

OIOS: THE (HALF-HEARTED)

FIRST FIVE YEARS

In July 1994, the General Assembly adopted its resolution 48/218 B, which established a new, and operationally independent, Office of Internal Oversight Services (OIOS), to be headed by an Under-Secretary-General. He or she would serve for one five-year term, and be responsible for monitoring, internal audit, evaluation, and a new investigations function, and could also support and advise managers. The OIOS submits reports to the Secretary-General providing "insight" on the effective utilization and management of UN resources and protection of its assets, which the Secretary-General in turn submits to the General Assembly.

"Review of the administrative and financial functioning of the United Nations",
General Assembly resolution 48/218 B, **29 July 1994**.

In its new and final form, the OIOS had changed from the interim, no-nonsense title of "Office of Inspections and Investigations" to one providing a set of much less threatening "Services." Equally importantly, while its head had risen from Assistant- to Under-Secretary-General, he was not the much talked about, and one-and-only "Inspector-General," but merely one among some two dozen or more USG-level UN officials (i.e., just a "face in the crowd") However, even now the OIOS head is still often informally referred to as the "UN inspector-general" by many people for the simple reason that those are his powers and functions.

The modifications that were made in the titles of the office and of its head reflected great unease among the UN "barons" (and their colleagues in many Member State delegations) about the powerful new oversight regime that had been forced upon the UN. This unease was evident in the great interest in the choice of the first head of OIOS.

Julia Preston, "UN corruption cop: New man on a very political beat,"
International Herald Tribune, **29 March 1995**.

Fortunately, the UN had a readily available pool of high-level experts from which to choose a first OIOS head to undertake the Herculean task of helping reform the defective UN management

culture. The International Organization of Supreme Audit Institutions (INTOSAI) is a long-established professional group with members in over 170 countries who audit government accounts and operations. INTOSAI provides them with extensive programmes and cooperative activities. INTOSAI members and the UN system know each other very well: a dozen or so national audit offices provide external auditors in rotation for all the UN system organizations, in accord with the best professional practices.

"International Organization of Supreme Audit Institutions" (INTOSAI), at www.intosai.org, "INTOSAI - An overview", and Accountability, management improvement, and oversight in the United Nations System", Joint Inspection Unit, UN document A/50/503, 1995, Chapter VII, "External system-wide oversight bodies", paras. 208-215.

IO Watch has already noted Childers and Urquhart's observation that:

"After decades of periodic suggestions for an Inspector General to be attached directly to the Office of the Secretary-General, this issue is now being actively pressed. This may, on balance, be helpful but not really effective if the IAD remains so grossly understaffed. **To carry maximum credulity and universal confidence the appointee must be of impeccable repute and with top-calibre qualifications for such work.**"

Erskine Childers, with Brian Urquhart, "Renewing the United Nations system", *Development Dialogue*, 1994:1, Dag Hammarskjöld Foundation, Uppsala, Sweden, 1994, pp. 146-147. [emphasis added.]

Unfortunately, UN Secretary-General Boutros Ghali chose to make the new OIOS head just another traditional UN political appointment. Instead of a senior audit professional from INTOSAI, many of whom would have been happy to accept the professional challenge, prestige (and high pay) involved, he chose, with minimal consultation and little evidence of a serious search process, Mr. Karl-Theodor Paschke, a German diplomat. (At the time Germany was becoming a major UN contributor, but held few senior posts.)

Mr. Paschke was appointed for a five-year term beginning in November 1994. But the accompanying press release, while noting that he had at least some managerial experience in his national diplomatic service, did not mention that he had any professional auditing or investigative credentials, expertise, experience, or accomplishments, nor does it appear that any evidence was ever provided to validate the legitimacy of this pivotal UN "accountability appointment."

"Karl Theodor Paschke to assume post of Under-Secretary-General for Oversight Services on 15 November." UN document SG/SM/94/126 of 25 August 1994.

Mr Paschke, as befits a former press spokesman for his

country's foreign minister and a talented jazz saxophonist (much like former US President Bill Clinton), quickly proved a very visible spokesman, traveling actively around the world and giving many press conferences to "show the flag" of new UN oversight (including posing playing his sax in front of the UN Headquarters building in New York for a major German magazine.) But while he proved to be a watchdog with a lot of "bark," he provided very little bite.

"Jazz at the UN: Karl blows the whistle..." UN Staff Report, **December 1994**, p. 3, and

Mario R. Dederichs, "Vereinte Nationen: Neue Töne im Hochhaus der Verschwendung: Ein Deutscher soll die Weltorganisation von ihren Lasten kurieren....," Stern (Germany), **1995**.

Mr. Paschke made several sweeping pronouncements on his arrival which shaped the new OIOS in a harmful way. First, he immediately declared his whole-hearted desire to "work closely with managers" and avoid confrontation, thereby jeopardizing the "arms length" independence and firm "watchdog" attitude that credible and professional auditors must have. His attitudes undermined the firm focus of the General Assembly's still nascent management accountability resolution of 1993, the Thornburgh and Childers and Urquhart emphasis on the pivotal role of the new Inspector General, and his predecessor (Mohamed Aly Niazi's) conclusions on the importance of management sanctions for the UN's many careless managers. Instead, Mr. Paschke informed the Fifth Committee in December 1994 that:

" ... permit me to tell you briefly my basic philosophy for the fulfillment of my duties ... in general and for the [OIOS] in particular.

First of all, I do not consider myself an antagonistic type of person. ... I believe in consensus-seeking. ... Results are better achieved through dialogue and quiet reasoning, in an atmosphere of mutual trust.

... above all, I see myself as an adviser to the Secretary-General and to senior officials, and as a counsel to line managers and to the Organization as a whole, for better management.

... My approach will not be primarily that of a critic. OIOS ... should offer assistance to managers in implementing our recommendations ... [and] to give ... advice on putting into practice the measures we propose.

... I understand that the primary responsibility for programme implementation rests with programme managers. The role of OIOS is to ensure that adequate systems for monitoring are in place in each department and office. ... I hope to encourage greater concern by managers throughout the United Nations with the results of their activities ..."

"Statement by Karl Th. Paschke ... to the Fifth Committee," **5 December 1994**, pp. 4-5, 7-8. [emphasis added.]

[Note: the key missing words in Mr. Paschke's last two sentences were that the role of OIOS would not be merely to ensure that monitoring systems were in place, but would be "used, by OIOS and others, to ensure management accountability," not a process of "encouraging" greater managerial concern with results.]

Second, Mr. Paschke made clear his limited interest in the

rest of the UN staff, proclaiming only four months after his arrival that they should be reduced by up to 20 percent. But his most destructive step was to express his strong distaste for staff who might use the new OIOS "hotline" mechanism, which the General Assembly had insisted on in considerable detail, to report UN fraud and mismanagement. The General Assembly had in fact called for establishing whistleblower and hotline processes in considerable specific detail in Resolution 48/218 B, and it was expanded upon in a Secretary-General's Bulletin (ST/SGB/273). Yet Mr. Paschke told the Fifth Committee that:

"As part of the investigation function, we now have procedures for receiving confidential information ... I will guarantee complete confidentiality to all those who wish to provide us with information on problems. ... Having said this I must add immediately that I am not comfortable with receiving anonymous messages, and will certainly do nothing to encourage this practice. In any case, this should be seen as a system of last resort. The first, and by far the most important way, for staff to voice complaints and make suggestions must be to and through their immediate supervisors.

When I was told I would have to take anonymous tips into account in my new job I was reminded of ... Hamlet,... who was given a suggestion by a ghost ... [and] then proceeded to procrastinate. He was a rational man and had his doubts about acting on the advice of ghosts. I hope I am not put in a similar situation myself too often."

"Establishment of the Office of Internal Oversight Services," UN document ST/SGB/273 of **7 September 1994**, para. 13.

"Statement by Karl Th. Paschke ... to the Fifth Committee," **5 December 1994**, pp. 11-12, and

"Paschke speaks his mind: Calls for staff reduction," UN Staff Report (NY), **March 1995**, p. 3.

A close observer of UN goings-on in New York made an acerbic assessment of Mr. Paschke's initial performance:

"Karl T. Paschke's introductory remarks to the Fifth Committee reveal a man curiously laid-back for a job that requires cracking down on waste, abuse, and corruption. Could it be that Paschke is finessing?

True, coming on like gangbusters would have been a mistake, given the well-known misgivings in the higher echelons of the Secretariat about the whole enterprise. So Paschke went out of his way to acknowledge that Boutros Boutros-Ghali still is boss in the house, although his emphasis on his own role as 'adviser' may have been a bit exaggerated. ...

Paschke does not invite anonymous tips and would prefer that staffers go through their immediate supervisors with complaints. If meant seriously, that's perhaps a little naïve. Supervisors like to have a tidy shop and who among them would look kindly on a subordinate whistleblower. As long as guarantees of confidentiality can be maintained, far better ... [that staff] pass it along through the dedicated telephone line ..."

"Diplomatic pouch" by Petronius, Diplomatic World Bulletin (NY), **December 12, 1994**.

Third, and despite his lack of expertise and experience in corruption-fighting, Mr. Paschke asserted early on, and often, that the UN had no more corruption problems than other organizations. When a correspondent asked the question in a 1996

press briefing, Mr. Paschke responded that:

"He had been asked that question before, and would repeat his answer now. He believed that the United Nations was certainly no worse than other comparable institutions. ...

In the first two years of his work he had come to the conclusion that fraud was not the main concern of the OIOS, but rather administrative weakness and a very limited administrative expertise, with many people handling sizeable amounts of money. It was, therefore, also a problem of enhancing management expertise and management savvy ..."

"Press briefing by Under-Secretary-General for Internal Oversight Services,"
UN, New York, **31 October 1996**. [emphasis added]

In his first annual report in 1995, Mr. Paschke did indeed try to cite some critical UN management problems: the complicated and numerous UN rules and regulations which confused rather than guided staff; the cumbersome personnel system which hindered the hiring of new talent while not terminating non-performers; a lack of good managers which necessitated urgent training programmes; poor communication and dialogue which led UN staff at all levels to "shun responsibility and accountability"; poor institutional memory and files; and far-flung UN duty stations in the field that "clearly lead a life of their own."

In particular, and forcefully, he stated in this first report, with regard to accountability, that:

"I believe that some of the deficiencies and weaknesses which an increasingly critical public nowadays seems to detect in the United Nations have something to do with the traditionally weak oversight functions: the bureaucracy has grown without pruning for too many years ...

... efforts must be made to do away with the widespread tendency of staff, even in key positions, to shun responsibility and accountability. OIOS backs measures taken by the [DAM] to achieve this goal and will focus its own recommendations to management accordingly. ...

... Many UN managers are not used to and seem to be quite reluctant to accept criticism, particularly when it comes to applying accountability criteria rather than settling for the promise that some specific problems won't recur. This feature of the United Nations culture must be changed if we are ever to develop staff awareness and acceptance of responsibility and accountability. United Nations managers must stop being defensive and enter into a critical dialogue with OIOS. In order to make oversight effective, we offer ourselves as partners, not adversaries."

"Report of the Secretary-General on the activities of the [OIOS]", UN document A/50/459, **2 October 1995**, "Preface." [emphasis added]

Unfortunately, however, any attempts by Mr. Paschke to tackle misbehaviour and reverse this severe accountability deficit in partnership with his fellow UN senior managers foundered, beginning with a single telling failure. In 1995, OIOS found a manager who had appointed a "close personal friend" as his assistant with special allowances. This favoritism

lowered staff morale. OIOS recommended that a staff rule which prohibited such cozy appointments for relatives be expanded to cover "lovers and friends" as well.

OHRM promised to amend the rule, but never did so. UN barons ridiculed this attempt and Mr. Paschke then abandoned the effort. That is unfortunate, since cronyism, nepotism, sexual harassment, and manipulations of posts for "friends and lovers" are very real, entrenched, disruptive, and morale-busting UN personnel problems which continue merrily on today.

"Report of the Secretary-General on the activities of the [OIOS]", UN document A/50/459, **2 October 1995**, para. 89.

Eventually, Mr. Paschke realized the seriousness of the fraud investigations and due process procedures he was responsible for. He told Fifth Committee delegations in late 1995 that "much more had to be done ... to ferret out waste and inefficiency" and that "no amount of mismanagement and fraudulent activity could ever be tolerated." In a 1996 staff journal article:

"He ... reiterated the fact that any staff who come forward with complaints, criticisms and information on mismanagement, waste and abuse, will be protected by his office. He has no difficulty in approaching supervisors directly to ensure that staff do not suffer reprisals for providing OIOS with information."

"Interview with USG/OIOS," What's New, Staff Union journal (NY), **August 21, 1996**, p. 4.

[Text quote is from "Press briefing by OIOS", **29 October 1995**.]

This belated conversion did not convince staff, inside observers, or skeptical press people at the UN, (although it did eventually give a general broader impression to outsiders that the UN had acquired a no-nonsense "crime-fighting" head inspector). A 1996 assessment observed wryly that:

"Halfway through his term and answerable only to Member States, [Mr. Paschke] can look forward to a comfortable couple of years ... But United Nations observers are beginning to ask what has been achieved in exchange for ... a free hand for Paschke. The answer is not encouraging.

... the original conception of Paschke's post was a combination of Grand Inquisitor and Super Sleuth. The final product, insiders say, falls far short of either. ... "The problem is that half the OIOS staff do not know anything about the UN" we are told, "and the other half know everything there is to know but are part of the establishment and they are not going to make waves." The results of OIOS's travails are paltry indeed

There are whispers that senior staff need not fear their peccadilloes will be exposed. Paschke's Finest, it is said, will rake no muck above a certain level of political or bureaucratic influence."

"Diplomatic pouch", Diplomatic World Bulletin, **July 29-August 6, 1996**, p. 10.

Similarly, a 1997 article on the new battle against UN corruption observed that, for staff:

"UN employees -- who request anonymity because they fear they will suffer more professional harm than the corrupt officials they want to expose -- have provided numerous accounts of officials' being transferred rather than dismissed after being caught breaking the rules.

This happens frequently in cases of sexual harassment, nepotism, and occasionally violence, according to these accounts. Whistle-blowers are neither encouraged nor rewarded."

Barbara Crossette, "In war on corruption, UN confronts well-entrenched foe," International Herald Tribune, **November 3, 1997**.

Two awkward personal incidents also clearly weakened Mr. Paschke's stature and image as the UN's first top "corruption fighter." In 1996 he reacted very angrily when some OIOS staff expressed public concerns about his professional staffing policies in the OIOS. He threatened to expose and deal with the ringleaders, but made no evident response to the serious charges and issues of staff quality and recruitment propriety that they had raised, as observed in a staff journal on the hazards of people who live in glass houses and throw stones.

"Dear colleagues," a letter from Mr. Paschke of **31 March 1997**, and "OIOS and a whistle blower", UN Staff Report (NY), **1997**.

Equally seriously, media articles in March 1998 disclosed that Mr. Paschke had accepted some 563,000 DM (about \$325,000) in extra payments from the German government, a practice specifically and repeatedly forbidden for UN civil servants. Unlike a fellow senior German and UN colleague who returned his money after the story made "front-page news" in Germany for a week, with strong criticism from opposition politicians and trade unions, Mr. Paschke apparently did not promptly and publicly (or at all?) repay the money to his government.

"UN environment chief will return half-million marks to Germany", AP, Bonn Germany, 16 March 1998, and related articles from dpa, afp, Bild am Sonntag, Schwaebische Zeitung, AFP, and Reuters, **March 1998**.

Such scandals are not new. Even though they undermine the UN Charter, they have been accepted for decades.

"[In the 1970s and 1980s] the salaries of senior members of the U. N. service would in a number of cases be supplemented, in another reversal of the Charter articles, by large subsidies from their respective governments (one official receiving, for instance, a U. N. salary of a hundred and twenty thousand dollars a year while accepting from her government an additional annual payment of eighty thousand dollars.) Each ensuing violation has been condoned by successive Secretaries-General, whose sworn obligation and public claim it is to defend the Secretariat from just such interventions. ('This book is my religion', the fifth Secretary-General, Javier Pérez de Cuellar, told the *Times* in 1982, pointing to the Charter.)"

Hazzard, Shirley, on UN top salaries in the **1980s**, in "Breaking Faith, Part I",

The New Yorker, September 25, 1989, pp. 63-99, [74].

However, a more recent forceful prohibition of such extra governmental payments to UN staff was detailed in a 1992 UN internal guidance document:

" ... staff regulation 1.6 ... [contains] a critical injunction against the acceptance of 'any honour, ... or remuneration' from any Government The regulation leaves no discretion of the part of the Secretary-General to approve such acceptance.

... The prohibition ... flows from Article 100, paragraph 1 of the [UN Charter] ... also reflected in the Staff Rules and in the oath of office taken by all staff members.

Receipt of any [such] supplement ... fundamentally compromises the independence of individuals involved. ... The practice of national subsidies ... is unacceptable. ... and as requested by the General Assembly [in resolution 45/241 of 21 December 1990] it is necessary to take urgent measures to put an end to it.

Accordingly, all staff members who might be receiving a supplement ... from a Government should immediately [arrange] ... to discontinue receipt of such supplement.

... receipt by any staff member of a governmental supplement will be considered as constituting misconduct within staff regulation 10.2 leading to the imposition of disciplinary measures in accordance with staff rule 110.3.

... the [OHRM] will develop procedures by which staff members will be required to attest regularly that they are not receiving any supplement from any Government to their emoluments."

"Acceptance of payments from governments to supplement United Nations emoluments," UN document ST/AI/380 of **23 December 1992**.

Under these rules, Mr. Paschke, the chief "independent" enforcer of UN rules, was himself in violation of a very clear-cut UN rule. He never should have accepted his supplemental payments, or should at least have returned them after the scandal broke). Since he did neither, Secretary-General Annan should have charged him with misconduct in 1998, and invoked UN disciplinary measures.

In the world of the UN, of course, and despite the UN oratory about its global "moral leadership" role in the 1990s, nothing happened. The German government maintained the payments were not improper, and that those to Mr. Paschke were a lump-sum "prepayment" made to him before he assumed his UN office. However, that huge payment represented rental supplements for an expensive New York apartment, spread at about 10,000 DM (or \$5,800) per month over his five-year term. Mr. Paschke apparently did nothing. But although he remained technically untouched, this incident clearly compromised his independence and his basic stature as the most visible symbol and enforcer of UN rules.

"UN environment chief will return half-million marks to Germany", AP, Bonn Germany, 16 March 1998, and related articles from dpa, Bild am Sonntag, Schwaebische Zeitung, AFP, and Reuters, **March 1998**.

Further, in apparent response to the scandal, Secretary-General Annan "recalled" in March 1998 that such payments were not permitted. He said, however, and in contradiction to the requirements of the UN Charter as stated above, that he was "concerned" that the UN could not attract top staff worldwide. He asked the head of DAM to review the question so that the Secretary-General might "pursue" it with the General Assembly in revising the UN code of conduct. Ultimately, the subject Regulation did not change, but Mr. Annan subsequently made an unusual public and personal attestation that Mr. Paschke's independence "had never been compromised" during his five-year term [see item thereon of 23 September 1999 at the end of this subsection.]

"Secretary-General says government subsidies to UN staff not permitted under regulations adopted by General Assembly," UNIS/SG/1870 of **19 March 1998**.

Despite this bumpy personal start by Mr. Paschke, the new OIOS went to work. The dominant OIOS activity is auditing, with modest inspection work, less evaluations, and even less investigation activity. During his first few years Mr. Paschke focused OIOS audit priorities on peacekeeping and humanitarian field programmes, procurement, and new organization functions (like war crimes tribunals). In 1998, OIOS adopted a risk assessment process and a plan which seeks to normally audit all parts of the UN on a cycle of no more than four years.

"Report of the Secretary-General on the activities of the OIOS", UN document A/51/432, **25 September 1996**, para. 8,

"Report of the Secretary-General on the activities of the OIOS", UN document A/53/428, **23 September 1998**, para. 84.

The audit work results in more than 100 audit assignments every year, yielding more than 1,000 recommendations for corrective action. In fact, there were 6,675 total recommendations made by OIOS to UN management during Mr. Paschke's term, 93 percent by the auditors, with more than half of those devoted to only five programmes -- the Departments of peacekeeping, management, and economic and social affairs, the UN Environmental Programme (UNEP), and the UN High Commissioner for Refugees (UNHCR).

"Report of the Secretary-General on the activities of the OIOS", UN document A/54/393, **23 September 1999**, "Preface."

Unfortunately, and in considerable part due to the continuing small size and limited resources of the OIOS, these hundreds of annual OIOS audits each year seem to be much more narrow compliance, "office work", and "process" reviews rather than true management audits with an explicit performance component. While they have produced some significant cost savings, apparently due

largely to correction of bookkeeping errors, the OIOS thus lost an important opportunity to apply systematic "accountability audits" and the rigorous performance reviews which the very weak UN management culture certainly needs.

The tremendous volume of detailed audit work also kept OIOS from firmly addressing the UN's dysfunctional management culture. Mr. Paschke's predecessor, Mr. Niazi, had emphasized that no system of management accountability would be effective without sanctions promptly applied when violations occur. Yet, OIOS preoccupation with detailed audit "busy work" details helped keep the OIOS from confronting the three ever-present gross defects of UN day-to-day operations all around it -- deadwood staff and their cronies, abuse of allowances and privileges, and "floater" staff in a very uncontrolled personnel and post system, as discussed throughout this website.

Mr. Paschke himself had clearly identified this central problem in his first annual report, and had pointed out the critical need to hold managers accountable (see the citation of 2 October 1995 above.) In the preface to his 1997 annual report he returned again, but only briefly, to the problem:

" ... new initiatives aiming at decentralization and delegation of authority ... cannot be achieved just by issuing a few new administrative instructions ... the decentralization ... [must ensure] that the factors that are essential for its success are in place. This ... [requires] an effective monitoring mechanism to ensure that the authority delegated is being exercised prudently and judiciously. ...

The ... [regulations and rules] and administrative issuances ... have too often protected staff members from being held accountable for their actions and have done too little to protect the interests of the United Nations. ..."

"Report of the Secretary-General on the activities of the OIOS", UN document A/524/426, **22 October 1997**, "Preface."

Yet in the same report preface he also stated that he would stand aside from the ongoing management reform processes:

" ... in view of the independence of the OIOS function ... I feel strongly that I should not be involved in any management decisions that I may be expected to scrutinize later on from an oversight point of view."

"Report of the Secretary-General on the activities of the OIOS", UN document A/524/426, **22 October 1997**, "Preface."

In IO Watch's opinion, this was doubly confusing and wrong. First, the OIOS had already taken its enthusiasm for working with managers very far. Although resolution 48/218 B and the OIOS terms of reference state very briefly that OIOS "may" support and advise managers, OIOS had magnified that activity by labeling its major division "Audit and Management Consulting" and

prided itself on being entwined and working closely with managers and their programmes throughout the Organization. (This close cooperation has only increased under the second head of OIOS, as discussed in the next subsection.)

In fact, the current Enron and related corporate scandals and accounting and auditing policy struggles worldwide emphasize that the provision of both management consulting and audit services to its clients is a fundamental and serious conflict of interest, since auditors may wind up auditing systems and processes that they help establish. As in so many other areas, however, the UN remains blithely oblivious to basic management issues in the world around it.

Among many such articles, "Auditing firms under fire: U.S. agency seeks to curb potential conflicts," International Herald Tribune, June 28, 2000.

Second, and most importantly, the 1993 requirements for a management accountability system given by General Assembly resolution 48/218 A were clear and fundamental. Mr. Paschke himself emphasized the need for "an effective monitoring mechanism to ensure that the authority delegated is being exercised prudently and judiciously" in his 1997 annual report, and in later reports he cited the lack of accountability as an ongoing problem. Further, the OIOS terms of reference state clearly that the Office shall:

"undertake management audits, reviews, and surveys to improve the Organization's structure and responsiveness to the requirements of ... legislative mandates ... [and] ... evaluate the efficiency and effectiveness of the implementation of ...[those] legislative mandates."

"Report of the Secretary-General on the activities of the OIOS", UN document A/524/426, **22 October 1997**, "Preface,"

"Review of the administrative and financial functioning of the United Nations", General Assembly resolution 48/218 B, **29 July 1994**, and especially

"Establishment of the Office of Internal Oversight Services," UN document ST/SGB/273 of **7 September 1994**, paras. 13-14.

Yet Mr. Paschke (and his successor) and the OIOS never examined whether and how well the General Assembly's 1993 management accountability resolution was being implemented. IO Watch believes that the gradual disappearance of the General Assembly's accountability reform and the failure to implement it may well have been due, at least in part, to Mr. Paschke's failure to act decisively as a forceful oversight figure, in accord with the OIOS mandate, on this critical issue.

In addition, as already noted, Mohamed Aly Niazi, the first head of the transitional unit that preceded the OIOS, had

extensive "hands-on" UN audit experience. In his report in September 1994 on the pre-OIOS unit's first year, he had specifically warned that:

"During this first year, [this Office] has addressed symptoms but has not yet been able to address the root causes of many [UN] problems. I refer to such issues as recruitment and promotion policies, the administration of justice, management reporting systems, staffing and financing of peacekeeping operations and contract management.

A vast amount of work remains to be done before the United Nations has management structures and a management culture adequate to the great tasks entrusted to it...."

"Report of the Office of Inspections and Investigations", UN document A/49/449, **28 September 1994**, pages 5-6. [emphasis added.]

However, only when the General Assembly itself identified several important areas for more oversight attention, in particular problems in human resources management, did OIOS begin some important, but very tardy, work on these subjects in 1998. Mr. Paschke then at least gradually joined others to urge such important actions as reform of defective UN internal control systems, completion of a ponderous modernization of UN information technology systems, and correction of grave personnel processing problems (but not the key underlying issues of personnel selection quality and fairness.) As he put it in his 1998 annual report:

"Internal oversight has matured since its inception in 1994 ... In fact improving management in the United Nations is the central concern of OIOS. ...

In its internal oversight work ..., the OIOS has focused on the substantive activities of the Organization ... peacekeeping missions and humanitarian affairs ..., along with procurement and new United Nations bodies. While these areas will continue to deserve our scrutiny, I believe that we must now gradually shift our attention to some of the more systemic -- or pervasive deficiencies of the Organization, phenomena which affect the way in which the United Nations does business across the board. This will sometimes call for a horizontal approach in looking, for example, at common services and how they function in different duty stations, a project scheduled for the fall of 1998."

"Report of the Secretary-General on the activities of the OIOS", UN document A/53/428, **1998**, Preface, paras. 2 and 6, 14-15.

This new OIOS activity finally undertook some of the kind of investigative work that it could and should have been doing all along. As cited (and commented on) by the *International Documents Review* in 1998, the closest observer of what UN documents actually have to say -- and also not say -- the OIOS had found "a selection of scandals":

" ... the [OIOS] report is a guide to a variety of UN scandals, most of them unknown beyond the walls of the Secretariat because of entrenched traditions of secrecy. *Senior UN officials do not seem to understand -- or perhaps they understand only too well -- the role of transparency in avoiding waste and fraud. As we have noted before, the bidding process for the award of multimillion dollar UN contracts is entirely secret. Even the opening of bids from contractors, which UN regulations require to be 'public,'*

takes place behind closed doors, and information is released neither to the Press nor to any intergovernmental body. According to corridor talk, things are set to become worse: a new directive on 'information security' is said to prescribe dire penalties for staff members who talk to the Press or delegations."

"The Second UN Conference on Human Settlements ... is perhaps the crown jewel among the scandals recorded by OIOS. This is not because of its legacy, an uncovered deficit in the range of \$2 million ... [but] because of the all-round incompetence involved. The secretariat [hired] consultants at a total cost of \$2.5 million without ... competitive bidding. The [conference] Secretary-General ... incurred travel costs of \$370,000 ... The Conference 'never submitted a cost plan for the use of the \$8.2 million in voluntary contributions ... accounting for donor contributions was incomplete ... and financial statements [were] delayed. *OIOS does not address the question of how this situation developed and was allowed to continue. How was Mr. N'dow picked to organize a major UN conference? What were his credentials? Why was nothing done when the first alarm bells went off?*"

"OIOS has investigated several cases of fraud. One of which we have written before involves an UNCTAD staff member (a United States citizen of Cuban origin) who bilked the agency of over \$600,000 by claiming travel and per diem expenses for non-existent experts attending imaginary meetings. *OIOS does not record the fact that this imaginative individual was caught only because he was hospitalized for a time and could not keep up the charade. This is surely material for a Hollywood comedy."*

"OIOS has just begun to study the management of human resources at the UN, and the findings so far underline the never-never-land quality of the bureaucracy. The Organization takes, on average, 460.5 days to recruit a new staff member. ... OIOS found that the recruitment process 'lacked transparency and was cumbersome ...' ... It was characterized by 'inadequate methods for identifying qualified candidates [and] inefficient pre-employment clearances ... Reforms, 'while headed in the right direction, lacked sufficient institutional support. ...'"

"Reviewing 3+ years of work, [OIOS] sees continuing problems - but reforms are afoot," International Documents Review, **2 November 1998**, pp. 1-4.

The 1998 OIOS annual report also showed that Mr. Paschke's faith that managers could develop and apply their own performance and monitoring systems was naïve. Just as was the case with programme performance reporting in the pre-OIOS days, the Office found that:

"The quality of departmental submissions received by OIOS for the 1996-1997 programme performance period clearly indicates that, in many departments and offices, there is still inadequate commitment to oversight, and, consequently no coordination or managerial mechanism that collects and analyses on a routine basis information on the progress made and results achieved under the various activities and programmes. Many departments still do not have either a senior planning and coordination function ... or a unit to provide coordinated feedback on the success and shortfalls in programme implementation. [Progress requires that programme managers recognize] ... such systems as basic management tools for improving efficiency and effectiveness of implementation."

"Report of the Secretary-General on the activities of the OIOS", UN document A/53/428, **23 September 1998**, Preface, para. 184. [emphasis added.]

As the above excerpts show, any sense of the overall work of OIOS is at best obtained by a careful reading of the items in its lengthy annual reports. They do provide many interesting accounts of specific mismanagement and waste cases, in a way that was never done before. Yet their *ad hoc* character is a fundamental reporting flaw. An effective inspector-general's report should provide a systematic overview and analysis of existing, emerging, and longer-term patterns, trends, risks, and areas of emphasis, together with results obtained, follow-up, and the overall impact of oversight work, all in response to changing management and accountability needs.

Light, Paul C., Monitoring government: Inspectors General and the search for accountability, Chapter 10 "Measuring the impact of IGs", Brookings Institution/Governance Institute, Washington, D.C., USA, 1993, pp. 204-220.

The OIOS annual reports fall far short of these basic standards. They rely primarily on anecdotal "stories" of selected high-profile reviews. They provide quantitative statistics which focus on massive annual process "activities" (hundreds of audits completed, thousands of recommendations made and many "accepted", and hundreds of staff reports about operational problems made to the OIOS investigations unit.)

Not only are these raw statistics not arranged, analyzed, and interpreted, they are difficult to compare and relate to other information, or to each other, in a meaningful way from year to year. They provide the General Assembly and the public with little or no transparency and sense of the all-important broader patterns of UN organizational performance, effectiveness, management systems, and impact; a clear sense of where the major specific problems lie; or indications of new action steps needed, let alone those being taken.

The annual reports show other limitations as well of OIOS work since its inception:

-- as required by the General Assembly, they contain elaborate tables of recommendations made, accepted, and acted upon (or not), but essentially on a purely quantitative basis;

-- they discuss cost savings identified and realized, but reflect the fact that each year OIOS can only examine about \$1 billion or less of the \$6-10 billion that the UN spends, and average only about \$20-40 million of annual savings, most of which come from bookkeeping errors rather than detection of fraud and waste, and -- in total -- represent a very small 1.5% of the resources looked at in any particular year (as discussed further in the subsection

following on OIOS investigations work and impact);

-- clearly more staff are needed for the OIOS (and especially for investigations, perhaps a doubling or more), as foreseen before the Office was created, and very necessary if UN fraud, waste, and abuse are to be truly held in check;

-- Mr. Paschke spoke often of the high professionalism of his staff but, even when pressed by Member State representatives, he apparently did not provide details on the critical audit measures of OIOS staff professionalism -- how many have appropriate professional certifications, degrees, prior experience, and continuing training for their work, and how many possess the legal and investigative specialties needed, or up-to-date computerized auditing skills;

-- in addition, OIOS has spent considerable time and effort helping other UN funds and programmes, and other UN system agencies improve their internal oversight efforts, particularly investigation work: this is a nice gesture, but counterproductive when the OIOS has more work than it can handle inside the UN Secretariat.

There have been other signs of problems with OIOS work. A General Assembly resolution in 1997 noted "with deep concern the incidents of fraud and presumed fraud" reported not by the OIOS, but by the UN external auditors. The Assembly called on the Secretary-General to take necessary disciplinary action on cases of proven fraud and to "enhance the individual accountability of United Nations personnel, including through stronger managerial control."

"Financial reports and audited financial statements, and reports of the Board of Auditors", General Assembly resolution 51/225 of **16 May 1997**, paras. A.11 and 12.

In addition, a 1997 assessment by the UN Commission on International Trade Law found a 1997 OIOS study to be "seriously flawed and not of the quality one would expect from an organization of the UN's stature." OIOS subsequently had an independent review made of the situation and promised new "quality assurance" procedures for its work.

"UN defeats a charge of business vendetta", International Herald Tribune, **July 12, 1999**, p.5, and

"Report of the Secretary-General on activities of the OIOS", UN document A/54/393, **1999**, Preface, 5th para., paras. 67-68, 95.

The General Assembly has not been much help in actually

using and improving OIOS work, although it is supposed to be the major "customer," and provide guidance to, the Office. The Fifth Committee has passed some resolutions on the separate and annual reports which the OIOS submits to the General Assembly, which largely only "take note of" the OIOS reports, with perhaps a request for a particular study.

In fact, the Committee generally seems not quite sure what to do with OIOS reports. Mr. Paschke observed in his last annual report in 1999 that:

"As I write these lines, three previous annual reports, as well as several individual reports of OIOS, transmitted and introduced a long time ago, have still received no formal response from the Fifth Committee, although they have been thoroughly discussed and commented upon in that forum.

I can only express my hope that this impasse will eventually be overcome and that the value added to the work of the United Nations by independent internal oversight will be recognized by all stakeholders. "

"Report of the Secretary-General on the activities of the OIOS", UN document A/54/393, **23 September 1999**, "Preface."

In 1998, the General Assembly launched a 5-year evaluation of OIOS performance that had been mandated by its resolution 48/218 B of 1994. However, after discussing various guidance and improvement issues for over a year, particularly concerning investigation work, informal consultations bogged down. The Assembly finally passed a very dry resolution in early 2000 composed mainly of procedural cautions and only recognizing the "importance" of the OIOS. The Assembly stated that it would "evaluate" the OIOS again (presumably in the same rather toothless fashion) in the year 2004.

"Review of the implementation of General Assembly resolution 48/218 B", General Assembly resolution 54/244 of **31 January 2000**.

As his five-year term drew towards its close, Mr. Paschke became more reflective about unfinished business, including accountability measures. In his 1998 annual report he stated that

"... the new management culture has shown significant improvements over the reporting period;

Far-reaching initiatives are under way to introduce increased delegation of authority and accountability, but in this regard a lot more needs to be done. ... Better guidance, precise instructions, and more management training must be provided. Equally crucial but infinitely more complex will be the efforts to instil a sense of accountability among staff members."

"Report of the Secretary-General on the activities of the OIOS", UN document A/53/428 of **23 September 1998**, "Preface", 3d and 4th paras.

[Note: It is telling that when Mr. Paschke spoke firmly, he was directing his words to "staff members." When he wanted to be understanding, cooperative, and reassuring, he was speaking to managers. IO Watch believes that there was

little doubt about whose team he was playing on.]

In his last annual report in 1999, Mr. Paschke further, and rather sanctimoniously, observed that many fundamental accountability and management systems issues and reforms, which he himself had largely ignored or only very belatedly begun to examine, needed to be addressed -- as if he had not been directly involved and expected to be a key figure in solving them:

"The United Nations of today ... is a better Organization in many respects than, say, five years ago, and enhanced oversight has played its part in that change.

However, further improvement ... is still necessary in many ways. Internal controls are not strong enough yet; accountability continues to be blurred and misunderstood; delegation of authority must be effectively executed; and human resources management is in need of further reform ..."

"Report of the Secretary-General on the activities of the OIOS", UN document A/54/393, of **23 September 1999**, 3d from last para. [emphasis added.]

In the preface to the 1999 annual report, Mr. Paschke also asserted that

"The independence of [OIOS] is its most important and indispensable asset. I am proud to say that this independence has never been compromised during my tenure."

"Report of the Secretary-General on the activities of the OIOS", UN document A/54/393, **23 September 1999**, "Preface."

Secretary-General Annan himself felt impelled to put his reputation on the line in support of Mr. Paschke, stating in his covering note to the 1999 annual report that:

"The Secretary-General concurs with the observations of the Under-Secretary-General [of OIOS] in his preface that the independence of the Office has never been compromised during his tenure. He has enjoyed the complete support of the Secretary-General."

"Report of the Secretary-General on the activities of the OIOS", UN document A/54/393, of **23 September 1999**, Covering Note, para. 2.

In late 1999, Mr. Paschke left the UN, "exiting to applause" in at least some quarters. He resumed the role of corruption-fighter which he had consistently downplayed during his five-year tenure, and in most of the OIOS work. A very positive article cited some dramatic examples of fraud and mismanagement that had occurred and concluded that:

"Five years ago ... the General Assembly created a watchdog office to fight corruption and mismanagement within the Organization.

On Friday, ... Karl Theodor Paschke ended his ... [term] having uncovered millions of dollars of fraud or abuse.

For the first time, the United Nations began dismissing employees quickly, recovering losses by confiscating their pensions and property, and turning over criminal cases to public trials in national courts rather than allowing malfeasance to disappear quietly.

In Washington, there was parting praise for Mr. Paschke ... [who] had taken on an enormous job in trying to reform "a very dysfunctional institution" ...

Mr. Paschke has worked against a backdrop of unrelenting criticism from a group of developing nations, which objected to the appointment of an inspector general from an industrial nation and has blocked approval of several of his major reports. But two of his biggest cases of fraud involved Americans. ...

Clearly no one can accuse me of blurred vision,' Mr. Paschke said of critics in the developing world. ...

'Reform does not happen overnight,' he said. 'But we have been an agent for change.'

Barbara Crossette, "A U.N. watchdog exits to applause," New York Times, **November 15, 1999**.

IO Watch begs to differ. After noting continuing struggles (and very modest investigative efforts) in the second five years of OIOS existence in the next subsection, a final subsection examines much more closely alternative views and assessments of what OIOS has done, and more importantly not done, as a "corruption fighter."

The negative legacy of managerial permissiveness left behind by the UN's first two diplomat/inspectors is pursued further in subsections on Unleashed managers and Disappearing whistle-blowers under UN Management Accountability Struggles , and as a central element of continuing UN accountability problems and needed reforms in the concluding Recent Developments section of this archive.