

GAO

Report to the Chairman, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

September 2011

UN INTERNAL OVERSIGHT

Progress Made on Independence and Staffing Issues, but Further Actions Are Needed

U.S. Government Accountability Office

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Highlights of [GAO-11-871](#), a report to the Chairman, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The United States has long advocated for strong oversight of the United Nations (UN). In 2005, GAO raised long-standing concerns that the ability of the UN's Office of Internal Oversight Services (OIOS) to carry out its mandate was constrained in scope and authority, and in 2006, GAO found that funding arrangements impeded OIOS's ability to operate independently. The U.S. Mission to the UN also expressed concern that OIOS's independence is limited in that it cannot make final hiring decisions for senior staff. In response to such concerns, the UN General Assembly in 2006 created an Independent Audit Advisory Committee (IAAC). GAO was asked to examine actions taken to address (1) impediments to OIOS's ability to provide independent oversight and (2) staffing issues that may have hindered its performance. GAO assessed OIOS's independence based on internationally recognized auditing standards, analyzed OIOS and other UN documents and data, and interviewed agency officials.

What GAO Recommends

GAO recommends that the Secretary of State and the U.S. Permanent Representative to the UN work with the General Assembly and member states to address remaining impediments to OIOS's ability to provide independent oversight resulting from its relationships with certain UN funds and programs and other clients. State and OIOS generally concurred with GAO's findings and recommendation. However, State misinterpreted the report's discussion of OIOS's oversight authority. GAO added language to the report to clarify this discussion.

View [GAO-11-871](#) or key components. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

UN INTERNAL OVERSIGHT

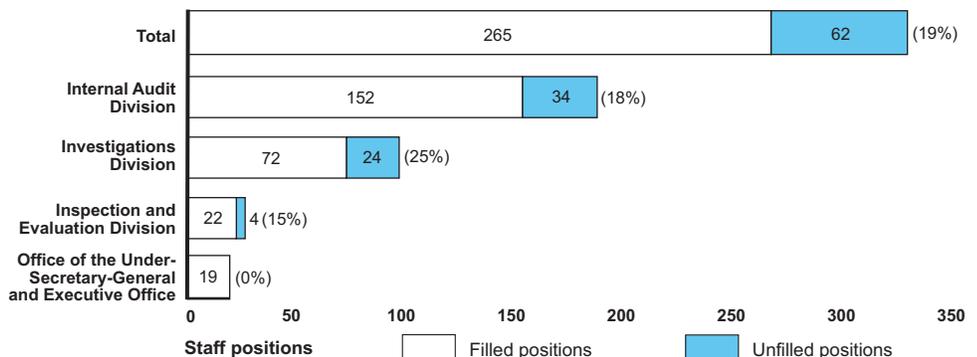
Progress Made on Independence and Staffing Issues, but Further Actions Are Needed

What GAO Found

The UN has taken worthwhile steps to enhance OIOS's independence, but certain UN funding and oversight arrangements continue to impede OIOS's ability to provide independent oversight. The General Assembly has supported OIOS's independence by creating the IAAC, which reviews OIOS's budgets and work plans for audits of the Secretariat and peacekeeping missions, and by recommending that OIOS base its planning and budget requests on risk in accordance with standards of the Institute of Internal Auditors (IIA). The General Assembly also clarified the role OIOS plays in internal oversight of funds and programs by adopting a resolution that reaffirmed the prerogatives of separately administered funds and programs to decide their own oversight mechanisms and relationship with OIOS. However, an independent review found that the arrangements for funding OIOS audits of those entities that choose to utilize its audit services do not meet IIA standards for independence. OIOS also remains constrained in its ability to issue consolidated audit reports for joint UN activities that include entities over which it does not have oversight authority, even when directed to do so by the General Assembly.

High vacancy rates for authorized positions have hindered OIOS's ability to provide sufficient oversight, but the UN and OIOS are taking steps to address this issue. As of July 2011, 19 percent of OIOS staff positions were unfilled (see figure below), and 30 percent were vacant for investigations of peacekeeping activities—the most challenging positions to fill. The UN's external auditor found that OIOS's staffing shortages hampered its Internal Audit Division's completion of its work plans. The UN and OIOS have made filling vacant positions a priority, and OIOS has hired 82 staff members since the start of the term of the new Under-Secretary-General for Internal Oversight Services in September 2010. The IAAC also expressed concern that vacancies at the senior management level would make it difficult for OIOS to accomplish its work. In August 2011, OIOS filled two director-level positions that had been vacant for more than a year. Further, the Under-Secretary-General has begun an initiative to strengthen OIOS's management and coordination and has requested an additional staff position for her front office. The Secretary-General has concurred with this request.

Percentage of Unfilled OIOS Staff Positions, Fiscal Biennium 2010-2011 (as of July 31, 2011)



Source: GAO analysis of OIOS data.

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Abbreviations

IAAC	Independent Audit Advisory Committee
IIA	Institute of Internal Auditors
MOU	memorandum of understanding
OIOS	Office of Internal Oversight Services
UN	United Nations

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

September 20, 2011

The Honorable Daniel K. Akaka
Chairman
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

In 1994, the United Nations (UN) General Assembly established the Office of Internal Oversight Services (OIOS) for the purpose of assisting the UN Secretary-General in fulfilling internal oversight responsibilities.¹ To carry out its role as the UN's internal oversight unit, OIOS has over 300 staff positions worldwide and provides oversight services to multiple entities within the UN system that reported a total budget of about \$15 billion in 2009.² In 2005, we raised concerns that OIOS's internal audits of the Oil for Food Program were constrained in scope and authority, preventing auditors from scrutinizing and reporting problems with the program.³ In 2006, we found that funding arrangements impeded OIOS's ability to operate independently, as mandated by the General Assembly and called for by international auditing standards, severely limiting OIOS's ability to reallocate resources among revenue streams, locations, and

¹G.A. Res. 48/218 B, U.N. GAOR, 48th Sess., U.N. Doc. A/RES/48/218 B (1994).

²This represents about 41 percent of the UN system's total expenditures of about \$37 billion in 2009 and includes expenditures for some of the largest UN entities and activities for which OIOS provides oversight services, including the UN Secretariat, peacekeeping operations, the United Nations Environment Program, the Office of the United Nations High Commissioner for Refugees, the United Nations Human Settlements Program, the International Criminal Tribunal for Rwanda, the International Criminal Tribunal for the Former Yugoslavia, and the United Nations Office on Drugs and Crime.

³GAO, *United Nations: Sustained Oversight Is Needed for Reforms to Achieve Lasting Results*, [GAO-05-392T](#) (Washington, D.C.: March 2, 2005) and GAO, *United Nations: Oil for Food Program Audits*, [GAO-05-346T](#) (Washington, D.C.: February 15, 2005). In 1996, the UN and Iraq established the Oil for Food Program to address Iraq's humanitarian situation after sanctions were imposed in 1990. In April 2004, the UN established the Independent Inquiry Committee to investigate the administration and management of the UN Oil for Food Program. See Independent Inquiry Committee into the United Nations Oil-for-Food Program, *Interim Report* (New York, N.Y.: Feb. 3, 2005), and *The Management of the Oil-for-Food Program* (New York, N.Y.: Sept. 7, 2005).

operating divisions.⁴ Additionally, we found that OIOS depended on the provision of auditing resources by specific UN funds and programs⁵ and, therefore, it could provide oversight only when requested by the management of these funds and programs, hindering its ability to identify waste, fraud, and abuse. The U.S. Mission to the UN has also expressed concern that OIOS's operational independence is limited in that it cannot make final hiring decisions for high-level staff positions. In response to these and similar issues raised by the UN's Advisory Committee on Administrative and Budgetary Questions,⁶ the General Assembly in February 2006 established the Independent Audit Advisory Committee (IAAC) to assist it in fulfilling its oversight responsibilities.⁷ One of the IAAC's key roles is to advise the General Assembly on the effectiveness of OIOS by reviewing OIOS's proposed budgets and work plans.

The United States, as the largest contributor to the UN—with assessed and voluntary contributions⁸ totaling about \$4 billion in fiscal year 2010 for UN activities over which OIOS has audit authority⁹—has long advocated for strong oversight of the UN and supported the establishment of both

⁴GAO, *United Nations: Funding Arrangements Impede Independence of Internal Auditors*, [GAO-06-575](#) (Washington, D.C.: Apr. 25, 2006).

⁵The General Assembly established a number of distinct entities, called funds and programs, that have responsibility for particular issues, such as development (the United Nations Development Program), children (the United Nations Children's Fund), the environment (the United Nations Environment Program), refugees (Office of the United Nations High Commissioner for Refugees), and other issues.

⁶The advisory committee advises the General Assembly on the budget submitted by the Secretary-General, examines the administrative budgets of the specialized agencies, and reports to the General Assembly on the auditors' reports on the accounts of the UN and of the specialized agencies.

⁷G.A. Res. 60/248. U.N. GAOR, 60th Sess., U.N. Doc. A/RES/60/248 (2006).

⁸Assessed contributions are legal obligations accepted by UN member states that finance the day-to-day operations of the UN. Voluntary contributions finance the funds and programs; member states are not legally obligated to make these contributions.

⁹U.S. funds obligated in fiscal year 2010 for the Secretariat, peacekeeping operations, the United Nations Environment Program, the Office of the United Nations High Commissioner for Refugees, the United Nations Human Settlements Program, the International Criminal Tribunal for Rwanda, the International Criminal Tribunal for the Former Yugoslavia, and the United Nations Office on Drugs and Crime, as reported in *FY2010 U.S. Contributions to the United Nations System*, Executive Office of the President, Office of Management and Budget, June 6, 2011. (OIOS oversees additional UN entities, but U.S. contributions to these entities were not specified by the Office of Management and Budget.)

OIOS and the IAAC. Responding to your request for a follow-up study on the internal oversight function at the UN, we examined actions taken to address (1) impediments to OIOS's ability to provide independent oversight and (2) staffing issues that may have hindered its performance.

To address our objectives, we reviewed relevant UN and OIOS reports, policies and procedures manuals, and other documents, and assessed OIOS's independence by applying internationally recognized standards such as those of the Institute of Internal Auditors (IIA),¹⁰ which OIOS formally adopted in 2002. We met with State Department officials in Washington, D.C., and officials in New York from the U.S. Mission to the UN. In New York, we also met with OIOS management and staff, representatives of Secretariat departments and UN funds and programs, and members of the UN's external oversight body, the Board of Auditors.¹¹ We also spoke with senior OIOS audit and investigations officials based in Geneva and Vienna via videoconference; with the IAAC Chairman in Washington, D.C., in person and via video and teleconference; and with a Joint Inspection Unit official in Geneva via teleconference.¹² In addition, we evaluated the reliability of UN and OIOS budget data taken from UN source documents and concluded that they were sufficiently reliable to present trends of the regular, peacekeeping, and extrabudgetary appropriations for the biennia 1994-1995 through 2010-2011. We used staffing data provided by OIOS, which we determined were reliable for our purposes of presenting staffing levels as of July 31, 2011. We conducted our work between October 2010 and September 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. (App. I provides a detailed discussion of our objectives, scope, and methodology.)

¹⁰The IIA is recognized as the internal audit profession's leader in certification, education, research, and technological guidance.

¹¹The Board of Auditors carries out external audits of the financial accounts of the UN organization and the funds and programs that are under the authority of the Secretary-General. It is presently composed of high-level representatives from the national audit offices of China, South Africa, and the United Kingdom.

¹²The Joint Inspection Unit conducts evaluations and inspections of the UN system, including the specialized agencies; it is also mandated to conduct investigations but has only recently begun to develop the capacity to do so.

Background

Internal Oversight in the UN System

The UN system includes the General Assembly, the Secretariat,¹³ peacekeeping missions throughout the world, and separately administered funds, programs, and specialized agencies that have their own governing bodies.¹⁴ The General Assembly established the separately administered funds and programs with responsibility for particular issues, such as children (United Nations Children’s Fund) or the environment (United Nations Environment Program), that are funded mainly by voluntary contributions. While separately administered, these entities are under the authority of the Secretary-General, who appoints the heads of each entity, but they have their own governing bodies instead of being governed by the General Assembly. In contrast, the heads of the specialized agencies are elected by their own governing bodies, and these autonomous agencies do not fall under the authority of the Secretary-General and therefore are not within OIOS’s purview.

OIOS is part of the Secretariat and is under the authority of the Secretary-General, who reports to the General Assembly. According to its mandate, OIOS’s purpose is “to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organisation,”¹⁵ and OIOS’s chief executive, the Under-Secretary-General for Internal Oversight Services, reports directly to the General Assembly. The Secretary-General has therefore stated that OIOS is mandated to provide oversight only of activities that fall under the Secretary-General’s authority.¹⁶ These include activities of the Secretariat

¹³The General Assembly is the UN’s main policymaking body and comprises all 193 member states. The Secretariat, headed by the Secretary-General, carries out the day-to-day work of the organization, such as administering peacekeeping operations, mediating international disputes, surveying economic and social trends, and preparing studies on human rights and sustainable development.

¹⁴Specialized agencies include entities such as the Food and Agriculture Organization and the World Health Organization. A governing body is composed of member state representatives who are responsible for steering and directing the entity by setting and maintaining its strategic direction and overseeing its management, resource allocations, and operations.

¹⁵G.A. Res. 48/218 B, U.N. GAOR, 48th Sess., U.N. Doc. A/RES/48/218 B (1994).

¹⁶*United Nations General Assembly Report of the Secretary General: Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies, A/60/883/Add.2* (Aug. 28, 2006).

in New York, Geneva, Nairobi, and Vienna; the UN's five regional commissions; peacekeeping missions and humanitarian operations; funds and programs administered separately under the authority of the Secretary-General (including the Office of the United Nations High Commissioner for Refugees, the United Nations Environment Program, the United Nations Human Settlements Program, and the Office of the United Nations High Commissioner for Human Rights); and other entities that have requested OIOS services such as the United Nations Convention to Combat Desertification and the United Nations Framework Convention on Climate Change.¹⁷ In addition to the OIOS mandate, the *Financial Regulations and Rules of the United Nations* designate OIOS as the financial management internal auditor for the UN.¹⁸

OIOS's Organizational Structure

OIOS's Three Divisions

The Internal Audit Division provides assurance and advice designed to improve and add value to the UN's operations. Internal audits bring a systematic approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

The Investigations Division follows up on reports of possible violations of rules or regulations, mismanagement, misconduct, waste of resources, or abuse of authority.

The Inspection and Evaluation Division assists UN intergovernmental bodies and program managers in assessing the relevance, efficiency, effectiveness, and impact of UN Secretariat programs. The division's role is twofold: to help assure that these programs follow their mandates and to foster institutional learning and improvement through reflection by program officials and UN member states on performance and results.

Source: GAO summary of OIOS information.

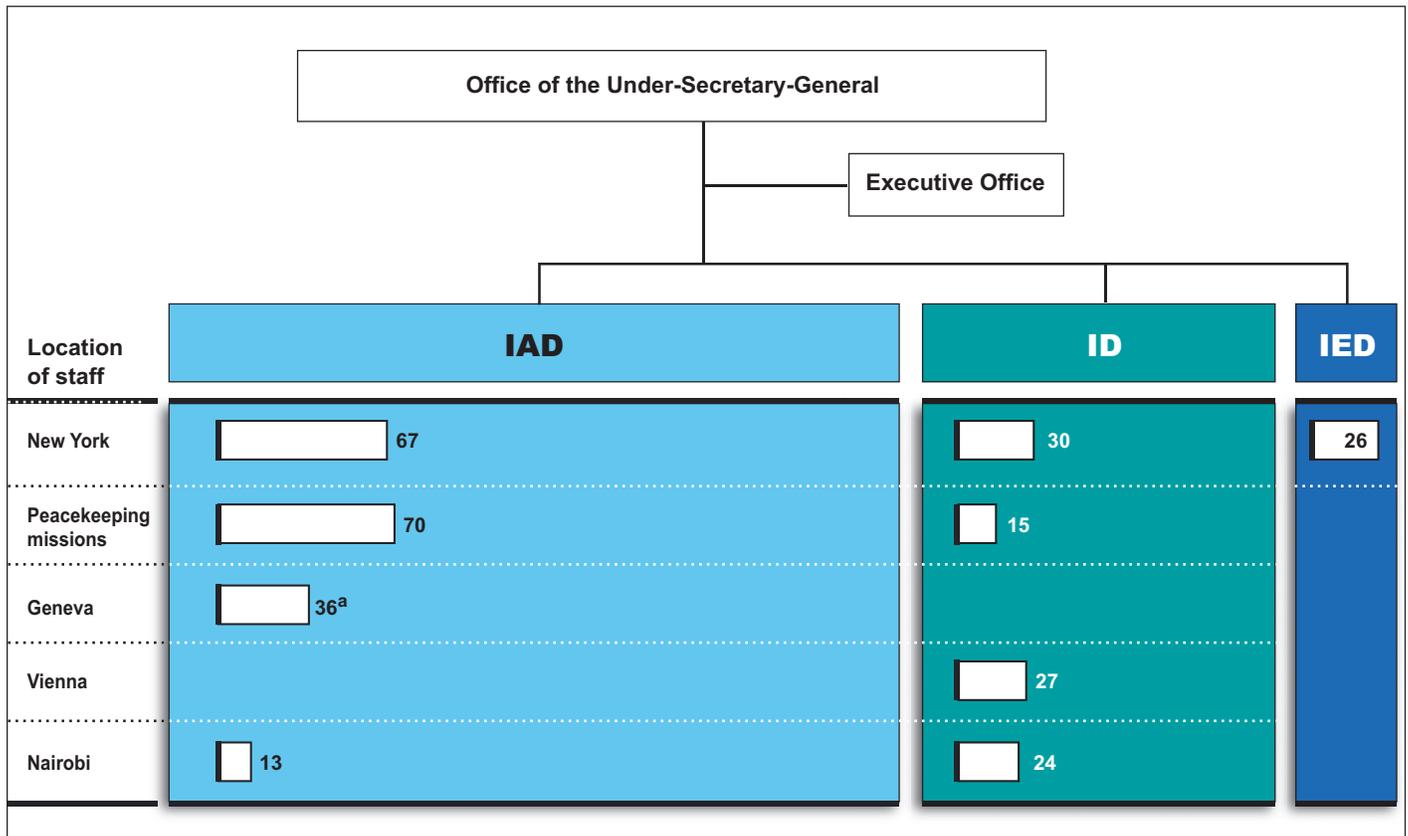
OIOS is composed of the Office of the Under-Secretary-General, an Executive Office, and three divisions, namely, Internal Audit, Investigations, and Inspection and Evaluation.¹⁹ Figure 1 provides the number and location of staff for each of these divisions as of September 2011. Appendix II provides additional information on OIOS's locations and staffing.

¹⁷Source: OIOS's website. OIOS's audit manual specifies these entities along with several others as included in OIOS's mandate: the International Criminal Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda; the International Court of Justice; UN research and training institutes; the United Nations Office on Drugs and Crime; the United Nations Conference on Trade and Development; the International Trade Center; and the United Nations Joint Staff Pension Fund.

¹⁸These regulations and rules stipulate that OIOS shall conduct internal audits in accordance with regulation 5.8. (d), which relates to maintaining internal financial control. They are promulgated by the Secretary-General and approved by the General Assembly and govern all the financial management activities of the UN except as explicitly provided by the General Assembly or exempted by the Secretary-General. See United Nations, *Financial Regulations and Rules of the United Nations*, Secretary-General's Bulletin ST/SGB/2003/7 (May 9, 2003).

¹⁹OIOS's structure has changed only slightly from the information presented in our 2006 report. The General Assembly in 2007 approved the transfer of the consulting service from the Monitoring, Evaluation, and Consulting Division to the UN's Department of Management; in 2008, the division was renamed the Inspection and Evaluation Division.

Figure 1: Number and Location of OIOS Staff by Division as of September 2011



Source: GAO analysis of OIOS information.

Note: Some of the ID staff in New York, Vienna, and Nairobi investigate peacekeeping activities. In addition, some of the IAD and IED staff in New York are also dedicated to peacekeeping activities.

^aThese IAD positions include 22 UNHCR-funded positions that are administered by the Geneva office, but 10 of them are actually located in Nairobi, Pakistan, Senegal, Sri Lanka, Sudan, and Syria.

Abbreviations:

- IAD Internal Audit Division
- ID Investigations Division
- IED Inspection and Evaluation Division
- UNHCR Office of the United Nations High Commissioner for Refugees

OIOS Funding

The majority of OIOS funding comes from two budgets approved by the General Assembly: one for normal, recurrent activities such as the core functions of the Secretariat (regular budget), and the other for peacekeeping activities (peacekeeping account).²⁰ Both the regular and peacekeeping budgets are financed largely through assessed contributions from member states. A small portion of the peacekeeping account, the peacekeeping support account, provides funds for OIOS to conduct audits, investigations, inspections, and evaluations of peacekeeping activities.²¹

In addition to funding from the regular budget and peacekeeping account, OIOS receives funds from “extrabudgetary” sources. These are voluntary contributions from member states that pay for the activities of UN funds, programs, and other entities.²² The United States contributes a fixed percentage to the regular budget, which was 25 percent prior to 2000 and 22 percent thereafter, and which funds the UN Secretariat and its various activities and functions, including OIOS (shown in figs. 2 and 3, respectively). For example, the United States contributed about \$1.2 billion to the UN Secretariat regular budget in the current biennium (2010-2011). The United States also contributes annually to peacekeeping operations and to extrabudgetary items. For example, in 2010, the United States contributed about \$2.6 billion to peacekeeping operations (about 27.3 percent of the total peacekeeping budget) and about \$4.4 billion to other UN activities, including those funded through extrabudgetary sources.

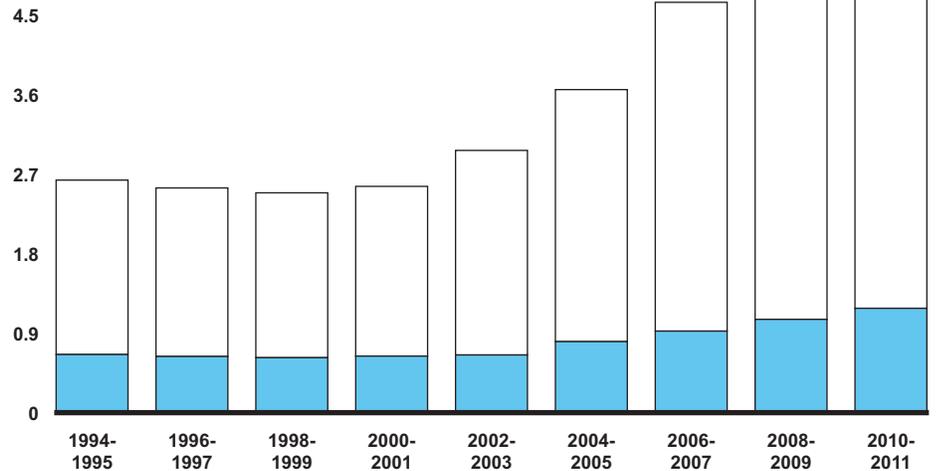
²⁰The UN Secretariat operates on a 2-year budget cycle encompassing two calendar years, with the General Assembly adopting a proposed regular budget every 2 years. The peacekeeping budget runs on an annual cycle, from July 1 to June 30, and is approved separately by the General Assembly.

²¹Peacekeeping activities—including military and civilian personnel costs, facilities, infrastructure, transportation, equipment, and supplies—are distinct from the administrative functions related to peacekeeping performed by the Secretariat and funded by the regular budget.

²²UN officials also use the term “extrabudgetary” when referring to any item not covered in the regular budget. UN budget documents describe extrabudgetary resources as covering peacekeeping operations, funds and programs, the international criminal tribunals for Rwanda and the former Yugoslavia, and other activities. However, the UN officials we met with used “extrabudgetary” to refer to the activities of UN funds and programs and other entities paid for primarily through voluntary contributions from member states, and not to peacekeeping operations, and that is how we use the term in this report.

Figure 2: U.S. Share of Contributions to the UN Secretariat Regular Budget, Fiscal Biennia 1994-1995 through 2010-2011

Nominal U.S. dollars (in billions)
5.4



	\$1.974	\$1.907	\$1.866	\$1.921	\$2.315	\$2.852	\$3.721	\$3.744	\$4.186
	\$0.658	\$0.636	\$0.622	\$0.640	\$0.653	\$0.804	\$0.923	\$1.056	\$1.181

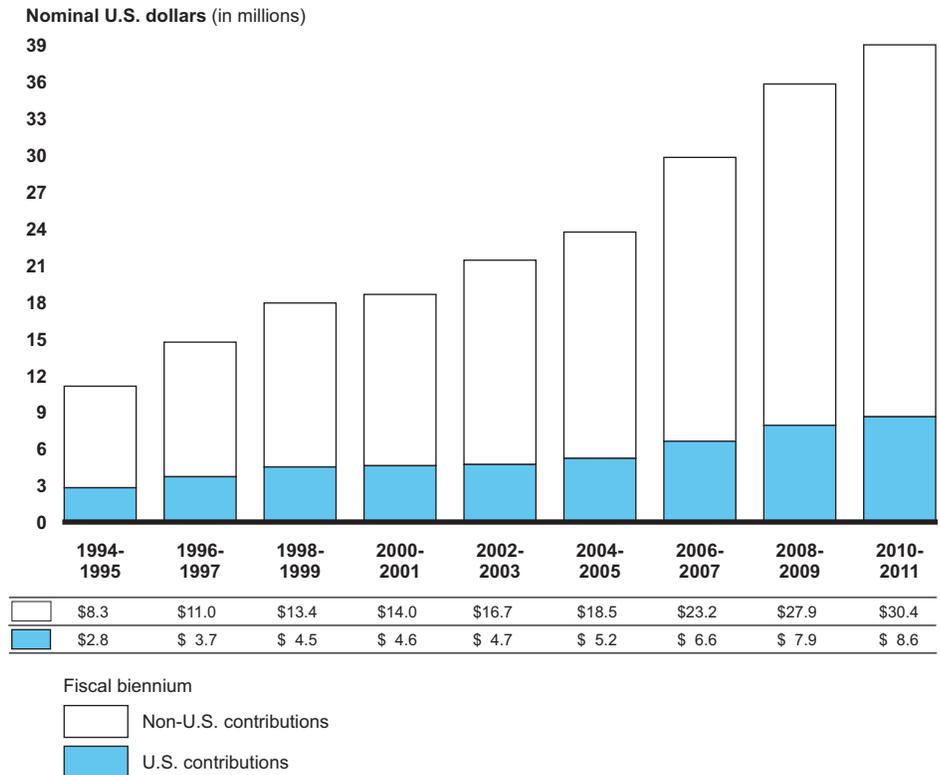
Fiscal biennium

- Non-U.S. contributions
- U.S. contributions

Source: GAO analysis of UN data.

Note: The amounts shown for fiscal biennia 1994-1995 through 2008-2009 are derived from the final appropriations for each biennium. The amounts for the 2010-2011 biennium are estimates. The U.S. share for each biennium is derived by multiplying the total appropriation by the U.S. assessment rate in effect during the period.

Figure 3: U.S. Share of Contributions to the OIOS Regular Budget, Fiscal Biennia 1994-1995 through 2010-2011



Source: GAO analysis of UN data.

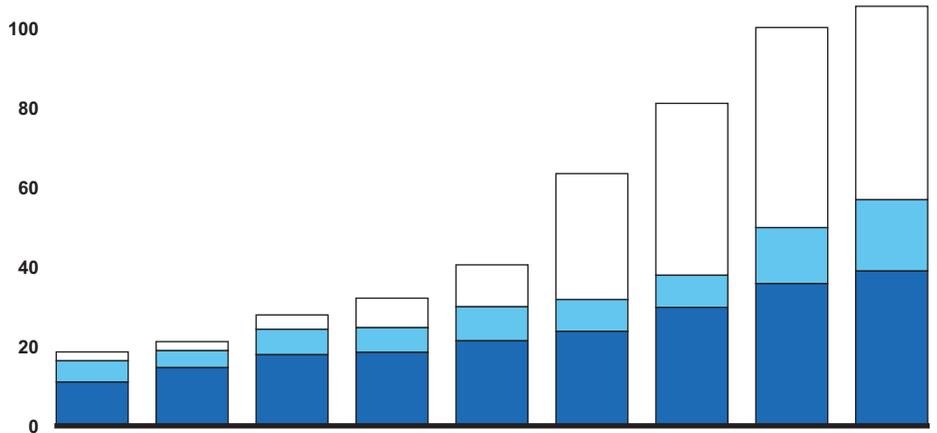
Note: The amounts shown for fiscal biennia 1994-1995 through 2008-2009 are derived from the final appropriations for each biennium. The amounts for the 2010-2011 biennium are estimates. The U.S. share for each biennium is derived by multiplying the total appropriation by the U.S. assessment rate in effect during the period.

As shown in figure 4, OIOS funding from all three sources—regular budget, peacekeeping, and extrabudgetary—has generally increased over time. The peacekeeping portion has been the fastest growing component over the last 10 years due to the rapid rise in peacekeeping activities around the world, while the regular and extrabudgetary portions have grown more slowly. OIOS’s total appropriations for the 2010-2011 biennium were over \$100 million, approximately five times what they were when OIOS was established in 1994.

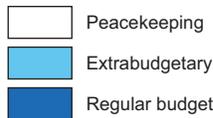
Figure 4: Sources of OIOS Appropriations, Fiscal Biennia 1994-1995 through 2010-2011

Nominal U.S. dollars (in millions)

120



	1994-1995	1996-1997	1998-1999	2000-2001	2002-2003	2004-2005	2006-2007	2008-2009	2010-2011
Peacekeeping	\$ 2.226	\$ 2.280	\$ 3.612	\$ 7.431	\$10.560	\$31.676	\$43.255	\$ 50.350	\$ 48.670
Extrabudgetary	\$ 5.359	\$ 4.274	\$ 6.407	\$ 6.208	\$ 8.558	\$ 8.010	\$ 8.071	\$ 14.088	\$ 17.953
Regular budget	\$11.000	\$14.627	\$17.878	\$18.476	\$21.380	\$23.760	\$29.803	\$ 35.767	\$ 38.925
Total	\$18.584	\$21.181	\$27.897	\$32.115	\$40.498	\$63.445	\$81.129	\$100.205	\$105.548



Source: GAO analysis of UN data.

Notes: The regular budget amounts shown for fiscal biennia 1994-1995 through 2008-2009 are derived from the final appropriations for each biennium. The amount for the 2010-2011 biennium is an estimate. The peacekeeping, extrabudgetary, and regular budget amounts for some periods (1994-1995 and 2004-2005) do not add to the total shown due to rounding.

The following caveats pertain to the peacekeeping data:

For fiscal biennia 1994-1995 through 2000-2001: these figures are taken from biennium budget proposal documents covering the calendar year of each year of the biennium.

For fiscal biennia 2002-2003 through 2008-2009: these figures are taken from single-year budget documents covering July 1 to June 30 of each fiscal year and are thus not directly comparable to data for the prior biennia in the table.

For fiscal biennium 2010-2011, the peacekeeping figure is taken from the IAAC report on OIOS's proposed budget for the 2012-2013 biennium.

We have chosen to include the 2002-2003 and 2008-2009 data because they reasonably depict the overall trend of peacekeeping funding during this period.

OIOS's authorized staffing levels have also increased, due in part to the expansion of UN peacekeeping activities (see fig. 11 in app. II). We have previously reported that OIOS has had difficulty filling its authorized staff positions.²³

IAAC Role in Internal Oversight

The UN General Assembly strengthened internal oversight of the Secretariat and peacekeeping missions by creating the IAAC, which is responsible for advising the General Assembly on the scope, results, and effectiveness of audit and other oversight functions, especially OIOS. The IAAC is also responsible for advising the General Assembly on measures to ensure management's compliance with audit and other oversight recommendations, as well as with various risk management, internal control, operational, and accounting and disclosure issues. The committee examines OIOS's work plans, taking into account the work plans of other UN oversight bodies, reviews OIOS's proposed budget, and makes recommendations to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. (See app. III for a timeline showing the preparation, approval, and execution of OIOS's regular budget and the IAAC's role in that process.) The committee also advises the General Assembly on the quality and overall effectiveness of risk management procedures, on deficiencies in the internal control framework of the UN, and on steps to increase and facilitate cooperation among UN oversight bodies.

The General Assembly in 2007 appointed three members to serve a 3-year term and two members to serve a 4-year term on the IAAC, all beginning on January 1, 2008; the committee, which generally meets four times a year, held its first session in February 2008. It has issued 11 reports, including one on vacant positions at OIOS.²⁴ The IAAC held its 15th session in July 2011, during which it discussed with the Under-

²³See, for example, *United Nations: Renovation Schedule Accelerated After Delays, but Risks Remain in Key Areas*, [GAO-08-513R](#) (Washington, D.C.: Apr. 9, 2008), p. 18, and *United Nations: Renovation Still Scheduled for Completion in 2013, but Risks to Its Schedule and Cost Remain*, [GAO-09-870R](#) (Washington, D.C.: July 30, 2009), p. 15.

²⁴In addition to the report on vacant positions at OIOS, the IAAC has issued two annual reports on its activities and one report covering the first 6 months of its operation; four reports on OIOS's yearly budgets for oversight of peacekeeping activities and one addendum; and two reports on OIOS's proposed regular program budgets (for the 2010-2011 and 2012-2013 fiscal biennia, respectively).

Secretary-General for Internal Oversight Services a wide range of issues, including funding arrangements, risk assessments conducted, value provided by OIOS, and performance audits. In addition, the committee covered standard agenda items with OIOS, such as relationships with management, high risks identified by OIOS, coordination with various oversight bodies, implementation of oversight recommendations, and OIOS staff vacancies. The committee is scheduled to hold its next meeting in December 2011.

The U.S. Mission to the UN strongly supported the establishment of the IAAC and has also supported other initiatives to improve transparency and accountability in the UN system. For example, it has endorsed a new UN effort to consolidate the management of all financial, human, and physical resources, including for peacekeeping and field missions, under one integrated information management system.

OIOS Role Clarified and Independence Strengthened, but Some Funding and Oversight Issues Remain

The UN General Assembly is addressing some previously identified impediments to OIOS's ability to provide independent oversight, but certain UN funding arrangements and oversight relationships continue to limit the independence and authority of OIOS. In January 2003, the General Assembly reaffirmed the prerogatives of separately administered funds and programs to decide their own oversight mechanisms and their relationship with OIOS. The UN Secretariat's Office of Legal Affairs stated that this action clarified the role OIOS plays in the internal oversight of separately administered funds and programs, with these entities deciding their own oversight mechanisms and their relationship with OIOS. An independent review of UN oversight commissioned by the Secretary-General noted, however, that the arrangements used to fund OIOS's audits of those separately administered entities that choose to utilize its audit services do not meet Institute of Internal Auditors (IIA) standards for independence.²⁵ OIOS also reported that it is not able to issue consolidated audit reports for joint UN activities that included entities over which OIOS does not have oversight authority, even when directed to do so by the General Assembly.

²⁵United Nations, *Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies*, Report of the Independent Steering Committee, A/60/883/Add.2 (Aug. 2006).

The General Assembly Has Clarified OIOS's Role in Internal Oversight of Funds and Programs

The General Assembly has addressed OIOS's oversight authority several times since the creation of the office (see app. IV), and the new Under-Secretary-General for Internal Oversight Services requested a legal opinion from the UN Secretariat's Office of Legal Affairs regarding OIOS's oversight responsibility for funds and programs. OIOS's founding mandate states that OIOS's purpose is to assist the Secretary-General in fulfilling his internal oversight responsibilities with respect to the resources and staff of the organization.²⁶ The Secretary-General has stated that the resources and staff of the organization include separately administered organs. The General Assembly also stated that OIOS has the authority to initiate, carry out, and report on any action that it considers necessary to fulfill its responsibilities with regard to monitoring, internal audit, inspection and evaluation, and investigations. In January 2003, the General Assembly adopted a resolution that reaffirmed the prerogatives of separately administered funds and programs to decide their own oversight mechanisms and their relationship with OIOS.²⁷ In May 2011, in response to her request, the UN's Office of Legal Affairs issued a memorandum to the Under-Secretary-General stating that the General Assembly, through the 2003 resolution, clarified OIOS's jurisdiction over the funds and programs, which suggested that the involvement of OIOS in their internal oversight functions is contingent on the consent of the funds and programs.

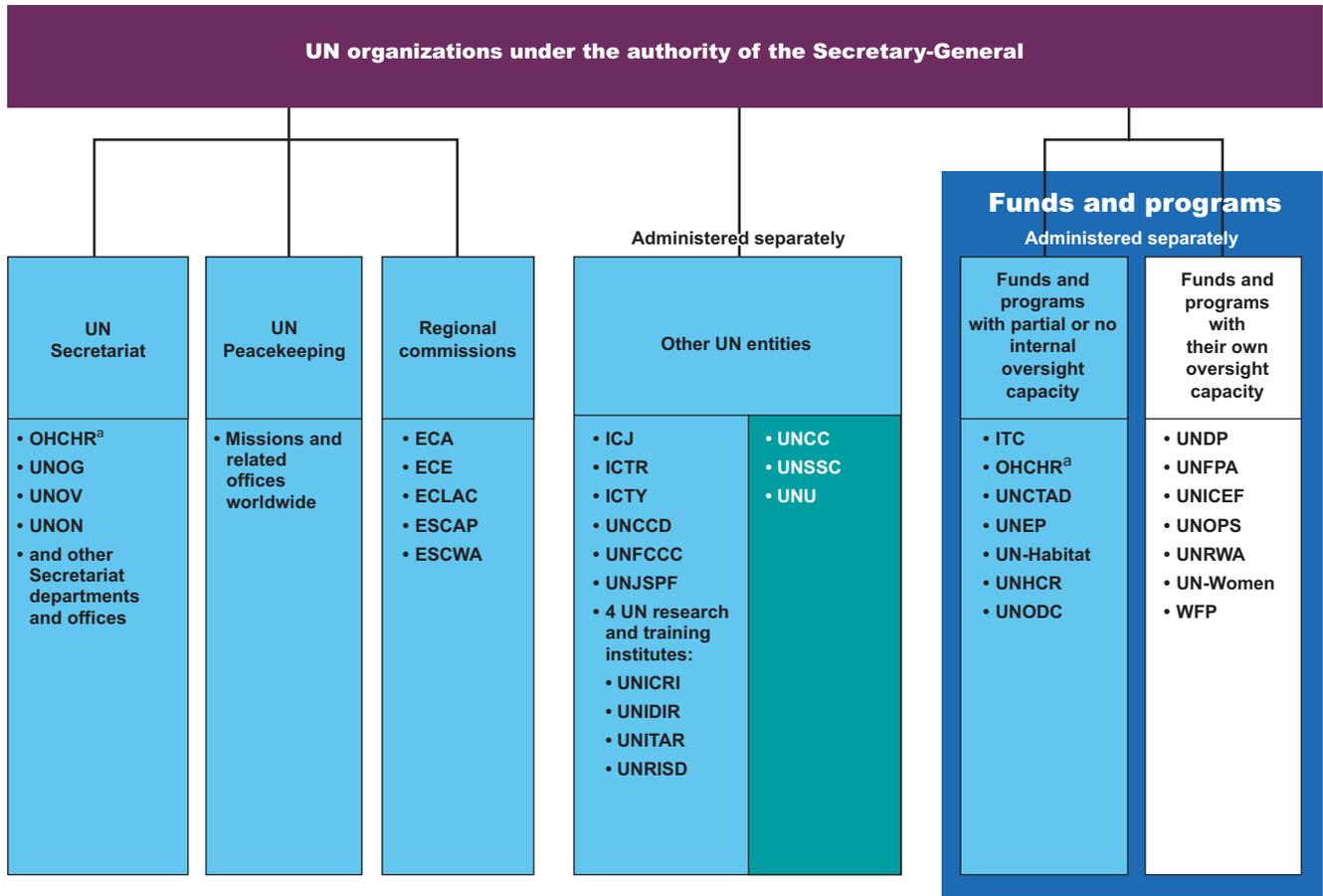
According to OIOS's website and audit manual, OIOS provides internal oversight to UN organizations that are under the direct authority of the Secretary-General, including departments and offices within the Secretariat and peacekeeping missions and related offices, and to funds, programs, and other organizations under the authority of the Secretary-General, but administered separately, that have requested OIOS's audit services (see fig. 5). The amounts these organizations pay for internal oversight are based on negotiated fees for services, sometimes defined in a memorandum of understanding (MOU). Some UN funds and programs, including, for example, the United Nations Development Program and the World Food Program, have their own internal oversight offices, which they use to oversee their activities instead of using the services of OIOS. Others, such as the International Trade Center and the Office of the United Nations High Commissioner for Human Rights, have partial or no

²⁶G.A. Res. 48/218 B, U.N. GAOR, 48th Sess., U.N. Doc. A/RES/48/218 B (1994).

²⁷G.A. Res. 57/287 A-B, U.N. GAOR, 57th Sess., U.N. Doc. A/RES/57/287 A-B (2003).

internal audit capacity. Funds or programs with their own internal oversight capacity may also use certain OIOS services, for example, if they determine that they need outside experts to conduct a sensitive investigation. (App. V provides a more detailed listing of UN organizations, their relationship with OIOS, and their oversight capacity.) According to OIOS, as of September 2011, it provided oversight to a number of separately administered entities, including seven funds and programs that have partial or no internal oversight capacity. The Under-Secretary-General for Internal Oversight Services told us that she is conducting a review of all separately administered entities under the authority of the Secretary-General to determine their internal oversight capacities, which conforms with her mandate to support the Secretary-General in his oversight responsibilities.

Figure 5: UN Organizations That Are OIOS's Clients and Those with Their Own Oversight Capacity, 2011



- UN organizations listed by OIOS as clients, and also specifically mentioned in OIOS's Audit Manual as clients
- UN organizations listed by OIOS as clients, but not mentioned in OIOS's Audit Manual
- UN organizations not listed by OIOS as clients

Source: GAO analysis of UN and OIOS information.

Notes: For definitions of the abbreviations, see Glossary at the end of this report.

OIOS does not oversee specialized agencies and other autonomous organizations linked to the UN through special agreements, such as the Food and Agriculture Organization, the International Atomic Energy Agency, the World Health Organization, and other such entities. These entities have their own oversight capacity and are not clients of OIOS.

^aOHCHR is listed on OIOS's website and in its audit manual as one of several "Funds and Programmes administered separately under the authority of the Secretary-General" that "have requested OIOS audit services." OHCHR is also shown as a Secretariat department in an organization chart posted on the UN's website.

OIOS Independence Strengthened, but Impediments to Independence Remain

The General Assembly Strengthened OIOS's Independence by Creating the IAAC and Recommending Fully Risk-Based Work Plans and Budget Requests

Audit Committee Purpose, Membership, and Responsibilities according to Best Practices

Purpose:

- To assist the governing body in its oversight responsibilities
- To act as an independent safeguard on management

Membership:

- Independent from the organization
- With specialized skills in financial reporting, corporate governance, and internal control
- Selected by the governing body

Responsibilities:

- Reviewing and approving the internal audit activity's charter
- Ensuring communication and reporting lines between the chief internal auditor and the audit committee
- Reviewing internal audit staffing and ensuring that the function has the necessary resources
- Reviewing and assessing the annual internal audit plan
- Overseeing the coordination of the internal auditor and the external auditor
- Reviewing periodic reports on the results of the internal auditor's work
- Reviewing senior management's responsiveness to internal audit findings and recommendations
- Monitoring and assessing internal audit effectiveness

Source: GAO analysis of IIA guidance. See GAO, *United Nations Organizations: Oversight and Accountability Could be Strengthened by Further Instituting International Best Practices* (GAO-07-597, June 18, 2007).

The UN General Assembly has supported OIOS's independence in audits of organizations within the Secretariat and peacekeeping missions by creating the Independent Audit Advisory Committee (IAAC), which reviews OIOS's audit plans and budget requests, and compares them to the Secretary-General's proposed budgets for oversight to ensure that they reflect the resources OIOS needs to audit identified risks. In a July 2006 report to the General Assembly, OIOS noted that a main obstacle to the independence of its audits was that it was responsible for auditing departments in the Secretariat, such as the Department of Management, which reviews its budget.²⁸ While OIOS did not report any specific examples of budget restrictions that had been imposed, the IAAC mitigates the potential impairment to OIOS's independence caused by its dependence on funding from entities it audits by making recommendations that would ensure that OIOS has sufficient resources, and keeping the General Assembly apprised of issues related to OIOS's operational independence. The IAAC became operational in 2008 and serves some of the functions of an independent audit committee, which the IIA considers critical to ensuring strong and effective processes related to independence, internal control, risk management, compliance, ethics, and financial disclosure.

The IAAC advises the General Assembly in accordance with terms of reference adopted by the General Assembly in 2007. The IAAC reviews a proposed budget for internal oversight prepared by the Secretary-General and compares that to the resources requested by OIOS. The IAAC then provides independent comments directly to the budget committee of the General Assembly on the resources OIOS will need (see app. III for a timeline showing the preparation, approval, and execution of OIOS's regular budget). An IAAC official reported that, while part of its function is to ensure OIOS's independence, the committee does not automatically take OIOS's side in disputes over resources with the Secretary-General.

²⁸United Nations, *Report of the Office of Internal Oversight Services on Proposals for Strengthening the Office of Internal Oversight Services*, UN Document A/60/901 (July 14, 2006).

Some Basic Principles Related to IIA Standards for Managing the Internal Audit Activity, Planning, and Risk Management

- *Managing the internal audit activity:* The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.
- *Planning:* The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.
- *Risk management:* The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.
- *Definition of risk management:* A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

Source: IIA.

In some instances, the IAAC has advised the General Assembly that OIOS needed more resources and independence; in others, it has advised that OIOS resources were sufficient or excessive.

The UN also strengthened OIOS's independence by supporting its efforts to improve its risk-based planning and budgeting process in accordance with IIA standards, but OIOS is still working to improve its risk assessments in response to IAAC concerns. As part of the outcome of a 2005 World Summit gathering at the UN, the General Assembly requested that the Secretary-General submit an independent external evaluation of the auditing and oversight system of the UN, with recommendations for improving these processes. The external review commissioned by the Secretary-General recommended that OIOS improve its annual risk-assessment methodology, and specified several improvements, including building an inventory of risks in consultation with its clients, and ranking the risk of each item in OIOS's audit universe.²⁹ As the Secretary-General reported, in addition to ensuring that oversight resources are prioritized for high-risk areas, a risk-based approach also provides the General Assembly with a basis for determining the level of risk it is willing to accept for the organization. In its 2006 report to the General Assembly, OIOS committed to having fully risk-based work plans by 2008.³⁰ OIOS was able to meet this schedule, completing risk assessments of approximately 90 percent of its clients from July 2007 to September 2008. An OIOS official also reported that its separately administered, extrabudgetary clients were included in its risk assessments.

In 2008, its first year of operation, the IAAC reported that OIOS's risk-assessment methodology provided a reasonable basis for establishing preliminary work plans. However, in 2009, the IAAC reported that OIOS's risk assessments were not practical for determining OIOS's resource requirements because they did not take into account its clients' efforts to mitigate these risks and therefore gave an inflated estimate of risks and oversight needs. The IAAC recommended that OIOS modify its risk

²⁹United Nations, *Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies*, report of the Independent Steering Committee, A/60/883/Add.2 (Aug. 2006).

³⁰GAO previously found that while OIOS had adopted the IIA standards in 2002, its annual work plans were not fully based on a systematic risk assessment process, as the standards require. See [GAO-06-575](#).

Oversight Arrangements for OIOS's Separately Administered Clients May Limit Its Ability to Provide Independent Oversight

Some Basic Principles Related to IIA Standards for Independence

- Definition of independence: The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- The internal audit activity must be independent, and internal auditors must be objective in performing their work.
- Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.
- The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.
- If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. Impairment to organizational independence may include, but is not limited to, personal conflict of interest, scope of limitations, restrictions on access to records, personnel, and properties, and resource limitations such as funding.

Source: IIA.

assessments to include the effect of controls that its clients have already put in place, and in February 2011, OIOS officials reported that they are working to change OIOS's methodology in accordance with the recommendations.

The Secretary-General found that OIOS's funding arrangements with separately administered organizations do not meet IIA standards for independence because OIOS must negotiate oversight agreements with these organizations without an independent review to ensure that the oversight resources provided are sufficient.³¹ These negotiations include discussions of the number and level of staff and resources that will be used for an audit based on an amount of funding that the individual fund or program is able to provide OIOS. The IAAC mitigates this potential impediment to OIOS's independence within the Secretariat and peacekeeping missions; however, the IAAC Chairman stated that although the IAAC reviews OIOS's budget requests for separately administered organizations, it does not have the authority to work with the governing bodies of these entities to resolve funding issues, and thus potential impediments to OIOS's ability to provide independent oversight remain.³²

OIOS officials stated that some of these clients have provided limited audit resources to assist OIOS in its efforts. OIOS officials emphasized that these resource limitations have not impeded the office's audit activities because improvements to risk-based planning have allowed it to better prioritize audit work and manage resources more effectively and economically. However, OIOS officials reported that several smaller entities that have adopted the UN financial regulations and rules (and therefore fall under OIOS's audit authority for financial management audits) have not provided OIOS with resources for conducting audits. These entities include the United Nations Convention to Combat

³¹United Nations, *Comprehensive Review of Governance and Oversight within the United Nations and Its Funds, Programmes, and Specialized Agencies*, Addendum 2, Volume 5. Report of the Secretary-General, UN Document, A/60/883/Add.2 (Aug. 28, 2006).

³²In commenting on this report, OIOS stated that the IAAC mandate need not cover the adequacy of budget requests or resource requirements for, or resource agreements with, entities not within its mandate, when entities (such as the Office of the United Nations High Commissioner for Refugees or the United Nations Joint Staff Pension Fund) have an audit or oversight committee that considers these matters to ensure adequacy and independence of the audit activities.

Desertification, the United Nations Interregional Crime and Justice Research Institute, the United Nations Institute for Training and Research, the United Nations Research Institute for Social Development, the United Nations System Staff College, and the United Nations University.

Compounding the potential for limitations to OIOS's ability to provide independent oversight, developing oversight relationships on a case-by-case basis has also created inconsistent funding arrangements, and the IAAC has recommended that these funding arrangements be revised. OIOS has MOUs formalizing its relationships with only seven of the separately administered entities it lists as clients (see table 1). These MOUs describe OIOS's oversight activities and resources, but the IAAC does not review the MOUs and they do not necessarily ensure independent oversight. OIOS has not established formal MOUs with its other separately administered clients, including three funds and programs—the United Nations Environment Program, the United Nations Human Settlements Program, and the United Nations Conference on Trade and Development. In its report pending with the Secretariat, the IAAC is recommending that the General Assembly reconsider OIOS's current funding arrangements with separately administered entities.

Table 1: OIOS's Oversight Relationships with Separately Administered Clients

	Provides funding for OIOS?	Established MOU with OIOS?	Adopted UN Financial Regulations and Rules?	Number of recent audits (2006–June 2011)
Funds and programs listed by OIOS as clients^a				
ITC	Yes	Yes—established in 1999	Yes	2
OHCHR	Yes	Yes—established in 2005	Yes	11
UNCTAD	Yes	No	Yes	4
UNEP	Yes	No	Yes	10
UN-Habitat	Yes	No	Yes	10
UNHCR	Yes	Yes—established in 2001, followed by letter of agreement in 2007. However, UNHCR does not consider the letter to be currently valid.	Yes for regular budget—UNHCR has its own financial regulations and rules for voluntary contributions.	118
UNODC	Yes	Yes—established in 1999	Yes	15
Other UN entities listed by OIOS as clients (not including Secretariat departments and offices, peacekeeping missions and offices, and regional commissions, all of which fall under the authority of the Secretary-General and are not separately administered)				
ICJ	Yes	No	Yes	0
ICSC	status as OIOS client not clear	No	Yes	0
ICTR	Yes	No	Yes	10
ICTY	Yes	No	Yes	15
UNCC	Yes	Yes—established in 1997	Yes	8
UNCCD	No	Yes—established in 2010	Yes	3
UNFCCC	Yes	Yes—established in 2009	Yes	6
UNICRI	No	No	Yes	1
UNIDIR	Yes	No	Yes	3
UNITAR	No	No	Yes	1
UNJSPF	Yes	No	Yes	29
UNRISD	No	No	Yes	1
UNSSC	No	No	Yes	0
UNU	No	No	Yes	2

Source: GAO analysis of OIOS information.

Note: For definitions of the abbreviations, see Glossary at the end of this report.

^aThese entities, which have requested OIOS audit services, are described in OIOS's audit manual as funds and programs administered separately under the authority of the Secretary-General.

OIOS May Not Be Able to Provide Sufficient Oversight of Joint UN Activities When Directed to by the General Assembly

Since OIOS does not have oversight authority over all separately administered UN entities, it may not be able to provide sufficient oversight of crosscutting activities undertaken jointly by multiple UN entities even when it is directed to do so by the General Assembly. UN humanitarian, reconstruction, and development program activities can involve multiple entities not covered by OIOS's existing mandate, which have their own internal oversight offices. For example, the United Nations Development Group Iraq Trust Fund has 22 separate participating UN organizations, and some of these entities also have their own internal oversight capacity. In August 2006, an external review commissioned by the Secretary-General found that OIOS could not fully assess risks in joint activities involving entities not covered in its mandate, and it recommended that OIOS be given audit authority over joint activities that include entities within its mandate, with support from other audit organizations.³³ In 2007, OIOS and other internal audit offices in the UN system adopted a framework for auditing multi-donor trust funds,³⁴ in part to address this issue. The framework established that a summary report of all internal audit work would be prepared after the completion of the individual audits, and OIOS officials stated that OIOS has subsequently participated in a summary report of a joint audit of the Common Humanitarian Fund for Sudan that was issued by the United Nations Development Program.

While OIOS is not responsible for coordinating the internal oversight of all joint activities, the General Assembly has previously directed it to prepare the consolidated report of the audit and investigative reviews undertaken by other UN organizations. However, in December of 2006, OIOS reported that it had been unable to issue a consolidated report on the audits of tsunami relief efforts, as directed by the General Assembly, because the internal auditors of funds, programs, and specialized agencies were unable to share their audit reports with OIOS. In 2010, OIOS reemphasized its recommendation that the Secretary-General, in collaboration with the heads of funds, programs, and specialized

³³United Nations, *Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies*, Report of the Independent Steering Committee, A/60/883/Add.2 (Aug. 2006).

³⁴Multi-donor trust funds are established by the UN system, national authorities, and other donors to support specific country and/or global priorities, such as UN development assistance frameworks. Participating organizations appoint an administrative agent that receives, administers, and transfers donor funds in accordance with memoranda of understanding.

agencies, specify in a single policy document the applicable rules and regulations, coordination mechanisms, and reporting systems for oversight of interagency activities.³⁵ OIOS officials noted in the summer of 2011 that it still would not be possible for OIOS to issue a consolidated audit report because funds and programs, and specialized agencies cannot share their audit reports.

Staffing Shortages Have Hindered OIOS Performance, but Efforts Are Under Way to Address Them

High vacancy rates for authorized positions, for both rank-and-file and senior staff, have historically hindered OIOS's ability to provide sufficient oversight.³⁶ In addition, the Under-Secretary-General for Internal Oversight Services reported that she has insufficient staff in the Office of the Under-Secretary-General to manage OIOS's operations. The UN Secretariat and OIOS are taking steps to address these staffing issues. OIOS has had staffing shortages in its three divisions, and the UN's external auditors (the Board of Auditors) found that these shortages hampered the Internal Audit Division's completion of its work plans. The UN Secretariat and OIOS have prioritized filling vacant positions, particularly since the start of the new Under-Secretary-General's term in 2010. The IAAC also expressed concern that vacancies at the senior management level would make it difficult for OIOS to accomplish its work, but OIOS has recently filled the two director-level positions that had been vacant for more than a year.³⁷ Further, the Under-Secretary-General has begun an initiative within OIOS to strengthen OIOS's management and coordination; this involves a comprehensive review of the office's responsibilities and capabilities, and may result in requests for additional management resources. To facilitate this effort, the Under-Secretary-General has requested staff and additional consultant positions through the end of 2011, and the Secretary-General has concurred with this request.

³⁵According to an IAAC official, as of July 2011, OIOS had not brought this recommendation to the IAAC's attention.

³⁶United Nations, *Financial Report and Audited Financial Statements for the Biennium Ended 31 December 2009 and Report of the Board of Auditors*, General Assembly Official Records, Sixty-fifth Session, Supplement No. 5, A/65/5 (Vol. 1).

³⁷In commenting on this report, OIOS stated that the division director positions have been continuously staffed on an acting basis for several years, and therefore have not been technically "vacant," nor has this situation hampered OIOS's ability to provide sufficient oversight.

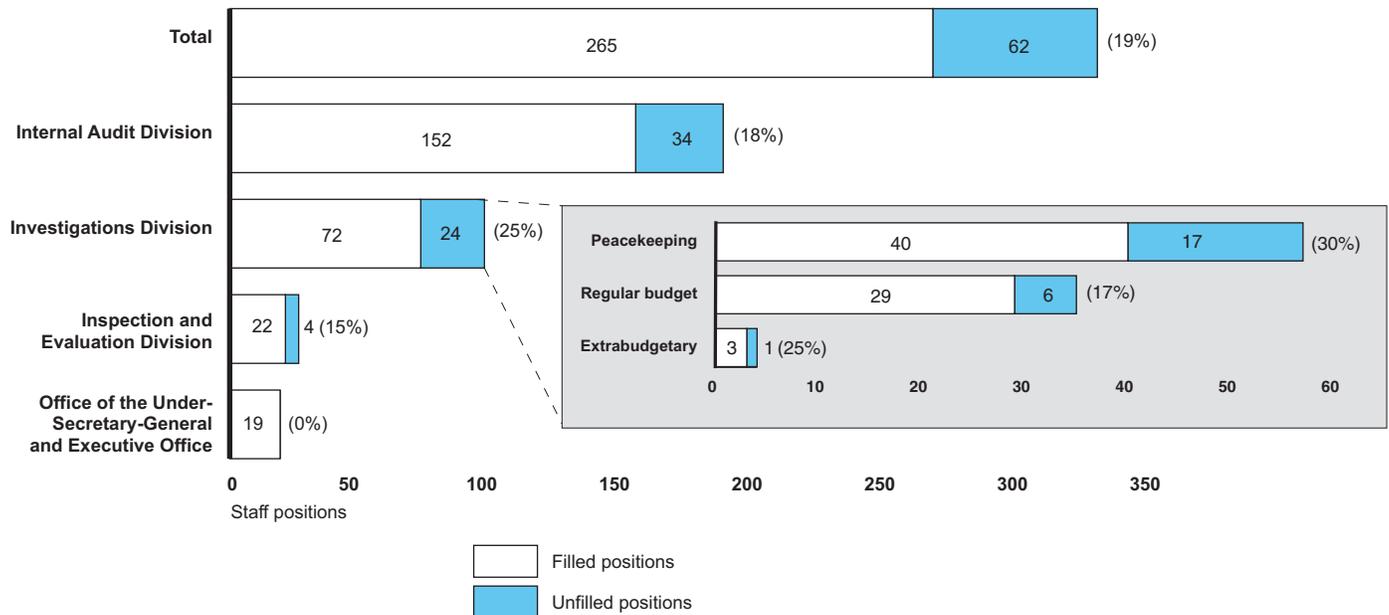
Staffing Shortages Have Constrained OIOS's Oversight Capabilities

Since our last report on OIOS in 2006, OIOS has had staffing shortages due to authorized but unfilled positions that have limited the office's ability to provide sufficient oversight. (See app. VI for the status of our 2006 recommendations.) According to the UN Office of Human Resources Management, OIOS's vacancy rate for professional service staff was 21 percent, as of September 2010,³⁸ an increase from the period between 2006 and 2009 when rates were between 12 and 17 percent. As of the end of July 2011, OIOS data indicated that 19 percent of its approved staff positions were unfilled and that, as shown in figure 6, the vacancy rates were highest in the Internal Audit and Investigations Divisions, with the highest rate (30 percent) for investigations of peacekeeping activities. According to the Board of Auditors, staffing shortages hampered the Internal Audit Division's completion of its planned audits in 2008 and 2009.³⁹ In 2009 and again in 2010, the IAAC also expressed concern that the high rate of unfilled positions in OIOS would make it difficult for OIOS to accomplish its work. The Under-Secretary-General for Internal Oversight Services noted that this is because OIOS is required to submit a work plan based on 100 percent of its authorized positions, rather than filled positions. She further stated that OIOS should be allowed to submit a work plan based on anticipated staffing shortages.

³⁸OIOS itself reported a higher rate for that period (26 percent for professional staff, including director-level positions).

³⁹United Nations, *Financial Report and Audited Financial Statements for the Biennium Ended 31 December 2009 and Report of the Board of Auditors*, General Assembly Official Records, Sixty-fifth Session, Supplement No. 5, A/65/5 (Vol. 1).

Figure 6: Filled and Unfilled OIOS Staff Positions, Fiscal Biennium 2010-2011 (as of July 31, 2011)



Source: GAO analysis of OIOS data.

Note: These data incorporate approved positions under the peacekeeping account (effective July 1, 2011, through June 30, 2012).

As reasons for high vacancy rates, OIOS officials cited complexities in the hiring process, difficulty filling oversight positions in peacekeeping missions, and a new online system for human resources management that was unfamiliar to OIOS staff. OIOS officials stated that the human resource policies of the Secretariat require that vacancies be posted individually, preventing OIOS from conducting a single hiring process for multiple positions, and that this requirement makes reducing the vacancy rate more difficult. Compounding this problem, OIOS officials added that when a high-level position becomes vacant, it is often filled internally, which creates a new vacancy at a lower level. Thus, the filling of one position can result in the creation of a new vacancy, which requires another extended recruitment period. OIOS officials also stated that it is difficult to fill vacant positions in peacekeeping missions due to challenging working and living conditions. According to a high-level official in the Investigations Division, OIOS staff in peacekeeping missions feel isolated by their remote locations and by the fact that they are seen as outsiders by the peacekeeping staff. Finally, OIOS officials said the Secretariat had difficulty implementing the new online human resources recruitment tool, and that this contributed to delays in filling vacancies in

the most recent biennium. UN Office of Human Resources Management officials confirmed that there had been some technical problems with the rollout of the new system and that vacancy rates had increased systemwide.

The UN and OIOS have made reducing staffing shortages a priority. The new Under-Secretary-General for Internal Oversight Services stated that she has hired 82 new staff since the beginning of her term in September 2010 and has received clearance to bring in consultants to work on recruitment through December 2011. The Under-Secretary-General noted that the UN financial regulations and rules do not provide her the flexibility to redeploy funds to hire consultants, as may be necessary. To reduce the number of unfilled positions, the Under-Secretary-General requested an exemption from Secretariat hiring policies in order to conduct mass recruitment to identify qualified candidates. She said that a key to this effort would be the ability to interview and prequalify candidates at the appropriate level in order to be able to fill multiple vacancies at once. She reported that she did not have to use the exemption because, in the final analysis, she was able to work within current policies to permit selection of prequalified candidates more expeditiously.

Officials from the UN Office of Human Resources Management stated that in April 2010, the UN revised its recruitment policy to expedite the process for departments with high vacancy rates. The revised policy allows department managers (including the Under-Secretary-General for Internal Oversight Services) to place qualified candidates that are not selected for a particular position onto a roster, which they or other department managers can then use to fill similar vacancies without repeating the full recruitment process. The new policy provides the Office of Human Resources Management with incremental resources to fully verify credentials and references of rostered candidates (with their permission), rather than waiting until they have been selected for a position to complete this verification process, as this can delay their placement for up to 6 months. This revision is expected to expedite future placement of prequalified candidates. OIOS also reported that the difficulties with the online human resources recruitment tool are being resolved, and that the office expects vacancy rates to decline over the next year.

Prolonged Vacancies at Director Level Resolved, but Underlying Weakness in Hiring Process Remains

OIOS had prolonged vacancies at the director level in two of its three divisions, one of which persisted for 5 years, but both positions have now been filled. In its 2008-2009 report, the IAAC expressed concern that these vacancies would make it difficult for OIOS to accomplish its work. Vacancies at the director level differ from other vacancies because OIOS cannot fill director-level vacancies without the approval of the Secretary-General, in accordance with a Secretariat-wide human resources policy. According to this policy, the head of a department or office must submit at least three candidates—one of which must be a woman—to the Secretary-General, who ultimately decides which candidate to appoint. This process was a point of contention between the previous Under-Secretary-General and the Secretary-General and resulted in prolonged vacancies at the director level in two of OIOS's three divisions. In 2009, the IAAC proposed a definition of operational independence for OIOS that includes the ability to select staff for appointment and promotion, and the General Assembly will consider this proposal during its 66th session starting in September 2011. However, the new Under-Secretary-General was able to nominate candidates in accordance with the Secretariat's policy. She stated that the process was not overly restrictive and that it was appropriate for an internal auditor to follow the policies of the Secretariat. In the spring of 2011, the Secretary-General approved the candidates she had recommended to fill both the Director of Investigations and the Director of Inspection and Evaluation positions, who assumed their positions in August 2011.

Under-Secretary-General for Internal Oversight Services Has Reported a Need for More Staff to Assist Her in Managing OIOS

Since assuming her position in September 2010, the new Under-Secretary-General for Internal Oversight Services stated that she has not had the ability to sufficiently oversee OIOS activities because the Office of the Under-Secretary-General is under resourced. She said she has made reviewing all of OIOS's reports prior to release a priority for quality control, and that OIOS issues about 300 reports per year. In 2011, the Office of the Under-Secretary-General has been reviewing all reports before they are released, but this has strained available resources. This office is authorized seven staff, including the Under-Secretary-General, and all of these positions are currently filled. In May 2011, the IAAC endorsed a new Assistant Secretary-General position, which OIOS had included in its budget submission. OIOS reported that it will request additional staff as needed after completing a comprehensive review of OIOS's responsibilities and capabilities. The Under-Secretary-General also stated that additional management staff could improve collaboration between the divisions to better share information on risk assessments and internal control shortfalls—such as risk of fraud identified by the

Internal Audit Division, or systemic control weaknesses found by the Investigations Division—and is developing a team to identify potential areas for collaboration among OIOS divisions.

Conclusions

The United States and other member states have long advocated a wide range of UN management reforms that have included a call for greater transparency and accountability throughout the UN system. As part of its efforts to advance UN reforms, the U.S. Mission to the UN has included among its priorities strengthening the UN's main internal oversight body—OIOS—to better identify, obtain, and deploy the resources needed to ensure that the billions in U.S. and international contributions are spent wisely and that UN programs are managed effectively. Although OIOS plays a vital role in improving the UN's effectiveness, OIOS's ability to provide sufficient oversight of UN entities under the authority of the Secretary-General is limited due to impediments to its operational independence in providing full oversight of funds and programs and high rates of unfilled staff positions.

The UN General Assembly has taken steps to help strengthen OIOS—most notably, by creating the IAAC to review OIOS's budgets and work plans for audits of entities within the Secretariat and peacekeeping missions to ensure that OIOS resources are sufficient to address risks in the UN. However, in order to provide essential internal oversight services, OIOS still has to negotiate individual agreements with funds, programs, and other clients under the authority of the Secretary-General but administered separately and funded with extrabudgetary resources. This practice may unduly limit the scope of OIOS's oversight. As the United States and other member states place new demands for fiscal discipline and cost-effective management on the UN and the myriad funds and programs under it, strengthening OIOS oversight will help the UN be more responsive to these demands. Improvements in these areas can help OIOS address some of the difficulties it faces in effectively carrying out its mandate.

Recommendation for Executive Action

We recommend that the Secretary of State and the Permanent Representative of the United States to the United Nations work with the General Assembly and member states to address remaining impediments to OIOS's ability to provide independent oversight resulting from its relationships with certain UN funds and programs and other clients.

Agency Comments and Our Evaluation

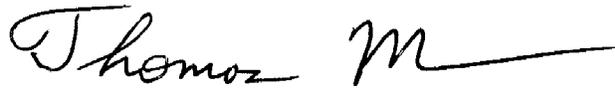
OIOS and State provided written comments on a draft of this report. We have reprinted their comments in appendixes VII and VIII, respectively. These agencies also provided technical comments and updated information, which we have incorporated throughout this report, as appropriate.

OIOS agreed with the overall conclusion of the report that progress has been made in addressing independence and staffing issues and that further actions are needed in some areas. OIOS stated that it has developed a comprehensive plan to address the issues we identified and is currently working to systematically examine options and implications for their resolution within the scope of OIOS's authority and responsibility as mandated by the General Assembly. OIOS also stated that the report fairly reflected its efforts and current views and noted that the efforts invested by GAO, OIOS, and others have contributed to the usefulness of the reported results.

State endorsed most of our main findings and conclusions, noting that it agreed that OIOS's budgetary and operational independence could be strengthened further. State also accepted our recommendation that impediments to OIOS's ability to provide independent oversight be addressed. However, State appears to have misinterpreted our discussion of OIOS oversight authority over the separately administered UN funds and programs that have opted to use OIOS as their internal auditor. State attributed to GAO the assertion that OIOS's involvement in the internal oversight of funds and programs is contingent on the consent of the funds and programs. This interpretation was made instead by the UN Secretariat's Office of Legal Affairs. We have added language to make this distinction clearer.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from the report date. At that time, we will send copies of this report to appropriate congressional committees, the Secretary of State, and the Permanent Representative of the United States to the United Nations. This report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IX.

A handwritten signature in black ink that reads "Thomas M" followed by a long horizontal flourish.

Thomas Melito
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine actions being taken to address (1) impediments to OIOS's ability to provide independent oversight and (2) staffing issues that may have hindered its performance.

To address our objectives, we reviewed relevant United Nations (UN) and Office of Internal Oversight Services (OIOS) reports, policies and procedures manuals, and other documents, as well as internationally recognized standards such as those of the Institute of Internal Auditors (IIA). We met with Department of State (State) officials in Washington, D.C., and officials in New York from the U.S. Mission to the UN. In New York, we also met with the Under-Secretary-General for Internal Oversight Services, OIOS management officials and staff in each of the Office's divisions (the Internal Audit Division, the Investigations Division, and the Inspection and Evaluation Division), and with staff from the Office of the Under-Secretary-General. In addition, we met with representatives of UN Secretariat departments and UN funds and programs, and the members of the UN Board of Auditors, which carries out external audits of the accounts of the UN organization and the funds and programs that are under the authority of the Secretary-General. Through in-person interviews, videoconference, and teleconference, we spoke with senior OIOS audit and investigations officials based in Geneva and Vienna; with the Independent Audit Advisory Committee (IAAC) Chairman in Washington, D.C.; and with an official from the UN's Joint Inspection Unit in Geneva, which conducts evaluations and inspections of the UN system.

To assess the reliability of UN and OIOS funding and staffing data, we reviewed the office's budget reports for fiscal biennia 1994-1995 through 2010-2011 and vetted the data with relevant OIOS and UN budget officials and interviewed an international relations specialist at the Congressional Research Service who reports on U.S. contributions to the UN; however, we did not independently verify the underlying source data. We determined that UN and OIOS budget data were sufficiently reliable to present trends of the regular, peacekeeping, and extrabudgetary appropriations for the biennia 1994-1995 through 2010-2011. We used staffing data provided by OIOS, which we determined were reliable for our purposes of presenting staffing levels as of July 31, 2011.

To assess OIOS's consistency with key international auditing standards, we reviewed relevant internationally accepted standards for oversight such as the *International Standards for the Professional Practice of Internal Auditing* issued by the IIA, which OIOS adopted in 2002. The IIA standards apply to internal audit activities—not to investigations,

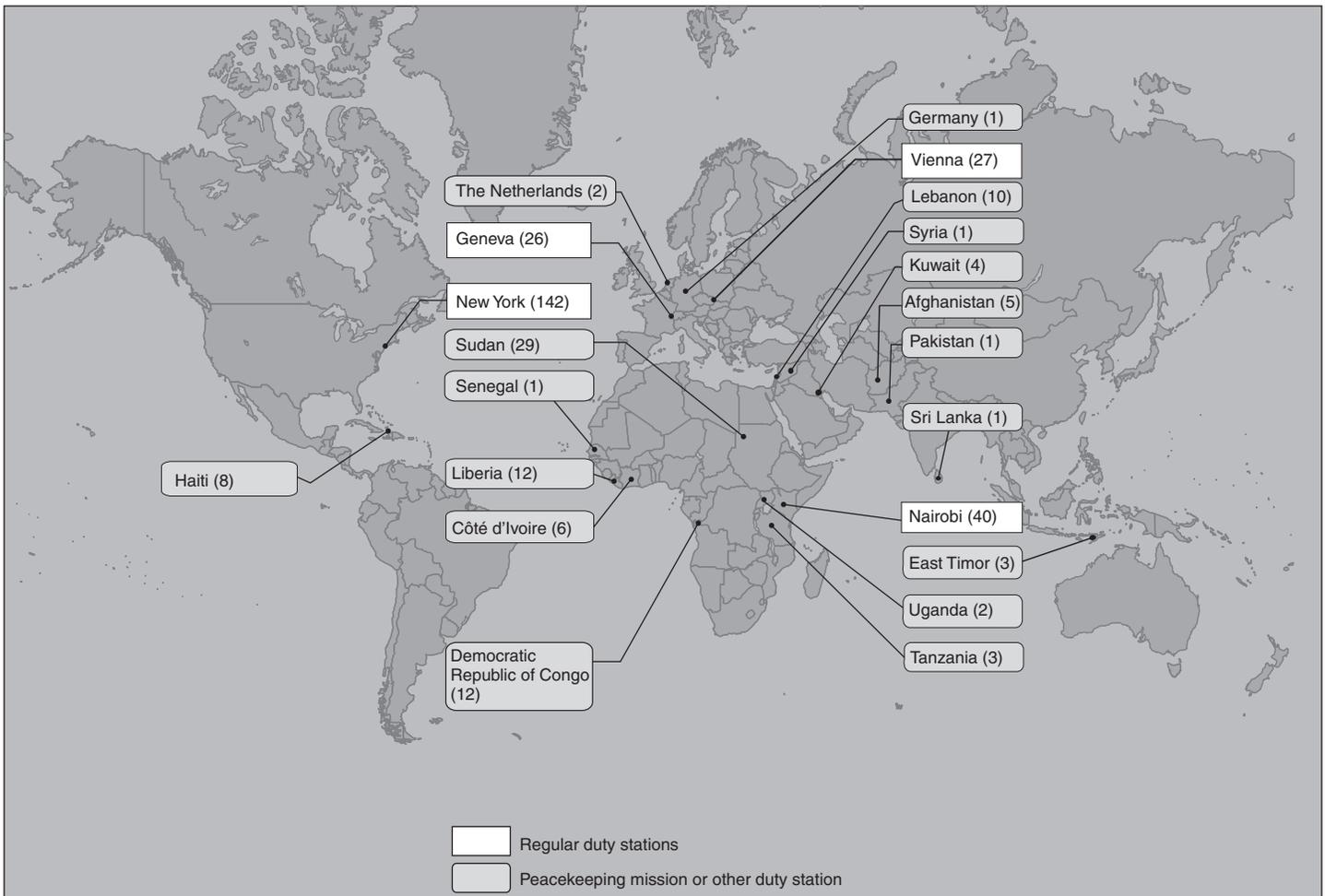
inspections, or evaluation activities. However, we applied these standards OIOS-wide, as appropriate. We also reviewed the *International Standards of Supreme Audit Institutions* issued by the International Organization of Supreme Audit Institutions, as well as guidelines for oversight such as the *Uniform Guidelines for Investigations* issued by the Conference of International Investigators, and the *Norms for Evaluation in the UN System* issued by the United Nations Evaluation Group. Finally, we examined documentation for OIOS's risk-based planning methodology and annual work plans, recommendations tracking, and ethics practices.

We conducted our work from October 2010 to September 2011 in accordance with generally accepted U.S. government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Appendix II: OIOS's Locations and Staffing

Figure 7 displays the locations of OIOS staff, as of September 2011, including the UN's peacekeeping missions.

Figure 7: OIOS Staff Locations as of September 2011



Source: GAO based on OIOS information; Cartesia MapArt (map).

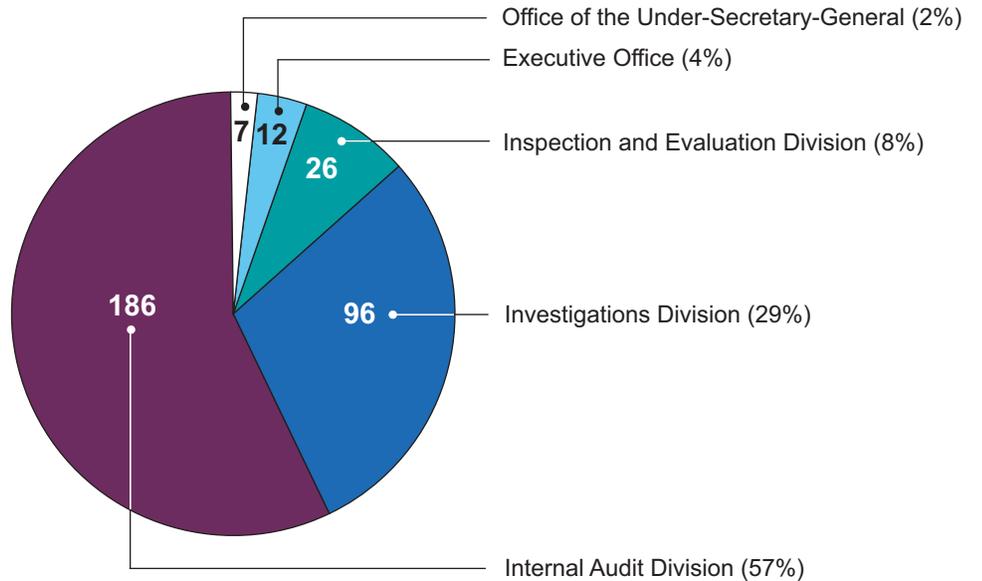
Notes:

The five audit staff positions located in Afghanistan (for auditing the United Nations Assistance Mission in Afghanistan) and the four audit staff positions located in Kuwait (for auditing the United Nations Assistance Mission for Iraq) are funded by the respective missions' budgets, not by OIOS. They are therefore not included in the 327 authorized staff positions as of July 2011 funded by OIOS.

Five of the staff in Nairobi, one of the staff in Sudan, and all of the staff in Pakistan, Senegal, Sri Lanka, and Syria audit the Office of the United Nations High Commissioner for Refugees. The Netherlands-based staff oversee the International Criminal Tribunal for the Former Yugoslavia and the Tanzania-based staff oversee the International Criminal Tribunal for Rwanda. The staff in Germany audits the United Nations Framework Convention on Climate Change.

The Internal Audit Division is by far the largest OIOS division, comprising 57 percent of the office's authorized staff; the Investigations Division is second in size, at 29 percent (see fig. 8).

Figure 8: Authorized Staff Positions in OIOS Divisions, Fiscal Biennium 2010-2011 (as of July 31, 2011)

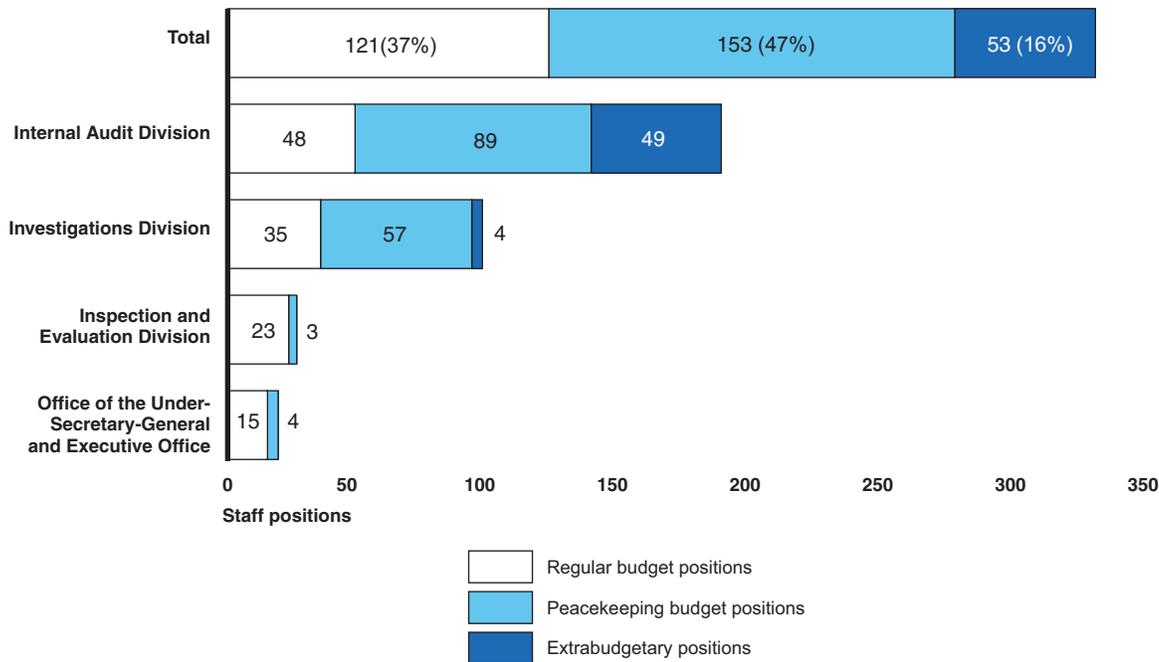


Source: GAO analysis of OIOS data.

Note: These data incorporate approved positions under the peacekeeping account (effective July 1, 2011, through June 30, 2012).

More staff positions are tied to oversight of peacekeeping activities (47 percent overall, or 153 of 327) than activities funded by the regular budget (37 percent, or 121 of 327) or extrabudgetary sources (16 percent, or 53 of 327). The Internal Audit Division is the only division with a significant number of staff positions financed by extrabudgetary sources (26 percent, or 49 of 186). (See fig. 9.)

Figure 9: Budgetary Allocation of OIOS Staff Positions, Fiscal Biennium 2010-2011 (as of July 31, 2011)

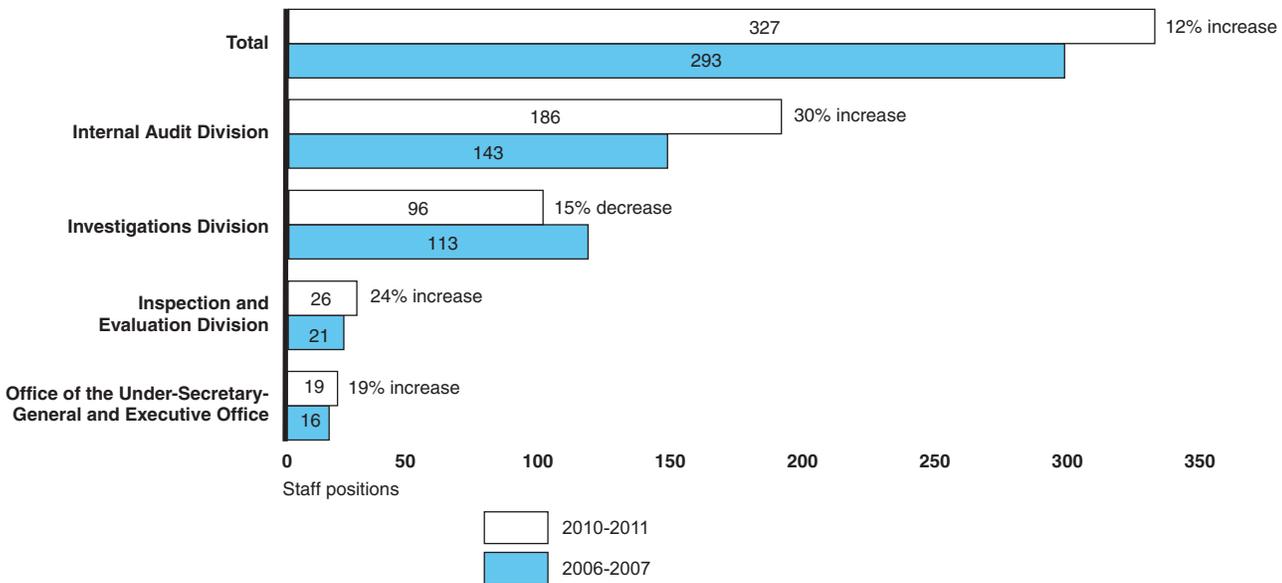


Source: GAO analysis of OIOS data.

Note: These data incorporate approved positions under the peacekeeping account (effective July 1, 2011, through June 30, 2012).

OIOS's authorized staff positions have increased slightly (by 12 percent, or 34 new positions) from 5 years ago, largely due to a 30-percent increase (43 new positions) in Internal Audit Division positions, whereas the positions in the Investigations Division dropped by 15 percent (17 positions). (See fig. 10.)

Figure 10: OIOS Authorized Staff Positions for Each Division, Fiscal Biennia 2006-2007 and 2010-2011 (as of July 31, 2011)

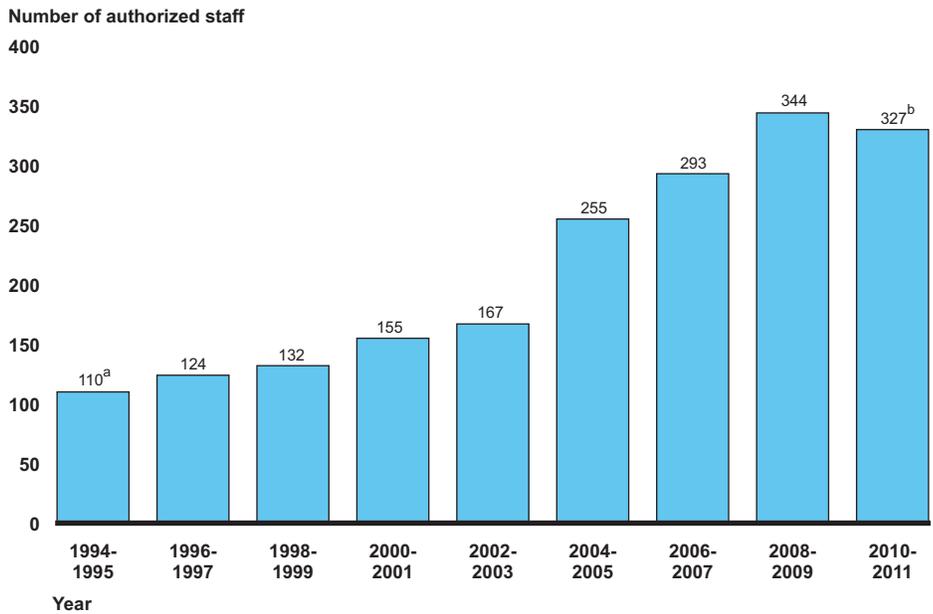


Source: GAO analysis of OIOS data.

Note: These data incorporate approved positions under the peacekeeping account (effective July 1, 2011, through June 30, 2012).

Total authorized staff positions have generally increased over the past nine UN fiscal biennium budget cycles, from 1994-1995 through 2010-2011, growing from just over 100 positions in 1994-1995 to over 300 in 2010-2011, due largely to an increase in authorized positions for overseeing the UN's expanding peacekeeping activities around the world (see figs. 11 and 12).

Figure 11: OIOS Authorized Staff Positions, Fiscal Biennia 1994-1995 through 2010-2011

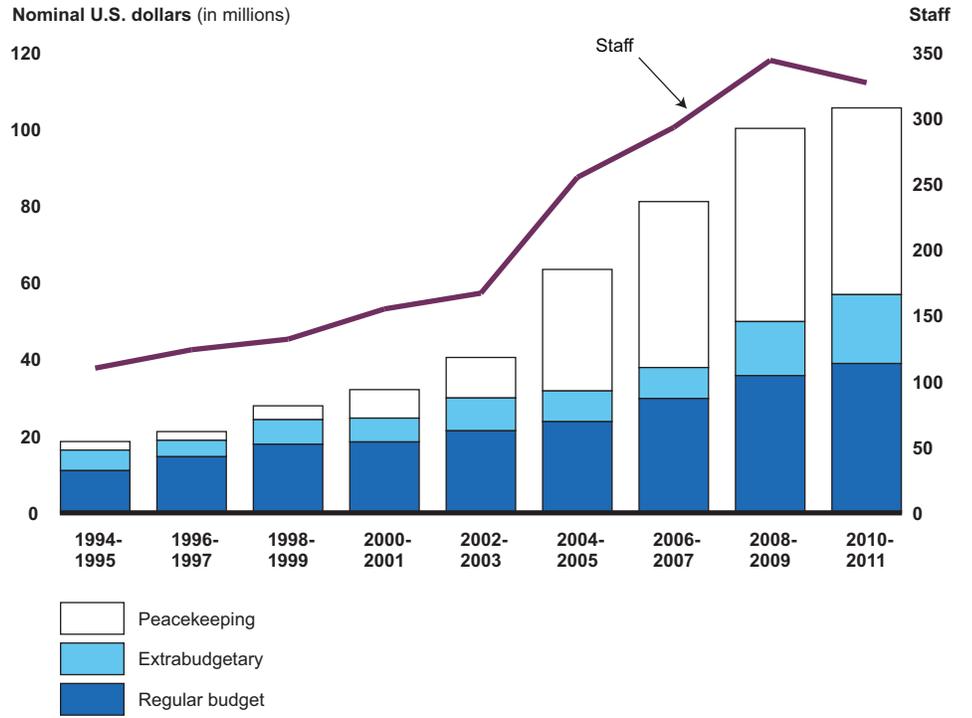


Source: GAO analysis of OIOS data.

^aThe figure for the 1994-1995 biennium does not incorporate temporary positions established during the course of the biennium.

^bAs of July 31, 2011.

Figure 12: OIOS Authorized Staff and Budget Trends, Fiscal Biennia 1994-1995 through 2010-2011



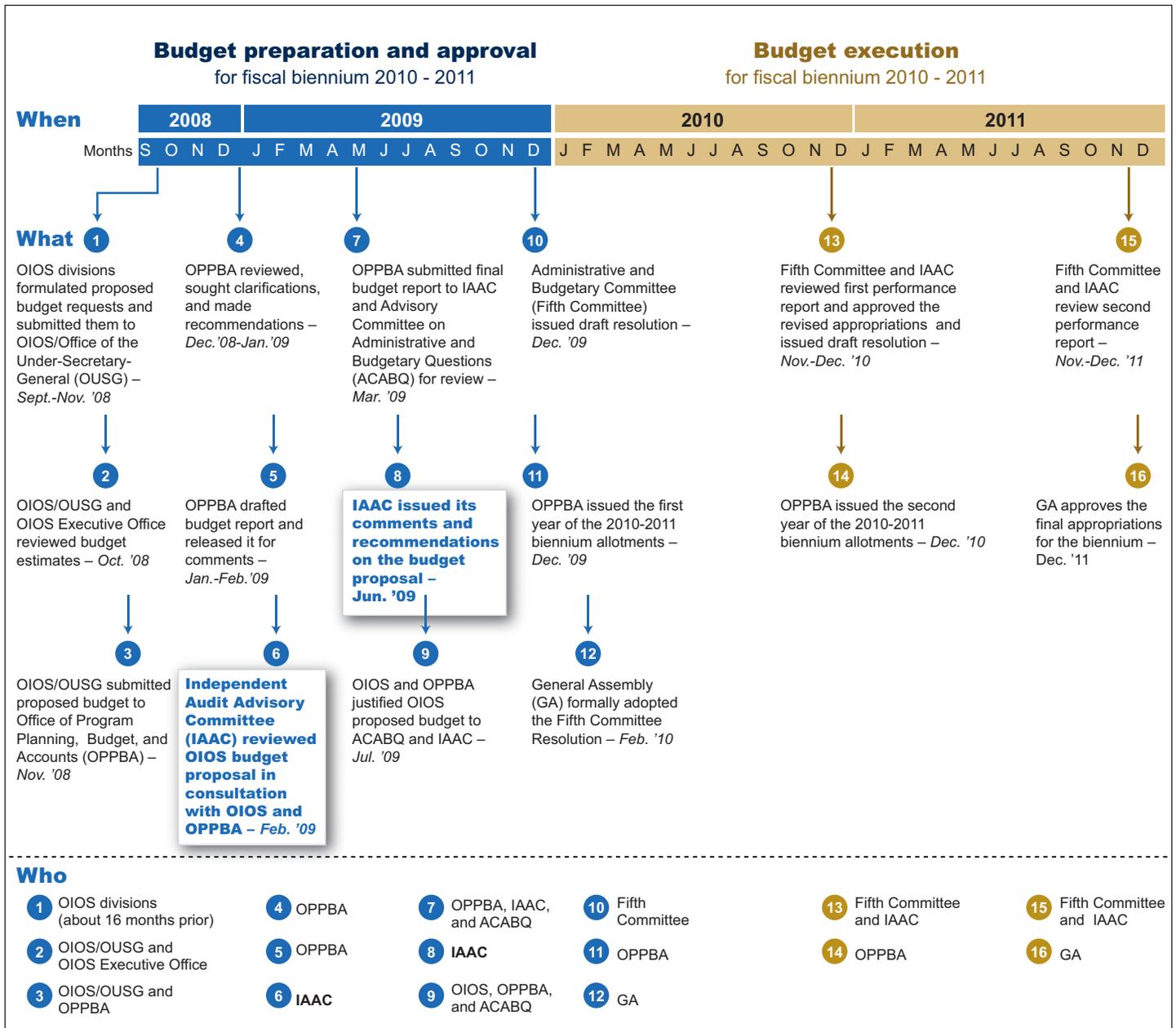
Source: GAO analysis of UN and OIOS data.

Appendix III: Timeline for the Preparation, Approval, and Execution of OIOS's Regular Budget

Figure 13 is a timeline showing the process of preparing, approving, and executing OIOS's regular budget. As shown in this figure, we have updated this timeline since our 2006 report to reflect IAAC's creation and its role in that budget process.

Appendix III: Timeline for the Preparation, Approval, and Execution of OIOS's Regular Budget

Figure 13: Timeline for the Preparation, Approval, and Execution of OIOS's Regular Budget



Source: GAO based on information provided and validated by OIOS and OPPBA.

**Appendix III: Timeline for the Preparation,
Approval, and Execution of OIOS's Regular
Budget**

Note: The budget process for trust funds and special accounts is the same as that for the regular budget. However, the budget cycle for the peacekeeping operations support account is on a July to June fiscal year, and the budget is prepared annually. The Peacekeeping Finance Division provides budget instructions in September of each year. OIOS submits its budget to the controller in November. The Peacekeeping Finance Division provides comments on OIOS's proposed budget in December; subsequently, they meet in January to discuss the budget. The ACABQ reviews the proposed budget in March, and the General Assembly reviews and approves the budget around May or June of each year.

Appendix IV: UN Resolutions and Administrative Issuances Affecting OIOS

Table 2 lists the UN resolutions and administrative issuances affecting OIOS, including its establishment in 1994, a 2003 resolution reaffirming the prerogative of the funds and programs to decide on their own oversight mechanisms and their relationship with OIOS, and the 2006 resolution establishing the IAAC.

Table 2: UN Resolutions and Administrative Issuances Affecting OIOS

Resolution or issuance	Date	Significance to OIOS
A/RES/48/218 B	8/12/1994	General Assembly resolution establishes OIOS.
ST/SGB/273	9/7/1994	<ul style="list-style-type: none"> Describes OIOS functions. States that OIOS's responsibilities "shall extend to the resources and staff of the (UN) Organization, which includes separately administered organs."
ST/AI/397	9/7/1994	Informs staff and others of the procedures for reporting possible misuse of funds, waste or abuse of United Nations facilities or privileges.
ST/AI/401	1/18/1995	Outlines the administrative arrangements and the authority of the Under-Secretary-General for Internal Oversight Services in personnel matters.
ST/IC/1996/29	4/25/1996	Provides terms of reference for OIOS Investigations Division.
ST/SGB/1998/2	2/12/1998	Establishes four OIOS divisions: Central Evaluation, Auditing and Management Consulting, Investigations, and Central Inspection and Monitoring.
A/RES/54/244	1/31/2000	<ul style="list-style-type: none"> Requests that the Secretary-General transmit OIOS reports to the General Assembly and that the Secretary-General comment as appropriate. States that OIOS should not suggest legislative changes to the General Assembly while recognizing that the Secretary-General can submit proposals for legislative changes through the appropriate channels.
ST/SGB/2002/7	5/16/2002	<ul style="list-style-type: none"> Reorganizes OIOS into three divisions—Internal Audit; Monitoring, Evaluation, and Consulting; and Investigations. Establishes that the OIOS Geneva Office is headed by a Head of Office who is concurrently the Chief of the Office of the United Nations High Commissioner for Refugees Audit Service. States that the core functions of OIOS's Internal Audit Division include "conducting financial, operational and management audits for all UN activities under the administrative responsibility of the Secretary-General."
A/RES/57/287 A-B	1/31/2003	Reaffirms the prerogatives of the funds and programs to decide on their own oversight mechanisms and their relationship with OIOS.
A/RES/59/272	2/2/2005	<ul style="list-style-type: none"> Establishes that original versions of OIOS reports that are not submitted to the General Assembly are available to any member state upon request. The General Assembly concurs with the view that a high-level follow-up mechanism should be established to incorporate the findings of OIOS, Board of Auditors, and Joint Inspection Unit into the executive management process.
A/RES/60/1	10/24/2005	Allows OIOS to examine the feasibility of expanding its services to provide oversight to UN agencies when requested. Asks the Secretary-General to submit an independent external evaluation of the entire internal oversight system in the UN, including for specialized agencies.
A/RES/60/248	2/1/2006	Establishes the IAAC to assist the General Assembly in discharging its oversight responsibilities.

**Appendix IV: UN Resolutions and
Administrative Issuances Affecting OIOS**

Resolution or issuance	Date	Significance to OIOS
A/RES/60/259	6/15/2006	Notes with concern OIOS's description of its mission in its 2005 annual report and reiterates that the mission of OIOS should be in full conformity with its mandate.
A/RES/61/245	3/7/2007	Requests that the Secretary-General submit a report to the General Assembly on strengthening OIOS.
A/RES/61/275	8/31/2007	<ul style="list-style-type: none"> • Removes management consulting from OIOS. • Provides updated, more detailed terms of reference for the IAAC. • Requests revised, pooled funding arrangements for OIOS based on A/61/880, par. 31-40.
A/RES/64/263	5/5/2010	Endorses some IAAC recommendations on OIOS operational independence and defers others to the 66th session of General Assembly (in the fall of 2011).

Source: GAO analysis of UN documents.

Note: Significant milestones affecting OIOS are shaded.

Appendix V: UN Organizations, Their Relationship with OIOS, and Their Oversight Capacity

Table 3 lists the organizations that comprise the UN system and information about their relationship with OIOS and their internal oversight capacity.

Table 3: UN Organizations, Their Relationship with OIOS, and Their Oversight Capacity

Name of entity ^a	OIOS has no oversight authority	OIOS has oversight authority	Has own oversight capacity	Has partial oversight capacity	OIOS provides oversight	OIOS provides partial oversight ^b	OIOS provides oversight in special situations ^c
Secretariat ^d		X			X		
Peacekeeping ^e		X			X		
Funds and programs, research and training institutes, and other entities							
ICJ		X			X		
ICSC		? ^f			? ^f		
ICTR		X			X		
ICTY		X			X		
ITC		X			X		
OHCHR		X			X		
SCSL	X						
UNAIDS	X		X				
UNCC		X			X		
UNCCD		X			No funding ^g		
UNCTAD		X			X		
UNDP			X				X
UNEP		X		X		X	
UNFCCC		X			X		
UNFPA			X				X ^h
UN-Habitat		X		X		X	
UNHCR		X		X		X	
UNICEF			X				
UNICRI		X			No funding ^g		
UNIDIR		X			X		
UNISDR							
UNITAR		X			No funding ^g		
UNJSPF		X			X		
UNODC		X		X		X	
UNOPS			X				
UNRISD		X			No funding ^g		
UNRWA			X				

Appendix V: UN Organizations, Their Relationship with OIOS, and Their Oversight Capacity

Name of entity^a	OIOS has no oversight authority	OIOS has oversight authority	Has own oversight capacity	Has partial oversight capacity	OIOS provides oversight	OIOS provides partial oversight^b	OIOS provides oversight in special situations^c
UNSSC		X			No funding ^g		
UNU		X			No funding ^g		
UN-Women	X		X				
WFP			X				
Regional commissions							
ECA		X			X		
ECE		X			X		
ECLAC		X			X		
ESCAP		X			X		
ESCWA		X			X		
Specialized agencies							
FAO	X		X				
ICAO	X		X				
IFAD	X		X				
ILO	X		X				
IMF	X		X				
IMO	X		X				
ITU	X		X				
UNESCO	X		X				
UNIDO	X		X				
UNWTO	X						
UPU	X		X				
WB Group	X		X				
WHO	X		X				
WIPO	X		X				
WMO	X		X				
Other organizations							
CTBTO	X		X				
IAEA	X		X				
OPCW	X		X				
WTO	X		X				

Sources: GAO analysis of UN information and validated by OIOS.

Note: For definitions of the abbreviations, see Glossary at the end of this report.

**Appendix V: UN Organizations, Their
Relationship with OIOS, and Their Oversight
Capacity**

^aThis is not an all-inclusive list of UN organizations. We have included all the organizations listed in the organization chart on the UN's website, which notes that the chart is not intended to be all-inclusive.

^bAlong with the entity's own internal oversight structures.

^cFor example, if the entity determines that it needs outside experts to conduct a sensitive investigation.

^dSecretariat departments and offices.

^ePeacekeeping missions and offices around the world.

^fAccording to OIOS, the ICSC's status as a client is not clear.

^gAccording to OIOS, these entities are clients but have not provided OIOS with any funds for oversight services.

^hUNDP also provides oversight for UNFPA in some instances.

Appendix VI: Status of Recommendations from Our 2006 Report

Our 2006 report made seven recommendations to State and the U.S. Mission to the UN—of these, we closed three recommendations as implemented and four as not implemented. (GAO practice is to close out all recommendations within a 4-year period.) Table 4 summarizes the status of each of our recommendations as of July 31, 2011—including the three recommendations that were implemented within the GAO 4-year time frame, and four that have not been fully implemented, but actions have been taken.

Table 4: Status of Recommendations from Our 2006 Report

Issue	Recommendation	Status
Implemented within the GAO 4-year time frame		
1. <i>Risk management framework</i>	Complete the implementation of OIOS's risk management framework to ensure that its annual work plans address those areas that pose the highest risks.	As discussed in this report, OIOS has adopted a risk-based approach to its annual work plans and continues to refine it under the IAAC's guidance. This recommendation is also related to developing a workforce planning methodology.
2. <i>Reporting on risks and control issues</i>	Report to the General Assembly on the status of significant risks and control issues facing the UN organization, the resources necessary to address these issues, and the consequences to the organization if any risks and control weaknesses are not addressed.	In its annual reports to the General Assembly, OIOS reports on seven categories of risk (strategy, governance, compliance, financial, operational, human resources, and information) and notes the status of any significant risks and control weaknesses and potential consequences if these are not addressed.
3. <i>Training</i>	Institute a mandatory training curriculum for OIOS professional staff, including auditors and investigators.	All three OIOS divisions have developed training curricula: the Internal Audit Division developed mandatory training for all staff, as well as specialized training for different staff job grades, and has conducted training on fraud, performance audits, governance, and writing audit reports; the Investigations Division has established an Investigations Learning Program for its staff and other staff who may be involved in conducting investigations; and the Inspection and Evaluation Division has developed an internal training policy and guidelines and, as part of the UN Evaluation Group, has established a core curriculum for evaluation training for the UN system.

**Appendix VI: Status of Recommendations from
Our 2006 Report**

Issue	Recommendation	Status
Not fully implemented but actions have been taken		
4. <i>Funding arrangements</i>	Ensure reliable funding arrangements for OIOS that do not undermine the independence of OIOS and provide it with sufficient resources that it can effectively reallocate and deploy, as may be necessary, to meet high-risk areas as they arise.	The UN is making progress toward implementing this recommendation. As this report indicates, actions taken by the IAAC are enhancing OIOS's independence. However, further actions are needed.
5. <i>Workforce planning methodology</i>	Develop a workforce planning methodology to systematically assess and determine appropriate staffing levels for OIOS.	OIOS has begun to implement this recommendation by basing its work plans and budget requests on risk. In addition, the Investigations Division instituted new controls in January 2011 that will facilitate its efforts to restructure the division.
6. <i>Data reliability</i>	Establish guidance and procedures for assessing the reliability of data used in support of significant findings in OIOS reports.	GAO previously reported that OIOS's Internal Audit Division lacked guidance and procedures for assessing the reliability of data used in support of significant findings in OIOS reports. In 2009, the Information and Communications Technology Section in the Internal Audit Division developed two audit practice guidelines to support auditors in assessing the reliability of data. These practice guidelines are included in OIOS's Audit Manual and identify requirements for assessing internal controls for data origin, input, processing, output, and storage. The guidelines cover software for data analysis, training auditors how to assess the reliability of data, preparing work papers, and identifying risks in information systems. However, they do not provide auditors with specific steps for assessing data reliability or guidance on how to determine whether the data are reliable. For example, the guidelines do not provide criteria for defining sufficiently reliable data as compared with data that are not sufficiently reliable or data of undetermined reliability.

Appendix VI: Status of Recommendations from
Our 2006 Report

Issue	Recommendation	Status
7. <i>Statements of independence and financial disclosures</i>	Require all OIOS professional staff to file statements of independence and financial disclosures.	GAO previously reported that OIOS was vulnerable to potential conflicts of interest since it did not require all staff to submit formal statements of independence or complete financial disclosure forms, as required by international auditing standards. In response to our recommendation, OIOS now requires staff from the Internal Audit and Investigations Divisions to sign formal statements of independence prior to the start of each assignment. However, staff from the Inspection and Evaluation Division do not have this requirement. In May 2011, the Acting Director of the Investigations Division issued a new protocol on conflicts of interest that requires investigators to document their assessment of potential conflicts of interest in the work plan of an investigation, and to provide information on any conflicts identified. Only senior OIOS staff at the director level or above are required to submit financial disclosure forms. According to OIOS, requiring all staff to submit such forms would be too costly to justify any reduction in risk.

Source: GAO analysis of OIOS information.

Appendix VII: Comments from the Office of Internal Oversight Services

United Nations  Nations Unies

HEADQUARTERS • SIÈGE NEW YORK NY 10017
TEL : 1 (212) 963 1234 • FAX: 1 (212) 963 4879

REFERENCE: OUSG-11-00387

2 September 2011

Dear Mr. Melito,

Re: GAO Report on UN Internal Oversight dated September 2011

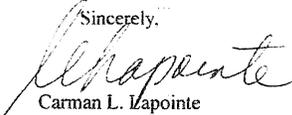
OIOS appreciates being allowed the opportunity to review the draft report and provide comments prior to its publication.

We agree with the overall conclusion of the report that progress has been made on addressing independence and staffing issues, and that further actions are needed in some areas. We also appreciate that our efforts and current views on many issues have been fairly reflected in the report, and that it acknowledges the strong support provided to OIOS by senior management, and in particular the Secretary-General, in assisting us to examine options and find solutions. Such support is a critical element in realizing internal oversight's potential to contribute to greater transparency, effectiveness and accountability in the operations of the United Nations and its funds and programs.

OIOS has developed a comprehensive plan to address the issues outlined in the report and many others, and is currently working to systematically examine options and implications for their resolution within the scope of OIOS authority and responsibility as mandated by the General Assembly. We will continue to consult with the U.S. Mission and other member states, senior management and interested stakeholders to examine all relevant aspects and impacts in arriving at proposals for solutions.

We appreciate the efforts and professionalism of the GAO team members involved in this review, and the additional insights and perspectives our many discussions and feedback sessions have enlightened. I also wish to acknowledge the significant efforts invested by both the GAO and OIOS teams as well as other Secretariat and oversight participants, in ensuring that information and clarifications provided are accurate and well understood. These efforts, which are highly appreciated, have no doubt contributed to the usefulness of the reported results.

Sincerely,


Carman L. Lapointe
Under-Secretary-General
for Internal Oversight Services

Mr. Thomas Melito
Director, International Affairs and Trade
Government Accountability Office
Washington, DC

Appendix VIII: Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Chief Financial Officer

Washington, D.C. 20520

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

SEP 07 2011

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "UN INTERNAL OVERSIGHT: Progress Made on Independence and Staffing Issues, but Further Actions Are Needed," GAO Job Code 320809.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Matt Glockner, Program Analyst, Bureau of International Organizations, at (202) 647-6413

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Millette".

James L. Millette

cc: GAO – Thomas Melito
IO – Esther D. Brimmer
State/OIG – Evelyn Klemstine

**Department of State Comments on GAO Draft Report
UN INTERNAL OVERSIGHT: Progress Made on Independence and
Staffing Issues, but Further Actions Are Needed
(GAO-11-871, GAO Code 320809)**

Thank you for the opportunity to comment on your draft report entitled *UN INTERNAL OVERSIGHT: Progress Made on Independence and Staffing Issues, but Further Actions Are Needed*. The Department of State has been a strong supporter of the Office of Internal Oversight Services (OIOS) since its creation in 1994 and welcomes the latest GAO report on UN oversight. This is the third GAO review of OIOS, and it provides an update on how internal oversight is conducted in the United Nations. The report provides timely and useful information on several aspects of OIOS' operations.

The Department of State endorses most of the main findings and conclusions contained in the GAO report. We agree that OIOS' budgetary and operational independence could be strengthened further and accept GAO's recommendation to work with other member states "to address impediments to OIOS's ability to provide independent oversight resulting from its relationships with certain UN funds and programs and other clients." The Department of State will continue to support measures that bolster OIOS' capacity to provide independent oversight of UN activities. A discussion of the GAO's findings follows.

We appreciate the report's acknowledgment that the General Assembly has supported OIOS' independence by taking a number of actions including in particular the establishment of the Independent Audit Advisory Committee (IAAC). The United States was a driving force behind the establishment of the IAAC in 2007. The GAO report notes a number of areas where the IAAC has contributed significantly to strengthening OIOS' independence.

The Department of State disagrees with GAO's conclusion that OIOS may only exercise oversight authority over those separately administered UN funds and programs "that have opted to use OIOS as their internal auditor." The GAO report bases its conclusion upon a memorandum by the UN Legal Adviser. GAO seems to accept the validity of the legal opinion without examining or questioning its basis. The assertion that General Assembly Resolution 57/287 supersedes earlier resolutions concerning OIOS' authority is incorrect. While Resolution 57/287 "reaffirms" that UN funds and programs may establish their own internal oversight functions, this merely confirms a fact known and understood at the time that OIOS was created. OIOS' founding resolution, General Assembly Resolution 48/218B,

See comment.

allows for jurisdiction over the funds and programs not as a replacement or substitute for their respective internal oversight functions but to enable OIOS to provide oversight services when and where appropriate. Resolution 57/287 did not alter or diminish OIOS' authority to conduct audits and investigations of the funds and programs. Prior to the legal opinion cited by GAO, Resolution 57/287 had never been interpreted by the UN Secretariat, funds and programs, IAAC, General Assembly or any member state as having rescinded OIOS' jurisdiction over the funds and programs. Indeed, the General Assembly and the IAAC have repeatedly acknowledged the authority of OIOS over the funds and programs (e.g., General Assembly resolution 61/275). In sum, OIOS was established by the General Assembly, and as such, the General Assembly is the competent authority to determine the scope of OIOS' role and responsibilities.

We agree that OIOS faces significant bureaucratic and cooperation issues when providing cross-agency oversight of activities undertaken by multiple UN organizations. This is an area that we will seek to address within the General Assembly and the governing bodies of the various UN organizations.

We share GAO's concerns about the high vacancy rate and the prolonged vacancies at the director level. We appreciate GAO's assessment that the Under-Secretary-General for Internal Oversight Services has made progress in both areas. The U.S. Mission has repeatedly raised these matters with UN officials at the highest levels, and we are pleased to see the significant improvements made by Under-Secretary-General Lapointe since taking office in September 2010. We will continue to monitor the vacancy situation at OIOS.

Finally, we appreciate GAO calling attention to the need to strengthen the Office of the Under-Secretary-General. The scope and breadth of OIOS' activities have increased significantly since its creation in 1994. Resources for the Office of the Under-Secretary-General have not kept pace with the increased workload. We will seek to support OIOS' request for additional resources.

As the report illustrates, OIOS is important to the UN's credibility and reputation. Oversight reform is part of the U.S. government's ongoing commitment to strengthening management at the United Nations. The report accurately recognizes that such reforms will require the United States to work with other member states to build support. The United States maintains partnerships with other like-minded UN members, and we look forward to continuing to work with these members with the goal of further strengthening OIOS.

The following are GAO's comments on State's letter dated September 7, 2011.

GAO Comment

We believe that State misinterpreted our discussion of OIOS oversight authority over the separately administered UN funds and programs that have opted to use OIOS as their internal auditor. Our report did not conclude that OIOS may only exercise oversight authority over those separately administered UN funds and programs that have opted to use OIOS as their internal auditor; we reported that this was the interpretation of the UN Secretariat's Office of Legal Affairs. We have added language in the report to make this distinction clearer.

Appendix IX: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the individual named above, Joy Labez, Assistant Director; Kay Halpern; Jeremy Conley; David Dayton; Etana Finkler; Jack Hufnagle; Marya Link; Grace Lui; and Steven Putansu made key contributions to this report. Other contributors to this report include Kirsten Lauber, Jeremy Sebest, Barbara Shields, and Phillip J. Thomas.

Glossary

This glossary of abbreviations and acronyms contains the full names of the United Nations entities referred to in figure 5 and tables 1 and 3.

CTBTO	Preparatory Commission for the Comprehensive Nuclear Test-Ban Treaty Organization
DM	Department of Management
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the UN
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICJ	International Court of Justice
ICSC	International Civil Service Commission
ICTR	International Criminal Tribunal for Rwanda

Glossary

ICTY International Criminal Tribunal for the Former Yugoslavia

IFAD International Fund for Agricultural Development

ILO International Labor Organization

IMF International Monetary Fund

IMO International Maritime Organization

ITC International Trade Center

ITU International Telecommunication Union

OHCHR Office of the United Nations High Commissioner for Human Rights

OPCW Organization for the Prohibition of Chemical Weapons

SCSL Special Court for Sierra Leone

UNAIDS Joint United Nations Program on HIV/AIDS

UNCC United Nations Compensation Commission

UNCCD United Nations Convention to Combat Desertification

UNCTAD United Nations Conference on Trade and Development

UNDP United Nations Development Program

UNEP United Nations Environment Program

UNESCO United Nations Educational, Scientific and Cultural Organization

UNFCCC United Nations Framework Convention on Climate Change

UNFPA United Nations Population Fund

UN-Habitat United Nations Human Settlements Program

UNHCR Office of the United Nations High Commissioner for Refugees

UNICEF United Nations Children's Fund

UNICRI United Nations Interregional Crime and Justice Research Institute

UNIDO United Nations Industrial Development Organization

UNIDIR United Nations Institute for Disarmament Research

UNISDR United Nations International Strategy for Disaster Reduction

UNITAR United Nations Institute for Training and Research

UNJSPF United Nations Joint Staff Pension Fund

Glossary

UNODC United Nations Office on Drugs and Crime

UNOG United Nations Office at Geneva

UNON United Nations Office at Nairobi

UNOPS United Nations Office for Project Services

UNOV United Nations Office at Vienna

UNRISD United Nations Research Institute for Social Development

UNRWA United Nations Relief and Works Agency for Palestine Refugees in the Near East

UNSSC United Nations System Staff College

UNU United Nations University

UN-Women United Nations Entity for Gender Equality and the Empowerment of Women

UNWTO United Nations World Tourism Organization

UPU Universal Postal Union

WB Group World Bank Group

WFP World Food Program

Glossary

WHO WorldHealth Organization

WIPO World Intellectual Property Organization

WMO World Meteorological Organization

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United Nations: Management Reforms Progressing Slowly with Many Awaiting General Assembly Review. [GAO-07-14](#). Washington, D.C.: October 5, 2006.

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