



Highlights of [GAO-06-701T](#), a testimony before the Committee on International Relations, House of Representatives

Why GAO Did This Study

The United States has strongly advocated that the United Nations (UN) reform its management practices to mitigate various program and financial risks. The findings of the Independent Inquiry Committee into the Oil for Food Program have renewed concerns about UN oversight, and the 2005 UN World Summit proposed actions to improve the UN's Office of Internal Oversight Services (OIOS). Furthermore, over the past decade, as UN procurement more than tripled to \$1.6 billion in response to expanding UN peacekeeping operations, experts have called on the UN to correct procurement process deficiencies.

We examined (1) whether UN funding arrangements for OIOS ensure independent oversight; (2) the consistency of OIOS's practices with key auditing standards; and (3) the control environment and processes for procurement.

What GAO Recommends

GAO recommends 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 internal controls and processes. State and OIOS generally agreed with our overall findings and recommendations. The UN did not provide us with written comments on procurement.

www.gao.gov/cgi-bin/getrpt?GAO-06-701T.

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

Internal Oversight and Procurement Controls and Processes Need Strengthening

What GAO Found

The UN is vulnerable to fraud, waste, abuse, and mismanagement due to a range of weaknesses in existing management and oversight practices. In particular, current funding arrangements adversely affect OIOS's budgetary independence and compromise its ability to investigate high-risk areas. Also, weaknesses in the control environment and UN procurement processes leave UN funds vulnerable to fraud, waste, and abuse.

UN funding arrangements constrain OIOS's ability to operate independently as mandated by the General Assembly and required by international auditing standards OIOS has adopted. First, while OIOS is funded by a regular budget and 12 other revenue streams, UN financial 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. Moreover, OIOS annual reports do not assess risk and control issues facing the UN organization, or the consequences if these are not addressed. 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.

UN funds are vulnerable to fraud, waste, abuse, and mismanagement because of weaknesses in the UN's control environment for procurement, as well as in key procurement processes. The UN lacks an effective organizational structure for managing procurement, has not demonstrated a commitment to improving its procurement workforce, and has not adopted specific ethics guidance. While the UN Department of Management is responsible for UN procurement, field procurement staff are supervised by the UN Department of Peacekeeping Operations, which lacks the expertise and capacity to manage field procurement. Also, the UN has not established procurement training requirements or a career path, and has yet to adopt new ethics guidance for procurement staff, despite long-standing General Assembly mandates. In addition, the UN has not established an independent process to consider vendor protests despite a 1994 recommendation by a high-level panel to do so as soon as possible. Further, the UN does not consistently implement its process for helping to ensure it conducts business with qualified vendors.