



# **INTERNAL AUDIT DIVISION**

## **REPORT 2019/069**

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### **Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York**

**There was a need to strengthen governance and strategic planning to efficiently and effectively manage the long-term capital maintenance programme and related projects**

**13 August 2019**

**Assignment No. AH2017/513/01**

# **Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York. The objective of the audit was to assess whether: (a) necessary capital improvements and maintenance projects were adequately identified and funded; (b) capital improvements and maintenance programmes were managed effectively and efficiently, including mitigation of risks; and (c) global capital projects were effectively coordinated and centrally supervised. The audit covered the period from 1 January 2016 to 30 June 2018 and included governance and strategic planning; work planning and performance measurement; project management; and financial management.

While the former Facilities and Commercial Services Division issued construction guidelines, coordinated and oversaw global capital projects, managed capital improvements and maintained the Secretariat's facilities in New York, there was a need to strengthen governance and strategic planning to efficiently and effectively manage the long-term capital maintenance programme and related projects.

OIOS made nine recommendations. To address issues identified in the audit:

The Department of Management Strategy, Policy and Compliance (DMSPC) needed to:

- Conduct a risk assessment and implement a risk mitigation plan for the global premises of the United Nations Secretariat and review the capacity of the Global Asset Management Policy Service to adequately oversee capital maintenance projects;
- Strengthen facilities management, including establishing relevant policies, standards and guidelines; and
- Instruct facilities managers across the Secretariat to utilize Umoja to record their preventative maintenance activities and periodically monitor implementation of preventative maintenance Secretariat-wide.

The Department of Operational Support (DOS) needed to:

- Assess conditions of properties at Headquarters and timely request appropriate funding for needed improvements, alterations, and maintenance;
- Develop annual work plans and performance benchmarks for adequate planning and internal monitoring of the activities of the Facilities and Commercial Activities Service (FCAS);
- Revise project management guidelines for implementation of small and medium-sized projects;
- Ensure FCAS maintains adequate records on project management;
- Strengthen financial management controls of FCAS to better track its financial resources; and
- Enhance documentation related to purchases done by FCAS through low value acquisitions.

DMSPC and DOS accepted the recommendations and have initiated action to implement them.

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# **Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York. The entities covered in this report are referred to by their names at the time of the audit. Some of the entities have since been rebranded as part of the ongoing management reforms and the recommendations are made to the new departments and offices responsible for implementing them.

2. The Facilities Management Service (FMS)<sup>1</sup> within the Facilities and Commercial Services Division (FCSD)<sup>2</sup> of the Office of Central Support Services, Department of Management had overall responsibility for managing capital improvements and maintenance of the premises of the United Nations Secretariat in New York. Its main objectives were to ensure the effective and efficient maintenance and operation of the facilities. FMS had 127 dedicated posts to manage planning, design, construction, plant engineering, and administrative services and was headed by a Chief at D-1 level.

3. The Global Property Management Service (GPMS)<sup>3</sup> within FCSD had overall responsibility for capital programme planning and overseeing and coordinating capital improvements projects undertaken in the United Nations. Its responsibilities included: (i) asset management for the global real estate portfolio of the Secretariat; (ii) central supervision, oversight, governance, independent risk management, guidance, and support to all aspects of capital projects in the global premises, and (iii) provision of advice on system-wide best practices and lessons learned. GPMS had five dedicated posts to assist with oversight and coordination of capital projects and was headed by a Chief at the D-1 level.

4. The 20-year capital maintenance requirements for the global premises of the United Nations Secretariat were forecast at \$1.9 billion (\$540.7 million for New York) comprising various renovations and new construction projects, with the replacement cost of real estate assets estimated at \$3.6 billion (A/69/760). The budgetary resources pertaining to FMS were allotted under the programme budgets for management and central support services (Section 29D) and construction, alteration, improvement, and major maintenance (Section 33). FMS expenditures for the period 1 January 2016 to 30 June 2018 amounted to \$31.6 million as indicated in Table 1.

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<sup>1</sup> Currently the Facilities and Commercial Activities Service

<sup>2</sup> Currently the Division of Administration within Department of Operational Support

<sup>3</sup> Currently the Global Asset Management Policy Service within the Field Operations Finance Division of the Office of Programme Planning, Finance and Budget, Department of Management Strategy, Policy and Compliance

**Table 1. FMS expenditures for the period 1 January 2016 to 30 June 2018**

<b>Expenditure category</b>	<b>Total (\$)</b>
Major maintenance	8,891,908
Office reconfiguration & flexible workplace	8,117,629
General maintenance	4,007,030
Alterations & improvements	3,416,003
Electrical maintenance	2,945,956
Elevator maintenance	2,401,006
Moving services	1,330,000
Architectural services	246,617
Office furniture	273,507
<b>TOTAL</b>	<b>31,629,656</b>

Source: Umoja

5. Comments provided by Department of Management Strategy, Policy and Compliance (DMSPC) and Department of Operational Support (DOS) are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The objective of the audit was to assess whether: (a) necessary capital improvements and maintenance projects were adequately identified and funded; (b) capital improvements and maintenance programmes were managed effectively and efficiently, including mitigation of risks; and (c) global capital projects were effectively coordinated and centrally supervised.

7. This audit was included in the 2018 risk-based work plan of OIOS due to the risks associated with management of capital improvements and maintenance projects.

8. OIOS conducted this audit from August 2018 to May 2019. The audit covered the period from 1 January 2016 to 30 June 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas related to capital improvements and maintenance activities in the United Nations Secretariat, including: governance and strategic planning; work planning and performance measurement; and project and financial management.

9. The audit methodology included: (a) interviews with key personnel in FMS and GPMS; (b) reviews of relevant documentation; (c) analytical review of financial data in Umoja; (d) review of three capital projects implemented in Headquarters; and (e) sample testing of 60 vendor payments and other financial transactions.

10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

## **III. AUDIT RESULTS**

### **A. Governance and strategic planning**

DMSPC needed to conduct risk assessment and implement risk mitigation plan for global premises

11. General Assembly resolution 63/263 underlined the risks inherent in the execution of construction projects and stressed the importance of adequate: (i) planning, coordination, and project supervision to

avoid budget overruns and delays; and (ii) guidance, interaction, and coordination between New York Headquarters and other locations. However, GPMS did not conduct a comprehensive risk assessment and develop risk mitigation measures to ensure high-level risks related to global real estate portfolio were effectively managed. As a result, risks related to funding, use of budgetary resources, project delays and cost overruns, deterioration/failure of critical buildings systems/infrastructure assets, disruption to business operations, legal liability, management capacity and fraud and corruption were not adequately identified and mitigated. OIOS identified the following issues:

a. Capacity to manage the global real estate portfolio was stretched

12. At the time of the audit, GPMS was monitoring five major ongoing large-scale construction/renovation projects in Geneva, Nairobi, and three regional commissions<sup>4</sup> with budgets amounting to approximately \$1 billion. Although three of the projects had oversight and governing committees, they relied significantly on the expertise and experience of the Chief of GPMS and a small team of five staff for oversight, independent risk management, guidance, and support. In addition, GPMS reviewed overall budget requirements for Section 33 and advised on priorities and resource allocation for the capital maintenance programme; conducted and reported on four strategic capital reviews of the global real estate portfolio between 2014 and 2017; prepared a report on strengthening capital maintenance in the United Nations for the General Assembly and other legislative bodies in 2018; gathered/compiled lessons learned from large overseas projects; and led/participated in meetings of the facilities managers' network of the United Nations System. GPMS also established construction guidelines for implementing capital projects and prepared coordination and administrative agreements, delineating the roles and responsibilities of GPMS and project teams in overseas duty stations for construction activities.

13. Minutes of various project team meetings showed GPMS' coordinating role in all phases of global projects in accordance with General Assembly requests. However, due to the technical nature of capital planning and asset management for the large real estate portfolio of the United Nations, reliance on the small GPMS team may create additional risks. For example, construction projects for a new office facility in the Economic Commission for Africa (ECA) and the Mechanism for International Criminal Tribunals at Arusha experienced issues related to local building codes, the heating, ventilation and air conditioning (HVAC) system, and air quality. This resulted in delayed project initiation and delivery in both cases. OIOS addressed these issues in its Reports 2015/040 and 2018/007.

b. Guidelines on facilities management were needed

14. GPMS issued guidelines for implementing capital projects but they did not include guidelines for complying with relevant local codes and standards on accessibility and occupational health and safety. Guidelines were also needed to assess conditions of buildings every five years in accordance with industry practices to mitigate life-safety and hazardous conditions. In six audits of facilities management in overseas United Nations duty stations, OIOS noted inadequate building inspections; compliance with local codes/requirements; health, life, and fire safeguards; and performance benchmarks in facilities management processes and made 17 audit recommendations to remediate the identified issues. Furthermore, part of the façade on the United Nations Institute for Training and Research building at Headquarters collapsed on a sidewalk due to inadequate comprehensive building inspection according to local codes and timely maintenance, exposing the Organization to liability risks.

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<sup>4</sup> Strategic Heritage Plan (\$827.1 million), Africa Hall Renovation (\$56.8 million), Seismic Mitigation and Retrofit Project (\$40.4 million), North Building (\$14.1 million), and Renovation at United Nations Office at Nairobi (\$70 million)

c. Updating the 20-year capital maintenance programme on a rolling basis and prioritizing projects

15. GPMS was to update the Secretariat's 20-year capital maintenance programme at appropriate intervals to accurately forecast and prioritize capital improvements and major maintenance projects and regularly report on the updated capital planning requirements to the General Assembly<sup>5</sup>. Although the strategic capital review reports were issued every year between 2014 and 2017, the planning requirements had not been updated since 2015. As a result, the urgent budgetary requirements of \$14.1 million (see paragraph 17) were not reflected in the updates. GPMS commented that the strategic capital review will now be updated every five years, since it was not practicable to do it more often.

d. Funding requests

16. Although the General Assembly took note of the 20-year capital maintenance programme for the global premises of the Secretariat, it stipulated that approval of the required resources would follow the normal budgetary cycle. A review of the Section 33 budget submission prepared by GPMS for the 2018-2019 biennium revealed a shortfall of around \$91.1 million for proposed projects estimated at \$254 million in the capital maintenance programme. According to GPMS, the offices away from headquarters and regional commissions did not provide sufficient information, such as feasibility studies and cost breakdowns, in their individual budget submissions to strongly support approval by the General Assembly of some of the needed funding. In other cases, the budget proposals were incomplete, not submitted on time, or included operating maintenance items that were not appropriate for Section 33 funding. Although GPMS had provided the offices away from Headquarters with capital planning worksheets, there was a need to provide additional guidance on the required documentation to strengthen their Section 33 budget proposals.

17. Furthermore, not all capital requirements had been funded due to budgetary constraints. For example, urgent works at Headquarters totaling \$2.1 million, such as the replacement of the structural expansion joints between the Secretariat and the General Assembly building, and other global projects estimated at \$14.1 million that were critical to addressing life-safety hazards, security risks, and deficient building conditions, remained unfunded due to the ceiling in the budget envelope.

e. Preventative maintenance programme

18. According to the strategic capital reviews, timely sequencing of preventative maintenance was key to proactively: (i) forecast capital planning requirements over the long-term; (ii) reduce deterioration of buildings due to low or deferred/postponed maintenance work; and (iii) avoid multiple large projects within the same budget period that take several years to complete. Although GPMS anticipated that facilities managers would use the Umoja Plant Maintenance module to record their preventative maintenance activities, only Headquarters started using it in October 2017. Absence of information Secretariat-wide prevented GPMS from efficiently monitoring implementation of the preventative maintenance programme.

f. Lessons learned

19. GPMS did not coordinate the development, implementation, and evaluation of projects with capital values of less than \$10 million. Consequently, as further detailed in this report, small and medium-scale projects, as well as the flexible workplace project, were being implemented at Headquarters without an assessment of the lessons learned in the areas of planning, design and construction for application in future capital projects.

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<sup>5</sup> A/68/733, "Strategic capital review"

20. GPMS' capacity was inadequate to carry out critical asset management, coordination, risk management and monitoring/reporting functions to achieve its objectives, which required GPMS to prioritize resources. This situation had not changed with the establishment of the Global Asset Management Policy Service (GAMPS) which took over these responsibilities after the management reforms. GAMPS' inadequate capacity could hinder the Secretariat's ability to efficiently and effectively manage the global capital maintenance programme, address deficiencies in a timely manner, and ensure that costs are reasonably contained within budget.

- (1) DMSPC should: (i) conduct a risk assessment and implement a risk mitigation plan for the global premises of the United Nations Secretariat; and (ii) review the capacity of the Global Asset Management Policy Service to adequately oversee capital maintenance projects.**

*DMSPC accepted recommendation 1 and stated that GAMPS would conduct a risk assessment and implement a risk mitigation plan, with the technical assistance and support of the Enterprise Risk Management Section in the Business Transformation and Accountability Division of DMSPC. Recommendation 1 remains open pending receipt of the completed risk assessment and mitigation plan for the global premises and results of the review of the capacity of GAMPS.*

- (2) DMSPC should implement measures to strengthen facilities management, including establishing relevant policies, standards, and guidelines.**

*DMSPC accepted recommendation 2 and stated that GAMPS had already developed extensive policies for the planning and implementation of capital projects, under the auspices of the strategic capital review and will continue to strengthen existing policies and develop a further set of scalable policies to be applied to ongoing facilities management. Recommendation 2 remains open pending receipt of the established policies, standards, and guidelines on facilities management.*

- (3) DOS should, in consultation with the Global Asset Management Policy Service, conduct a building conditions assessment of properties at Headquarters and timely request the appropriate budgetary funding for needed improvements, alterations and maintenance.**

*DOS accepted recommendation 3 and stated that it will submit a proposal for the building conditions assessment in the programme budget for 2021. Recommendation 3 remains open pending receipt of evidence of the completed buildings conditions assessment of properties at Headquarters.*

- (4) DMSPC should: (i) instruct facilities managers across the Secretariat to utilize the Plant Maintenance module in Umoja to record their preventative maintenance activities; and (ii) periodically monitor implementation of the preventative maintenance programme Secretariat-wide.**

*DMSPC accepted recommendation 4 and stated that GAMPS continues to provide training and support to all entities as they roll out their local capabilities. GAMPS will also formalize instructions that facilities managers should utilize the Plant Maintenance module in Umoja. Recommendation 4 remains open pending receipt of the status of utilization of the Plant Maintenance module in Umoja and evidence of preventative maintenance monitoring.*

## B. Performance measurement

### DOS needed to develop annual workplans and performance benchmarks for planning and monitoring of FCAS activities

21. FMS managed capital improvements and maintained the Secretariat's facilities in New York through three business units. The Plant Engineering Section (PES) was responsible for preventative maintenance and providing building services such as carpentry, electrical and HVAC servicing, and plumbing; the Planning, Design and Construction Section (PDCS) was responsible for design, construction, supervision, and implementation of capital projects; and the Administrative, Finance and Personnel Section (AFPS) was responsible for finance, human resources management, and administrative support.

22. However, as described below, FMS had not developed an adequate performance measurement system to systematically plan, monitor, verify, and report on the results of these activities as it did not formalize annual planning and analyze historic data on completion of work orders and workload volumes to develop performance targets.

#### a. Annual work planning

23. FMS annual work plans were not adequate as they did not define objectives and related activities, assign responsibility for implementation, or identify the expected results, milestones and key performance indicators. Its broad work plan of eight focus areas for the period from April 2017 to March 2018 included activities such as completing the capital master plan, negotiating extensions of two leases, and preparing reports to the General Assembly. However, it did not include other programmed outputs and related activities to achieve its objectives such as project implementation, servicing of work orders, office space planning, and preventative and routine maintenance. While the PES work plan for 2017-2018 outlined six goals for the Section, it did not list specific activities needed to achieve these goals such as servicing the Secretariat's building systems and equipment. OIOS was not provided with annual work plans for PDCS and AFPS.

#### b. Key performance indicators

24. Although FMS reported to the General Assembly that it was achieving its objective of efficiently and effectively managing the Headquarters premises in annual performance reports, the indicators of achievement reflected in the 2016-2017 and 2018-2019 programme budgets were inadequate to monitor, evaluate, and verify the work completed or accuracy of reported results. There were no other internal key performance measures established to monitor implementation of the FMS programme. For example:

- The PES indicator of achievement measured increases in the proportion of services provided as its main success factor. Although PES established benchmarks for various services, it did not monitor performance against these benchmarks. PES conducted surveys after the completion of work orders to assess customer satisfaction on: (i) helpfulness and professionalism of the help desk; (ii) number of requests for services before PES responded; (iii) timeliness of the services; (iv) knowledge and professionalism of the PES service staff; and (v) satisfaction with the service overall. During the audit period, PES responded to over 49,500 work orders raised in the iNeed system by Secretariat departments and offices out of which 89 per cent were shown in Umoja as completed and 11 per cent canceled. For the same period, 7,403 customers responded to PES surveys and reported an overall satisfaction rate of about 96 per cent. However, FMS did not analyze the surveys to identify areas for

improvement. For example, 9.3 per cent of respondents indicated that services were requested at least two or more times before they were addressed.

- The PDCS indicator of achievement measured increases in compliance of capital maintenance programmes and capital projects at Headquarters with the policy frameworks pertaining to construction work, particularly the capital project guidelines. However, it was not clear how PDCS was measuring this indicator for the five capital improvement projects that were ongoing during the period under review.

c. Monitoring and reporting

- PES indicated that it routinely conducted physical inspections to identify any issues in building conditions and timely address them. However, PES did not maintain evidence on the frequency of these physical inspections, the issues identified, and follow-up actions taken to assess whether these inspections were effective.
- FMS was allotted \$14.2 million for the audit period to implement its preventative maintenance programme. Elements of the programme were carried out both internally by PES staff and externally by vendors who performed the maintenance and inspections. Available monthly performance data showed a dwindling implementation of maintenance activities. For October to December 2017, PES carried out on average 96 per cent of the scheduled maintenance for pumps, electrical, HVAC, and plumbing. However, for January to June 2018, PES only completed a monthly average of 50 per cent of scheduled maintenance activities, and 29 per cent for July and August 2018.
- Furthermore, FMS did not maintain information to monitor the performance of vendor maintenance projects per their contractual terms, including the frequency and status of the work, the completion rates, and outstanding items for contractor follow-up and remediation. For example, despite the requirement for annual maintenance, inspection certificates of elevators in three Secretariat buildings indicated 52 violations that required immediate remedial action to mitigate life-safety risks in the buildings. FMS stated that the vendor corrected the violations but did not have documented evidence to support this assertion. Reports on the completion of other preventative maintenance on water chillers, steam water heaters, control air compression, row coolers, etc., during the audit period were also not provided. Inadequate information on preventative maintenance limited FMS management from effectively monitoring preventative maintenance contracts and timely evaluating satisfactory vendor performance. At the time of the audit, FMS was managing 18 preventative maintenance contracts with not-to-exceed value of \$29 million.

**(5) DOS should develop annual work plans and performance benchmarks to enable adequate planning of the activities of the Facilities and Commercial Activities Service and facilitate internal monitoring of its results.**

*DOS accepted recommendation 5 and stated that the annual work plans for 2019/2020 would include performance benchmarks. Recommendation 5 remains open pending receipt of the 2019/2020 work plans.*

### Vacancy rates negatively affected FMS operational capacity

25. FMS had 28 vacancies (22 per cent) as of 30 June 2018, with 14 vacant posts remaining unoccupied for 13 to 30 months. This negatively affected FMS operational capacity to deliver efficient support to plant engineering services and capital projects and to properly monitor budgets, certify payments, and support efficient recruitment processes. It also led to PDCS outsourcing project management services to external consultants to strengthen project management capacity, which cost \$161,000 on a project with a total cost of \$1 million in 2017.

26. FMS stated that the high vacancy rate was attributed to: (i) ongoing hiring freeze on 10-12 posts; (ii) ineffective staffing rosters for PDCS positions as FMS did not have adequate resources to replenish them on a continuous basis; and (iii) the challenge of attracting and retaining qualified PES trades and crafts personnel due to competition for the same resources in the New York job market. Since the audit, FMS collaborated with OHRM to revise the staff selection policy and reduce the minimum work experience required for the entry-level trades and crafts position. As of the time of this report, the total number of PES vacancies had reduced to nine positions.

27. OIOS noted that 8 out of 19 encumbered posts (42 per cent) at the professional level were filled by female staff. FMS stated that it was continuously seeking strategies to attract and retain more women in its staffing structure to achieve gender parity in line with Organizational policies. These initiatives included recruitment campaigns at job fairs and advertisements on social media. In view of FMS' efforts to fill the vacant positions and improve gender balance, OIOS did not make a recommendation on this matter.

## **C. Project management**

### DOS needed to revise the project management guidelines for implementation of small and medium-sized capital projects

28. FMS developed project management guidelines for implementation of small and medium-scale projects. However, a review of three out of the five capital projects implemented at Headquarters during the audit period with cumulative costs of nearly \$26.8 million indicated that the guidelines were inadequate to guide the implementation of such projects. These projects were the: (i) flexible workplace project at Headquarters costing \$22.7 million; (ii) co-location project in the Secretariat building costing \$1 million; and (iii) renovation project at the FF Building costing \$3.1 million as of the date of the audit.

#### a. Flexible workplace project

29. The flexible workplace project was initiated as a pilot in 2014 and at the time of the audit had a large scope with total estimated completion costs of \$55 million, ranking it as the fourth largest ongoing construction project in the United Nations. The funding strategy for the project was to utilize \$18.8 million from annual rent savings from vacated leases in 2016 to 2018, which covered the completion of 11 full and two partial floors. The General Assembly authorized the Secretary-General to enter into commitments up to the amount of \$12.7 million in respect of the project costs for 2019 and appropriated an amount of \$6.6 million from the biennium 2018-2019 budget<sup>6</sup> of the Division of Administration. According to FMS, additional funding to complete the project in 2020 will be requested during the 74<sup>th</sup> session of the General Assembly.

30. In addition, the following issues were identified:

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<sup>6</sup> Resolution 73/279, "Special subjects relating to the programme budget for the biennium 2018–2019"

- The business case outlined three project objectives: (i) space that better satisfies staff work needs; (ii) space that promotes more collaboration; and (iii) greater space efficiency. The General Assembly, in its resolution 72/262, requested the Secretariat to: (i) assess the impact of the project on productivity and staff well-being; (ii) provide reliable qualitative benefit indicators to measure these improvements; and (iii) report on results and lessons learned. Although FMS reported to the General Assembly in September 2018 that the project would provide an estimated additional capacity of 1,222 workspaces for all 27 floors, reductions in commercial rental space and cost, and an increase in staff satisfaction<sup>7</sup>, it did not provide the other requested information. Therefore, the General Assembly, in its resolution 73/279, requested the Secretary-General to arrange an independent evaluation of the project and report on the results. According to DOS, productivity was difficult to measure, as there was no existing baseline. However, the project team would continue to work with the Office of Human Resources in DMSPC to assess the impact of the project on productivity and staff well-being.
- The project was being managed without a proper risk management plan to mitigate risks of budget overruns, delays, scope creep, poor quality, and unrealized benefits. FMS indicated that although the flexible workplace project was large-scale in terms of budget, it was mostly a space reconfiguration and furniture installation project that was implemented several floors at a time and managed by a small team. Nevertheless, certain aspects of governance and management structure could be applied to improve management of the project.
- It was not clear how FMS was addressing the results of post-occupancy evaluations, since 8 out of 10 recommendations were the same for Phases I and II of the project. These included the need to implement additional guidance for managers to manage staff in the flexible workplace environment and for new staff on working in a flexible workplace; and to ensure the suitability of storage spaces in order to better realize intended project benefits. According to DOS, it was developing short videos with testimonials from managers who had successfully overcome challenges in implementing the flexible workplace and had compiled an onboarding package for new staff.

#### b. Co-location project

31. OIOS noted that the co-location project though substantially completed in February 2018, was three months behind schedule. There was no record of why delays had occurred and if there were any cost implications. The project management guidelines on small and medium-scale projects were generic and only stipulated that the project manager maintain an updated matrix of activities to be reviewed at weekly unit meetings with the architect, contractor, plant engineering staff, and other personnel. Therefore, OIOS was unable to identify the project decisions taken, changes made or the parties responsible for the delays.

#### c. Project record-keeping

32. While cost reports, project dashboards, budget information, expenditures, contingency levels, change log, and key issues arising during implementation were maintained for the FF Building project, this level of documentation was not maintained for the other two projects to facilitate effective monitoring. This required FMS to prepare project files for audit review; however, the files lacked an adequate document trail and periodic reports on project progress, budgets, and related contract management activities. Also, there was a general lack of information to validate vendor performance on two of the projects. Inadequate records management might lead to loss of valuable records and time taken to retrieve information.

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<sup>7</sup> A/73/370, "Progress report on the implementation of a flexible workplace at United Nations Headquarters"

- (6) DOS should revise the project management guidelines for implementation of small and medium-sized capital projects to include, among others, provisions on risk management, monitoring and reporting of project status, contract management, lessons learned and record-keeping.**

*DOS accepted recommendation 6 and stated that it would revise the project management guidelines for small- and medium-sized projects, in coordination with GAMPS. Recommendation 6 remains open pending receipt of the revised project management guidelines.*

- (7) DOS should implement procedures for the Facilities and Commercial Activities Service to maintain adequate records on project management to ensure completeness, availability and quick retrieval of records.**

*DOS accepted recommendation 7 and stated that it would implement it on the new SharePoint/Teams platform. Recommendation 7 remains open pending receipt of records management procedures.*

## **D. Financial management**

### DOS needed to strengthen financial management controls of FCAS to better track financial resources

33. The United Nations Financial Regulations and Rules, the Finance and Budget Manual, and instructions issued by the Controller stipulate the controls to ensure effective financial management of resources. As a best practice, FMS should use Umoja business intelligence to regularly monitor financial management information.

34. A review of a sample of 60 payments totaling \$2.1 million showed that FMS manually matched vendor invoices to purchase orders and receipt and inspection reports to ensure accuracy of quantities and prices of goods prior to authorizing vendor payments. However, FMS could not provide supporting documentation for 16 of the 60 payments for preventative maintenance contracts, totaling \$394,035, for elevators, escalators, vertical lifts, and fire alarm maintenance at Headquarters in New York. Evidence such as when the services were provided and whether invoice charges were in accordance with the contract terms were not maintained.

35. FMS managed 22 cost centers under six different funds in Umoja for Sections 29D and 33 but did not generate related Umoja financial data monthly to facilitate high-level: (i) monitoring of allotments, expenditures, and available balances; (ii) verification that expenditures were booked to the right accounts (for example, project expenditures); and (iii) analyses of cost-recoveries to ensure they were timely. For example, FMS redeployed funds from approved budget lines on a cost-recovery basis to pay for special events, conference personnel, elevator operators, publications, and equipment on behalf of departments, offices<sup>8</sup>, and the permanent missions of the United Nations. These services amounted to \$6.9 million during the audit period. However, OIOS noted that FMS was not timely billing the recipient entities to ensure availability of funds. This exposed FMS to the risk of cash shortages that could jeopardize its ability to implement the FMS programme of work. FMS concurred that there was a need to improve the timeliness of billing the recipient entities.

36. In addition, FMS did not monitor stocks of supplies periodically, track usage data to better predict purchase requirements, and write off and dispose of impaired and obsolete items. Instead, the custodian

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<sup>8</sup> FMS procured goods and services on behalf of the Department of General Assembly and Conference Management and the Office of Information and Communications Technology, as some budget resources were allotted under FMS' delegated authority for Section 29D of the United Nations programme budget

only checked stock levels when a technician made a request to fill a work order (e. g., bulbs, filters, nuts, bolts, etc.). As the work orders did not track the items being consumed, FMS relied on the custodian's inspection to determine stock balances. FMS provided a stock supplies schedule as of 30 June 2018 reflecting 103 categories of 1,089 items with a total value of \$329,236. However, the value of 96 of the categories had round totals, which indicated the stock data was only estimated. Moreover, OIOS' physical inspection of the stock room revealed old items that were not reflected in the schedule. FMS stated that it still maintained its stock data on an in-house database, which did not have capacity to maintain quantities and valuations of supply items and generate status reports. At the time of the audit, FMS stated that it was considering available solutions to manage the stock supplies.

37. The above hindered FMS from effectively managing financial resources, especially due to its large volume of budgetary resources, financial transactions, and cash flow requirements.

**(8) DOS should take action to strengthen the financial management controls of the Facilities and Commercial Activities Service to better track its financial resources, including developing business analytics reports and monitoring, amongst others, allotments, expenditures, and recoveries.**

*DOS accepted recommendation 8 and stated that it had strengthened the monitoring of expenditures and cost recoveries and a review of the Umoja business intelligence expenditure and cost recovery reports was being done on a monthly basis. Recommendation 8 remains open pending receipt of evidence of monitoring of allotments, expenditures, and recoveries.*

DOS needed to enhance the documentation related to purchases done by FCAS through low value acquisitions

38. During the audit period, designated officers certified and approved over 550 requisitions for goods and services through low value acquisitions (LVAs), funds commitments, and corporate credit cards amounting to \$1.4 million, pursuant to the delegation of authority instructions issued by the United Nations Controller and in accordance with United Nations Financial Regulations and Rules. FMS was also required to monitor the proper use of LVAs, funds commitments, and corporate credit cards as established in the Procurement Manual and instructions from the Procurement Division (PD).

39. However, OIOS' review of 225 LVA transactions, totaling \$513,630, indicated the following.

- In 110 transactions, there was no evidence in Umoja that requisitioners had obtained three informal quotations from vendors as required. Furthermore, in five cases, the LVAs were used ex post facto to pay for services already rendered. This contravened the requirement that prohibited requisitioners from entering into commitments with vendors unless the LVAs were first approved by the certifying officer.
- In 180 LVA transactions totaling \$424,493, the transactions were recurrent in nature, which contradicted the approved use of LVAs for non-recurrent goods and services. In nine LVA transactions, FMS requisitioners purchased generic goods from vendors, describing them as "proprietary". The requisitioners indicated that LVAs were used instead of existing blanket purchase orders (BPOs)<sup>9</sup>, as the BPOs had either reached their "not-to-exceed" amounts (NTEs) or had expired. At the time of the audit, FMS was managing 21 BPOs with total NTE amount of \$790,000 for items such as plumbing, HVAC, electrical, and paint supplies, building

<sup>9</sup> BPOs are simplified systems contracts reserved for repetitive purchases of low value goods up to \$40,000 and to purchase needed goods/services on short-term notice

materials, and hardware. Organizational systems contracts were also available for consumable items such as office supplies. FMS stated that it had used LVAs because PD had not renewed the BPOs or systems contracts on time. In some cases, requisitioners were able to find cheaper prices, better-suited products, and quicker time delivery with other vendors and, therefore, selected LVAs as the procurement method.

- For 56 cases, the existing BPOs or systems contracts were valid; however, the requisitioners cited the LVA purchases as “urgent” to justify using other vendors. Nevertheless, FMS certified and approved the purchases without obtaining reasonable documented justification from the requisitioners.

40. At the time of the audit, FMS was evaluating suitability of the existing BPOs and systems contracts to reduce the number of exceptions by determining whether: (i) they were still adequate to meet business needs and save on costs; or (ii) NTE limits needed to be increased. FMS was also assessing whether additional compensating controls were needed to strengthen checks and balances over use of LVAs to mitigate financial risks.

**(9) DOS should enhance the documentation related to purchases done by the Facilities and Commercial Activities Service through low value acquisitions for review by certifying and approving officers.**

*DOS accepted recommendation 9 and stated that it will ensure that the required documentation relating to low value acquisitions is included in Umoja. Recommendation 9 remains open pending receipt of the documentation requirements related to purchases through LVAs.*

#### **IV. ACKNOWLEDGEMENT**

41. OIOS wishes to express its appreciation to the management and staff of DMSPC and DOS 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 the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>10</sup> / Important <sup>11</sup>	C/ O <sup>12</sup>	Actions needed to close recommendation	Implementation date <sup>13</sup>
<b>DMSPC</b>					
1	DMSPC should: (i) conduct a risk assessment and implement a risk mitigation plan for the global premises of the United Nations Secretariat; and (ii) review the capacity of the Global Asset Management Policy Service to adequately oversee capital maintenance projects.	Important	O	Submission of the completed risk assessment and mitigation plan for the global premises and results of the review of the capacity GAMPS.	31 December 2020
2	DMSPC should implement measures to strengthen facilities management, including establishing relevant policies, standards, and guidelines.	Important	O	Submission of the established policies, standards, and guidelines on facilities management.	31 December 2020
4	DMSPC should: (i) instruct facilities managers across the Secretariat to utilize the Plant Maintenance module in Umoja to record their preventative maintenance activities; and (ii) periodically monitor implementation of the preventative maintenance programme Secretariat-wide.	Important	O	Submission of the status of utilization of the Plant Maintenance module in Umoja and evidence of preventative maintenance monitoring.	31 December 2020
<b>DOS</b>					
3	DOS should, in consultation with the Global Asset Management Policy Service, conduct a building conditions assessment of properties at Headquarters and timely request the appropriate budgetary funding for needed improvements, alterations and maintenance.	Important	O	Submission of evidence of the completed buildings conditions assessment of properties at Headquarters.	31 December 2021
5	DOS should develop annual work plans and performance benchmarks to enable adequate	Important	O	Submission of the 2019/2020 work plans of FCAS.	31 December 2019

<sup>10</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>11</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>12</sup> C = closed, O = open

<sup>13</sup> Date provided by DMSPC and DOS in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>10</sup> / Important <sup>11</sup>	C/ O <sup>12</sup>	Actions needed to close recommendation	Implementation date <sup>13</sup>
	planning of the activities of the Facilities and Commercial Activities Service and facilitate internal monitoring of its results.				
6	DOS should revise the project management guidelines for implementation of small and medium-sized capital projects to include, among others, provisions on risk management, monitoring and reporting of project status, contract management, lessons learned and record-keeping.	Important	O	Submission of the revised project management guidelines for implementation of small and medium-sized capital projects.	30 June 2020
7	DOS should implement procedures for the Facilities and Commercial Activities Service to maintain adequate records on project management to ensure completeness, availability and quick retrieval of records.	Important	O	Submission of records management procedures of FCAS.	30 June 2020
8	DOS should take action to strengthen the financial management controls of the Facilities and Commercial Activities Service to better track its financial resources, including developing business analytics reports and monitoring, amongst others, allotments, expenditures, and recoveries.	Important	O	Submission of evidence of monitoring of allotments, expenditures, and recoveries by FCAS.	31 December 2019
9	DOS should enhance the documentation related to purchases done by the Facilities and Commercial Activities Service through low value acquisitions for review by certifying and approving officers.	Important	O	Submission of the documentation requirements related to FCAS purchases through LVAs.	31 December 2019

# **APPENDIX I**

## **Management Response**

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume, Chief  
A: New York Audit Service, Internal Audit Division  
Office of Internal Oversight Services

DATE: 2 August 2019

THROUGH: Olga de la Piedra, Director  
S/C DE: Office of the Under-Secretary-General  
Department of Management Strategy, Policy and Compliance

FROM: Mario Baez, Chief, Accountability Service  
DE: Business Transformation and Accountability Division  
Department of Management Strategy, Policy and Compliance

SUBJECT: **Draft report on an audit of the management of capital improvements and  
OBJET: maintenance projects in the United Nations Secretariat in New York  
(Assignment No. AH2017/513/01)**

1. We refer to your memorandum dated 10 July 2019 regarding the above-mentioned draft report and provide you with comments from the Department of Management Strategy, Policy and Compliance (DMSPC) in the attached Appendix I.
2. Thank you for giving us the opportunity to provide comments on the draft report.

## Management Response

## Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
<b>DMSPC</b>						
1	DMSPC should: (i) conduct a risk assessment and implement a risk mitigation plan for the global premises of the United Nations Secretariat; and (ii) review the capacity of the Global Asset Management Policy Service to adequately oversee capital maintenance projects.	Important	Yes	Chief, Global Asset Management Policy Service/ OPPFB/ DMSPC	31 December 2020	The Global Asset Management Policy Service will conduct a risk assessment and implement a risk mitigation plan, with the technical assistance and support of the Enterprise Risk Management Section in the Business Transformation and Accountability Division of DMSPC.
2	DMSPC should implement measures to strengthen facilities management, including establishing relevant policies, standards, and guidelines.	Important	Yes	Chief, Global Asset Management Policy Service/ OPPFB/ DMSPC	31 December 2020	The Global Asset Management Policy Service has already developed extensive policies for the planning and implementation of capital projects, under the auspices of the strategic capital review. The Global Asset Management Policy Service will continue to strengthen existing policies and will develop a further set of scalable policies to be applied to ongoing facilities management.
4	DMSPC should: (i) instruct facilities managers across the Secretariat to utilize the Plant Maintenance module in Umoja to record their preventative maintenance activities; and (ii) periodically monitor implementation of the preventative maintenance programme Secretariat-wide.	Important	Yes	Chief, Global Asset Management Policy Service/ OPPFB/ DMSPC	31 December 2020	The Global Asset Management Policy Service continues to provide training and support to all entities as they roll out their local capabilities, and will also formalise instructions that facilities managers should utilize the Plant Maintenance module in Umoja.

<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.

## Management Response

## Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
<b>DOS</b>						
3	DOS should, in consultation with the Global Asset Management Policy Service, conduct a building conditions assessment of properties at Headquarters and timely request the appropriate budgetary funding for needed improvements, alterations and maintenance.	Important				
5	DOS should develop annual work plans and performance benchmarks to enable adequate planning of the activities of the Facilities and Commercial Activities Service and facilitate internal monitoring of its results.	Important				
6	DOS should revise the project management guidelines for implementation of small and medium-sized capital projects to include, among others, provisions on risk management, monitoring and reporting of project status, contract management, lessons learned and record-keeping.	Important				
7	DOS should implement procedures for the Facilities and Commercial Activities Service to maintain adequate records on project management to ensure completeness, availability and quick retrieval of records.	Important				
8	DOS should take action to strengthen the financial management controls of the Facilities and Commercial Activities Service to better track its financial resources, including developing business analytics reports and monitoring, amongst	Important				

## Management Response

## Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	others, allotments, expenditures, and recoveries.					
9	DOS should enhance the documentation related to purchases done by the Facilities and Commercial Activities Service through low value acquisitions for review by certifying and approving officers.	Important				



UNCLASSIFIED

Immediate

DATE: AUG 06 2019

REFERENCE: DOS-2019-05123

TO: Ms. Muriette Lawrence-Hume, Chief  
A: New York Audit Service  
Internal Audit Division  
Office of Internal Oversight Services

THROUGH:  
S/C DE:

FROM: Atul Khare, Under-Secretary-General  
DE: for Operational Support

A handwritten signature in blue ink, appearing to read 'Atul Khare', with a long horizontal stroke underneath.

SUBJECT: **Draft report on the audit of the management of capital improvements and**  
OBJET: **maintenance projects in the United Nations Secretariat in New York (Assignment**  
**No. AH2017/513/01)**

1. I refer to your memorandum dated 10 July 2019 regarding the draft report on the above-mentioned audit. Please find attached comments from the Department of Operational Support attached herewith as Appendix I.
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

## Management Response

## Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
<b>DMSPC</b>						
1	DMSPC should: (i) conduct a risk assessment and implement a risk mitigation plan for the global premises of the United Nations Secretariat; and (ii) review the capacity of the Global Asset Management Policy Service to adequately oversee capital maintenance projects.	Important				
2	DMSPC should implement measures to strengthen facilities management, including establishing relevant policies, standards, and guidelines.	Important				
4	DMSPC should: (i) instruct facilities managers across the Secretariat to utilize the Plant Maintenance module in Umoja to record their preventative maintenance activities; and (ii) periodically monitor implementation of the preventative maintenance programme Secretariat-wide.	Important				
<b>DOS</b>						
3	DOS should, in consultation with the Global Asset Management Policy Service, conduct a building conditions assessment of properties at Headquarters and timely request the appropriate budgetary funding for needed improvements, alterations and maintenance.	Important	Yes	Chief, Facilities and Commercial Activities Service/DOA/DOS	Fourth quarter of 2021	The Department of Operational Support (DOS) will submit a proposal for the building conditions assessment in the programme budget for 2021.

<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.

## Management Response

## Audit of the management of capital improvements and maintenance projects in the United Nations Secretariat in New York

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	DOS should develop annual work plans and performance benchmarks to enable adequate planning of the activities of the Facilities and Commercial Activities Service and facilitate internal monitoring of its results.	Important	Yes	Chief, Facilities and Commercial Activities Service/DOA/DOS	Fourth quarter of 2019	DOS' comments are reflected in the report.
6	DOS should revise the project management guidelines for implementation of small and medium-sized capital projects to include, among others, provisions on risk management, monitoring and reporting of project status, contract management, lessons learned and record-keeping.	Important	Yes	Chief, Facilities and Commercial Activities Service/DOA/DOS	Second quarter of 2020	DOS' comments are reflected in the report.
7	DOS should implement procedures for the Facilities and Commercial Activities Service to maintain adequate records on project management to ensure completeness, availability and quick retrieval of records.	Important	Yes	Chief, Facilities and Commercial Activities Service/DOA/DOS	Second quarter of 2020	DOS' comments are reflected in the report.
8	DOS should take action to strengthen the financial management controls of the Facilities and Commercial Activities Service to better track its financial resources, including developing business analytics reports and monitoring, amongst others, allotments, expenditures, and recoveries.	Important	Yes	Chief, Facilities and Commercial Activities Service/DOA/DOS	Fourth quarter of 2019	DOS has strengthened the monitoring of expenditures and cost recoveries. A review of the Umoja business intelligence expenditure and cost recovery reports is being done on a monthly basis.
9	DOS should enhance the documentation related to purchases done by the Facilities and Commercial Activities Service through low value acquisitions for review by certifying and approving officers.	Important	Yes	Chief, Facilities and Commercial Activities Service/DOA/DOS	Fourth quarter of 2019	DOS will ensure that the required documentation relating to low value acquisitions is included in Umoja.