OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2014/110

Audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat

Overall results relating to the efficient and effective acquisition and implementation of the Electronic Fuel Management System were initially assessed as unsatisfactory. Implementation of one critical and two important recommendations remains in progress.

FINAL OVERALL RATING: UNSATISFACTORY

13 November 2014
Assignment No. AH2013/513/04

CONTENTS

AUDIT REPORT

Audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat.

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.   In 2007, the Department of Field Support (DFS) prepared a High Level Business Case (HLBC) to establish a standardized Electronic Fuel Management System (EFMS) to support fuel operations. DFS and the Department of Peacekeeping Operations recommended the acquisition of a commercial off-the-shelf fuel management system. EFMS was expected to operate at both Headquarters and peacekeeping missions and provide management and users with a full set of tools for fuel planning, consumption and inventory control; analysis and reporting; invoice matching; and budget and contractual amount monitoring.

4.   The Procurement Division in the Office of Central Support Services (OCSS) established a contract for EFMS for a five-year period for a total not-to-exceed amount of $6.6 million. The contract was signed in June 2009 and EFMS was expected to be deployed by June 2010. The requisitioner was the Specialist Support Services in DFS. The Information Communications Technology Division, DFS (formerly Communication and Information Technology Services) was initially responsible for the technical aspects of the project to implement the system, but this responsibility was later transferred to the Office of Information and Communication Technology (OICT) following the creation of that Office.

5.   EFMS was not successfully implemented because a dispute arose between OICT and the vendor on whether the software delivered was in compliance with the functional requirements defined in the contract. After two rounds of acceptance testing and one of performance testing, the project team concluded that the solution did not meet the requirements of the United Nations. The vendor claimed that its solution complied with the contractual requirements and sought payment of the unpaid balance of the not-to-exceed amount defined in the contract as well as additional expenditure and consequential damage amounting to $6.4 million. The dispute was referred to the Office of Legal Affairs (OLA) on 15 February 2011. OLA concluded that the contract was ambiguous with respect to the extent of the vendor's responsibilities for configuring the software system. OLA in coordination with the Procurement Division, DFS and OICT negotiated with the vendor to settle the claim by: (i) terminating the contract and returning all but an archival copy of the software system to the vendor; and (ii) paying the balance of the license fee and additional expenditure of $3.0 million. A total of $4.1 million was paid to the vendor with regards to the implementation of the contract.

6.   Comments provided by the Department of Management and DFS are incorporated in *italics*.

II.   OBJECTIVE AND SCOPE

7.   The audit was conducted to assess the adequacy and effectiveness of the Department of Management and DFS governance, risk management and control processes in providing reasonable assurance regarding the **efficient and effective acquisition and implementation of EFMS**.

8.   The audit was included in the 2013 OIOS risk-based work plan following a request from the Department of Management, which was concerned that the Organization had spent a significant amount of time and resources on a project whose deliverables would not be used. The audit was also conducted due to the risk that non-compliance with internal controls may have led to the unsuccessful implementation of EFMS and payment of claims by the vendor and to identify lessons that could be learned from the unsuccessful implementation to prevent a recurrence.

9.   The key controls tested for the audit were: (a) regulatory framework; and (b) project management capacity. For the purpose of this audit, OIOS defined these key controls as follows:

(a)   **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide the acquisition and implementation of EFMS; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

(b)   **Project management capacity** – controls that provide reasonable assurance that there is sufficient project management capacity to acquire and implement EFMS. This includes proper project management governance structure and appropriate project management tools.

10.   The key controls were assessed for the control objectives shown in Table 1.

11.   OIOS conducted this audit from October 2013 to March 2014. The audit covered the period from September 2007 to March 2012.

12.   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. OIOS reviewed the process for acquiring the software for EFMS, managing and administering the contract, managing the implementation of the project and settling the dispute with the vendor.

III.   AUDIT RESULTS

13.   The Department of Management and DFS governance, risk management and control processes examined were **unsatisfactory[1]** in providing reasonable assurance regarding the **efficient and effective acquisition and implementation of EFMS**. OIOS made four recommendations to address issues identified in the audit. The key control of regulatory framework was assessed as partially satisfactory because there was inadequate analysis of the business requirement by the DFS project team, which prevented the correct determination of the appropriate solution for managing fuel in the United Nations. The Procurement Manual needed to be updated to provide greater clarity on the delegation of authority to amend contracts greater than $500,000 and on what constituted a material change to a contract. DFS

---

[1] A rating of **"unsatisfactory"** means that one or more critical and/or pervasive important deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

provided evidence of steps it had since taken to improve compliance with the information and communication technology project management framework and to address weaknesses in the technical evaluation process.

14. The key control of project management capacity was assessed as unsatisfactory because the management of the project was not effective. The project board did not have formal terms of reference and roles and responsibilities of the project team were not defined and clearly assigned. Project status reports and formal change control procedures were only introduced late into the implementation of the project. Performance indicators were not defined and approved by the project board for monitoring the status of the project and measuring its progress. The contract was not amended to formalize a number of changes in business and functional requirements that had been identified. The Procurement Division has since developed, in collaboration with OLA, a model master services agreement to be used for contracting Information and Communication Technology (ICT) services that should address some of these issues.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as implementation of two important and one critical recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective acquisition and implementation of EFMS	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management capacity	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: UNSATISFACTORY					

A.   Regulatory framework

The Department of Field Support implemented measures to ensure compliance with the information and communication technology project management framework

16. The 2005 administrative instruction on ICT initiatives required that an HLBC should be prepared in accordance with relevant ICT standards. Furthermore, the ICT project management framework issued by the then Information Technology Services Division in 2003 provided guidance and templates to identify and assess options available for an ICT initiative that should support an HLBC. The framework also required the preparation of a project initiation document, which should include a detailed assessment of available options and a justification for the option selected.

17. Although the DFS project team prepared an HLBC for the EFMS project, it did not complete the project initiation document. The HLBC recommended the purchase of a commercial off-the-shelf fuel management system; however, no evidence was provided that a feasibility study was conducted to determine whether there was a commercially available software that could support the magnitude and complexity of the fuel management process (although, the HLBC indicated that a commercially available

option was available based on market research). The background information explored by the requisitioner on the availability of commercially available options was not included in the HLBC even though this was required by the ICT project management framework. Inadequate assessment of the ICT options available for fuel management led to the premature decision to acquire commercial of-the-shelf software.

18.   DFS provided details of measures it had since instituted to ensure that all software project proposals follow the ICT project management framework. These included preparation of Project Proposal Brief, Business Case, Project Initiation Request and Project Initiation Document, and Functional and Technical Requirements Documents. In view of the action taken by DFS, OIOS did not make a recommendation on this issue.

<u>Inadequate and late definition of business requirements</u>

19.   The Procurement Manual stated that upon identifying a future need, either new or recurring, requisitioners were to use their best efforts to accurately describe such need in the form of specifications, statement of works (SOW) or terms of reference, and that certifying officers were to ensure that comprehensive and unambiguous technical specifications, SOWs or terms of reference were developed. Where a procurement project was complex, the Organization may use external consultants to assist in preparing or reviewing technical specifications, SOWs or terms of reference.

20.   The requirements defined by DFS for the EFMS system in 2008 were poorly documented and contained ambiguities such as whether "provision of hardware" and "integration with hardware" were part of the requirements. Amendment No. 1 to the request for proposal stated that while hardware was not included in the scope of the project, the software solution needed to be integrated with the hardware. However, other requirements of the SOW implied that a hardware solution was required because the supporting equipment was a necessary component for testing the software's ability to perform the functions required. Additionally, the functional components of the EFMS system were not consistently described in the various supporting documents and the criteria for distinguishing mandatory and desired requirements were not clear.

21.   In 2009, DFS recruited a consultant to conduct an overall survey of fuel management in the United Nations. The results of this survey were used to make specific suggestions for the acquisition of hardware to be integrated with the EFMS software. This survey should have been done prior to the decision to procure the fuel management system.

22.   The late definition of requirements for the EFMS system led to the preparation of an SOW based on functional needs (i.e. what the system must do) rather than process requirements (i.e. business processes that needed to be automated).

---

(1) OICT should issue guidelines for the acquisition of ICT systems defining the steps to be followed, including: (i) mapping the "As-Is" and "To-Be" processes and preparing a gap analysis; (ii) involving subject matter experts in the initial stages of the acquisition process to document all the requirements; and (iii) conducting detailed analyses and defining interfaces with other systems or applications.

The Department of Management accepted recommendation 1 and stated that OICT would issue guidelines for the acquisition of ICT systems. Recommendation 1 remains open pending submission of a copy of the guidelines for the acquisition of ICT systems issued by OICT.

<u>Weaknesses in the technical evaluation process</u>

23.	The Procurement Manual required that technical evaluations be conducted in accordance with the criteria established and agreed upon, and included in the request for proposal.

24.	Two teams were tasked with the technical evaluation of the proposals submitted for the EFMS system. The functional requirements were evaluated by staff of the Specialist Support Services of DFS, and the technical and implementation requirements were evaluated by the Information Communications Technology Division of DFS in June 2008. The evaluation criteria and processes were specified in an annex to the request for proposal.

25.	The request for proposal clearly stated that all the responses submitted had to be limited to the current and commercially available version of the product offered and that information relating to future product releases, upgrades or partnerships would not be considered as a valid response. However, the technical and functional evaluations of the vendor selected included points given for functionalities that were either not clearly described or not yet available.

26.	These deviations were not detected due to inadequate mechanisms at DFS to ensure compliance with the evaluation criteria in the request for proposal before the technical evaluation report was approved and submitted to the Procurement Division. Furthermore, the Procurement Division indicated that it was not responsible to check the technical aspects of the technical evaluation as it did not have the expertise to do so, and any involvement by the Procurement Division in the technical evaluation would constitute a breach of the segregation of internal controls established in the evaluation process.

27.	The evaluation resulted in the winning vendor being awarded scores for functionalities that the software did not have and possibly led to the acquisition of a system that did not meet the requirements of the United Nations and the subsequent dispute.

> **(2) DFS should institute procedures to enhance supervision of technical evaluation teams to ensure that they consistently use the evaluation criteria stated in requests for proposal to conduct technical evaluations of proposals submitted by prospective vendors.**
>
> *DFS accepted recommendation 2 and stated since the period covered in this audit, DFS had operated effective controls to ensure that the evaluation criteria stated in requests for proposals were consistently used by Supply Section's technical evaluation teams to conduct technical evaluations of proposals. These technical evaluation reports were subsequently reviewed by the Headquarters Contracts Committee as an additional measure.* Based on the action taken by DFS and evidence provided, recommendation 2 has been closed.

<u>A purchase order was not issued to the vendor as required by the contract</u>

28.	The EFMS contract stated that the vendor was to supply, and at the option of the United Nations and in response to a Purchase Order, install, configure and customize a properly functioning and fully tested system in full conformity with the terms and conditions of the contract.

29.	The Procurement Division issued three internal purchase orders to obligate funds relating to the contract but no purchase order was issued to the vendor. Therefore, there was no clarification on the expected timeframe and outcome of delivery of some aspects of the contract especially those that were optional. The Procurement Division explained that they did not issue any purchase orders to the vendor because the requisitioner had not submitted an approved requisition. This was partly as a result of DFS

and subsequently OICT not instituting adequate mechanisms to manage the contract and a number of personnel changes.

30.   OIOS noted that some contracts specifically identified an officer nominated by the requisitioner to act as a single point of contact between the United Nations and the vendor. This provision was designed to clarify responsibility for operational, coordination and technical matters arising on the contract and to ensure compliance with contract terms.

31.   The Procurement Division stated that in the newest version of the contract template for implementation of large scale ICT projects (Master Services Agreement) developed in conjunction with OLA, a contract management contact, in addition to the Designated Official (Director of Procurement Division), is named, and the authority of each party is delineated. In addition, all contracts state that the United Nations would appoint a focal point. However, in the case of systems contracts in use across the Organization, universal adoption would be avoided as there were multiple points of contact. In view of the action taken by the Procurement Division, OIOS did not make a recommendation.

The authority to amend contracts above $500,000 needed to be clarified

32.   The 2008 version of the Procurement Manual stated that the Director, Procurement Division was delegated authority to award contracts of $500,000 or less without a review by the Headquarters Committee on Contracts and unlimited authority to sign awards recommended by the Committee and approved by the Assistant Secretary-General, OCSS. The procedures for signing an amendment to a contract were the same as that of an original contract. Furthermore, the Procurement Division Document Processing Authority (dated 12 January 2010), which provided further guidance on the exercise of delegation of procurement authority, indicated that the Director, Procurement Division was authorized to approve material changes to contracts (unit price, scope, timeline, payment terms, terms, conditions, legal provisions, etc.) up to $500,000.

33.   The Director, Procurement Division signed an amendment to the EFMS contract on 11 March 2010 to make a partial payment of $1,162,500 to the vendor for work completed. This amendment was processed without the review of the Headquarters Committee on Contracts or the approval of the Assistant Secretary-General, OCSS. This occurred because the Procurement Manual was interpreted to give the Director the required authority. However, since the contract amendment involved an amount above the delegated authority of the Director, the recommendation of the Headquarters Committee on Contracts and approval of the Assistant Secretary-General, OCSS should have been obtained as required by both the Procurement Manual and the Procurement Division Document Processing Authority.

34.   The Procurement Division stated that the Director's exercise of delegation of authority was in line with the Procurement Manual at the time, as the Manual did not define material change. OIOS noted the current Procurement Manual still did not define a material change.

---

(3) OCSS should revise the Procurement Manual and the Document Processing Authority to provide greater clarity on what constitutes a material change to a contract and the authority for approving such changes.

The Department of Management accepted recommendation 3 and stated that OCSS would implement the change as part of an update of the Procurement Manual. Recommendation 3 remains open pending submission of evidence that the Procurement Manual and the Document Processing Authority have been updated to provide greater clarity on what constitutes a material change to a contract and the authority for approving such changes.

B.   Project management capacity

Inadequate project governance and implementation mechanisms

35.   According to the 2003 ICT Project Management Framework, a formal project governance structure should clearly identify the roles and responsibilities of the project sponsor, project manager, project team, project assurance, as well as key decision points, milestones and level of effort required in the project initiation document. The Secretary-General's 2003 bulletin on the ICT Board established the Secretariat's ICT governance structure, which comprised the ICT Board and the Project Review Committee (chaired by the Director of Information Technology Services Division [now OICT]).

36.   At the onset of the EFMS initiative in 2007, a formal project management methodology commensurate with the size and complexity of the initiative was not adopted by DFS. There was no project governance structure established to manage the project until August 2009, when OICT and DFS established a project team and assigned a project manager who was responsible for the overall coordination and management of the technical requirements of EFMS. A project board was also established. However, the establishment of the project board was not formalized with documented terms of reference for oversight, control, decision making responsibilities and membership. Furthermore, the roles and responsibilities of the project team were not defined and clearly assigned. OIOS also noted that several officers involved in the project defined their roles as project managers. This made it difficult to clearly determine who had overall responsibility and accountability for the project

37.   Project status reports should have been presented on the progress and status of the project with regard to its scope implementation, schedule, budget and risks. Such reports were not documented and presented to the project board for consideration, leaving the project team without oversight of its actions from the onset. The project team started compiling project status reports in May 2010. However, the frequency of these reports was not defined and no evidence was provided that they were presented to the project board for review.

38.   Although, change control procedures were specified in the contract and should have been used to ensure that changes to the project were introduced in a controlled and coordinated manner, there was no evidence of: (i) an assessment of the impact deriving from the changes made to the scope of the project; and (ii) definition of criteria and modalities for submitting scope changes for the review and approval by the Project Board. Formal change request procedures were introduced only late in the project (after October 2010), when both parties agreed that the standard change request forms contained in the contract needed to be completed. OIOS identified 27 change requests with associated costs of $730,500 compiled by the vendor, rather than by the project team, in February 2011. Prior to these change requests, there were only verbal agreements.

39.   A quality assurance review process should have provided regular confirmation that the project was being managed in accordance with pre-defined criteria and indicators. However, a quality assurance programme, consisting of quality standards, criteria, review and acceptance procedures, and monitoring indicators, was not implemented.

40.   There were no performance indicators defined and approved by the project board for monitoring the status of the project and measuring its progress.

41.   The absence of these critical controls led to an uncontrolled implementation of the project with decisions being taken that were not in compliance with the Procurement Manual and the contract. This subsequently led to disputes and implementation delays.

42.   Most of the communications between DFS, OICT and the Procurement Division were based on e-mail exchanges. There were limitations in retrieving information from e-mails as some of the staff members had not archived or kept hard copies of the messages, and others had retired. This condition limited the ability of the Organization to maintain institutional knowledge of the chronology of events and the agreements made with the vendor during the different stages of the EFMS project.

43.   Although the ICT Project Management Framework for the Secretariat was established in 2003, the framework was not adhered to in implementing the project. Furthermore, although OICT has periodically updated the ICT Project Management Framework and produced several tools to manage ICT projects, there were no mechanisms to ensure compliance with the guidance provided.

> **(4) OICT should institute, through the established ICT governance structures, measures to ensure full compliance with the ICT Project Management Framework for all ICT initiatives undertaken in the Secretariat.**
>
> *The Department of Management accepted recommendation 4 and stated that it would submit a revised ICT strategy to the General Assembly at its sixty-ninth session for approval. Contingent on the approval of the revised ICT strategy, the Department would issue a revised Secretary-General's bulletin on OICT. OICT would also establish a mechanism for compliance with the ICT Project Management Framework for all ICT initiatives undertaken in the Secretariat.* Recommendation 4 remains open pending submission of the revised ICT strategy and Secretary-General's bulletin on OICT, as well as a copy of the guidelines established to ensure compliance with the ICT Project Management Framework for ICT initiatives undertaken in the Secretariat.

The Procurement Division took action to ensure that contractual issues arising during project implementation are addressed timely

44.   The Procurement Manual stated that an amendment to a contract was required when there was a need to change the material aspects of a contract, such as its duration or modifications to the goods/services to be delivered.

45.   Following a demonstration of the EFMS solution in September 2009, DFS prepared a report indicating that the solution did not comply in full with the SOW originally developed by the United Nations. The report presented two options for consideration: (i) proceed with a new timeline and new contract terms; or (ii) abort the project. There was no evidence of any assessment of these recommendations and/or decisions taken regarding the options presented.

46.   Based on the stated availability of the vendor to make the necessary changes to their system, the project team decided to advance with the project. While this decision was not formalized in any amendment to the original contract and its terms of reference, the procurement changed from an acquisition of a commercial off-the-shelf system to a software development initiative. Revisions to technical standards, business requirements and acceptance testing criteria were made by the project team which, however, the vendor never formally accepted.

47.   In December 2010, the Procurement Division issued a memorandum to OICT outlining issues discussed at a meeting held in October 2010, when it was decided that a revised project plan, with new deadlines to be agreed by OICT and the vendor, would also be developed and incorporated as an amendment to the contract. In addition, the Procurement Division proposed a phased approach to be followed to establish new deliverables, milestones and associated payments to be added to the contract as an amendment. These amendments were supposed to have been completed prior to the beginning of the

final acceptance test. However, neither OICT nor the Procurement Division initiated an amendment to the contract to reflect the changed requirements and terms of the contract. The project team and the vendor continued with the implementation of the EFMS system without formally documenting the changes made to requirements and terms defined in the original contract.

48.   The failure to address issues promptly and decisively and formally amend the contract to incorporate United Nations' changing requirements led to deviations from the contract provisions and inability to enforce United Nations' claims against the vendor.

49.   The Procurement Division explained that since the implementation of this contract, it has introduced a model master services agreement to be used by procurement officers for contracting ICT services. The model agreement included measures to formalize and ensure that all changes to deliverables or timeframes were formally signed off by the authorized representative from the Procurement Division. In light of this development, OIOS did not make a recommendation on this issue.

IV.   ACKNOWLEDGEMENT

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

(*Signed*) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat

Recom. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
1	OICT should issue guidelines for the acquisition of ICT systems defining the steps to be followed, including: (i) mapping the "As-Is" and "To-Be" processes and preparing a gap analysis; (ii) involving subject matter experts in the initial stages of the acquisition process to document all the requirements; and (iii) conducting detailed analyses and defining interfaces with other systems or applications.	Important	O	Submission of a copy of the guidelines for the acquisition of ICT systems issued by OICT.	31 December 2015
2	DFS should institute procedures to enhance supervision of technical evaluation teams to ensure that they consistently use the evaluation criteria stated in requests for proposal to conduct technical evaluations of proposals submitted by prospective vendors.	Important	C	Action completed	
3	OCSS should revise the Procurement Manual and the Document Processing Authority to provide greater clarity on what constitutes a material change to a contract and the authority for approving such changes.	Important	O	Submission of evidence that the Procurement Manual and the Document Processing Authority have been updated to provide greater clarity on what constitutes a material change to a contract and the authority for approving such changes.	30 June 2015
4	OICT should institute, through the established ICT governance structures, measures to ensure full compliance with the ICT Project Management Framework for all ICT initiatives undertaken in the Secretariat.	Critical	O	Submission of the revised ICT strategy and Secretary-General's bulletin on OICT, as well as a copy of the guidelines established to ensure full compliance with the ICT Project Management Framework for ICT initiatives undertaken in the Secretariat.	30 June 2016

---

[2] 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.

[3] 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.

[4] C = closed, O = open

[5] Date provided by the Department of Management and DFS in response to recommendations.
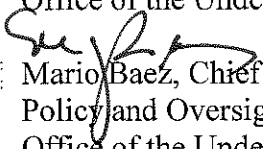
APPENDIX I

Management Response

TO:
A: Ms. Muriette Lawrence-Hume, Officer-in-Charge   DATE: 6 November 2014
     New York Audit Service, Internal Audit Division
     Office of Internal Oversight Services

THROUGH:
S/C DE: Christian Saunders, Director
         Office of the Under-Secretary-General for Management

FROM:
DE: Mario Baez, Chief
     Policy and Oversight Coordination Service
     Office of the Under-Secretary-General for Management

SUBJECT:
OBJET: **Draft report on an audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat (Assignment No. AH2013/513/04)**

1.   In response to your memorandum of 31 October 2014, we are pleased to provide the comments of the Department of Management on the above subject draft report in the attached Appendix I.

2.   Thank you for giving us the opportunity to provide comments.

14-02986
7 NOV 2014

Management Response

Audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat (AH2013/513/04)

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OICT should issue guidelines for the acquisition of ICT systems defining the steps to be followed, including: (i) mapping the "As-Is" and "To-Be" processes and preparing a gap analysis; (ii) involving subject matter experts in the initial stages of the acquisition process to document all the requirements; and (iii) conducting detailed analyses and defining interfaces with other systems or applications.	Important	Yes	Senior Information Systems Officer, Knowledge Management Service, OICT	31 December 2015	OICT will issue guidelines for the acquisition of ICT systems
2	DFS should institute procedures to enhance supervision of technical evaluation teams to ensure that they consistently use the evaluation criteria stated in requests for proposal to conduct technical evaluations of proposals submitted by prospective vendors.	Important				
3	OCSS should revise the Procurement Manual and the Document Processing Authority to provide greater clarity on what constitutes a material change to a contract and the authority for approving such changes.	Important	Yes	Policy Officer, Policy and Compliance Monitoring Section, Procurement Division, OCSS	30 June 2015	OCSS accepts the recommendation and will implement the change as part of the subsequent Procurement Manual update.

[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.

Management Response

**Audit of the acquisition and implementation of an Electronic Fuel Management System
at the United Nations Secretariat (AH2013/513/04)**

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	OICT should institute, through the established ICT governance structures, measures to ensure full compliance with the ICT Project Management Framework for all ICT initiatives undertaken in the Secretariat.	Critical	Yes	Senior Information Systems Officer, Knowledge Management Service, OICT	30 June 2016	The Department of Management (DM) will submit the revised ICT strategy to the General Assembly at its sixty-ninth session for approval. Contingent on the approval of the revised ICT strategy, DM will issue a revised ST/SGB for OICT.

OICT will also establish a mechanism for compliance with the ICT Project Management Framework for all ICT initiatives undertaken in the Secretariat. |

TO: Ms. Muriette Lawrence-Hume, Officer-in-Charge
A: New York Audit Service,
Internal Audit Division, OIOS

DATE: 16 October 2014

THROUGH:
S/C DE:

REFERENCE: UNHQ-AR-BOI-Memo-2-
2014-2294

FROM: Rudy Sanchez, Acting Deputy to the USG
DE: Department of Field Support

SUBJECT: **Draft report on an audit of the acquisition and implementation of an**
OBJET: **Electronic Fuel Management System at the United Nations Secretariat**
(Assignment No. AH2013/513/04)

1.   I refer to your memorandum dated 23 September 2014 regarding the above mentioned audit. Please find attached our comments on the recommendation contained in the report.

2.   Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Cynthia Avena-Castillo

Management Response

Audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OICT should issue guidelines for the acquisition of ICT systems defining the steps to be followed, including: (i) mapping the "As-Is" and "To-Be" processes and preparing a gap analysis; (ii) involving subject matter experts in the initial stages of the acquisition process to document all the requirements; and (iii) conducting detailed analyses and defining interfaces with other systems or applications.	Important	N/A	N/A	N/A	We trust that the Office of Information and Communications Technology will provide its comments on the recommendation.
2	DFS should institute procedures to enhance supervision of technical evaluation teams to ensure that they consistently use the evaluation criteria stated in requests for proposal to conduct technical evaluations of proposals submitted by prospective vendors.	Important	Yes	N/A	Implemented	This recommendation has been implemented. Since the period covered in this audit, DFS has operated effective controls to ensure that the evaluation criteria stated in Requests for Proposals are consistently used by Supply Section's technical evaluation teams to conduct technical evaluations of proposals. These technical evaluation reports are subsequently reviewed by the Headquarters Contracts Committee as an additional measure. Please see Annex I which sets out controls which have been put in place in the Information and Communications

---

[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.

Management Response

Audit of the acquisition and implementation of an Electronic Fuel Management System at the United Nations Secretariat

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Technology Division to enhance the supervision of technical evaluation teams. Annexes II to IV, provide a demonstration of evaluation criteria being used appropriately during the technical evaluation of a procurement exercise which took place during 2013 and 2014.
3	OCSS should clarify the delegation of authority of the Director, Procurement Division to make amendments to contracts involving amounts exceeding $500,000.	Important	N/A	N/A	N/A	We trust that the Office of Central Support Services will provide its comments on the recommendation.
4	OICT should institute, through the established ICT governance structures, measures to ensure full compliance with the ICT Project Management Framework for all ICT initiatives undertaken in the Secretariat.	Critical	N/A	N/A	N/A	We trust that the Office of Information and Communications Technology will provide its comments on the recommendation.