



INTERNAL AUDIT DIVISION

REPORT 2019/094

**Audit of contract management in the
Strategic Heritage Plan of the United
Nations Office at Geneva**

**There is need to strengthen controls relating
to review and amendment of contracts and
processing of vendor invoices**

**31 October 2019
Assignment No. AE2018/310/03**

Audit of contract management in the Strategic Heritage Plan of the United Nations Office at Geneva

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of contract management in the Strategic Heritage Plan (SHP) of the United Nations Office at Geneva (UNOG). The objective of the audit was to assess the adequacy of governance, risk management and control processes over the management of contracts by SHP. The audit covered the period from January 2016 to February 2019 and included a review of risk areas relating to: (a) contract design and performance management; (b) contract amendments and variations; and (c) invoice processing.

The audit showed that there was need to strengthen controls relating to review and amendment of contracts and processing of vendor invoices.

OIOS made five recommendations. To address the issues identified in the audit, UNOG needed to:

- Ensure that emergent shortcomings and ambiguities in contract provisions are promptly and thoroughly addressed during contract amendments; lessons learned from managing contracts are documented, including potential remedies for addressing inadequate performance by a contractor; and contract amendments are duly reviewed and validated before they are signed;
- Ensure that SHP strengthens the monitoring of the flexible work place contract by documenting performance evaluations as required and developing a tracking sheet for contract deliverables;
- Ensure that contract amendments are initiated in a timely manner in accordance with established guidelines;
- Ensure that SHP: clarifies with the risk management services contractor the evidence that should be provided to support the amounts invoiced for executive meetings that are not held due to last minute cancellations; and does not make payments in cases where meetings are cancelled in advance without the related preparatory work being performed; and
- Ensure that SHP strengthens its invoice review process to assure that the amounts invoiced are supported by evidence of work done and are accurately computed in accordance with the contract and supporting documents.

UNOG accepted the recommendations and has initiated action to implement them.

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Audit of contract management in the Strategic Heritage Plan of the United Nations Office at Geneva

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contract management in the Strategic Heritage Plan (SHP) of the United Nations Office at Geneva (UNOG).
2. SHP is an initiative launched by UNOG to preserve and rehabilitate the Palais des Nations (where UNOG offices are located) to enhance its capacity to adequately meet the existing and future operational needs of the Organization and to address health, safety and working conditions. The objectives of the SHP project include: making workspaces safer and more flexible; enhancing access to Palais des Nations buildings for persons with disabilities; reducing energy costs and consumption; preserving the heritage of the Palais des Nations; upgrading the information technology, broadcast and congress systems; and maintaining business continuity.
3. SHP activities are guided by General Assembly resolutions 68/247 of 27 December 2013 and 70/248 of 23 December 2015 which collectively approved the implementation plan, scope, costs and timelines. The Plan has an approved budget of CHF 836.5 million and is to be implemented over an eight-year period from 2016 to 2023 in two main phases. The first phase from 2017 to 2020 is the construction of a new permanent office building, including the required/enabling site preparation works; and the second phase from 2019 to 2023 is the renovation of the rest of the Palais des Nations buildings, including the dismantling of the E building office tower.
4. As of 31 December 2018, SHP had 10 contracts with a cumulative Not-to-Exceed (NTE) value of CHF 234 million, of which CHF 125 million had been spent as shown in Table 1.

Table 1: SHP contracts and expenditures as of 31 December 2018

Description	Valid from	Valid up to	NTE CHF	Expenditure CHF	Balance CHF	Percentage of NTE utilized
Architectural and Design Services	15/10/14	14/10/23	82,726,142	67,471,419	15,254,723	82
Construction of new permanent building	29/8/17	26/2/22	115,769,902	33,985,518	81,784,384	29
Programme Management Services	12/11/12	31/5/19	12,522,583	10,132,871	2,389,712	81
Technical Support Services	20/7/16	19/7/19	10,379,040	3,683,746	6,695,294	35
Enabling Works Contract for Building H	21/3/17	20/3/18	3,532,056	3,013,111	518,945	85
Risk Management Services	11/11/13	10/4/20	4,903,011	3,309,093	1,593,918	67
On-call legal services	19/9/16	18/9/19	1,184,836	842,924	341,912	71
On-call provisions of Intrusive Surveys	2/10/17	1/10/19	1,120,040	840,000	280,040	75
SCRASA-Intrusive surveys	9/10/17	8/10/19	1,031,754	348,637	683,117	33
Flexible work place study and related consulting services	31/10/16	31/12/20	1,204,109	1,156,738	47,371	95
Total			234,373,473	124,784,057	109,589,416	

5. SHP is headed by a Project Director at D-2 level and had a total of 21 approved posts (18 professional and 3 general service). In addition, in 2018 and 2019 SHP had on average an equivalent of 11 to 12 full time personnel engaged through a project management firm. SHP had a contract management team comprised of a Contracts Management Officer (P-4) who reported to the Chief of Programme Management (D-1), supported by a P-3 Contracts Officer. Other SHP staff and personnel provided by the project management firm were involved in various aspects of contract management as part of their regular roles and responsibilities.

6. Comments provided by UNOG are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy of governance, risk management and control processes over the management of contracts by SHP.

8. This audit was included in the 2019 risk-based work plan of OIOS due to the risk that potential weaknesses in contract management could have an adverse impact on SHP.

9. OIOS conducted this audit from April to August 2019. The audit covered the period from January 2016 to February 2019. Based on an activity level risk assessment, the audit covered risk areas relating to: (a) contract design and performance management; (b) contract amendments and variations; and (c) invoice processing.

10. The audit included a detailed review of 9 of the 10 contracts that the SHP had as of December 2018. With regard to the contract for the construction of the new building, the audit focused on reviewing the change orders processed during the period since other aspects had been covered in audits performed by the Board of Auditors.

11. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing.

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

III. AUDIT RESULTS

A. Contract design and performance management

Need to promptly address ambiguities in contract provisions and issues relating to contractor performance

13. OIOS' review of 9 contracts indicated that they incorporated the essential elements stipulated in the United Nations Financial Regulations and Rules. All the contracts included clauses and annexes essential for managing vendors' performance such as performance indicators, performance security bonds, guarantees and improper performance. UNOG involved the Office of Legal Affairs in drafting of the contracts and sought external expertise in designing and tailoring the contracts to suit industry-specific requirements, as was the case with the main construction contract that was drafted with the input of the Federation of Consulting Engineers.

14. However, there were some shortcomings in the design of 4 of the 9 contracts reviewed, which were attributed to a combination of factors including the fact that some of the contracts were entered into during the early stages of the SHP when it did not have adequate capacity to perform these tasks. The SHP Contract Management Unit was only established in 2015 and the one for UNOG in 2018. Further, the UNOG Purchase and Transportation Section (PTS) indicated that time limitations arising from factors such as extensive negotiations with vendors required some concessions to be made because timeliness in finalizing the contracts was critical. The shortcomings included lack of clarity and gaps in clauses and contract specifications as explained below.

a) Contract for programme management services

15. The vendor was contracted to provide SHP with a range of personnel and functional experts such as architects and project managers on a full or part time basis at agreed fixed hourly rates. It is essential that the personnel provided are qualified since most of them were engaged on a full-time basis to provide continuous programme management services like those that would be provided by staff or long-term consultants. Further, in the construction phase of the project, the contract price was based on the number and positions of the personnel. The qualifications and experience criteria for five key positions were specified in the vendor solicitation documents (source selection plans) and used as minimum criteria in the technical evaluation of bids and award of the contract to the vendor. OIOS' analysis showed that the experience criteria were not specified in 19 of the 36 positions that the vendor provided to SHP from 2012 to 2019, and in two cases the contractor personnel did not meet the prescribed experience criteria. These were the Senior Architect who had 3 years of experience in 2016 whereas the required years of experience according to the predefined criteria was 7 years; likewise, the Project Principal only had 9 years of experience in 2017 as against the 15 years required for that position. SHP stated that it considered other factors in approving the two personnel, and that it was satisfied with their competencies. However, OIOS noted that the contract neither included provisions allowing for such exceptions, nor did it identify alternative criteria that may be considered before accepting personnel who did not meet the prescribed minimum criteria.

16. Also, the contract did not clearly specify whether leave days taken by personnel were included in the contract price. The only relevant clause was the one stating that the fee rate is a lump sum rate incorporating direct and indirect costs. SHP indicated that the intention from the beginning was to allow the personnel provided by the vendor to take leave within the contract price. However, this was not stated in the contract or any other document. By Amendment 13 of May 2018, clauses were added that required the contractor to provide leave plans and another one to allow the contract price to be proportionately reduced if key personnel were not available for a given period, but there was ambiguity as to whether this provision covered leave periods or just time gaps between one expert leaving and another replacing him/her. If Amendment 13 were to be enforced as worded, CHF 132,000 relating to leave absences would be deducted from the contract price, but SHP indicated that the wording was not in line with the original intent and spirit of the contract and therefore, it did not plan to recover the leave days paid. In response to OIOS' observation, UNOG clarified the issue in Amendment 15 of May 2019 by stating that the contract price includes leave days in accordance with the Swiss Code of Obligation. The amendment did not however clearly address whether the allowances were applicable retroactively or only from May 2019. OIOS is of the view that to effectively address the leave days' issue, the contract must clearly state the actual number of regular leave days, sick leave and holidays allowed within the contract price, rather than the general reference to the Swiss Code of Obligations. Additionally, the effective date for applicability of these leave allowances should be clearly stated in the contract to avoid disputes and to help determine whether any leave days paid in prior years was recoverable.

b) Contract for design services

17. There were reports of repeated incidents concerning quality and delays which affected the timeliness of the SHP. In 2017, there were delays by the contractor in providing the technical designs and tender documents, which resulted in a delay of up to 2 months in issuance of the Request for Proposal (RFP) for the construction of the new building. Again, in 2018 there were similar delays which resulted in the RFP and tender for the renovation phase being delayed by up to 8 months. There was also a backlog in the contractor's issuance of instructions to the construction contractor which resulted in delays in more than 40 per cent of technical documents. Between January and May 2019, the construction contractor had lodged several claims (notices of obstructions) in relation to the delays, the costs of which were yet to be quantified. In a letter dated 12 October 2018 to the contractor, SHP expressed concern and pointed out cases where claims were lodged by the construction contractor, and the additional costs that were at least partially attributable to the contractor's performance.

18. SHP attributed the performance issues to several factors including the fact that the contract did not clearly specify the expected standards and quality of performance, particularly the level of depth/detail required of the design deliverables. Interviews with SHP and PTS and review of email correspondence showed that there were divergent views as to whether the contract clauses were adequate to help enforce compliance with quality and timeliness standards. This shows that the issue should have been examined in greater detail before signing the contract. The contract had clauses stating that damages could be claimed if there was evidence that costs were incurred as a direct result of delayed performance by the contractor. However, SHP indicated that such provisions would be difficult and costly to enforce due to possible counter claims by the contractor that would result in further delays and legal costs. SHP mainly used the withholding of payments to penalize the vendor for delays in submitting deliverables but in the absence of penalty clauses in the contract, the full contract amounts were eventually paid despite evidence that the delays had some financial impact.

c) Contract for provision of On-call Intrusive Survey Services

19. The contractor was to perform a comprehensive structural survey to assess any deficiency of the existing structure of the Palais des Nations and recommend appropriate remedial actions. The scope of work included performance of geotechnical tests and soil inspections required to facilitate construction of the new permanent building. However, the contract provisions did not specify the minimum standards and practices expected to be followed in performing the works. After the works were completed, it was determined that the bore-hole locations did not adhere to the European Union practices that require boreholes to be within maximum distances of up to 60 by 60 meters. Additional expenditure of approximately CHF 2 million had to be incurred to adapt the foundation to the actual soil conditions found on site during the works. OIOS was informed that SHP is seeking legal advice from an external counsel to establish the extent to which UNOG can claim the additional costs incurred, if any, from one or more of the contractors involved.

d) Contract for risk management

20. OIOS' review of invoices relating to the risk management contract showed that the contract price was based on lump sum allocations for the various deliverables under the contract, one of which was monthly executive briefing meetings. However, the issue of how to deal with cases where meetings did not take place was not adequately addressed. In practice, SHP approved the payment of the lump sum allocated for meetings regardless of whether the meetings took place or not. This issue is discussed in more detail later in the report in the section dealing with invoice processing.

21. SHP indicated that some lessons learned from the experience in managing the contracts entered into in the early phases of the project were considered in drafting subsequent contracts and contract amendments. Further, following the procurement action for the new building, PTS and SHP undertook a lessons-learned exercise relating to the main construction contract. However, no formal lessons learned exercises were performed and documented for the other contracts. OIOS is of the view that lessons learned from the shortcomings noted above should be documented and used to strengthen contract management.

22. The shortcomings noted above also showed the need to strengthen controls over the administering and processing of contract amendments. Ambiguities arising during project implementation need to be identified promptly and addressed in a timely manner by issuing contract amendments that are well thought through. For example, even though the programme management services contract had been in force since 2012, the leave days' issue was only sought to be addressed by Amendment 13 in 2018 which again did not address the issue clearly and completely. This points to the need for SHP to strengthen its review of contract amendments to ensure that they are accurate and valid. Additionally, OIOS noted errors in the contract duration in Amendment 9 which was further evidence of inadequate review of contract amendments.

(1) UNOG should ensure that: (a) emergent shortcomings and ambiguities in contract provisions are promptly and thoroughly addressed during contract amendments; (b) lessons learned from managing contracts are documented, including potential remedies for addressing inadequate performance by a contractor; and (c) contract amendments are duly reviewed and validated before they are signed.

UNOG accepted recommendation 1 and stated that: (a) new contractual amendments will continue to be issued promptly in order to address issues as they arise; (b) in addition to the performance review processes applied on all contracts, a specific lessons learned exercise will be performed on the contract management of the complex SHP design contract; and (c) PTS shall obtain confirmation from SHP that it has reviewed proposed contract amendments, which shall be logged on Unite Docs along with the eventual contract amendment. Recommendation 1 remains open pending receipt of evidence that: (a) mechanisms have been established to ensure that emergent shortcomings and ambiguities in contract provisions (including those relating to experience criteria and leave issues in the project management services contract) are promptly identified and thoroughly addressed; (b) lessons learned from managing SHP contracts including remedies for addressing inadequate performance by contractors have been documented; and (c) mechanisms have been established to ensure that contract amendments are duly reviewed and validated before they are signed.

Need to strengthen monitoring of the contract for flexible work place (FW) study and related services

23. SHP had established a vendor performance review system which included twice a year contract review meetings and individual meetings with vendors when needed. Vendor performance evaluations were also done annually for 8 contracts reviewed, and there was evidence that vendors were notified in writing when their performance was of concern with a request to initiate appropriate corrective action. However, no vendor performance evaluations were conducted for the multi-year, CHF 1.2 million agreement established in October 2016 to support the implementation of FW strategies at UNOG. This was attributed to the fact that the contractor was engaged through a systems contract administered by United Nations Headquarters that was up-scoped to include the performance of similar services at UNOG. SHP needs to evaluate the performance of the contractor for its portion of work to ensure that any performance issues are identified and addressed. Further, SHP did not maintain a deliverable tracking sheet for the contract and as a result, a lot of administrative time was spent on tracing and verifying the multiple reports and deliverables receivable under the contract (about 17 different types). A proper tracking sheet would help provide management with clear visibility on the status of contract deliverables and the extent to which the agreed milestones are being met.

(2) UNOG should ensure that the Strategic Heritage Plan strengthens the monitoring of the flexible work place contract by: (a) documenting performance evaluations as required; and (b) developing a tracking sheet for contract deliverables.

UNOG accepted recommendation 2 and stated that SHP will evaluate the performance of the contractor for the FW, as a portion of work under a United Nations Headquarters systems contract, to ensure that any performance issues are identified and addressed properly. This will be handled similarly to SHP's already established vendor performance review system with other vendors. SHP will develop a tracking sheet to help provide management with clear visibility on the status of contract deliverables and the extent to which the agreed milestones are being met under this contract. Recommendation 2 remains open pending receipt of the vendor performance evaluation of the FW work place contract for 2018 and evidence that SHP has developed a tracking sheet for contract deliverables.

B. Contract amendments and variations

Change orders were processed in accordance with established procedures

24. Adequate change control processes are essential to manage risks and mitigate the impact of changes to the approved project scope, budgets and timelines. The SHP draft Programme Manual outlines the processes for reviewing and approving change orders. The Manual identifies the stakeholders involved in the process, their roles, responsibilities and approval authorities. The SHP Project Director has delegated authority to approve change orders up to CHF 1 million. Change orders above CHF 1 million require approval by the UNOG Director of Administration. The Manual also provides for the establishment of a Change Order Review Committee (CORC) to do a post facto review of the change orders processed by SHP and provide assurance to the UNOG Director of Administration that change orders were processed in accordance with the established processes. As of May 2018, SHP had processed 17 change orders with an accumulated value of CHF 9.5 million. Based on a review of 9 of the 17 change orders, OIOS concluded that they were generally processed in accordance with the procedures outlined in the Manual. Change orders were reviewed by the designated internal reviewers and where required, they were referred to the UNOG Director of Administration for approval prior to Notices of Agreements being issued to the contractor to commence the required work. OIOS noted one case where the change order variation form was approved by only four of the six designated internal reviewers. However, this was an isolated case in the sample reviewed.

Need to ensure that procurement actions to amend contracts are initiated in a timely manner

25. SHP had mechanisms to monitor and report the NTE of contracts and the related budgets. The contract for programme management services which was originally in Euros was converted to local CHF currency in March 2016 at which point it had a remaining balance of unutilized funds of CHF 6.4 million. As of December 2018, over 80 per cent of the NTE had been utilized and it was evident that the remaining balance would not be sufficient to the end of the contract in November 2022. The NTE balance was CHF 2.4 million which according to expenditure projections, would only be sufficient to 31 May 2020. However, by December 2018, no action had been taken to initiate the procurement process to increase the NTE. According to the UNOG procurement guidelines/handbook (April 2016), the requisite procurement actions should have been initiated when 75 per cent of NTE amount had been utilized. For this contract, it was evident much earlier that the contract was being used much more widely than originally envisaged, following the decision of the General Assembly to not establish additional posts but use consultants instead. SHP submitted the request for amendment to PTS in March 2019 to increase the NTE by approximately \$5

million but at the time of the audit, the procurement action had not been initiated by PTS as there were ongoing discussions on the justification of the additional NTE requested. Procurement actions to amend contracts need to be taken in a timely manner to ensure that the process is not rushed, and that the forecasts for budget allocations for the contract are reliable.

(3) UNOG should ensure that contract amendments are initiated in a timely manner in accordance with established guidelines.

UNOG accepted recommendation 3 and stated that the Procurement and Contract Unit's tracking tool, used to monitor contract expiry dates, will be updated to send timely automatic reminder emails to the requisitioner prior to the expiration of the contract. Recommendation 3 remains open pending receipt of evidence that procurement action to increase the NTE amount of the project management services contract has been initiated and SHP has established a mechanism to ensure that in future, contracts that have reached 75 per cent of the NTE amount are reviewed and prompt action taken to increase the NTE where justified.

Uncertainty concerning FW strategies resulted in increased costs and contract amendments

26. General Assembly resolutions 66/247, 68/247 and 69/262 require United Nations organizations implementing capital projects to consider lessons learned and best practices from past construction and renovation projects. One such lesson is the need to ensure that all identifiable project costs are identified and included in project plans at the earliest possible opportunity. Records show that the idea of implementing FW strategies at UNOG was first introduced in General Assembly resolution 68/247 of 27 December 2013 and subsequent decisions including resolution 70/248 of 23 December 2015 in which the Assembly approved the SHP budget, scope and timelines. However, due to lack of clarity on how FW strategies were to be implemented, the actions required to operationalize these decisions into the SHP's project plans and contracts were addressed only in January 2018 when the contract for design services was amended to incorporate FW strategies into the design of the new building. By this time the project design for the new building was in an advanced stage, and the contract for construction of the new building had been signed. Approximately CHF 2.1 million of additional costs were incurred to revise the project design contract to accommodate the FW plans.

27. Some uncertainty still existed in relation to the scope and extent to which FW strategies were to be implemented in the renovation of the historic Palais des Nations buildings, which could potentially lead to additional costs. OIOS was informed that due to budgeting constraints, FW implementation at the Palais will be limited to the extent that can be sustained by the current cooling and ventilation systems. The designs for the renovation of the Palais des Nations buildings were completed in February 2019. OIOS was informed that UNOG is contemplating further engagement with Member States to increase the scope of FW within the historic Palais des Nations buildings. If that happens, it could increase the costs due to revision of project plans and contracts to accommodate new FW specifications. OIOS observed that the risks associated with changes to the implementation of FW strategies and stakeholder requirements were being monitored and communicated to UNOG senior management through periodic risk management reports. In view of this, OIOS did not make a recommendation on this issue.

C. Invoice processing

Need to strengthen the review of invoices

28. Effective internal control over invoice processing is essential to ensure that vendor payments are correctly and accurately processed, and that payments are only made for goods and services received. SHP

had prepared a comprehensive workflow process for processing and reviewing invoices that included receipt of electronic invoices, stamping and routing of invoices through shared drive folders, and electronic signature of invoices. This involved: (a) substantive clearance by the Chief of Programme Management and Chief of Design and Construction who certify and confirm receipt of the invoiced goods/services; (b) financial clearance by the SHP Finance and Administration Officer or alternate, who verifies funds availability, account assignment and purchase order affiliation; and (c) approval of invoices by the SHP Project Director and creation of service entry sheet in Umoja for onward processing and payment by UNOG's Financial Resources Management Service.

29. OIOS reviewed a sample of 70 invoices and noted that they were approved by the designated officials as required. Retentions were deducted and there was evidence that payments were withheld in instances of non-performance/delay in submitting deliverables. However, as explained below, some exceptions were noted in three contracts which indicated the need to strengthen the review process to ensure that the amounts invoiced were accurate and supported with the required deliverables.

(a) Risk management contract

30. A total of GBP 160,000 (approx. \$200,000) paid for "Advisory Coordination Meetings" were not adequately supported. This included: (a) GBP 126,000 relating to 11 months during January 2017 to May 2019 where there was no documentary evidence to show that the required deliverables (risk update reports) were prepared and briefing updates were provided; and (b) CHF 35,000 relating to three months where the scheduled meetings were combined and held in a single sitting (August and September 2017; November and December 2017; and February and March 2019).

31. SHP needs to ensure that adequate documentation is provided to show whether the meetings took place. In cases where meetings did not take place due to last minute cancellation by UNOG, SHP needs to ensure that there is alternative evidence (such as copies of briefing reports) to confirm that the required preparatory work was performed by the contractor before payments are made. Where such preparatory work was performed, SHP is obliged to pay the contractor in full if the cancellation of the meeting originated from UNOG. The contract does not provide for any deductions for portion of work not done (in this case the time associated with attending the meetings and related travel costs). However, where the monthly meeting is cancelled well in advance, no payments should be made for the month. This would be the case, for example, where a decision is made in advance to combine the meetings for two months into one meeting.

(b) Project management services contract

32. The amounts billed in this contract were generally in accordance with the contract fee but there was need for checks to ensure that the invoices were adequately supported by evidence of attendance and the contract prices adjusted in case of gaps in replacing staff or other unauthorized absences. OIOS noted computation errors totaling CHF 7,956 relating to a functional expert who left in October 2016 but was not replaced. SHP stated that it would recover the overpayment.

(c) Technical support services contract

33. The contract price structure included daily fee rates of CHF 972 and CHF 750 for consultants working on a part-time basis onsite and offsite respectively; and a monthly fee of CHF 19,880 for those working on a full-time basis onsite. The monthly fee was based on 22 working days, equivalent to CHF 903.63 per day. For the invoices reviewed, daily rates were appropriately applied for part-time personnel, and the amounts invoiced were accurately computed based on the number of days worked multiplied by the daily rate. For cases where monthly rates were used, OIOS noted that an adjustment was done to reduce the monthly fee by the number of leave days taken by the personnel, as opposed to simply multiplying the

number of days worked with the applicable rate (CHF 903.63). The latter approach would result in a lower amount billed by two days per month for each personnel. Nonetheless, since the contract did not address the issue of leave days and how they should be adjusted from the contract price, the approach adopted by the contractor in computing the amount invoiced was justifiable.

34. As with the project management services contract, OIOS noted exceptions which showed the need to strengthen the process for verifying the accuracy of invoices and adequacy of supporting documents. OIOS noted errors in the computation of amounts billed for 2 out of 13 technical experts' monthly billings reviewed. In one case, SHP confirmed that three sick leave days charged should not have been paid, resulting in an overpayment of \$2,710. In the second case, the time sheet had not been submitted. Subsequently, during the audit, the time sheet was received, and SHP confirmed that the time billed was overstated by two days (the technical experts started two days later than planned) resulting in an overpayment of \$1,807. SHP stated that it will recover the overpayments. In one case, the timesheet had no name and in another case, the time sheet was not clear. This further confirmed that the underlying documents were not adequately reviewed. Further, there were different rates for technical experts who worked offsite but the time sheets did not state the work location. This needs to be addressed to ensure that reviewers can verify that the correct rate has been applied in computing the amounts payable.

(4) UNOG should ensure that the Strategic Heritage Plan: (a) clarifies with the risk management services contractor the evidence that should be provided to support the amounts invoiced for executive meetings that are not held due to last minute cancellations; and (b) does not make payments in cases where meetings are cancelled in advance without the related preparatory work being performed.

UNOG accepted recommendation 4 and stated that since February 2018, the meetings have been held every month, as a result of earlier action taken to diarize the meetings. UNOG will clarify with the vendor that if this situation occurs again in future, they should transmit the presentation to the project executive by email. Recommendation 4 remains open pending receipt of evidence that SHP has clarified with the risk management services contractor the documentation that should be provided to support the amounts invoiced for executive meetings that are not held due to last minute cancellations, and that any payments made for meetings that were cancelled in advance in 2017 have been recovered.

(5) UNOG should ensure that the Strategic Heritage Plan strengthens its invoice review process to assure that the amounts invoiced are supported by evidence of work done and are accurately computed in accordance with the contract and supporting documents.

UNOG accepted recommendation 5 and stated that following the audit, SHP has requested the contracted project management service provider and the technical support services provider, respectively, to enhance the provision of supporting documentation to their monthly invoices. This includes the provision of time sheets and/or monthly overview tables of staff rates employed, in accordance with their respective contracts with SHP, and in order to ensure that reviewers can verify that the correct rate has been applied in computing the amounts payable. This enhancement in the provision of supporting documentation is already implemented. Recommendation 5 remains open pending receipt of evidence of action taken to ensure that the amounts invoiced are adequately supported and accurately computed in accordance with the contract and supporting documents.

IV. ACKNOWLEDGEMENT

35. OIOS wishes to express its appreciation to the management and staff of UNOG 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 contract management in the Strategic Heritage Plan project of the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOG should ensure that: (a) emergent shortcomings and ambiguities in contract provisions are promptly and thoroughly addressed during contract amendments; (b) lessons learned from managing contracts are documented, including potential remedies for addressing inadequate performance by a contractor; and (c) contract amendments are duly reviewed and validated before they are signed.	Important	O	Receipt of evidence that: (a) mechanisms have been established to ensure that emergent shortcomings and ambiguities in contract provisions (including those relating to experience criteria and leave issues in the project management services contract) are promptly identified and thoroughly addressed; (b) lessons learned from managing SHP contracts including remedies for addressing inadequate performance by contractors have been documented; and (c) mechanisms have been established to ensure that contract amendments are duly reviewed and validated before they are signed.	30 June 2020
2	UNOG should ensure that the Strategic Heritage Plan strengthens the monitoring of the flexible work place contract by: (a) documenting performance evaluations as required; and (b) developing a tracking sheet for contract deliverables.	Important	O	Receipt of the vendor performance evaluation of the FW work place contract for 2018 and evidence that SHP has developed a tracking sheet for contract deliverables.	30 November 2019
3	UNOG should ensure that contract amendments are initiated in a timely manner in accordance with established guidelines.	Important	O	Receipt of evidence that procurement action to increase the NTE amount of the project management services contract has been initiated and SHP has established a mechanism to ensure that in future, contracts that have reached 75 per cent of the NTE amount are reviewed and prompt action taken to increase the NTE where justified	30 June 2020

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 UNOG in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of contract management in the Strategic Heritage Plan project of the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
4	UNOG should ensure that the Strategic Heritage Plan: (a) clarifies with the risk management services contractor the evidence that should be provided to support the amounts invoiced for executive meetings that are not held due to last minute cancellations; and (b) does not make payments in cases where meetings are cancelled in advance without the related preparatory work being performed.	Important	O	Receipt of evidence that SHP has clarified with the risk management services contractor the evidence that should be provided to support amounts invoiced for executive meetings that are not held due to last minute cancellations and that any payments made for meetings that were cancelled in advance in 2017 have been recovered.	30 November 2019
5	UNOG should ensure that the Strategic Heritage Plan strengthens its invoice review process to assure that the amounts invoiced are supported by evidence of work done and are accurately computed in accordance with the contract and supporting documents.	Important	O	Receipt of evidence of action taken to ensure that the amounts invoiced are adequately supported and accurately computed in accordance with the contract and supporting documents.	31 January 2020

APPENDIX I

Management Response

Office des Nations Unies à Genève  United Nations Office in Geneva

MEMORANDUM INTERIEUR

INTEROFFICE MEMORANDUM

TO: Mr. Gurpur Kumar
A: Deputy Director
Internal Audit Division, OIOS

DATE: 18 October 2019

REF. OIOS-2019-02097

FROM: Mr. Clemens M. Adams
DE: Director
Division of Administration, UNOG

SUBJECT: Draft report on an audit of contract management in the Strategic Heritage Plan of the
OBJET: United Nations Office at Geneva (Assignment No. AE2018/310/03)

1. UNOG acknowledges receipt of the draft report on an audit of contract management in the Strategic Heritage Plan of the United Nations Office at Geneva (Assignment No. AE2018/310/03)
2. As requested, please find in the attached Appendix I, our comments, including an action plan with target dates and the names of the entities responsible for implementing the recommendations.

cc. Mr David Mc Cuaig, Project Director, Strategic Heritage Plan, UNOG
Ms. Sophie Veaudour, Chief Financial Resource Management Service
Mr. Neil Bradley, Chief, Programme Management Support, Strategic Heritage Plan, UNOG
Ms. Veronique Neiss, Chief, Design and Construction, Strategic Heritage Plan, UNOG
Mr. Philip Compte, Chief, Central Support Services, UNOG
Mr. Michael Oswald, Senior Administrative Officer, SHP
Ms. Céline Noel, Chief, Finance Section
Mr. Stephen Farrell, Chief, Purchase and Transportation Section, UNOG
Mr. Philippe Hug, Special Assistant to the Director, Division of Administration, UNOG
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of contract management in the Strategic Heritage Plan project of the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOG should ensure that (a) emergent shortcomings and ambiguities in contract provisions are promptly and thoroughly addressed during contract amendments; (b) lessons learned from managing contracts are documented, including potential remedies for addressing inadequate performance by a contractor; and (c) contract amendments are duly reviewed and validated before they are signed	Important	Y	a) PTS b) SHP c) PTS	30/06/2020	UNOG accepts the recommendation. a) We note the previous deficiencies highlighted by OIOS. New contractual amendments will continue to be issued promptly in order to address issues as they arise. b) In addition to the performance review process applied on all contracts, a specific lesson learned exercise will be performed on the contract management of the complex SHP design contract, which is referred to in the audit report. c) PTS shall obtain confirmation from SHP that it has reviewed proposed contract amendments, which shall be logged in Unite Docs along with the eventual signed contract amendment.
2	UNOG should ensure that the Strategic Heritage Plan strengthens the monitoring of the flexible work place contract by: (a) documenting performance evaluations as	Important	Y	SHP	30/11/2019	UNOG accepts the recommendation. SHP will evaluate the performance of the contractor for the flexible working space, as a portion of work under a

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.

Management Response

Audit of contract management in the Strategic Heritage Plan project of the United Nations Office at Geneva

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	required; and (b) developing a tracking sheet for contract deliverables.					United Nations Headquarter systems contract, to ensure that any performance issues are identified and addressed properly. This will be handled similarly to SHP's already established vendor performance review system with other vendors. SHP will develop a tracking sheet to help provide management with clear visibility on the status of contract deliverables and the extent to which the agreed milestones are being met under this contract.
3	UNOG should ensure that contract amendments are initiated in a timely manner in accordance with established guidelines.	Important	Y	PTS	30/06/2020	UNOG accepts the recommendation, with the proposed amendment. The PCU tracking tool, used to monitor contract expiry dates, will be updated to send timely automatic reminder emails to the requisitioner prior to the expiration of the contract.
4	UNOG should ensure that the Strategic Heritage Plan: (a) clarifies with the risk management services contractor the evidence that should be provided to support the amounts invoiced for executive meetings that are not held due to last minute cancellations; and (b) does not make payments in cases where meetings are cancelled in advance without the related preparatory work being performed.	Important	Y	SHP	30/11/2019	UNOG accepts the recommendation but would like to highlight that since February 2018, the meetings have been held every month, as a result of its earlier action taken to diarise the meetings. UNOG will clarify with MACE that if this situation occurs again in future, they should transmit the presentation to the project executive by email.
5	UNOG should ensure that the Strategic Heritage Plan strengthens its invoice review process to assure that the amounts	Important	Y	SHP	Already implemented, following the	Following this audit, SHP has requested the contracted project management service provider and the

Management Response

Audit of contract management in the Strategic Heritage Plan project of the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	invoiced are supported by evidence of work done and are accurately computed in accordance with the contract and supporting documents.				audit	technical support services provider, respectively, to enhance the provision of supporting documentation to their monthly invoices. This includes the provision of time sheets and/or monthly overview tables of staff rates employed, in accordance with their respective contracts with SHP, and in order to ensure that reviewers can verify that the correct rate has been applied in computing the amounts payable. This enhancement in the provision of supporting documentation is already implemented.