



INTERNAL AUDIT DIVISION

REPORT 2016/179

Audit of local procurement in the
United Nations Stabilization Mission in
Haiti

Controls over the various stages of the
procurement process needed to be improved
to enable more effective acquisition of goods
and services

21 December 2016
Assignment No. AP2015/683/04

Audit of local procurement in the United Nations Stabilization Mission in Haiti

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over local procurement of goods and services in the United Nations Stabilization Mission in Haiti (MINUSTAH). The audit covered the period from 1 January 2014 to 31 December 2015 and included: (a) financial disclosure and delegation of procurement authority; (b) solicitation of bids; (c) bid submission and evaluation; and (d) contract award and administration.

MINUSTAH ensured procurement staff complied with financial disclosure and declaration of interest requirements, fulfilled reporting requirements related to core requirements and ex-post facto cases, and had a functional Local Committee on Contracts. However, controls over the various stages of the procurement process needed to be improved to enable more effective acquisition of goods and services.

OIOS made eight important recommendations. To address issues identified in the audit, MINUSTAH needed to:

- Fill vacant posts in the Procurement Section to strengthen its capacity to implement a more effective solicitation process;
- Ensure that the Electronic Master Contracts Database is updated timely and accurately to properly track expiry dates of contracts, initiate procurement actions and reduce the number of ex-post facto cases;
- Use formal methods of solicitation for procuring services related to public information activities or justify exception to such methods;
- Limit access to the e-mail account dedicated for receipt of bid submissions to one member of the Tender Opening Committee and revoke access to the account by staff members after they cease to be members of the Committee;
- Strengthen technical and commercial evaluations of bids by ensuring that technical evaluation teams do not include both supervisors and subordinates and that evaluators sign off commercial evaluations;
- Track and monitor that adequate performance bonds are obtained to effectively secure vendor performance under contracts;
- Streamline leasing of properties including: verifying the ownership of premises, physical boundaries and existing conditions of properties prior to entering into or renewing lease agreements; and reaching agreements with landlords prior to embarking on any capital improvements of properties in order to recover the related costs; and
- Reinforce supervision of the maintenance of procurement files to ensure that they are indexed, organized, complete and properly archived.

MINUSTAH accepted seven recommendations, implemented one and has initiated steps to implement the other six recommendations. However, MINUSTAH did not accept the third recommendation. OIOS is concerned that in addition to sole sourcing services related to public information activities without the required due diligence, MINUSTAH is accepting and processing unsolicited proposals, which considerably weakened internal controls over this category of procurement. This unaccepted recommendation may be reported to the General Assembly indicating management's acceptance of residual risks.

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Audit of local procurement in the United Nations Stabilization Mission in Haiti

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement in the United Nations Stabilization Mission in Haiti (MINUSTAH).
2. The MINUSTAH Procurement Section is responsible for the procurement of goods and services based on requisitions raised by end users. MINUSTAH awarded 42 contracts valued at \$20.6 million and issued 328 purchase orders for locally procured goods and services valued at \$39.4 million from 1 January 2014 to 31 December 2015. Procurement activities are governed by the United Nations Financial Regulations and Rules and the Procurement Manual.
3. The Procurement Section is headed by a Chief Procurement Officer at the P-4 level and has seven international staff, two United Nations volunteers and eight national staff. The annual staffing cost of the Section for the 2014/15 financial year was \$1.3 million.
4. Comments provided by MINUSTAH are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in providing reasonable assurance regarding local procurement of goods and services in MINUSTAH.
6. This audit was included in the 2015 risk-based work plan of OIOS due to the financial and operational risks associated with the local procurement of goods and services in MINUSTAH.
7. OIOS conducted this audit from February to July 2016. The audit covered the period from 1 January 2014 to 31 December 2015. Based on an activity-level risk assessment, the audit covered higher and medium risks in local procurement, which included: compliance with the financial disclosure requirements and delegated procurement authority; solicitation, submission and evaluation of bids; and contract award and administration.
8. The audit methodology included: (a) interviews of key personnel; (b) reviews of relevant documentation; (c) analytical reviews of data; (d) physical observation; and (e) judgemental testing of sample transactions.

III. OVERALL CONCLUSION

9. MINUSTAH ensured procurement staff complied with financial disclosure and declaration of interest requirements, fulfilled reporting requirements related to core requirements and ex-post facto cases, and had a functional Local Committee on Contracts (LCC). However, MINUSTAH needed to improve controls over the various stages of the procurement process to enable more effective acquisition of goods and services. This included: (a) filling vacant posts in the Procurement Section; (b) using formal solicitation methods for procuring public information services; and (c) strengthening mechanisms to: track expiry dates of contracts and avoid ex-post facto cases, control access over the dedicated e-mail account receiving bid submissions, conduct technical and commercial evaluations of bids, and enter into

or renew lease agreements. However, MINUSTAH did not accept the recommendation that it should use formal solicitation methods for procuring public information services. OIOS is concerned that in addition to sole sourcing these services without the required due diligence, MINUSTAH is accepting and processing unsolicited proposals, which considerably weakened internal controls over this category of procurement.

IV. AUDIT RESULTS

A. Financial disclosure and delegation of procurement authority

Procurement staff complied with financial disclosure and declaration of interest requirements

10. The Secretary-General's bulletin on financial disclosure and declaration of interest statements (ST/SGB/2006/6) and the Procurement Manual require all procurement staff with principal duties for the procurement of goods and services for the United Nations to annually file financial disclosure and declaration of interest statements with the Ethics Office. A review of e-mail correspondences between procurement staff and the Ethics Office during the audit period indicated that all pertinent staff submitted their financial disclosure and declaration of interest statements to the Ethics Office on time. OIOS concluded that MINUSTAH had implemented adequate controls to ensure compliance with the financial disclosure and declaration of interest requirements.

Irregular use of delegation of authority was addressed

11. The Director/Chief of Mission Support (D/CMS) sub-delegates procurement authority to procurement staff determining financial limits for transactions based on the level and grade of staff. Delegated procurement authority should be exercised with utmost care, efficiency and integrity.

12. A review of 41 out of 328 procurement files indicated that MINUSTAH appropriately delegated procurement authority. OIOS noted that the Officer-in-Charge of the Procurement Section split the extension of a contract for leasing radio frequency into three parts of four, six and three months in order to bring the value of the contract extension within his delegated financial limit and thus avoid review by LCC. This happened because the procurement action was not timely initiated leaving inadequate time to follow appropriate procurement procedures. However, the quality of the procurement action was diminished due to inadequate review by authorized officials.

13. After the audit, MINUSTAH issued an internal memorandum reminding all procurement staff of their responsibility in relation to delegation of procurement authority and that any deliberate flouting of the authority would be dealt with in accordance with the provisions of the Procurement Manual and the United Nations Financial Regulations and Rules. In light of the action taken by MINUSTAH, OIOS did not make a recommendation on this issue.

B. Solicitation of bids

Inadequate capacity in the Procurement Section hampered the solicitation process

14. The Procurement Manual requires the solicitation process to include a minimum number of vendors based on the value of acquisitions so that competitive prices can be obtained. The method of identifying potential vendors includes advertisements of requirements through requests for expression of interests (REOI). A minimum of 20 and 30 days is allowed for vendors to respond to invitations to bid (ITBs) and request for proposals (RFPs), respectively.

15. A review of 20 out of 42 contracts awards for goods and services and related solicitation documents during the audit period indicated that MINUSTAH did not: (a) give the minimum stipulated time of 20 and 30 days for two and eight ITBs and RFPs, respectively; (b) invite, in three solicitation cases, the minimum number of 10 and 15 vendors based on acquisitions of more than \$40,000 and \$200,000 respectively; and (c) issue REOIs in four solicitation cases. Additionally, there was low participation of bidders in the solicitation exercises. For example, only an average of 3 out of 16 bidders participated; in eight cases, only 1 or 2 bidders participated. The low participation of bidders deterred MINUSTAH from obtaining competitive proposals and prices.

16. MINUSTAH took an average of 235 days from the date of requisition to complete the procurement process. The long lead time occurred due to belated technical evaluation and subsequent award of contract. For example, MINUSTAH took an average of 186 days to complete technical evaluations after opening bids in seven procurement cases. Further, it took an average of 76 days after the technical evaluation to award the contract in another 10 cases.

17. MINUSTAH advised that vendors were not given more time to respond to solicitations due to the urgent need for some requirements. Further, the long lead time in procurement was attributed to turnover of staff in the Procurement Section. For example, there were five different Chiefs/Officers-in-Charge of the Section during the audit period. This was compounded by inadequate capacity due to staff vacancy rate of around 25 per cent. The long lead time in the procurement process increased the risk that goods and services were not timely and effectively procured to meet operational requirements.

(1) MINUSTAH should take action to fill vacant posts in the Procurement Section to strengthen its capacity to implement a more effective solicitation process.

MINUSTAH accepted recommendation 1 and stated that it had initiated the process of filling the two vacant posts in the Procurement Section. Recommendation 1 remains open pending receipt of evidence that vacant posts have been filled.

MINUSTAH resorted to ex-post facto procurement cases and extended contracts thus avoiding competitive solicitation

18. The Procurement Manual states that ex-post facto cases are rare exceptions that should be avoided. The Manual also stipulates that contract sums shall not be increased or periods extended as a means of unduly avoiding competitive solicitation of the requirement.

19. A review of 41 out of 328 procurement files indicated that the Procurement Section did not timely present 11 cases for contract extension to the LCC and/or Headquarters Committee on Contracts (HCC) leading to ex-post facto procurement actions. There was an average delay of 475 days in presenting such cases. For example, MINUSTAH submitted a request to HCC on 16 February 2016 for extending a lease agreement involving \$605,926 that had expired on 19 May 2012. The Mission however paid the vendor during the interim period. This happened because MINUSTAH did not properly track the expiry of existing contracts to ensure timely initiation of new solicitation processes.

20. MINUSTAH also continually extended seven contracts beyond the stipulated maximum option periods because sufficient lead time was not always given by requisitioners to initiate a new procurement process for the requirement. For example, MINUSTAH extended a contract established in July 2008 for more than six years until February 2015 although the contract was initially established for a maximum of three years. The LCC in its meeting of March 2015 recommended a new solicitation exercise as it observed that there were at least three emerging competitors for the requirement during the intervening period.

21. Although the Mission had implemented the Electronic Master Contracts Database to facilitate managing and monitoring expiring contracts, as reported by the Contract Management Unit, the database was not complete or accurate. For example, there were discrepancies regarding contract validity dates and expenditures when compared with Umoja. Additionally, the system was not designed to capture data real time and required inputs from requisitioners and the Procurement Section on new or amended contracts and regular reviews of data accuracy. However, these reviews and updates were not done timely resulting in inadequate tracking of contract expiry dates.

22. Ex-post facto extensions of contracts had financial implications and drove the Mission to obtain goods and services without valid contracts during the intervening period. Additionally, the continual extension of contracts deterred MINUSTAH from obtaining best value for money through a competitive solicitation process.

(2) MINUSTAH should take action to ensure that the Electronic Master Contracts Database is updated timely and accurately to properly track expiry dates of contracts, initiate procurement actions and reduce the number of ex-post facto cases.

MINUSTAH accepted recommendation 2 and stated that the database was not designed to be an integrated system; nevertheless, the Mission would continue to update it with relevant contract information. The Procurement Section and Contracts Management Unit had also established a shared drive folder for easy and continuous access to all active contracts for effective management. Recommendation 2 remains open pending receipt of evidence that expiry dates of contracts are adequately tracked and timely procurement actions are being taken to minimize the number of ex-post facto cases.

Formal methods of solicitation were not used for public information activities

23. The Procurement Manual reflects the principle of segregation of responsibilities between requisitioning and procuring entities by specifying their separate and distinct functions. It also stipulates that the United Nations may solicit goods and services from a single vendor after determining that using formal methods of solicitation is not in the best interest of the Organization. In such cases, the procurement officer may post an REOI to determine whether there are any qualified vendors for the requirement and, in their absence, justify the rationale for a sole source selection process.

24. OIOS review of documents related to direct purchases indicated that MINUSTAH Public Information Office (PIO) entered into 20 agreements totaling \$686,729 for various outreach activities including creative workshops and concerts during the audit period. The contracts were prepared by PIO in conjunction with the legal office and signed by the D/CMS. The amounts ranged between \$6,000 and \$160,000.

25. PIO advised that the Mission did not use formal methods of solicitation for procuring such services because there was not a competitive marketplace in Haiti for their requirements. They also indicated that some of the services were copyrighted as they were based on unsolicited proposals that fit the Mission's approved communication strategy. However, there were no written records justifying exception to formal methods of solicitation, including issuance of REOIs to the more than 10 individuals and groups PIO contracted with, to generate some competition among them. Direct procurement of services by PIO also violated the principle of segregation of responsibilities between the requisitioning and procuring entities. The absence of due diligence precluded PIO from determining if using informal methods of solicitation was in the best interest of the Mission.

(3) MINUSTAH should use formal methods of solicitation for procuring services related to public information activities and, if it determines that there is a limited competitive market, maintain records justifying such determination.

MINUSTAH did not accept recommendation 3 and stated that it did not use formal methods of solicitation for some PIO activities as they either involved proprietary artistic works or could not be evaluated objectively. MINUSTAH also stated that REOIs could not be issued effectively for all PIO activities due to copyright of unsolicited proposals that fit the Mission's communication strategy. However, PIO and the Procurement Section would work together from 2017 to ensure effective procurement of both solicited and unsolicited proposals according to the procurement rules and regulations taking into account the potentially changed Mission context and requirements. OIOS acknowledges the initiatives taken by the Mission to strengthen the related procurement process from 2017. However, OIOS is concerned that in addition to sole sourcing these services without the required due diligence, MINUSTAH is accepting and processing unsolicited proposals, which considerably weakened internal controls over this category of procurement. This unaccepted recommendation has been closed and may be reported to the General Assembly indicating management's acceptance of residual risks.

C. Bid submission and evaluation

The Tender Opening Committee needed to improve controls over safeguarding of bids submitted electronically

26. The Procurement Manual requires the Mission to establish a Tender Opening Committee (TOC) to receive and safeguard bids submitted in response to solicitations. The Manual requires electronic bids to be sufficiently secured. MINUSTAH standard operating procedures for TOC specify that only the Chairperson (or Alternate Chairperson in case of absence) or the Secretary of TOC shall have access to the e-mail account designated for the purpose of receiving bids. The procedures require electronic submissions to be placed in a sealed envelope immediately after they are downloaded and printed.

27. MINUSTAH had a functional TOC that adequately prepared bid abstract sheets and recorded submissions timely. However, MINUSTAH configured the TOC generic e-mail account to the individual laptops of four TOC members for accessing bid documents simultaneously.

28. TOC members downloaded electronic bids onto their individual laptops one or two days prior to TOC meetings but did not place the bids in sealed envelopes due to other operational priorities. Also, a review of access logs of four former TOC members indicated that there were delays of an average of five days in deactivating their access to the TOC e-mail account on expiry of their membership. This occurred due to delays in requesting the Communications and Information Technology Section for such deactivation. As a result, there was a risk that access to bid documents was not adequately controlled to preserve their confidentiality.

(4) MINUSTAH should take action to: (a) limit access to the e-mail account dedicated for receipt of bid submissions to one member of the Tender Opening Committee at a time in order to be able to assign responsibility for actions; and (b) immediately revoke access to the e-mail account by staff members after they cease to be members of the Tender Opening Committee.

MINUSTAH accepted recommendation 4 and stated that the e-mail account dedicated for the receipt of bid submissions had been limited to only the chairperson and secretaries according to the

Mission's standard operating procedures. The Mission had also cancelled the access of all former TOC members. Based on action taken by MINUSTAH, recommendation 4 has been closed.

Technical and commercial evaluations needed improvement

29. The Procurement Manual requires the Mission to establish teams for technical evaluation of bids. The technical evaluation team shall not comprise a supervisor and subordinate. The Manual also requires commercial evaluation teams to document their evaluations and the evaluators to sign the evaluation reports.

30. A review of 20 out of 42 contract awards for goods and services indicated that four technical evaluations were performed by teams that included a supervisor and subordinate. Additionally, the evaluators did not sign the commercial evaluations.

31. This occurred because members of the evaluation teams were not always available and/or able to allocate sufficient time to the bid evaluation process due to other operational priorities. As a result, there was an increased risk that the most responsive and qualified bid was not selected for contract award.

(5) MINUSTAH should take action to strengthen technical and commercial evaluations of bids, including ensuring that: (a) technical evaluation teams do not include both supervisors and subordinates; and (b) evaluators sign off commercial evaluations.

MINUSTAH accepted recommendation 5 and stated that self-accounting units would ensure that technical evaluation teams do not include supervisors and subordinates. The Procurement Section had also issued administrative guidelines to all procurement staff to ensure that commercial evaluations were signed off by the team leader. Recommendation 5 remains open pending receipt of evidence that controls over technical and commercial evaluations of bids have been strengthened.

MINUSTAH had a functional LCC

32. The Procurement Manual requires the Mission to establish an LCC to provide advice to the D/CMS on procurement actions and their compliance with United Nations Financial Regulations and Rules. The LCC shall comprise members including finance officer, legal officer, and representatives of General Services and Programme Management Section, who should not be concurrent members of the TOC.

33. MINUSTAH established an LCC with proper composition. It convened 72 meetings and reviewed 118 procurement cases valued at \$31 million during the audit period. A review of 20 of 72 minutes of LCC meetings indicated that it took an average of four days to process the minutes of the meeting and its advice appropriately highlighted errors, anomalies and improvements in the procurement actions wherever required. However, OIOS noted a few anomalies in the preparation of the LCC minutes of meetings. For example, the dates of LCC minutes were not recorded in eight cases and the statement on the absence of conflict of interest of LCC members was omitted mistakenly in three cases although OIOS did not find any such conflict of interest. The anomalies being minor, OIOS did not make a recommendation and concluded that MINUSTAH implemented adequate controls on the functioning of the LCC.

D. Contract award and administration

Performance bonds were not always obtained and renewed

34. The Procurement Manual requires performance bonds or other security instruments to be used to secure vendor performance.

35. A review of 20 out of 42 contracts awards for goods and services indicated that: (a) MINUSTAH did not obtain required performance bonds from seven vendors; (b) the validity of four performance bonds expired during the term of the contract; and (c) there was an average delay of two months to obtain performance bonds after establishment of three contracts. Further, the bond values were lower than that required in two contracts. This happened because MINUSTAH did not adequately track and monitor if performance bonds of correct value and validity were obtained according to the terms of corresponding contracts. The lack of performance bonds of appropriate value and validity meant that the Mission had inadequate safeguards against vendors' inability to fulfill contract obligations. For example, a vendor did not deliver goods after a purchase order had been raised leading to cancellation of an engineering project, but the Mission could not use the security instrument against the vendor as the required performance bond was not obtained.

(6) MINUSTAH should establish procedures to track and monitor that adequate performance bonds are obtained to effectively secure vendor performance under contracts.

MINUSTAH accepted recommendation 6 and stated that the Mission would continue to follow up with vendors who failed to provide the required performance bonds. Recommendation 6 remains open pending receipt of evidence that performance bonds of correct value and validity are being systematically obtained to secure vendors' performance.

Inadequate due diligence in establishing and renewing lease/service agreements

36. MINUSTAH standard operating procedures on acquiring real estate assets require the lease agreement to be accompanied by a surveyor's report demarcating the physical boundaries and explaining the existing condition of the property including an inventory of the landlord's belongings. MINUSTAH lease agreements also provide for reimbursement of expenses for capital improvements on properties provided written consent is obtained from landlords before such improvements are initiated.

37. A review of 11 out of 31 lease agreements during the audit period indicated that the lease agreements did not include surveyors' reports. MINUSTAH did not always verify the inventory and condition of properties at the time of renewal of lease agreements. For example, MINUSTAH extended a 2004 lease agreement three times through May 2018 but did not verify the inventory of items in the property at the time of such extensions. The lessor complained about loss of some furniture and equipment included in the lease agreement. The Procurement Section initially lost the contract file and was not able to verify the inventory for a protracted period leading to legal disputes. MINUSTAH eventually retrieved a copy of the lease agreement and confirmed the loss of equipment in its inspection of November 2015. The lessor claimed \$207,191 for the alleged loss of equipment which had not yet been settled. Moreover, the Mission paid the lease which included rental of equipment that did not exist.

38. Additionally, there was improper delimitation of the perimeter of property rented by MINUSTAH. For example, the Mission constructed a road outside the perimeter of a rented property leading to a claim of \$12,500. In another case, MINUSTAH dismantled telecommunication infrastructure and equipment from a rented repeater site on 30 June 2015 although the site had been closed on 1 June

2013 and contracted rent reduced accordingly. However, the vendor claimed rent of \$30,000 for the intervening period due to delay in handing over the site. Moreover, MINUSTAH established other lease agreements for which the lessors could not provide adequate proof of ownership or permission to sublease the properties.

39. MINUSTAH also incurred \$2.3 million during 1 January 2014 to 31 December 2015 for capital improvements including additions, alterations or renovations of various leased properties but could not recover the amount because written consents were not obtained from the landlords prior to such improvements. The Procurement Section advised that improvements to leased properties could not be negotiated and agreed with respective landlords prior to commencing works because it had not received advance information on improvements from the Engineering Section except on two occasions.

40. These anomalies occurred because MINUSTAH did not put in place a mechanism to: (a) verify the titles of property and include surveyors' reports demarcating the physical boundaries and describing the existing condition of property prior to establishing or renewing lease agreements; and (b) keep an account of inventory in leased properties. This exposed MINUSTAH to multiple contractual disputes related to lease agreements. The Legal Section handled around 15 cases arising out of various disputes on leased properties during the audit period.

(7) MINUSTAH should establish procedures to streamline its leasing of properties including: (a) verifying the ownership of premises, physical boundaries and existing conditions of leased items prior to entering into or renewing lease agreements; and (b) ensuring that agreements are reached with landlords prior to embarking on any capital improvements of properties in order to recover the related costs.

MINUSTAH accepted recommendation 7 and stated that it would implement existing procedures to obtain the approval of landlords prior to any capital improvements and to verify ownership of premises, physical boundaries and existing conditions of premises prior to any negotiation and possible amendment of leased contracts. Recommendation 7 remains open pending receipt of evidence of implementation of these actions.

MINUSTAH complied with reporting requirements

41. The Procurement Manual requires the Mission to submit to DFS: (a) a written report within 30 days of procurement of a core requirement exceeding \$500,000; and (b) a quarterly report of all ex-post facto cases. A review of 12 of 24 monthly reports on core requirements and all the eight quarterly reports on ex-post facto cases during the audit period indicated that MINUSTAH regularly submitted these reports to DFS. OIOS concluded that MINUSTAH had implemented adequate controls to ensure compliance with the reporting requirements.

Maintenance of procurement files needed improvement

42. The Procurement Manual specifies minimum documents to be included in procurement case files. All procurement case files are required to be archived up to a minimum of seven years after the date the contract is closed.

43. A review of 41 out of 328 procurement files indicated that MINUSTAH lost three procurement files due to inadequate archiving. The Mission subsequently recreated the files but some of the required documents were missing. MINUSTAH was unable to monitor the status of assets leased from a landlord due to loss of the related procurement file. Additionally, files were incomplete. For example, 9, 11 and 6 files did not contain solicitation documents, source selection plans and bid abstract sheets respectively.

Moreover, 11 files did not have either technical or commercial evaluation reports. The files were also not indexed and organized. This occurred due to inadequate supervision to ensure complete documentation of procurement files and an ineffective mechanism to properly archive them. This deterred the Mission from maintaining an adequate audit trail of procurement cases.

(8) MINUSTAH should take action to reinforce its supervision of the maintenance of procurement files to ensure that they are indexed, organized and complete; and implement an effective mechanism to properly archive them.

MINUSTAH accepted recommendation 8 and stated that it would continue to index all its procurement files and team leaders would sign off on case files to be archived. Recommendation 8 remains open pending receipt of evidence that procurement files are indexed, organized, completed and properly archived.

V. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Stabilization Mission in Haiti

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MINUSTAH should take action to fill vacant posts in the Procurement Section to strengthen its capacity to implement a more effective solicitation process.	Important	O	Submission of evidence that vacant posts in the Procurement Section have been filled.	31 March 2017
2	MINUSTAH should take action to ensure that the Electronic Master Contracts Database is updated timely and accurately to properly track expiry dates of contracts, initiate procurement actions and reduce the number of ex-post facto cases.	Important	O	Submission of evidence that expiry dates of contracts are adequately tracked and timely procurement actions are being taken to reduce the number of ex-post facto cases.	31 March 2017
3	MINUSTAH should use formal methods of solicitation for procuring services related to public information activities and, if it determines that there is a limited competitive market, maintain records justifying such determination.	Important	C	Closed without implementation based on management acceptance of residual risk.	21 December 2016
4	MINUSTAH should take action to: (a) limit access to the e-mail account dedicated for receipt of bid submissions to one member of the Tender Opening Committee at a time in order to be able to assign responsibility for actions; and (b) immediately revoke access to the e-mail account by staff members after they cease to be members of the Tender Opening Committee.	Important	C	Action complete.	Implemented
5	MINUSTAH should take action to strengthen technical and commercial evaluations of bids, including ensuring that: (a) technical evaluation	Important	O	Submission of evidence that technical evaluation teams do not include supervisors and subordinates and that commercial evaluations	31 March 2017

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by MINUSTAH in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	teams do not include both supervisors and subordinates; and (b) evaluators sign off commercial evaluations.			are signed off by the team leader.	
6	MINUSTAH should establish procedures to track and monitor that adequate performance bonds are obtained to effectively secure vendor performance under contracts.	Important	O	Submission of evidence that performance bonds of correct value and validity are being systematically obtained to secure vendors' performance.	30 June 2017
7	MINUSTAH should establish procedures to streamline its leasing of properties including: (a) verifying the ownership of premises, physical boundaries and existing conditions of leased items prior to entering into or renewing lease agreements; and (b) ensuring that agreements are reached with landlords prior to embarking on any capital improvements of properties in order to recover the related costs.	Important	O	Submission of evidence that ownership of premises, physical boundaries and existing conditions of leased properties are verified prior to entering into or renewing lease agreements and approval of landlords are obtained prior to any capital improvements.	30 June 2017
8	MINUSTAH should take action to reinforce its supervision of the maintenance of procurement files to ensure that they are indexed, organized and complete; and implement an effective mechanism to properly archive them.	Important	O	Submission of evidence that procurement files are indexed, organized, completed and properly archived.	30 June 2017

APPENDIX I

Management Response

Management Response

Audit of local procurement in the United Nations Stabilization Mission in Haiti

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MINUSTAH should take action to fill vacant posts in the Procurement Section to strengthen its capacity to implement a more effective solicitation process.	Important	Yes	CPO	First quarter of 2017	MINUSTAH comments are reflected in the report.
2	MINUSTAH should take action to ensure that the Electronic Master Contracts Database is updated timely and accurately to properly track expiry dates of contracts, initiate procurement actions and reduce the number of ex-post facto cases.	Important	Yes	CPO/CCMU	First quarter of 2017	The Mission does not agree with the statement that the Electronic Master Contracts Database lacks integrity and it is recommended that this be corrected in the final audit report. As explained by the Mission, the Electronic Master Contracts Database (EMCDB) was not designed to be an integrated system that could capture real time data, but as local software for MINUSTAH in addition to the legacy systems prior to the implementation of Umoja. Since January 2016, ex-post facto cases have been eliminated due to the effective tracking system which has been implemented by the Mission. The Mission will continue to update the EMCDB to track the expiry dates, cumulative and aggregated not-to-exceed contracts amount, monitoring

¹ 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.

² 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.

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						managers and other critical information of the Mission's contracts. Procurement Section and Contracts Management unit have established a common shared drive folder where both teams can have easy and uninterrupted access to all active contracts for continuous management.
3	MINUSTAH should use formal methods of solicitation for procuring services related to public information activities and, if it determines that there is a limited competitive market, maintain records justifying such determination.	Important	No	CPO /CPIO	Implemented	<p>As explained by the Mission, MINUSTAH uses formal solicitation methods for its procurement activities including when procuring goods and services for the Mission Public Information Office (PIO).</p> <p>However, for some PIO activities, a formal solicitation method, understood as per FR 105.15 as competitive bidding through ITBs and RFPs, cannot be used when it involves a proprietary product or service (FR 106.16 (a) (i)), or when the proposed procurement contract relates to obtaining services that cannot be evaluated objectively (FRR106.16 (a) viii) and these cases are properly justified and approved.</p> <p>Additionally, a REOI cannot be issued effectively for all PIO activities to "confirm that a competitive market for artistic activities and creative workshops does not exist" due to the property copyright of these unsolicited proposals that fit the Mission communication strategy as approved by the SRSG. The draft report is silent about these sole proprietary cases that fall under the exceptions of sole source</p>

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>provider under FR106 (a) (i) and FR106.16 (a) viii as presented in the prior comments of the Mission. The activities referred in the audit report fall under these exceptions as it involves proprietary artistic works and partnerships with local artists that cannot be evaluated objectively. Moreover, procurement action cannot be prognosticated in final detail and is evaluated on a case-by-case basis as the facts and needs present themselves. As a matter of principle competitive bidding is performed according to FRR and procurement rules and regulations and where justified, waivers to competitive bidding are applied in accordance with these norms.</p> <p>MINUSTAH PIO and Procurement Section will cooperate on acquisition and procurement planning, taking into account also the potentially changed Mission context and requirements from 2017. The two Sections will be working to ensure effective procurement of both solicited and unsolicited proposals in accordance with FRR and procurement rules and regulations.</p>
4	MINUSTAH should take action to: (a) limit access to the e-mail account dedicated for receipt of bid submissions to one member of the Tender Opening Committee at a time in order to be able to assign responsibility for actions; and (b)	Important	Yes	TOC Chairperson	Implemented	Access to the email account dedicated for the receipt of bid submissions has been limited to only the chairperson and secretaries according to Mission Standard Operating procedures. Evidence has been provided to the

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	immediately revoke access to the e-mail account by staff members after they cease to be members of the Tender Opening Committee.					audit team that the access of all former TOC members have been cancelled and will be done when required in future.
5	MINUSTAH should take action to strengthen technical and commercial evaluations of bids including ensuring that: (a) technical evaluation teams do not include both supervisors and subordinates; and (b) evaluators sign off commercial evaluations.	Important	Yes	CPO	First quarter of 2017	MINUSTAH comments are reflected in the report.
6	MINUSTAH should establish procedures to track and monitor that adequate performance bonds are obtained to effectively secure vendor performance under contracts.	Important	Yes	CPO	Second quarter of 2017	MINUSTAH comments are reflected in the report.
7	MINUSTAH should establish procedures to streamline its leasing of properties including: (a) verifying the ownership of premises, physical boundaries and existing conditions of leased items prior to entering into or renewing lease agreements; and (b) ensuring that agreements are reached with landlords prior to embarking on any capital improvements of properties in order to recover the related costs.	Important	Yes	CPO/CESS	Second quarter of 2017	MINUSTAH will continue to implement its existing procedures to obtain the approval of landlords prior to any capital improvements and to verify ownership of premises, physical boundaries and existing conditions of the premises prior to any negotiation and possible amendment of such contracts, which is in accordance with SOP ref: MIN/SOP/PROC/2013-01 – Acquiring Real Estates Assets (clause D6.33. b. iv) of 11 October 2013.
8	MINUSTAH should take action to reinforce its supervision of the maintenance of procurement files to ensure that they are indexed, organized and complete; and implement an effective mechanism to properly archive them.	Important	Yes	CPO	Second quarter of 2017	MINUSTAH comments are reflected in the report.