

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

COSTA RICA

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Report on the Audit of UNDP Costa Rica Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Costa Rica (the Office) from 22 February to 2 March 2016. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 31 December 2015. The Office recorded programme and management expenditures of approximately \$11.7 million. The last audit of the Office was conducted by OAI in 2011.

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**, 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 weaknesses in the following areas: organizational structure and delegations of authority; risk management, planning, monitoring and reporting; and human resources.

Key recommendations: Total = 12, high priority = 3

The 12 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1, 3	High
	4, 6	Medium
Reliability and integrity of financial and operational information	5, 10	Medium
Effectiveness and efficiency of operations	2, 7, 11	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	8	High
	9, 12	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. All high (critical) priority recommendations are presented below:

Weak organizational structure and unclear roles and responsibilities (Issue 1)

The audit disclosed that some roles and responsibilities were diluted due to overlapping tasks and unclear roles and responsibilities, as follows: (a) the Office had not designated a staff member responsible for procurement management – rather, the procurement function was performed by several personnel in the Office and in the projects, which impacted efficiency and diluted responsibilities; (b) the human resources function was not under the purview of the Operations Manager but rather under the lead role of the Assistant Resident Representative – Programme; (c) conflicting roles in human resources and global payroll administrator functions for two Office staff members who held manager level 2 and buyer profiles in Atlas (enterprise resource planning system of UNDP) were found, which contravened the segregation of duties requirements; and (d) approving managers were also acting as authorized signatories in the Office’s bank account.

Recommendation: The Office should undertake a review and update its organizational structure and functions of all units in order to: (a) clarify roles, responsibilities and accountabilities, including designating a head of the procurement; (b) match the Internal Control Framework with the revised organizational structure; (c) clear any conflicts with the Operations Manager’s roles and responsibilities; (d) ensure that adequate segregation of duties is maintained and address any deviations from the ‘UNDP Programme and Operations Policies and Procedures’; and (e) issue a written delegation of authority to concerned staff members.

Pending resolution on the applicability of local social security scheme to United Nations agencies (Issue 3)

According to the relevant government office, United Nations agencies (including UNDP) in the Country must enroll their personnel, including service contract holders, to the Government’s mandatory social security scheme, and make the corresponding payments. According to the relevant government office this is mandatory and the unpaid obligation by the Office amounted to approximately \$3 million (unpaid obligations plus moratoria interest and other indirect costs) covering the period from 1993 to 2015. The United Nations agencies in the Country had received collection notices on several occasions in the last five years. The Office’s operations had been impacted to the extent that it had been listed as a “debtor” on the official relevant government office records.

Recommendation: Under the lead role of the United Nations Resident Coordinator, further collective actions should be taken among United Nations agencies in the Country to resolve the issue relating to the Government’s alleged mandatory social security scheme, and the United Nations Resident Coordinator should seek advice from the Office of Legal Affairs of the United Nations.

Inadequate management of service contract holders (Issue 8)

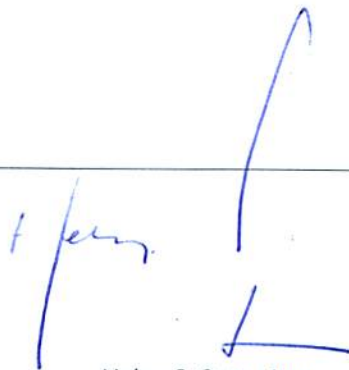
The Office had minimal oversight over the service contract holders, hired as project personnel. Specifically, these service contract holders directly reported to a Project Director. The Project Director was also carrying out the performance evaluations of the service contract holders at the end of contracted period and determined if contract extensions should be requested. Additionally, there was inadequate control in the selection of service contract holders. Specifically, 7 of 14 selection processes reviewed disclosed that the number of government officials in the interview panel was more than the Office staff. The request for contract was completed three times. Funding Authorization and Certificate of Expenditures (FACE) forms were unnecessarily completed to request payments of service contract holders' salaries.

Recommendation: The Office should enhance the management of service contracts issued by: (a) ensuring that Office staff participate in the entire recruitment process; (b) interviewing and selecting suitable candidates as required by the UNDP policies and procedures; (c) performing a competitive and transparent process for every new position to be filled by service contract holders including contract extensions and maintaining proper documentation of the entire process; (d) maintaining updated and certified attendance records for all service contract holders; and (e) assessing the selection procedures and applied documents to avoid unnecessary and duplicate activities.

Management comments and action plan

The Resident Representative accepted all 12 recommendations 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.



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