



Highlights of [GAO-06-877T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, and International Security, United States Senate

Why GAO Did This Study

The UN headquarters buildings are in need of renovation. The Capital Master Plan is an opportunity for the organization to renovate its headquarters buildings and ensure conformity with current safety, fire, and security requirements. Estimated by the UN to cost about \$1.6 billion, the renovation will require a substantial management effort by the UN—including the use of effective internal oversight and procurement practices.

Based on recently issued work, GAO (1) examined the extent to which UN funding arrangements for its Office of Internal Oversight Services (OIOS) ensure independent oversight and the consistency of OIOS's practices with key international auditing standards and (2) assessed the UN's procurement processes according to key standards for internal controls.

What GAO Recommends

In prior reports, GAO recommended that the Secretary of State and the Permanent Representative of the United States to the UN work with member states to support: (1) budgetary independence for OIOS; (2) measures for OIOS to more closely adhere to international standards; and (3) improvements to UN procurement processes. State and OIOS generally agreed with GAO's overall findings and recommendations. The UN did not provide us with written comments on procurement.

www.gao.gov/cgi-bin/getrpt?GAO-06-877T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

UNITED NATIONS

Weaknesses in Internal Oversight and Procurement Could Affect the Effective Implementation of the Planned Renovation

What GAO Found

The effective implementation of the planned UN renovation is vulnerable due to a range of weaknesses in existing internal oversight and procurement practices. In particular, UN funding arrangements adversely affect OIOS's budgetary independence and compromise OIOS's ability to investigate high-risk areas. In addition, while the UN has yet to finalize a specific procurement process for the UN Capital Master Plan, to the extent that it relies on UN procurement processes, it remains vulnerable to the numerous procurement weaknesses that GAO have previously identified.

First, UN funding arrangements constrain OIOS's ability to operate independently as mandated by the General Assembly and required by international auditing standards. While OIOS is funded by a regular budget and 12 other revenue streams, UN financial regulations and rules severely limit OIOS's ability to respond to changing circumstances and reallocate resources among revenue streams, locations, and operating divisions. Thus, OIOS cannot always direct resources to high-risk areas that may emerge after its budget is approved. Second, OIOS depends on the resources of the funds, programs, and other entities it audits. The managers of these programs can deny OIOS permission to perform work or not pay OIOS for services. UN entities could thus avoid OIOS audits or investigations, and high-risk areas can be and have been excluded from timely examination. OIOS has begun to implement key measures for effective oversight, but some of its practices fall short of the applicable international auditing standards it has adopted. OIOS develops an annual work plan, but the risk management framework on which the work plans are based is not fully implemented. OIOS officials report the office does not have adequate resources, but they also lack a mechanism to determine appropriate staffing levels. Furthermore, OIOS has no mandatory training curriculum for staff.

While the UN has yet to finalize its Capital Master Plan procurement strategy, to the extent that it relies on the current process, implementation of the Capital Master Plan remains vulnerable to numerous procurement weaknesses. For example, the UN has not established an independent process to consider vendor protests that could alert senior UN officials of failures by procurement staff to comply with stated procedures. Also, the chairman of the UN procurement contract review committee has stated that his committee does not have the resources to keep up with its expanding workload. In addition, the UN does not consistently implement its process for helping to ensure that it is conducting business with qualified vendors. GAO also found that the UN has not demonstrated a commitment to improving its professional procurement staff despite long-standing shortcomings and has yet to complete action on specific ethics guidance for procurement officers.