



International Organization for Migration (IOM)  
The UN Migration Agency

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Bogota**  
**CO201901**  
**4 - 20 November 2019**

**Issued by the Office of the Inspector General**

**Report on the Audit of IOM Bogota**  
**Executive Summary**  
**Audit File No. CO201901**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Bogota (the “Country Office”) from 4 to 20 November 2019. The internal audit aimed to assess 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.

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 January 2018 to August 2019. The Country Office recorded the following expenses based on IOM financial records:

- 2018 – USD 91,493,728 representing 5.1 per cent and 74.3 per cent of IOM Total and South America Region, respectively.
- 1 January to 31 August 2019 – USD 67,240,893 representing 4.6 per cent and 29.6 per cent of IOM Total and South America Region, respectively.

The last internal audit of the Country Office was in October 2016.

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 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 Country 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. Payment process
2. Project management
3. Potential legal exposure
4. Separation clearance
5. Cash journals
6. Operational advances
7. Purchases
8. Selection and evaluation of Implementing Partners
9. Outsourced procurement activities
10. Donor reporting

**Key recommendations: Total = 33; Very High Priority = 2; High Priority = 11; Medium Priority = 15; Low Priority = 5**

### 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 2 Very High Priority recommendations, 1 each in Financial and Accounting and Programme and Operations:

- Strengthen the internal controls over the payment process.
- Strengthen project management and ensure proper turnover of projects.

### 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 in Contracting, 2 recommendations in Information Technology<sup>1</sup>, 1 recommendation each in Management and Administration, Personnel, Procurement and Logistics, and Programme and Operations. These recommendations aim to ensure that the

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<sup>1</sup> Two high recommendations under Information Technology were not presented in the executive summary, according to the provisions of IB/78 “Disclosure of IOM Internal Audit Reports”.

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

- Assess the implications of the operational context in the country and identify feasible mitigating factors for implementation.
  - Review separation clearance process and ensure coordination by different units involved in the process.
  - Finalize the delegation of authority for implementation.
  - Ensure that selection of Implementing Partners/vendors go through competitive process to protect IOM's interest.
  - Strengthen the evaluation of Implementing Partners' programmatic and financial capacity and streamline the payment process.
  - The purchases of the logistics operators should be coordinated with the country office procurement to obtain prior approval to proceed with the purchase.
  - Discontinue the practice of reporting purchase requisitions for staff costs as part of actual commitments unless approved by Accounting Division.
2. Two (2) recommendations on Finance and Accounting is directed towards the enhancement of the reliability and integrity of the country office's financial and operational information.
- Train cash custodians on appropriate procedures for preparation of cash journals.
  - Confirm whether delegation of authority for operational advances can be delegated to another staff member besides the Chief of Mission.

There remain 15 Medium priority recommendations consisting of: 5 recommendations in Management and Administration, and Procurement and Logistics, 3 recommendations in Information Technology, and one 1 recommendation each in Personnel and Contracting, 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) had been discussed directly with the management and actions had been initiated to address them.

### **Management comments and action plans**

Out of the 33 recommendations 6 had been implemented and closed as of August 2020. Management is in the process of completing the remaining recommendations. 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 Country Office**

The main office is located in Bogota, Republic of Colombia. As of 25 October 2019, the Country Office has 2,422 personnel consisting of 7 officials, 505 staff and 1,910 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2018 – USD 91,493,728 representing 5.1 per cent and 74.3 per cent of IOM Total and South America Region, respectively.
- 1 January to 31 August 2019 – USD 67,240,893 representing 4.6 per cent and 29.6 per cent of IOM Total and South America Region, respectively.

The Country Office has a total portfolio of 137 projects and total budget of USD 251,921,239. The top 2 projects by type:

- 43 Projects for Community Stabilization amounting to USD 121,920,995 or 48 per cent of the budget.
- 9 Projects for Reparations Programmes amounting to USD 46,088,572 or 18 per cent of the budget.

The last audit was in October 2016 wherein the overall rating was “Partially Effective”.

Implementation status of the previous OIG audit recommendations: Audit Report No. CO201601 - IOM Bogota, total recommendations: 22; All 22 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 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 Country 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. Findings and Very High Priority and High Priority Recommendations

#### I. Very High Priority Recommendations

##### 1. Payment process

There were gaps noted in the payment process from vendor Information verification, vendor form creation, approval, and final creation of the vendor account in the system.

Very High Priority Recommendation:

- Strengthen the internal controls over the payment process.

*Management agreed with the recommendation and is implementing them.*

##### 2. Project Management

There were three projects which contributed to significant deficits mainly due to poor project management and staff transfer without adequate handover of project. It was noted that these projects started before the current country office administration and two of them prior to the previous administration.

Very High Priority Recommendation:

- Strengthen project management and ensure proper turnover of projects.

*Management did not agree with the recommendation.*

#### II. High Priority Recommendations

##### 1. Potential legal exposure

There were cases identified that could potentially expose IOM to local court action.

High Priority Recommendation:

- Assess the implications of the operational context in the country and identify feasible mitigating factors for implementation.

##### 2. Separation Clearance

There were noted controls weaknesses in the separation clearance procedures and reporting.

High Priority Recommendation:

- Review separation clearance process and ensure coordination by the different units involved in the process.

### 3. Cash Journals

Although staff in the sub-office oversee the petty cash, they are managing the payments in an excel file outside the system without following the appropriate procedures.

High Priority Recommendation:

- Train cash custodians on appropriate procedures for preparation of cash journals.

### 4. Operational Advances

Operational advances authorization is delegated to the Senior Finance Officer, who is a local staff. Although Financial Management Rules and Procedures states that there should be a prior authorization obtained from the Chief of Mission, it is not clear if such authorization could be delegated.

High Priority Recommendation:

- Confirm whether delegation of authority for operational advances can be delegated to another staff member besides the Chief of Mission.

### 5. Purchases

There is no segregation of duties between the unit requesting the purchases given that the respective Project Managers and or Coordinator are authorizing not only the payment request form but also the request for payment.

High Priority Recommendation:

- Finalize the delegation of authority for implementation.

### 6. Selection of Implementing Partners

There was no thorough vendor verification and evaluation for a particular implementing partner. Further, the donor was not properly informed that the evaluation of the Implementing Partner was not positive.

High Priority Recommendation:

- Ensure that selection of Implementing Partners/vendors go through competitive process to protect IOM's interest.

### 7. Evaluation of Implementing Partners

There was no capacity assessment of Implementing Partner in terms of the size of the project and whether the Implementing Partner could cover its obligations considering the time it took IOM to process the payments. The Implementing Partner confirmed that it was the first time they had implemented a sizeable project.

High Priority Recommendation:

- Strengthen the evaluation of Implementing Partner's programmatic and financial capacity and streamline the payment process.

8. Outsourced Procurement activities

The country office has entered into outsourcing agreement for its procurement for varied services. In some instances, the logistics operators/vendors control the procure-to-pay and the distribution to beneficiaries.

High Priority Recommendation:

- The purchases of the logistics operators should be coordinated with the country office procurement to obtain prior approval to proceed with the purchase.

9. Donor Reporting

The country office is creating purchase requisitions for staff costs without coordination with Accounting Division. It was also observed that this practice is also done for PRM Projects.

High Priority Recommendation:

- Discontinue the practice of reporting purchase requisitions for staff costs as part of actual commitments unless approved by Accounting Division.

*Management agreed with the recommendations. Of the 13 key findings and high priority recommendations presented, 11 remain open and in the process of implementation.*

## ANNEXES

### Definitions

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

<b>Descriptor</b>	<b>Guide</b>
<b>Fully effective</b>	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.
<b>Substantially effective</b>	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.
<b>Partially effective</b>	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.
<b>Largely ineffective</b>	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
<b>None or totally ineffective</b>	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
<b>Very High</b>	Issue represents a control weakness which could cause <b>critical</b> disruption of the process or <b>critical</b> 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.
<b>High</b>	Issue represents a control weakness which could have <b>major</b> 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.
<b>Medium</b>	Issue represents a control weakness which could have <b>moderate</b> 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.
<b>Low</b>	Issue represents a minor control weakness, with <b>minimal</b> 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.