Audit of FAO Sanctions Procedures (AUD0421)

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) conducted an audit of FAO Sanctions Procedures between July and September 2020. The audit covered the activities of the FAO Sanctions Committee since its establishment in 2014, with a special focus on the organizational arrangements in place from January 2018 to December 2019 (previous and subsequent periods were included as relevant).

The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes to ensure transparent, effective, equitable and timely sanctions procedures.

Sanctions procedures are governed by the 2014 FAO Sanctions Procedures and the 2014 Implementing Guidelines for FAO Sanctions Procedures. As they have not been adjusted to reflect the recent headquarters restructuring, they include references to units and positions that no longer exist. This report has kept some references to these units and roles for consistency with the Procedures and Guidelines.

OIG’s Investigations Unit receives all allegations of fraud and corruption by a third party involved in FAO programmes and operations, conducts investigations and refers cases to the Sanctions Committee if there is sufficient evidence confirming allegations that a third party has committed a sanctionable action.

The Sanctions Committee determines whether a third party has engaged in a sanctionable action(s), following assessment of relevant documentation brought before it for each case. The Sanctions Committee may then recommend appropriate sanction(s) or other corrective and rehabilitative measure(s) formerly to the Assistant Director-General of the Corporate Services, Human Resources and Finance Department (ADG-CS) and, as of August 2020, to the Director of Logistics Services Division, (Director, CSL) for his/her consideration. Since 2015, 28 cases have been brought to the Sanctions Committee, with ten cases during 2018 and 2019.

In addition, to protect the best interests of the Organization, the Sanctions Committee is responsible for accepting or rejecting requests for a vendor’s temporary suspension submitted by OIG at any stage of an investigation or sanctions proceeding.

No previous assurance work has been carried out of FAO’s Sanctions Procedures. A lessons learned report based on a critical mass of cases since 2015 was presented to the Oversight Advisory Committee by the ADG-CS in February 2019. The status of implementation of recommendations made in the lessons learned report was followed up on during this audit.

Main findings and conclusions

Overall, OIG assessed that the policies and processes in place to ensure transparent, effective, equitable and timely sanctions Need Major Improvement. The audit identified a number of issues for management attention to improve FAO’s Sanctions Procedures, their implementation and the effectiveness of applied sanctions. Specifically:
1. Ownership of the Procedures was not clear or well understood by some stakeholders. This lack of clarity was further affected by FAO’s recent organizational restructuring. OIG is pleased to note that during the audit reporting stage management assigned ownership of the Procedures to the Director, CSL.

2. Some aspects of the Sanctions Procedures were not clearly defined and the Guidelines did not provide further clarification in terms of specific steps or criteria, including: the impact of temporary suspensions on FAO’s engagement with vendors; the trigger for extension of temporary suspensions; the definition and impact of aggravating and mitigating factors on the determination of sanctions; the definition of timelines for completion of some key steps in the process; and the rules for remote meetings. Clarification of the Sanctions Procedures would assist decision-making and mitigate the possibility of decisions being contested by vendors.

3. The Sanctions Committee faced several challenges that affected the consistency and effectiveness of its work, including: unfilled vacancies for the positions of Chairperson, Vice-Chairperson and ADG-CS for most of 2018 and part of 2019; and several unfilled Sanctions Committee roster positions. This led to difficulties in attaining a quorum to convene meetings; delayed proceedings; and instances where the assistant to the Secretary performed the tasks of the Chairperson (in breach of the Procedures) in order to avoid extended delays in proceedings.

4. The time taken to reach conclusions on cases varied greatly from four months to more than three years, leading to extended suspension of vendors, which denied vendors their right to a fair and timely decision and the Organization the opportunity to work with the affected vendors.

5. The function of the Sanctions Committee Secretary, although officially assigned to a staff member, was performed by a consultant hired on short-term contracts who worked with little support and supervision by the appointed Secretary. This affected the continuity of the Sanctions Committee’s work, specifically the scheduling of meetings and timely preparation of requisite materials for deliberations. In addition, Secretariat tasks, such as keeping case records and drafting records of deliberations, were not diligently performed. OIG was not provided with complete documents for selected cases, including most of the Sanctions Committee meeting minutes, for the period under review.

6. Sanctions Committee members were not always able to afford cases adequate consideration due to late submission of voluminous case documents relating to multiple cases. Decisions made via email also deprived cases of sufficient consideration. These issues were caused by difficulties in convening meetings, which in some cases led to consideration of multiple cases in each meeting and last minute scheduling of meetings.

7. No personal responsibility for the perpetration of sanctionable actions was assigned to owners of vendor entities, their employees, agents or representatives because sanctions were not applicable to implicated individuals. As such, these individuals were still eligible to do business with FAO, thus undermining the effectiveness of FAO sanctions.

**Agreed Actions**

The report includes six actions that management has agreed to undertake. Management has committed to fully implement all actions by June 2022.

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*Mika Tapio  
Inspector General  
31 March 2021*