



## **INTERNAL AUDIT DIVISION**

### **REPORT 2023/068**

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#### **Audit of fuel management in MINUSCA**

**MINUSCA needed to conduct a lessons learned exercise on the 2022 fuel crisis in conjunction with other relevant parties in the Organization and provide adequate staffing to ensure effective and efficient implementation of the Mission's fuel management**

**19 December 2023**

**Assignment No. AP2023-637-01**

# **Audit of fuel management in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA). The objective of the audit was to assess the effectiveness and efficiency of fuel management in MINUSCA. The audit covered the period from July 2020 to June 2023 and included organizational structure and staffing; fuel crisis management, risk mitigation and contingency planning; fuel operations and monitoring; and billing and payments.

MINUSCA adequately managed the fuel crisis in 2022. The Mission had adequately monitored the performance of the fuel contractors and enforced procedures for the timely payment of invoices which ensured prompt payment discounts. However, there was a need to provide adequate staffing to ensure effective and efficient implementation of the Mission's fuel management and conduct a lessons learned exercise on the fuel crisis in conjunction with other relevant parties in the Organization.

OIOS made nine recommendations. To address issues identified in the audit, MINUSCA needed to:

- Ensure that the staffing capacity of the Fuel Unit is commensurate with the scope and scale of its responsibilities and operations;
- Conduct a comprehensive and all-inclusive after-action review of the 2022 fuel crisis to inform future fuel procurement actions by identifying lessons learned and actionable recommendations;
- Update the fuel contingency plan with changes and lessons learned from the 2022 fuel crisis and in line with the updated mission risk management framework for sustainable and uninterrupted supply of fuel and related products;
- Implement effective monitoring procedures to ensure the adequacy of fuel stocks in all locations and corrective action is taken on shortfalls;
- Based on a risk assessment, ensure that: (a) quality inspections are being conducted at all critical contractor's distribution points and contingent/formed police units with fuel-consuming equipment, and (b) national staff are adequately trained to conduct quality control inspections in line with International and Petroleum Oil Industry Operation standards;
- Establish procedures for tracking, monitoring, and following up on the implementation of recommendations from quality control inspections to ensure they are timely implemented;
- Strengthen the Fuel Unit arrangements for the monitoring and enforcement of the calibration by the contractor to ensure regular calibration and prevent inaccurate measurement and billing of fuel provided to the Mission;
- Strengthen the arrangement to prevent, identify and address the potential fuel fraud and overconsumption; and

- Ensure that credit memoranda for fuel costs provided to surplus contingent-owned equipment and vehicles are timely prepared and submitted to the Regional Service Centre in Entebbe to initiate recovery from the respective troop/police contributing countries.

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

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# **Audit of fuel management in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA).
2. MINUSCA operates in remote and challenging locations in Bangui and the sectors and requires significant quantities of ground and aviation fuel to support both administrative and military operations. The Mission's 2022/23 budget provides for the deployment of: 155 military observers, 14,245 military contingent personnel, 600 United Nations police officers, 2,420 formed police unit personnel, 763 international staff (including 31 temporary positions), 615 national staff (including 1 temporary position), 294 United Nations volunteers and 108 government-provided personnel.
3. In July 2017, MINUSCA replaced the Mission Electronic Fuel Accounting System (MEFAS) with the Electronic Fuel Management System (EFMS-2) to provide the Mission with a full set of tools for fuel planning, monitoring of fuel consumption and reporting. MINUSCA also uses the United Nations Umoja Enterprise Resource Planning system to account for all amounts invoiced by the fuel contractor and recover fuel cost provided to United Nations Agencies and other entities in Central African Republic.
4. Following the expiration of a turnkey fuel supply contract<sup>1</sup> (PD/C0121/16) with "Contractor T", the Mission, through the Procurement Division at the United Nations Headquarters (UNHQ), signed another turnkey contract (PD/C0281/21) with "Contractor H" on 8 October 2021 for an initial period of three years with a Not-to-Exceed (NTE) amount of \$325.4 million, with an option to extend for two additional years of one year each. However, this contract was terminated in June 2022 due to serious underperformance of the contractor. It was replaced with a new turnkey contract (PD/C0166/22) with "Contractor T" on 1 July 2022 for an initial period of three years with an NTE amount of \$484.3 million and an option to extend for two additional years of one year each.
5. The Mission's fuel-consuming assets and equipment included: 17 aircraft, 1,270 United Nations-owned vehicles, 3,851 Contingent-owned equipment (COE) vehicles, 473 United Nations-owned generators and 1,793 COE generators. The Mission's fuel budgets and actual expenditures for the 2020/21, 2021/22 and 2022/23 fiscal years are shown in table 1 below.

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<sup>1</sup> A turnkey contract for fuel is one in which the contractor is responsible for the establishment of fuel supply chain from source to end-user, mobilization and operation of the Mission turnkey fuel sites, storage and maintenance of fuel reserves, provision of oil and lubricants, into aircraft, into vehicle, generator refueling services and bulk delivery services including the establishment of a fuel quality assurance and control programme.

Table 1: Fuel budget and actual expenditures for 2020/21, 2021/22 and 2022/23 fiscal years

Petroleum, oil and lubricants	2020/21		2021/22		2022/23	
	Budget	Actual expenditure	Budget	Actual expenditure	Budget	Actual expenditure
	US\$	US\$	US\$	US\$	US\$	US\$
Engineering (generators)	27,958,100	28,583,247	30,779,200	41,308,618	32,000,300	26,573,471
Ground transportation (vehicles)	12,675,800	10,716,279	12,236,800	22,622,631	14,812,300	5,822,834
Air transportation (aircraft)	14,634,600	9,903,111	12,598,900	20,006,093	14,839,500	7,682,135
<b>Total fuel cost</b>	<b>55,268,500</b>	<b>49,202,637</b>	<b>55,614,900</b>	<b>83,937,342</b>	<b>61,652,100</b>	<b>40,078,440</b>

Source: MINUSCA Budget Unit

6. The significant under-expenditure during 2022/2023 is attributable to the installation of diesel hybrid solar power systems at the Mission’s premises to reduce its carbon footprint which resulted in lower consumption of fuel and operational maintenance costs of its generators, as well as a general reduction in post-crisis fuel costs.

7. The Fuel Unit, located within the Life Support Section of the Service Delivery Management Pillar, is responsible for managing the Mission’s fuel operations, including monitoring fuel consumption and investigating anomalies; conducting quality inspections on the contractor’s fuel operations and facilities and reviewing its quality control programme; and maintaining enough strategic and local fuel reserves as a contingency measure. The Unit is headed by an international staff at the P-4 level who reports to the Chief of the Life Support Section. The Chief Fuel Unit is supported by five international and nine national staff and four military staff officers.

8. Comments provided by MINUSCA are incorporated in italics.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

9. The objective of the audit was to assess the effectiveness and efficiency of fuel management in MINUSCA.

10. This audit was included in the 2023 risk-based work plan of OIOS due to the operational and financial risks related to fuel operations in MINUSCA.

11. OIOS conducted this audit from April to September 2023. The audit covered the period from July 2020 to June 2023. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in fuel operations, which included: organizational structure and staffing; fuel crisis management, risk mitigation and contingency planning; fuel operations and monitoring; and billing and payments. This audit did not include a review of EFMS-2 general and application controls, as these will be covered by OIOS Information and Communications Technology Audit Section based on an assessment of risks.

12. The audit methodology included: (a) interviews of key personnel involved in fuel operations, (b) review of relevant documentation, (c) analytical reviews of fuel transaction data in EFMS-2 and Umoja, and (d) sample testing of fuel transactions relating to invoice payments to the fuel contractor and cost recovery of fuel supplied to United Nations Country Team members and other entities in Central African Republic. The audit team also conducted site visits to three fuel sites located in Bouar, Kaga-Bandoro, and Bria.

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

### III. AUDIT RESULTS

#### A. Organizational structure and staffing

The Fuel Unit needed to be adequately staffed for effective and efficient implementation of mandated activities

14. To ensure effective management of the Mission's fuel operations, MINUSCA must identify and provide adequate staffing resources to the Fuel Unit to fulfil its functions and discharge its responsibilities. The Department of Operational Support (DOS) Fuel Management Guidelines (the Fuel Guidelines) provide guidance on the fuel staffing structure for missions with a turnkey fuel contract. As of August 2023, the Fuel Unit was overseeing 16 distribution points, and an additional 7 points were in the process of being mobilized with the establishment of 30 new temporary operating bases (TOBs) due to the deployment of additional uniformed personnel.

15. For an operation of MINUSCA's size and complexity, the Fuel Guidelines recommend a total of 30 staff in the Fuel Unit, including personnel with technical specialist skills, to adequately manage risks related to a turnkey fuel supply concept. However, as MINUSCA had not previously conducted a staffing review of the Fuel Unit, the Unit was understaffed with 19 staffing resources based in 5 of the 16 locations: Bangui Log-base, Bangui M'poko, Bouar, Kaga-Bandoro and Bambari. This resulted in deficiencies in implementing key control activities, as elaborated throughout this report, including: (a) supervision of fuel operations planning and forecasting; (b) coordination of fuel supply and support to site operations, provision of technical oversight, including analysis of fuel quality inspections and reports in the field, (c) analysis of fuel data to establish fraudulent transactions; (d) coordination of maintenance and management of fuel assets, including calibration of equipment, (e) provision of training to support staff and military components; and (f) inspection of fuel site and facilities. As a result, fuel operations in the sectors/field offices, where more than half of the Mission's fuel consumption took place, were not adequately monitored. The Fuel Unit indicated that this significantly contributed to the continued incidents of overconsumption, abuse and fraud.

16. Furthermore, in accordance with MINUSCA standard operating procedures (SOP) on reporting lines between field offices and Mission headquarters, the three Fuel Unit national staff in Bouar, Kaga-Bandoro and Bambari did not substantively report to the Chief Fuel Unit in Bangui but to their respective Administrative Officer in the field, who did not have adequate knowledge and expertise on fuel operations. As a result, these staff were not adequately supervised to enable them to effectively carry out their duties.

17. In addition, staffing constraints placed an undue burden on the available Unit staff who were required to work long hours which was draining and negatively impacted on their welfare. If not addressed, inadequate staffing resources would result in increased cases of possible fuel fraud and overconsumption, as elaborated in the analysis of EFMS reports.

18. The Mission, in conjunction with DOS, conducted a civilian staffing review in 2023/24, which recommended additional staffing resources for the Unit to be included in the Mission's next budget cycle.

**(1) MINUSCA should ensure that the staffing capacity of the Fuel Unit is commensurate with the scope and scale of its responsibilities and operations in line with the staffing structure recommended by the Fuel Management Guidelines.**

*MINUSCA accepted recommendation 1 and stated that it was working towards achieving the Fuel staffing structure as recommended by the approved Fuel Management Guidelines.*

## **B. Fuel crisis management, risk mitigation and contingency planning**

### The selection of a fuel contractor without adequate financial evaluation and due diligence resulted in financial losses and adversely impacted critical Mission operations

19. To ensure the Mission's fuel requirements are met in an effective and efficient manner and to mitigate poor service by contractors, high costs, and potential legal liability, MINUSCA should ensure appropriate due diligence in the selection of fuel contractors. This includes reviewing information related to the financial stability, reputation, operational capacity, experience, and past performance of potential suppliers. The Fuel Guidelines also call for an evaluation of non-financial factors such as the degree of technical capability and operational risks in the solicitation of fuel services and equipment.

20. The Mission's 3-year contract with Contractor H was effective on 8 October 2021 but was terminated by the Procurement Division in June 2022 due to the contractor's underperformance, which resulted in a fuel crisis of significant shortage of fuel and lubricants in the Mission throughout the eight months the contract was in place. The contractor had cashflow difficulties, which restricted its capacity to procure and supply sufficient fuel products to the Mission and efficiently transport them from Bangui to other distribution points in the country.

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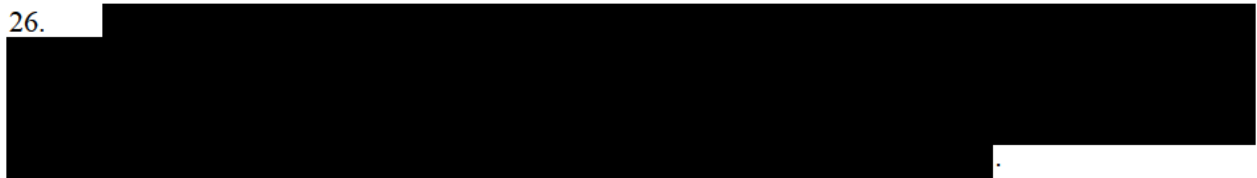
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**(2) MINUSCA should, in conjunction with the Logistics and Procurement Division at the United Nations Headquarters, conduct a comprehensive and all-inclusive after-action review of the 2022 fuel crisis to inform future fuel procurement actions by identifying lessons learned and actionable recommendations.**

*MINUSCA accepted recommendation 2 and stated that it would coordinate with United Nations Headquarters to conduct the after-action review of the 2022 fuel crisis.*

MINUSCA adequately managed the fuel crisis

28. During the fuel crisis in MINUSCA, the SRSG set up a multi-disciplinary Fuel Crisis Management Committee chaired by the Deputy SRSG-Resident/Humanitarian Coordinator to provide recommendations on the management of the crisis to the Senior Leadership Team (SLT) for decision-making. The Committee comprised the Mission, Force and Police Chiefs of Staff, Force Commander, Police Commissioner, Director of Mission Support, Chief of the Mission Support Centre, Chief of the Life Support Section and other representatives as needed.

29. The Committee made recommendations that adequately assisted the Mission in managing the crisis. Measures adopted by MINUSCA included: (a) rationing of fuel for vehicles and operational generators; (b) non-critical staff working from home within the Mission area; (d) usage of air conditioners only during set hours; (e) prioritization of critical mandate implementation activities; and (f) Committee's approval for any changes to established measures. In addition, the Committee closely monitored inbound fuel, current stock, and consumption levels to inform their recommendations to the SLT. Further, the DMS also conducted weekly monitoring of the fuel levels to ensure an early warning/alert system was in place for fuel management.

30. OIOS concluded that MINUSCA adequately managed the fuel crisis.

Need to update the fuel contingency plan and conduct drill responses for material risks to the Mission

31. The Mission's fuel contingency plans, dated July 2019 and updated in November 2021, were in line with the Fuel Guidelines and outlined critical risks faced by the Mission in the delivery of fuel to the various locations, such as inaccessibility of distribution points and product contamination, including related mitigation measures. However, as of August 2023, MINUSCA had not reviewed and revised the contingency plan to incorporate changes and lessons learned from the fuel crisis, which significantly affected the supply of fuel and related products and adversely impacted critical Mission activities.

32. The Mission had not prioritized this task because it focused on dealing with the negative impact of the 2022 fuel crisis.

**(3) MINUSCA should update the fuel contingency plan based on lessons learned from the 2022 fuel crisis and in line with the updated mission risk management framework to ensure a sustainable and uninterrupted supply of fuel and related products in support of its operations and mandate.**

*MINUSCA accepted recommendation 3 and stated that it would review the fuel contingency plan to incorporate changes and lessons learned from the 2022 fuel crisis.*

The Mission took action to expand fuel storage facilities in some locations, but there was a need to effectively manage strategic and local fuel reserves

33. To ensure continuity of fuel supply for the Mission's operations, MINUSCA is required to maintain adequate strategic and local fuel reserves which can only be drawn with the express authorization of the Fuel Unit.

34. In response to the 2022 fuel crisis and considering the inaccessibility of some locations in the Mission by road during the rainy season and the deployment of additional uniformed personnel, in January 2023, MINUSCA decided to increase the strategic fuel reserves from 3 to 6 months in four locations (Bangui, Bangassou, Ndele, and Bria by an average of 660,000 litres (58.2 per cent) for diesel and 517,500 litres (68.7 per cent) for Jet A-1). In addition, expansion of fuel storage facilities to meet additional requirements was in progress at the time of the audit.

35. However, MINUSCA did not maintain adequate quantities of strategic and local fuel reserves in some locations. As shown in table 3, the quantities of Jet A-1 and diesel strategic and local reserves as of 30 June 2021, 30 June 2022, and 30 June 2023 were significantly below the required volumes, particularly during the financial years 2021/22 and 2022/23 which was mainly due to the fuel crisis and the COVID-19 pandemic.

Table 3: MINUSCA strategic and local fuel reserves as of 30 June 2021, 30 June 2022, and 30 June 2023

Jet A-1 Reserves								
Date	Strategic Reserve Jet A-1				Local Reserve Jet A-1			
	Requirements	Balance	Shortfall	Shortfall%	Requirements	Balance	Shortfall	Shortfall%
30-Jun-21	870,000	840,000	(30,000)	-3%	905,000	905,000	0	0%
30-Jun-22	840,000	0	(840,000)	-100%	473,900	0	(473,900)	-100%
30-Jun-23	2,300,000	1,000,000	(1,300,000)	-57%	1,267,900	415,000	(852,900)	-67%
Diesel Reserves								
Date	Strategic Reserve – Diesel				Local Reserve Diesel			
	Requirements	Balance	Shortfall	Shortfall%	Requirements	Balance	Shortfall	Shortfall%
30-Jun-21	2,000,000	2,000,000	0	0%	2,355,000	1,139,224	(1,215,776)	-52%
30-Jun-22	1,800,000	0	(1,800,000)	-100%	2,274,000	0	(2,274,000)	-100%
30-Jun-23	3,070,000	1,700,000	(1,370,000)	-45%	3,371,000	1,273,000	(2,098,000)	-62%

Source: MINUSCA Fuel Unit

36. Furthermore, during its visits to Bouar, Kaga-Bandoro and Bria, OIOS noted that operational fuel stocks and strategic and local reserves were commingled and maintained in the same tanks. While comingling of fuel was allowed under the contract, the absence of Fuel Unit staff increased the risk that the contractor could temporarily dip into strategic and local fuel reserves without the knowledge and prior approval of the Fuel Unit. A review of daily fuel consumption reports for June and July 2023 in Bouar indicated that although there was an authorization from the Fuel Unit dated 1 June 2023 to draw into the local reserves of diesel for a period not exceeding 30 days from the authorization date, the daily physical stock was on average 31 per cent below the requirement of 200,000 litres (strategic and local fuel reserves combined) for more than 50 days from 1 June to 25 July 2023. The Fuel Unit stated that although it had implemented mechanisms to monitor fuel stocks in the distribution points, there was a general lack of fuel supplies due to the crisis and the impacts of the pandemic on the supply chain.

37. It was also noted that physical verifications of existing stocks in the sectors were not done due to staffing challenges. The Fuel Unit relied solely on daily stock reports submitted by the contractor, which were verified against EFMS-2 consumption reports. In the absence of adequate monitoring, fuel operations could be impacted in the event of disruptions in the fuel supply chain.

**(4) MINUSCA should implement effective monitoring procedures to ensure the adequacy of fuel stocks in all locations and take corrective action on shortfalls.**

*MINUSCA accepted recommendation 4 and stated that it would consistently and effectively monitor the adequacy of fuel stocks in all its locations following the implementation of the new proposed Fuel Unit staffing structure in the sector and field offices. In the meantime, MINUSCA collects daily reports from each location and conducts periodic site visits.*

## C. Fuel operations and monitoring

### Quality control inspections needed to be conducted regularly at all fuel distribution points

38. MINUSCA is required to monitor contractors' quality control programmes for compliance with fuel contracts and industry standards and conduct regular site inspections to verify quality management processes.

39. The fuel contractor implemented its quality control programmes, including daily inspection, testing and recording of fuel quality, safe handling of fuel, and maintenance of equipment. The contractor also hired an independent inspector to conduct laboratory tests of each fuel delivery to ensure quality was in accordance with international standards.

40. The Fuel Unit's Quality Assurance Cell was responsible for carrying out quality checks, including health, safety and security standards. However, this was not systematically done due to its staffing challenges and the pandemic. The following were noted:

- In 2020/21, the Unit only conducted 8 of 36 planned inspections, which were carried out by four national staff based in Bangui, Bouar, Kaga-Bandoro, and Bambari, who were not skilled fuel professionals and had not been trained to carry out comprehensive quality control inspections. As a result, although the staff completed a compliance checklist, issues requiring the contractor's actions were not identified and documented. Furthermore, since December 2021 the Fuel Unit staff in Bouar and Kaga-Bandoro stopped conducting quality control inspection checks because they were mainly involved in coordinating the processing of fuel requests initiated by Mission components (as part of the fuel rationing measures implemented by the Mission) and following up on cases of suspected fraud as requested by the Fraud Cell in Bangui.
- Four of the five fuel quality assurance inspections planned between March and June 2021 were conducted by an international Fuel Unit staff in Bangui, Bambari, Bria, and Bouar, but not in Birao. No fuel quality assurance inspections were planned for the other 11 of the 16 locations with fuel distribution points in the Mission.
- During 2022/23, the Fuel Unit only conducted 3 of 64 ad-hoc inspections to assess the quality standards of the new fuel contractor after the contract transition on 25 July 2022.

41. The lack of adequately trained fuel staff and the inability to conduct regular quality control inspections increases the risk of non-compliance by the contractor with contract provisions and industry standards.

**(5) MINUSCA should, given the limited staffing of the Fuel Unit, and based on a risk assessment, (a) determine critical contractor's distribution points and military/formed police contingent units with fuel-consuming equipment where quality inspections should be conducted; and (b) adequately train national staff to conduct appropriate quality control inspections in line with International and Petroleum Oil Industry Operation standards.**

*MINUSCA accepted recommendation 5 and stated that it would, upon establishing the new Fuel staffing structure in line with the Fuel Guidelines and completion of the recruitment process by July 2024, conduct quality inspections within the required frequency and provide training to the national staff on quality control inspections.*

### Need to monitor implementation of recommendations from quality control inspections

42. During the period under review, the Fuel Unit made 47 recommendations from seven quality control inspections (4 out of 5 planned quality assurance inspections and 3 out of 64 ad-hoc inspections) conducted in various fuel distribution points in MINUSCA, including Bangui-Log Base, Bangui M'poko, Bambari, Bouar, Bria, Kaga-Bandoro and Bossangoa to enhance the quality of the contractor's operations. These recommendations included the need for the contractor to: (a) distribute epoxy-coated cans with thermal stability to all installations where into-plane refueling is performed; (b) calibrate flowmeters and submit calibration certificates to the Fuel Unit; (c) conduct monthly health, safety, and environmental drills; (d) ensure all fire extinguishers are in serviceable condition; and (e) conduct and document fuel quality checks daily in the presence of Fuel Unit staff.

43. However, the Fuel Unit did not effectively follow up to ensure timely implementation of these recommendations. OIOS observed instances where: (a) calibration certificates for some equipment were not available, (b) some fire extinguishers were not in serviceable condition, (c) there was no evidence of regular health, safety, and environment drills being conducted, and (d) the contractor's fuel dispensing staff did not wear personal protective equipment when dispensing fuel in vehicles. In addition, OIOS observed the dipping of 3 of 6 diesel tanks in Bria, where there was no Fuel Unit presence, and the results showed signs of water contamination, which could have a negative impact on MINUSCA vehicles and aircraft.

44. The Fuel Unit had not established procedures for tracking, monitoring, and following up on recommendations. Evidence of follow-up actions was available for only two of the seven quality assurance inspections conducted. Further, discussions with national staff based in Bouar and Kaga-Bandoro indicated that follow-ups on previous quality inspections were generally not done, particularly for inspections conducted in locations with no Fuel Unit staff. As a result, operational and environmental risks identified as part of the quality control inspections were not properly mitigated.

**(6) MINUSCA should establish procedures for tracking, monitoring, and following up on the implementation of recommendations from quality control inspections to ensure they are timely implemented.**

*MINUSCA accepted recommendation 6 and stated that the monitoring and tracking of the implementation of recommendations arising from quality control inspections were being implemented.*

### The calibration of fuel flow meters and dispensing pumps needed to be conducted regularly

45. To ensure an accurate record of the volume of fuel delivered to MINUSCA, the contractor is required to conduct calibration of fuel flow meters and dispensing equipment by an independent calibrator every six months and provide calibration certifications to the Fuel Unit.

46. A review of all 193 calibration certificates maintained by the Fuel Unit indicated that fuel flow meters and dispensing equipment were generally not tested, timely calibrated, and adjusted as required. On average, the period between meter calibrations per fuel distribution point ranged between 10 and 15 months compared to the required period of 6 months. Pandemic restrictions prevented the independent contractor from travelling to the country, and there was also inadequate monitoring and enforcement by the Fuel Unit to ensure regular calibration. The fuel crisis also impacted regular calibration, with Contractor H failing to pay for the independent calibrator's travel to the Mission area.

47. Infrequent calibrations of flow meters increased the risk of inaccurate measurement and reporting of fuel consumption and financial loss to the Mission.

**(7) MINUSCA should strengthen the Fuel Unit arrangements for the monitoring and enforcement of the calibration by the contractor to ensure regular calibration and prevent inaccurate measurement and billing of fuel provided to the Mission.**

*MINUSCA accepted recommendation 7 and stated that it would ensure that the calibration of fuel flow meters and dispensing equipment is done as per the preventive maintenance programme.*

Need for a comprehensive review of abnormal consumptions and timely investigation of fuel fraud/over-consumptions and anomalies

48. The Fuel Fraud and Loss Prevention Cell (FFLPC) is required to review abnormal consumption and report suspected cases of fraud to the Mission's investigative bodies. In September 2022, MINUSCA established a Fuel Over-consumption/Fraud and Rations Fraud Task Force, including focal points from relevant sections, to report all presumptive fraud/over-consumption cases to the Conduct and Discipline Team (CDT) for investigation. The following issues were noted in the management of presumptive fraud/over-consumption cases:

- The Task Force only held two meetings since it was established in September 2022, and the status of issues discussed during these meetings was not followed up. For instance, four recommendations from the meeting on 8 September 2022 were to be escalated to Senior Management, but this was not done. These included the need to increase the number of Fuel Unit staff to monitor and control fuel consumption in the field and provide special training to contingents to increase their awareness of fuel and rations management issues. OIOS noted that after establishing the Task Force, the Fuel Unit conducted only one training (8-9 March 2023) in Bangui for contingent fuel focal points to boost their awareness on fuel fraud loss and prevention. The other recommendations had not been addressed.
- From July 2020 to August 2023, MINUSCA recorded 30 alleged cases of fuel fraud incidents reported to CDT for investigation. Of the 30 cases; 1 case was closed without investigation for unspecified reasons; 6 cases were unsubstantiated and therefore closed; 15 cases opened between December 2020 and May 2023 were still ongoing (of which 11 had been continuing for over 12 months); and 8 cases were confirmed as theft, but no action had been taken to prevent a recurrence.
- Between March 2022 and March 2023, the Fuel Unit reported to CDT another six alleged cases of fuel fraud/over-consumption amounting to 297,003 litres at an approximate cost of \$576,187. The six cases involved 47 UNOE trucks and vehicles assigned to four military contingents. However, CDT, in its response to the Fuel Unit through an interoffice memorandum dated 7 April 2023, indicated that the information provided was insufficient to determine possible unsatisfactory conduct and requested the Fuel Unit to provide additional information after conducting a comprehensive technical verification to support the reported over-consumption. As of 30 August 2023 (4 months later), the Fuel Unit was still reviewing CDT's request with the relevant contingents.

49. In addition, OIOS review of EFMS-2 data as of August 2023 showed anomalies that should have been analyzed further by the Fuel Unit to determine possible loss of fuel, if any. For instance, 1,002 COE equipment with faulty odometers received a total of 3.1 million litres of fuel from July 2020 to July 2023. Despite faulty readings, the Fuel Unit indicated that it could not stop refueling COE with non-functional odometers/flow meters because they were still considered serviceable by the COE Unit and therefore

entitled to receive fuel under the relevant memoranda of understanding. To address this issue, the Fuel Unit developed an SOP limiting refueling to only equipment with functional odometers/fuel meters. The proposed action was to be reviewed by the Contingent-Owned Equipment and Memorandum of Understanding Management Review Board (CMMRB) after the endorsement of the SOP by the Chief of Staff. The CMMRB was considering recommending vehicles with faulty odometers to be deemed unserviceable unless addressed by the contingents. As MINUSCA was already dealing with the issue, OIOS did not make a recommendation.

50. OIOS also noted 400 scanners (devices provided to the fuel contractor for collecting information on fuel issuance and transferring/uploading them to the Mission) out of 462 in EFMS-2 that were not synchronized between April 2017 and December 2022. Synchronization, which is required daily ensures that the information received by the Mission is up-to-date. Of these 400 scanners, 240 were issued to contingents in various Mission locations, and 160 were issued to fuel contractors. As a result, fuel data in EFMS-2 was not up to date. In addition, there were 200 potential duplicate fuel transactions where fuel was indicated as dispensed to the same vehicle/equipment twice as flagged in EFMS-2.

51. The above resulted because the Fuel Unit had not: (a) in conjunction with other members of the Task Force developed and implemented terms of reference for the Fraud/Over-consumption Task Force that outlined roles and responsibilities, the frequency of meetings, and the timeline of actions to be undertaken; (b) conducted comprehensive fraud risk analysis to ascertain transactions with high risk of fuel fraud; (c) adequately analyzed or investigated abnormal transactions or consumption patterns.

**(8) MINUSCA should strengthen the arrangement to prevent, identify and address the potential fuel fraud and overconsumption by: (a) implementing the terms of reference of the Task Force, defining roles and responsibilities, frequency of meetings, and timeline of actions to be undertaken; and (b) conducting a comprehensive fraud risk analysis on abnormal fuel consumption transactions including an explanation for reported over-consumption, and determination of any suspicious activities associated with the reported transactions to facilitate the resulting investigations.**

*MINUSCA accepted recommendation 8 and stated that the Mission was developing the terms of reference of the Task Force and would take necessary measures to mitigate fuel fraud by conducting adequate and comprehensive fraud risk analyses and timely report any suspicious activities to facilitate an investigation. It further stated that the standard operating procedures on Fuel fraud was at advanced stage of finalization.*

#### The Mission conducted periodic performance assessments of fuel contractors

52. To ensure the fuel contractor meets its contractual obligations and promptly addresses underperformance, MINUSCA is required to hold monthly meetings with the contractor and conduct quarterly performance assessments.

53. For all three fuel contracts that were managed by the Fuel Unit during the audit period, the Mission held monthly performance meetings and conducted quarterly performance assessments, as required, and maintained minutes of discussions held. Minutes of meetings with Contractor T showed that performance issues were discussed and resolved, and timelines and responsibilities for implementing actions were assigned. The contractor's performance was consistently rated satisfactory due to its adherence to the prescribed schedule, accuracy of fuel invoices, and ability to swiftly restore its supply chain to meet the Mission's requirements.



54. In the case of Contractor H, whose contract was terminated by the Procurement Division in June 2022 due to the underperformance, minutes of meetings showed that although performance issues were consistently discussed with the contractor, but they were not resolved because the contractor was struggling to manage its supply chain to distribute sufficient fuel to all mission locations. The contractor's performance was consistently rated unsatisfactory due to its failure to adhere to the performance schedule. OIOS concluded that the Mission properly conducted periodic performance assessments of the fuel contractors.

#### Fuel sites were appropriately approved prior to construction and mobilization

55. The Fuel Supply and Services Agreement requires the contractor to promptly implement a mobilization plan and schedule for each turnkey distribution point and generator location. Mobilization sites should be approved by the United Nations Site Board prior to mobilization and construction of the fuel sites.

56. Three Site Board meetings were held during the audit period for the construction of fuel stations in Alindao, Paoua, and Zemio, respectively. The mobilization and construction of the fuel sites were duly completed after approval of the proposed locations by the Site Board, which found them compliant for fuel storage. In addition, the contractor submitted to the Mission engineering conformance reports certifying that the equipment and facilities at the fuel sites were sufficient for the contractor to meet its storage, transportation and delivery obligations, as required. OIOS concluded that MINUSCA adequately ensured that all necessary approvals were obtained, and all requirements were met prior to the construction and mobilization of the fuel sites in Alindao, Paoua, and Zemio.

### **D. Billing and payments**

#### Procedures for timely payment of invoices were enforced to ensure prompt payment discounts

57. The Fuel Supply and Services Agreement requires the contractor to: (a) use Platts average variable and fixed prices per fuel site as per the contract and grant the Mission prompt payment discount, which ranged from 0.1 to 2 per cent depending on the contract, for invoice payments within 30 days of receipt of invoices from the contractor.

58. OIOS review showed that the Contractor T correctly used the average Platt variable prices and a fixed price per litre as per the contract and the Fuel Unit verified quoted prices and quantities of fuel on the invoices before processing. The Fuel Unit developed and adequately implemented invoice processing tracking and follow-up mechanisms to ensure the timely processing of invoices for prompt payment discounts. OIOS review of all 354 invoice payments processed in Umoja from July 2020 to August 2023 showed that for 293 invoices totaling \$123.7 million, the Mission obtained prompt payment discount of \$2.04 million. However, the Mission missed out on discounts totaling \$21,948 relating to 8 invoice payments totaling \$3.09 million due to delays in the invoice processing. The remaining 53 payments totaling \$29 million were for spot purchases in the local market during the 2022 fuel crisis period and these were not subject to a prompt payment discount. OIOS concluded that the Mission had adequate controls over invoice processing.

#### Need to recover the cost of fuel provided to surplus contingent-owned equipment

59. MINUSCA signed Memoranda of Understanding (MoUs) with United Nations agencies, the Central African Government, and other entities for the provision of fuel, reimbursable within 30 calendar days following the date of receipt of invoices. The Mission also developed procedures for the recovery of

the cost of fuel provided to these entities. In addition, the United Nations National Support Element<sup>2</sup> (NSE) Policy provides that the Organization does not bear the financial obligation or responsibility for equipment deployed by troop/police contributing countries (T/PCCs) as NSE. Where this occurs, the Organization is required to recover the cost of fuel provided to the relevant T/PCCs.

60. For the audit period, MINUSCA billed United Nations Country Team members and other entities approximately \$6.5 million for fuel provided to them, of which \$308,128 was still outstanding as of 30 August 2023. The outstanding balance included \$660 from 2020/21, \$159,458 from 2021/22, and \$148,010 since July 2022. OIOS noted, that the Finance Units in MINUSCA and the Regional Service Centre Entebbe systematically followed up with all concerned entities to recover the amounts due.

61. MINUSCA provided fuel amounting to 68,309 litres to the Central African Republic Defense and Security Forces between July 2020 and January 2023. Per the signed MoU, the Central African Government should, within 30 days of the receipt of invoices, reimburse MINUSCA through its fuel contractor with the same quantity and quality of fuel from the Government Fuel Depot at Kolongo in Bangui. As of August 2023, a total of 9,604 litres (14 per cent) were still to be reimbursed since February 2022. To enforce the signed MoU, MINUSCA stopped providing fuel to these entities.

62. In addition, from 1 October 2021 to 31 July 2023, MINUSCA identified contingent-owned vehicles deployed to the Mission as NSEs and determined that it had provided 367,743 litres of fuel costing \$659,466 to this equipment. However, the Mission had not taken further steps to recover these amounts. The Mission had not assigned the responsibility to prepare and submit credit memoranda to the responsible office at the Regional Service Centre in Entebbe to enable these amounts to be recorded in Umoja to initiate recovery from the respective T/PCCs.

63. Delays in the recovery of the fuel costs related to surplus COE and vehicles adversely impacted the availability of funds that could have been deployed to support the implementation of other mandated activities.

**(9) MINUSCA should ensure that credit memoranda for fuel costs provided to surplus contingent-owned equipment and vehicles are timely prepared and submitted to the Regional Service Centre in Entebbe to initiate recovery from the respective Troop/Police Contributing Countries.**

*MINUSCA accepted recommendation 9 and stated that it would make efforts to timely prepare credit memoranda for fuel-related costs for surplus contingent-owned equipment and vehicles and submit them to the Regional Service Centre in Entebbe to initiate recovery from relevant T/PCCs.*

#### **IV. ACKNOWLEDGEMENT**

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

Internal Audit Division  
Office of Internal Oversight Services

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<sup>2</sup> National Support Elements comprise of personnel or equipment deployed to the Mission in excess of the United Nations requirements outlined in the memorandum of understanding between the United Nations and a Troop/Police Contributing Country.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of fuel management in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic

Rec. no.	Recommendation	Critical <sup>3</sup> / Important <sup>4</sup>	C/ O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
1	MINUSCA should ensure that the staffing capacity of the Fuel Unit is commensurate with the scope and scale of its responsibilities and operations in line with the staffing structure recommended by the Fuel Management Guidelines.	Important	O	Receipt of evidence that adequate staffing capacity commensurate with priority tasks has been provided to effectively support operations of the Fuel Unit.	31 July 2024
2	MINUSCA should, in conjunction with the Logistics and Procurement Divisions at the United Nations Headquarters, conduct a comprehensive and all-inclusive after-action review of the 2022 fuel crisis to inform future fuel procurement actions by identifying lessons learned and actionable recommendations.	Important	O	Receipt of evidence that an after-action review of the 2022 fuel crisis has been conducted in line with the United Nations peacekeeping guidelines on after-action reviews.	31 March 2024
3	MINUSCA should update the fuel contingency plan based on lessons learned from the 2022 fuel crisis and in line with the updated mission risk management framework to ensure a sustainable and uninterrupted supply of fuel and related products in support of its operations and mandate.	Important	O	Receipt of a revised fuel contingency plan that has been updated based on lessons learned from the 2022 fuel crisis and aligned with the Mission's risk management framework.	31 March 2024
4	MINUSCA should implement effective monitoring procedures to ensure the adequacy of fuel stocks in all locations and take corrective action on shortfalls.	Important	O	Receipt of evidence of regular monitoring of the adequacy of fuel stocks in all Mission locations.	30 September 2024
5	MINUSCA should, given the limited staffing of the Fuel Unit, and based on a risk assessment, (a) determine critical contractor's distribution points and military/formed police contingent units with fuel-consuming equipment where quality	Important	O	Receipt of evidence that: quality inspections have been conducted on all of the Mission's fuel distribution points; and national staff have been trained to conduct quality controls in line with relevant standards.	30 September 2024

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>6</sup> Date provided by [entity] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of fuel management in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic

Rec. no.	Recommendation	Critical <sup>3</sup> / Important <sup>4</sup>	C/ O <sup>5</sup>	Actions needed to close recommendation	Implementation date <sup>6</sup>
	inspections should be conducted; and (b) adequately train national staff to conduct appropriate quality control inspections in line with International and Petroleum Oil Industry Operation standards.				
6	MINUSCA should establish procedures for tracking, monitoring, and following up on the implementation of recommendations from quality control inspections to ensure they are timely implemented.	Important	O	Receipt of evidence that the Mission is regularly monitoring the implementation of recommendations from quality control inspections.	30 April 2024
7	MINUSCA should strengthen the Fuel Unit arrangements for the monitoring and enforcement of the calibration by the contractor to ensure regular calibration and prevent inaccurate measurement and billing of fuel provided to the Mission.	Important	O	Receipt of evidence of the testing and calibration of fuel flow meters and dispensing equipment.	31 January 2024
8	MINUSCA should strengthen the arrangement to prevent, identify and address the potential fuel fraud and overconsumption by: (a) implementing the terms of reference of the Task Force, defining roles and responsibilities, frequency of meetings, and timeline of actions to be undertaken; and (b) conducting a comprehensive fraud risk analysis on abnormal fuel consumption transactions including an explanation for reported over-consumption, and determination of any suspicious activities associated with the reported transactions to facilitate the resulting investigations.	Important	O	Receipt of the terms of reference of the Fuel Over-consumption Task Force, and evidence of fraud risk analysis conducted on abnormal fuel consumption transactions.	28 February 2024
9	MINUSCA should ensure that credit memoranda for fuel costs provided to surplus contingent-owned equipment and vehicles are timely prepared and submitted to the Regional Service Centre in Entebbe to initiate recovery from the respective Troop/Police Contributing Countries.	Important	O	Receipt of evidence of regular recovery of fuel provided for surplus contingent-owned equipment and vehicles from the respective T/PCCs.	28 February 2024

# **APPENDIX I**

## **Management Response**