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# UNITED NATIONS

## Status of Internal Oversight Services



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National Security and  
International Affairs Division

B-278082

November 19, 1997

The Honorable Jesse Helms  
Chairman, Committee on Foreign Relations  
United States Senate

The Honorable Rod Grams  
Chairman, Subcommittee on International Operations  
Committee on Foreign Relations  
United States Senate

In July 1994, the General Assembly passed a resolution creating the Office of Internal Oversight Services (OIOS) within the United Nations' Secretariat.<sup>1</sup> The office was formally established on September 7, 1994,<sup>2</sup> to promote effective program management by identifying, reporting on, and proposing remedies for problems of waste, fraud, abuse, and mismanagement within the United Nations.

An independent oversight office has been the centerpiece of U.S. efforts to improve U.N. management and its accountability to the member states. In 1994, to emphasize the importance of establishing such an office, legislation was enacted that required certain funds to be withheld from the United Nations until the President certified that it had an independent office to conduct and supervise objective audits, investigations, and inspections relating to the programs and operations of the United Nations. Over concerns that OIOS may have been unable to carry out its mandate due to resource and other constraints, the Congress required a similar certification for fiscal year 1997.<sup>3</sup>

This report responds to your request concerning the operations of OIOS. Specifically, our objectives were to determine whether OIOS (1) is operationally independent; (2) has the necessary resources to carry out its mission; and (3) has written policies and procedures in place for conducting its work, following up on its recommendations, and providing confidentiality to informants and protecting whistleblowers from possible reprisal. OIOS' functions and responsibilities are similar in some respects to U.S. inspector general offices and, where appropriate, we provide

<sup>1</sup>OIOS' mandate is described in General Assembly Resolution 48/218B, July 29, 1994.

<sup>2</sup>Secretary General's Bulletin ST/SGB/273, September 7, 1994.

<sup>3</sup>In accordance with P.L. 104-208 and section 401(b) of P.L. 103-236. Pending legislation contains a similar provision for fiscal year 1998. See the United Nations Reform Act of 1997 (S. 903, sec. 2101).

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information on U.S. inspectors general for comparison. However, these comparisons are not intended as criteria for assessing OIOS' operations.

Because we are an agency of the United States, we do not have direct audit authority to review the operations of international organizations, including the United Nations.<sup>4</sup> This lack of direct audit authority resulted in certain limitations being placed on the scope of our work and restricted our ability to fully address our review objectives. Although U.N. officials consented to our study and OIOS and other Secretariat staff were helpful and forthcoming in interviews, OIOS declined to provide us access to completed reports that had not been forwarded to the Secretary General and General Assembly; its working papers supporting any of its reports; and other records and files related to specific audits, investigations, or inspections. These restrictions prevented us from (1) testing whether OIOS was exercising its authority in an independent manner and (2) determining whether OIOS was adhering to its stated policies and procedures and its analyses were adequate to support its reported findings and recommendations.

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## Background

Effective oversight is a key management tool. The United Nations has both internal and external accountability and oversight mechanisms. Internal oversight units usually report directly to the executive heads of organizations, while external oversight mechanisms generally report to the governing bodies of organizations. Appendix I provides an overview of the external oversight mechanisms in the U.N. system.

Until 1993, the major internal oversight functions of the Secretariat were carried out by units within the Department of Administration and Management, but they were not considered very effective because they lacked independence and were often disregarded by managers. In August 1993, the Secretary General formed the Office for Inspections and Investigations under an Assistant Secretary General. This office was not part of the Department of Administration and Management and carried more authority than the individual units because it reported to the Secretary General. In July 1994, the General Assembly created an oversight body with even more independence and authority—OIOS—to supersede the Office for Inspections and Investigations.

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<sup>4</sup>Pending legislation contains a provision calling for the United Nations to provide us access to U.N. financial data for nationally mandated reviews. See the United Nations Reform Act of 1997 (S. 903, sec. 2231(b)(6)).

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OIOS is considered by the United Nations and its member states to be an internal oversight office and, therefore, part of the executive function of the United Nations. OIOS is mandated to exercise its oversight functions throughout the U.N. Secretariat, which covers the staff and resources of the Secretariat, including peacekeeping missions. For 1996-97, OIOS had oversight authority over \$7 billion.<sup>5</sup> In addition, OIOS has been asked to provide audit coverage for some independent entities, such as the U.N. Joint Staff Pension Fund.

For the current biennium (1996-97), OIOS has 123 authorized positions and a \$21.6 million budget, of which \$15 million comes from the regular U.N. budget and \$6.6 million comes from extrabudgetary resources.<sup>6</sup> Of the 123 positions, 10 are vacant, 36 are funded by extrabudgetary contributions, and 6 are resident auditors with U.N. peacekeeping missions.<sup>7</sup> OIOS also has one staff member on nonreimbursable loan from a member state. It has 88 staff in New York, 21 in Geneva, and 8 in Nairobi.

OIOS has four operational units—the Audit and Management Consulting Division, the Investigations Section, the Central Monitoring and Inspection Unit, and the Central Evaluation Unit. Investigation was a new oversight activity introduced in February 1994, and inspections were also a new function assigned to the Office for Inspections and Investigations. The functions of the other units had been performed within the Department of Administration and Management for years. The Under Secretary General (USG) for Internal Oversight Services provides overall management of OIOS' activities and monitors the status of implementation of OIOS recommendations. Appendix II provides an organization chart of OIOS and a description of each unit's functions, budget, and staffing.

OIOS' oversight does not extend to U.N. specialized agencies, such as the World Health Organization, the International Labor Organization, and the Food and Agriculture Organization, or the International Atomic Energy Agency. Specialized agencies are not under the authority of the Secretary

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<sup>5</sup>The United Nations budgets for 2-year cycles, or bienniums. The budget figures presented in this report are for 2-year periods beginning January 1 of even-numbered years and ending December 31 of odd-numbered years.

<sup>6</sup>In addition to its regular budget, OIOS receives payments from various departments and organizations not funded through the regular U.N. budget for specific oversight services. These funds are considered "extrabudgetary," and OIOS has used them primarily to pay for personnel.

<sup>7</sup>These budget numbers and authorized positions do not include audit coverage for organizations that have their own internal audit units, such as the U.N. Development Program, but they do include audit coverage for the U.N. High Commissioner for Refugees, which receives audit and other services from OIOS.

General or funded through the regular U.N. budget; rather, they are autonomous bodies with their own governing boards, resources, and oversight mechanisms. According to OIOS officials, they regularly exchange views with the agencies' oversight offices in order to coordinate and strengthen oversight on a U.N.-wide basis.

## Results in Brief

OIOS is the internal oversight mechanism for the U.N. Secretary General. Although OIOS had some start-up and early operational problems, many of these seem to have been resolved. This was difficult to do in an organizational environment that operated without effective internal oversight mechanisms for almost half a century. In less than 3 years, OIOS has assimilated four preexisting, internal oversight units from the Office for Inspections and Investigations and, for the first time, hired professional investigators and provided other resources for an investigations unit in the United Nations.

OIOS' mandate, the Secretary General's Bulletin establishing OIOS, and OIOS' implementing procedures provide the framework for an operationally independent, internal oversight mechanism for the U.N. Secretariat. However, without access to all its audit, inspection, and investigation reports; working papers; and other records and files related to OIOS' work, we could not test whether OIOS exercised its authority and implemented its procedures in an independent manner. One issue that may affect the appearance of OIOS' independence involves how it has implemented its reporting mechanism. OIOS' mandate calls for it to submit reports that "provide insight into the effective utilization and management of resources and the protection of assets" to the Secretary General and General Assembly. Yet, OIOS had provided only 39 of its 162 various reports to the Secretary General and the General Assembly or its committees.

Initial concerns about inadequate budget and staff levels have been addressed. Since its establishment, OIOS' regular U.N. budget has increased from \$12 million to \$18.6 million (proposed for 1998-99), and its authorized positions have increased by 18, to a total of 123. According to OIOS, it will have sufficient resources to carry out its mandate if the proposed 1998-99 budget is approved.

OIOS' audit division and the Investigations Section have developed written auditing and investigative policies and procedures. These are detailed in audit and investigations manuals, respectively. However, the Central

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Monitoring and Inspection Unit and the Central Evaluation Unit do not have comparable manuals.

Each OIOS unit tracks its recommendations and is responsible for determining when they should be closed out. This information is maintained in a central, automated database in the Office of the USG for Internal Oversight Services. In its 1995 and 1996 annual reports, the USG for Internal Oversight Services estimated OIOS had identified \$35.5 million in potential recoveries and realized \$19.8 million in savings and recoveries.

OIOS' Investigations Section has established procedures and developed guidance, which it has publicized throughout the United Nations, for ensuring informants' confidentiality and protecting whistleblowers from reprisal.

In discussions with the USG for Internal Oversight Services, we suggested several ways to enhance OIOS' future operations. In response, he said he is considering certain changes in OIOS policies and procedures, but stated that he does not plan to change his criteria for submitting reports to the Secretary General and the General Assembly.

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## OIOS' Mandate Provides a Framework for Operational Independence

To judge an organization's operational independence, one must determine whether (1) the organization's mandate and procedures establish conditions under which it can be operationally independent and (2) the organization exercises its authority and prerogatives in an independent manner. While our examination of the U.N. resolution creating OIOS, the Secretary General's Bulletin establishing OIOS, and OIOS' operating procedures showed that OIOS is in a position to be operationally independent,<sup>8</sup> we could not test whether OIOS exercised its authority and implemented its procedures in an independent manner because OIOS would not provide us access to certain audit and investigation reports and its working papers. Unrestricted access to OIOS' records and files and such reviews and tests that we could have conducted would have served as indicators of how OIOS was exercising its independence.

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## OIOS' U.N. Framework

A primary characteristic of an effective internal oversight office is its operational independence; however, the term is not easily defined and even harder to measure in practice. Operational independence is a concept

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<sup>8</sup>In 1994, 1996, and 1997, the Secretary of State certified on behalf of the President of the United States that, among other things, OIOS is set up as an independent office and has access to necessary records and officials.

rather than a discrete set of factors that can be tracked over time. Among other things, operational independence includes insulating the unit head from arbitrary removal from office; organizationally separating the unit from the programs it examines; and ensuring the unit has full and free access to relevant records, the authority to carry out work it sees fit, and the ability to report its findings without interference from the executive or the legislature. It is also important that the oversight unit's mandate and independent status be well understood among the community it oversees.<sup>9</sup> OIOS has many of these characteristics, as noted below.

- The USG for Internal Oversight Services is appointed by the Secretary General, following consultations with member states, for a fixed 5-year term but must be approved by the General Assembly and may be removed by the Secretary General only for cause and with the General Assembly's approval.
- OIOS recently established an administrative unit within the USG's office. As a result, OIOS no longer has to rely on the Department of Administration and Management for basic administrative services.
- OIOS' staffing administration is handled by the Office of Human Resources Management. OIOS is subject to U.N. geographical and gender diversity requirements and, in some cases, special language requirements. However, the USG for Internal Oversight Services is authorized to appoint, promote, and terminate staff—powers similar to those delegated by the Secretary General to the heads of separately administered U.N. funds and programs but not to other USGs.
- Like other departments, OIOS' budget is a separate line item in the overall U.N. Secretariat's budget. Unlike other departments within the Secretariat, the USG for Internal Oversight Services may directly inform the General Assembly about the adequacy of OIOS' budget and staffing levels.<sup>10</sup>
- OIOS' mandate provides the authority to initiate, carry out, and report on any action that it considers necessary to fulfill its mandate and responsibilities. OIOS may not be prohibited or hindered from carrying out any action within the purview of its mandate by the Secretary General or any other party.

## OIOS' Oversight of U.N. Funds and Programs

Although the Secretary General's Bulletin states that the responsibilities of OIOS extend to the "separately administered organs," OIOS' role in providing

<sup>9</sup>Independence for supreme audit institutions is described in *Auditing Standards*, Auditing Standards Committee, International Organization of Supreme Audit Institutions (June 1992), pp. 24-30.

<sup>10</sup>Pending legislation contains a provision calling for the United Nations to established procedures that require the USG for Internal Oversight Services to report directly to the Secretary General on the adequacy of OIOS' resources. See the United Nations Reform Act of 1997 (S. 903, sec. 2101(c)(2)(A)(ii)).



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internal oversight services for separately administered U.N. funds and programs has been questioned by a few member states.<sup>11</sup> Funds and programs are funded either completely or in part by voluntary contributions and have their own executive boards or governing bodies. According to OIOS officials, OIOS has provided oversight services primarily for those areas for which the funds and programs do not provide their own oversight coverage. For example, the U.N. Development Program has its own internal audit, but OIOS provides investigative services. For the U.N. High Commissioner for Refugees, which does not have an internal audit unit, OIOS provides both audit and some investigative services.

However, in recent sessions of the U.N. Committee on Administration and Budget—commonly known as the Fifth Committee<sup>12</sup>—certain member states have made it clear that they do not accept the authority of the Secretary General to implement OIOS recommendations in the funds and programs without explicit direction from the executive boards of these entities. If OIOS is required to seek the concurrence of the various funds and programs executive boards before cognizant program officials can implement its recommendations, OIOS' operational independence would be compromised. According to State officials, the United States and several other delegations have made this point clear. They have emphasized that OIOS is an internal oversight mechanism and part of the U.N. Secretariat and, therefore, its recommendations are not subject to the review or approval of the General Assembly or the respective executive boards of the separately administered funds and programs.

As noted in its comments on this report, the State Department has consistently taken the position that OIOS' jurisdiction extends to the separately administered funds and programs. State emphasized that the U.N. Legal Advisor confirmed this understanding of the relationship in July 1994. Additionally, at the request of the USG for Internal Oversight Services, the U.N. Legal Counsel specifically ruled in October 1997 that OIOS can make recommendations to program managers within the U.N. Secretariat, including the funds and programs, without the endorsement or approval of the General Assembly. While this decision did not explicitly refer to the funds and programs executive boards, the situation is analogous.

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<sup>11</sup>Pending legislation contains a provision calling for OIOS to clarify its authority to audit every program, project, or activity funded by the United Nations. See the United Nations Reform Act of 1997 (S. 903 sec. 2101(c)(2)(B)).

<sup>12</sup>The General Assembly has six committees. The Fifth Committee comprises all 185 member states and, as its more formal name implies, deals with administrative and budgetary affairs.

At the time of this report, OIOS was continuing to provide internal oversight services to the funds and programs and reporting to the cognizant officials without seeking the approval of the respective executive boards. However, although U.S. State Department officials and the USG for Internal Oversight Services are confident that OIOS' position will prevail, the issue of OIOS' relationship to funds and programs will likely come before the Fifth Committee again.

### Availability of OIOS Reports

An area of concern is how OIOS has implemented its reporting mechanism. OIOS can provide its reports without interference to the Secretary General and General Assembly. Its mandate states that OIOS "shall submit to the Secretary General reports that provide insight into the effective utilization and management of resources and the protection of assets" and that "all such reports are made available to the General Assembly as submitted by the Office." The USG for Internal Oversight Services determines which reports are provided to the Secretary General, and we noted that OIOS has provided seven of eight inspection reports to the Secretary General and the General Assembly and that all six in-depth evaluation reports it has done were provided to the Committee for Programme and Coordination—a committee of the General Assembly. However, we also noted that, as of September 1997, only 13 of 107 audit reports<sup>13</sup> and 5 of 33 investigation reports were provided to the Secretary General and, subsequently, the General Assembly.<sup>14</sup> This raises two questions:

- If only 18 of 140 audit and investigation reports met the mandate's criteria for being provided to the Secretary General, are OIOS' resources directed at those areas that would provide insight into the operations of the United Nations?
- On the other hand, if more OIOS reports actually provide the insight into U.N. operations intended in the mandate, why were they not provided to the Secretary General and the General Assembly?

We were not permitted to review the reports that had not been provided to the Secretary General. Consequently, we could not address these questions. In contrast, we note that all U.S. inspector general reports are provided to the head of the respective inspector general's department or agency and many are also provided to the U.S. Congress.

<sup>13</sup>All audit reports are provided to the U.N. Board of Auditors, which is one of several U.N. external oversight mechanisms, but OIOS' reports are not available to anyone else unless the USG for Internal Oversight Services provides them to the Secretary General.

<sup>14</sup>OIOS had also issued two annual reports, four special evaluation reports, one program performance report, and one special report for the Secretary General on funds and programs. The total number of OIOS products provided to the General Assembly or its committees is 39.

The USG for Internal Oversight Services acknowledged that few audit and investigation reports had been forwarded to the Secretary General and the General Assembly. He told us that if he is satisfied with the program officials' response to the report and is confident that appropriate actions are being taken, he does not send the report to the Secretary General. He also noted that sending all OIOS reports would place an additional paperwork burden on the General Assembly and that producing enough reports for each member state would be expensive. The USG for Internal Oversight Services said that beginning with the OIOS annual report due to be published in October 1997, he will list all OIOS reports and if a member state is interested in a particular one, OIOS will brief its representatives.<sup>15</sup> He also said that previous annual reports have referred to the conclusions and findings in many of OIOS' reports and he has been willing to brief member states on the topics addressed.

#### Informing U.N. Staff of OIOS' Independence

OIOS and the Department of Administration and Management have made efforts to communicate the scope of OIOS' operational independence to U.N. staff.

- In January 1995, the USG for Administration and Management issued to all U.N. staff an administrative instruction providing guidance on the personnel arrangements for OIOS. The instruction outlined the administrative arrangements and the authority of the USG for Internal Oversight Services in personnel matters.
- In February 1996, the U.N. Department of Public Information distributed a U.N. publication describing OIOS' role and purpose.<sup>16</sup>
- In April 1996, the USG for Administration and Management issued a note reminding Secretariat department heads that the General Assembly's resolution establishing OIOS makes it clear that OIOS shall have the authority necessary to carry out its functions. The note provided detailed information regarding the procedures to be followed to ensure that OIOS is given immediate access to all files and records required to perform its important functions.
- In early 1997, the Investigations Section published an investigations manual that is available to all U.N. staff. This manual contains information on the jurisdiction of the Investigations Section; hot-line procedures; investigative access to staff, records, sites, and materials of the United

<sup>15</sup>Some reports, especially reports of investigations, may be too sensitive to list, but this will be decided on a case-by-case basis.

<sup>16</sup>The Office of Internal Oversight Services of the United Nations: Its Genesis, Its Mission, Its Working Methods, Its Impact, the U.N. Department of Public Information (New York: Feb. 1996).

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Nations; rights of persons subject to investigation; and protection for whistleblowers. The manual is also on the U.N. Secretariat's intranet.

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## Comparisons to U.S. Inspectors General

Although OIOS is similar to U.S. inspector general offices, including the way it emphasizes operational independence and access to relevant records and cognizant officials, it is different in many respects. For example, most U.S. inspectors general are not appointed for a fixed term and can be removed without approval of the Congress. Also, while U.S. inspector general offices have the audit and investigation functions specifically mandated like OIOS, the inspections, monitoring, and evaluation roles are not. See appendix III for a more complete comparison of OIOS with U.S. inspector general offices.

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## OIOS' Budget and Staffing Levels Have Increased Since Its Inception

In February 1997, the USG for Internal Oversight Services stated in a memorandum to the USG for Administration and Management that OIOS will have sufficient resources to carry out its functions if the proposed 1998-99 budget is approved. The head of each OIOS unit, including the Investigations Section, which had been singled out by OIOS officials as particularly hampered by the lack of trained staff, concurred with this assessment. Since the establishment of OIOS, its regular U.N. budget has increased by 55 percent and its authorized positions have increased by 18.<sup>17</sup> However, this did not happen without some difficulty.

When OIOS was established in September 1994, it inherited the resources budgeted for the units whose functions it absorbed. In early December 1994, the USG for Internal Oversight Services described his vision for OIOS and the resource requirements necessary before the U.N. Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions.<sup>18</sup> He stated that he could not measurably enhance the internal control mechanisms in the United Nations without more resources. In particular, he pointed to the need to intensify the audit coverage and strengthen the new investigation function.

The General Assembly reacted favorably, and OIOS, which had a total of 102 positions, was authorized 5 additional professional and 3 more general

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<sup>17</sup>Since its inception, OIOS has had staff position increases totaling 20, but 3 positions were "redeployed" to the U.N. Office of Human Resources Management, and 1 position was "redeployed" to OIOS from the Department of Administration and Management, for a net increase of 18 positions.

<sup>18</sup>The Advisory Committee on Administrative and Budgetary Questions has 16 "experts" from member states and reports to the Fifth Committee; it reviews the proposed U.N. budget and addresses financial questions.

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service positions against the revised budget estimates for 1995, bringing OIOS' total number of positions to 110, including extrabudgetary positions.

Nevertheless, in early 1996, only 42 of 53 professional positions within OIOS' audit division were filled—a vacancy rate of almost 21 percent. OIOS also noted that the accumulated and new cases in the Investigations Section constituted a workload that was too large for the unit to clear. Moreover, with the establishment of OIOS, the Central Monitoring and Inspection Unit's responsibilities expanded to address concerns of member states regarding the qualitative nature of program performance reporting and the need to enhance program management capability.

At the beginning of the 1996-97 biennium and at the urging of some member states, particularly the United States, cuts in the overall U.N. budget were mandated by the General Assembly. While the OIOS 1996-97 budget included partial funding for an additional 12 positions, including 5 investigators, the USG for Administration and Management instructed OIOS to stay within its regular U.N. budget of \$15 million, although OIOS had estimated it would need \$15.725 million to fully fund its approved positions. (This did not directly affect extrabudgetary resources.) We were told by OIOS officials, and the USG for Internal Oversight Services noted in OIOS' 1996 annual report, that OIOS should not be totally exempt from overall U.N. reductions. The USG for Internal Oversight Services said he took this position because it would be "politically unwise" to suggest that OIOS be treated differently than the rest of the organization.

According to OIOS officials, because OIOS had to stay within its \$15 million budget, it had to cut \$725,000. To do this, OIOS did not fill its vacant positions for the first year of the biennium. This action saved about \$603,000. The office also cut back expenditures for nonstaffing items for an additional savings of about \$122,000.

In January 1996, the General Assembly instituted a hiring freeze for the entire U.N. Secretariat. In March 1996, OIOS was granted a waiver as long as it followed through with its budget reductions. In February 1997, after the budgetary reductions had been achieved, OIOS began announcing its vacancies, and the recruitment and hiring process began.

As part of U.N. efforts to maintain a flat, no-growth budget, the 1998-99 budget outline set OIOS' regular budget at \$15.1 million—about the same as the previous biennium. With that budget, OIOS could not have filled its vacancies. But after negotiations with the USG for Administration and

Management, OIOS was granted an additional \$3.5 million, including \$1 million for exchange rate fluctuations and inflation, increasing OIOS' regular budget to \$18.6 million.<sup>19</sup> According to OIOS, this increase will fully fund the 12 new positions approved by the General Assembly in 1995, a \$127,300 (or 83 percent) increase in general operating expenses, and a \$236,500 (or 43 percent) increase for travel expenses.<sup>20</sup> In addition, the Department for Administration and Management "redeployed" one of its positions to OIOS to perform administrative support functions. The General Assembly still must approve the 1998-99 budget before it becomes final. For a comparison of OIOS' budget and staffing with other U.N. Secretariat functions, see appendix IV.

## Two of the Four OIOS Reporting Units Have Procedural Manuals

Internal oversight offices must ensure that the information developed in its audits, investigations, inspections, and evaluations is complete, relevant, and accurate. Clear guidelines or procedures can help ensure that the information presented, the conclusions reached, and the recommendations made can be relied upon as accurate, fair, and balanced. International auditing standards acknowledge that audit organizations often carry out activities that, by strict definition, do not qualify as audits. According to these standards, such organizations should establish a policy on which specific standards should be followed in carrying out nonaudit work.<sup>21</sup> Although OIOS' mandate does not require its reporting units to adhere to any particular quality assurance standards or, for that matter, to develop procedural manuals, OIOS' audit division and the Investigations Section have developed them.

Before OIOS' audit division became part of OIOS, it developed "Standards for the Professional Practice of Internal Auditing" based on the auditing standards established by the Institute of Internal Auditors.<sup>22</sup> These

<sup>19</sup>During this period, various congressional members expressed serious concerns about the adequacy of OIOS' budget. According to officials at the U.S. Mission to the United Nations, the Assistant Secretary of State for the Bureau of International Organization Affairs intervened with the USG for Administration and Management on behalf of OIOS to emphasize the importance of adequate funding for OIOS. We could not ascertain the bearing of this intervention on the proposed funding decision.

<sup>20</sup>To make more funds available for travel expenses, the U.N. Controller was asked to develop a plan for reimbursing OIOS for travel costs associated with work at organizations outside of the U.N. Secretariat proper, such as for funds and programs. One proposal was that a revolving fund of about \$300,000 could be established for this purpose. However, this matter had not been resolved at the time we completed our study.

<sup>21</sup>Auditing Standards, pp. 12-13.

<sup>22</sup>Various auditing standards have been promulgated for use by audit organizations. The Institute of Internal Auditors has issued Standards for the Professional Practice of Internal Auditing (Altamonte Springs, Fla.: 1978 (revised July 1997)). U.S. inspectors general are required to conduct their audits in conformance with GAO's Government Auditing Standards: 1994 Revision (GAO/OCG-94-4, June 1994).

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standards provide guidelines for maintaining independence, planning and conducting audits, and reporting audit findings and are incorporated into the audit division's internal audit manual. This manual is being updated to reflect certain changes made since OIOS' establishment. In addition, most of the audit division's staff have advanced degrees and many are accountants. The staff have been trained in auditing techniques and take continued education courses, including those sponsored by the Institute of Internal Auditors and U.S. government agencies, including GAO.

After OIOS was established and the Investigations Section head had been appointed, the section began developing an investigations manual, which includes standards for conducting its work. This manual is similar in many respects to those used by U.S. law enforcement agencies. According to a former Department of State employee who helped develop OIOS' investigation's manual, about a dozen manuals from other organizations, including some U.S. law enforcement agencies, were used to develop the manual. In addition, most of the investigation staff are trained in investigative techniques. The head of the unit and the senior investigator also have law degrees.

The Central Monitoring and Inspection Unit and the Central Evaluation Unit do not have comparable manuals. The head of the Central Monitoring and Inspection Unit told us that the unit does not have written standards for conducting its work but employs a variety of quality control processes. These include requiring documentary evidence for factual information in inspection reports and using a newly implemented review process by OIOS unit heads to evaluate all draft inspection reports before they are finalized. The USG for Internal Oversight Services told us, however, that he recently directed that an inspections manual be developed. As currently planned, it would be completed in the spring of 1998.

According to the head of the Central Evaluation Unit, the unit (1) conducts in-depth evaluations of U.N. programs as directed by a U.N. intergovernmental committee—the Committee for Programme and Coordination—and (2) provides methodological guidance for other departments to conduct self-evaluations. For the in-depth evaluations, he said the methodology is well known and each evaluation is conducted according to generally accepted evaluation methods and social science research techniques understood by the intergovernmental committee. In addition, he said, staff working in the unit are trained in evaluation methods. Regarding department self-assessments, he said his unit is in the

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process of updating a manual to help guide these evaluations, but he did not provide an estimate of when this effort would be completed.<sup>23</sup>

The lack of written guidance for conducting inspections may have led several U.N. officials to raise questions about two recent inspections reports. Specifically, they questioned certain facts and were concerned that comments prepared by the inspected organizations were not considered in preparing the final products. These officials alleged that both reports contained factual errors that OIOS neither acknowledged nor corrected. We could not validate these assertions because we did not have access to the necessary working papers and related documents and files; however, OIOS officials told us the comments provided did not address the facts and were just a different point of view.

OIOS has no requirement to acknowledge that comments were received or considered in finalizing its inspection reports. OIOS officials also noted that, because of U.N. page limitations on published materials, it would have been difficult to respond in detail to all the comments, much less reproduce them in the report. Nevertheless, in an attempt to address these concerns, the USG for Internal Oversight Services told us that for reports he sends to the Secretary General he now requires program officials' comments and OIOS' response to be sent to the Secretary General for his consideration. While this may help, systematically acknowledging in OIOS' reports that comments were received, summarizing the sense of them or reproducing them as part of the report, and describing how they were addressed by OIOS would, in our opinion, provide a further basis for the reader to judge the relevancy of the issues addressed and the recommendations made.

In June 1997, OIOS compiled a document summarizing the quality assurance process used in OIOS for each of its reporting units.<sup>24</sup> While the sections for audit and investigations largely draw on their respective manuals, quality assurance procedures for the other two units were, for the first time, delineated. However, we were not permitted access to OIOS' documents to determine whether the procedures in the audit and investigations manuals or the June 1997 document were being followed.

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<sup>23</sup>Pending legislation contains a provision calling for OIOS to develop a standardized methodology for evaluating U.N. programs, including specific criteria for determining the continuing relevance and effectiveness of the programs. See the United Nations Reform Act of 1997 (S. 903, sec. 2231(b)(4)(B)(i)).

<sup>24</sup>Quality Assurance and Client Consultation in Internal Oversight, OIOS (New York: June 1997).



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## OIOS Has Procedures for Following Up on Recommendations

Since 1994, OIOS has made more than 3,000 recommendations.<sup>25</sup> The Office of the USG for Internal Oversight Services maintains a central, automated database that includes a summary of each recommendation, the department responsible for implementing the recommendation, the OIOS staff member assigned to follow up on recommendations, and the status of implementation. In addition to the centralized database, each unit maintains a separate database to monitor compliance with all of its recommendations.

In February 1995, OIOS issued guidance that outlines steps to be taken by OIOS staff and program managers from the completion of fieldwork to implementation of recommendations. According to OIOS officials, the units' staff are responsible for tracking corrective actions managers take in response to recommendations and for determining when they have fully implemented recommendations. Program managers are responsible for implementing recommendations and reporting to OIOS on a regular basis on the status of implementation.

OIOS' mandate requires it to report semiannually to the Secretary General on the status of its recommendations in audit, investigation, and inspection reports. OIOS also reports annually<sup>26</sup> to the Secretary General and the General Assembly on its significant audit, investigation, inspection, and evaluation recommendations for corrective action and on instances where program managers have failed to implement such recommendations. In December 1996, OIOS reported that managers had fully implemented about 68 percent of the audit recommendations the office has issued since October 1994.

According to OIOS officials, in some cases, the office's ability to monitor implementation of recommendations has been limited because some recommendations did not clearly state the cause of the problem or the action required. Our study of the few reports available to us bears this out. For example, a recommendation in one OIOS inspection report stated that "compliance with audit recommendations should be given the priority they deserve." While OIOS officials said that the office does not want to be so prescriptive that program officials do not have flexibility in implementing

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<sup>25</sup>The number of recommendations is as of September 1997. Also, because we did not have access to most of OIOS' reports or its working papers and related files, we cannot judge whether this is an appropriate number of recommendations for the amount of work done nor can we comment on the substance of the recommendations.

<sup>26</sup>OIOS is required to submit to the Secretary General for transmittal to the General Assembly an annual analytical and summary report on its activities. As of September 1997, it had submitted two such reports.

the recommendations, more guidance is often needed. OIOS officials said the office has begun to focus on developing recommendations that are more specific to facilitate the monitoring of their implementation. In some cases, when recommendations were unclear, OIOS has established benchmarks to help program managers and OIOS staff assess progress toward achieving implementation.

## The Investigations Section Has Procedures to Protect Confidentiality and Whistleblowers

OIOS has established systems and special controls for providing confidentiality to whistleblowers<sup>27</sup> and other informants who make reports in good faith to the Investigations Section. Such individuals may provide valuable information about potential areas of wrongdoing, but if they feel threatened by reprisals, they may not come forward. In OIOS, they are protected whether or not an investigation subsequently substantiates the report.<sup>28</sup> The Investigations Section's manual, which is available to all U.N. staff, provides information and guidance on specific requirements and procedures for protecting the identity of staff members and others making reports or suggestions and for safeguarding reports from accidental, negligent, or willful disclosure. For example, the manual states that the investigator assigned to the case is responsible and accountable for taking all appropriate measures for the protection of the identity of the complainant, and the section has established strict internal office procedures to avoid the disclosure of the complainant's identity.

In September 1994, the section began operating a "hotline" reporting facility, which provides direct, confidential access for those making complaints or suggestions by telephone, facsimile, or mail. The telephone hotline operates on a 24-hour, confidential basis. Through April 1997, 85 complaints and suggestions had been received through the hotline reporting facility. This amounted to about 15 percent of the reports to the Investigations Section. The hotline reporting facility accepts anonymous reports. However, according to the section chief, the majority of those making complaints or suggestions identify themselves. If the information received through the hotline proves to be accurate, the section uses it in such a way that the source cannot be identified, except with permission, according to the section's manual.

<sup>27</sup>OIOS defines a whistleblower as a U.N. staff member or other individual who reports an alleged wrongdoing in good faith and may be retaliated against as a direct result of the report.

<sup>28</sup>According to the OIOS' mandate and the Investigations Section's manual, individuals who report false or malicious allegations, with knowledge of their falsity, will be considered guilty of misconduct and dealt with in accordance with the Staff Regulations of the United Nations and Staff Rules 100.1 to 112.8 (New York: June 1, 1995).

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OIOS has also established mechanisms to protect individuals against possible reprisal for making reports, providing information, or otherwise cooperating with the office. The investigations manual states the section will pay prompt and careful attention to cases involving potential reprisals and will take interim steps, if necessary, to protect the whistleblower. The manual also notes that disciplinary proceedings will be initiated and disciplinary action taken against a staff member who is proven to have retaliated against an individual providing information to the section.<sup>29</sup>

Since 1994, U.N. staff members and others have provided more than 500 tips or leads to the Investigations Section. These reports included allegations of serious crimes and noncriminal violations, suggestions for improvements, cases involving personnel matters or other grievances, and requests for investigations by officials. Only a few leads specifically categorized by OIOS as coming from a whistleblower have resulted in investigative reports. (OIOS would not permit us to divulge how many.)

OIOS officials told us it has followed up in a number of instances where reprisal was suspected but has taken disciplinary action in only one instance to protect whistleblowers from reprisal. According to OIOS' second annual report, the section had initiated an investigation based on allegations by staff, who publicly identified themselves, that two senior staff were interfering with the decision-making process of the local committee on contracts. A senior staff member retaliated against the staff by accusing them of falsifying bid documents and recommending that charges be brought against them. The Investigations Section investigated the senior staff member's allegations and found them to be false. OIOS then instituted charges against the senior staff member under the provision in the office's mandate to provide for protection of those supplying information.

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## Conclusions and Observations

OIOS has established itself as the internal oversight mechanism for the U.N. Secretary General. It is in position to be operationally independent, has overcome certain start-up problems, and has developed policies and procedures for much of its work. However, it can do more to help ensure that the information it presents, the conclusions it reaches, and the recommendations it makes can be relied upon as accurate, fair, and balanced. To this end, we discussed with the USG for Internal Oversight Services several ways to enhance OIOS' future operations.

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<sup>29</sup>Disciplinary proceedings refer to the internal U.N. disciplinary process.

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First, we suggested that the USG for Internal Oversight Services clarify the criteria for providing OIOS reports to the Secretary General and the General Assembly. In response, he said he will begin publishing a listing of OIOS reports in his annual report and provide briefings to member states on request. While this will help publicize OIOS reports, it may not satisfy OIOS' mandate to make reports available to the Secretary General and the General Assembly that "provide insight into the effective utilization and management of resources and the protection of assets."

Second, we suggested that the USG for Internal Oversight Services develop more formal written procedural guidance for the Central Monitoring and Inspection Unit and the Central Evaluation Unit. He agreed that an inspections manual and evaluation manual for U.N. department self-evaluations would be helpful and has taken initial steps to begin developing them. However, he disagreed that additional guidance is needed for the in-depth evaluations OIOS conducts at the direction of the Committee for Programme and Coordination.

Third, we suggested that the USG for Internal Oversight Services develop formal procedures for addressing program officials' comments in each OIOS report. The USG for Internal Oversight Services said he is beginning to send program officials' comments and OIOS' analysis of them to the Secretary General for reports forwarded to the Secretary General and the General Assembly. While this is a step in the right direction, systematically addressing program officials' comments in all OIOS reports would help the reader judge the relevancy of the issues discussed and the recommendations made and lend credibility to the reports.

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## Recommendation

Although OIOS has made considerable progress in resolving some initial operational problems, the USG for Internal Oversight Services can do more to help maintain OIOS' independence and establish the office as the authoritative internal oversight mechanism the General Assembly intended OIOS to be. As previously noted, we suggested some actions that could be taken by the USG for Internal Oversight Services in this regard. To help focus attention on these matters, we recommend that the Secretary of State encourage the USG for Internal Oversight Services to address the noted suggestions.

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## State and OIOS Comments

The Department of State and OIOS commented on a draft of this report. Their comments are reproduced in their entirety in appendixes V and VI, respectively. Both generally agreed with our overall conclusions and observations about OIOS' first 3 years of operations.

State also said it generally concurred with our suggestions to the USG for Internal Oversight Services. It noted that it has a vested interest in implementing steps to ensure that OIOS functions effectively through the provision of adequate resources and the maintenance of a highly skilled and competent professional staff. State reiterated its position that effective oversight of U.N. programs is of primary importance to the United States and looks forward to building on the significant progress that OIOS has made in this area.

The USG for Internal Oversight Services said that, while OIOS has become an important and effective component of the U.N. management culture, its operations can be fine-tuned. However, he disagreed with our suggestions that OIOS revisit its criteria for sending reports to the Secretary General and the General Assembly and that OIOS should treat program officials' comments more formally in its reports.

With respect to OIOS report distribution, the USG for Internal Oversight Services reiterated that OIOS only provides its reports to the Secretary General and the General Assembly when the program officials disagree with the recommendations. As already stated, this criteria does not seem to satisfy a strict reading of the mandate. We also believe such limited report distribution is counter to one of OIOS' intended purposes, which is to provide more visibility over management's use of U.N. resources. In its publication on OIOS, the U.N. Department of Public Information states that, OIOS supports the need "for a more transparent assignment of responsibility and accountability." It goes on to say that "OIOS puts great emphasis on transparency of procedures and full consultation with management."<sup>30</sup> Making more reports available to the member states would help enhance the desired transparency by publicizing reported problem areas, the steps taken to resolve them, and who is accountable. Such publicity, in turn, may also help prevent similar problems from recurring.

The USG for Internal Oversight Services also said that providing more reports would only overload the General Assembly's agenda and be an expensive burden. We believe the General Assembly should be allowed to

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<sup>30</sup>The Office of Internal Oversight Services of the United Nations, pp. 1 and 18.

judge for itself whether receiving a larger number of audit and investigative reports would be too burdensome. We also believe that the costs of reproducing copies of reports can be kept to a minimum by publicly announcing their availability, but only providing copies to those member states that request them or by making reports obtainable through the U.N. intranet.

With respect to the treatment of program officials' comments on OIOS reports, the USG for Internal Oversight Services said that these comments are transmitted to the Secretary General, but to reproduce dissenting views that the Secretary General does not endorse would be inappropriate. We disagree. We believe that treating program officials' comments more openly and formally provides OIOS the opportunity to demonstrate that it is fair and evenhanded and that its conclusions and recommendations are appropriate. To do less leads to speculation and, perhaps, unwarranted criticism that program officials' comments were not adequately considered and addressed in the final report.

Both State and OIOS provided technical comments that have been incorporated in the report as appropriate.

## Scope and Methodology

To determine whether OIOS is in position to be operationally independent, we reviewed its mandate and procedures and related U.N. documents and met with the USG for Internal Oversight Services and other OIOS officials to determine how OIOS has implemented these provisions. We also interviewed several U.S. officials who helped draft the resolution creating OIOS and the USG for Administration and Management, who was involved in helping establish OIOS and providing it with administrative services. To compare OIOS operations with those of U.S. inspectors general, we reviewed the Inspector General Act of 1978, as amended. To help provide a frame of reference for judging operational independence, we also reviewed the International Organization of Supreme Audit Institutions' Auditing Standards. However, without access to OIOS' reports that had not been provided to the Secretary General and the General Assembly and its working papers, we could not take the additional step of testing whether OIOS had exercised its authority and implemented its procedures in an independent manner.

To determine whether OIOS has the necessary resources to carry out its mission, we reviewed the overall U.N. budget, budget and staffing documents for the Office for Inspections and Investigations and OIOS, and

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OIOS annual reports. We interviewed the USG for Internal Oversight Services, his special assistant, and OIOS unit chiefs. We also met with the USG for Administration and Management and officials in the U.N. Program, Planning, and Budgeting Division and the U.N. Office of Human Resources Management to discuss their roles in providing resources to OIOS.

To determine whether OIOS had written policies and procedures in place for conducting its work, following up on its recommendations, and providing confidentiality to informants and protecting whistleblowers from possible reprisal, we reviewed the audit and investigations manuals and other written guidance made available to us. We discussed OIOS procedures and policies with the USG for Internal Oversight Services and the OIOS unit chiefs. However, as previously noted, we were not provided access to OIOS working papers or other records and files related to specific audits, investigations, or inspections. This restriction prevented us from determining whether (1) OIOS was adhering to its stated policies and procedures and (2) its analyses were adequate to support its reported findings and recommendations.

We also met with representatives of the U.N. Board of Auditors, the U.S. Mission to the United Nations, and the U.S. State Department Bureau of International Organization Affairs. We discussed with them the origins of OIOS and their perceptions of its operations.

We conducted our study from March to October 1997 in accordance with generally accepted government auditing standards.

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As you requested, we plan no further distribution of this report until 15 days after its issue date. At that time, we will send copies to other appropriate congressional committees, the U.N. USGs for Internal Oversight Services and Administration and Management, and the Secretary of State. Copies will also be made available to other interested parties upon request.

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This report was prepared under the direction of Benjamin F. Nelson, Director, International Relations and Trade Issues, who may be reached on (202) 512-4128 if you or your staff have any questions. Major contributors to this report are listed in appendix VII.

A handwritten signature in black ink, reading "Henry L. Hinton, Jr." with a stylized flourish at the end.

Henry L. Hinton, Jr.  
Assistant Comptroller General



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## Abbreviations

IG	Inspector General
OIOS	Office of Oversight Services
USG	Under Secretary General

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# United Nations' External Oversight Mechanisms

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This appendix provides a brief description of external oversight bodies for the U.N. system. These bodies are considered external oversight mechanisms because they generally report to the governing bodies of organizations.<sup>1</sup> Unlike the Office of Internal Oversight Services (OIOS), which is an internal oversight body and has authority over the operations of the U.N. Secretariat and separately administered funds and programs, U.N. systemwide external bodies have oversight extending to all U.N. operations and the specialized agencies. The U.N. external oversight bodies have varying mandates, extremely broad areas to cover, and modest resources. The U.N. external oversight bodies are the General Assembly's Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Panel of External Auditors, the General Assembly and the Economic and Social Council's Committee for Programme and Coordination, the International Civil Service Commission, and the Joint Inspection Unit. (See table I.1 for an overview of the U.N. external oversight mechanisms.)

Each specialized agency, as well as the International Atomic Energy Agency, has its own external auditor that is responsible for auditing the finances of the organization and reporting to the governing bodies. The external auditors are selected from among member states' supreme audit institutions and are members of the U.N. Panel of External Auditors. For example, the external auditor for the International Labor Organization is the Auditor General of the United Kingdom.

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<sup>1</sup>The organizations we describe here were identified as external oversight mechanisms by the Joint Inspection Unit in its report entitled *Accountability, Management Improvement, and Oversight in the United Nations System* (Geneva: Nov. 1995).

**Appendix I  
United Nations' External Oversight  
Mechanisms**

**Table I.1: Overview of U.N. External Oversight Mechanisms**

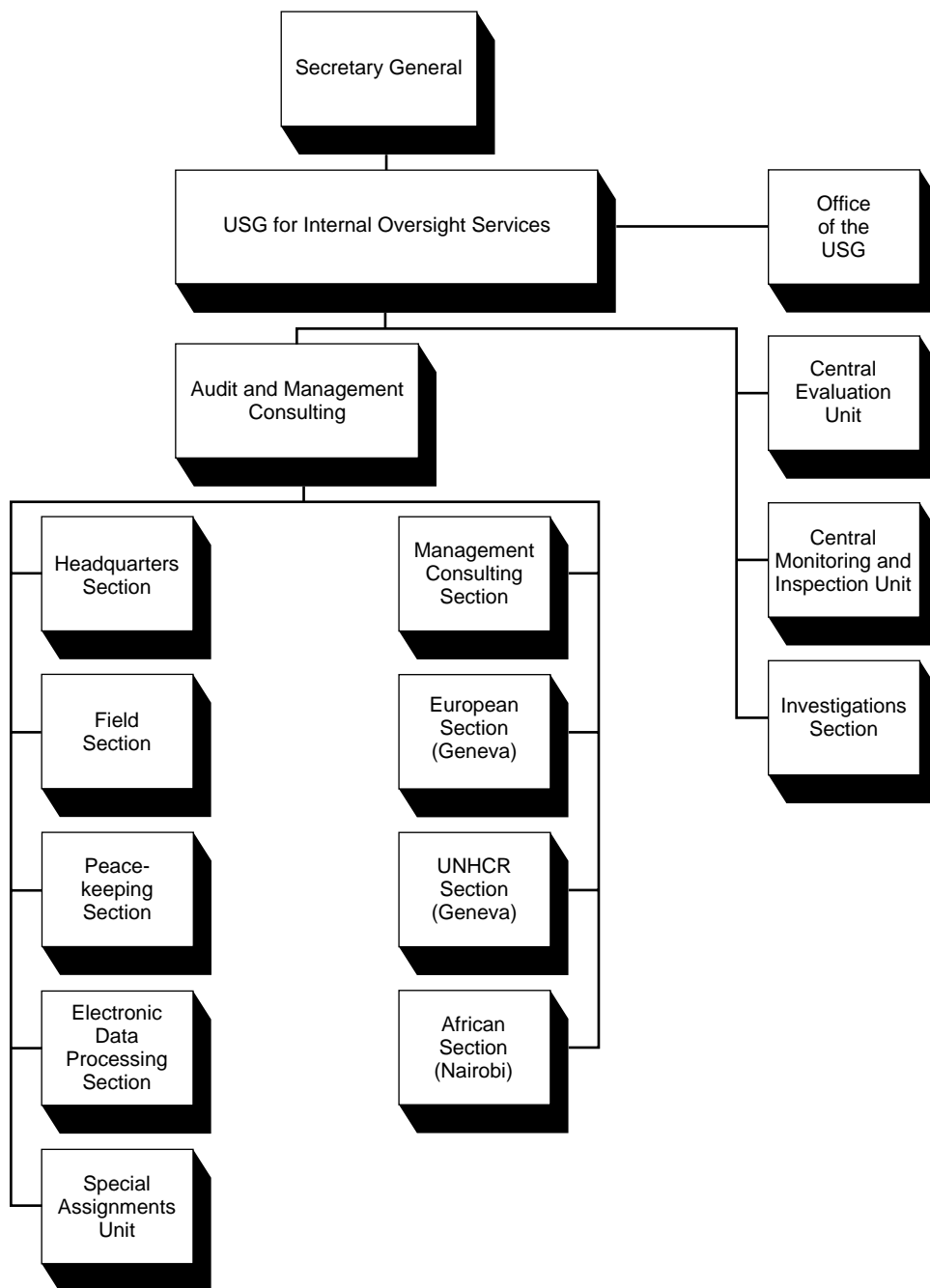
<b>Organization</b>	<b>Year established</b>	<b>Function</b>
Advisory Committee on Administrative and Budgetary Questions	1946	The Committee, with 16 members chosen by the General Assembly on the basis of broad geographical representation, personal qualifications, and expertise, advises and reports to the General Assembly. The Chairman serves fulltime. The Committee examines the proposed U.N. program budget; administrative and budgetary matters referred to it, including the financing of peacekeeping operations and extrabudgetary activities; and the auditors' reports on the United Nations. The Committee meets extensively throughout the year and is assisted by a small secretariat in New York.
Board of Auditors	1946	The Board, consisting of three auditors general of member states, provides external audit oversight functions for the United Nations and separately administered funds and programs. Other auditors general serve as individual external auditors for each of the specialized agencies and the International Atomic Energy Agency.
Panel of External Auditors	1959	The Panel comprises the above appointed auditors currently from the United Kingdom, Ghana, India, Germany, France, Switzerland, South Africa, and Canada. It meets at least annually to promote best accounting and auditing practices in the U.N. system and undertakes certain related initiatives that are communicated to governing bodies through the Advisory Committee on Administrative and Budgetary Questions and to administrations through the Administrative Committee on Coordination.
Committee for Programme and Coordination	1962	The Committee is the main subsidiary body of the Economic and Social Council and the General Assembly for planning, programming, and coordinating. It reviews U.N. programs and assists the Economic and Social Council in its coordination functions, including considering the activities and programs of agencies of the United Nations and the U.N. system, systemwide coherence and coordination, and the implementation of important legislative decisions. Its conclusions and recommendations play a role in the adoption of the U.N. program budget by the General Assembly. The Committee has 34 elected members, is based in New York, and meets for 4 to 6 weeks per year.
International Civil Service Commission	1974	The Commission comprises 15 independent experts appointed in their personal capacities by the General Assembly. The Chairman and Vice Chairman serve full time. The Commission makes recommendations to the General Assembly for the regulation and coordination of conditions of service within the U.N. common system and has certain decision-making functions regarding salaries, allowances, and job classification standards. It meets twice yearly for about 3 weeks each time and is serviced by a secretariat in New York.
Joint Inspection Unit	1968	The Unit comprises 11 inspectors from different member states who serve in their personal capacities. They are chosen by the General Assembly on the basis of membership in national supervision or inspection bodies or similar competence. They review matters bearing on the efficiency of the services and proper use of funds and seek to improve management, methods, and coordination through inspection and evaluation. The Unit provides reports with recommendations to the United Nations and its funds and programs and specialized agencies.

# OIOS Organization and Unit Functions, Budget, and Staffing

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OIOS consists of four operational units—the Audit and Management Consulting Division, the Investigations Section, the Central Monitoring and Inspection Unit, and the Central Evaluation Unit. It also has an office of the Under Secretary General (USG) for Internal Oversight Services. The Audit and Management Consulting Division is headed by a Director and a Deputy Director. The other three OIOS units are headed by section or unit chiefs who, like the Director of the audit division, report directly to the USG for Internal Oversight Services. Figure II.1 shows the organizational structure for OIOS. Table II.1 provides an overview of each unit’s function, its budget, and staffing.

**Figure II.1: OIOS Organization Chart**



Source: The Office of Internal Oversight Services of the United Nations, page 4.

**Appendix II**  
**OIOS Organization and Unit Functions,**  
**Budget, and Staffing**

**Table II.1: Overview of OIOS Functions, Budget, and Staff**

Dollars in millions

OIOS unit	Functions	1996-97 biennium	
		Budget <sup>a</sup>	Staff <sup>b</sup>
Office of the Under Secretary General	The Office provides overall direction, supervision, and management of the activities of OIOS. It is also responsible for the planning and monitoring of the work program of OIOS as well as for providing administrative support.	\$1.5	3 professional 4 support
Audit and Management Consulting Division	The Division provides comprehensive audit services for all U.N. activities for which the Secretary General has administrative responsibility. These audits should promote reliability of information; compliance with policies, regulations, rules, and procedures; the safeguarding of assets; the economical, efficient, and effective use of resources (value for money); and the accomplishment of established objectives and goals for operations and programs.	\$7.8	29 professional 11 support
Investigations Section	The Section investigates reports of violations of U.N. regulations, rules, and pertinent administrative issuances and transmits to the Secretary General the results of such investigations, together with appropriate recommendations, to guide the Secretary General in deciding on jurisdictional or disciplinary action to be taken.	\$2.6	12 professional 3 support
Central Monitoring and Inspection Unit	The Unit's role is to (1) enhance and strengthen the management of programs and ensure that monitoring and self-evaluation functions in each organizational unit of the Secretariat are viewed as an integral part of management oversight responsibility for the efficiency and effectiveness of program performance; (2) provide support to managers in establishing a proper system of program monitoring, including the development of performance indicators and the analytical assessment of performance; (3) provide necessary analytical and transparent information on actual program performance to intergovernmental bodies; and (4) undertake quick analyses for the identification of problems affecting the efficient implementation of programmed activities and recommend corrective measures as appropriate.	\$1.4	6 professional 3 support
Central Evaluation Unit	The Unit determines, as systematically and objectively as possible, the relevance, efficiency, effectiveness, and impact of U.N. activities in relation to their objectives, to enable the Secretariat and member states to make informed decisions about the continuation of these activities.	\$1.7	6 professional 4 support
<b>Total</b>		<b>\$15.0</b>	<b>56 professional 25 support</b>

<sup>a</sup>Excludes \$6.6 million in extrabudgetary resources provided by other departments or organizations for the audit division.

<sup>b</sup>Excludes 36 extrabudgetary positions and 6 resident auditors for the audit division and 1 staff member on nonreimbursable loan.

Sources: The Office of Internal Oversight Services of the United Nations, the proposed U.N. budget for 1998-99, and OIOS officials.



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# Comparison of U.S. Inspector General Offices and OIOS

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Prior to the creation of OIOS in July 1994, the United States and other member states, as well as the U.S. Congress and GAO, had expressed concern about the way the United Nations managed its resources and criticized the inadequacies of preexisting internal oversight mechanisms. In response to these concerns, the Secretary General established the Office for Inspections and Investigations in August 1993 under the leadership of an Assistant Secretary General. However, member states—primarily the United States—wanted a more autonomous oversight body with more authority.

In November 1993, the U.S. Permanent Representative to the United Nations proposed the establishment of an “Office of the Inspector General” to the General Assembly. According to the proposal, the office would support member states and the Secretary General by providing independent advice based on an examination of all activities carried out at all U.N. headquarters and field locations financed from the regular budget, peacekeeping budgets, and voluntary contributions. At the same time, the new office would have external reporting responsibilities. The office would be headed by an “Inspector General” (IG) who, although an integral part of the Secretariat, would carry out his/her responsibilities entirely independent of the Secretariat and all U.N. governing bodies.

In April 1994, Congress enacted Public Law 103-236 (sec. 401(b)) which, among other things, emphasized the importance of establishing such an office. The legislation required certain funds to be withheld from the United Nations until the President certified that it had established an independent office to conduct and supervise objective audits, investigations, and inspections relating to the programs and operations of the United Nations. The legislation stated that the office should have (1) access to all records and documents; (2) procedures to ensure compliance with recommendations of the office; and (3) procedures to protect the identity of, and to prevent reprisals against, any staff members making a complaint or disclosing information, or cooperating in any investigation or inspection by the office.

After a series of negotiations among member states, including the United States, a compromise was reached, and the General Assembly, in July 1994, approved a resolution creating OIOS within the U.N. Secretariat. OIOS’ mandate reflects many of the characteristics of U.S. inspector general offices. Table III.1 provides a comparison of U.S. offices of inspectors general and OIOS.

**Appendix III**  
**Comparison of U.S. Inspector General**  
**Offices and OIOS**

**Table III.1: Comparison of U.S. Offices of Inspectors General and OIOS**

<b>Subject</b>	<b>U.S. offices of inspectors general</b>	<b>U.N. Office of Internal Oversight Services</b>
<b>Purpose</b>	Provide a means for keeping the head of the agency and the Congress fully and currently informed about problems and deficiencies in programs and operations.	Assist the Secretary General in fulfilling his internal oversight responsibilities relating to resources and staff of the organization, including separately administered organizations of the United Nations.
<b>Authority</b>	Neither the head of the agency nor the officer next in rank below the head shall prevent or prohibit the IG from initiating, carrying out, or completing any audit or investigation.	Exercise operational independence to initiate, carry out, and report on any action that OIOS considers necessary to fulfill its responsibilities. OIOS may not be prohibited or hindered from carrying out any action within the purview of its mandate.
	Each IG is authorized to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material that relate to programs and operations.	OIOS staff have the right of access to all persons, records, documents, or other material assets and premises and to obtain such information and explanations they consider necessary to fulfill their responsibilities.
<b>Office head</b>	IGs, who report to and are under the general supervision of the agency head.	USG for Internal Oversight Services, who is under the authority of the Secretary General.
Appointment	IGs are appointed solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations.	The USG for Internal Oversight Services shall be an expert in the fields of accounting, auditing, financial analysis and investigations, management, law, or public administration.
	The President appoints 27 IGs with the advice and consent of the Senate. Agency heads appoint 30 IGs.	The USG for Internal Oversight Services shall be appointed by the Secretary General, following consultations with member states, and approved by the General Assembly.
	IGs are appointed without regard to political affiliation.	The Secretary General shall appoint the USG for Internal Oversight Services with due regard for geographic rotation.
	Most IGs have no fixed term of service.	The USG for Internal Oversight Services shall serve for one fixed term of 5 years without possibility of renewal.
Removal	An IG appointed by the President and confirmed by the Senate may be removed from office by the President. Likewise, the agency heads who appoint IGs may also remove them. However, for all IGs, the reasons for such removal shall be communicated to the Congress.	The USG for Internal Oversight Services may be removed by the Secretary General only for cause and with the approval of the General Assembly.
<b>Budget</b>	IGs appointed by the President have separate line item accounts in their agencies' budgets. Agency-appointed IGs' offices are financed with funds that are available for other agency activities.	OIOS budget proposals are submitted to the Secretary General, who submits proposals to the General Assembly for its consideration and approval, taking into account the office's independence in the exercise of its functions. OIOS is a separate line item in the U.N. Secretariat's budget.

(continued)

**Appendix III  
Comparison of U.S. Inspector General  
Offices and OIOS**

<b>Subject</b>	<b>U.S. offices of inspectors general</b>	<b>U.N. Office of Internal Oversight Services</b>
<b>Coordination</b>	Each IG gives particular regard to the activities of the Comptroller General, with a view toward avoiding duplication and ensuring effective coordination and cooperation.	OIOS shall coordinate its activities and provide the Board of Auditors and the Joint Inspection Unit with OIOS reports that have been submitted to the Secretary General and the comments of the Secretary General on them.
<b>Standards</b>	Each IG shall comply with audit standards established by the Comptroller General. Also, the IGs have established quality standards for investigations and inspections.	There is no requirement that OIOS establish guidelines and standards appropriate to the United Nations for any of its functions.
<b>Function</b>		
Audit	Create independent and objective units to conduct and supervise audits and promote economy, efficiency, and effectiveness of programs and operations.	Examine, review, and appraise the use of financial resources. Ascertain compliance of program managers with financial and administrative regulations and rules. Undertake management audits, reviews, and surveys. Monitor the effectiveness of internal control systems.
Investigation	Create independent and objective units to conduct and supervise investigations of programs and operations. Prevent and detect fraud and abuse in programs and operations.	Investigate reports of violations of U.N. regulations, rules, and administrative documents. Assess the potential within program areas for fraud and other violations through the analysis of systems of control.
Inspection	While inspection is not specifically mandated by law, many IGs perform a similar function.	Conduct inspections of organizational units whenever there are indications that programs are not adequately managed or executed and that resources are not being efficiently used.
Monitoring	While monitoring is not specifically mandated by law, many IGs perform a similar function.	Monitor program implementation and ensure that monitoring is viewed as managerial responsibility.
Evaluation	While evaluation is not specifically mandated by law, many IGs perform a similar function.	Conduct evaluations of U.N. programs to assess the efficiency and effectiveness of the implementation of programs and legislative mandates. Encourage self-evaluation by program managers and provide them with methodological support.
<b>Reporting</b>		
Reports on programs, operations, or utilization of resources	Each IG is required to keep the head of the agency and the Congress fully and currently informed by means of reports and otherwise. Written reports communicate the results of audits to officials at all levels of government and, unless restricted by law or regulation, copies should be made available for public inspection.	OIOS shall submit reports that provide insight into the effective use and management of resources and the protection of assets to the Secretary General, who shall ensure that all such reports are made available to the General Assembly as presented, together with any separate comments the Secretary General may deem appropriate.
Reports on activities of the office	Each IG shall prepare semiannual reports summarizing the activities of the IG's office during the preceding 6-month period. These reports are furnished to the agency head for transmittal to the Congress, together with a report by the agency head.	OIOS shall submit an annual analytical and summary report on OIOS activities to the Secretary General, who shall ensure that such reports are made available to the General Assembly as presented, together with any separate comments the Secretary General may deem appropriate.

(continued)

**Appendix III**  
**Comparison of U.S. Inspector General**  
**Offices and OIOS**

<b>Subject</b>	<b>U.S. offices of inspectors general</b>	<b>U.N. Office of Internal Oversight Services</b>
Reports on recommendation status	IGs prepare semiannual reports that include information on the status of audit recommendations. These reports are submitted to agency heads for transmittal to the Congress.	OIOS shall report to the Secretary General as necessary, but at least twice yearly, on the implementation of recommendations.
<b>Recommendation follow-up</b>	Agency heads are responsible for designating a top management official to oversee audit follow-up, including resolution and corrective action.	The Secretary General shall facilitate the prompt and effective implementation of OIOS recommendations and inform the General Assembly of actions taken in response to recommendations.
	IGs are responsible for reviewing responses to audit reports and reporting significant disagreements to the audit follow-up official.	The USG for Internal Oversight Services shall report to the Secretary General for a final decision on recommendations with which the program managers concerned do not agree.
<b>Referrals</b>	Each IG shall report expeditiously to the Attorney General whenever the IG has reasonable grounds to believe a federal criminal law has been violated.	Disciplinary and/or jurisdictional proceedings are initiated without undue delay in cases where the Secretary General considers it justified.
<b>Protection for complainants</b>	Unless the IG determines disclosure is unavoidable, the IG shall not disclose the identity of employees who report possible violations of law, gross waste of funds, and abuse of authority without consent. Also, employees are to be protected from reprisal for making a complaint to the IG.	The Secretary General is to ensure that procedures are in place to provide for direct confidential access of staff members to OIOS, provide protection against repercussions for staff members who provide information, and protect the anonymity of staff members.
<b>Additional authorities</b>	The "Inspectors General Vision Statement" states that IGs will work with agency heads and the Congress to improve program management and to build relationships with program managers based on a shared commitment to improving program operations and effectiveness.	OIOS may advise program managers on the effective discharge of their responsibilities, provide assistance to program managers in implementing recommendations, ascertain that program managers are given methodological support, and encourage self-evaluation.
	Each IG is authorized to select, appoint, and employ such officers and employees as may be necessary	The USG for Internal Oversight Services shall exercise the degree of latitude and control over OIOS personnel and resources that is necessary to achieve the objectives of the office.

Sources of information on U.S. offices of inspectors general: Inspector General Act of 1978, as amended; Quality Standards for Investigations, President's Council on Integrity and Efficiency, (Washington, D.C.: 1985); Office of Management and Budget Circular A-50, "Audit Follow-up," revised (Washington, D.C.: Sept. 29, 1992); Quality Standards for Inspections, President's Council on Integrity and Efficiency (Washington, D.C.: Mar. 1993); Action Needed to Strengthen OIGs at Designated Federal Entities ([GAO/AIMD-94-39](#), Nov. 30, 1993); Inspectors General Vision Statement (Washington, D.C.: Jan. 1994); [Government Auditing Standards: 1994 Revision \(GAO/OCG-94-4](#), June 1994).

Sources of Information on the U.N. Office of Internal Oversight Services: U.N. General Assembly Resolution 48/218B, July 29, 1994; U.N. Secretary General's Bulletin ST/SGB/273, September 7, 1994.

# Comparison of OIOS Resources With Other U.N. Secretariat Functions

While the overall regular budget for the U.N. Secretariat has decreased since the 1994-95 biennium, OIOS' budget increased by 55 percent. Five of the 12 other functions had budget decreases over the period. Concerning staffing, while several U.N. Secretariat functions had staffing increases from the 1994-95 to the 1996-97 biennium, all except OIOS experienced staff decreases in the proposed 1998-99 biennium budget. Tables IV.1 and IV.2 provide a comparison of OIOS' budget and staffing levels with other U.N. Secretariat functions, respectively.

**Table IV.1: OIOS' and Other U.N. Secretariat Functions' Budgets**

Dollars in millions			
<b>U.N. Secretariat function</b>	<b>1994-95 Adjusted</b>	<b>1996-97 Appropriated</b>	<b>1998-99 Proposed</b>
Overall policy-making, direction, and coordination	\$37.2	\$35.9	\$38.6
Political affairs	198.3	199.4	164.9
International justice and law	50.7	50.2	55.5
International cooperation for development	301.0	294.3	302.3
Regional cooperation for development	339.3	351.8	399.4
Human rights and humanitarian affairs	132.7	134.3	138.6
Public information	131.4	134.3	140.3
Common support services	903.0	938.2	904.2
<b>Office of Internal Oversight Services</b>	<b>12.0</b>	<b>15.0</b>	<b>18.6</b>
Special expenses	60.1	68.8	60.0
Capital expenditures	83.8	28.6	35.9
Staff assessment	357.8	348.3	324.6
International Seabed Authority	0.8	4.0	0
<b>Total</b>	<b>\$2,608.1</b>	<b>\$2,603.1</b>	<b>\$2,582.9</b>

Source: U.N. budget documents.

**Appendix IV**  
**Comparison of OIOS Resources With Other**  
**U.N. Secretariat Functions**

**Table IV.2: OIOS' and Other U.N. Secretariat Functions' Regular Budget Positions, by Function**

<b>U.N. Secretariat function</b>	<b>1994-1995 Adjusted</b>	<b>1996-1997 Appropriated</b>	<b>1998-1999 Proposed</b>
Overall policy-making, direction and coordination	120	122	117
Political affairs	767	729	641
International justice and law	205	202	199
International cooperation for development	1,329	1,324	1,209
Regional cooperation for development	2,157	2,165	1,982
Human rights and humanitarian affairs	566	570	522
Public information	837	822	740
Common support services	3,997	3,933	3,347
<b>Office of Internal Oversight Services</b>	<b>72<sup>a</sup></b>	<b>81</b>	<b>82</b>
Special expenses	65	64	0
Capital expenditures <sup>b</sup>	0	0	0
Staff assessment <sup>b</sup>	0	0	0
International Seabed Authority <sup>b</sup>	0	0	0
<b>Total</b>	<b>10,115</b>	<b>10,012</b>	<b>8,839</b>

<sup>a</sup>OIOS absorbed 64 positions from the Office for Inspections and Investigations and was granted 8 new positions during the 1994-95 biennium.

<sup>b</sup>These functions do not have designated staff.

Source: U.N. budget documents.

# Comments From the U.S. Department of State



**United States Department of State**

***Chief Financial Officer***

***Washington, D.C. 20520-7427***

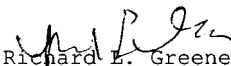
November 3, 1997

Dear Mr. Hinton:

We appreciate the opportunity to provide the enclosed combined Department of State and USUN comments on your draft report, "UNITED NATIONS: Status of Internal Oversight Services," GAO Job Code 711257.

If you have any questions concerning this response, please call the coordinator for the response, Ms. Teresa Hobgood at (202) 647-6419.

Sincerely,

  
Richard L. Greene

Enclosure:

As stated.

cc:

GAO/NSIAD - Ms. Merritt/Mr. Huntington  
STATE/IO/S - Ms. Hobgood

Mr. Henry L. Hinton, Jr.,  
Assistant Comptroller General,  
National Security and International Affairs,  
U.S. General Accounting Office.

Department of State and USUN Comments on the GAO Draft Report,  
"UNITED NATIONS: Status of Internal Oversight Services"  
GAO Job Code 711257

We welcome the opportunity to comment on the GAO's draft report, entitled "UNITED NATIONS: Status of Internal Oversight Services" (GAO Job Code 711257).

Recognizing the serious shortcomings in the UN's capability to assess program performance and the absence of an effective mechanism to deter waste, fraud and mismanagement, the United States was the driving force behind the creation of the Office of Internal Oversight Services (OIOS), the UN's Inspector General. As such, we have a vested interest in implementing steps to ensure that the office functions effectively through the provision of adequate resources and the maintenance of a highly skilled and competent professional staff.

We acknowledge the difficulty of undertaking a review of an entity of the UN since the General Accounting Office, similar to other national audit institutions of UN member states, has no authority to audit the internal operations of the United Nations. Such authority is vested solely in the UN Board of Auditors. Despite this reality, we believe the GAO has done a good job of setting forth OIOS accomplishments and we concur generally with the report's conclusions and observations.

The "Results in Brief" section on pages 5 and 6 of the report indicates general GAO approval of the progress of OIOS. In particular, it describes the OIOS as having met four of its critical evaluation standards: operational independence, adequate budget and staffing, development of written procedures, and tracking of recommendations. The only area of concern expressed was with regard to the number of reports that reach the Secretary General and the UN General Assembly. Even in this area, the GAO notes that the head of OIOS, Under Secretary General Paschke, indicated he will make changes in response to GAO's suggestions in this area. It also would be useful to note the GAO team leader's favorable impression with the progress OIOS has made at this stage of its development, relative to the progress of offices of inspectors general in the United States Government at a similar stage.

With respect to OIOS staffing and the adequacy of resources, this subject is of particular interest to us. We intend to monitor resource issues closely to ensure that OIOS continues to achieve meaningful management improvements in the UN.

The report states that the OIOS' mandate provides a framework for operational independence. We fully concur with this assessment and believe that the UN

Now on pp. 4 and 5.



2

has established an independent entity to conduct audits, inspections, and investigations in conformity with Section 401(b) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995. We are not aware of any instances in which OIOS work was undertaken with interference or improper influence from UN officials.

We concur with the several suggestions GAO has made on pages 22 and 23 of its report to improve OIOS operations. In particular, in view of the limited number of reports submitted to member states, compared with the number produced, we can understand GAO's desire to know the criteria used in deciding which reports will be made available externally.

To address the issue of reporting, UN Under Secretary General Paschke has agreed to list reports his office has produced in his annual report. We also note that U/SYG Paschke has expressed a willingness to brief member states on any report his office has produced where requested to do so. These measures represent meaningful and important ways in which OIOS is seeking to improve the transparency of its reporting.

In the case of GAO's suggestion that written, procedural guidance for in-depth evaluations and inspections be prepared, we intend to work with OIOS to ensure that this issue is addressed. This is important to demonstrate the continuing relevance and value of UN programs, particularly in an era of constrained resources.

In an effort to enhance the credibility of OIOS, we also intend to raise with U/SYG Paschke the need for a systematic approach toward including in OIOS reports, reactions of program managers and other senior officials to OIOS recommendations. Their comments, particularly in more egregious cases of mismanagement and malfeasance would contribute to a greater confidence among member states that shortcomings are being addressed effectively and improvements in financial controls are being made. Moreover, the inclusion of comments of the audited entity would suggest that OIOS did not ignore new information that could affect its findings.

The report points out the existence of a database in each OIOS unit that monitors compliance with recommendations. This is an important feature of OIOS' work since we regard the timely implementation of recommendations as indispensable in assessing the degree to which oversight is taken seriously.

We note GAO's comment on page 4 of the report that OIOS' mandate in relation to separately administered funds and programs, such as UNDP, UNICEF and UNEP, has been the source of some ambiguity. The U.S. Government has consistently taken the position that OIOS's jurisdiction extends to the separately administered funds and programs. We wish to emphasize that the Office of the

Now on pp. 17 and 18.

Now on pp. 6 and 7.

3

UN Legal Adviser, in a memorandum dated July 13, 1994, confirmed our understanding of the relationship.

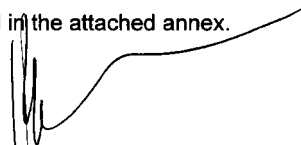
On an issue related to OIOS's authority, some member states have questioned the ability of the UN to implement OIOS recommendations contained in its numerous reports without the UN General Assembly's formal endorsement. In this respect, U/SYG Paschke has asked the UN Legal Adviser for his opinion regarding the implementation of all OIOS recommendations which we expect will be rendered soon.

Effective oversight of UN programs is of primary importance to the United States. We look forward to building on the significant progress that OIOS has made in this area.

Comments of a technical nature are provided in the attached annex.



Michael Sheehan  
Deputy Assistant Secretary  
International Organization Affairs  
Department of State



Richard Sklar  
U.S. Permanent Representative for  
Management and Reform  
U.S. Mission to the United Nations

# Comments From the U.N. Office of Internal Oversight Services

United Nations  Nations Unies

KARL Th. PASCHKE  
UNDER-SECRETARY-GENERAL  
FOR INTERNAL OVERSIGHT SERVICES

Reference: 11112a/97

6 October 1997

Dear Mr. Hinton,

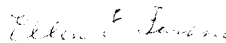
Thank you for forwarding the draft report on the operations of the Office of Internal Oversight Services (GAO Code 711257) for my comments.

I have forwarded comments of a technical nature and a few corrections to comments which were attributed to me to Mr. Albert Huntington.

Enclosed are my written comments which I understand are to be attached to the report.

Although I will be away from New York until 13 October, I am forwarding this document through my Special Assistant, Ms. Ellen Fasano, please do not hesitate to contact her if you require any additional information or clarification.

Yours truly,



Karl Th. Paschke  
Under-Secretary-General for  
Internal Oversight Services

Mr. Henry L. Hinton, Jr.  
Assistant Comptroller General  
United States General Accounting Office  
Washington, D.C. 20548

**APPENDIX VI**

Comments from the United Nations Office of Internal Oversight Services

I have reviewed the draft report of the GAO on the operations of the Office of Internal Oversight Services and find it to be, on the whole, a positive assessment of the first two and half to three years of existence of a new office and a new concept in oversight for the United Nations. This first two and a half years coincides with the mid-point of my term as Under-Secretary-General for Internal Oversight Services and, therefore, I am gratified by the acknowledgement of the progress made by the office. At the same time, there are still areas where the office needs to mature and I am confident that this will occur during the next few years, taking into account the inherent characteristics of an internal oversight mechanism and the financial situation of the Organization.

Referring to a qualifying statement in the GAO Report (page 7) and to the recommendation on page 23, I wish to firmly underline that OIOS does exercise its authority and implements its procedures in an independent manner. During the last three years, I have been confronted with a few situations which had the potential to compromise OIOS' independence, however, I have successfully dealt with them in large part because the Secretary-General has always unequivocally upheld and supported the operational independence of OIOS.

Three years is not a long time in the life of an organization, but I do believe we have already established OIOS as the authoritative mechanism the General Assembly intended this office to be. We have become an important and effective component of the United Nations management culture. Nevertheless, we need to continue to scrutinize and fine tune our operation and I am committed to that.

The GAO's observations about our reporting procedures starting on page 9 prompt me to state: OIOS was designed as an internal oversight body. If the findings and recommendations resulting from our daily work, particularly in auditing, are responded to swiftly and without problems by management, there is no need to involve the Secretary-General. Given the chronically overloaded agenda of the General Assembly, to submit to them all or even most of OIOS' audit reports would be regarded by Member States as a burden rather than an advantage. Given the high costs of producing documents for the General Assembly, it could also be seen as a waste of resources, something which OIOS was created to avoid. Furthermore, it must not be forgotten that all significant oversight topics are covered in the OIOS Annual Report, in order to provide the Secretary-General and the General Assembly with insight into the effective utilization and management of resources.

On the need to incorporate comments on inspection reports received by departments, (stated on page 17), these comments are transmitted to the Secretary-General. The Secretary-General then reviews these comments. Should the Secretary-General, after this review, wish to dissent from any OIOS findings and recommendations, this would be reflected in his transmittal note to the General Assembly. Since the departments and offices are part of a Secretariat headed by the Secretary-General it would be inappropriate to reproduce dissenting views of department heads which the Secretary-General does not endorse.

# Major Contributors to This Report

National Security and International Affairs Division, Washington, D.C.	Harold J. Johnson, Jr. A.H. Huntington, III Zina D. Merritt Sandra D. Gove
Accounting and Information Management Division, Washington, D.C.	Jackson W. Hufnagle
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Office of the General Counsel	Mark C. Speight

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