



## INTERNAL AUDIT DIVISION

# REPORT 2015/190

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Audit of the management of delegation of procurement authority by the Department of Field Support

Overall results relating to the effective management of delegation of procurement authority by the Department of Field Support were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 December 2015  
Assignment No. AP2015/615/03

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# AUDIT REPORT

## Audit of the management of delegation of procurement authority by the Department of Field Support

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of delegation of procurement authority by the Department of Field Support (DFS).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. Procurement is governed by the United Nations Financial Regulations and Rules and the Procurement Manual, which prescribe the provisions for delegation of authority, including limits of delegation. The Under-Secretary-General (USG), Department of Management (DM) has delegated procurement authority to the Assistant Secretary-General (ASG), Office of Central Support Services (OCSS). The ASG-OCSS has further delegated this authority to the USG, DFS. The procurement authority delegated to the USG-DFS is limited to \$1 million for goods and services that are defined as core requirements and to \$500,000 for other requirements. Irrespective of the value, all special requirements (such as aircraft chartering services) require approval from the Procurement Division to procure directly.
4. The USG-DFS has also delegated authority to Directors/Chiefs of Mission Support in peacekeeping missions and to Heads of Administrative Support in special political missions and small peacekeeping missions. These managers may also delegate authority to other mission personnel, such as the Chief Procurement Officers who have been designated by the ASG-OCSS, and other procurement staff who have been technically cleared to conduct procurement functions.
5. The Field Procurement and Liaison Team (FPLT) in DFS is responsible, among others, for: (a) managing and monitoring delegations of procurement authority by the USG-DFS to field mission staff; and (b) advising the ASG-DFS on field procurement issues.
6. For 2014/15, the approved total procurement budget for 15 peacekeeping missions was about \$2.6 billion of which goods and services worth \$1 billion were to be procured by missions directly. For seven special political missions, total budgeted procurement for 2015 was about \$106 million.
7. Comments provided by DFS are incorporated in italics.

### II. OBJECTIVE AND SCOPE

8. The audit of was conducted to assess the adequacy and effectiveness of DFS governance, risk management and control processes in providing reasonable assurance regarding the **effective management of delegation of procurement authority by DFS**.
9. The audit was included in the 2015 risk-based work plan of OIOS because of the compliance, financial and operational risks related to the management of the delegation of procurement authority.

10. The key control tested for the audit was delegation of authority. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that authority for procurement functions has been delegated formally and in accordance with relevant regulations and rules. This control also includes periodic reporting and monitoring of the execution of delegated authority.

11. The key control was assessed for the control objectives shown in Table 1. One control objective (shown in Table 1 as “Not assessed”) was not relevant to the scope defined for this audit.

12. OIOS conducted this audit from April to October 2015. The audit covered the period from 1 July 2013 to 30 June 2015. The audit reviewed records of delegation of procurement authority from USG-DFS to field procurement personnel and tested them for compliance with relevant regulations and rules. OIOS administered a questionnaire to field missions to review the adequacy of support on procurement activities provided by DFS. The audit further reviewed monitoring reports and processes that ensure compliance with regulations, rules and delegation of authority.

13. The audit team conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

14. The DFS governance, risk management and control processes examined were initially assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of delegation of procurement authority by DFS**. OIOS made two recommendations to address issues identified. DFS had implemented adequate controls over the designation and delegation of procurement personnel in the field and ensured completion of the required training. The Procurement Division regularly visited missions and provided proposals/recommendations to improve their processes. To improve the management of delegated procurement authority: (a) DM needed to establish a system to monitor implementation of its proposals/recommendations to strengthen missions’ procurement processes; and (b) DFS needed to ensure that missions adequately formulated and reported the measures implemented to avoid ex post facto procurement cases, and perform periodic analyses of ex post facto transactions to identify reasons and implement appropriate action to reduce them.

15. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of two important recommendations remains in progress.

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<sup>1</sup> A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review

**Table 1: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of delegation of procurement authority by DFS	Delegation of authority	Partially satisfactory	Satisfactory	Not assessed	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **Delegation of authority**

Controls over the designation and training of procurement staff were adequate

16. The Secretary-General’s Bulletin on the designation of staff performing significant functions in the management of financial, human and physical resources (ST/SGB/2005/7) requires staff to possess the relevant qualifications before being delegated authority to perform the functions. As part of the designation process of Directors/Chiefs of Mission Support and Chief Procurement Officers, the Procurement Division had established four online courses on procurement topics that staff need to complete within three months from assuming their function.

17. A review of designation records indicated that FPLT maintained adequate files on procurement personnel at field missions and actively monitored and followed up their compliance with the designation requirements. A review of documents related to 22 Directors/Chiefs of Mission Support and 20 Chief Procurement Officers and Officers-in-Charge in 12 missions (8 peacekeeping missions and 4 special political missions) indicated that adequate controls were in place over the designation of staff. Also, a review of designation records of these selected missions indicated that 38 of the 42 persons designated completed the required training within three months of assuming their functions; the remaining 4 persons completed the training within six months.

18. OIOS concluded that adequate controls were in place over the designation and training of staff delegated authority to procure goods and services in missions.

Headquarters Committee on Contracts provided training to Local Committees on Contracts and monitored their functioning

19. General Assembly resolution 55/247 requested the Secretary-General to ensure the capacity of field missions in performing procurement functions. Toward this end, the Headquarters Committee on Contracts (HCC) provides training to members of Local Committees on Contracts (LCCs). The HCC is responsible for monitoring the functioning of LCCs.

20. A review of documents and interviews with HCC staff indicated that the HCC regularly reviewed cases sent by missions after initial review by their LCC. The HCC also hosted periodic LCC Chairpersons’ conferences that allowed professional information exchanges. Additionally, a review of:

planning and consultation documents between the HCC and DFS and a consolidated report on four field assistance visits to missions conducted jointly by the Secretariat of the HCC and FPLT in 2014/15 showed that the locations and the number of these visits were determined by the Chair, HCC, based on the volume of LCC activities and the extent of previous support provided. The HCC had also started to collect statistics from all LCCs in a standard format that was being used to monitor their work, and in planning capacity development activities. The HCC was routinely providing training to mission LCC members and to mission procurement and requisitioning staff. OIOS concluded that adequate controls were in place over ensuring the capacity of LCCs and their monitoring.

Implementation of Procurement Division's recommendations to improve missions' procurement procedures and practices was not monitored

21. The delegation of authority to the USG-DFS assigned the monitoring of field procurement activities to the Director of Procurement Division through assistance visits to missions. The delegation does not prescribe the number and frequency of field procurement assistance visits but established that monitoring activities should be done in consultation with the USG-DFS.

22. A review of 7 of the 14 reports on field procurement assistance visits conducted by the Procurement Division in 2014 and 2015, and of field procurement visits' terms of reference provided, indicated that the Procurement Division's field procurement visits were carried out regularly and produced reports that included proposals and recommendations to strengthen the procurement process. However, the Procurement Division did not formally follow up the implementation of its proposals/recommendations to ensure that appropriate action was being taken. Instead, future visiting teams were provided with proposals/recommendations previously made, and were expected to follow up on their implementation, which could be two years later. As a result, there was a risk that missions were not addressing non-compliance issues and ineffective procurement practices in a timely manner, reducing the impact of the Procurement Division's assistance visits.

**(1) The Procurement Division, OCSS, in cooperation with DFS, should introduce a formal system to monitor and assist missions in implementing recommendations made during the Division's assistance visits.**

*OCSS and DFS accepted recommendation 1 and stated that they would work together to establish a system to monitor and jointly assist missions in implementing recommendations made to them during procurement assistance visits. A monitoring plan would be developed accordingly. Recommendation 1 remains open pending receipt of the monitoring plan.*

DFS monitoring of procurement operations in field missions needed improvement

23. The delegation of procurement authority to the USG-DFS required missions to submit quarterly reports to the ASG-OCSS, the Chair of the HCC and the Director of the Procurement Division on the following: (a) procurement contracts for core requirements in excess of \$500,000; (b) DFS-approved letters of assist; and (c) all ex post facto transactions within the financial thresholds delegated and a brief narrative describing measures to avoid the recurrence of similar cases.

24. A review of seven quarterly monitoring reports in each category (i.e., core requirements, letters of assist and ex post facto procurement transactions) covering the period from 1 July 2013 to 31 March 2015 indicated that missions were submitting the required reports to the ASG-OCSS, Chair of the HCC and Director of the Procurement Division in a timely manner. A review of reports by individual missions, however, noted that the requirement for missions to formulate and report on measures taken to eliminate

ex post facto procurement transactions was not strictly adhered to and that FPLT had not analyzed such cases thoroughly since July 2014.

**(2) DFS should implement procedures to: ensure that all missions that engage in ex post facto procurement transactions formulate and report on measures taken to eliminate such transactions; and periodically analyze ex post facto transactions including reasons for such transactions and proposed actions to reduce them in the future.**

*DFS accepted recommendation 2 and stated that missions provided justification for all ex post facto cases exceeding the delegation of authority, including measures taken to eliminate such transactions, to the USG-DFS who in turn provided explanations to the ASG-OCSS. As part of the quarterly reporting requirements, DFS would follow up with missions to provide the recommended information for ex post facto cases. Also, although DFS had limited capacity to analyze ex post facto transactions, it was planning to perform such an exercise by the second quarter of 2016. Recommendation 2 remains open pending receipt of evidence of follow-up by DFS to ensure missions adequately formulate and report on measures taken to eliminate ex post facto transactions, and periodic analysis of ex post facto cases and proposed actions to reduce them.*

#### **IV. ACKNOWLEDGEMENT**

25. OIOS wishes to express its appreciation to the management and staff of DFS and DM for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the management of delegation of procurement authority by the Department of Field Support

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	The Procurement Division, DM, in cooperation with DFS, should introduce a formal system to monitor and assist missions in implementing recommendations made during assistance visits.	Important	O	Receipt of a copy of the monitoring plan for recommendations from procurement assistance visits.	30 September 2016
2	DFS should implement procedures to: ensure that all missions that engage in ex post facto procurement transactions formulate and report on measures taken to eliminate such transactions; and periodically analyze ex post facto transactions including reasons for such transactions and proposed actions to reduce them in the future.	Important	O	Receipt of evidence of follow-up by DFS to ensure missions adequately formulate and report on measures taken to eliminate ex post facto transactions, and periodic analysis of ex post facto cases and proposed actions to reduce them.	30 June 2016

<sup>2</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>3</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by DFS and DM in response to recommendations.



# **APPENDIX I**

## **Management Response**

United Nations  Nations Unies  
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

TO: Ms. Eleanor Burns, Director DATE: 22 December 2015  
A: Internal Audit Division, Office of Internal Oversight Services

THROUGH: Christian Saunders, Director  
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service  
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an audit of management of delegation of procurement authority by the**  
OBJET: **Department of Field Support (Assignment No. AP2015/615/03)**

1. We refer to your memorandum dated 15 December 2015 regarding the above subject draft report and provide comments of the Department of Management to recommendation 1 in the attached Appendix I.
2. Thank you for giving us the opportunity to provide comments on the draft report.

15-03234  
23 Dec 2015

APPENDIX I

Management Response

Audit of the management of delegation of procurement authority by the Department of Field Support

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Procurement Division, DM, in cooperation with DFS, should introduce a formal system to monitor and assist missions in implementing recommendations made during assistance visits.	Important	Yes	Chief, Policy and Compliance Monitoring Section/ Procurement Division, OCSS  Chief, Audit Response and Board of Inquiry Section/ DFS	30 September 2016	OCSS and DFS accept the recommendation to cooperate and work together to establish a system to monitor and jointly assist missions in implementing recommendations made to them during procurement assistance visits. A monitoring plan will be developed accordingly.
2	DFS should implement procedures to ensure that all missions that engage in ex post facto procurement transactions formulate and report on measures taken to eliminate such transactions; and periodically analyze ex post facto transactions including reasons for such transactions and proposed actions to reduce them in the future.	Important				

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

**CONFIDENTIAL**

Routine

TO: Ms. Eleanor T. Burns, Director  
A: Internal Audit Division, OIOS

DATE: DEC 22 2015

THROUGH:  
S/C DE:

REFERENCE: UNHQ-AR-BOI-Memo-2-  
2015-6740

FROM: Anthony Banbury, Assistant Secretary-General  
DE: for Field Support



SUBJECT: **Audit of the management of delegation of procurement authority by**  
OBJET: **the Department of Field Support (Assignment No. AP2015/615/03)**

1. I refer to your memorandum dated 15 December 2015 regarding the above-mentioned audit. We note that OIOS has taken into account our comments provided on 25 November 2015. Nevertheless, DFS is providing additional comments on the findings in the report attached as Appendix I. We have updated Appendix II to reflect the individual responsible for the implementation of the recommendations with the deadline.
2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

Cc: Ms. Cynthia Avena-Castillo

## Audit of the management of delegation of procurement authority by the Department of Field Support

1. For more accurate reporting, DFS requests that the report should be reworded, as follows:

### Paragraph 4

2. *“The USG-DFS has also delegated authorities to Directors/Chiefs of Mission Support in peacekeeping missions and to Heads of Administrative Support in special political missions and small peacekeeping missions. These managers may also delegate authorities to other mission personnel, such as the Chief Procurement Officers ~~and other procurement staff~~, who have been designated by the ASG-OCSS, **and other procurement staff who have been technically cleared to conduct procurement functions.**”*

### Paragraph 16

3. *“DFS implemented adequate controls over the designation **and delegation** of procurement personnel in the field and ~~provided~~ **ensured completion of the** required training. The Procurement Division regularly visited missions and provided proposals /recommendations to improve their processes...”*

### Paragraph 18

3. *“The Secretary-General's Bulletin on the designation of staff performing significant functions in the management of financial, human and physical resources (ST/SGB/2005/7) requires staff to possess the relevant qualifications before being delegated authority to perform the functions. As part of the designation process of **Directors/Chiefs of Mission Support and Chief Procurement Officers** ~~procurement personnel~~, the Procurement Division has established four online courses on procurement topics that staff need to complete within three months from assuming their function.”*

4. The language in the draft report suggests that all procurement personnel are being designated, whereas only Directors/Chiefs of Mission Support and Chief Procurement Officers are being designated by the Assistant Secretary-General for Central Support Services. Furthermore, DFS does not provide the procurement training but ensures that the on-line training provided by the Procurement Division has been completed.

## Management Response

## Audit of the management of delegation of procurement authority by the Department of Field Support

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Procurement Division, DM, in cooperation with DFS, should introduce a formal system to monitor and assist missions in implementing recommendations made during assistance visits	Important	N/A	N/A	N/A	We trust that DM will provide its comments on this recommendation.
2	DFS should implement procedures to: ensure that all missions that engage in ex post facto procurement transactions formulate and report on measures taken to eliminate such transactions; and periodically analyze ex post facto transactions including reasons for such transactions and proposed actions to reduce them in the future.	Important	Yes	Officer-in-Charge, Field Procurement Liaison Team	Second quarter of 2016	DFS' comments are reflected in the report.

<sup>6</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>7</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.