



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Regional Office San Jose
CR201801
16 - 20 July 2018

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Report on the Audit of IOM Regional Office San Jose
Executive Summary
Audit File No. CR201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Regional Office San Jose, Costa Rica (the “Regional Office”) from 16 to 20 July 2018. The internal audit 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 Regional Office’s activities, in order to ensure these are well understood and controlled by the Regional Office 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 Regional Office from June 2016 to May 2018. The Regional Office recorded the following expenses based on IOM financial records:

- June to December 2016 – USD 1,742,499 representing 0.20 per cent of IOM Total.
- 2017 – USD 3,388,023 representing 0.20 per cent of IOM Total.
- January to May 2018 – USD 1,355,855 representing 0.20 per cent of IOM Total.

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 the Regional Office management to establish and implement internal control systems to assure 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 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 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 Regional Office as **largely ineffective** which means that “significant control gaps exist. Either controls do not treat root causes, or they do not operate at all effectively”.

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

1. Corporate Instructions
2. Cash management during emergency
3. Regional strategy
4. Organizational structure
5. Delegation of authority matrix
6. Application of salary scale
7. Staff evaluations
8. Payroll processing
9. Operational and petty cash funds
10. Financial monitoring of Country Offices
11. Resource management support
12. Transportation contract
13. Leasehold improvements
14. Regional Office data centre
15. Regional Office websites
16. Donor report monitoring

The Regional Office implemented a knowledge management repository and developed a user-friendly set of guidelines in English and Spanish.

Key recommendations: Total = 38; Very High Priority = 4; High Priority = 14; Medium Priority = 20

Very High Priority Recommendations

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.

There are four (4) Very High Priority recommendations consisting of two (2) recommendations for Management and Administration and one (1) recommendation each for Finance and Accounting and Information Technology¹. These are as follows:

- Discuss all aspects of internal controls to be communicated and applied not only in the Regional Office and Country Office.
- Establish standard operating procedures for the Country Office and Regional Office on how to respond to emergencies.

¹ Two very high recommendations under Management and Administration and Information Technology were not presented in the executive summary, according to the provisions of IB/78 Rev. 1 “Disclosure of IOM Internal Audit Reports”.

High Priority Recommendations

For the 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 each for Management and Administration, Personnel, two (2) recommendations each for Procurement and Logistics and Information Technology and one (1) recommendation for Programme and Operations. These recommendations aim to ensure that the assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.
 - Finalize the regional strategy plan and establish staff evaluation system objectives and key performance indicators aligned to the regional strategy.
 - Consider reviewing the structure to meet the objectives of the organization in view of the regional strategy.
 - Review the existing delegation of authority matrix and re-assign roles in the system following IOM guidelines.
 - Fully comply with the recommendation from Legal department to change the contract type to enable the staff to enter the United Nations pension fund.
 - Fully comply with IOM guidelines on staff evaluation.
 - Fully comply with IOM guidelines on payroll processing, review and reporting.
 - Revisit the contracting procedure to avoid approval of any new local provider without prior review and endorsement from the Legal department.
 - Coordinate with Central Accounting Support to provide appropriate guidance to the Country Offices as to when a leasehold improvement should be capitalized.
 - The Regional Office should ensure that sufficient and adequately placed inert gas or dry-chemical fire extinguishers are placed across different areas in the data centre, in case of fire.
 - Coordinate with the head office to migrate all websites to IOM corporate hosting platforms.
 - Improve measures to reinforce compliance with timely execution and reporting of projects implemented in the region.
2. Three (3) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Regional Office's financial and operational information.
 - Fully comply with IOM guidelines on handling and recording of operational and petty cash funds.
 - Streamline the financial monitoring process and for Country Offices to strictly comply with appropriate processes, mechanisms and internal controls.
 - Regional Office should provide resource management support in line with its resource management terms of reference.

Except in the area of Contracting and Programme and Operations, there remains another 20 Medium priority recommendations consisting of: 10 recommendations for Information Technology, 3

recommendations each for Management and Administration, Personnel, and Finance and Accounting and 1 recommendation in Procurement and Logistics, which need to be addressed by the Regional Office within one year to ensure that such weaknesses in controls will not moderately affect the Regional Office's ability to achieve its entity or process objectives.

There were no Low priority recommendations.

Management comments and action plans

Out of the total 38 recommendations 19 were already implemented and closed as of October 2020, including 4 very high and high recommendations presented. 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 Regional Office

The Regional Office is located in San Jose, Costa Rica. As of May 2018, the Regional Office has 35 personnel categorized into: 13 officials, 19 staff and 2 non-staff. The Regional Office recorded the following expenses based on IOM financial records for the following periods:

- June to December 2016 – USD 1,742,499 representing 0.20 per cent of IOM Total.
- 2017 – USD 3,388,023 representing 0.20 per cent of IOM Total.
- January to May 2018 – USD 1,355,855 representing 0.20 per cent of IOM Total.

The Regional Office has a total portfolio of 18 projects and a total budget of USD 6,776,717. The top 2 projects by type:

- 7 Projects for Operational Support Income amounting to USD 3,723,618 million or 55 per cent of the budget.
- 3 Projects for Immigration and Border Management amounting to USD 796,610 thousand or 12 per cent of the budget.

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 Regional 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 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 **largely ineffective** which means that "significant control gaps exist. Either controls do not treat root causes, or they do not operate at all effectively".

2. The Regional Office implemented a knowledge management repository and developed a user-friendly set of guidelines in English and Spanish.

IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendations:

1. Corporate instructions

There were noted poor adherence and/or misinterpretation of corporate instructions. Such cases were not identified as these cases are due for review whether further action was required.

Very High Priority Recommendation:

- Discuss all aspects of internal controls to be communicated and applied not only in the Regional Office and Country Office.

2. Cash management during emergency

Currently, the management of cash during emergency does not have a specific policy or guidelines to be followed, specifically, minimum security measures to carry and safeguard cash during an emergency.

Very High Priority Recommendation:

- Establish standard operating procedures for the Country Office and Regional Office on how to respond to emergencies.

II. High Priority Recommendations:

1. Regional strategy

There was a lack of formalized Regional Strategy and inadequate Staff Evaluation System objectives for the Regional Office staff, Chief of Missions and Head of Office in the Region.

High Priority Recommendation:

- Finalize the regional strategy plan and establish staff evaluation system objectives and key performance indicators aligned to the regional strategy.

2. Organizational structure

There was no adequate division and oversight of the work of staff in the Resource Management Unit. There was also a lack of clarity of the functions, responsibilities and accountability in the Regional Office, and other offices, including Headquarters.

High Priority Recommendation:

- Consider reviewing the structure to meet the objectives of the organization in view of the regional strategy.

3. Delegation of authority matrix

There was no clear delegation of authority matrix and no proper roles assignment in the system.

High Priority Recommendation:

- Review the existing delegation of authority matrix and re-assign roles in the system following IOM guidelines.

4. Application of salary scale

The Regional Office had partially implemented the recommendation from Legal department to pay the staff's gross salary scale to national staff with some exceptions.

High Priority Recommendation:

- Fully comply with the recommendation from Legal department to change the contract type to enable the staff to enter the United Nations pension fund.

5. Staff Evaluations

There was poor implementation of staff evaluations in the Regional Office and in the Region.

High Priority Recommendation:

- Fully comply with IOM guidelines on staff evaluation.

6. Payroll processing

The Regional Office approves the payroll of its national staff based on an Excel sheet with calculations that are performed outside the system. Other than evidence that an accounting entry was made, no other reports were printed that will facilitate review and reconciliation.

High Priority Recommendation:

- Fully comply with IOM guidelines on payroll processing, review and reporting.

7. Operational and petty cash funds

There were noted internal control deficiencies in handling operational and petty cash funds and keeping track of disbursements and cash receipts.

High Priority Recommendation:

- Fully comply with IOM guidelines on handling and recording of operational and petty cash funds.

8. Financial monitoring of Country Offices

The financial monitoring process of the Regional Office as well as verification of any follow up action be taken by the Country Office to mitigate the identified limited resources were found to be ineffective.

High Priority Recommendation:

- Streamline the financial monitoring process and for Country Offices to strictly comply with appropriate processes, mechanisms and internal controls.

9. Resource management support
Regional Office has been very lenient in monitoring the Country Offices' financial and human resources management. There was limited evidence to show proof of review and follow being made by the Regional Office.

High Priority Recommendation:

- Regional Office should provide resource management support In line with its resource management terms of reference.

10. Transportation contract

The original transportation contract with the previous vendor, which has been subsequently acquired by the current vendor, had not been found. Although the original terms of reference with the previous vendor have been carried forward to the new contract, there was no contract signed with the current vendor.

High Priority Recommendation:

- Revisit the contracting procedure to avoid approval of any new local provider without prior review and endorsement from the Legal department.

11. Leasehold improvements

Renovation costs and other significant leasehold improvements in the Regional Office and Country Offices were directly charged to expenses.

High Priority Recommendation:

- Coordinate with Central Accounting Support to provide appropriate guidance to the Country Offices as to when a leasehold improvement should be capitalized.

12. Regional Office Data Centre

Regional Office Data Centre floor is covered by carpet which is a fire hazard. Furthermore, the fire suppression solution is water based.

High Priority Recommendation:

- The Regional Office should ensure that sufficient and adequately placed inert gas or dry-chemical fire extinguishers are placed across different areas in the data centre, in case of fire.

13. Regional Office websites

Several websites were found to be hosted by local unauthorized external providers, rather than through IOM authorized cloud providers while some internally hosted websites are concentrated into a single server.

High Priority Recommendation:

- Coordinate with Head Office to migrate all websites to IOM corporate hosting platforms.

14. Donor Report Monitoring

Although the donor report monitoring mechanism is in place and the Regional Office had evidence of email correspondence to follow up with the Country Offices on the status of donor reports, the existing delays in donor report submission persisted.

High Priority Recommendation:

- Improve measures to reinforce compliance with timely execution and reporting of projects implemented in the Region.

Management agreed with the recommendations and is implementing them. Out of the 14 key findings and high priority recommendations presented, 10 remain open and are in the process of implementation, related to regulatory framework, corporate instructions, cash management during emergency, organizational structure, delegation of authority matrix, payroll processing, operational and petty cash funds, resource management support, and regional office websites.

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 crystalize 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.