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Follow-up Audit of the Implementation of Agreed Actions from the 2018 Internal Audit of Asset Management in WFP

Office of the Inspector General

Audit Report AR-20-15



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Follow-up Audit of the Implementation of Agreed Actions from the 2018 Internal Audit of Asset Management in WFP

I. Executive Summary

Introduction

1. As part of its annual work plan, the Office of Internal Audit conducted a follow-up audit of the implementation of the agreed actions from the 2018 internal audit of asset management in WFP (AR/18/12).
2. The 2018 audit focused on the period from 1 January 2016 to 31 March 2018 and was carried out from May to July 2018. Based on the results of the audit, the Office of Internal Audit came to an overall conclusion of ineffective/unsatisfactory, i.e. the assessed governance arrangements, risk management and controls were not adequately established and not functioning well to provide reasonable assurance that the objectives of the audited area should be achieved, and issues identified could seriously compromise the achievement of asset management objectives in WFP. The audit report raised five high and five medium-priority observations, with a total of 27 related agreed actions: 21 of these were due to be implemented in 2019, and six by March 2020.
3. Follow-up of management's prompt resolution of concerns raised in audit reports with an overall conclusion of ineffective/unsatisfactory is part of Office of Internal Audit's standard internal audit practices. The objective of this follow-up audit was to determine the extent to which the agreed actions from the 2018 internal audit of asset management have been implemented by the Asset Management Unit of the Administration and Travel Branch, Management Services Division; and, in turn, to provide assurance to the Executive Director and other stakeholders on management's timely remedial action.
4. The follow-up audit was carried out from 7 to 25 September 2020 through a desk review of supporting documentary evidence and interviews with relevant management and staff in headquarters and selected country offices regarding implementation of the agreed actions. In light of COVID-19 provisions and working arrangements at headquarters, all work was performed remotely and through conference calls. The follow-up audit was carried out in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Status of agreed actions

5. The 2018 audit highlighted internal control deficiencies and challenges in addressing organizational asset management in the following areas, taking into account WFP's interdivisional and decentralized asset management structure: (i) governance including risk management and oversight frameworks for WFP assets; (ii) asset planning; (iii) corporate asset tracking systems; and (iv) asset data quality. Twenty-one of the 27 agreed actions (78 percent), pertaining to eight observations and related to governance, asset planning and asset data quality, had been implemented and closed at the date of issuance of this report. These comprised nine high and 12 medium-priority agreed actions.
6. The remaining six high-priority agreed actions relate to two observations¹ dealing with **corporate asset tracking systems**, and specifically to a system integration project between the material management module in WFP's enterprise resource planning systems (WINGS) and the Global Equipment Management System (GEMS), WFP's corporate tool for managing and tracking both fixed and non-fixed assets. These pending agreed actions were originally scheduled to be implemented in March 2020, but the date has been extended to 31 July 2021. The 2018 audit noted that asset information related to acquisitions, transfers and disposals needed to be manually recorded in GEMS, due to an absence of system integration with WINGS. Manual inputting of asset information

¹ Observation 6 - Gaps in recording, tagging and monitoring of assets in GEMS; and Observation 7 - Lack of system interface between WINGS modules relevant to asset master data recording.



into various systems is inherently prone to encoding errors and duplication of effort, and limits WFP's capacity to effectively monitor consolidated asset activities across the organization.

7. A project feasibility study on the system integration project was approved by the Management of Information Systems Steering Committee in November 2019, and a technical partner was selected for the design and development phases. The development of the business blueprint and functional specifications was completed according to plan in June 2020. The system development phase, originally scheduled to start in the fourth quarter of 2020 after a WINGS upgrade, has been delayed and is now scheduled to start in the first quarter of 2021. The Asset Management Unit is working closely with the Technology Division, and has agreed on the assumptions, considerations and project implementation timeline (design, development and rollout) indicated in the "GEMS Integration Delivery Roadmap".

8. **Governance:** The Management Services Division strengthened the asset control environment with the finalization and issuance in 2019 of the following documents which provide a framework for asset management: (i) an Executive Director's Circular on Responsible Asset Management at WFP, which defines the roles and responsibilities of multiple stakeholders, stressing the need for cross-divisional cooperation and involvement in day-to-day operations as well as in emergencies; (ii) an updated Asset Management chapter of the Administrative Services Manual, which provides practical guidance to staff responsible for assets and introduces the concept of asset life cycle for all WFP owned and controlled assets; and (iii) another chapter on Emergency Preparedness and Response, which provides specific guidance on asset management during emergencies and covers roles and responsibilities, controls and oversight mechanisms. Administration units (both in headquarters and field offices) have now been identified as one of the key stakeholders during the activation and mobilization of emergencies with respect to asset management and should be involved in coordination meetings and assessment missions.

9. The Management Services Division has also established a high-level, cross-functional Asset Management Task Force, chaired by the Division Director and comprising senior managers from various divisions, to guide and oversee implementation of the new responsible asset management approach and to make strategic recommendations to the Assistant Executive Director and Chief Financial Officer.

10. **Asset planning:** The 2018 internal audit noted that country offices with post-emergency operations had limited or no asset planning strategies, which had contributed to an accumulation of significant asset portfolios including high amounts of excess, obsolete and idle assets. The Global Asset Service team has collaborated with regional bureaux and is actively assisting country offices to dispose of these portfolios. In addition, the Asset Management Unit has: (i) established escalation protocols to properly manage undelivered assets; (ii) developed an asset management operational dashboard to share information and facilitate movement of assets across WFP operations using GEMS; and (iii) coordinated with the Global Vehicle Leasing Programme to introduce flexibility in vehicle leasing arrangements for emergency operations of less than five years' duration.

11. **Asset data quality:** GEMS Mobile, a new smart phone application designed to simplify the physical inventory of assets, aims to facilitate the global clean-up of the asset database in GEMS. At the time of this audit, GEMS Mobile had been rolled out in headquarters, liaison offices and five regional bureaux; rollout for the last regional bureau was planned for early 2020 but was postponed due to the COVID-19 pandemic. An enhancement of the original version of the application is in progress, with the aim of providing a more reliable and stable solution, minimizing synchronization issues and establishing error handling mechanisms to prevent data loss. In addition, the Asset Management Unit, in collaboration with various stakeholders, undertook a comprehensive GEMS taxonomy review in 2019, which aligned asset classifications to business needs and removed items considered unnecessary to track.

12. Details of observations, actions taken and audit conclusions are provided in Tables 1 and 2 in Section III: Results of the follow-up audit.

13. The Office of Internal Audit would like to thank managers and staff for their assistance and cooperation during the review.

Kiko Harvey
Inspector General

II. Context and scope

Asset management

14. Assets are resources controlled by WFP that are used to support the delivery of the organization’s mandate and objectives. As defined by the Executive Director’s Circular on Responsible Asset Management at WFP,² the term “asset” refers to all tangible items of property, plant and equipment owned by the organization regardless of value. A fixed asset is defined as having a unit acquisition value of equal to or over USD 5,000 and a useful life of more than one year, while non-fixed assets have a unit acquisition value of less than USD 5,000 and/or a useful life of one year or less, and are recorded as an expense when acquired.

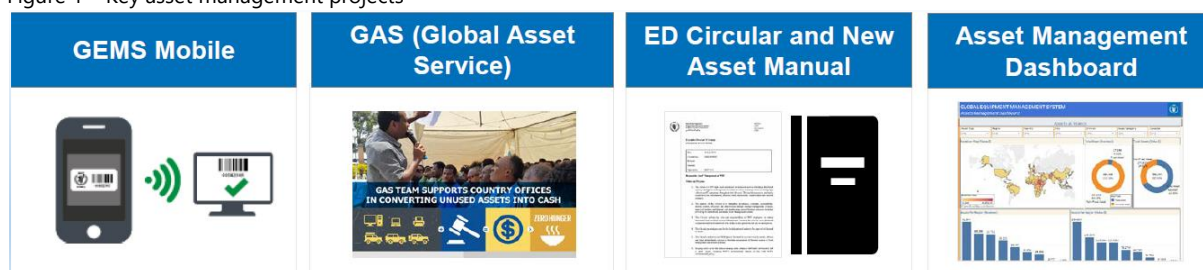
15. As of September 2020, as reported in GEMS, WFP managed over 400,000 asset items with a total accumulated acquisition value of approximately USD 880 million,³ allocated across 1,800 locations. Of the total USD 880 million, USD 577 million (66 percent) represented fixed assets (around 19,000 items); while USD 303 million (34 percent) were non-fixed assets (around 390,000 items). Compared to the asset portfolio at the time of the 2018 internal audit, WFP’s asset value has significantly increased by USD 222 million (34 percent) from USD 658 million, driven in part by assets acquired for WFP’s COVID-19 emergency response.

16. The Administration and Travel Branch (MSDA) of the Management Services Division (MSD), together with the asset management focal points in various WFP headquarters units and in field offices, supports WFP in tracking and managing its global pool of assets. WFP units both at corporate and country office (CO) levels, including functional areas such as Supply Chain, Finance and Administration, and Information Technology are responsible for managing their respective assets and equipment.

17. Since the 2018 internal audit of asset management, MSD has taken key positive actions to strengthen WFP’s asset control environment. In July 2019, MSD launched the Executive Director’s (ED) Circular on Responsible Asset Management at WFP with the aim of strengthening governance and controls over asset management activities and transforming current business processes by automating asset management systems. Responsible asset management envisions increasing WFP offices’ stewardship of assets, reducing unnecessary acquisitions, and cleaning up obsolete and unused assets.

18. The new “Responsible Asset Management Approach” consists of two main components: (i) a strategic life-cycle approach with a focus on specific asset management activities for each cycle element, from planning to disposal; and (ii) a decentralized approach with asset focal points in each office and functional area. To support this approach, critical tools and guidance have been introduced and released, including: Asset Management and Emergency Preparedness and Response chapters in the Administrative Services Manual; GEMS Mobile; the establishment of the Global Asset Service (GAS); and the Asset Management Dashboard.

Figure 1 – Key asset management projects



(Source: MSDA)

² Circular number OED2019/002 dated 24 July 2019.

³ This figure includes assets for donation but temporarily under WFP custody.



19. In line with WFP's Level 3 COVID-19 Emergency Response, in early 2020 MSDA issued specific guidance notes on the following topics: (i) staff use of office equipment when working remotely; (ii) purchasing and recording assets in WINGS; (iii) recording the donation of assets; (iv) identifying and recording intangible assets; and (v) asset management personal protective measures during COVID-19. The audit found these guidance notes to be focused, brief and easy to understand. The guidance notes further clarify and supplement the procedures indicated in the Asset Management chapter of the Administrative Manual.

20. The Asset Management Unit (AMU) is now reviewing and monitoring all WFP purchase orders (POs) raised for non-food items and services on a daily basis to identify if purchased assets and equipment are recorded in GEMS in a timely manner, and if fixed assets are properly classified in Finance/Asset Accounting and Plant Management/GEMS modules. Any exceptions noted are verified with the procuring unit to ensure proper asset registration downstream.

Objective and scope of the follow-up audit

21. The objective of the follow-up audit was to determine the extent to which the actions agreed in the 2018 internal audit of asset management had been implemented by the Asset Management Unit (AMU) of MSDA; and, in turn, to provide assurance to the ED and other stakeholders of management's timely remedial action.

22. The audit was carried out from 7 to 25 September 2020 and entailed: (i) a desk review of available documentation to support the verification of the effective implementation of agreed actions, including second and third line oversight and review of reporting from relevant units issued after the 2018 internal audit; (ii) interviews with the administration officers of three COs (Chad, Kenya and Sudan) to understand and obtain feedback on how asset management-related systems and procedures are working in the field; and (iii) limited testing of some controls implemented as a result of agreed actions in the 2018 internal audit. Relevant findings from a COVID-19 real-time assurance management information note (see paragraph 26) also informed the audit.

23. Most of the documentation reviewed was recorded in the Office of Internal Audit's (OIGA's) system for monitoring implementation of agreed actions (TeamCentral). Through this system, OIGA tracks all medium and high-priority observations to ensure management actions are effectively implemented within the agreed timeframe to manage and mitigate the risks identified, thereby contributing to the improvement of WFP's operations.

24. The verification and interviews followed standard internal audit practices and were in line with OIGA guidelines, which provide for follow-up of internal audits with an overall conclusion of "ineffective/unsatisfactory". Audit procedures and tests were designed to assess the progress of implementation of agreed actions, not for the purpose of expressing an opinion on whether internal controls are operating effectively.

25. In addition to the standard verification procedures for the outstanding agreed actions related to the integration of systems, the audit assessed whether asset management systems (existing and anticipated) allow for remote monitoring and exception reporting which would facilitate oversight by WFP's second line roles. This is an important element considering the restrictions during the COVID-19 global pandemic which have limited the routine physical travel required by traditional oversight missions from headquarters and regional bureaux (RBx).

26. OIGA reviewed asset management during WFP's Level 3 COVID-19 Emergency Response in July 2020, focusing on controls and processes to manage assets during the various stages of the emergency response. OIGA discussed the results of the review with MSDA and issued a real-time assurance management information note identifying issues and actions for consideration by management.

27. In light of the COVID-19 provisions and working arrangements at headquarters, all work was performed remotely and through conference calls. The follow-up audit was carried out in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

28. Annex A outlines the categories used to determine the implementation status of the agreed actions.



III. Results of the follow-up audit

Table 1: High-priority observations

Audit Report Observation 1
<p>Lack of updated corporate policies and guidelines on asset management</p> <p>Asset management processes involve multidivisional responsibilities in a decentralized structure and are linked to various aspects of WFP operations. However, there was no updated corporate directive on asset management delineating the roles and responsibilities of various stakeholders in the organization (for example, AMU, Supply Chain, the Technology Division (TEC), COs, RBs, Global Vehicle Leasing Programme (GVLP), UNHRD and FITTEST). The latest directive was dated 1 March 2008.</p> <p>In addition, existing guidelines were fragmented and limited to certain asset management activities. There were no comprehensive and updated asset management guidelines, manuals, and standard operating procedures (SOPs) detailing the various processes to be followed and activities that should be carried out throughout the asset life cycle (for example, acquisition, maintenance, and retirement), or to support whether segregation of duties has been considered in asset management processes. As a result, asset management related activities were observed to be inconsistent across the various COs and units sampled for the audit.</p> <p>Three WFP offices sampled had developed their own SOPs on asset management. Although the overarching objective of these SOPs was to ensure effective and efficient asset management, the contents, coverage and level of detail varied. Capacity constraints in each of these offices, as well as the complexity of operations, were the main factors influencing the development of these SOPs.</p> <p>In addition to an absence of general guidance, the audit noted gaps in several specific areas as follows:</p> <ul style="list-style-type: none">• <i>Guidance on asset insurance coverage including asset risk assessment procedures for WFP offices.</i> There were no thresholds or definitions set for assets or equipment with respect to insurance coverage, resulting in varying insurance coverage practices implemented by COs sampled during the audit. With respect to the GVLP, the audit noted that vehicles at the warehouses in Dubai (parked and not in transit) were not insured against all kinds of risks; furthermore, in-country vehicles outside leasing agreements (for example, under registration or for disposal) were also uninsured.• <i>Policy of donating WFP assets to partners including governments.</i> There was no policy on asset donation requiring WFP offices to justify capacity development as a major consideration for this type of asset disposal. The Local Property Survey Board (LPSB) should also be informed of the details if disposal is carried out via sale.• <i>Construction of multiple buildings in various locations/camps under one purchase order (PO).</i> There was lack of clarity in allocating total construction costs to individual buildings for recording and tracking purposes in GEMS. The audit noted double-recording of the same PO total amount for two separate buildings for which costs were included on the same PO.• <i>Procedures in recording assets donated to WFP.</i> (For example, equipment giveaways from building contractors, office furniture and equipment from partners, etc.). A lack of clear guidance on recording and valuation of donated assets resulted in numerous instances of these items being assigned acquisition values of USD 1, zero, or less than zero in GEMS, because they do not relate to a PO.• <i>Tracking activities of assets for transfer from closed sub/area offices to other locations.</i> (For example, to other field offices and camps). Asset movements within COs were not always effectively tracked and the relevant asset focal points (originating office versus receiving office) responsible for updating GEMS were not always clearly defined.• <i>Recording procedures of equipment purchased through petty cash.</i> Audit observations indicated that such equipment purchases may not always be recorded.• <i>Asset focal point nomination procedures and maintenance of a centralized and updated list of asset focal points.</i> There was no process in place to regularly update the nominations and the summary list when existing asset focal points were replaced.• <i>Eligibility of WFP staff to purchase old assets.</i> The audit observed differences across WFP offices as to whether staff were permitted to purchase old assets being offered for sale. <p>At the time of the audit MSDA had initiated drafting of the Administrative Services Manual, which will provide the framework for the management of administrative services within WFP, including asset management. The manual, which was informed by MSDA's business process reviews, was released for interdepartmental comment in August 2018, and at the time of the audit is yet to be finalized.</p>



<p><u>Underlying causes:</u> Asset management function and processes lack corporate prioritization. Multiple priorities of the Asset Management Unit with limited resources. Organizational requirements for effective asset management are not well understood.</p>		
Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
I. Update the corporate policy/directive on asset management defining the roles of responsibilities of various stakeholders including those from functional areas.	<p>The ED Circular on Responsible Asset Management at WFP⁴ was issued and introduced by the Assistant ED and Chief Financial Officer in July 2019.⁵ The Circular aims to strengthen governance, oversight, accountability, internal control, efficiency and effectiveness through stronger management of assets; improved tracking and disposal; and transforming current business processes, including the introduction of streamlined and automated asset management systems.</p> <p>The Circular defines the roles and responsibilities of multiple stakeholders in WFP from various functional areas involved in asset management, stressing the need for cross-divisional cooperation and involvement in day-to-day operations as well as in emergencies. In this context, the overarching principle is that it is the responsibility of employees in all WFP locations to implement the provisions of the Circular.</p> <p>MSDA has established a high-level, cross-functional Asset Management Task Force chaired by the Division Director with senior managers from Technology, Supply Chain, Finance, Emergency, Security and Risk Management Services to guide and oversee implementation of the new responsible asset management approach and make strategic recommendations to the Assistant Executive Director and Chief Financial Officer.</p>	Closed
II. Finalize the Administrative Services Manual to cover comprehensive asset management guidelines and procedures on management activities throughout the asset life cycle.	<p>The Asset Management chapter of the Administrative Manual was updated and issued in the second half of 2019. This chapter provides practical guidance to staff who are responsible for assets and introduced the concept of the asset life cycle (from planning, acquisition, receipt and recording, use and maintenance, security, control, to disposal) for all WFP owned and controlled assets.</p> <p>This chapter provides: (i) key definitions; (ii) an overview of tools; (iii) descriptions of transactions and procedures required in managing assets; (iv) definitions of the roles and functional responsibilities of employees tasked in asset management; and (v) procedures for other asset types such as leasehold improvements, assets under construction, intangible, cluster and infrastructure assets.</p>	Closed
III. In coordination with Operational Risk Mitigation Service of the Supply Chain Operations Division, review insurance coverage of: (a) GVLP vehicles at the warehouses in Dubai; and (b) in-country vehicles outside GVLP's leasing agreements.	<p>In the fourth quarter of 2018, GVLP in coordination with Operational Risk Mitigation Services reviewed the insurance coverage of GVLP stocks. As a result, insurance coverage was arranged for GVLP stocks in Dubai under WFP's Global Cargo Insurance. The coverage begins from the time inbound movement commences up to the time the stock reaches the intended destination, including storage in Dubai.</p> <p>Section 9.1.4.4 of the Asset Management chapter presents guidelines on insurance coverage for assets. It indicates that each WFP organizational unit should review the risks relevant to the assets under their control in terms of loss through theft, fire or other</p>	Closed

⁴ Circular No. OED2019/002

⁵ <https://newgo.wfp.org/news/aed-manoj-juneja-introduces-a-new-approach-to-asset-management>



	<p>damage and that appropriate insurance cover should be taken to mitigate risks. This process should be led by the asset focal point. Other insurance may be arranged depending on regulatory requirement – for example, third-party liability is required by law for vehicles to cover third-party claims. WFP units are strongly advised to consult with AMU in headquarters for guidance on identification of assets for insurance coverage.</p> <p>From the COs interviewed, the audit noted that insurance for vehicles had been arranged through WFP’s Self Insurance Scheme via GVLP. However, assets and equipment other than vehicles (for example, buildings and office equipment) were not insured in the three selected COs. The review found no evidence that formal risk assessments were carried out to assess the risk exposure of assets in these COs in terms of loss or damage, indicating that MSDA, through regional administration officers, should enforce the operationalization of a periodic assessment to identify the risk exposure of CO assets.</p>	
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Audit Report Observation 2

Asset management issues related to WFP emergency response

WFP’s Emergency Response Activation Protocol (OED2015/014) prescribes the criteria, processes and procedures to be followed when WFP is required to respond to emergency events or circumstances. It indicates a chain of command (with accountabilities and responsibilities) which identifies the CO Administration Unit as the responsible unit for asset management within the emergency response governance structure.

The audit observed that in emergency responses effective management of asset-related matters has been hindered due to the following factors:

- A lack of corporate guidance for asset management during and after emergencies;
- The existence of parallel emergency response structures in addition to existing CO structures; and
- A lack of proper coordination and active involvement of the Administration Unit throughout the emergency response period.

As a result, asset management during emergencies was noted to be deprioritized.

In addition, the sampled COs reviewed in current and post-emergency operations had limited or no asset planning strategies. In combination with factors noted above, this contributed to substantial asset build-up and subsequent under-utilization after the emergency response period (as discussed further in Observation 10). There were instances of assets acquired during emergencies not being recorded, and consequently being exposed to misappropriation or misuse.

Establishing a systematic approach will: (i) promote consistency in planning for assets during emergency operations; and (ii) enhance WFP’s cost effectiveness by minimizing over-investment in assets and optimizing surplus assets during scale down of operations including timely disposal.

Underlying causes: Asset planning (scale up and scale down) not prioritized during emergency response planning. Lack of coordination and prioritization of administration units in the parallel structures created when emergency response protocols were activated.

Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA in coordination with EME and other relevant units will:		



Agreed actions	Actions undertaken by MSDA	OIGA conclusion
<p>I. Develop corporate guidance and oversight mechanisms for asset management in emergency responses, including definition of the Administration Unit's involvement during asset acquisition planning.</p>	<p>The section on Emergency Preparedness and Response (chapter 5) of the Administrative Manual was issued in the second half of 2019. It provides specific guidance on management of key administrative services including asset management during the activation, mobilization and closure of emergency operations.</p> <p>It also: (i) delineates specific roles and responsibilities of key administration staff in headquarters, interdivisional emergency coordination bodies, RBx and COs; and (ii) guides administration staff on specific business processes that are applicable during emergencies to ensure effective implementation of responsible asset management activities, accountability and adherence to established internal control frameworks.</p>	<p>Closed</p>
<p>II. Establish a framework to strengthen coordination mechanisms between the emergency response teams and CO administration units responsible for asset management.</p>	<p>Within the chapter on Emergency Preparedness and Response, Administration Units (both in headquarters and field offices) are identified as key stakeholders during the activation and mobilization of emergencies and should be involved in coordination meetings and assessment missions. Administration officers have a key role in facilitating both internal coordination (with headquarters, RBx, UNHRD, WFP-led UN Clusters, Logistics, Programme, Security, Finance, etc.) and external coordination (UN agencies and partners including Non-Governmental Organizations [NGOs] and governments).</p> <p>The Real-Time Assurance Review of Asset Management during the COVID-19 Emergency (September 2020 – see paragraph 26) noted limited or lacking coordination between CO administration units and other units involved in the emergency response. Close coordination between these units is key to ensure proper planning, timing and execution of asset labelling and registration – especially when assets are intended to be deployed to various area/sub-offices and considering the work-from-home arrangements for many WFP staff. The probability of not recording assets in GEMS significantly increases once assets are deployed to the field, and more resources are subsequently required to rectify this situation.</p>	<p>Closed</p>

Audit Report Observation 6
<p>Gaps in recording, tagging and monitoring of assets in GEMS</p> <p>During the audit, a number of procedures were carried out to gain assurance over the existence, ownership, custody, and completeness of recording of assets and equipment. The results of these tests did not provide reasonable assurance that: (i) all assets are recorded in GEMS; (ii) all assets recorded in GEMS exist and/or are within the custody of the CO; and (iii) asset status descriptions were accurately indicated in GEMS (for example, functional locations, including in-transit GVLP vehicles, and operational states). The audit sampled asset items recorded in GEMS with acquisition values totalling USD 23.4 million for physical verification; USD 4.4 million (19 percent) of the total sample could not be physically located in the functional locations indicated in GEMS.</p> <p>Key observations arising from these tests relating to recording, tagging and monitoring of assets included:</p> <ul style="list-style-type: none"> • Potential overstatement of assets recorded in GEMS due to factors such as: <ul style="list-style-type: none"> ○ Assets already handed over or donated to partners but still recorded in the system (for example, significant amounts of temporary buildings in two sampled COS); and ○ Double-recording of asset values (for example, buildings with one PO, GVLP vehicles located in CO erroneously tagged as owned by the CO, headquarters laptops and related accessories). • Delays in manually updating functional locations in GEMS for internal and external asset movements. • Lack of recording of assets in GEMS, particularly for those acquired/received by COs during emergency responses involving rapid scale-up of operations.



- Obsolete and/or idle assets classified as “operational” in GEMS.
- Issues related to asset tags including:
 - Assets with no tags/labels;
 - Assets with new label tags but the old tag number indicated in GEMS;
 - Duplication entries occurring when an old and unreadable asset label (with old inventory number) had been replaced with a new tag (with a new inventory number), which typically occurs in office fixture and fittings; and
 - Hand-written asset tags.

MSDA conducted a study in 2012 to evaluate the decentralization of printing asset tags at the CO-level. At the time of the audit, asset label tags were manually generated and were still printed in headquarters.

GEMS Mobile, a new smart phone application designed to simplify the physical inventory of assets, aims to facilitate the global clean-up of the asset database in GEMS. The benefits of using GEMS Mobile include: (i) reduced time in carrying out physical verification of assets; (ii) ease in identifying the asset location; and (iii) minimized manual data entry – exception reports are generated and are the bases in updating GEMS asset information. MSDA has developed a preliminary plan to roll-out GEMS Mobile in the 6 RBx, set to be completed in 2019. At the time of the audit, only the RBN roll-out was substantially completed.

However, the audit noted some as yet unresolved implementation issues associated with GEMS Mobile. In one of the sampled COs where pilot-testing was underway, asset information from completed counts which had already been uploaded was deleted. As a result, completed physical inventories of assets in four CO locations had to be redone. The CO is working closely with the GEMS Mobile team and TEC on technical issues and doing manual back-ups of information in case further data losses are experienced moving forward.

Underlying causes: Unresolved accumulated asset management issues built up from prior years at CO and functional unit level. Cumbersome physical asset verification process coupled with the lack of capacity of some COs. Asset management function and processes at CO level lack prioritization. Limited capacity of CO asset focal points including knowledge of GEMS functionalities. Issues that were not experienced during the pilots of two large CO operations surfaced when scaling up GEMS Mobile roll-out.

Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
I. Update the roll-out plan to fully implement GEMS Mobile in order to carry out comprehensive and accurate asset verifications, and to facilitate clean-up of the asset database	<p>By the end of 2019, GEMS Mobile had been rolled out in RBN, RBC, RBJ, RBB, RBD and Haiti (RBP), plus various headquarters units and liaison offices. The combined assets of these entities represent 96 percent of WFP’s total asset acquisition value (around USD 880 million as of September 2020).</p> <p>Although RBP (representing 4 percent of the global asset value) requested a regional postponement due to the Venezuela crisis, AMU proposed a rollout in the Haiti CO as it represented the majority of assets (48 percent) in the region. The rollout in RBP was rescheduled for early 2020; however, due to the COVID-19 global pandemic this has been further postponed. AMU will finalize the rollout in RBP as soon as it is feasible.</p>	Action addressed: closure of entire observation pending implementation of other actions
II. As part of the plan for WINGS and GEMS systems integration (see observation 7): (a) update and review the 2012 study on decentralized asset tag printing at the CO level; and (b) evaluate the use of equipment master record (EMR) number for asset tags, instead of generating another set of inventory numbers.	<p>A project feasibility study on systems integration was presented to and approved by the Management of Information Systems Steering Committee (MISSC) in November 2019. A technical partner was selected for the design and development phases. The design phase took place between April and June 2020, resulting in a business blueprint and functional specifications. System development was then planned to start in the fourth quarter of 2020 after a WINGS SAP upgrade.</p> <p>Although the business blueprint and functional specifications (with mock-ups) were completed according to plan, due to COVID-19 considerations, the WINGS SAP upgrade was postponed by two months. As a result, the start of the systems integration development phase was postponed to the first quarter of 2021, and rollout of the new solution is planned for July 2021.</p>	Pending: revised implementation date 31 July 2021



Agreed actions	Actions undertaken by MSDA	OIGA conclusion
	The use of the EMR number as an asset tag was analysed but deemed not appropriate. Business requirements will be completed by the end of September 2020 and an implementing partner selected by the end of 2020 so that development of an asset labelling solution can be conducted at the same time as the system integration project.	
III. In coordination with TEC: a) Promptly review and resolve technical issues associated with GEMS Mobile; and b) Explore the possibility of expanding GEMS Mobile functionalities to support asset management activities outside of the annual physical verification.	<p>An enhancement of the original version of GEMS Mobile was started in the first quarter of 2019 with the aim of providing a more reliable and stable solution minimizing synchronization issues; establishing error handling mechanisms to prevent data loss; and improving the application’s overall ease of use. The features and functionality will remain largely unchanged although a few enhancements will be introduced. The application is in final development stages and the next steps are planned to involve user testing with field offices, as well as performance and connectivity testing which is dependent upon the availability of COs due to COVID-19 restrictions.</p> <p>A business plan for inclusion of additional functionalities beyond physical inventory of assets, such as asset receipt, transfer and disposal facilitation was developed, cleared by MSD and is now being discussed with TEC (Demand Board & MISSC) as part of the ongoing system integration project. Due to the SAP upgrade and COVID-19 issues the development of new functionality was postponed to 2021.</p>	Pending: revised implementation date 31 July 2021

Audit Report Observation 7
<p>Lack of system interface between WINGS modules relevant to asset master data recording</p> <p>The material management module in WINGS generates the asset master record exclusively for fixed assets, while GEMS is another module in WINGS used to track all WFP assets (both fixed and non-fixed) at the CO and functional unit level. However, detailed asset information in the material management module of WINGS does not automatically flow to GEMS because the two modules are not interfaced. As a result, detailed information for both fixed and non-fixed assets need to be manually recorded by asset focal points in GEMS – this includes acquisitions, transfers and disposals.</p> <p>In addition, other corporate asset tracking systems such as Archibus (for facilities and leases), Fleet Management System (for vehicles), Great-Plains (used by FITTEST), and Warehouse Management System (used by UNHRD) are also not integrated with WINGS.</p> <p>Manual inputting of asset information into various systems is inherently prone to encoding errors and duplication of effort by the various units involved. The audit noted a range of data completeness and quality issues including:</p> <ul style="list-style-type: none"> ▪ Delays in recording fixed assets in GEMS; ▪ Asset/equipment items (non-fixed assets, with acquisition values of less than USD 5,000) not recorded in GEMS. (MSDA has introduced a PO consistency report to identify unrecorded or duplicated low-value asset items in GEMS). ▪ Incomplete and inaccurate asset details/descriptions (including assets with no acquisition dates indicated), acquisition values, and functional locations (see also observation 6); ▪ Asset creation dates indicated before asset acquisition dates; ▪ Asset acquisition values of zero and less than zero; and ▪ No acquisition dates indicated.



Furthermore, there was no second-level review on encoding of asset information in GEMS. Although GEMS records an audit trail of changes made to asset information, there was no independent check on the accuracy and validity of updates. This exposes the already error-prone manual process to potential misrepresentations and other fraud risks.

Underlying causes: Unresolved system integration issues already raised in prior years. Recording of asset items in GEMS not procedurally linked to the creation of the Goods Receipt Notes (GRNs). COs' lack of knowledge in GEMS functionalities exacerbated by staff turnover issues.

Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
<p>I. In coordination with TEC, develop business requirements and evaluate solutions to integrate data between the material management module of WINGS with GEMS and other corporate asset tracking systems.</p>	<p>AMU, in coordination with TEC, has developed business requirements and evaluated solutions to integrate data between the material management (MM) and plant management (PM) modules in WINGS, as well as with other corporate asset tracking systems. Five solution papers have been developed: (i) Asset Management Integration in GEMS (SAP); (ii) Asset Management Integration – GEMS Mobile; (iii) Asset Management Integration – Archibus; (iv) Asset Management Integration – Fleet Management System (FMS); and (v) automated workflow for the Local Property Survey Board (LPSB).</p> <p>Following the MISSC's approval of the project feasibility study on system integration, functional specifications and mocks-up to integrate MM and PM modules in WINGS were developed. As of September 2020, nine functional specifications were developed by the project's technical partner, including: (i) EMR creation at goods receipt stage through WINGS transaction to create a GRN for non-food item POs (MIGO); (ii) functional specification for customer fields "GEMS relevant" in MIGO; and (iii) functional specification for EMR deactivation after Asset Master Record (AMR) deactivation.</p> <p>As per GEMS Integration High Level Delivery Roadmap 2020–2021 (May 2020), the commencement of the development phase of the integration project was rescheduled to the first quarter of 2021 due to a WINGS SAP upgrade which was postponed as a result of COVID-19 considerations.</p> <p>The design and development phase related to the integration of GEMS (SAP) and GEMS Mobile is planned to start in the second quarter of 2021; and design of the integration of GEMS (SAP) and Archibus is planned to start in the second quarter of 2021; while integration of GEMS (SAP) and FMS is envisaged in the third quarter 2021. The LPSB process automation and integration with GEMS (SAP) is subject to re-evaluation in the fourth quarter of 2020.</p>	<p>Pending: revised implementation date 31 July 2021</p>
<p>II. In the interim, establish a procedure to systematically require the recording of asset items in GEMS when relevant GRNs are created.</p>	<p>In April 2020, AMU issued guidelines for "Purchasing and recording assets in WINGS (GEMS and Finance modules) during global L3 emergency for COVID-19". The guidelines specify the means through which timely asset recording in GEMS, as per requirements outlined in the Administrative Services Manual, could be reviewed (via the SQ00 report in WINGS) by the CO staff responsible.</p> <p>Section 7 of the Asset Management chapter on key roles in asset management clarifies roles and responsibilities in terms of asset management, including asset recording in GEMS.</p> <p>Furthermore, AMU is now reviewing and monitoring all WFP POs raised for non-food items and services on a daily basis to identify if purchased assets and equipment are recorded in a timely manner in GEMS, and if fixed assets are properly classified in Finance/Asset Accounting and Plant Management/GEMS modules.</p>	<p>Action addressed: closure of entire observation pending implementation of other actions</p>
<p>III. Evaluate the need to develop a second-level review process to mitigate encoding errors and unauthorized changes in GEMS.</p>	<p>This is being addressed through the system integration part of the project. See above agreed action (i) of Observation 7.</p>	<p>Pending: revised implementation date 31 July 2021</p>



Audit Report Observation 10

Excess, obsolete, and non-utilized assets

The audit noted several instances of significant levels of excess, obsolete, and idle assets. These included unused vehicles from GVLP, forklift trucks, generators, IT and office equipment and pre-fabricated offices/residences.

- One sampled CO had unutilized computer, telecom and office equipment with acquisition value totalling approximately USD 1 million stored in one functional location. In addition, about 13 sets of pre-fabricated offices/residences that were delivered brand new in 2016 had not yet been used.
- Another CO purchased stocks in 2014 from FITTEST. However, these items were still in the Dubai warehouse at the time of the audit because of importation restrictions from the government.
- The issue was observed prominently in one CO where a very large scale-up happened during an emergency response in 2015. During the scale-up, it was reported that many assets were either acquired or shipped to the country. These assets may not have been recorded (in WINGS and/or GEMS), and locations and custody may not have been tracked. The lack of proper asset planning and management throughout the emergency response resulted in a large number of surplus items not required for regular activities being retained in the CO, which became apparent after the scale-down.

These audit observations support MSDA estimates carried out in 2017 that there are significant levels of unused and obsolete assets within the organization; estimates by MSDA of the total acquisition value of such items indicate an amount of up to USD 220 million.

There is no mechanism to systematically share asset information among WFP offices to ensure that unutilized assets in one location can be transferred to operations with similar asset requirements. The COs reviewed during the audit continued to incur not just storage costs but also opportunity costs in retaining bulky assets.

The audit noted a lack of flexibility in GVLP's leasing arrangements for emergency operations completed in less than 5 years. In the case of one CO reviewed, an emergency response lasted for approximately 2 years; during this period, the CO acquired a large number of vehicles from GVLP on a 5-year lease agreement. At the time of audit, most of the vehicles were no longer used or required due to the scale down in operation; as a consequence, they were parked in the CO and had not been used for long periods, in some cases more than two years. The CO was still paying lease charges for the vehicles, but did not want return them and break the lease agreement as this would potentially be financially disadvantageous to the CO.

MSDA's GAS team has identified and prioritized COs with large portfolios of excess, obsolete and idle assets and has developed an asset disposal plan to assist these COs. The team is encouraging public auctions as the preferred method in disposing of excess assets in an effort to increase transparency and competition. In collaboration with UNHCR, the GAS team has helped several COs carry out public auctions for asset disposal.

Underlying causes: Asset management function and processes at CO level lack prioritization, especially during emergency operations. Lack of proper asset planning with limited involvement of CO Administration Units during asset planning and acquisition. Lack of escalation protocols/procedures to ensure undelivered assets are properly managed, taking into account asset life and obsolescence. Lack of mechanisms to systematically share asset information across WFP operations.

Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
I. Ensure full implementation of the asset disposal plan through coordination with RBs and COs.	<p>The ED Circular on Responsible Asset Management at WFP issued in July 2019 clarifies asset disposal modalities and procedures. The Circular, together with the Asset Management chapter (issued as part of the Administration Manual), increases oversight and accountability in managing assets and provides procedures to guide disposals of unused assets and assets beyond their useful lives.</p> <p>In addition, during the 2019 asset management workshop in headquarters, asset disposal plans were prepared and refined in coordination with RBx.</p>	Closed



Agreed actions	Actions undertaken by MSDA	OIGA conclusion
	<p>The Global Asset Service (GAS) team, in collaboration with UNHCR,⁶ has also been active in assisting several COs to set up public auctions to dispose of obsolete and unused assets. At the end of 2019, a total of 36 auctions had been carried out with the support of the GAS team, which had generated revenue of over USD 9 million. These asset disposals have helped some COs to generate additional funding; reduce operational costs of storage; and mitigate the risk of misuse/looting of unused assets.</p>	
<p>II. Establish escalation protocols to properly manage undelivered assets within WFP operations.</p>	<p>In 2019, TEC reviewed the business model of WFP's Fast Information Technology and Telecommunications Emergency and Support Team (FITTEST) and proposed the outsourcing of FITTEST's supply chain activities to an external entity. This was intended to enable FITTEST to focus on the technology aspect of its operations, while the external entity would focus on supply chain activities to mitigate the risk of undelivered assets as highlighted in the audit report.</p> <p>The restructuring of the FITTEST supply chain was outsourced to a service provider whose responsibilities include: (i) regular reporting on order and movement status according to specifications and timelines agreed with clients; and (ii) management of stock movements and shipments and compliance with defined stock levels.</p>	<p>Closed</p>
<p>III. Operationalize a system to share asset information and facilitate movement of assets across WFP operations using GEMS.</p>	<p>An asset management operational dashboard was developed and commissioned. The dashboard provides a granular visualization of various asset management reports and Key Performance Indicators (KPIs), including vintage analysis, asset volume quantities and value across all WFP operations.</p> <p>The dashboard also allows COs, RBx and headquarters divisions to view asset status in other operations at a glance, and supports asset sharing and management of excess assets prior to making additional asset purchases.</p>	<p>Closed</p>
<p>IV. In conjunction with GVLP consider flexibility in vehicle leasing arrangements for emergency operations of less than 5 years duration.</p>	<p>GVLP defined and piloted a more flexible leasing model for emergencies. Under the new model, vehicles can be leased on a percentage rather than a time basis as per the normal leasing arrangement. In addition, GVLP has added a standard provision in the Lease Agreement Terms & Conditions, allowing for pre-termination of the standard leasing period with one month notice to GVLP.</p>	<p>Closed</p>

⁶ At the time of the audit, WFP's global service level agreement with UNHCR was under finalization.



Table 2: Medium-priority observations

Audit Report Observation 3		
Issues regarding the limited role of LPSB and appointment of asset focal points		
<p>The LPSB’s mandate and oversight responsibilities, as prescribed in the existing corporate terms of reference, are focused only on endorsing asset disposal decisions for CO management approval. The audit observed that the LPSB is not involved in overseeing other aspects of asset management throughout the asset life cycle.</p> <p>This focus positions the LPSB as a committee with no strategic oversight of upstream asset processes such as acquisition planning, asset utilization, monitoring of physical asset verifications and periodic reconciliation. As such, there is an opportunity to expand LPSB’s current role to have wider involvement and oversight across all asset management processes, given the range and criticality of issues raised in this report.</p> <p>Audit interviews with LPSB members in sampled locations indicated the following shortcomings with current processes:</p> <ul style="list-style-type: none"> • Lack of a structured and formal orientation to members when joining the committee to ensure awareness of their mandate and effective execution of responsibilities; • Limited knowledge on some asset management processes and tools (for example, GEMS functionalities) to enhance LPSB decision making; • Reliance on data provided by Administration Units without independent assessments performed due to capacity and time constraints; and • No provisions made for members to declare actual or potential conflicts of interest for specific LPSB decisions. <p>COs, as part of the asset management governance structure, assign asset focal points in various operational locations. Such focal points are required to have knowledge in asset management processes including asset tracking systems; however, the audit noted that there was no standard terms of reference (TOR) for this function. In addition, some field offices: (a) did not have asset focal points formally appointed; and (b) had asset recording and monitoring responsibilities concentrated on one staff member with no proper continuity and/or back-up plans. These factors negatively impacted management of assets in the relevant COs.</p> <p><u>Underlying causes:</u> Existing LPSB terms of reference narrowly focus on asset disposal. Absence of LPSB orientation programme to develop awareness of members to asset management tools and processes. Turnover of asset focal points with no continuity plans. Standard TOR for asset focal points not formalized.</p>		
Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
I. Review the current Property Survey Board (PSB) TOR and assess the possibility of expanding the committee’s role to include involvement and oversight across other aspects of asset management. This may include, for example, establishing a link to the Purchase and Contract Committee review process to mitigate over-procurement of certain items.	<p>The Asset Management chapter of the Administration Manual has now expanded the role of the PSB to include:</p> <ul style="list-style-type: none"> ▪ review and provision of strategic input for annual procurement plans of assets in WFP offices; ▪ review, evaluation and provision of strategic input for receipt of donated assets by donors for WFP-assisted projects; ▪ issuance of strategic recommendations to the relevant disposal authority, concerning disposal (including mode of disposal) or non-disposal of assets; ▪ review of the results of physical counts and reconciliation of assets in WFP offices, and issuance of strategic recommendations to the Office Director on effective management of WFP assets; and ▪ ensuring that environmental issues are addressed both in procurement and disposal of assets. 	Closed



Agreed actions	Actions undertaken by MSDA	OIGA conclusion
<p>II. Develop an orientation programme that will introduce tools and processes on WFP asset management to newly appointed LPSB members.</p>	<p>MSDA developed an onboarding programme for PSB members that is available on WeLearn, WFP’s learning platform where users can manage their training and learning activities. The orientation module provides useful information on: (i) carrying out PSB roles and responsibilities; (ii) key risks related to asset management; (iii) the concept of asset life cycle management; (iv) frequency and modality of meetings; and (v) available resources such as samples of PSB cases and checklists. However, discussions with two sampled COs indicated a lack of awareness of this onboarding module.</p>	<p>Closed</p>
<p>III. Develop a standard TOR and periodic training programmes for asset focal points.</p>	<p>Asset Management onboarding training in WeLearn provides 22 hours of learning that introduces asset focal points and other users to the basic concepts and other key information about WFP asset management processes.</p> <p>The training covers a range of topics including risks and opportunities in asset management; asset valuation; procedures on receiving equipment; editing equipment information in GEMS; and reporting of assets and equipment.</p>	<p>Closed</p>
<p>IV. Based on the nomination procedures of asset focal points, ensure that all functional locations, including field offices, have asset focal points.</p>	<p>Under the ED Circular on Responsible Asset Management, Directors/Heads of WFP Offices are responsible for ensuring adequate resourcing and staffing of asset management, and for appointing an asset focal point in each office (including headquarters, RBx, COs, area/sub-offices, liaison offices and other offices outside headquarters).</p> <p>Asset focal points are responsible for managing and supervising activities related to the distribution (assignment, transfer, sale, donation and loans) of all asset items and ensuring that all assets are properly recorded when acquired and retired. The detailed roles and responsibilities of asset focal points are also highlighted in the Asset Management chapter of the Administration Services Manual.</p>	<p>Closed</p>

Audit Report Observation 4
<p>GEMS asset data extraction criteria and Minimum Monthly Closure (MMC) reconciliation</p> <p>The audit noted that reports extracted from GEMS by AMU and CO Administration units contained inconsistent data. In two of the offices sampled during the audit, the variance in total acquisition value ranged from 14 percent to 16 percent. This was due to the use of different criteria in extraction processes.</p> <p>Although AMU had previously circulated guidance defining asset data extraction criteria in GEMS, this was not always used consistently across WFP offices. Some asset focal points were observed to have limited knowledge of GEMS reporting functionalities and were not able to exclude, for example, deactivated assets when extracting data. There is a risk that inaccurate reports may be used for asset monitoring and in reporting CO-level assets.</p> <p>Related to the observation above, and as part of the monthly reconciliation procedures, variances were also noted between the fixed assets listing in WINGS (AMR) and GEMS (EMR). Some of the COs sampled during the audit consistently reported variances or unreconciled asset items for more than three months; however, no definitive action was taken to investigate and clear these discrepancies by the relevant RB and/or headquarters. At the time of the audit, the COs concerned had initiated a review and follow up of the variances noted.</p> <p>MSDA, on a monthly and annual basis, performs a consolidated fixed asset reconciliation and a high-level review of asset balances between AMR and EMR as part of WFP’s accounts closure process to support periodic financial reporting. MSDA had initiated discussions with TEC to automate this manual and time-consuming process.</p> <p><u>Underlying causes:</u> Limited knowledge by CO asset focal points of GEMS functionalities. Lack of systems integration between WINGS (AMR) and GEMS (EMR) (see observation 7). MMC reconciliation results not shared with MSDA/AMU at corporate level nor with regional administration officers at RB level.</p>



Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
<p>I. In coordination with TEC and FINS, finalize the development of a reporting tool in WINGS to automate the periodic CO fixed assets reconciliations, which will inform the monthly reconciliation process.</p>	<p>The asset reconciliation tool (ART) was developed to support reconciliation of fixed assets between the PM and Finance modules in WINGS and was released in the production environment in WINGS in June 2019. The tool aimed to replace the manual method of reconciling data in two modules and streamline the reconciliation process. The tool was shared with 15 asset management focal points in eight COs (South Sudan, Yemen, Bangladesh, Kenya, Iraq, Syria, Djibouti and Burundi) for review and comment. The review resulted in further adjustments and enhancements of the tool. The rollout of the tool is planned to start in the second quarter of 2021.</p> <p>The agreed action was closed by OIGA (in August 2019) on the basis that an automated tool (ART) to support asset reconciliation had been developed and released to the production environment in WINGS. However, AMU needs to follow up with TEC regarding the bugs and incidents that have been identified, and develop a plan to fully rollout ART across WFP offices.</p> <p>As per current procedure, CO minimum monthly closure (MMC) reports are certified by finance officers. However, from the verification in WINGS, the audit noted that finance officers did not have access to ART. Therefore, it is suggested that access to the asset reconciliation tool in WINGS be granted to CO Finance staff to ensure that fixed asset reconciliation results, provided by CO Administration staff, can be reviewed accordingly.</p>	Closed
<p>II. In coordination with TEC, explore linking the results of the automated MMC reconciliation to the INFO dashboard to highlight reported variances and prompt reconciliation procedures.</p>	<p>An asset management operational dashboard has been developed which uses information from the GEMS database and is updated in real-time.</p> <p>It is recommended that once ART's reconciliation of fixed assets between PM and Finance modules in WINGS is finalized and rolled out to field offices, the results from the automated reconciliation be inserted in the asset management operational dashboard.</p>	Closed
<p>III. As part of monitoring asset focal points, ensure that all asset focal points undertake available corporate asset management trainings.</p>	<p>As of July 2019, 332 WFP staff have received asset management training (from November 2018 to April 2019), including staff in headquarters, RBN, and three COs from RBD, RBC and RBB countries. The regular monitoring of asset focal points is conducted in parallel with granting GEMS access to new asset focal points; part of this process requires that new asset focal points undertake online asset management training.</p>	Closed
<p>IV. In coordination with FING, define roles and responsibilities for MMC reconciliations between CO Finance and Administration units, and clarify the related oversight functions of RB and relevant headquarters units.</p>	<p>The Asset Management chapter of the Administrative Manual includes the roles and functional responsibilities of employees tasked in asset management, including oversight in asset recording and reconciliation. The CO asset management officer is responsible for conducting monthly reconciliation of fixed assets (Finance/Asset Accounting Module to GEMS) with onward submission to Finance.</p> <p>With the introduction of ART, the audit noted that roles and responsibilities between Administration and Finance units in the use of the new tool needed further clarification. MSDA should coordinate with the General Accounts Branch of the Corporate Finance Division to formalize the roles and responsibilities for the review of asset reconciliation results, considering that CO finance officers are responsible for certifying MMC reports. Roles and responsibilities should be documented in the relevant manuals.</p>	Closed



Audit Report Observation 5		
<p>Inconsistent asset management KPIs in COs</p> <p>The Annual Performance Plans (APPs) of the COs sampled during the audit indicated the following issues related to asset management KPIs compiled by Administration Units, the functional units responsible for managing CO assets:</p> <ul style="list-style-type: none"> Some asset management deliverables did not have related KPIs; The KPIs used for tracking asset management performance were process-oriented and did not leverage on existing quantitative data already available such as: (a) total excess/obsolete/non-utilized assets in GEMS against programmed activities; and (b) vehicle utilization rate in the Fleet Management System against programmed activities. <p>In addition, there was no alignment between the deliverables and respective KPIs set by the Management Services Division Performance Plan 2018-2019 and the KPIs used by CO Administration Units. This misalignment may result in failure to accurately reflect key asset management issues and to indicate risks that may require prompt action. This observation was raised in the Internal Audit of Management Performance Indicators and Supporting Information Systems in WFP report in 2017.</p> <p><u>Underlying causes:</u> Absence of corporate guidelines with standard metrics to measure KPIs using information from GEMS and other asset tracking systems.</p>		
Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
I. In coordination with the Performance Management and Accountability Division (RMPP), include updated standard KPIs in the Administrative Services Manual that: (a) COs can utilize to assess asset management performance; and (b) highlight and monitor key asset management issues. The KPIs should consider existing information available from existing corporate asset tracking systems and MSDA's priorities.	MSDA, in collaboration with RMPP and TEC, developed an asset management dashboard which presents visual analysis of certain asset management information to support the decision-making process of managers and operational teams. The dashboard provides useful analytics on number, value and status of assets across all WFP operations. The online compendium of KPIs contains standard indicators for Administration units, that COs can align to enhance consistency across all WFP operations. However, discussions with sampled COs indicated a lack of clarity in the use of these KPIs. MSDA should engage CO Administration teams and increase the level of awareness in the use of these KPIs to promote consistency.	Closed
II. Review and monitor CO asset management performance indicators through the Administration Units of RBx.	Following a functional review and budgetary allocation at the end of 2018, the terms of reference for regional administration functions was finalized. All six RBx have since onboarded regional administration officers whose key roles include: strengthening internal controls and risk management capacity of administration services; providing technical support and guidance to COs; and enhancing accountability in the area of administration. Through their oversight missions, these officers have been able to: (i) monitor; (ii) measure performance efficiency and effectiveness of administration services; and (iii) enhance the development of streamlined processes, tools and practices at RB and CO levels.	Closed



Audit Report Observation 8

Recording and tracking low value items in GEMS

From its analysis of GEMS asset data for a sample of WFP offices, the audit noted that asset and equipment items had asset acquisition values in the following ranges:

	Pakistan	Liberia	Kenya	UAE Office	UNHRD Brindisi
USD 0 to 100	18%	14%	32%	32%	35%
USD 100 to 150	43%	41%	36%	36%	32%
USD 500 and above	39%	45%	32%	32%	33%

Overall, 73 to 76 percent of total asset items in the COs sampled represented only 9 to 26 percent of the total acquisition value – implying that asset monitoring may be heavily transactional with a focus on low-value items. This represents a significant opportunity for more cost-efficient asset management.

Comparative costs and benefits of recording and tracking low value asset items, taking into account the time and effort involved, have not been evaluated. The lack of guidance on which asset types and values should be recorded in GEMS has exposed the process to subjective interpretation by CO and functional unit asset focal points, which has resulted in inconsistent recording and tracking practices.

As mentioned in observation 1, the audit noted that the following asset items were assigned nominal acquisition values of USD 1, zero or less than zero: (a) assets donated to WFP without a corresponding PO; and (b) components of bundled assets consisting of multiple items. Lack of guidance in these areas has contributed to the increase in the number of low value asset items recorded in GEMS.

At the time of the audit a review of assets taxonomy was being undertaken, and discussions were ongoing as to what asset types and values should be recorded and tracked in GEMS.

Underlying causes: Absence of corporate guidance on the type, value and other attributes of assets required to be recorded in GEMS. Recorded nominal values (USD 1 or less) in GEMS for assets with no POs. Asset management function and processes at CO-level lack prioritization.

Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
I. MSDA will develop corporate guidance on the types of assets required to be recorded and tracked in GEMS, with reference to the existing asset taxonomy and to other criteria (for example, susceptibility of certain lower value items to theft and loss).	MSDA, in collaboration with TEC, Supply Chain and other stakeholders, undertook a comprehensive review to simplify the asset and equipment taxonomy in GEMS, which is used to classify assets that are recorded and tracked in GEMS for operational purposes. The classification of assets is made according to the category (e.g. permanent buildings) and further by object type (e.g. office and residential house) and object sub-type (e.g. office building). The review: (i) aligned asset classification to business needs by removing items the business units did not consider necessary to track; (ii) consolidated some asset groups where necessary; and (iii) added new categories and changed existing category names. The GEMS asset taxonomy was updated and issued in the second half of 2019 and new updates continue to be released, with the latest update published in April 2020. Updates include classification of new categories of assets and equipment purchased for the COVID-19 emergency response that had not previously been purchased for regular WFP operations.	Closed



Audit Report Observation 9		
<p>Asset end-of-life not systematically considered in the monitoring of assets in GEMS</p> <p>GEMS does not have a functionality to present information on the end-of-life of assets; consequently, asset focal points do not have access to information such as asset useful life and residual values.</p> <p>Without considering the useful lives of assets, disposal decisions may not be sufficiently supported (for example, they may not be based on net book value). Asset focal points may rely on other indicators when assessing disposals, such as the physical condition of assets, which may only be determined during annual physical asset verifications.</p> <p>This lack of information may also impact the way users and other stakeholders carry out asset management related activities, such as asset monitoring and write-offs. Independent computation by the audit revealed that asset items with zero residual value in sampled COs ranged from 67 to 81 percent of the total asset items.</p> <p>The audit observed that CO Administration units had to manually compute the residual values of assets planned for disposal before convening LPSB meetings.</p> <p><u>Underlying causes:</u> Functionalities to calculate asset end-of-life and residual values for equipment items as proposed in MSDA's business requirements were not fully considered during the development of GEMS.</p>		
Agreed actions	Actions undertaken by MSDA	OIGA conclusion
MSDA will:		
As part of the upcoming plan for WINGS and GEMS systems integration (see observation 7), MSDA will explore the possibility of developing a function in GEMS to calculate the end-of-life and residual values of all recorded assets.	<p>MSDA developed the specifications and business requirements needed to calculate the end-of-life and residual values for all recorded assets in GEMS, following which the feasibility of developing a tool was tested by TEC and was supported for implementation. A technical partner developed the functionality and a successful user acceptance test was performed jointly with MSDA against the business requirements.</p> <p>The functionality is available in WINGS and has supported COs and functional units in monitoring and reporting assets' useful life information.</p>	Closed



Annex A – Definition of categorization of observations

A.1 Priority categorization of audit observations

Audit observations are categorized according to the priority of agreed actions, which serve as a guide to management in addressing the issues in a timely manner. The following categories of priorities are used:

High	Prompt action is required to ensure that WFP is not exposed to high/pervasive risks; failure to take action could result in critical or major consequences for the organization or for the audited entity.
Medium	Action is required to ensure that WFP is not exposed to significant risks; failure to take action could result in adverse consequences for the audited entity.
Low	Action is recommended and should result in more effective governance arrangements, risk management or controls, including better value for money.

A.2. Categorization of the status of implementation of agreed actions

Status	Definition
Closed	Action has been fully implemented.
In Progress	Action has been started and partially implemented. Revised timescales for full implementation have been established in some cases.
Outstanding	Action has not been partially or fully implemented. Revised timescales have been agreed in some cases.
Not Applicable	Management has accepted the risk of not taking action. <i>Or:</i> Conditions have changed that render the agreed action not relevant.



Annex B – Acronyms

AMR	Asset Master Record for fixed assets
AMU	Asset Management Unit
APP	Annual Performance Plan
ART	Asset Reconciliation Tool
CO	Country Office
ED	Executive Director
EME	Emergency Operations Division
EMR	Equipment Master Record
FITTEST	Fast Information Technology and Telecommunications Emergency and Support Team
FMS	Fleet Management System
GAS	MSDA's Global Asset Service (team)
GEMS	Global Equipment Management System
GRN	Goods Receipt Note
GVLP	Global Vehicle Leasing Programme
KPI	Key Performance Indicator
LPSB	Local Property Survey Board
MIGO	WINGS transaction to create GRN for NFI-goods PO
MISSC	Management of Information Systems Steering Committee
MM	Material Management
MMC	Minimum Monthly Closure
MSD	Management Service Division
MSDA	Administration and Travel Branch, MSD
NFI	Non-Food Items
OIGA	Office of Internal Audit
PM	Plant Management
PO	Purchase Order
PSB	Property Survey Board
RB(x)	Regional Bureau(x)
RMPP	Performance Management and Accountability Division
SOP	Standard Operating Procedure
TEC	Technology Division



UN	United Nations
UNHCR	UN High Commissioner for Refugees
UNHRD	UN Humanitarian Response Depot
WFP	World Food Programme
WINGS	WFP Information Network and Global System, WFP's ERP system