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## OFFICE OF THE INSPECTOR GENERAL

### Management Response and Actions IOM Country Office Nairobi Audit File No. KE201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Nairobi (the “Country Office”) from 3 to 19 December 2018. 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 country-level management and staff. The audit covered the activities of the Country Office from January 2017 to November 2018. The results of the audit are public and can be accessed through IOM’s global website<sup>1</sup>.

The OIG assessed the Office as partially effective, and raised 26 audit findings and recommendations, out of which 11 are very high and high priority.

As of September 2020, there remain 12 open recommendations, of which 5 are very high and high priority recommendations<sup>2</sup>.

The below report provides an explanation of the actions taken since the 2018 audit and the current state of the IOM Nairobi office.

### Management Response and Actions to the Internal Audit Report of KE201801 – IOM Country Office Nairobi

#### Management and Administration

#### Finding No. 1: Insufficient security controls

##### Finding Closed

- a) Additional security measures have been implemented since the last update which includes the installation of bullet proof glass window similar to those used by bank teller cashiers. The door locking system now includes fingerprint access to only allow authorized staff entry into the cash office. The system tracks entry and exit and send text messages to the Sr. Resource Management Officer and two NFOs every time the cash office is opened. This system has a backup alarm if any unauthorized access occurs, the alarm triggers and is connected to control room of our security service provider and a backup mobile security would be dispatched to the office whenever the alarm is triggered.
- b) CCTV installed.

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<sup>1</sup>[https://www.iom.int/sites/default/files/about-iom/audit/ke201801 - iom\\_nairobi.pdf](https://www.iom.int/sites/default/files/about-iom/audit/ke201801 - iom_nairobi.pdf)

<sup>2</sup> One recommendation under Information Technology was not presented in the executive summary, according to the provisions of IB/78 Rev. 1 “Disclosure of IOM Internal Audit Reports”.



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c) Based on the cash held, the size of the safes used is sufficient to store the cash and all safes have been bolted to the floor to mitigate the risk of carrying away the safes. Additionally, cash held in the office has been insured to further mitigate the risks with higher cash limits. Moreover, the country office is exploring options of daily subsistence allowance payments arrangement made issuing either pre-paid cards or by issuing cash cheque which will reduce the cash balance to be maintained significantly. Deploying armed police guards 24/7 will cost the country office an additional USD 28,000. These huge additional expenses can be avoided by reducing the cash balance in the office as proposed below. This is to be noted that cash stored in the office up to the limit allowed by Treasury is insured for loss from theft, robbery, fire, etc. Considering enhanced alternative security measures that have been put in place, insurance of cash, the cost and benefit of deployment of additional armed police guards to cover night shifts and weekends, the country office suggests that this recommendation is reconsidered to be not required. The office had ongoing discussions with a bank regarding a prepaid card system to be used by staff for travel advances instead of cash. During their recent online demo, we have noted some challenges that need to be addressed for us to consider possible use of this system and the country office will be coordinating these challenges with Treasury to seek their feedback and approval to proceed. The country office is also exploring issuing of cash cheque to travel on duty. In the past this option has not been used because the banking regulation in Kenya requires that only the designated ""agents"" from the organization can cash a cheque with authorization letter and the banks we are using for paying the daily subsistence allowance advances are far from the office location. Upon checking with one of the bank the country office is maintaining accounts with, has opened a branch that is 5-10 minutes driving distance both from Lavington and Gigiri office, it is found that the bank has a service of issuing over the counter cash directly to travelling staff against payment advice sent through their Online Banking channel. The country office is considering this as more viable option than the pre-paid cards and will submit a proposal to Treasury by 31 May 2020 for approval. In the meantime, and due to the current situation, we have already reduced the USD petty cash balance to below USD 5,000 and since we essentially have two offices in one location (the Regional Office and KCO), USD 10,000 should be considered as overall cash ceiling (USD 5,000 for each office) since the KCO also processes all cash advances and where applicable travel imprest for Regional Office's staff and consultants' travel.

Attachments: 1A-1 Email correspondence with TSY & MTS 1A-2 Emails with Barclays Bank on pre-paid card 1A-3 Emails with TSY on pre-paid cards 1A-4 Email from TSY on pre-paid card.

## Personnel

### **Finding No. 6: Insufficient controls in payroll processing**

*Implementation On-going*

#### **Mission's Response:**

a) Ongoing. Human resources have communicated with PRISM Central Support Team seeking advice on implementation the Comparative Wage type Reporter and relevant training. In view of the change of the Payroll processing date in February 2020 when the payroll dates were realigned to



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be consistent with IOM global practice, the plan is to action the usage of the Comparative Wage type Reporter starting from June, while the test version will begin from May 2020 in coordination with PRISM Central Support Team and PRISM Helpdesk.

- b) Completed. Following IA's recommendation, currently the Z payroll report is approved and signed-off by the Head of Kenya country office after the review of the Sr. Resource Management Officer on the date the payroll is usually processed. The Z payroll and all relevant supporting documents are reviewed/signed by the Regional Sr. Resource Management Officer as well. The Payment Request has been established for processing the Payroll, which is currently signed by the National HR Officer, HR Officer, Sr. Resource Management Officer, Head of Kenya Country Office and Regional Sr. Resource Management Officer of Regional Office Nairobi as the Payroll includes the payroll for Regional Office's staff. *Attachment: 6B - 1 Z payroll report.* For the payroll variances or reconciling items, special note for files are being issued instead of email correspondences. Payroll-related accounting entries are approved by the Sr. Resource Management Officer and Regional Sr. Resource Management Officer, as part of supporting documents of Payroll and filed accordingly.
- c) Completed. Effective February 2020, the Payroll release date is established as 24<sup>th</sup> day of each month. It is understood that the salaries will be credited to the bank accounts of staff members from 25<sup>th</sup> day of each month onwards. *Attachment: 6C - 1 Notice on change of Kenya Payroll Release Date.*
- d) Completed. The Payment Request form has been established for processing the Payroll transfer, which is currently signed by the National HR Officer, HR Officer, Sr. Resource Management Officer, Head of Kenya Country Office and Regional Sr. Resource Management Officer of Regional Office Nairobi as the Payroll includes the payroll for Regional Office's staff. For the payroll variances or reconciling items, a special note for files are being issued instead of email correspondences. Payroll-related accounting entries are approved by the Sr. Resource Management Officer and Regional Sr. Resource Management Officer, as part of supporting documents of Payroll and filed accordingly. *Attachment: 6D - 1 Request for payment for payroll.*
- e) Completed. The conflicting PRISM HR roles for the HR staff have been re-assigned in accordance with the existing regulations, the relevant PRISM Access Control request has been communicated with PRISM Central Support Team for implementation. *Attachment: 6E - 1 FW Prism Access Control Roles - IOM Kenya CO.*



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## Finance and Accounting

### **Finding No. 9: Weak design of internal controls over revenue management**

*Implementation On-going*

**Mission's Response:** Review of the current process is done in consultation with Migration Health Assessment Centre Operations, Global Health Assessment Programme Financial Management, and Country Office Finance and Budget colleagues and a detailed payment process flow is developed and currently are being reviewed for finalization. Meanwhile, below actions have been taken in response to IA recommendations:

- a) Completed. Signing of Request for Payment for refunds by Head of Migration Health Assessment Centre and preparation of weekly refund summaries has begun as of the 2<sup>nd</sup> week of June 2019.
- b) Ongoing. It has been decided to block the option of entering negative receipts in the cash database. The changes being developed by the IMS team and will be tested by users before implementation expected to be completed by June 2020.
- c) Ongoing. Preparation of weekly refund summaries by Cashier and review by Migration Health Assessment Centre National Admin for verification of work breakdown structure and accounts codes has begun as of the 2<sup>nd</sup> week of June 2019. The Information Management Systems (IMS) Unit is currently working on a barcode/ scanning system to be linked to the payment system to allow real-time electronic verification of payments without manual checks, in addition to verification of identity to be rolled out soon. Petty cash log, cash certificates agreeing amount in PRISM with physical documents are verified by Finance Assistants/Officers of Resources Management Unit, reviewed by Sr. Resource Management Officer and approved by Chief of Mission at month end closure every month.
- d) Ongoing. Recording to cash collection in Cash Ledger on daily basis is included to revised process flow which will be implemented by 30 June 2020.

### **Finding No. 10: Poor control and accounting of financial transactions**

*Implementation On-going*

**Mission's Response:** a), c), d), e), f), g), and h) has been addressed b) explained in the first Auditee Comment.

### **Finding No. 11: Long outstanding balances in staff vendor accounts**

*Implementation On-going*

#### **Mission's Response:**

- a) The issue of the outstanding amounts for the two officials who left the country office without going through the separation process are still outstanding and despite several follows up with the respective personnel administrators. The country office will now escalate the issue with



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Accounting Division for their feedback. *Attachment: 11A - 1 RE Urgent Separation Formalities and 11A - 2 POSSIBLE RESOLUTION OF THE OUTSTANDING AMOUNT-FOLLOW UP.msg*

- b) Amounts related to pending phone bills for 2018 are all cleared, and only current amounts are pending, and the country office continues to follow up to ensure swift clearance of outstanding amounts.

**Finding No. 12: Unjustified staff travel on duty**

*Finding Closed*

Official travels are closely monitored, and staff are now required to submit Terms of Reference with Travel Authorization request for each trip for approval by the Chief of Mission. Each travel authorization is reviewed by the Chief of Mission for actual need of the travel and number of travelers. Travelers are also required to submit travel on duty report after completion of the trip.

**Procurement and Logistics**

**Finding No. 16: Inefficient procurement processes**

*Finding Closed*

Monitoring of procurement activity is enhanced. The new vendors have been selected through the expression of interest launched in 2017. Tender documents are sent out not only to the shortlisted vendor by IOM, but IOM is using also the UNGM website, newspapers, IOM website to publish the tenders/request for quotations and also uses valid long-term agreements from other UN agencies (piggyback). *Attachment: 16A - 1 email for UNGM.msg / 16A - 2 newspaper advert.msg / 16A - 3 IOM website link.msg*

On the request for quotation for local purchases the local currency is indicated and for international procurements the USD currency is indicated. Any other currency submitted by the vendor different from the requested is converted with IOM rate at the date on the quotation before the bids analysis summary is prepared. Procurement team briefs the Bids, Evaluation, and Awards Committee on the processes and procurement procedures before the Bids, Evaluation, and Awards Committee recommends the winning vendor. The minute of the resolution is prepared by procurement focal person to the Bids, Evaluation, and Awards Committee with evaluation, comments and observations from the review of bids documents by the Bids, Evaluation, and Awards Committee, signed by its members and endorsed by the Chief of Mission accordingly. The technical evaluation remains an important tool to guide the Bids, Evaluation, and Awards Committee making correct decision in line with procurement process. This is a routine and ongoing activity which has improved in the country office.



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## **Finding No. 17: Weak controls over the management of pharmaceuticals**

### Finding Closed

We have already had comprehensive review - see attached recent ISO audit Non-conformity Report following the annual ISO surveillance audit in March 2019 by external ISO auditor, which we are addressing already. The country office would like to clarify:

#### a) Inventory Management System

In addition to the PIMS Migration Health Assessment Centre has the Information Management System for vaccine stock management hosted by Manila. Orders are made on this system, reviewed and approved by the Regional Vaccination Coordinator/Regional Vaccination Nurse and by the Head of MHAC/designated officer-in-charge before being supplied to user.

Pharmaceutical Assistant does not single-handedly perform series of activities.

#### Ordering:

- It is coordinated with Global Vaccination Coordinator, Regional Vaccination Coordinator and Head of Migration Health Assessment Centre.
- Fully approved payment request form is submitted to COS for procurement.
- Input in Bid opening and Technical evaluation done by the Vaccination team/ Head of Migration Health Assessment Centre.

#### Receiving:

- Orders especially vaccine orders are received by at least two staff who check quality, quantity, expiry, etc. (i.e. Regional Vaccination Coordinator/ Head of Migration Health Assessment Centre /Regional Vaccination Nurse.
- Receipt Documents (Invoices, Delivery notes and Goods Received Notes) are reviewed and signed by Head of Migration Health Assessment Centre before submission to COS for processing of payments.

#### Distribution:

- All vaccine orders are packed by two staff members for counter check and balances.
- A Packing and Receiving Checklist is always filed for shipment of vaccines.

#### Expired items:

- A compiled list is approved by Head of Migration Health Assessment Centre (and Regional Vaccination Coordinator for Vaccines) before the items are disposed as per the regulatory protocols.
- Items are physically moved to the designated quarantine area per standard operating procedures and removed from the electronic PIMS while awaiting disposal. Records on expired items are filed and available.

Further, the country office has begun the process of recruiting a second Pharmaceutical Technologist duly licensed by the regulatory board to assist with activities at the Pharmacy Unit.



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## b) Laboratory Unit

### Segregation of Duties:

- Laboratory unit is in the process of handing over Laboratory supplies to Pharmacy unit who will handle the receiving, release/withdrawal of Laboratory items.
- The Pharmaceutical Assistant will also record and monitor stocks with our in-house inventory management programme.

### Ordering:

- Needs assessment/forecasting is done by the Lab Manager and coordinated with the Head of Migration Health Assessment Centre and Regional Health Assessment Programme Coordinator for approval even before raising a payment request form.
- Fully approved payment request form is submitted to COS for procurement.
- Input in Bid opening and Technical evaluation done by the Laboratory team/ Head of Migration Health Assessment Centre.

### Storage/Distribution/Stock Cards:

- All laboratory items now have stock cards and Laboratory unit is in the process of updating the inventory program with the current stocks as per the most recent/final stock count being conducted with Pharmacy Unit.
- Stock movement sheets are used to record all items issued, filed and available.
- Physical stock count is already done every two weeks.

### Receiving:

- Orders are received by at least two staff to countercheck – technical quality as well as quantity of goods received, expiry etc.
- Receipt Documents (Invoices, Delivery notes and Goods Received Notes) are reviewed and signed by Head of Migration Health Assessment Centre before submission to COS for processing of payments.

### Monitoring of Consumption:

The Laboratory Manager for Kenya monitors quarterly consumption by running the statistics of all the tests done versus all the reagents and kits used.

### Annexes:

- ISO 9001-2015 Surveillance 1 report
- 103-SOPs Pharmacy March 2019
- BV\_NCR Report pharmacy
- 064-Lab SOP March 2019
- Lab stock Management email
- Lab supplies order
- Damaged vaccines log record
- TB culture supplies order
- Stock card and stock release (withdrawal) sheet
- GRN and invoices signed by staff who received, with a note on return to vendor due to short expiry.



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- Evidence of lab manager monitoring quarterly consumption - the report Lab manager usually attached with the quarterly PRF earlier.

However, now the quarterly order practice is stopped, and the order is made when the items reach reorder level instead.

**Finding No. 18: Procurement staff capacity needs to be strengthened**

*Finding Closed*

Four Procurement staff of Nairobi office have attended four trainings in 2019 to enhance their capacity:

- Advance certificate in Strategic Inventory Management by one staff
- Certificate in contract development, Negotiation and management two staff
- Advanced certificate in Strategic Procurement two staff
- Regional procurement and Supply Training by two staff
- MAIA inventory system and e-filling training by two staff

**Programme and Operations**

**Finding No. 25: Insufficient diversification of the Country Office's project portfolio**

*Finding Closed*

The country office recently recruited an official for project development official as from February 2020 to help strengthen this area.

**OIG/Internal Audit Comment:**

**OIG - Internal Audit takes note of the recommendations closed by the Office, and strongly encourages the implementation of the remaining ones.**