

Project Spotcheck Report

Programme Title	Development Programme
Project ID & Title	00076990 – Clearing for Results (Phase II)
Name of Implementing Partner (IP)	Cambodia Mine Action and Victim Assistance Authority (CMAA)
Location of IP	CMAA Office, Phnom Penh
Contact Person and Position (from the IP)	H. E. Prum Sophakmongkol, Deputy Secretary General, CMAA
Start/End Date of Spotcheck	14 November 2014
FACE Reviewing Period	01 January through 30 September 2014
UNDP Spotcheck Team Member (Name, Title, Section/Organization)	<ol style="list-style-type: none"> 1. Ms. So Lida, Oversight Analyst, Management Support Unit 2. Ms. Sovann Pisey Thlang, Finance Manager, Finance Unit 3. Ms. Hul Kolap, Procurement Manager, Procurement Unit 4. Ms. Heng Chhorvoleak, IT Assistant, ICT Unit 5. Ms. Sok Lang, Program Analyst, Poverty Unit. 6. Ms. Theng Sopheak, Program Associate, E&E Unit. 7. Mr. Sun Chanthorn, Program Associate, Poverty Unit
IP (CfR2) staff whom the members of the Spotcheck Team met and worked with during the Spotcheck (Name, Title, Section/Organization)	<ol style="list-style-type: none"> 1. H. E. Prum Sophakmongkol, Deputy Secretary General 2. H. E. Prak Sok You, Director of General Admin Department 3. Mr. David A. Horrocks, Mine Action Advisor, CfR2 4. Mr. Eng Pheap, Chief of Procurement Unit 5. Mr. Song Ty, Chief of Admin & Finance Unit 6. Mr. Chea Bunthy, Project Assistant, CfR2

Introduction

The project assurance activity is the combination of project monitoring and project spot check. Spot check is one of the key elements of the new Harmonized Approach to Cash Transfer (HACT) to implementing partners; this will need to be carried out by UN Agency. It is a review of a partner's financial management capacity.

As part of the HACT requirements and implementation of the audit follow up action plan, spot checks are to be conducted with the collaboration and support from the Operations Unit comprise of colleagues from Finance Unit, Procurement Unit, Management Support Unit, ICT Unit and implementing partner. The Programme Analyst Ms. Sok Lang and Programme Associate, Mr. Sun Chanthorn had carried out an assurance activity by organizing a spot check on 14 November 2014 for Project ID: 00076990 _Clearing for Results (Phase II). The project is located at CMAA, Toul Kork, Phnom Penh.

Purposes

As stated in the ToR, the main objective of the spotcheck exercise is to assess the soundness of the internal controls, the financial records, the procurement management,

and the assets management, and assess if the cash transfers by the UNDP to the Implementing Partner are used effectively and efficiently.

The spotcheck is an element of the standard project management and considered as a crucial part of the assurance activity which is the UNDP's oversight role. The spotcheck is not considering as an audit, but rather a review and coaching exercise to strengthen capacity of the project team especially on financial, asset, procurement and ICT management.

Observations

The spotcheck was conducted in accordance with the terms of reference as mentioned in the Framework for Cash Transfer to Implementing Partners.

The focus of this spotcheck is mainly on the FACE report form incurred from 1 January through 30 September 2014 which most of points are linked to the frequently or repeatedly of audit findings and spotcheck findings from 2013. Throughout the proceeding of the exercise, the spot check team through meetings had discussions with the relevant staff of Clearing for Results II Project.

Proceeding:

The spotcheck team arranged for the briefing meeting with the relevant project's personnel from Admin department, finance department and Procurement department. The spotcheck team introduced the purpose of the mission which is to carry assurance activities on the use of funds through UNDP for the project and help the IP to interact with UNDP Country Office staff and to ensure that action has been taken and ready for the upcoming NIM 2014 audit exercises.

After the meeting, the team requested to review supporting document for payment vouchers, cash management, procurement, contract management, IT management and assets management.

Ending:

The spotcheck exercise was completed on 14 November 2014. The spotcheck team arranged for de-briefing meeting with the relevant CMAA personnel in Clearing for Results (Phase II) project including DSG, Direct of GAD, Finance, Admin, Procurement Officers and brief on the findings and recommendations on the action to be taken by the relevant units. The overall results are presented as in the attached "Findings and suggestions for Spotcheck".

I. Findings and suggestions for Spotcheck on 14 November 2014

No.	Topics	Observations	Implications	Recommendations	Project Feedback	Implementation Plan and date
1. Financial Management						
1	DSA and Venue service charges were paid to 17 participants for CMAS review meeting in Ratanakiri province	<p>We observed that, CMAS Review Committee Meeting was scheduled 5-day in Ratanakiri province from 8-11 July 2014. However, the event was ended on 10 July.</p> <ul style="list-style-type: none"> • DSA were fully paid 5-overnight to the 17 participants from 7-12 July 2014. <p>BPV/2014/0164 BPV/2014/0158 BPV/2014/0155</p> <ul style="list-style-type: none"> • Venue arrangement service charge was provided and paid to the vendor (SN Hotel & Restaurant) on 11/07/2014 while the event was ended on 10 July. <p>BPV/2014/0164 JV/2014/0027 (INV#282)</p>	<ul style="list-style-type: none"> • It is a risks that inefficiencies of fund for personal gain, fraud, bribery and misrepresentation of facts. • Non-compliance to the original intended of the donor on the resource. • The resources have been distracted from its original intended development activities. • Fraud can be happened through the individual receiver’s arrangement • The donor might complain on the wrong purposes of their fund utilization from the agreement, and might leading to fund freezing. 	<p>We are strongly recommended that:</p> <ul style="list-style-type: none"> • Finance Officer should be strictly controlled, to make sure that activities are definitely conducted, funds are properly used in an effective purposes. • Inefficiencies of fund disbursed to the participants should be refund back. 		

2. Procurement Management						
1	Evaluation committee	In different processes, procurement staff were members of the evaluation committee.	Procurement staff serves as members of the evaluation committee indicates a 'conflict of interest.'	Staff from other department(s) may assign as member of the evaluation committee. Procurement staff acts as the secretary only, in which does not have the voting rights, but facilitating the process and ensuring compliance to the rules.		
2	Supporting documents	Some supporting documents are missing from the case; for example, advertisement notice.	The transparency and fairness in the process cannot be vetted.	All supporting documents must be filed in the case.		
3	Direct invitation to suppliers	In case of direct invitation is made to suppliers, justifications is required.	The use of competitive procurement process is always encouraged; so, a decision to opt for direct invitation shall be recorded.	A note is to be prepared. A note is to be signed by an authorized person (known as <i>procurement authority</i>).		
4	'Seal envelop' process	Seal envelop is required for process amount more than \$ 2,500. A proof of bid submission, bid record, and declaration of impartially and confidentially is to be provided.	The process cannot be vetted if it is compliance to the rules based on its amount.	In ensuring transparency and compliance, "seal envelop" shall apply for any procurement process amount more than \$ 2,500.		
3. Assets Management						
1	Asset physical	<ul style="list-style-type: none"> Laptop registered as 	Loss of asset	<ul style="list-style-type: none"> To update the asset list 		

	count and verification	<ul style="list-style-type: none"> vehicle • CRF2-570 & 571: inaccurate serial number, wrong custodian 		<ul style="list-style-type: none"> on regular basic • To establish the custodian form 		
2	Car management	<ul style="list-style-type: none"> • Car-State 0557: inaccurate mileage 48042-48058 • Car-State 0556: inaccurate mileage 39052-39614, 40243-40250, • Log book: no monthly certification, no detail itinerary • No first aid kit, no fire extinguisher • No log book for motorbike 	Inappropriate use of vehicle and staff safety	<ul style="list-style-type: none"> • Vehicle dispatcher to review and certify vehicle log book on monthly basis • To procure first aids kit and fire extinguisher for all vehicles • To establish the log book for motorbike 		
4. IT Management						
1	Guideline and Practice	<ul style="list-style-type: none"> • There is no established guideline or rules to govern the day to day ICT management and practice. 	<ul style="list-style-type: none"> • Since there is no guideline to enforce the accessibility and usage, changes unapproved or inappropriate may be made freely and undetectably. 	<ul style="list-style-type: none"> • A policy or guideline should be established to keep logs to track all changes made. 		
2	Backup and Recovery	<ul style="list-style-type: none"> • Project conducts a regular backup. • Backup is stored in a safe cabinet in the office. • There is no recovery has been made recently. 	<ul style="list-style-type: none"> • Backup media may sometime become corrupted and inaccessible due to physical constrain that may put the effort and the protection plan at risk of failure. 	<ul style="list-style-type: none"> • Considering offsite backup media, UNDP office can be used as an offsite location. • Conduct a regular recovery to ensure media is functioning and give opportunity to practice the recovery 		

				<p>process.</p> <ul style="list-style-type: none"> Utilize UNDP provided facility including project intranet workspace will receive additional benefit of protection from UNDP Country Office 		
3	Licensing and Compliance	<ul style="list-style-type: none"> UNDP Contract holders are all in compliance with software licenses. Finance software is licenses. Some computers do not have license software. 	<ul style="list-style-type: none"> Since the proprietary software licensing is a legal instrument, do not conform with national and international law on copyright protected may result in affecting the implementing partner, UNDP, and donors. Software piracy may contain harmful code/malware or have restricted updates or patch capability that may arise in the future and may cause data/information inaccessibility. 	<ul style="list-style-type: none"> Review currently installed software and uninstall those are no longer needed. Purchase license for those consider in needed. Use the provided license disk/file for installation – avoid using media from unknown source. 		
4	ICT Asset Management and Maintenances.	<ul style="list-style-type: none"> Outsource ICT maintenance service from external company. Not all computers have been serviced by the company since the contract taking effect 	<ul style="list-style-type: none"> Without established schedule and detail tasks specific (checklist) may lead to unmanageable outputs of the outsource company which result in recurrence of problem 	<ul style="list-style-type: none"> Establish checklists and routine schedules with the outsource company to ensure all computers under their service scopes and regularly visits. 		

		<p>since May 2014.</p> <ul style="list-style-type: none"> • Specific and detail task of provider has not been document properly. • No Password complexity has been enforced. 	<p>and incident in their service scope.</p> <ul style="list-style-type: none"> • Weak passwords are not able to offer protection or identify of the owner which may prone identity problem including identity thief 	<ul style="list-style-type: none"> • Establish a base minimum of password requirement both through guideline and system 		
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II. Follow-up previous years (2013) audit/spotcheck findings and recommendations

No.	Observations	Recommendations	Management Responses	Implementation Status
1	Control over advances	<p>a. We recommend that liquidation of advances be made within the time frame after the completion of mission.</p> <p>b. We recommend that long outstanding advances be closely monitored and cleared within the expected time frame i.e. after 10 days upon the completion of mission.</p>	<ul style="list-style-type: none"> • Project response: CMAA has been making all the efforts to minimize the long outstanding cash advance from time to time. CMAA always follows up closely with the persons for the long outstanding advances. Minutes or Note to file are prepared to give justification/reasons for the delay on clearing advances and proposed planned action for new advances. However, the advances raised by auditor have been followed up but haven't been justified in writing. • UNDP response: We agreed with the audit findings and recommendations. Through Project Spot Check, UNDP CO will discuss with the CMAA to make sure that the Cash Advance be settled within the timeframe. 	Partially Implemented

2	Control over assets	<ul style="list-style-type: none"> a. We recommend all non-expendable equipment be appropriately tagged with identification number. b. We recommend that the registration of ownership of the above mentioned should be in the name of the Project. c. We recommend all movements of asset be reflected appropriately in the asset listing for internal control purposes. 	<p>Project response: CMAA agree with the audit observations and recommendations.</p> <p>Those vehicles and motorcycles were provided by UNDP without the state registration numbers. When responsible recipients received those items, they needed to proceed for the State registration numbers from their own offices. Only the government can issue state registration number and project can't. That's why it appears that the vehicles and motorcycles belong to different owners. However, all the recipients signed on the asset list to ascertain that the vehicles and motorcycles belong to the CFR2 Project.</p> <p>In addition, CMAA conducted physical check and updated list twice a year for each location. During the field work, auditor checked those assets base on signed list in Dec. 2013 and some assets were moved in beginning of 2014. So we are unable to keep assets location as signed list in 2013.</p> <p>UNDP response: We agreed with the audit recommendations.</p>	Partially Implemented

			<p>We will remind the project team all the assets should be label/tag properly from time to time under project's name. In addition, we were informed that there are letters of agreement between the project and the users to ascertain that the assets belong to the Cfr2 Project. Moreover, UNDP will discuss with CMAA to find the ways to address the issues.</p>	
3	Control over journal voucher	<p>a. We recommend date of journal voucher be captured correctly into the accounting system.</p> <p>b. We recommend that correct journal voucher number be recorded in the accounting system and there should be a regular review (monthly or quarterly) by senior staff on the journal listing to ensure that journal entries were correctly captured in the system. Any error detected should be justified ad corrected on a timely basis.</p>	<ul style="list-style-type: none"> • Project response: CMAA accepts the recommendation and the project team will take action for coming year to address the issues. • UNDP response: We agreed with the audit recommendations and project management response. Through the project Spot Check, we will follow up with the project and ensure that such issue will not happen again in 2014. 	<p>No such case happened again from January thru September 2014</p>