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To: Whom it may concern:
U.S. Government Accountability Office

From: Jan Mattsson
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Subject: GAO draft report on UNOPS

UNOPS would like to thank GAO for the opportunity to provide brief comments on the draft report. Due to space limitations, this response is confined to the following key areas:

1. While the full impact of any major reform should be assessed long-term, **there are incontrovertible indicators that the far-reaching reforms undertaken by UNOPS in the last three years are bearing fruit.** In particular, after three consecutive biennia of qualified audit reports, UNOPS received an unqualified audit opinion from external auditors for the biennium 2006-2007. As a result of the much-improved internal controls, in August 2008 the UN Comptroller removed all limitations on working with UNOPS which had been in effect for over two years. In 2008-2009 UNOPS was able to sign a number of framework agreements with partners, including UN agencies, the European Commission and the World Bank. Such agreements were signed after thorough assessments by partners of UNOPS internal controls. According to annual surveys, stakeholders' confidence in UNOPS improved to an all-time-high. Against this background, UNOPS revenue and new business almost doubled and operational reserves increased seven-fold since 2006. Furthermore, the audit reports and investigations with "negative findings" mentioned by GAO relate to the period up to and including 2006.
2. UNOPS understands that the scope of the GAO review was limited, but would like to point out that **management reforms at UNOPS encompassed many areas not covered by the GAO report**, among others, human resources, procurement, finance, general administration and project management. There has also been a complete overhaul of the policy framework of the organization, with 26 of the 29 organizational directives currently in use at UNOPS developed in the last three years.
3. UNOPS wishes to emphasize that **the alleged wrongdoing in Afghanistan in the period 2002-2006 was identified internally following complaints from whistleblowers and a comprehensive investigation launched by the new UNOPS senior management team taking office in mid-2006.** The Procurement Task Force report highlights that: "It is important to note that the current Administration of UNOPS was not in place during the time period under examination. Throughout the investigation, UNOPS senior management gave the Task Force wide latitude and the independence which was required, and directed the complete cooperation by all UNOPS staff members. These officials should be lauded for their acts of transparency and the request for, and acceptance of, an independent investigation".
4. In the last three years OIOS conducted six investigations into UNOPS activities. Only one of these is at present incomplete and **UNOPS has settled in full all the respective bills presented by OIOS.** During the same period UNOPS' strengthened audit and investigations office completed a number of internal

investigations. The reference in the report that "some" of the \$400 million of USAID funds had been misspent is technically correct, however the estimated amount of misappropriations alleged, while totally unacceptable, represents a minor portion of this amount. As to the Afghanistan investigation, the report was duly referred, in May 2009, to the US Permanent Mission to the UN for its consideration and further action. Phases two and three of this investigation will be completed following a determination by OIOS as to the scope and nature of these reviews.

5. UNOPS believes that **a systematic assessment of the PeopleSoft-based ERP does take place on an ongoing basis**. In addition to internal assessments, the data integrity in this software's environment was reviewed by external audit as well as by one of the big four accounting firms who assessed the software for performance and data security.
6. **UNOPS has complied with, or exceeded, all UN requirements on ethics training and financial disclosure**. For example, UNOPS management extended the coverage of the ethics training and financial disclosure programme beyond staff members to other personnel, such as individual contractors.
7. The report does not explain the **"single audit principle"** which at the behest of Member States is enshrined in the Financial Regulations and Rules of UN entities. **The UNDP/UNFPA/UNOPS Executive Board decided in September 2008 on a specific procedure for the disclosure of internal audits**. Consequently, UNOPS is not permitted by its governance and oversight bodies to agree to full access to audit by any party outside of the UN Board of Auditors. The removal of certain proposed questions in the PeopleSoft-based ERP survey was based on legal advice with regard to the single audit principle.
8. Despite a number of weaknesses identified at UNOPS prior to its management reforms, **there is no evidence in the report to demonstrate that the implementation of USAID grants by UNOPS was anything other than successful overall**. For example, between 2002 and 2007 UNOPS built almost 900 kilometers of rural access roads in Afghanistan in the most challenging climatic and security conditions. UNOPS takes exception to certain allegations made by the USAID Inspector-General. These were not well substantiated, as suggested by a recent UNDP/UNOPS audit, and refer to only four out of 108 sub-projects implemented under the Quick PRT project.