. The Office agreed that it would conduct closer monitoring of expenditures and follow up on outstanding invoices.

Priority	High (Critical)
Recommendation 3:	
Strengthen the management, controls, and recovery of operating costs of common premises and services by:	
<ul style="list-style-type: none"> (a) ensuring that the basis for the computations of allocations of costs are accurate, fully documented and reviewed by the responsible supervisor; (b) increasing oversight on timely processing of relevant general ledger journal entries for recording costs of common premises and services; and (c) enhancing monitoring of common premises and service costs so that allocations to the projects are based on actual costs incurred and recorded in the proper accounting period. 	
Management action plan:	
The Office will enhance controls to prevent understatement of its expenditures. The reconciliation of the costs for 2013 is still pending receipt of the reconciliation reports from other UN agencies to allow the complete reconciliation of the common services costs based on actual costs. In addition, the Office introduced a standard general ledger journal entry form to formalize the clearance or approval of transactions by the projects and requesting units.	
Estimated completion date: 30 June 2014 or earlier depending on receipt of the reconciliation report.	

Issue 4 Weaknesses in managing costs of residential accommodation for personnel and consultants

The Office signed a Long-Term Agreement (UNDP/AFG/LA/2013/050) with a vendor for the residential accommodation of UNDP personnel and international consultants. The Agreement required the Office to pay the accommodation costs of all rooms reserved on a monthly basis, regardless of whether the rooms were eventually occupied or not. The Office then recovered the applicable costs from the concerned personnel and consultants. OAI noted weaknesses in the management of cost recoveries as described below:

- Unsubstantiated subsidy for cost of residential security – The Office had been subsidizing the daily accommodation costs of staff and consultants at \$30 per day, on account of residential security costs. In 2013, the Office incurred a total of \$600,000 for these costs, but was unable to provide a clear basis for the calculation and appropriateness of the subsidy rate of \$30 per day. The Head of the Administrative Service Unit provided a calculation done in late 2010 but this was not fully substantiated. Furthermore, there was no evidence that the subsidy had been approved by the appropriate authority. In OAI’s view, the security subsidy rate needs to be regularly reviewed to determine whether it is the appropriate subsidy that staff and consultants are entitled to. The Office informed OAI that the review was not conducted due to other competing demands.

- Complex process in recovering accommodation costs – UNDP personnel and international consultants had several options to pay the accommodation costs, such as deduction from their entitlements and contract fees or direct deposit to the Office’s bank account. Furthermore, the Office did not set a deadline when such payments were due, resulting in delayed recoveries in some cases and in the use of additional office resources to track the amounts to be recovered.

OAI reviewed the cost recoveries for March and September 2013 and noted 12 cases of payments made or followed up on only after the audit team requested the supporting documents. This was due to the inadequate monitoring of recoveries at the project level.

The Office sought the assistance of the Office of Human Resources in Copenhagen to deduct the monthly accommodation costs from the staff salaries. The staff were also required to sign a one-year lease agreement with the Office. Based on the recommendation in OAI’s exit meeting notes, the Office issued a revised process flow centralizing the recovery of accommodation costs to the Administrative Services Unit. As the Office has already addressed the issue, OAI is not making any further recommendation in regard to the process of recovering accommodation costs.

The absence of a clear basis for the residential security rate does not provide assurance on the validity of the amount being subsidized by UNDP. This increases the risk of the Office paying for costs that should be borne by UNDP personnel.

Priority	High (Critical)
Recommendation 4:	
Determine and establish an appropriate residential security subsidy given to UNDP personnel.	
Management action plan:	
The Office escalated the matter to the Security Management Team Working Group, which is led by the Resident Representative/Resident Coordinator, to confirm and fully formalize the level of security cost subsidy.	
Estimated completion date: 1 July 2014	

Issue 5 Transport service costs not recovered from international personnel

Due to the security situation in the Country, the UNDP Security Office requires all international UNDP personnel to travel in the Office’s armored vehicles only. Further, the post adjustment¹ designed to compensate international staff for the cost of living, includes transportation costs within the duty station. This calculation is done without regard to any special arrangements that organizations may make about the transportation of staff in line with their operational needs.

According to the Office, all international UNDP personnel were provided free transport in armored vehicles for commuting between their residences to the Office since November 2009. The Office explained that the associated transport costs were not recovered from the individuals, since the directive received from the UNDP Security Office on whether costs incurred should be recovered was unclear.

¹ Calculated by International Civil Service Commission

OAI is of the opinion that there is a need to review if international UNDP personnel should continue to receive free transport services in view of the following:

- The post adjustment that staff receive includes a transport component.
- The cost of this service to the Office is approximately \$200,000 per year.
- The Office provides the same transport services to its national personnel, however, the national personnel are charged for the transportation costs.

In response to OAI's recommendation, the Office sought guidance from the Bureau of Management. However, no clear guidance or direction on the above matter was provided. The Office believed that the audit issue and recommendation should be withdrawn as it would be unfair to have a negative audit finding or recommendation that has been concluded to be a Bureau of Management policy matter affecting all hardship duty stations using armored vehicles for transporting staff.

In OAI's view, the clarification did not explicitly address the issue on recovery of transportation costs and the communication did not result in any conclusive policy clarifications. Accordingly, OAI is retaining the audit issue and recommendation.

The Office may be incurring additional operational costs due to non-recovery of transport service costs provided to international personnel.

Priority	High (Critical)
Recommendation 5:	
Obtain clear and specific guidance from the Bureau of Management on whether international personnel should be charged for transport services in armored vehicles provided by the Office for commuting between residences and the Office.	
Management action plan:	
The Office will request the Resident Representative to send a formal communication to the Bureau of Management to seek further clarity on the cost recovery policy for all security requirements.	
Estimated completion date: May 2014	

Issue 6 Weaknesses in telephone billing system

In June 2012, the Office's Country Director issued an internal policy on telephone usage that included procedures for identification and recovery of personal calls. The Administrative Services Unit maintained the Office's telephone billing system, which recorded the monthly telephone charges and personal calls identified by the users. According to the Office's internal policy, the full amount of the telephone bills are to be considered personal calls and are to be deducted from the salaries or entitlements for all unsettled obligations within 10 days after receiving automated notification from the system.

OAI followed up on its prior audit issue (of November 2012) on the inadequate recovery of the costs of personal calls and determined that this had not been fully addressed. The telephone billing system showed charges in 2013 totalling \$10,000, which were considered as personal calls based on the Office's internal policy, but were yet to be recovered from the concerned personnel.

In order to address the audit issue, the Office indicated that a new telephone policy was drafted in December 2013 to streamline the process of recovering personal calls charges, and it started deducting unverified telephone bills from national personnel salaries. Furthermore, the Office informed OAI that it acquired a new telephone system, which included an enhanced billing system.

Unrecovered personal telephone costs further increase the operating costs of the Office and can result in financial losses for UNDP.

Priority	Medium (Important)
Recommendation 6:	
Finalize and immediately implement the new policy for the use of the Office's telephone system by:	
<ul style="list-style-type: none"> (a) enhancing controls in the proper identification and prompt recovery of costs defrayed by the Office for personal calls of all personnel; and (b) ensuring recovery of all outstanding personal calls made in 2013 by deducting these from salaries or other entitlements within a specified time frame. 	
Management action plan:	
The new phone policy will be approved by the end of May 2014, which includes additional controls such as providing office personnel with fixed pre-paid credits. In addition, the cost recovery from staff and personnel for telephone calls will be done through salary deduction.	
Estimated completion date: 1 July 2014	

C. Facilities management

Issue 7 Inadequate monitoring of room requirements and occupancy at rented residential premises

Based on the Long-Term Agreement (UNDP/AFG/LA/2013/050), the Office should inform, 30 days in advance, the vendor on the number of rooms required for the succeeding month to accommodate international personnel and consultants. The Office was also required to pay the monthly costs of all of these rooms, regardless of whether they were occupied by UNDP personnel or not.

The Office paid a total of \$3.2 million to a vendor for the rooms reserved in 2013, of which \$200,000 was for rooms that were not occupied. The cost of these unoccupied rooms was charged to the Office's extrabudgetary accounts. The occupancy rate of these rented residential premises was not closely monitored. The Office provided various reasons, including anticipated increase in the arrival of international staff of Project 63078, which fell short of the actual occupancy, and the departure of international consultants of closed Project 58898. Furthermore, the Office explained that it needed to ensure available rooms for unexpected requirements due to the unstable security situation. The Office's senior management was not kept informed of the shortfall of room occupancies and was not able to take timely remedial actions.

Based on the OAI recommendation, the Office advised the projects to provide the Administrative Services Unit, 35 days in advance, with the number of rooms required every month. This would give the Unit five days to better determine the total number of required rooms and be able to inform the vendor within the time limit.

The inadequate monitoring of rooms could lead to budget overruns in the Office.

Priority	Medium (Important)
Recommendation 7:	
Enhance the process of determining and monitoring room requirements and occupancy of the rented residential premises by:	
<ul style="list-style-type: none"> (a) establishing better procedures for determining in advance the required number of rooms for each month in close coordination with project staff; (b) charging the projects based on the number of rooms they requested (occupied or not) during the particular month; and (c) instituting closer monitoring of occupancy and keep the Senior Deputy Country Director (Operations) informed by submitting monthly monitoring reports for his appropriate action. 	
Management action plan:	
The Office took the following actions:	
<ul style="list-style-type: none"> ▪ purchased software that will automate the recovery of the accommodation costs and will facilitate the management of the leased rooms; ▪ required the international personnel residing at any UNDP leased space to sign a lease agreement; and ▪ indicated that it will begin sending monthly reports to the Senior Deputy Country Director. 	
Estimated completion date: 1 July 2014	

D. Travel and protocol

In 2013, the Office purchased 425 air tickets for international travel totalling \$1.2 million. Of this amount, OAI selected 30 international travel cases totalling \$400,000 to determine whether the travel authorizations were approved by the supervisor, quotations were obtained from the three travel agencies, the most direct and economical routes were selected, and air tickets were purchased early to get the best fare.

Issue 8 Inadequate controls in travel arrangements

The 'Programme and Operations Policies and Procedures' require the Office to: (a) make travel arrangements as early as possible in order to obtain the lowest available fare for the trip, and (b) ensure compliance with the contractual agreements with vendors.

In 21 of 30 sampled travel cases (or 70 percent), air tickets were purchased less than 14 days prior to departure dates. Furthermore, 12 of these 21 air tickets were purchased in less than 5 days prior to the departure dates. The Office explained that this was due to the late submission of requests for travel booking or confirmation of itineraries by the requesting units. Two of the three travel agencies contacted by OAI indicated that the purchasing of air tickets near the departure dates resulted in higher ticket costs.

Additionally, the three travel agencies did not fully comply with the terms set out in the Long-Term Agreements. The travel agencies did not provide free air tickets after the Office purchased the required number of tickets and did not provide free access to airport lounges to travelers as agreed. Also, there were

10 instances where the discount rates quoted by the travel agencies were different from the established discount rates in the agreements, and the management fees were not specified in the quotations submitted to the Office.

Subsequent to the audit fieldwork, the Office finally issued its standard operating procedures on travel arrangements, which were in draft form at the time of the audit. The procedures were aligned with the recent changes in the 'Programme and Operations Policies and Procedures' in regard to travel policy, which strongly encouraged staff to purchase airline tickets at least 21 days in advance of the travel date to benefit from better ticket rates. Furthermore, the Office met with the travel agency representatives to discuss non-compliance issues and the latter agreed to comply with all the terms and conditions in the Long-Term Agreements. As the Office already addressed the issues, OAI is not making a recommendation.

E. Transport management

As of the audit fieldwork, the Office maintained 34 armored vehicles and an in-house workshop for vehicle maintenance and repair. There were 32 drivers and 7 mechanics, all under the overall supervision of the Administrative Services Manager. OAI reviewed the Office's transport services, and records of vehicle maintenance and fuel consumption.

Issue 9 Inadequate cost recovery of transport services provided to national personnel

The 'Programme and Operations Policies and Procedures' allow transportation of national staff from home to the office in special circumstances and for a limited period of time only.

The Office has been providing transport services to national personnel at a flat rate of \$26 per month per individual. The 2011 analysis by the Office indicated that the monthly costs for the nearest and farthest locations were \$31 and \$187 per person, respectively. The cost calculation was based on an analysis in 2011, which determined the distance between the old office location and the pick-up and drop-off locations. As the Office had moved to a new location in 2013, which was 22 km farther from the pick-up and drop-off locations, the existing transport service costs could have been higher.

The Office indicated that national personnel were facing challenges due to the absence of an effective local transportation system and the lack of parking space in the UN compound. Upon further inquiry, UN agencies in the Country adopted varied practices. For example, some agencies provided transport services to national staff while others had discontinued the service.

Additionally, the UNDP Regional Security Advisor's mission report of September 2012 included a recommendation to cease the transport services to the national personnel. On the other hand, the 'Back to Office Report' of UNDP's Director of Security (September 2013) recommended that the Office carry out a cost-benefit analysis, including the possible impact on staff absences should the transport services be discontinued.

In providing these transport services to national staff, UNDP is not only incurring additional costs, but could also be exposed to increased security risks and liability.

Priority	Medium (Important)
Recommendation 8:	
Enhance controls over transportation costs to national personnel by:	
<ul style="list-style-type: none"> (a) updating the pricing of the of shuttle services provided to national personnel based on appropriate current costs approved by management; and (b) continuing its efforts to address the two recommendations in the security reports. This could include discussing the recommendations among the United Nations Country Team for a common approach to addressing them. 	
Management action plan:	
The Office is installing a web-based vehicle tracking and fuel management system to manage the vehicles, which will be able to recover the cost of the shuttle services appropriately.	
The Office has also discussed in the United Nations Operations Management Team in Afghanistan a unified approach by all agencies on charging national staff/personnel an appropriate cost for transport and requested information from Headquarters on the transport component of the personnel salaries.	
Estimated completion date: 1 August 2014	

Issue 10 Weaknesses in managing vehicle maintenance and repairs

The 'Programme and Operations Policies and Procedures' require the Office to keep the vehicles properly maintained and in good condition. The Administrative Service Unit maintained a workshop that provided maintenance and repair of the Office's and project vehicles. The associated costs of workshop services provided were charged from either office or the project budgets. OAI randomly selected the maintenance records for 10 of 39 vehicles repaired during 2013 and noted the following weaknesses:

- Outdated labour cost rate – The Administrative Services Unit charged \$16.44 per hour for the labour cost of maintaining or repairing vehicles. This rate was established in 2008 and had not been reviewed and updated to reflect the current costs, including increased remuneration costs and operating expenses. The Office indicated that the review of labour costs was not done due to other competing tasks. The review and updating of the labour cost rate assumes more importance as the Office may consider offering the vehicle maintenance services to other UN agencies.
- Weaknesses noted in vehicle maintenance records – The evidence of supervisory review and approval on the work done by the mechanics, including approval on spare parts to be replaced, were missing in the vehicle maintenance reports for all 10 sampled vehicles. Furthermore, the Office reported maintenance costs totalling \$21,470 for the 10 sampled vehicles in 2013. However, supporting job cards showed a total of \$14,780 only, or a difference of \$6,690 (31 percent). OAI could not fully validate these costs because 75 out of 120 job cards (63 percent) reviewed did not have the complete details of work that was done.

Lastly, as discussed in Issue 1, the Office did not maintain complete details of the workload of the vehicle mechanics. The vehicle maintenance records reviewed did not always include the names of the mechanic that performed the work.

The lack of updated labour cost rates and proper records did not provide assurance on the validity of the reported costs of vehicle maintenance and repairs, and therefore increased the operating costs of the Office.

Priority	Medium (Important)
Recommendation 9:	
Enhance the management and cost recovery of vehicle maintenance and repairs by:	
<ul style="list-style-type: none"> (a) computing the new labour cost rate based on the current salaries of the mechanics and other operating expenses and charging these against the relevant office or project budgets; and (b) requiring the Transport Manager of the Administrative Services Unit to review the accuracy and completeness of the vehicle maintenance report, including details of the mechanics workload, and ensure proper documentation of supervisory review. 	
Management action plan:	
<ul style="list-style-type: none"> (a) Computation of the labour cost for the Vehicle Maintenance Unit is already completed. (b) Vehicle maintenance report is updated. The records will be updated on the Administrative Services Unit's SharePoint 	
Estimated completion date: Completed	
OAI Response	
As part of its follow-up process, OAI will validate the implementation status of this recommendation.	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.