

AUDIT REPORT

Gifts management system at United Nations Headquarters

Management of gifts needs to be strengthened to prevent loss and mitigate reputational risk to the Organization

25 August 2008 Assignment No. AH2007/510/05 INTEROFFICE MEMORANDUM

MEMORANDUM INTERIFUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

To: Ms. Angela Kane, Under-Secretary-General

A: for Management

Mr. Kiyotaka Akasaka, Under-Secretary-General for Communications and Public Information and Chairman of the Arts Committee

Mr. David Veness, Under-Secretary-General for Safety and Security

Mr. Robert Benson, Director, Ethics Office

Mr. Adnan Issa, Executive Officer, Executive Office of the Secretary-General

REFERENCE: IAD: 08- 0/6 8 4

DATE: 25 August 2008

Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: Assignment No. AH2007/510/05 - Audit of the Gifts Management System at OBJET: United Nations Headquarters

- 1. I am pleased to present the report on the above-mentioned audit.
- 2. Based on your comments, we are pleased to inform you that we will close recommendation 7 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
- 3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2, 4, 5, 6, 8, 10 and 15) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors

Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat

Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management

Mr. Byung-Kun Min, Programme Officer, OIOS

Mr. William Petersen, Chief, New York Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

"The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization" (General Assembly Resolution 48/218 B).

CONTACT INFORMATION

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,

e-mail: knutsen2@un.org

DEPUTY DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,

e-mail: ndiaye@un.org

CHIEF, NEW YORK AUDIT SERVICE:

William Petersen: Tel: +1.212.963.3705, Fax: +1.212.963.3388,

e-mail: petersenw@un.org

EXECUTIVE SUMMARY

Audit of the Gifts management system at United Nations Headquarters

OIOS conducted an audit of the Gifts management system at United Nations Headquarters. The overall objective of the audit was to evaluate the adequacy and effectiveness of internal controls over the gifts management system. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS found that the overall system of internal control over gifts management is weak, which had resulted in the loss of works of art. The current regulatory framework governing acceptance of gifts is not sufficient and there is no formal arts policy adopted by the United Nations apart from Regulation 3.11 and Rule 103.4 in the Financial Regulations and Rules. In OIOS' opinion, too much reliance is placed on the institutional memory of a few staff members. OIOS was also unable to provide assurance on the completeness of records in the gifts registries.

The major findings of OIOS were as follows:

- (i) The regulatory framework over gifts received by the Secretary-General is ambiguous and requires review.
- (ii) The regulatory framework is not adequate to deal with acceptance, recording, preservation and disposal of gifts to the Organization.
- (iii) The Architectural and Engineering Unit of the Facilities Management and Commercial Services Division, Department of Management maintains two registries on organizational gifts that contain duplicate records, gaps in numbering and discrepancies in the number of records. The official facilities management database, Aperture, is updated infrequently.
- (iv) Several gifts were not registered and their location is currently unknown.
- (v) The Organization did not seek approval from the General Assembly for gifts received from famous artists and foundations, contrary to the Financial Regulations and Rules which require an approval when gifts or donations directly or indirectly involve additional financial liability for the Organization. Consequently, maintenance and preservation of these gifts is problematic since the United Nations can not provide for necessary funding required for their maintenance and preservation in the budget.
- (vi) The maintenance of organizational gifts is *ad hoc* and largely dependent on the willingness of Member States to provide the funding. There is no preservation programme at United Nations that provides valuable artwork with regular cleaning and restoration.

TABLE OF CONTENTS

Chapt	er	Paragraphs
I.	INTRODUCTION	1-3
II.	AUDIT OBJECTIVES	4
III.	AUDIT SCOPE AND METHODOLOGY	5
IV.	AUDIT FINDINGS AND RECOMMENDATIONS	
	A. Gifts to the Organization	6-39
	B. Gifts to the Secretary-General	40-46
	C. Gifts to staff members	47-55
V.	ACKNOWLEDGEMENT	56
	ANNEY 1 - Status of Audit Recommendations	

I. INTRODUCTION

- 1. The Office of Internal Oversight Services (OIOS) conducted an audit of the gifts management system at United Nations Headquarters. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 2. The audit focused on gifts of works of art to the United Nations and also covered gifts to the Secretary-General and gifts to staff members. Gifts to the United Nations include donations from Member States and individual artists and foundations in the form of ancient artifacts, sculptures, paintings, tapestries and other works of art. The United Nations collection includes some outstanding objects of antiquity such as Roman mosaics from Tunisia, a 2000-3000 year old ceremonial mantle from Peru, a Cypriot amphora from 700-600 B.C., a 700 B.C. bronze statuette of the god Osiris from Egypt and other valuable works. Many famed artists of the last hundred years are represented in the United Nations gifts collection.
- 3. Comments made by the Department of Management, the Department of Safety and Security and the Ethics Office are shown in *italics*.

II. AUDIT OBJECTIVES

4. The main objective of the audit was to evaluate the adequacy and effectiveness of internal controls over the gifts management system at United Nations Headquarters.

III. AUDIT SCOPE AND METHODOLOGY

5. OIOS reviewed manual records and Aperture, a Facilities Management Service (FMS) database, which tracks gifts to the United Nations, as of 31 December 2007. OIOS interviewed staff of the Department of Management (DM), the Department of Safety and Security (DSS), the Department of Public Information, the Ethics Office and the Executive Office of the Secretary-General (EOSG). OIOS submitted a questionnaire on gifts management to heads of departments and executive officers of ten departments and received responses from seven departments.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Gifts to the Organization

Inadequate regulatory framework

6. OIOS found that the existing regulatory framework is not adequate to deal with acceptance, recording, maintenance and preservation of gifts to the Organization. The only regulation that authorizes acceptance of gifts is the

Financial Regulation 3.11 which states *inter alia* that "voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Organization and provided that the acceptance of such contributions that directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority", i.e. the General Assembly. Another document dealing with gifts management is the ST/SGB/136 on Preservation and Disposition of Gifts and Historical Items dated 1 February 1971, which has never been updated. At the request of the current Chef de Cabinet, the Ethics Office is in the process of updating ST/SGB/136. An interdepartmental working group with representatives from the Office of Legal Affairs, the Office of Capital Master Plan (CMP) and the Department of Field Support was established to provide input to this ST/SGB.

7. The Arts Committee was originally established in 1967 as an advisory body to examine offers of works of art and make recommendations to the Secretary-General regarding their acceptance. At that time, the Arts Committee included both Secretariat officials and outside experts. The current composition of the Arts Committee has no outside experts and includes five Secretariat members led by a Chairman, the Under Secretary-General for Communications and Public Information. The work of the Arts Committee is guided by the principles outlined in the draft Terms of Reference which have never been officially issued. Several of its principles, namely: that gifts will be accepted only from governments; that only one gift be accepted from each Member State; and that accepted gifts should be works of high artistic merit, have not been always followed. The Secretariat needs to adopt an arts policy, duly approved by the Member States.

Recommendation 1

- (1) The Department of Management should request the Secretary-General to propose an arts policy to the General Assembly for its approval that addresses the acceptance, preservation and disposal of gifts by the United Nations.
- 8. The Department of Management accepted recommendation 1, noting that gifts to the United Nations are not limited to works of art and include furniture and equipment, electronics, upgrade of facilities and other types of contributions. Recommendation 1 remains open pending issuance of the United Nations arts policy.

Need to regularize staffing for gifts management

9. There is no organizational unit at United Nations Headquarters that is vested with the responsibility for gifts management once gifts are accepted according to process described in paragraphs 6 and 7. Since the Chief, Architectural and Engineering Unit (AEU) is also a Secretary of the Arts Committee, the responsibility for gifts management *de facto* fell on the AEU in the Facilities and Commercial Services Division (FCSD), DM. OIOS reviewed

the job descriptions of staff members who are involved in the gifts management system. None of the job descriptions includes any responsibilities for gifts management. OIOS believes that the size of the gifts collection, its diversity, and its importance, warrants the attention of a full time staff member to maintain and update the register, draft correspondence to Member States and determine maintenance needs.

10. Over the last five years, three staff members have been responsible for maintaining manual files and records in Aperture, an official FMS database, and "helping" with the gifts management system. However, there are no standard operating procedures that explain the workflow and processes to assist the staff and, in OIOS' opinion, too much reliance is placed on the institutional memory of the Chief, AEU.

Recommendations 2 and 3

- (2) The Department of Management, in consultation with the Arts Committee, should review the appropriateness of the current organizational structure for gifts management and the need for dedicated staff who will be responsible for maintaining records in Aperture, performing physical inventories, evaluating the need for a maintenance programme, drafting correspondence to Member States and attending to any other aspects of gifts management.
- (3) The Department of Management should develop standard operating procedures on registration of gifts, maintenance of records in Aperture, gifts maintenance, and the conduct of physical inventories to assist staff dealing with gifts.
- 11. The Department of Management accepted recommendation 2. Recommendation 2 remains open pending the results of the Department's review.
- 12. The Department of Management accepted recommendation 3. Recommendation 3 remains open pending the issuance of standard procedures.

Lack of controls over the gifts registry has resulted in possible loss of gifts

13. AEU maintains manual files containing background information on organizational gifts including correspondence with Member States and artists, internal communications, and pictures and drawings, some of which date back to the 1950s. OIOS commends AEU for its recent work in maintaining these files. The files contain valuable historic information that should be carefully preserved and archived in accordance with the ST/SGB/2007/5 on Record-keeping and the Management of United Nations Archives dated 12 February 2007. The Chief, AEU plans to digitalize these records but has been unable to do it due to the lack of staff resources.

- (4) The Department of Management should digitalize the physical records on organizational gifts prior to its move to the swing space and submit the paper files containing original records on acceptance of gifts for archiving on a priority basis.
- 14. The Department of Management accepted recommendation 4 and stated that while all efforts will be made to expedite the digitalization, it is expected to be a lengthy process due to the lack of dedicated resources. Recommendation 4 remains open pending confirmation that physical records on organizational gifts have been digitalized.
- 15. AEU maintains records of the gifts registry in Aperture, an official FMS database. Aperture is maintained by information technology personnel in FMS and is located on an Information Technology Services Division server. AEU also maintains a registry of gifts in Excel that contains the gift number, name of the gift, name of the artist, location, donor, Member State, date when gift was received and a brief description. The registries include gifts from Member States, artists and foundations, and items on loan to the United Nations from museums and private collections (e.g. Guernica). Both registries contain duplicate records and gaps in gifts registry numbers. There are also discrepancies between Excel and Aperture. For example, the Aperture registry contains 269 records and the Excel registry contains 278. AEU advised OIOS that the Excel registry is kept current while updates to Aperture are irregular since Aperture is not user friendly. Neither of the registries show the total current number of existing gifts located at Headquarters. They also contain gifts transferred to other duty stations and art on loan that was already returned to lenders. OIOS found two items recorded in the registries that had been approved for acceptance but were never received. Consequently, OIOS is unable to provide assurance on the completeness of records in the registries.
- 16. The following items were recorded in the Excel registry but not in Aperture:

Gift No.	Title	Artist	Donor/Lender
274 G	The Pianist	Unknown	Gift from Poland received on 25.09.2003
275 G	Abstract Painting	Lee Doo Shik	Gift from the Democratic People's Republic of Korea received on 20.09.2007
276 L	Unknown	Alfred Jensen	On loan from Pace Wildenstein Gallery from 12.09.2007
277 L	Sunset Sky, 1872	John Frederick Kensett	On loan from Metropolitan Museum from

			18.09.2007
278 L	Prompton Plains,	Jasper Francis	On loan from
	NJ 1867	Cropsey	Metropolitan
			Museum from
			18.09.2007
279 L	Southside	Unknown	On loan from New
	Sportsmen's Club		York Historical
			Society from
			20.09.2007
280 L	Landscape	Unknown	On loan from New
			York Historical
			Society from
			20.09.2007
281 L	Landscape with	Edward Gray	On loan from New
	ducks		York Historical
			Society from
			20.09.2007
282 L	Untitled	D. Miguel Barcelo	On loan from the
			Government of
			Spain from
			24.09.2007

- (5) The Department of Management should reconcile the Excel and Aperture gift registries and keep the official registry, Aperture, up to date to ensure the integrity of the information. The Department of Management should examine the need for a new database which will sufficiently address the needs of the Secretariat and other stakeholders.
- 17. The Department of Management accepted recommendation 5 and stated that the discrepancy in recording the items loaned to the Secretary-General's residence in October 2007 was due to technical problems with the official registry which have since been since fixed. Recommendation 5 remains open pending confirmation that the Aperture registry has been updated.
- 18. Works of art on loan are located in the Secretary-General's office and residence only. According to AEU, all items, including those on loan that have been returned should be recorded in Excel and Aperture in order to provide a historical record. During the review of the file containing correspondence with museums regarding art on loan, OIOS found that not all of the items on loan from museums and galleries were registered in Aperture or Excel. The following artwork which was already returned to the lenders were not recorded in the registries at all:

Artwork	Artist/Origin	Loaned by
Martiques	Andre Derain	Museum of Modern Art
Ife Head Cast	Unknown	American Museum of Natural History
Nafana	Ghana	American Museum of Natural History

Mask		
Dagon	Mali	American Museum of Natural History
Ladder		
Mumuye	Unknown	Museum for African Art
Statue		
Rowboat	David Park	Salander O'Reilly Galleries
Woman with	David Park	Salander O'Reilly Galleries
baby		
Untitled	Helen Frankenthaler	Salander O'Reilly Galleries

19. The Aperture and Excel registries contain information on gifts that have been transferred to other duty stations. However, OIOS found that a reproduction of a carving by Pre-Columbian American Indians, a gift to the United Nations from Guatemala, transferred to the Economic Commission for Latin America and the Caribbean (ECLAC) from United Nations Headquarters on a permanent loan basis, was not registered in Aperture or Excel.

- (6) The Department of Management should reinstate in the Aperture registry the gift from Guatemala and strengthen its procedures over records management to preserve the integrity of information.
- 20. The Department of Management accepted recommendation 6 and stated that it will reinstate in the Aperture registry the gift from Guatemala once the transfer of the gift to ECLAC is confirmed. Recommendation 6 remains open pending confirmation that the Aperture registry has been updated.
- 21. In 1995, Il Cigno Galileo Galilei published a book "A World of Art: The United Nations Collection" (WoA), which contains a catalogue of the works of art in the collection of various United Nations agencies. The book was published for, and on behalf of, the United Nations. The foreword for the book was provided by Mr. Boutros Boutros-Ghali, then Secretary-General and Mr. Brian Urquhart, former Under-Secretary-General for Special Political Affairs. OIOS compared the published catalogue with the United Nations registries and noticed that the following items are not presently listed in the United Nations registries:

Artwork/Gift	Description	Comments by DM
Peace Form One	Steel Obelisk by Daniel	Obelisk stands across the
Steel Obelisk by	La Rue Johnson to	United Nations Secretariat
Daniel La Rue	commemorate Ralph	on 1 st Avenue, however no
Johnson	Bunche.	records found confirming
		that this is an official gift
		to the Organization.
Bronze sculpture	Gift of Zaire.	No records found
		confirming that this is an
	Located on 38 th floor at	official gift to the
	the time of WoA	Organization. Current
	publication.	location is unknown.
Wood sculpture:	By David Lossangoye.	No records found

Woman Holding an		confirming that this is an
Infant	Located on 38 th floor at	official gift to the
imant	the time of WoA	Organization. Current
	publication.	location is unknown.
Jose de Rivera bronze	Gift of the National	Records found, gift not
sculpture	Council for United	found.
sourpeare	States Art presented to	Tourid.
	the United Nations in	
	1960.	
	Located in the	
	Secretary-General's	
	Office at the time of	
	WoA publication.	
St. Agnes statue		Located in the passageway
		between General
		Assembly and Conference
		Building. No records
		found confirming that this
		is an official gift to the
TL D.1 II 1	0 0 1 1 0	Organization.
The Palenque Head	Copy of stone head of	No records found
	Mayan priest. Gift of Mexico.	confirming that this is an
	Mexico.	official gift to the Organization. Current
		location is unknown.
Bust of Emil Lie in	Unknown Artist.	No records found
bronze	Olikilowii 7 tt tist.	confirming that this is an
0.01.24	Located on 38th floor at	official gift to the
	the time of WoA	Organization. Current
	publication.	location is unknown.
Bust of Woodrow	Gift of the Woodrow	Gift and records have been
Wilson	Wilson Foundation.	found. The gift will be
		registered in Aperture.
Third World	Oil Painting by H.	No records found
	Barrenechis.	confirming that this is an
	r a sth s	official gift to the
	Located on 38 th floor at	Organization. Current
	the time of WoA	location is unknown.
Peace Tiger for the	publication. Watercolor and graphite	No records found
World	painting by Thornton	confirming that this is an
Jilu	Dial.	official gift to the
	~	Organization. Current
		location is unknown.
Perspective drawing	Etching by Louis Om.	No records found
of United Nations	,	confirming that this is an
Headquarters	Located in the Office of	official gift to the
Building	the President of the	Organization. Current
	General Assembly at the	location is unknown.
	time of WoA	
011	publication.	
Oil painting "Vechar"	Gift of Belarus.	Records found, gift not
Alaston of autilia	D'. V.1	found.
Abstract cubist	Diego Valente.	No records found

drawing		confirming that this is an
		official gift to the
		Organization. Current
		location is unknown.
Hand-woven rugs	Gift of Women's	No records found
(two)	Organizations of the	confirming that this is an
	Presbyterian Church in	official gift to the
	the United States.	Organization. Current
		location is unknown.
30 graphics	By Otavio Roth	The graphics are located
	illustrating the United	on the 3 rd floor of the
	Nations Declaration of	General Assembly and part
	Human Rights.	of the United Nations
		Human Rights Exhibition.
Artifacts from Japan	Artifacts from atomic	Located between General
	bomb explosion.	Assembly and Conference
		Building. United Nations
		Permanent Exhibition.

- 22. It is unclear from WoA whether the catalogue includes any items on loan or any gifts to the Secretary-General. However, it is of extreme concern that a number of confirmed gifts to the Organization, a sculpture by Jose de Rivera, the famous American expressionist sculptor, and a painting from Belarus, were not registered and had not been located at the time of the audit.
- 23. DM expressed concern that the publication used by OIOS is a questionable source for accurate information with regard to the inventory of gifts, and that the methodology used in the preparation of the publication's catalogue is unknown. OIOS would like to point out that there is documentation for the two items identified in the preceding paragraph, which indicates that they were gifts to the Organization and presented at United Nations Headquarters. However, they were not recorded in the gifts registry and have not been located. OIOS cannot reach a conclusion in respect of other unexplained discrepancies between the publication's catalogue and the registries since the gifts on loan were not registered consistently and no inventory of the gifts to the Secretaries-General prior to Mr. Kofi Annan exists.
- 24. OIOS identified another publication "Art treasures of the United Nations" by Jacob Baal-Teshuva published in 1964. This publication also includes a catalogue of gifts located in the United Nations Headquarters that clearly states that gifts on loan were not included in the catalogue. OIOS compared the catalogue from the publication "Art treasures of the United Nations" with the United Nations registries and noted that the following items are not listed in the United Nations registries:

Art	work/	gift	Description	Comments from DM
Sketch f	or Wa	r Mural	by Candido Portinari	No records found confirming that this is an official gift to the Organization. Current location is unknown.
Sketch Mural	for	Peace	by Candido Portinari	No records found confirming that this is an official gift to

P		1 0 : .: .
		the Organization. Current
		location is unknown.
Brothers	by Hans Erni	No records found confirming
		that this is an official gift to
		the Organization. Current
		location is unknown.
Landscape	Brush and black ink by	No records found confirming
	Hsin-Yu.	that this is an official gift to
		the Organization. Current
	Gift of the People's	location is unknown.
	Republic of China.	
	Located in Dining	-
	Room, Conference	
	Building at the time of	
	"Art Treasures"	
	publication.	
Marine Scene	Watercolor by Hsin-Yu.	No records found confirming
		that this is an official gift to
	Gift of the People's	the Organization. Current
	Republic of China.	location is unknown.
	Located in Dining	
	Room, Conference	
	Building at the time of	
	"Art Treasures"	
	publication.	

25. A number of gifts which are stored in the basement do not have information about the donors and countries of origin since no official records exist in connection with these gifts. It is possible that some of these gifts could be matched to the unlocated items described above.

Recommendation 7

- (7) The Department of Management should undertake a comprehensive review of existing records to identify organizational gifts that have not been registered.
- 26. The Department of Management accepted recommendation 7 and stated that the recommendation has been implemented. The Department conducted a review of existing files resulting in a discovery of the three unrecorded items, two of which are missing. Based on the action taken, recommendation 7 has been closed.

- (8) The Department of Management should take appropriate action upon the results of its inquiry of unlocated items.
- 27. The Department of Management accepted recommendation 8 and stated that it will request the Department of Safety and Security to investigate the

unlocated items. Recommendation 8 remains open pending receipt of the DSS report on missing items.

Physical inventory not recorded

28. According to the Chief, AEU, a physical inventory of the United Nations gifts collection is performed at least once a year to update the registries and check on the need for maintenance. OIOS could not verify this information since no records of taking any physical inventories exist.

Recommendation 9

- (9) The Department of Management should document the performance of annual physical inventories including the date performed, participating staff and their signatures, and any exceptions noted and follow-up action taken.
- 29. The Department of Management accepted recommendation 9. Recommendation 9 remains open pending the Department's submission of the annual physical inventory report.
- 30. DSS performs a physical verification of organizational gifts, called the gifts patrol, three times a day. The majority of gifts are bar coded and scanned during the patrol. This information is downloaded to a computer at the completion of the patrol. During our observation of the gift patrol we noted that gifts located in the Secretary-General's office and offices of some Under-Secretaries-General and Assistant Secretaries-General are not bar coded and not included in the patrol. AEU is not always informed when gifts are relocated and in the past year spent valuable time tracing missing gifts throughout the United Nations compound. At the time of the report, there were four such items that were included in the registry but could not be located. OIOS also noted that personal responsibility is not assigned to officials at the Under-Secretary-General and Assistant Secretary-General levels who have requested that available gifts be placed in their offices for display.

Recommendations 10 and 11

- (10) The Department of Management should assign personal responsibility to officials who are in possession of organizational gifts and stipulate this requirement in the standard operating procedure to be developed. Furthermore, the Department of Management should as a matter of priority locate unreconciled items and report to the Department of Safety and Security if its efforts are not successful. A timeframe should be established within which the Department of Safety and Security should be informed if items are not located.
- (11) The Department of Safety and Security should conduct a separate check of the organizational gifts and

works of art on loan in the Secretary-General's Office on a periodic basis.

- 31. The Department of Management Administration accepted recommendation 10, stating that priority consideration will be given to unreconciled items and that the Department of Safety and Security will be informed within a month. Recommendation 10 remains open pending the DM submission of the UN registry that assigns personal responsibility to officials who are in possession of organizational gifts.
- 32. The Department of Safety and Security Management accepted recommendation 11 and stated that check of the organizational gifts and works of art on loan in the Secretary-General's Office will be conducted on a quarterly basis. Recommendation 11 remains open pending the submission of the quarterly check report on Organizational gifts and items on loan in the Secretary-General's office.

Maintenance and preservation programme

33. There is no maintenance and preservation programme for organizational gifts at United Nations Headquarters. DM advised that the maintenance of gifts is the responsibility of Member States since the United Nations can not incur financial liability on the accepted gifts, according to the Financial Regulations and Rules. Under the current practice, FCSD sends letters to Member States with a request to conduct maintenance based on its assessment of the gifts' condition. The response to such requests has been mixed. Some Member States expeditiously arrange for execution of maintenance while some refuse because of lack of interest or funding. In OIOS' opinion, there is a need to develop a maintenance and preservation programme in the United Nations Headquarters, which includes advice from experts on tapestries, sculptures, antiquities, paintings, etc. Maintenance and preservation programmes are costly and it might be more efficient for Member States to do it on a regular basis rather than once in 10-15 years when the condition of the gifts can deteriorate significantly. Furthermore, the Member States would budget for maintenance expenses in advance rather than requesting ad hoc approval from their governments. The United Nations should also address in its arts policy a right to return the gift in case the Member State refuses to fund a maintenance and preservation programme.

Recommendations 12 to 14

(12) The Department of Management should implement a preservation programme and maintenance schedule for all major gifts based on the input from relevant experts. For new items, the preservation requirements should be established at the time of acceptance. The Department of Management should also advise Member States of the requirement for maintenance in advance in order to accommodate the Member States' budgetary processes.

- (13) The Department of Management should consider establishing a trust fund for voluntary contributions that could be used for the gifts maintenance and preservation programme.
- (14) The Department of Management, in consultation with the Arts Committee, should address in its arts policy the right to return gifts in situations where Member States refuse to provide funds for maintenance and alternative sources of funding can not be obtained.
- 34. The Department of Management accepted recommendations 12 to 14. The recommendations remain open pending the Department's confirmation of the actions taken to implement the recommendations.

Gifts accepted without prior approval from the General Assembly

- 35. Financial Rule 103.4 (b) states inter alia that voluntary contributions, gifts or donations which directly or indirectly involve additional financial liability for the Organization may be accepted only with the approval of the General Assembly. However, prior approval was not sought for gifts donated to the Organization by artists and foundations. For example, the United Nations acceptance of the Henri Moore sculpture "Reclining Figure: Hand" unveiled in September 1982 was not authorized by the General Assembly. The sculpture and its shipping and insurance costs were donated by Henri Moore Foundation. The United Nations paid approximately \$26,000 for the construction of a pedestal. The sculpture underwent a cleaning only in 2001. At that time it was found to be in a condition that required its removal from the United Nations compound to a foundry where multi-staged treatment was applied over a period of four months to restore the patina. The United Nations paid an additional \$26,790 on this restoration which was paid for out of the FMS' budget even though this expenditure was not budgeted for. A curator from the Museum of Modern Art advised the United Nations that such a sculpture requires regular maintenance in the form of waxing and sealing every six months. The United Nations has no available funding to carry out a preservation programme of this nature.
- 36. In September 1964, Marc Chagall and the United Nations staff presented the United Nations Secretariat a stained glass panel by the artist as their gift to commemorate Dag Hammarskjold. In 2001 it was repaired through the Maecenas World Patrimony Foundation, a non-profit foundation that was established in the Netherlands to preserve the cultural heritage of the United Nations offices and their agencies. The cost of \$70,000 required for renovation of the Chagall window was raised by the foundation with the support of then Secretary-General, Mr. Kofi Annan.
- 37. In OIOS' opinion, there is an urgent need for a comprehensive approach in dealing with gifts from non-governmental sources in order to provide works of art in the United Nations possession the required maintenance and preservation.

Recommendation 15

- (15) The Department of Management should prepare a report to be presented by the Secretary-General to the General Assembly identifying gifts that have not been previously approved by the General Assembly, and seek funds from Member States for the maintenance and preservation of these gifts. The Department of Management should also determine whether seeking approval for each individual gift is practical in the future and if it is determined to be impractical, initiate an appropriate revision of the Financial Rules.
- 38. The Department of Management stated that it will review this matter in light of the new policies. Recommendation 15 remains open pending the Department of Management confirmation of the actions taken to implement the recommendations.

Insurance

39. Gifts to the United Nations are not separately insured or covered by the general insurance policy of the United Nations premises. OIOS was informed that DM is exploring appraisal and insurance options for the United Nations gifts collection in connection with the renovation of the United Nations premises, which requires relocating most of the gifts outside the United Nations compound.

B. Gifts to the Secretary-General

Inadequate regulatory framework

- 40. The provisions in the United Nations Staff Regulations and Rules, which strictly limit the circumstances whereby United Nations staff members may accept honours, gifts or remuneration, do not apply to the Secretary-General, as he/she is not considered a United Nations staff member. Gifts presented to the Secretary-General's spouse are likewise outside the scope of the United Nations Staff Regulations and Rules. However, ST/SGB/136, paragraph 3 states, "Gifts to the United Nations or to the Secretary-General in his official capacity will normally be received and recorded in the first instance by the Purchase and Transportation Service and their disposition decided by the Assistant Secretary-General, Office of General Services, in consultation with the Chef de Cabinet and other official as appropriate". The stated provision gives an impression that gifts received by the Secretary-General in his/hers official capacity should be retained by the Organization. However, the ST/SGB does not define "official capacity".
- 41. At the request of the Chef de Cabinet, the Ethics Office was updating ST/SGB/136 to resolve ambiguities, identify an entity responsible for gifts management and to establish a policy for registration, preservation and disposition of gifts. At the time of the audit, an inter-departmental working group including representatives from the Office of Legal Affairs, the CMP and the Department of Field Support was convened to provide input to the revision of

the ST/SGB/136. OIOS commends the actions taken by the Secretariat to resolve ambiguities in the current ST/SGB.

Recommendation 16

- (16) The Ethics Office should expedite the revision of the ST/SGB on Preservation and Disposition of Gifts and Historical Items for promulgation by the Secretary-General.
- 42. The Ethics Office accepted recommendation 16. Recommendation 16 remains open pending the issuance of the revised ST/SGB.

Inventory

- 43. In November 2006, the Secretary-General, Mr. Kofi Annan, transferred gifts received by him and his spouse to the Organization, indicating his wish that the gifts be used for charitable purposes. No action has been taken since then to initiate the sale or disposal of over two thousand items. DM explained that it was awaiting publication of the updated ST/SGB/136 before taking action, and pointed out that disposing of these gifts might be affected by political sensitivities. Delays in the disposal of the items may, however, result in the deterioration of their condition since they are stored in the basement, and also place an unnecessary burden on DSS to safeguard the assets and on the CMP Office because these gifts must be removed from the Secretariat during renovation. The Ethics Office has indicated that the disposition of individual pieces could be done through sale, transfer to the United Nations archives and library, or return to the donors. OIOS is of the opinion that proceeds from the sale should be transferred to a trust fund established for charitable purpose.
- 44. Archives and Records Management Section (ARMS) was assigned the responsibility to prepare a catalogue of the gifts donated by the Secretary-General. According to ARMS, all items in the Secretary-General's inventory were catalogued except for books, clothes, awards and honors, items still located on the 38th and 39th floors, and nominal value items.

Recommendations 17 and 18

- (17) The Department of Management should finalize the catalogue of the former Secretary-General's gifts in order to facilitate their disposal in the future.
- (18) The Department of Management should initiate the disposal of the former Secretary-General's gifts upon issuance of the updated ST/SGB on Preservation and Disposition of Gifts and Historical Items and consider establishing a trust fund for its proceeds.
- 45. The Department of Management accepted recommendation 17 and stated that the recommendation has been implemented. Recommendation 17 remains

open pending the submission of an electronic CD listing outstanding items not included in the previous catalogue.

46. The Department of Management accepted recommendation 18 and stated that it will initiate disposal once the updated ST/SGB has been promulgated. Recommendation 18 remains open pending confirmation of the disposal action.

C. Gifts to staff members

Regulatory framework

47. In OIOS' opinion, the United Nations Staff Regulations and Rules sufficiently address the conditions under which a gift from governmental or nongovernmental sources can be accepted, and in general are self-explanatory. However, Staff Rule 101.2 (k) states that "...staff members may occasionally accept, without prior approval, minor gifts of essentially nominal value having regard to the duty station concerned, provided that all such gifts are promptly disclosed to the head of the office, who may direct that the gift be entrusted to the Organization or returned to the donor." In OIOS' opinion, the determination of the nominal value should not be left to the discretion of staff members and therefore the United Nations Staff Regulations and Rules needs to be supplemented by an administrative issuance covering individual duty stations. The Ethics Office uses a benchmark of \$30 to establish the nominal limit of a gift in the United Nations Headquarters. However, this benchmark has not been publicized and is only communicated through the Gift Declaration and Registration Form created by the Ethics Office to facilitate reporting and surrender of gifts accepted by staff members on behalf of the Organization.

Recommendation 19

- (19) The Department of Management, in consultation with the Ethics Office, should determine the nominal value for gifts that may be accepted by staff members at individual duty stations, and promulgate an administrative issuance to that effect.
- 48. The Department of Management accepted recommendation 19 and stated that the recommendation will be addressed in the context of the review and drafting of the new set of staff rules to be submitted to the 63rd session of the General Assembly, and the subsequent review of relevant circulars, including ST/SGB/136. Recommendation 19 remains open pending issuance of the new set of staff rules and circulars that address nominal value for gifts that may be accepted by staff members.

No mechanism to report, record, store and dispose gifts

49. There is no widely known mechanism to report gifts received by staff members. DM suggested that the first point of contact for staff who accepted gifts should be their Executive Office. However, gifts are also submitted to the Ethics Office. At the time of this report, gifts received by staff members were

stored by DSS and the Ethics Office, although Executive Offices and staff members may be holding gifts as well. In OIOS' opinion there should be a standard operating procedure for reporting, recording and storing gifts. The Ethics Office informed OIOS that the United Nations Office in Vienna (UNOV) developed a Lotus Notes-based register for declaring and recording all gifts, favours, and benefits received from third parties by staff members. The database is designed to provide direction and a mechanism for keeping track of items received on behalf of the Organization. Staff members in UNOV can access the database from a Lotus Notes Workspace and declare any gifts, hospitality or accommodations they received; its source; an estimated value; and, to whom it was surrendered.

Recommendation 20

- (20) The Department of Management, in consultation with the Ethics Office, should develop a gifts registry accessible by all staff members in the Secretariat, for declaring gifts received from governmental and non-governmental sources.
- 50. The Department of Management accepted recommendation 20 and stated that the gifts registry will be reviewed in consultation with the Ethics Office. Recommendation 20 remains open pending confirmation of the actions taken to implement the recommendation.
- 51. OIOS submitted a questionnaire on gifts management to heads of departments and their executive officers. The purpose of the questionnaire was to establish whether:
 - (a) Staff Regulations and Rules offer sufficient regulatory framework on gifts;
 - (b) training or guidelines on procedures regarding gifts management were provided;
 - (c) heads of departments ever accepted a gift and how it was reported; and
 - (d) gifts are stored in their offices.
- 52. OIOS requested ten departments to respond to the questionnaire and received a 70 per cent response rate. Heads of departments and executive officers responded that the United Nations Staff Regulations and Rules need to be supplemented by comprehensive policies and procedures, which include clear disclosure requirements, centralized registration of gifts, centralized storage of gifts and procedures for the disposal of gifts. Another improvement that participants identified was the inclusion of these procedures as part of the orientation programmes and training courses provided to staff.

Recommendation 21

(21) The Department of Management, in consultation with the Ethics Office, should promulgate an administrative

issuance on policies and procedures addressing the acceptance, reporting, recording, storing and disposing of gifts accepted by staff members.

- 53. The Department of Management accepted recommendation 21 and stated that the recommendation will be addressed in the context of the review and drafting of the new set of staff rules to be submitted to the 63rd session of the General Assembly, and the subsequent review of relevant circulars, including ST/SGB/136. Recommendation 21 remains open pending issuance of policies and procedures addressing acceptance, reporting, recording, storage and disposal of gifts accepted by staff members.
- 54. On 7 December 2007, the Chef de Cabinet circulated a letter to all staff members emphasizing the United Nations commitment to uphold the highest ethical standards and integrity. The letter reminded staff of the provisions in the Staff Regulations regarding acceptance of honours, decoration, favours, gifts or remuneration from governments. OIOS supports the Secretariat's initiative to raise awareness among staff members on the subject of gifts. The Ethics Office maintains information on standards of conduct, ethics guidance and integrity on their website. At the time of the audit, information related to honors, gifts and remuneration was under construction. The Ethics Office should post such information on its website as well as on the i-Seek webpage.

Recommendation 22

- (22) The Ethics Office should raise awareness among staff members on the issue of gifts by periodically posting information on ethical standards and integrity issues on the Ethics Office website and the intranet webpage, i-seek.
- 55. The Ethics Office accepted recommendation 22 and stated that posting of information on the Ethics Office intranet site as well as on the main iSeek page would follow completion of the revised ST/SGB on Preservation and Disposition of Gifts and Historical Items. Recommendation 22 remains open pending an update on the Ethics Office's intranet site.

V. ACKNOWLEDGEMENT

56. We wish to express our appreciation to the Management and staff of the Department of Management, the Department of Safety and Security, the Department of Public Information, the Ethics Office and the Executive Office of the Secretary-General for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	o ^r C	Actions needed to close recommendation	Implementation date ²
1	The Department of Management should request the Secretary-General to propose an arts policy to the General Assembly for its approval that addresses the acceptance, preservation and disposal of gifts by the United Nations.	Strategy	High	0	Issuance of the United Nations arts policy and its submission to OIOS.	31 December 2009
2	The Department of Management, in consultation with the Arts Committee, should review the appropriateness of the current organizational structure for gifts management and the need for dedicated staff who will be responsible for maintaining records in Aperture, performing physical inventories, evaluating the need for a maintenance programme, drafting correspondence to Member States and attending to any other aspects of gifts management.	Governance	High	0	Submission of the results of the review by the Department of Management.	31 December 2009
8	The Department of Management should develop standard operating procedures on registration of gifts, maintenance of records in Aperture, gifts maintenance, and the conduct of physical inventories to assist staff dealing with gifts.	Compliance	Medium	0	Issuance of standard procedures and its submission to OIOS.	31 December 2009
4	The Department of Management should digitalize the physical records on organizational gifts prior to its move to the swing space and submit the paper files containing original records on acceptance of gifts for archiving on a priority basis.	Information Resources	High	0	Digitalization of physical records and its submission to ARMS.	31 December 2009
5	The Department of Management should reconcile the Excel and Aperture gift registries and keep the official registry,	Operational	High	0	Updating Aperture records and keeping it current. Submitting a link to the updated Aperture database for OIOS review.	30 September 2008

Pacom			Diel	10		Immlementation
no.	Recommendation	Risk category	rating	0.0	Actions needed to close recommendation	date ²
	Aperture, up to date to ensure the integrity of the information. The Department of Management should examine the need for a new database which will sufficiently address the needs of the Secretariat and other stakeholders.					
9	The Department of Management should reinstate in the Aperture registry the gift from Guatemala and strengthen its procedures over records management to preserve the integrity of information.	Operational	High	0	Updating Aperture records and keeping it current. Submitting a link to the updated Aperture database for OIOS review.	30 September 2008
7	The Department of Management should undertake a comprehensive review of existing records to identify organizational gifts that have not been registered.	Operational	Medium	O	Action completed.	Implemented
∞	The Department of Management should take appropriate action upon the results of its inquiry of unlocated items.	Operational	High	0	Informing DSS on all unlocated items and submission of DSS report on the results of its investigation to OIOS.	30 September 2008
6	The Department of Management should document the performance of annual physical inventories including the date performed, participating staff and their signatures, and any exceptions noted and follow-up action taken.	Operational	Medium	0	Submission of physical inventory report to OIOS.	31 March 2009
10	The Department of Management should assign personal responsibility to officials who are in possession of organizational gifts and stipulate this requirement in the standard operating procedure to be developed. Furthermore, the Department of Management should as a matter of priority locate unreconciled items and report to the Department of Safety and Security if its efforts are not successful. A timeframe should be established within which the Department of Safety and Security should be informed if items are	Operational	High	0	Submission of the UN registry that assigns personal responsibility to officials who are in possession of organizational gifts.	31 December 2009

Recom.	Recommendation	Dick category	Risk	C/	A otions needed to close recommendation	Implementation
no.		trought careford	rating	0	Actions never to close recommendation	date ²
	not located.					
11	The Department of Safety and Security should conduct a separate check of the organizational gifts and works of art on loan in the Secretary-General's Office on a periodic basis.	Operational	Medium	0	Submission of the quarterly check report on Organizational gifts and items on loan in the Secretary-General's office.	31 December 2008
12	The Department of Management should implement a preservation programme and maintenance schedule for all major gifts based on the input from relevant experts. For new items, the preservation requirements should be established at the time of acceptance. The Department of Management should also advise Member States of the requirement for maintenance in advance in order to accommodate the Member States' budgetary processes.	Operational	Medium	0	Submission of a preservation programme and maintenance schedule.	Not provided
13	The Department of Management should consider establishing a trust fund for voluntary contributions that could be used for the gifts maintenance and preservation programme.	Financial	Medium	0	Establishing a trust fund for voluntary contributions.	31 December 2009
14	The Department of Management, in consultation with the Arts Committee, should address in its arts policy the right to return gifts in situations where Member States refuse to provide funds for maintenance and alternative sources of funding can not be obtained.	Operational	Medium	0	Issuance of the comprehensive arts policy.	31 December 2009
15	The Department of Management should prepare a report to be presented by the Secretary-General to the General Assembly identifying gifts that have not been previously approved by the General Assembly, and seek funds from Member States for the maintenance and preservation of these gifts. The Department of	Financial	High	0	Obtaining funds for the maintenance and preservation of gifts donated by artists and foundations.	Not provided

Recom.	Document	Dial. actamostic	Risk	7		Implementation
no.	Recommendanon	KISK CATEGOLY	rating	01	Actions needed to close recommendation	_ date²
	Management should also determine whether seeking approval for each individual gift is practical in the future and if it is determined to be impractical, initiate an appropriate revision of the Financial Rules.					
16	The Ethics Office should expedite the revision of the ST/SGB on Preservation and Disposition of Gifts and Historical Items for promulgation by the Secretary-General.	Governance	Medium	0	Issuance of the ST/SGB on Preservation and Disposition of Gifts and Historical Items.	31 December 2008
17	The Department of Management should finalize the catalogue of the former Secretary-General's gifts in order to facilitate their disposal in the future.	Operational	Low	0	Submission of an electronic CD listing outstanding items not included in the previous catalogue.	31 December 2008
18	The Department of Management should initiate the disposal of the former Secretary-General's gifts upon issuance of the updated ST/SGB on Preservation and Disposition of Gifts and Historical Items and consider establishing a trust fund for its proceeds.	Operational	Medium	0	Submission of confirmation of the disposal.	Not provided
19	The Department of Management, in consultation with the Ethics Office, should determine the nominal value for gifts that may be accepted by staff members at individual duty stations, and promulgate an administrative issuance to that effect.	Compliance	Low	0	Issuance of the new set of staff rules and circulars that address nominal value for gifts that may be accepted by staff members.	Not provided
20	The Department of Management, in consultation with the Ethics Office, should develop a gifts registry accessible by all staff members in the Secretariat, for declaring gifts received from governmental and non-governmental sources.	Information Resources	Low	0	Developing a gifts registry.	31 December 2009
21	The Department of Management, in consultation with the Ethics Office, should promulgate an administrative issuance on	Compliance	Low	0	Issuance of policies and procedures addressing acceptance, reporting, recording, storing and disposing of gifts	31 December 2008

Recom.	Recommendation	Risk category	Risk rating	ο̈́C	Actions needed to close recommendation	Implementation date ²
	policies and procedures addressing the acceptance, reporting, recording, storing and disposing of gifts accepted by staff members.				accepted by staff members.	
22	The Ethics Office should raise awareness among staff members on the issue of gifts by periodically posting information on ethical standards and integrity issues on the Ethics Office website and the intranet webpage, i-seek.	Information Resources	Low	0	O Updating the Ethics Office's intranet site.	31 December 2008

^{1.} C = closed, O = open2. Date provided by DM, DSS and the Ethics Office in response to recommendations.