



INTERNAL AUDIT DIVISION

REPORT 2023/101

Audit of the use and management of contracts in the United Nations Assistance Mission in Somalia and the United Nations Support Office in Somalia

UNSOM and UNSOS needed to strengthen controls for effective oversight, performance monitoring, management of performance bonds and insurance policies, and training of contract managers

29 December 2023

Assignment No. AP2022-639-02

Audit of the use and management of contracts in the United Nations Assistance Mission in Somalia and the United Nations Support Office in Somalia

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the use and management of contracts in the United Nations Assistance Mission in Somalia (UNSOM) and the United Nations Support Office in Somalia (UNSOS). The objective of the audit was to assess the adequacy and effectiveness of controls, governance and risk management over the use and management of contracts in UNSOM and UNSOS. The audit covered the period from January 2019 to July 2023 and included higher and medium risk areas in the use, management, and administration of contracts in UNSOM and UNSOS, which comprised: (i) organizational structure and oversight for contract management; (ii) contract management processes, including monitoring of contract terms, providing feedback to vendors on their performance, and payments to vendors; and (iii) contract administration actions taken by procurement staff after contract awards, such as contract amendments and handling of security instruments.

The organizational structure in the Mission was inadequate, resulting in uneven distribution of the workload and insufficient oversight of contract management. Risks specific to contracts were not adequately assessed, leading to gaps in managing and tracking equipment assigned to contractors. The invoice verification process and adherence to welfare and working standards in contracts were also inadequate.

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

- Review its contract management structure, functions, training needs and reporting lines to ensure effective monitoring and oversight of contract management activities.
- Develop a framework for conducting contract-specific risk assessments and implementing mitigation measures to address risks associated with contract management.
- Ensure precise information in Umoja on equipment assigned to contractor companies and hold them accountable for damages or losses by making claims against their performance bonds.
- Ensure certifying officers complete the relevant training and are periodically reminded of their responsibilities.
- Develop an effective arrangement to help ensure monitoring and evaluation of the performance of contractor employees, including appropriate guidelines, tools, and periodic reminders of the obligations.
- Specify minimum acceptable welfare and working standards in all contracts with personnel.
- Establish a mechanism to track and enforce the mandatory courses completion requirement for contractor personnel.
- Develop an adequate tracking system for monitoring and follow up of performance bonds and other securities such as insurance policies as required under the contract.

UNSOS accepted all recommendations and has initiated action to implement them. Action required to close the recommendations are indicated in Annex I.

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Audit of the use and management of contracts in the United Nations Assistance Mission in Somalia and the United Nations Support Office in Somalia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the use and management of contracts in the United Nations Assistance Mission in Somalia (UNSOM) and the United Nations Support Office in Somalia (UNSOS).

2. Security Council resolution 2245 mandated UNSOS to provide administrative and logistical support to UNSOM, the African Transition Mission in Somalia, and the Somali Security Forces. This support included the provision of living/office accommodation, rations, fuel, transportation and medical facilities. Due to the volatile security situation and the requirement to maintain a light footprint in Somalia, UNSOS used contractors to perform some of its support functions. These included: (a) provision of information technology support, engineering third-party project management, security services, movement control services, verification of contingent-owned equipment, driver and dispatch services, fuel delivery, catering, transport and provision of medical services, and (b) professional services to perform core functions of political advisors and project managers.

3. The United Nations Procurement Manual defines contract management as the ongoing monitoring and management of vendors' performance regarding the goods or services provided per the terms and conditions of the contract. It includes managing vendor relationships, giving feedback on their performance and resolving disputes. The Manual defines contract administration as all actions undertaken by the procurement staff after contract award, such as contract amendment, contract closure, record retention, maintenance of the contract file and handling of security instruments. According to the Procurement Manual, contract management activities are a shared responsibility between contract management staff assigned to a dedicated project, the requisitioner and the end-user.

4. As of 31 January 2023, UNSOS had 137 active contracts with a total Not-to-Exceed (NTE) value of \$2.4 billion, as shown in table 1 below. As of February 2023, there were 2,670 contractor personnel working in UNSOS camps in Somalia and 587 national and international UNSOM and UNSOS staff.

Table 1: UNSOS/UNSOM contracts and NTE amounts from 1 January 2019 to 31 January 2023

<i>Service category/description</i>	<i>Count of contracts</i>	<i>Full-term NTE in US\$ ('000)</i>
Services	105	2,303,901
Construction and related works	9	77,208
Goods and services	3	9,805
Goods	13	5,665
Leases	3	1,704
Licenses	4	129
Total	137	2,398,412

Source: Umoja data

5. Each technical section has an embedded Resident Contracts Manager (RCM) responsible for contract management and general oversight of contracts. The Contract Performance Evaluation Unit (CPEU), part of the Acquisition Management Section, guides the RCMs and project managers on developing solicitation documents, monitoring and evaluating contractor performance. The Chief of CPEU, an international staff at the P-3 level, is assisted by five national staff at the NO-B level and reports to the Chief of Acquisition Management Section within the Supply Chain Management Pillar.

6. Comments provided by UNSOS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of controls, governance and risk management over the use and management of contracts in UNSOM and UNSOS.

8. This audit was included in the 2022 risk-based work plan of OIOS due to the operational and reputational risks related to the use and management of contracts, especially with the high number of service and workforce contract personnel in Somalia.

9. OIOS conducted this audit from May 2022 to September 2023. The audit covered the period from January 2019 to July 2023. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management and administration of contracts in UNSOM and UNSOS, which included: (i) organizational structure and oversight for contract management; and (ii) contract management and administration.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant contract documentation; (c) analytical review of contract data; and (d) detailed review of a judgmental sample of 16 out of 137 existing contracts with an NTE value of \$1.09 billion.

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

III. AUDIT RESULTS

A. Organizational structure and oversight for contracts management

Need to assess the organizational structure for contract management

12. The Department of Operational Support Contract Management Policy requires UNSOS to manage contracts in a way that proactively anticipates potential risks and defends the best interests of the Organization.

13. OIOS assessment of the contract management arrangements in UNSOS identified the following shortcomings:

a) There was an uneven distribution of responsibilities among Resident Contract Managers

14. UNSOS technical sections are responsible for developing and managing their respective contracts. Specific sections such as Field Technology Services (FTS), Life Support, Transport, and Engineering and Facilities Management and Maintenance Section (EFMMS) each had one dedicated RCM. Other sections, in contrast, either had a focal point or were managed by the CPEU. This arrangement did not duly consider

the number and complexity of contracts of each section, resulting in an uneven distribution of responsibilities. For example, the EFMMS Section had one RCM to manage 30 contracts, while Transport Section also had one RCM for 12 contracts. Table 2 below shows the distribution of contracts and RCMs across technical sections. It also indicates whether the RCM had completed any contracts management training.

Table 2- Distribution of Resident Contract Managers by technical section

<i>Client / Pillar</i>	<i>No. of contracts</i>	<i>Current NTE in US\$ ('000)</i>	<i>Training provided to RCM (Y/N)</i>
Field Technology Services	22	773,976	Yes
Transport	12	26,300	Yes
Security and Information Security Management, and Centralized Warehousing	12	81,385	Yes*
Life Support	6	550,924	Yes
Office of the Chief, Supply Chain Management Pillar	1	6,841	Yes
Engineering and Facilities Management - Somalia	30	315,396	No
Aviation	19	23,660	No
Medical	17	53,563	No
Movement Control	11	61,488	No
Training	4	1,919	No
Engineering and Facilities Management -Kenya	3	6,841	No

*Source: UNSOS CPEU *Contracts are managed by CPEU*

15. The above occurred because UNSOS had not designed and implemented a contract management structure that best fit its operational environment.

b) Monitoring of contractor performance and oversight of contract management activities were inadequate

16. RCMs are required to monitor and evaluate contractors' performance against the key performance indicators (KPIs) established in the contracts, including the quality of their work and adherence to timelines. They should also record quarterly performance reports in the online Contractors' Performance Reporting Tool (CPRT). The RCMs should refer any issues with a contractor's performance to the Procurement Section and CPEU for guidance. A review of contract management records for a sample of 16 contracts noted the following:

- RCMs in the Aviation, Life Support and Transport sections held regular contractor performance review meetings, yet they neither shared meeting minutes with CPEU nor extended invitations for CPEU participation. The RCM for EFMMS had not held any meetings since March 2021. Consequently, CPEU and by extension, UNSOS senior management, did not have a global view of contract management issues in the mission.
- UNSOS rated the contractor's performance in the provision of vehicle and equipment maintenance repair services and spare parts in Somalia as unacceptable in four of the eight quarters reviewed. There were problems identified with completing tasks late and the low quality of the maintenance and repair services provided. UNSOS, however, did not make any recovery for the performance

shortcomings because the contract KPIs did not link delayed maintenance and poorly executed repairs to liquidated damages.

- Two contracts did not include KPIs. One contract was for the provision of communications and information technology staffing. The second was an expired contract for armed and unarmed security guard services.
- c) *There was no United Nations contract management training requirement for Resident Contracts Managers*

17. The review noted that 6 of the 10 RCMs embedded in technical sections had not undertaken relevant training on contract management. The remaining four RCMs took contract management training, but none was specific to the United Nations, although such training was offered without charge under the United Nations Procurement Training Campus. The lack of adequate training may have negatively impacted the efficiency and effectiveness of contract management. Mitigation measures such as a contract managers' training needs assessment would provide a good basis for developing their training targets. It would also enable the office to identify and take advantage of training opportunities at the United Nations Procurement Training Campus.

18. The above occurred because UNSOS management had not established an effective structure to monitor and coordinate contract management activities. For instance, the CPEU provided guidance but had no oversight role over RCMs.

19. This affected the ability of UNSOS to manage its contracts effectively. UNSOS also missed an opportunity to recover losses resulting from the unsatisfactory performance of the contractor for the provision of vehicle and equipment, maintenance repair services and spare parts in Somalia.

(1) UNSOS should review its contracts management structure, functions, training needs and reporting lines to ensure effective monitoring and oversight of contract management activities.

UNSOS accepted recommendation 1 and stated that it had started a mission-wide review of its contracts management structure, processes, and distribution of responsibilities among resident contract managers and all staff discharging contract management duties. The Mission recognized the need for dedicated resident contract managers in crucial sections such as Medical, Aviation, and MovCon and would address this during a contracts management workshop scheduled for January 2024. The workshop will include training on contract management, preparation of statements of requirements, development of key performance indicators, performance of technical evaluations, and reporting of contract performance through the Contract Performance Reporting Tool. UNSOS will also ask all contracts management staff to complete contract management training offered by the UN Procurement Division.

Need to improve management of contract management risks

20. UNSOS is required by the Department of Operational Support Contract Management Policy to conduct risk assessments of contractual arrangements with NTE exceeding \$10 million during contract development and before award. UNSOS is also required to manage contracting risks throughout the contract life cycle and implement mitigation measures for identified risks.

21. UNSOS had established a Risk Management Committee and identified risks related to outsourcing mission functions to contractors in its risk register. These risks included conflict of interest, collusion, fraud

and corruption. However, UNSOS had not implemented related mitigating measures. UNSOS also did not conduct contract-level risk assessments to identify specific risks posed by each contract and implement effective mitigating measures. There were no safeguards against collusion or conflict of interest between contractors and UNSOS staff as mentioned in paragraph 27 on the need to limit contract usage to specified purposes.

22. For a specific example of contract management risk, UNSOS did not institute measures for identifying and mitigating the risk of ineffective monitoring of United Nations-owned assets entrusted to contractors. UNSOS could not ascertain the total number of assets/equipment issued to contractor personnel. The UNSOS Property Management Unit (PMU) could only identify assets/equipment issued to contractor personnel after sharing lists of unverified equipment and obtaining information from technical sections. For example, in March 2023, PMU could not locate 206 assets with a depreciated value of \$102,000 issued to non-staff and third-party contractor personnel. Of these, UNSOS wrote off 189 assets valued at \$96,499 but did not recover the amount from the contractors responsible.

23. This issue arose in part from inadequate recording practices in Umoja, as contractor personnel lacked the necessary business partner numbers for proper documentation, resulting in reliance on manual records. Additionally, UNSOS's check-out procedures didn't cover non-UN staff and third-party contractors' personnel, leading to issues with equipment still assigned to departed personnel. While UNSOS identified measures in March 2020 to address these issues, including periodic reminders to third parties and sharing equipment listings during reviews, the implementation of these measures was still pending. OIOS noted that the 2022 report of the Board of Auditors (BOA) also identified need for UNSOS to diligently track and account for lost or unaccounted assets. To strengthen its overall asset management, it is essential for the Mission to enhance its oversight and responsibilities regarding contractor-held assets.

(2) UNSOS should develop a framework for conducting contract-specific risk assessments and implementing mitigation measures to address risks associated with contract management.

UNSOS accepted recommendation 2 and stated that its procurement practices, including a Source Selection Plan (SSP) with a contract-specific risk assessment section, ensured reputable vendors for high-value contracts through the United Nations vendor registry and incorporated performance bonds and risk mitigation measures. Additionally, it would conduct a contracts management workshop in January 2024 to establish clear roles and responsibilities for contracts management staff to better address contract management risks.

(3) UNSOS should ensure precise information in Umoja on equipment assigned to contractor companies and hold them accountable for damages or losses by making claims against their performance bonds.

UNSOS accepted recommendation 3 and stated that it had initiated measures to ensure the accurate recording of information on equipment assigned to contractor companies in Umoja. The Mission would also implement a system to hold contractor companies accountable for any damages or losses of equipment, enabling cost recovery when necessary.

Need to restrict usage of the contract for operation of material handling/construction equipment and vehicles to purposes specified in its statement of work

24. The Procurement Manual states that contractual approvals or amendments should be requested, reviewed and approved before they are put into effect. The FRR require approving officers to ensure that

goods and services have been received in accordance with the contracts or the purpose for which the financial commitment was established before approving payments.

25. A review of a contract for the operation of material handling/construction equipment and vehicles (MHE) in Somalia under the Transport Section with a not-to-exceed amount of \$10.7 million showed that UNSOS expended \$1 million from November 2019 to February 2022 for items outside the contract scope. UNSOS incurred this expenditure before requesting a review by the Headquarters Committee on Contracts (HCC). These expenditures were for the following:

- From November 2019 to February 2022 (i.e., 27 months), UNSOS paid \$282,314 for eight contractor personnel providing warehouse verification services under the Supply Chain Management pillar. This was before presentation to the HCC for its review of whether the proposed contract award complied with requirements in the Procurement Manual and the FRR. The HCC recommended approval for the changes to the contract but recommended that UNSOS put measures in place to mitigate the recurrence of such incidences. There was no indication that mitigation measures had been implemented.
- In August 2020, 14 months after its start, the contract was used to procure engineering-related services such as a civil engineer, lab analyst and architect; even though these services were not included in the statement of requirements (SOR), and they were not part of the technical evaluation. UNSOS added these to the contract while it completed the solicitation for a new contract to provide similar services. However, UNSOS continued using the services from the former vendor even after establishing a new contract. The justification provided to the HCC for the continued use of the MHE contract was that its rates were lower than those on the new contract. The total cost for these services was \$645,583.
- In October 2021, UNSOS added electronic vehicle monitoring system (Carlog) services to the contract. However, the Chief of Transport, the requisitioner, did not involve the Procurement Section when negotiating the addition of these services to the contract as required and certified \$49,397 in payments for the services provided.

26. Assigning work that was not included in the solicitation for existing contracts increased the risk of collusion between UNSOS staff and contractors. It gave the favored contractor an unfair advantage over other contractors and may also have disadvantaged the Organization as the prices paid for those services were not competitively obtained.

27. The main causes of the gaps above were that requirements were not well defined and procedures for amending and tendering for additional services were not complied with. This issue is addressed in the recent OIOS audit on procurement in UNSOS¹. Also, since recommendations 1 and 2 address the oversight and risk mitigation measures, OIOS did not make an additional recommendation.

B. Contracts management and administration

Need to strengthen review of vendor invoices and adequacy of supporting documents

28. United Nations Financial Rule 105.5 (b) requires officers certifying the receipt of goods and services to maintain detailed records of expenses and be prepared to submit any supporting documents, explanations and justifications. Vendor invoices are paid based on these certifications.

¹ 2023/079 dated 21 December 2023

29. A review of supporting documentation in Umoja (such as task orders, timesheets and certificates of completion) for a random sample of 44 invoices related to the 16 sampled contracts (cumulative invoice value of \$4.3 million) showed that payments were certified by the relevant UNSOS certifying officers. However, eight of the invoices did not include sufficient detail nor documentation to enable approvers to verify the deliverables covered by the invoice, as noted below:

- Four invoices valued at \$740,294 for engineering and construction management services included consultants' attendance sheets but did not include descriptions of the specific projects, tasks performed, time spent on each task, and descriptions of quality control or quality assurance issues encountered. The invoices also did not include copies of monthly performance statements for each UNSOS project worked on and logs of monthly non-compliance reports, as required in the contract.
- Four invoices valued at \$334,409 for automotive maintenance and repair services contract had only a summary of work orders for various locations in Somalia. They did not have details of the work done, such as the parts replaced, or the type of service performed on each vehicle. Consequently, it was not possible to determine whether UNSOS received adequate value for money.

30. The main reason for the above was that certifying officers approving service entry sheets were not attentive to their responsibility to obtain and maintain adequate documentation to support the approved invoices. Additionally, the officers had not completed the relevant training required for their roles. As a result, there was no assurance that payments were based on actual goods and services received and that UNSOS received adequate value for money.

(4) UNSOS should ensure certifying officers complete the relevant training and are periodically reminded of their responsibilities.

UNSOS accepted recommendation 4 and stated that all certifying officers completed mandatory training prior to being assigned certifying functions in Umoja. UNSOS is committed to reminding certifying officers about documentation requirements for invoice processing in Umoja.

Need to consistently monitor and evaluate performance of professional and technical services personnel provided by contractors

31. Technical sections are responsible for monitoring and evaluating contractors' performance, including the quality of their work, adherence to timelines, and meeting KPIs. The review of sampled contracts (16 contracts with NTE value of \$1.09 billion) showed the following:

- The contract for communications and information technology staffing support did not have mechanisms for monitoring and evaluating the performance of contractor personnel. UNSOM and UNSOS also did not develop procedures to guide supervisors on how to manage the performance of contractor personnel assigned to their sections/units. Consequently, OIOS noted inconsistencies in how different sections monitored and evaluated their assigned personnel's performance. The Field Technology Service (FTS) section developed terms of reference, monitored the contractor's personnel schedules, and conducted annual performance reviews. Also, both FTS and the Life Support Unit maintained timesheets for their assigned personnel. However, the timesheets did not include detailed descriptions of tasks performed to ensure adequate monitoring. EFMMS,

Movement Control and Life Support did not have terms of reference for the contractor personnel assigned to them and also did not monitor their performance.

- UNSOM and UNSOS did not monitor at all the performance of 11 personnel provided under the contract for professional and technical services. Such personnel were deployed to critical operational areas such as the EFMMS, Supply, Air Operations, Movement Control and Political Affairs and Mediation Group sections where performance is vital to the Mission's mandated activities.

32. The above occurred because UNSOS had not placed sufficient importance on monitoring contractor personnel performance to ensure the Organization received the best value for money. For example, UNSOS did not specify responsibility for monitoring the performance of personnel provided by contractors. This would also have ensured that the Mission timely identified developing problems. Consequently, there was no assurance that UNSOM and UNSOS utilized the contractor personnel efficiently and effectively.

(5) UNSOS should develop an effective arrangement to help ensure monitoring and evaluation of the performance of contractor employees, including appropriate guidelines, tools and periodic reminder of the obligations.

UNSOS accepted recommendation 5 and stated that it conducted a gap analysis in August 2023, which identified a lack of uniformity in current practices across Technical Units. Additionally, it would develop a standard operating procedure for monitoring and evaluating the performance of contractors' employees and would require all technical units to adopt it.

Need for guidance to define and monitor welfare and working standards of contractors' personnel in contracts

33. The United Nations General Conditions of Contracts, which form an integral part of any procurement contract, outline the key legal and operational terms and conditions, including the contractor's responsibilities with respect to its personnel and compliance with local laws and customs, as well as the obligation to observe high standards of moral and ethical conduct. UNSOS is encouraged to ensure contractors adhere to the maximum number of hours of work per day and per week recommended by the International Labor Organization (ILO) for the employment of their personnel and their leave and rest provisions.

34. OIOS noted that besides the current contract for the provision of armed and unarmed security services, none of the other contracts reviewed had clauses defining acceptable working standards. Contracts such as that for the provision of communications and information technology staffing support and provision of medical services lacked clauses addressing the level of wages that were acceptable, sick and parental leave, prohibition of exploitative practices, etc.

35. In addition, the UNSOS contract for the provision of catering included welfare and annual leave but did not have the provisions on sick and parental leave. OIOS also noted that, on 1 January 2023, the vendor entered a subcontracting arrangement for the provision of personnel to provide services under the catering contract. This was done without prior written approval from the Procurement Section as per requirements of the Procurement Manual.

36. 

Table 3- [REDACTED]

[REDACTED TABLE]

37. The current UNSOS contract for armed and unarmed security guard services in various locations in Somalia requires the contractor to ensure the highest degree of morale and well-being of its personnel. This includes salaries and employment conditions that are not abusive or exploitative or constitute a reputational risk to the United Nations.

38. Based on a Department of Safety and Security (DSS) recommendation to include welfare-related clauses in the current UNSOS contract, the SOR for the contract included minimum standards for leave and other benefits for the guards. For example, it stipulated that guards should work no more than 8 hours per day and 40 hours per week. The contract, however, did not include individual salaries for guards and lacked KPIs and reporting requirements to enable UNSOS to monitor compliance with contractual requirements. Discussions with the RCM indicated they were not checking what the contractor was paying the guards or whether it was complying with any of the other contract provisions related to the welfare of the guards.

39. In OIOS view, clear guidance with well-defined accountabilities of all relevant parties involved in contract management would help contract managers to better understand the requirements and effectively manage operational risks, including health and security risks to both contractor and Mission staff.

(6) UNSOS should specify minimum acceptable welfare and working standards in all contracts with personnel.

UNSOS accepted recommendation 6 and stated that it held a meeting with all contractors in August 2023 to emphasize adherence to United Nations contractual provisions, including minimum welfare and human rights standards, compliance with Somali laws, and obligations under the United Nations Supplier Code of Conduct, International Labour Organization rules and regulations and the United Nations General Conditions of Contract. These meetings will be ongoing. Additionally, the Mission has integrated the Human Rights Due Diligence Policy into templates for all new contracts, including Statements of Requirements and Statements of Works.

²Included in International Labor Standards recommendations.

Need to ensure contractor personnel undertake mandatory training

40. During the COVID-19 pandemic, UNSOS required contractor personnel to complete training on Managing Risks of Misconduct. Contractor personnel are also required to take annual training on Conduct and Discipline.

41. A review of UNSOS Conduct and Discipline Office records showed that from 1 January 2020 to 31 August 2023, 118 contractor personnel had undertaken a training of trainers' course on Managing Risks of Misconduct during the COVID-19 pandemic. This included 56 personnel under the contract for the provision of information technology staffing support. From January 2022 to August 2023, UNSOS trained 92 supervisors of contractor personnel who were in turn expected to train their colleagues on conduct and discipline. However, records showed that out of the approximate 2,670 contractor personnel, only 775 had been trained on the mandatory Conduct and Discipline course.

42. This happened because UNSOS had not established mechanisms for monitoring and enforcing the completion of Conduct and Discipline training by contractor personnel. This would have enabled RCMs to track the number of contractor personnel who had attended training and follow up with contractors to enforce compliance.

43. The low rate of completion of mandatory training may have increased the risk that contractor personnel may not fully understand and demonstrate the behavior and standards of conduct expected of them while working with the United Nations. This was reflected in the number of misconduct cases involving contractor personnel. From 1 July 2019 to 20 August 2023, 25 contractor personnel were involved in misconduct, including 15 cases of sexual harassment and other types of harassment, abuse of authority, physical assault, theft, falsification of diplomatic number plates, and non-compliance with COVID-19 mitigation measures. Such cases have a negative impact on the reputation of the Organization.

(7) UNSOS should establish a mechanism to track and enforce the mandatory courses completion requirement for contractor personnel.

UNSOS accepted recommendation 7 and stated that it would conduct contracts management workshop in January 2024, with a focus on establishing a system to track and enforce mandatory course completion by contractors, in collaboration with the Conduct and Discipline Unit.

Need to enforce contractual provisions related to performance bonds and insurance policies

44. The Procurement Manual requires UNSOS to obtain and maintain performance bonds from contractors to protect the United Nations against the risk of loss if a contractor fails to perform its obligations under a contract. UNSOS should also require contractors to maintain liability insurance for their equipment and property and worker's compensation for their personnel. Procurement buyers and their team leaders are responsible for verifying that performance bonds and other performance securities, such as liability insurance are submitted and updated at contract amendment and renewal.

45. UNSOS could not provide evidence of current performance bonds for four of the contracts reviewed with a total NTE value of \$49 million. These included the contracts for the provision of electrical works and powerhouses, catering services, inventory planning and warehouse support services, and facilities maintenance, repairs and internal movement services at the Mombasa Support Base. In addition, UNSOS did not have evidence of liability insurance or workers' compensation coverage for any of the contracts reviewed, nor did it require contractors to provide certificates evidencing insurance for property, workers' compensation and equipment.

46. Controls over the custody and documentation of performance securities were also inadequate. Procurement deposited performance securities for custody with the UNSOS cashier in Nairobi and Mogadishu but did not have registers to show which documents it had deposited and their expiry dates. In addition, the cashier in Nairobi did not maintain a record of items received from the Procurement Section.

47. The above occurred because the Procurement Section did not have an adequate tracking system for monitoring whether the performance bonds and insurance certificates are obtained and maintained as required under the contract. As a result, there was a risk of financial loss to the Organization in cases where contractors were unable to meet their contractual commitments, as the Organization would have no recourse. There was also a reputational risk to the Organization that could result from claims against UNSOS for the actions of contractors.

(8) UNSOS should develop an adequate tracking system for monitoring and follow up of the performance bonds and other securities such as insurance policies as required under the contract.

UNSOS accepted recommendation 8 and stated that it has developed a system to track and monitor contract not-to-exceed amounts which will be further enhanced with a module specifically for tracking and reporting features of performance bonds and other securities, as planned by June 2024.

IV. ACKNOWLEDGEMENT

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

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the use and management of contracts in the United Nations Assistance Mission in Somalia and the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	UNSOS should review its contracts management structure, functions, training needs and reporting lines to ensure effective monitoring and oversight of contract management activities.	Important	O	Receipt of evidence demonstrating the review and establishment of the new contracts management section including assignment of Resident Contracts Managers to critical sections. Additionally, documentation proving that a comprehensive contract management training has been conducted for all relevant staff by the United Nations Procurement Division.	31 October 2024
2	UNSOS should develop a framework for conducting contract-specific risk assessments and implementing mitigation measures to address risks associated with contract management.	Important	O	Receipt of evidence showing a framework for post-award contract risk assessment and management and establishment of clear roles and responsibilities in risk management following the January 2024 contracts management workshop.	31 January 2025
3	UNSOS should ensure precise information in Umoja on equipment assigned to contractor companies and hold them accountable for damages or losses by making claims against their performance bonds.	Important	O	Receipt of evidence of updated Umoja records for tracking contractor-assigned equipment and documentation of the contractor accountability system, including cost recovery procedures.	31 January 2025
4	UNSOS should ensure certifying officers complete the relevant training and are periodically reminded of their responsibilities.	Important	O	Receipt of evidence of certifying officers' completion of required training along with the implementation of a reminder system for invoice processing.	31 January 2025
5	UNSOS should develop an effective arrangement to help ensure monitoring and evaluation of the performance of	Important	O	Receipt of the new Standard Operating Procedure (SOP) for monitoring and evaluating the performance of contractors' employees. This	30 June 2024

³ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁴ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁵ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁶ Date provided by UNSOM and UNSOS in response to recommendations, except recommendations 2,3,4 and 6, for which OIOS set the target date as 31 January 2025.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the use and management of contracts in the United Nations Assistance Mission in Somalia and the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical ³ / Important ₄	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
	contractor employees, including appropriate guidelines, tools and periodic reminder of the obligations.			should include details demonstrating how the SOP addresses the identified gaps in current practices and ensures uniformity across Technical Units.	
6	UNSOS should specify minimum acceptable welfare and working standards in all contracts with personnel.	Important	O	Receipt of evidence that contract templates specify minimum acceptable welfare and working standards, and their inclusion in contracts to facilitate monitoring.	31 January 2025
7	UNSOS should establish a mechanism to track and enforce the mandatory courses completion requirement for contractor personnel.	Important	O	Receipt of evidence of a tracking and enforcement system established for mandatory courses completion by contractor personnel.	30 June 2024
8	UNSOS should develop an adequate tracking system for monitoring and follow up of the performance bonds and other securities such as insurance policies as required under the contract.	Important	O	Receipt of evidence confirming the implementation of enhanced tracking system for performance Bonds and other securities.	30 June 2024

APPENDIX I

Management Response



Interoffice Memorandum

To: Mr. Byung-Kun Min, Director
Internal Audit Division
OIOS
Date: 18 December 2023
Ref: UNSOS/1223/M.051

From: Catriona Laing *Catriona Laing*
Special Representative of the Secretary-General for Somalia
Aisa Kirabo Kacyira For *A. Kirabo Kacyira*
Head of the United Nations Support Office in Somalia

Subject: UNSOM and UNSOS response to the draft report on an audit of the use and management of contracts in UNSOM and UNSOS (Assignment No. AP2022-639-02)

1. Further to your memorandum reference OIOS-2023-02169 of 29 November 2023, please find attached the UNSOM and UNSOS response to the subject audit.
2. We thank you for your continued support to the work of UNSOM and UNSOS.

cc: Ms. Fatoumata Ndiaye, USG OIOS
Ms. Anita Kiki Gbeho, UNSOM
Ms. Qurat-Ul-Ain Sadozai, UNSOS
Ms. Judith Goetz, UNSOM
Ms. Cristina Gavazzo, UNSOS
Mr. Michael Dorn, UNSOS
Mr. Dolapo Kuteyi, UNSOS
Ms. Yvette Langenhuizen, UNSOS
Mr. Jeffrey Lin, OIOS

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Management Response

Audit of the use and management of contracts in the United Nations Assistance Mission in Somalia and the United Nations Support Office in Somalia (Assignment No. AP2022-639-02)

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOS should review its contracts management structure, functions, training needs and reporting lines to ensure effective monitoring and oversight of contract management activities.	Important	Yes	C/AMS	31 October 2024	<p>Since July 2023, UNSOS has started a mission-wide review aimed at improving its Contract Management processes and the distribution of responsibilities among Resident Contract Managers (RCMs) and all staff discharging Contract Management duties.</p> <p>Within the objectives of the review, there is also the improvement of the UNSOS Contract Management structure.</p> <p>In August 2023, the mission conducted a gap analysis to identify and assign dedicated RMC to Technical Sections that do not have one.</p> <p>The findings highlighted that the Medical, Aviation and MovCon Sections did not have assigned RCMs despite the objective</p>

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

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						<p>importance of the Contracts under these Sections and their impact on the mission's overall ability to implement its mandate. To this end, UNSOS analysed all contract portfolios considering both the number of contracts as well as their total value. This issue will be further discussed and addressed during the upcoming Contracts Management Workshop scheduled for January 2024.</p> <p>The workshop will be combined with the training on Contract Management, SOR, KPIs and the Technical Evaluation Committee (TEC) which will be delivered by UNDP.</p> <p>Management will require all Contract Management staff to complete the Contract Management Training offered by the UN Procurement Division Training Campus and will also conduct training for all staff by UNGSC on reporting of</p>

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2	UNSO should develop a framework for conducting contract-specific risk assessments and implementing mitigation measures to address risks associated with contract management.	Important	Yes	C/AMS	Implemented	<p>Contracts performance through the Contract Performance Report Tool (CPRT).</p> <p>The Mission is also finalising the restructuring of the Contract Management Function by having a dedicated Section to undertake the functions. The new section will not report to any self-accounting unit head to ensure impartiality in the carrying out of duties.</p> <p>As standard procurement practice and an integral part of contract solicitations, irrespective of value, the Source Selection Plan (SSP) document contains a section that addresses contract-specific risk assessment. This practice is a standing action that is consistently implemented by UNSOS Procurement.</p> <p>In addition, the following contract-specific risk assessment and mitigation measures are standard part of the regular process contract procurement process:</p>

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						<p>The UN vendor registry consists of three levels, each with distinct risk profiles and registration requirements: For registration at Level 2 (awards over US \$500,000), vendors are required to submit: audited financial statements for previous 3 fiscal years, three reference letter from their clients, proof of being in business for at least 3 years, name of owners/principals, etc. Consequently, UNSOS ensures that high value contracts are only awarded to reputable and vetted vendors.</p> <p>UNSOS ensures that the risk mitigation measures in the form of liability provisions, warranties, and/or other assurances are included in all contracts.</p> <p>UNSOS ensures that risk identification is standard part of the Source Selection Plan in all UNSOS solicitations.</p> <p>Following a Contract award, UNSOS requires Performance Bonds from its</p>

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						<p>Contractors in order to mitigate the risk of non-performance and breach of contractual obligations.</p> <p>UNSOS also manages risks by avoiding ambiguous performance requirements as this may lead to bidders factoring into their bid/proposal a contingency or risk buffer.</p> <p>Going forward, the Contracts Management Workshop scheduled for January 2024 will establish definitive roles and responsibilities of all Contracts Management staff, to better address the risks associated with contract management.</p> <p>Based on the foregoing, UNSOS requests that this recommendation be considered as implemented.</p>
3	UNSOS should ensure precise information in Umoja on equipment assigned to contractor companies and hold them accountable for damages	Important	Yes	Property Management	Implemented	While UNSOS has initiated the necessary steps to address this recommendation, it's committed to ensuring accurate recording

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	or losses by making claims against their performance bonds.					of information on equipment assigned to contractor companies in UMOJA. In addition, UNSOS is implementing a system to hold contractor companies accountable for damages or losses of equipment. This is done through the current UMOJA System which enables UNSOS to carry out cost recovery from vendors where this is deemed necessary. UNSOS request that Recommendation 3 be considered as implemented.
4	UNSOS should ensure certifying officers complete the relevant training and are periodically reminded of their responsibilities.	Important	Yes	C/AMS	Implemented	Management seeks to assure the auditors that all certifying officers in the mission are required to undertake the designated training modules and to submit their certificates before they are assigned the user roles to carry out the certifying officer function in Umoja. Consequently, the mission is fully compliant with the statutory provisions relating to the designation and assignment of certifying officers.

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5	UNSOs should develop an effective arrangement to help ensure monitoring and evaluation of the performance of contractor employees, including appropriate guidelines, tools and periodic reminder of the obligations.	Important	Yes	C/AMS	30 June 2024	<p>Management will issue reminders to certifying officers of the requirement to ensure that the necessary supporting documentation for processing of invoices is uploaded in Umoja.</p> <p>In view of the foregoing, Management requests the auditors to consider this recommendation as implemented.</p> <p>In August 2023, the mission conducted a gap analysis to identify the current practices adopted across the mission and noted that there is no uniform approach among Technical Units.</p> <p>By the end of FY 23-24, UNSOS plans to develop a Standard Operating Procedure for monitoring and evaluating the performance of contractors' employees and this is to be adopted by all Technical Units.</p>
6	UNSOs should specify minimum acceptable welfare and working	Important	Yes	C/AMS	Implemented	<p>With respect to the requirement to specify minimum acceptable welfare and working standards in all contracts with personnel,</p>

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	standards in all contracts with personnel.					<p>UN SOS has taken the following measures:</p> <p>In August 2023, UN SOS held a meeting with all its Contractors, emphasizing the importance of adherence to contractual provisions signed with the UN in terms of the observance of minimum welfare standards, human rights standards, observance of Somali laws, obligations towards their employees based on the UN Supplier Code of Conduct, International Labour Organization rules and regulations, as well as the UN General Conditions of Contract. These meetings shall be held regularly with all UN SOS contractors.</p> <p>UN SOS has included the Human Rights Due Diligence Policy in all its templates for Statement of Requirements (SORs) and Statement of Works (SOWs) which will be impeded in all its new Contracts.</p>

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7	UNSOS should establish a mechanism to track and enforce the mandatory courses completion requirement for contractor personnel.	Important	Yes	C/AMS	June 2024	UNSOS therefore requests that this recommendation be recorded as implemented. UNSOS will hold a Contracts Management workshop in January 2024. Part of this event will be dedicated to establishing a system to track and enforce mandatory course completion by contractors, in consultation with the Conduct and Discipline Unit.
8	UNSOS should develop an adequate tracking system for monitoring and follow up of the performance bonds and other securities such as insurance policies as required under the contract.	Important	Yes	C/AMS	June 2024	UNSOS developed a system to track and monitor Contract Not to Exceed values and will be enhanced with a module specific for tracking and reporting features of Performance Bonds and other securities. The goal is to finalize the exercise by June 2024.