EXECUTIVE SUMMARY

INTERNAL AUDIT REPORT

IOM Port-au-Prince

HT201701

27 – 31 March 2017

Issued by the Office of the Inspector General

Report on the Audit of IOM Port-au-Prince
Executive Summary
Audit File No. HT201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Port Au-Prince, Republic of Haiti (the "Country Office") from 27 to 31 March 2017. The internal audit was aimed to assess adherence to financial and administrative procedures in conformity with IOM's regulations and rules and the implementation of and compliance with its internal control system.

Specifically, the audit assessed the risk exposure and risk management of the Country Office's activities, in order to ensure these are well understood and controlled by the local management and staff. Selected samples from the following areas were reviewed:

a. Management and Administration
b. Personnel
c. Finance and Accounting
d. Procurement and Logistics
e. Contracting
f. Information and Technology
g. Programme and Operations

The audit covered the activities of the Country Office from 1 January 2015 to 31 December 2016. The office recorded the following expenses based on IOM financial records:

- 2015 - USD 16,965,321 representing 1 % and 22 % of IOM Total and Central and North America and the Caribbean Region, respectively.
- 2016 - USD 15,958,339 representing 1 % and 17 % of IOM Total and Central and North America and the Caribbean Region, respectively.

Because of the concept of selective testing of data and inherent limitation of the internal audit work, there is no guarantee that all matters of significance to IOM will be discovered by the internal audit. It is the responsibility of local management of the Country Office to establish and implement internal control systems to ensure the achievement of IOM's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with relevant laws, regulations and policies. It is also the responsibility of local management to determine whether the areas that the internal audit covered and the extent of verification or other checking included are adequate for local management's purposes. Had additional procedures been performed, other matters might have come to internal audit attention that would have been reported.

The last internal audit of the Office was 3 to 12 February 2014.

The internal audit was conducted in accordance with the Charter of the Office of the Inspector General and in general conformance with the *International Standards for the Professional Practice of Internal Auditing.*

Overall audit rating

OIG assessed the Office as **partially effective** which means that "while the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes *and* those that are correctly designed are operating effectively".

This rating was mainly due to weaknesses noted in the following areas:

1. Business permits and lease agreements
2. Organizational structure
3. Assignment of roles in the IOM system
4. Duty station
5. Consultancy contracts
6. Expenditures
7. Accounting of leasehold improvements
8. Petty cash
9. Cash management
10. Project financial monitoring
11. Segregation of Duties
12. Insurance coverage
13. Project risk management

Key recommendations: Total = 32; Very High Priority = 1; High Priority = 12; Medium Priority = 18; Low Priority = 1

Very High Priority Recommendation

Prompt action is required within one month to ensure that processes will not be critically disrupted and IOM will not be ***critically*** adversely affected in its ability to achieve its strategic and operational objectives.

The Very High Priority recommendation requires that actions relating to business permits and lease agreements be initiated immediately after consultation with HQ and Legal Department.

High Priority Recommendations

Prompt action is required within three months to ensure that IOM will not be adversely affected in its ability to achieve its strategic and operational objectives.

The High Priority recommendations are presented below:

1. Three (3) recommendations for Management and Administration, one (1) recommendation for Personnel, two (2) recommendations for Procurement and Logistics, and one (1) recommendation for Programme and Operations. These recommendations aim to ensure that

the assets of IOM are properly safeguarded, its staff welfare is secured and IOM operations are efficient and effective.

- Align Country Office organizational structure with IOM regulations and rules.
- Review roles in the IOM system and ensure these are consistent with IOM standards.
- The Country Office should ensure that all IOM duty station rules are adhered to by the staff.
- Corrective measures should be initiated for all inappropriate consultancy contracts.
- Re-assign conflicting roles.
- Insure high value assets, whenever possible.
- Ensure project coordinators adhere to IOM project risk management guidelines.

2. Five (5) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.

- Full compliance with IOM manual on procurement and provisions of donor agreements.
- Consistently follow the rules for capitalization of assets and related accounting entries.
- Full compliance with IOM rules on petty cash handling and recording.
- Establish cash management procedures and strictly implement these.
- Train project coordinators on project financial monitoring.

The 18 Medium priority recommendations consist of: Two (2) recommendations in Management and Administration; Four (4) in Personnel; Three (3) in Finance and Accounting; Five (5) in Procurement and Logistics; One (1) in Contracting; One (1) in Information Technology; and Two (2) in Programme and Operations, which need to be addressed by the Country Office within one year to ensure that such weaknesses in controls will not moderately affect the Country Office's ability to achieve its entity or process objectives.

Low priority recommendations (not included in this Executive Summary) has been discussed directly with management and actions have been initiated to address them.

Management comments and action plans

Except for two (2) medium priority recommendations, all 30 very high, high, medium and low priority recommendations were accepted. Management is in the process of implementation. Comments and/or additional information provided have been incorporated in the report, where appropriate.

This report is intended solely for information and should not be used for any other purpose.

International Organization for Migration
Office of the Inspector General

I. About the Office

The Main Office is located in Port-au-Prince, the Republic of Haiti. As of 31 December 2016, the Office has 332 personnel categorized into: 20 officials, 192 staff and 120 non-staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 2015 - USD 16,965,321 representing 1 % and 22 % of IOM Total and Central and North America and the Caribbean Region, respectively.
- 2016 - USD 15,958,339 representing 1% and 17 % of IOM Total and Central and North America and the Caribbean Region, respectively.

The Office has a total portfolio of sixty-seven (67) projects and total budget of USD 33.1 million. The Top two projects by type:

- 15 Projects for community stabilization amounting to USD 17 million or 46 % of budget.
- 26 Projects on internally displaced persons amounting to USD 12.3 million or 33 % of budget.

The last audit was in 3 to 12 February 2014 wherein the overall rating was "Partially Satisfactory"[1].

Implementation status of previous OIG audit recommendations: Audit Report No. HT201401 IOM Port-au-Prince; Total recommendations: 26; Implemented – 24 accepted recommendations had been implemented.

II. Scope of the Audit

1. Objective of the Audit

The internal audit was conducted in accordance with the Charter of the Office of the Inspector General and in general conformance with the *International Standards for the Professional Practice of Internal Auditing.* The focus of the audit was adherence to financial and administrative procedures in conformity with IOM's rules and regulations and the implementation of and compliance with its internal control system.

2. Scope and Methodology

In compliance with Internal Audit standards, attention was paid to the assessment of risk exposure and the risk management of the Country Office activities in order to ensure that these are well understood and controlled by the local management and staff. Recommendations made during the internal audit fieldwork and in the report aim to equip

[1] Previous rating scale used (up to 2014) Satisfactory, Partially Satisfactory, and Unsatisfactory.
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 audited entity's achieving its objectives."*

the local management and staff to review, evaluate and improve their own internal control and risk management systems.

III. Audit Conclusions

1. Overall Audit Rating
   OIG assessed the Office as **partially effective** which means that "while the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes, *and* those that are correctly designed are operating effectively".

IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendations

1. Business permits and lease agreements
   Attention is required to correct the noted deficiencies in the most recent renewed lease agreement for the Country Office.

   Very High Priority Recommendations:
   - Actions relating to business permits and lease agreements should be initiated immediately after consultation with Headquarters and Office of Legal Affairs.

   Management agreed with the recommendations and is implementing them.

II. High Priority Recommendations

1. Organizational structure
   The current organizational structure includes sub-offices without the proper IOM staffing. In addition, the units were not communicating well potentially jeopardizing the effectiveness of other processes.

   High Priority Recommendations:
   - Align the Country Office's organizational structure with IOM regulations and rules.

   Management agreed with the recommendations and is implementing them.

2. Assignment of roles in the IOM system
   There were inconsistencies in the assignment of roles and responsibilities in the IOM system with the established guidelines.

   High Priority Recommendations:

- Review the roles in IOM system and ensure these are consistent with IOM standards.

Management agreed with the recommendations and is implementing them.

3. Duty station

   There were noted non-compliances with non-family duty station guidelines.

   High Priority Recommendation:

   - The Country Office should ensure that all IOM duty station rules are adhered to by the staff.

   Management agreed with the recommendations and is implementing them.

4. Consultancy contracts

   The Country Office was required to rapidly respond to the emergency needs of the affected population in several areas of the country. Unfortunately, IOM guidelines for selection and employment of consultants was not consistently adhered to.

   High Priority Recommendation:

   - Corrective measures should be initiated for all inappropriate consultancy contracts.

   Management agreed with the recommendations and is implementing them.

5. Expenditures

   There were postings of expenses outside the project validity period that did not comply with the donor agreement.

   High Priority Recommendations:

   - Full compliance with IOM manual on procurement and provisions of donor agreements

   Management agreed with the recommendations and is implementing them

6. Accounting of leasehold improvements

   Several renovations were done to address additional work space requirements of the Country Office. However, these costs were expensed directly rather than capitalized as fixed assets in the financial records.

   High Priority Recommendation:

   - Consistently follow the rules for capitalization of assets and related accounting entries.

Management agreed with the recommendation and is implementing them.

7. Petty cash

   There were several inappropriate petty cash procedures that were noted at the time of the audit.

   High Priority Recommendation:

   - Full compliance with IOM rules on petty cash handling and recording.

   Management agreed with the recommendation and is implementing them.

8. Cash management

   The Country Office does not carry insurance coverage for the cash balance held in the office or for cash in-transit. Neither the Country Office nor IOM have standard operating procedures to guide the Country Offices in this respect.

   High Priority Recommendation:

   - Establish cash management procedures and strictly implement these.

   Management agreed with the recommendation and is implementing them.

9. Project financial monitoring

   Most of the Programme Coordinators are not using available Portal Reports to monitor their projects' financial status; nor are they very familiar on how to interpret information from such reports.

   High Priority Recommendation:

   - Train project coordinators on project financial monitoring.

   Management agreed with the recommendation and is implementing them.

10. Segregation of Duties

    The Procurement and Logistics Manager also manages two programmes. As such, he is conflicted whenever there are procurements required for his two programmes.

    High Priority Recommendation:

    - Re-assign either the procurement or programme manager role to a different person.

    Management agreed with the recommendation and is implementing them.

11. Insurance coverage

    There were twelve high dollar value containers that were not covered by insurance which is a risk that the Country Office needs to mitigate.

    High Priority Recommendations:

    - Insure high value assets, whenever possible; and
    - If not possible, device a system to track the assets while in transit.

    Management agreed with the recommendation and is implementing them.

12. Project risk management

    The Country Office is not complying with IOM Risk Management requirements for projects in terms of implementing, maintaining and managing a Risk Management Plan for each of the ongoing projects throughout the project life cycle.

    High Priority Recommendation:

    - Ensure project coordinators adhere to IOM project risk management guidelines.

    Management agreed with the recommendation and is implementing them.

ANNEXES

Definitions

The overall adequacy of the internal controls, governance and management processes, based on the number of audit findings and their risk levels:

Descriptor	Guide
Fully effective	Nothing more to be done except review and monitor the existing controls. Controls are well designed for the risk, address the root causes and Management believes that they are effective and reliable at all times.
Substantially effective	Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness or Management has doubts about operational effectiveness and reliability.
Partially effective	While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes, those that are correctly designed are operating effectively.
Largely ineffective	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
None or totally ineffective	Virtually no credible controls. Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.

Audit Recommendations – Priorities

The following internal audit rating based on **IOM Risk Management** framework has been slightly changed to portray the prioritization of internal audit findings according to their relative significance and impact to the process:

Rating	Definition	Suggested action	Suggested timeframe
Very High	Issue represents a control weakness which could cause ***critical*** disruption of the process or ***critical*** adverse effect on the ability to achieve entity or process objectives.	Where control effectiveness is not as high as 'fully effective', take action to reduce residual risk to 'high' or below.	Should be addressed in the short term, normally within 1 month.
High	Issue represents a control weakness which could have ***major*** adverse effect on the ability to achieve entity or process objectives.	Plan to deal with in keeping with the annual plan.	Should be addressed in the medium term, normally within 3 months.
Medium	Issue represents a control weakness which could have ***moderate*** adverse effect on the ability to achieve entity or process objectives.	Plan in keeping with all other priorities.	Should be addressed normally within 1 year.
Low	Issue represents a minor control weakness, with ***minimal*** but reportable impact on the ability to achieve entity or process objective.	Attend to when there is an opportunity to.	Discussed directly with management and actions to be initiated as part of management's ongoing control.