Internal Audit of Travel Management in UNICEF

December 2019

Office of Internal Audit
and Investigations (OIAI)

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Contents

Audit objectives and scope

The objective of the audit was to provide assurance that there were adequate and effective governance, risk management and control processes over travel.

The audit included test of transactions for the period from January 2017 to September 2019. The audit covered the travel management companies for NYHQ and did not cover similar arrangements outside of NYHQ. It also did not include a technical assessment of whether airline tickets were obtained at the lowest cost. This would require specialists, which under the new travel service contract are expected to be procured and retained.

Background

UNICEF has more than 15,000 staff and operates in 128 countries, with supporting offices at eight headquarters locations and seven regions to deliver results for children. Accountability for staff and consultant travel management is generally devolved to the respective budget owners in the country, regional and headquarters offices.

UNICEF has two main groups of travel: duty travel and entitlement-related travel. Duty travel, which has the highest financial significance, involves travel related to implementation of UNICEF's programmes, including meetings, conferences and events. Entitlement travel encompasses home leave, family visit and education grant travel. It also includes travel for staff members upon appointment, change of duty station and separation from service. In 2018 the total travel expenditure was US$ 157 million, and for the first six months of 2019 it was approximately US$ 62 million. UNICEF seeks to ensure that its travel processes are efficient, expenditures are kept at reasonable levels and the safety and security of travellers is optimized.

Travel costs account for approximately 3.6 percent of UNICEF's total annual expenditures, so the risk of waste and potential for savings is significant. Moreover, any actual or perceived mismanagement of travel can create a significant reputational risk.

Since 2015, UNICEF NYHQ has used a single TMC to source tickets and provide other travel management services.

Summary

The Office of Internal Audit and Investigations (OIAI) is re-issuing the report on its audit of Travel Management to more clearly reflect the initiatives taken by DFAM to mitigate risk of financial loss and accounting in respect of payments made to staff for travels not made. The audit was conducted from May 2019 to September 2019 and covered the period from January 2018 to September 2019. The objective of the audit was to provide assurance that there were adequate and effective governance, risk management and control processes over travel.

As UNICEF maintains a physical presence in 128 countries, travel is an essential part of its work. UNICEF personnel travel to mobilize resources, for conferences and meetings, to implement/supervise projects/programmes and for leave, amongst other things. Total travel expenditure (including entitlement travel) is about 3.6 percent of UNICEF revenue using 2018 figures (USS 214.57 million of USS 6.09 billion).

Although travel expenditure does not form a significant proportion of overall expenditures, it is a very important and sensitive cost element that may result in reputational risk to UNICEF if processes are abused, hence it attracts audit, donor and partner's attention. The audit therefore sought to provide reasonable assurance that there were adequate and effective governance, risk management and control processes ensure that travel costs are controlled across UNICEF. To achieve this, the audit team reviewed and analysed current procedure governing travels across UNICEF, the travel management contract for New York Headquarters (NYHQ), and initiatives such as the new travel strategy meant to control travel costs

Results of the audit and actions required

In October 2017, the Executive Director instructed offices to reduce travel expenditure for conferences and events by 15 percent. Since 2017, UNICEF has taken commendable steps to try to reduce travel expenses. In April 2019 the Division of Financial and Administrative Management (DFAM) launched a new travel strategy. In July 2019 the Deputy Executive Director, Management instructed offices to reduce their 2019 travel expenditure for conferences and events by 30 percent.

In August 2019, to address staff complaints of the poor quality of service, the travel management company (TMC) was replaced through a competitive process. Since then, DFAM has put in place a travel monitoring dashboard and other interventions to improve travel management in UNICEF; it has been reforming and simplifying travel processes to achieve economies of scale, and has redefined specific roles, responsibilities and accountabilities.

However, the audit team also identified a few areas where further actions were possible to achieve the full potential for reducing travel expenditure across UNICEF. Two of these are considered as high priority — that is, to address risks that require immediate management attention.

First, UNICEF's ability to maximize travel cost savings through online booking tools has been significantly constrained because the only tool currently used for such booking (Concur) is available only to NYHQ staff. While the use of this tool was approved more than 10 years ago, no formal assessment has been conducted to quantify savings attributable to the tool and expand its use across UNICEF. There was also no evidence that similar technologies were being considered for use across the organization. DFAM agrees to looking into expanding the use of Concur and similar technologies across UNICEF.

Second, UNICEF's travel procedure requires using the most economical route, provided the time of the whole journey does not exceed the time of the journey on the most direct route by four hours or more. This is a good requirement and is common across the United Nations system. However, our analyses show that in 2019, staff rejected more than 40 percent of the lowest fares quoted by the TMC using Concur. DFAM has done a commendable job of recording the reasons for these rejections, but no specific steps have been taken to reduce the rejection rate. Neither had there been action to measure whether the change of vendor is leading to an improvement in this area. This could include improved quality of travel requests prepared by staff and improved due diligence on the part of the new TM

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over travel management, as defined above, were generally established and functioning during the period under audit.

Audit observations

Travel cost reduction initiatives

Since 2017, UNICEF had taken significant steps to reduce travel expenses. On 4 October 2017, the Executive Director, building on suggestions from members of the Global Management Team, instructed offices to, with effect from 1 January 2018, reduce travel expenditure for conferences and events[1] by 15 percent using their respective 2016 figures as the baseline. This was expected to be achieved by reduction in the number/size of meetings/conferences, the size of delegations and the continuing use of the most direct and economical routes.

However, 2018 travel expenditure increased by 12 percent compared to the 2016 baseline. This was due to several factors (including a 10.2 percent increase in the number of personnel and a 33 percent increase in the number of humanitarian emergencies). In July 2019 the DED Management instructed offices to further reduce the 2019 travel expenditure for conferences and events by 30 percent, using 2018 levels as the baseline. This was in line with the UNICEF Travel Strategy, launched in April 2019.

The audit considers the issue of specific instructions with clear travel cost-saving targets, and the development of an overarching travel strategy, as good practice. However, given that the savings projected in the 2017 instructions from the Executive Director were not realized, the audit sought to assess the achievability of the additional savings that were now being sought. While it is still too early to assess progress made, the projections appear to be ambitious and may not be achieved. OIAI selected 25 country offices for review and noted that, as of 7 October 2019, 84 percent were already over their budget expenditure limits.

The audit noted the following opportunities for realistic cost savings.

Travel cost saving targets: For 2019, the DED established a travel budget limit for each office that would achieve a 30 percent savings. Globally, this was projected to result in a savings of approximately US$ 26 million in 2019, over 2018 actual travel expenditures. If savings are

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[1] Excluding: missions/in-country travel to provide technical support and oversight to UNICEF programmes; travel related to stretch assignments; emergency response; security-related missions; and entitlement travel.

realized, the resulting reallocation to programme implementation will be at the discretion of each office/division, subject to normal procedures on planning and budget allocation.

However, there was no evidence to show how the targeted savings were calculated and how it had been determined that the target was achievable without creating collateral risks. Also, although the targets were expected to be achieved in 2019, they were only formally communicated by the DED Management to the offices/divisions in July 2019. Given that further savings are expected beyond 2019, there will be great benefit in communicating the targets for subsequent years much earlier.

Assignment of responsibility for travel strategy: DFAM had drawn up a travel strategy in April 2019, outlining five initiatives to further reduce travel costs across UNICEF. Examples of these initiatives included enhanced virtual conferencing capability and consolidated airline savings. However, DFAM had not set out how and to what extent each initiative would contribute to the overall travel cost reduction. Further, the procedures or guidelines for the implementation of the initiatives had not been finalized. This was because, although the travel strategy itself calls for a task team to drive the initiatives and keep key stakeholders apprised of progress, the team had not been established. According to DFAM, regular meetings of the Administrative Management Services (AMS) team were filling the role. However, the minutes of the AMS showed limited evidence of specific discussions on the implementation of the strategy.

Performance matrices: A dashboard had been developed for monitoring travel expenditure, and the strategy included the indicative timeline/month for completion of each initiative. However, there was still need for other metrics. These could include: projected savings from each initiative; length/percentage of time that negotiated discount rates were available; number/percentage of virtual conferences/events; number/percentage of travels that were direct and economical; number of locations for the global hotel programme; reduction in the number/size of meetings/conferences; reduction in size of delegations, etc. The means for tracking and reporting savings from each of initiative had also not been established.

Agreed action 1 (medium priority): DFAM agrees to:

i. Establish the Travel Task Team envisaged by the travel strategy or clarify responsibilities for activities meant for the Task Team. These may include, but limited to, clarifying modalities, procedures, guidance, and responsibilities for the implementation of the initiatives specified in the strategy, and oversight of the strategy and reporting of savings from each initiative.
ii. Based on historical data, periodically review and, if necessary, revise the travel budget limits and savings targets for office.

Responsible staff: Chief, Administration Management Services (AMS), Administration Manager Travel and General Services
Target date for completion: March 2020

Agreed action 2 (medium priority): DFAM agrees to consider putting in place additional performance matrices for travel, and to monitor and report against these matrices to Executive Management and the Global Management Team.

Responsible staff: Chief, Administration Management Services (AMS), Administration Manager Travel and General Services

Target date for completion: March 2020

Economical tickets

The UNICEF duty travel procedure[2] (issued 1 December 2017) requires all official travel to be undertaken using the most economical route, provided the time of the whole journey does not exceed the time of the journey on the most direct route by four hours or more. This is a good requirement that is common across the United Nations system. Using the most economical and direct routes is central to the UNICEF strategy to achieve cost savings on travel. The UNICEF TMC is required to apply the procedure in sourcing tickets for UNICEF.

The audit noted the following.

Confirmation of direct/economical route: While the TMC for NYHQ routinely reported that it had provided at least two fare quotations in compliance with the procedure, UNICEF did not confirm whether the quoted fares were for the most economical, direct routes. This was because DFAM had not put in place a system or procedures for confirmation. The agreement between the service provider and UNICEF required the latter to hire a firm with specialized skills in auditing fares; however, sourcing of these skills had not commenced at the time of the audit.

Rejection of lowest fares: Offices/divisions often did not use the lowest quoted fares. Of the 3,471 tickets purchased between 1 January and 31 July 2019, the lowest fare was declined for approximately 40 percent, for a variety of reasons. In 2018, this occurred for 50 percent of trips for reasons, as shown in Table 1. Again, this indicates the need for improved due diligence by the TMC in identifying the most economical, direct route for official travels.

Table 1: Reasons for declining lowest cost in 2018

UNICEF Reason Code	Count
Accepted Lowest Possible Fare	2,260
Declined Lowest Fare due to Airport Preference	89
Declined Lowest Fare due to Carrier Preference	33
Declined Lowest Fare due to Connections or Stops	1,422
Declined Lowest Fare due to First/Business Class Seat	5
Declined Lowest Fare due to First/Business Class Upgrade	1
Declined Lowest Fare due to Flight Time Preferences	1,195
Declined Lowest Fare due to Non-Refundable Fare	17
Declined Lowest Fare due to Penalty or Restrictions	7
Declined Lowest Fare on Preferred Carrier	2
Declined Lowest Fare with a connection	19
Eligible for First / Business Class - Accepted Economy Fare	4
First / Business Class Fares were only ones available	7
Within Policy (tickets that are of the lowest unrestricted market fare)	477
Total	5,538

DFAM had done a commendable job of automating documentation (in VISION) of the reasons for rejecting the lowest fares quoted by the TMC. However, UNICEF did not have a system in place for analysing the reasons why the lowest quoted fares had been rejected and taking appropriate remedial action as necessary. Moreover, no specific steps have been taken to reduce the rejection rate of the lowest fare, which had become a norm. Such steps could include improved quality of travel requests prepared by staff, and improved due diligence on the part of the new service provider.

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[2] UNICEF Division Human Resources Duty Travel Procedure (2017/11).

In fact, DFAM confirmed that, while the most economical flight option will have been provided to staff members as first choice, they often reject the option due to departure times in relation to work schedules, and due to airport preferences in the New York area depending on where they live. These facts could be reflected in a template of travel requests used by the TMC in sourcing the lowest fares.

Further, there was no clear guidance on the calculation of the minimum four hours that would justify a traveller's exceptional use of the most direct, but potentially expensive route. In practice, the minimum number of hours was determined by subtracting the aggregate number of flight hours for the most economical route from aggregate flight hours of the most direct route.

DFAM confirmed that the procedure recognized the managers' prerogative to approve convenient travel options for staff but acknowledged that the procedure may be misinterpreted. In the view of the audit team, this indicated the need for improved clarity on the circumstances under which the lowest quoted fares may be declined and the acceptable price range for a higher fare.

Agreed action 3 (high priority): DFAM agrees to review and, as necessary, adjust the travel procedure to clarify the circumstances under which the lowest quoted fares may be declined. It will also include a reasonable price range (or a percentage of deviation from the lowest quoted fare) for a higher fare that may be approved by a manager in lieu of the lowest fare. The reasonable price range (or a percentage of deviation from the lowest quoted fare) that a manager may approve may also be automated in VISION to reduce scope for further deviation.

Responsible staff: Administration Manager Travel and General Services
Target date for completion: July 2020

Travel management company for NYHQ

The UNICEF travel procedure requires staff to use a specific TMC for the provision of travel services. The travel procedures of other UN agencies, programmes and funds have similar requirements. UNICEF had replaced its previous TMC with effect from 1 August 2019, following a competitive procurement process. OIAI reviewed the procurement process and noted it complied with UNICEF procurement policy and practices for the procurement of services.

The audit also noted the following regarding the new contract.

Performance verification: The contract includes performance matrices, such as those meant to assess the responsiveness of the vendor to requests for ticketing. The contract also requires the vendor to report to UNICEF monthly against these matrices. However, the Travel Unit in DFAM was not independently verifying the accuracy of data provided by the vendor on the performance matrices; it had no independent way of doing so. A review of an August 2019 report prepared by the service provider noted incomplete information.

Performance reporting: The contract required the vendor to conduct data analysis and provide UNICEF with monthly reports highlighting performance against specific key performance indicators, general trends and compliance with travel procedures. The reports should be received by the 15th day of each month. However, the report of data on some indicators for September 2019 was not provided to the auditors. Mechanisms for other measures had not been established.

Auditing: The service level agreement provided for an internal and external audit as the performance measure of the TMC's guarantee to provide the most economical route in compliance with UNICEF's travel policy. The Travel unit had not yet started looking into this as a control mechanism.

Reporting of cost savings: The vendor was required to use Yapta proprietary applications to identify and report cost-savings on tickets purchased. The vendor has provided the report, but DFAM was unable to interpret it or use it for any meaningful purpose. In fact, the audit team was told that the cost savings could only be validated by an external audit team with specialized skills.

Negotiated rates: The TMC was required to use negotiated airline rates when booking tickets. The audit considered compliance with this requirement as critical, because DFAM had told the audit team that it had been reluctant to approve additional online service providers partly because this would significantly impact the economies of scale expected to be achieved by using negotiated fares. There was however no evidence DFAM had checked to confirm this requirement had been complied with.

Agreed action 4 (medium priority): DFAM agrees to put in place appropriate systems or source external services to regularly: review and provide assurance to UNICEF that fare quotations provided by the TMC are in accordance with UNICEF travel policy and procedures; and monitor and appraise the performance of the vendor, ensuring self-reporting of the vendor's performance is independently verified/validated and established performance matrices are effectively enforced.

Responsible staff: Administration Manager Travel and General Services
Target date for completion: July 2020

Online booking tools

For more than 10 years UNICEF has allowed its staff at NYHQ to use Concur, an online tool, to book their air tickets directly (without an intermediary). However, this option is not widely known amongst staff. No formal assessment had been conducted to quantify savings attributable to the tool. DFAM did not provide the audit with the relevant procedures it expects staff to follow when using it.

In response to the draft of this report, DFAM stated that the consolidation of travel would extend the use of Concur to other offices using the TMC to ensure staff worldwide can book their own flights. However, the need to expand the use of Concur or similar technologies/search engines across UNICEF was not reflected in new travel strategy rolled out in April 2019.

DFAM had recently started working to reform travel management across UNICEF. A review of the proposed reform shows that the use of technology to gain economies of scale and a global TMC are being considered. This should streamline processes, make better use of resources, improve reporting, monitor policy compliance and reduce administrative burden. However, DFAM stated that additional search engines could be used in future but not immediately, because:

- They do not facilitate the use of negotiated airline rates and their use would significantly impact on ticket volume related to negotiated rates.
- Duty of care for staff.

- Lack of customer support.
- Increased administrative burden and potential ticket restrictions.

In the view of the audit, the above reasons given by DFAM require formal, verifiable and credible analyses as part of a much broader cost-benefit and feasibility assessment.

From 1 January 2018 to 31 July 2019, the total expenditure for air tickets of NYHQ staff was US$ 20 million, of which US$ 4 million was purchased through Concur. Greater use of direct bookings through Concur would also significantly lower the transaction costs of ticketing. In this regard, the audit team noted that the fee for the service varies significantly depending on whether the ticket is done online through Concur or by the TMC from other sources. The fee for the purchase of a ticket was US$ 8 using Concur compared to the US$ 39 (for domestic flights) and US$49 (for International flights) through the TMC.

Agreed action 5 (high priority): DFAM agrees to conduct cost-benefit and feasibility assessments on expanding use of Concur and similar technologies across UNICEF.

Responsible staff: Administration Manager Travel and General Services
Target date for completion: June 2020

Agreed action 6 (medium priority): DFAM agrees to:

i. Develop standard operating procedures and workflow staff are expected to follow in using Concur for the procurement of tickets and issue global broadcast to use Concur.
ii. Put in place mechanisms for monitoring and reporting the cost savings from using online booking tools and, if deemed necessary, make the use of online booking tools by offices/divisions mandatory for simple point-to-point trips.

Responsible staff: Administration Manager Travel and General Services
Target date for completion: June 2020

Credit card travel charges

UNICEF has provided a credit card to the TMC to use solely for the purchase of tickets meant for NYHQ offices/divisions' official travels. The credit card captures all ticket costs as well as refunds from cancellations.

The established procedure requires the Travel Unit in DFAM to promptly record in VISION the exact amount of ticket purchased by the TMC. They are also required to update VISION promptly if a ticket is cancelled or adjusted. In 2018, the value of tickets purchased using the UNICEF credit card was roughly US$ 12.33 million. Refunds in the same period were US$ 665,000.

The current reconciliation process does not require confirmation that all charges on the credit card related to official travel of UNICEF staff have been accurately recorded in VISION. OIAI noted instances where the ticket cancellations were not reflected in VISION. There were also other instances where the amounts on the credit card differed from the amounts recorded in VISION. There were also cases where tickets were purchased by the TMC using the UNICEF credit card, but had not been posted in VISION. In other instances, there were adjustments in the credit card statements that could not be traced to VISION.

These anomalies may very well be due to errors, and the audit noted that DFAM made the necessary corrections related to these specific issues identified. However, there was a risk that the issues identified were widespread and could have been prevented by proper due diligence in the review of credit card statements and reconciliation of these to VISION. Regarding the latter, the audit reviewed a sample of monthly reconciliations and noted unresolved items.

DFAM did not have an established procedure for the reconciliation process or the matching between the credit card charges, VISION and the TMCs ticketing and cancellation reports.

Agreed action 7 (medium priority): DFAM agrees to put in place appropriate procedures to ensure due diligence in the review of credit-card statements and reconciliation of these with VISION and the TMC statements; and ensure prompt corrective actions are taken if necessary.

Responsible staff: Administration Manager Travel and General Services
Target date for completion: June 2020

Trip reporting

UNICEF travel procedures require staff to report/certify in VISION within 15 days of returning from an official business trip as to:

- Whether the travel has been carried out as originally approved.
- Whether transportation, accommodation and meals were provided by UNICEF.
- The amount of any incidental cost (such as entry visa fees) incurred by the staff member.

This report should provide the basis for UNICEF to reimburse staff for any incidental cost incurred or recover travel advances for DSA and terminal expenses paid to the staff member. The certification/report also serves as the basis for settling accounts related to air tickets.

UNICEF travel procedure requires prompt recovery of amounts paid when the staff fails to promptly provide evidence of undertaking the travel as approved or travel is not undertaken as approved. Accountability is expected of all international civil servants and, in this case, effective enforcement of the procedure would ensure there are no additional cost related to UNICEF's failure to recover amounts paid to staff for travels not made as approved.

As of 2 October 2019, the certification/reporting of approximately 2,000 approved travels, with related cost including tickets totalling US$3.4 million, had been delayed as summarized in the following table.

Table 2: Delays in trip reporting

Ageing category	Number of approved travels	US$
16 to 30 days	822	1,018,554
31 to 60 days	400	760,417
More than 60 days	766	1,685,510
TOTAL	1,988	3,464,482

The audit noted that delays occurred in part because the process followed by UNICEF to hold staff accountable and recover through salary deductions amounts owed the Organisation was not adequate and effective. DFAM had used reports received from the TMC to verify whether the staff member did indeed travel and relied on the staff to report that their trip was not made as approved. DFAM also told OIAI during the audit that there was pushback from DHR and the Staff Association with respect to efforts to enforce salary deduction. No evidence of this pushback was provided to OIAI.

The additional measures contemplated by DFAM at the time of audit may not fully certify this requirement. For example, DFAM told OIAI during the audit that it was considering the automatic closure of a trip 30 days after the traveller returns to duty station. In OIAI's view, this approach may result in staff not being held accountable to provide evidence of their travel and reimburse UNICEF amounts received for accommodation, transportation, and meals provided in respect of travels not made as approved. To further mitigate this potential risk, DFAM told OIAI that it was putting in place travel simplification procedures whereby trips undertaken as planned would not require certification to avoid a false indication of staff indebtedness when actual trip has been taken. DFAM considers the alternate measures as adequate to address the risks and ensure accountability.

With respect to accounting and reporting, DFAM stated that, after extensive discussions with the United Nations Board of Auditors, the requirement to classify and record payments for travels made to staff, as travel advances and subsequently liquidate them was dropped. It stated that whilst agreeing to continue improving travel processes, such requirement would increase transaction burden and administrative costs.

Agreed action 8 (medium priority): DFAM agrees to put in place and implement additional measures to improve prompt recovery of amounts paid to staff for accommodation, transportation, and meals provided in respect of travels not made as approved.

Responsible staff: Administration Manager Travel and General Services, ICTD Database Administrator
Target date for completion: June 2020

Annex A: Methodology, and definitions of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditees (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal auditing practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented in the Summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the office were generally established and functioning during the period under

audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.