



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/099

Audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire

Overall results relating to the effective management of local procurement of goods and services in UNOCI were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

**19 November 2013
Assignment No. AP2013/640/02**

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AUDIT REPORT

Audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire (UNOCI).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNOCI Procurement Section was responsible for the purchase and rental of goods and services and was governed by the United Nations Procurement Manual. The Section was headed by a Chief Procurement Officer at the P-4 level who reported to the Chief of Administrative Services. The Section had 18 authorized posts including nine international posts, eight national posts, and one United Nations volunteer. During the period 1 July 2011 to 31 December 2012, UNOCI processed and approved 1,172 purchase orders, excluding system contracts, valued at \$91 million.
4. Comments provided by UNOCI are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNOCI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNOCI**.
6. The audit was included in the OIOS 2013 risk-based work plan due to operational and financial risks relating to the procurement process, and the criticality of effective procurement of goods and services for the implementation of UNOCI mandate.
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as controls that provide reasonable assurance that policies and procedures: (i) exist to guide the management of local procurement of goods and services; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from January to April 2013. The audit covered the period from 1 July 2011 to 31 December 2012.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. The UNOCI governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNOCI**. OIOS made six recommendations to address issues identified. UNOCI had effective controls to ensure compliance with the delegation of procurement authority. However, there was a need to: (a) improve the vendor registration process; (b) provide additional training to those staff involved in the procurement process; (c) review the procurement process of the cleaning services contract; (d) ensure that an adequate procurement filing system was established; (e) ensure adequate segregation of duties were in place; and (f) systematically complete vendor performance evaluations.

12. The initial overall rating was based on the assessment of the key control presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of six important recommendations remains in progress.

Table 1 Assessment of key controls

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of local procurement of goods and services in UNOCI	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

Controls over delegation of procurement authority were satisfactory

13. A review of 117 of the 1,172 purchase orders approved for local procurement of goods and services, valued at \$47.5 million, indicated that procurement staff complied with their respective delegations of procurement authority. Moreover, the 67 cases that required review by the Local Committee on Contracts were presented as required.

The vendor registration process needed to improve

14. A review of the UNOCI vendor database and registration process identified a number of weaknesses in the vendor registration process. OIOS selected a sample of 528 vendors for review, and only 39 vendor registration files were available. UNOCI could not locate the remaining 489 registration files. A review of the 39 files indicated that there was insufficient information to determine whether these vendors met the required criteria for registration. This was due to missing registration documents including copies of signed vendor registration applications, reference letters, certificates of incorporation and details of financial capabilities. The poor registration process resulted as the Procurement Section did not allocate sufficient resources to this function.

15. Effective 1 July 2013, due to the implementation of Umoja, all vendor registration was being done and monitored by Headquarters. While this should improve the registration process, UNOCI still needed to perform significant work to cleanse its current vendor data, and ensure that there was adequate documentation to support the creditability of vendors already registered. This needed to be done as part of the transitional process to Umoja.

(1) UNOCI should, as part of the transitional process to Umoja, conduct a review to ensure that all registered vendors are supported by the required vendor registration documents.

UNOCI accepted recommendation 1 and stated that it had created an Umoja team, which issued guidelines to facilitate data cleansing and vendor registration to conform to Umoja requirements. Recommendation 1 remains open pending receipt of evidence that UNOCI has cleansed its vendor data and obtained adequate supporting documentation for registered vendors.

Staff involved in the procurement process needed further training

16. At the time of the audit, only four of 17 procurement staff had completed the mandatory training, with the remaining staff only completing parts of the required mandatory courses.

17. Due to inadequate training, OIOS identified weaknesses in the: (i) preparation and use of Source Selection Plans; (ii) solicitation process; and (iii) management and treatment of bids, as indicated below.

(a) Source Selection Plans were not effectively utilized

18. UNOCI did not effectively utilize Source Selection Plans, which was a quality assurance document to describe the critical components of the acquisition process and to justify procurement decisions that achieved the best value for money principle.

19. A review of 36 of the 180 formal solicitations issued during the period indicated that the Procurement Section had not prepared Source Selection Plans in 26 (72 per cent) cases totaling \$3.1 million. For those Source Selection Plans that were prepared, although the 'risk of supply' was included as a factor that needed to be considered, there were no proposed actions to mitigate this identified risk.

(b) The solicitation process needed to be improved

20. A review of 65 procurement cases indicated that the Procurement Section was soliciting vendors that were not registered to supply those goods, or not registered under the required commodity code. For example: (a) 13 vendors, with no commodity codes registered in Mercury were solicited and subsequently awarded contracts totaling \$1.2 million; and (b) 20 out of 79 invited vendors did not participate in four solicitations because the solicited goods were not in their product range. Moreover, a review of a sample of 29 requests for quotation indicated that seven of them were sole-sourced, and for two of them there was no approved written justification for selecting a vendor on a sole-source basis. The Mission explained that it wanted to expand the pool of invited vendors, regardless of their registered commodity codes, to ensure effective competition.

21. Additionally from a sample of 26 solicitations, the Procurement Section accepted, contrary to the Procurement Manual, a requisitioner's recommendation to include a vendor on the list of the invitees for four solicitations without a written declaration that there was no conflict of interest with the proposed vendor. The vendor was subsequently awarded \$491,785 for the procurement of spares and other related items for information and communication technology equipment. The lack of required declaration was attributed to an oversight by both the requisitioner and the Procurement Section.

(c) Controls over the management and treatment of bids needed strengthening

22. There were inadequate procedures over the Tender Opening Committee process, as members did not have sufficient knowledge of the procedures. For example: (i) seven vendors whose submissions were opened late, were awarded contracts totaling almost \$742,000; (ii) the dedicated fax machine used for the receipt of bids was located in the Tender Opening Committee Secretary's office which was accessible to Mission personnel; and (iii) facsimile and electronic submissions were folded and stapled contrary to the Procurement Manual which required submissions to be placed in a sealed envelope and date and time stamped.

(d) Acquisition plans were established but not optimally used to achieve Best Value for Money

23. The Procurement Manual required requisitioners to prepare acquisition plans and coordinate with the Procurement Section to optimize the acquisition of goods and services. Further, requisitioners should, to the extent possible, avoid last minute requisitions, especially at the end of the budgetary period to ensure a transparent, efficient and timely procurement process and Best Value for Money.

24. UNOCI requisitioners prepared and submitted to the Procurement Section their acquisition plans for the years 2011/12 and 2012/13. However, the Procurement Section and requisitioners did not optimally use these plans. For example, out of \$61.9 million of goods and services procured in 2011/12, \$12.6 million of unbudgeted items were procured during the last month of 2011/12 resulting in last minute requisitions being processed. This was contrary to the Procurement Manual as last minute procurement may not result in Best Value for Money. Additionally, three cost centers raised requisitions totaling \$7.5 million (an average of 40 per cent of their annual total) during the last month of 2011/12. This resulted as requisitioners had not been provided adequate guidance and training to ensure that they properly planned their procurement requirements for acquisition planning purposes. The processing of procurement actions to meet unrealistic deadlines resulted in an unmitigated risk of an ineffective procurement process.

25. Moreover, a sample of 131 out of 1,306 requisitions showed that the initial values of 11 requisitions were increased by about 24 per cent due to inaccurate cost estimations. These increases raised the values of four of the 11 requisitions beyond the \$40,000 threshold that previously qualified them for an informal solicitation. The Procurement Section provided additional guidance to requisitioners on this to ensure that estimates were based on accurate market data.

(2) UNOCI should provide additional training to procurement staff, requisitioners and members of the Tender Opening Committee to ensure that procurement activities are conducted as required by the Procurement Manual.

UNOCI accepted recommendation 2 and stated that the Procurement Section would coordinate with the Integrated Mission Training Center to develop additional training for procurement staff, requisitioners and members of the Tender Opening Committee. Recommendation 2 remains open pending receipt of evidence that a training programme is in place to adequately train those staff involved in the procurement process.

The award of a cleaning services contract was not transparent

26. Financial Rule 105.15(b) stipulated that a procurement contract established in response to a request for proposal should be awarded to the qualified bidder whose proposal, all factors considered, was the most responsive to the requirements set forth in the solicitation. Further, the Procurement Manual stated that solicitation documents should include all criteria that would be used to evaluate vendors'

proposals, and should remain unchanged throughout the procurement process. The same criteria should be used to evaluate all vendors' proposals.

27. The technical evaluation of two technically cleared vendors' proposals in response to a solicitation for the provision of cleaning and ground maintenance services in Abidjan and the sectors, was flawed. One of the criteria used to award the contract was not prescribed in the solicitation documents sent to vendors and favored the winning bidder, contrary to Section 9.38 of the Procurement Manual. In addition, the integrity of the evaluation process was compromised as a procurement officer was part of a three-person team that conducted site visits to the two technically qualified bidders to physically inspect their equipment. To ensure clear segregation of duties, the Procurement Manual stipulated that procurement officers should not be part of the technical evaluation team.

28. Although the request for proposal indicated that the contract would be awarded to the vendor with the overall lowest cost technically compliant proposal, the contract was awarded to the highest cost technically compliant proposal. The contract was initially awarded to the vendor with the higher quote (Vendor A) at an initial cost of CFA 410,625,072 (\$799,500) for one year. This cost was 84 per cent higher than the bid of the second technically qualified vendor (Vendor B) whose value was CFA 223,165,800 (\$434,500). Further, the Chief of Mission Support approved negotiations with the recommended winning bidder prior to its submission to the Local Committee on Contracts. This contravened Section 11.33.1 of the Procurement Manual which stipulated that negotiations with vendors after submission openings shall be subject to recommendations by the Committee of Contracts. The Procurement Section entered into negotiations with the winning bidder and was successful in reducing the offer by \$191,180 to \$608,320 for one year of service. This was still \$173,800 higher than the proposal of the other technically qualified vendor, who was also excluded from the negotiations.

29. UNOCI issued a one-year contract with the option to extend it for an additional period but advised that the contract would not be extended and the procurement exercise would be subject to a rebid.

(3) UNOCI should review the process, and take appropriate action, for the award of the contract to a vendor for the provision of cleaning and ground maintenance services that: (a) was based on criteria not included in the solicitation; and (b) was considerably more expensive than the other technically compliant offer.

UNOCI stated that while it did not agree that the contract was based on criteria not included in the solicitation, it was concerned about the higher cost of Vendor A; therefore, it had issued a request for proposal for a new contract. Recommendation 3 remains open pending OIOS verification of the new procurement process for cleaning services.

Procurement case files were incomplete and improperly organized

30. Sixty-two of 65 procurement case files reviewed did not contain one or more of the required minimum documents, including the Source Selection Plan, statement of award, notice of award, regret letters, vendor's signed acceptance of award, technical and commercial evaluations and sole source justification memorandum. Procurement documents were not filed in a consistent manner, and staff members did not accurately complete the checklist implemented in 2012 for locating documents included in procurement files. This impeded the clarity of actions taken in the award of some contracts, and was attributed to the lack of supervisory review of the procurement case files.

(4) UNOCI should improve the maintenance of procurement case files in compliance with the Procurement Manual.

UNOCI accepted recommendation 4 and stated that it had established a new filing system, which would be completed by 30 June 2014. Recommendation 4 remains open pending receipt of evidence that the new filing system has been completed and is fully operational.

Inadequate segregation of duties

31. In the Mercury system, some staff were able to perform incompatible functions including adding, registering, deleting, approving, re-registering, suspending and rejecting vendors. A procurement team leader had access to edit all procurement transactions in Mercury, and a non-procurement staff had access to the system as an administrator, requisitioner and buyer. In addition, a former procurement staff member who separated in January 2013 was still an active user. Inappropriate access to the system created an unmitigated risk of data being manipulated. This resulted as the Chief Procurement Officer and the Mercury Administrator did not conduct periodic reviews of assigned roles and privileges in the Mercury system to ensure adequate segregation of duties was in place.

32. Also, an analysis of all purchase orders and 122 requisitions indicated inadequate segregation of duties between the: (i) preparation and approval of purchase orders; and (ii) approval and certification of requisitions. Three procurement staff prepared and also approved 16 purchase orders valued at about \$346,000. Additionally, 11 of the requisitions reviewed were approved and certified by the same individual. There was no evidence of irregularities due to the lack of segregation of duties. However, there remained an unmitigated risk of unauthorized requisitions and purchase orders that could result in financial loss to the Mission.

(5) UNOCI should ensure that there is adequate segregation of duties in procurement functions and responsibilities.

UNOCI accepted recommendation 5 and stated that implementation of Umoja on 1 November 2013 significantly changed the procurement process, including roles and responsibilities and this would ensure adequate segregation of duties. Recommendation 5 remains open pending OIOS verification that adequate segregation of duties is in place.

Vendor performance evaluations were not being done

33. The Procurement Section and requisitioners were not systematically preparing contractor performance evaluation reports. A review of 29 local contracts indicated that nine of them were not evaluated. Nine of the performance reports had inconsistencies, including providing a rating of satisfactory, although a number of problems with the contractor were raised. There were also two vendors rated as unsatisfactory but were not referred to the Vendor Review Committee for review and action.

34. The lack of adequate performance evaluations resulted in UNOCI continuing to work with poor performing vendors. For instance, 18 purchase orders valued at \$797,000 were cancelled due to the inability of 15 vendors to supply the required goods or services. UNOCI subsequently awarded five of these 15 vendors, 43 purchase orders totaling about \$1 million.

(6) UNOCI should implement a procedure to ensure that procurement staff and requisitioners complete vendor performance evaluations.

UNOCI accepted recommendation 6 and stated that all formal solicitations and purchase orders

above \$40,000 would be subject to performance evaluations and that implementation of Umoja Master Data on 1 November 2013 would ensure compliance. Recommendation 6 remains open pending receipt of evidence that performance evaluation procedures are complied with.

IV. ACKNOWLEDGEMENT

35. OIOS wishes to express its appreciation to the Management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
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STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire

Recom no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOCI should, as part of the transitional process to Umoja, conduct a review to ensure that all registered vendors are supported by the required vendor registration documents.	Important	O	Receipt of evidence that UNOCI has cleansed its vendor data and obtained adequate supporting documentation for registered vendors.	1 November 2013
2	UNOCI should provide additional training to procurement staff, requisitioners and members of the Tender Opening Committee to ensure that procurement activities are conducted as required by the Procurement Manual.	Important	O	Receipt of evidence that a training programme is in place to adequately train those staff involved in the procurement process.	1 February 2014
3	UNOCI should review the process, and take appropriate action, for the award of the contract to a vendor for the provision of cleaning and ground maintenance services that: (a) was based on criteria not included in the solicitation; and (b) was considerably more expensive than the other technically compliant offer.	Important	O	OIOS verification of the new procurement process for cleaning services.	1 March 2014
4	UNOCI should improve the maintenance of procurement case files in compliance with the Procurement Manual.	Important	O	Receipt of evidence that the new filing system has been completed and is fully operational.	30 June 2014
5	UNOCI should ensure that there is adequate segregation of duties in procurement functions and responsibilities.	Important	O	OIOS verification that adequate segregation of duties are in place.	November 2013
6	UNOCI should implement a procedure to ensure that procurement staff and requisitioners complete vendor performance evaluations.	Important	O	Receipt of evidence that performance evaluation procedures are complied with.	November 2013

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNOCI

APPENDIX I

Management Response

APPENDIX I

MANAGEMENT RESPONSE

Audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical⁵/ Important⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOCI should, as part of the transitional process to Umoja, conduct a review to ensure that all registered vendors are supported by the required vendor registration documents.	Important	Yes	Team Leaders and the Chief Procurement Officer	1 November 2013	Umoja Team was created at Mission level as part of the transitional process to Umoja. The Unit issued guidelines which facilitated cleaning of data and vendor registration in conformity with Umoja requirements.
2	UNOCI should provide additional training to procurement staff, requisitioners and members of the Tender Opening Committee to ensure that procurement activities are conducted as required by the Procurement Manual.	Important	Yes	Chief Procurement Officer	February 2014	To ensure that procurement activities are conducted as required, additional training for procurement staff, requisitioners and members of the Tender Opening Committee is being developed in collaboration with ONUCI Integrated Mission Training Center
3	UNOCI should review the process, and take appropriate action, for the award of the contract to a vendor for the provision of cleaning and ground maintenance services that: (a) was based on criteria not included in the solicitation; and (b) was considerably more expensive than the other technically compliant offer.	Important	No(for a) Yes (for b)	Chief Procurement Officer	1 March 2014	Whilst ONUCI does not agree with the observation(a),the Request for Proposals for a new contract has already been issued as the higher cost one(b) was noted and of concern

⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

MANAGEMENT RESPONSE

Audit of local procurement of goods and services in the United Nations Operation in Côte d'Ivoire

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	UNOCI should improve the maintenance of procurement case files in compliance with the Procurement Manual.	Important	Yes	Team Leaders and the Chief Procurement Officer	Already implemented to be completed 30 June 2014	A new filing system has been established and will be completed by 30 June 2014.
5	UNOCI should ensure that there is adequate segregation of duties in procurement functions and responsibilities.	Important	Yes	Team Leaders and the Chief Procurement Officer	Effective 1 November 2013 but will be progress with as clients get used to Umoja	Implementation of Umoja Enterprise scheduled on 1 November 2013 brings in significant changes to the Procurement Process including Roles and Responsibilities. Supplier Relationship Management Portal ensures compliance.
6	UNOCI should implement a procedure to ensure that procurement staff and requisitioners complete vendor performance evaluations.	Important	Yes	Team Leaders and the Chief Procurement Officer	Effective 1 November 2013 but will be progress with as clients get used to Umoja	All formal solicitations and Purchase Orders above this threshold of over USD 40,000 are subject to performance evaluations. Implementation of Umoja Master Data on 1 November 2013 will ensure and also facilitate compliance.

⁷ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁸ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.