



INTERNAL AUDIT DIVISION

REPORT 2015/088

Audit of vehicle fleet management in the United Nations Assistance Mission for Iraq

Overall results relating to the effective management of the vehicle fleet in the United Nations Assistance Mission for Iraq were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

28 August 2015
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AUDIT REPORT

Audit of vehicle fleet management in the United Nations Assistance Mission for Iraq

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of vehicle fleet management in the United Nations Assistance Mission for Iraq (UNAMI).
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 UNAMI Transport Section was responsible for providing safe, efficient, reliable and cost-effective transportation services in support of the Mission's mandate. The Section's responsibility included the administration and control of day-to-day transport operations, maintenance and repair of the Mission's vehicles, administration of driving tests, and ensuring successful implementation of the road safety programme.
4. The Chief Transport Officer at the P-4 level headed the Transport Section. The Transport Section had 62 posts comprising 2 professional staff, 7 field service staff and 53 national staff. As of 31 March 2015, UNAMI had a fleet of 353 vehicles with a total acquisition value of \$33 million. The Transport Section's budgets for 2013, 2014 and 2015 were \$1.47 million, \$1.41 million and \$0.87 million, respectively.
5. Comments provided by UNAMI are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNAMI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the vehicle fleet in UNAMI**.
7. The audit was included in the 2014 risk-based work plan of OIOS because of operational, safety, security and financial risks related to vehicle fleet management.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of the vehicle fleet in UNAMI; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
9. The key control was assessed for the control objectives shown in Table 1.
10. OIOS conducted this audit from April 2014 to March 2015. The audit covered the period from 1 January 2012 to 31 March 2015. The audit included field visits to Baghdad, Erbil, Kirkuk and Kuwait.

11. The audit team conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNAMI governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of the vehicle fleet in UNAMI**. OIOS made six recommendations to address the issues identified. UNAMI established an appropriate organization structure for the Transport Section, equipped its vehicles with minimum safety equipment and strengthened controls over the issuance of driving permits. However, UNAMI needed to: (a) improve the functioning of the Vehicle Establishment Committee (VEC); (b) strengthen controls over issuance of driving permits; (c) allocate sufficient resources to improve management of spare parts inventory; (d) establish procedures for workshop safety inspections and maintenance of specialized equipment; (e) keep records of the maintenance and repair of vehicles; and (f) maintain vehicles in line with manufacturers’ recommendations.

13. The initial overall rating was based on the assessment of key controls presented in Table 1. The final overall rating is partially satisfactory as implementation of four important recommendations remains in progress.

Table 1: Assessment of key control

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 the vehicle fleet in UNAMI	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

The Transport Section had an appropriate organizational structure

14. The Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) Surface Transport Manual provided guidance on the structure and organization of the Transport Section in peacekeeping missions. UNAMI established the Transport Section in accordance with the sample organization chart. Roles and responsibilities of the Transport Section staff were clearly defined and aligned to the generic job descriptions given in the Manual. OIOS concluded that the UNAMI Transport Section had established an appropriate organizational structure for fleet management, and roles and responsibilities were clearly defined.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

The functioning of the Vehicle Establishment Committee needed to improve

15. The Surface Transport Manual provides that the UNAMI VEC is the sole authority in the mission to define and propose vehicle establishment for each unit/section. The Manual further provides for the Committee to meet at least once a year and establish a minimum reserve of vehicles to provide staff with temporary support and to cover contingencies.

16. UNAMI established a VEC, which met once (in March 2013) during the audit period. A review of the minutes of that meeting indicated that the VEC reviewed and proposed vehicle establishment for each section/unit. UNAMI did not convene VEC meetings in 2012, 2014 and up to July 2015 due to the security situation in Iraq and the evacuation of non-essential staff from Baghdad. As a result, there was a lost opportunity for UNAMI and the VEC to review and adjust vehicle allocations based on its encumbered posts, priorities and contingencies. For example, there had been significant changes in the staffing level in the last two years and a relocation of vehicles from Kuwait to Erbil in early 2015, without a corresponding review of vehicle allocations.

(1) UNAMI should take steps to ensure that the Vehicle Establishment Committee meets at least once a year to review and adjust vehicle allocations and establish a minimum reserve of vehicles for contingencies.

UNAMI accepted recommendation 1 and stated that, depending on the security situation, the VEC would meet before the end of 2015 and establish a minimum reserve of vehicles. In the interim period, the Mission would keep a small reserve pool of about 5 per cent of the existing fleet for contingencies. Recommendation 1 remains open pending confirmation that the VEC is convened by the end of 2015, and vehicle allocations are properly established and implemented.

Procedures over issuance of driving permits needed to improve

17. The DPKO/DFS Surface Transport Manual requires that UNAMI vehicles be driven only by staff with a valid United Nations driving permit. UNAMI implemented procedures to issue driving permits to its staff based on the applicant's valid national driving license and passing of the UNAMI driving test.

18. A review of 134 of the 1,206 permits issued during the audit period indicated that: (a) the driving assessment did not include the required vision test; (b) 38 permits were issued without evidence that a driving test was completed; and (c) 6 permits were issued to staff although their national driving license had expired. Further analysis showed that 28 drivers continued to drive UNAMI vehicles although their national licenses had expired. This resulted as there was no mechanism to automatically detect, deactivate or alert management of invalid driving permits. Also, the Transport Section had not developed adequate procedures for monitoring the issuance of driving permits, increasing the risk of staff operating vehicles without a valid driving license, which was a criminal offence under local laws. Subsequent to the audit, UNAMI strengthened the oversight of issuance of permits in Erbil; it had yet to strengthen controls over issuance of driving permits at other Mission locations.

(2) UNAMI should implement adequate procedures to ensure UNAMI vehicles are driven only by staff with a valid United Nations driving permit, which is supported by a valid national driving license and passing of the UNAMI driving test.

UNAMI accepted recommendation 2 and issued instructions that required the validity of the permit to correspond to the date of expiry of the staff member's contract or national driving license, whichever was earlier. The expiry dates were indicated on UNAMI driver's permits for adequate monitoring, effective 30 July 2015. Based on the action taken by UNAMI, recommendation 2 has

been closed.

The Mission's vehicles were equipped with minimum safety equipment

19. The DPKO/DFS Manual on Road Safety Management in the Field requires each UNAMI vehicle to have safety equipment including a first aid kit, warning triangle, fire extinguisher, spare tire, jack and appropriate tools and seat belts to comply with the mission specific minimum operating security standards.

20. A review of 94 vehicles indicated that not all UNAMI vehicles had adequate safety equipment as: (a) 9 vehicles did not have first aid kits; (b) 18 vehicles did not have warning triangles; (c) 14 vehicles did not have fire extinguishers; and (d) 4 vehicles did not have spare tires. This resulted as UNAMI did not implement procedures to regularly check that vehicles were equipped with safety equipment. Consequently, UNAMI staff using these vehicles were not adequately prepared in case of a breakdown or accident. Subsequent to the audit, inspection of 20 vehicles confirmed that the Transport Section equipped its vehicle fleet with the required safety equipment. Based on the action taken by UNAMI, no recommendation was made.

Management of spare parts inventory needed improvement

21. The DPKO/DFS Surface Transport Manual provides for specific inventory holding levels for vehicle spare parts. The Manual further requires the Mission to: (a) establish spare parts holdings for each make and model of vehicle taking into consideration historical consumption patterns; and (b) maintain 30 days of safety stock and 15 days of operating stock reserves in each region. UNAMI is also required to take action to dispose of excess stock. The United Nations Property Management Manual provides that property be strictly controlled and accounted for on a regular basis. Variances identified during physical inspections should be reconciled with the records and updated in Galileo inventory management system within 30 days.

22. As at May 2015, UNAMI had 51,951 spare parts valued at \$1.77 million. A review of the Transport Section's inventory management practices and visits to four locations indicated the following:

- UNAMI did not collect data on consumption patterns as transport staff was not directed to gather this information. As a result, the Transport Section did not establish optimum spare parts inventory holdings and minimum and maximum levels of spares for each make and model of vehicle. Additionally, UNAMI did not determine its 30-day safety stock and 15-day operating stock reserves for each region due to non-availability of data on consumption patterns;
- A comparison of the composition of the ground fleet with the existing spare parts inventory recorded in Galileo indicated that there were 3,345 spare parts valued at \$242,783 as at May 2015 relating to vehicle models which were no longer used by the Mission;
- UNAMI did not conduct annual physical verifications in three locations. Test counts of 77 items valued at \$141,014 showed discrepancies between physical quantities and recorded quantities as 47 items totalling \$60,492 could not be located in storage;
- UNAMI did not ensure that incompatible functions were segregated. For example: the same staff member approved the issuance of spare parts and their actual issuance; and four staff members had the authority to create and approve damage/discrepancy reports. Further review of

4,078 work orders in Galileo indicated that 3,563 work orders were created and approved by the same staff member; and

- The Surface Transport Manual provides that used spare parts cannibalized from written off vehicles should be accounted for in Galileo at 50 per cent of its replacement cost. UNAMI did not determine the cost of 210 cannibalized spare parts and account for them in Galileo.

23. The above resulted as the Transport Section did not allocate sufficient resources to ensure that the spare parts inventory was properly managed. UNAMI had also not provided adequate guidance to transport staff for the proper accounting of cannibalized spare parts. The above conditions may result in incorrect inventory balances, excess and obsolete items being held in storage and an increased risk of loss through theft.

(3) UNAMI should allocate sufficient resources for implementing adequate inventory management procedures that include: (a) analysis of spare part consumption patterns to establish optimum stock holdings and replenishment levels; (b) regular physical inventories of spare parts, and reconciliation with and updating of records in Galileo; (c) adequate segregation of inventory management functions; and (d) accounting for cannibalized items.

UNAMI accepted recommendation 3 and stated that the implementation of the central warehouse concept would improve inventory management. Procedures would be implemented for analysis of spare parts consumption patterns to establish optimum stock holdings, regular physical verification and controls over warehouse operations would be further strengthened, and concerned staff would be trained to account for cannibalized items. Recommendation 3 remains open pending receipt of evidence that: optimum stock holdings and replenishment levels have been established; inventory taking is conducted regularly and records in Galileo are reconciled and updated; incompatible functions are segregated or where not feasible compensating controls are implemented; and staff are trained on accounting for cannibalized items.

Safety inspections needed to be performed in the Mission's workshops

24. The DPKO/DFS Guidelines on Automotive Workshop Safety require transport workshop managers to conduct safety inspections to identify and eliminate substandard acts and conditions before they cause an incident. Best practices require periodic calibration and servicing of specialized tools and diagnostic workshop equipment.

25. Visits to four workshops indicated that: (a) workshop managers were not conducting and documenting periodic safety inspections of equipment; and (b) there was no maintenance arrangement in place for servicing specialized equipment valued at \$311,000. These resulted as the Transport Section: had not developed procedures on conducting the required inspections; lacked in-house expertise for servicing specialized equipment; and had not contracted a company to obtain needed expertise. Due to insufficient safety inspections and maintenance of equipment, there was an increased risk to the health and safety of staff.

(4) UNAMI should establish procedures for workshop safety inspections and maintenance of specialized equipment, and take steps to obtain expert services to conduct safety inspections and maintain specialized equipment.

UNAMI accepted recommendation 4 and stated that a system of periodic safety inspections by qualified personnel would be developed according to requisite standards. A comprehensive

inspection including servicing and calibration of specialized equipment would be conducted by June 2016. Recommendation 4 remains open pending receipt of evidence that procedures for safety inspections and servicing specialized equipment are developed and implemented, and inspection and maintenance have been carried out.

Procedures for recording repairs and maintenance work in transport workshops needed improvement

26. The Galileo inventory management system manual requires UNAMI to use the maintenance module to record repairs and maintenance of vehicles to account for the cost of materials and labour hours used to maintain and repair vehicles. During the audit period, 3,313 work orders, with labour cost of \$275,050 and materials costing \$872,327 were recorded in Galileo.

27. A review of workshop practices, work order files and workshop reports generated from Galileo indicated that UNAMI did not have a mechanism to accurately evaluate the time taken to complete repairs and maintenance tasks. This was because there was no requirement for drivers to register the date and time that they brought vehicles to the workshops. Also, workshops did not reconcile information recorded in Galileo against the manual records of the work done to ensure accurate and complete records were available. For example, a review of 126 manual work orders indicated that 59 were not recorded in Galileo. This resulted due to inadequate supervision of staff and lack of guidance and procedures requiring a reconciliation to be done. As a result, UNAMI was unable to: accurately capture information on the maintenance and repair work done; and assess and report on the performance of the workshop.

(5) UNAMI should establish procedures and provide guidance to staff on keeping adequate records of the maintenance and repair of vehicles, and monitoring and reporting on the performance of work done.

UNAMI accepted recommendation 5 and stated that problems with Galileo contributed to the backlog in recording manual work orders and that a recent review of procedures would improve maintenance of records. Workshop staff had been advised to enter manual work orders into Galileo without delay. Recommendation 5 remains open pending receipt of evidence that procedures have been implemented to maintain adequate records for monitoring and reporting of workshop activities.

Preventive maintenance needed to be systematically carried out

28. The DPKO/DFS Surface Transport Manual requires UNAMI to comply with respective manufacturers' recommendations for the maintenance of its vehicles, which is every six months or after completing a distance of 5,000 kilometers, whichever comes first.

29. A review of maintenance work orders for 60 vehicles indicated that UNAMI was not maintaining its vehicles in accordance with the manufacturers' recommended maintenance schedules. The lack of regular maintenance resulted as the Transport Section had not implemented procedures to monitor whether drivers and those assigned vehicles were complying with the requirements. As a result, there was an increased risk that vehicles would break down and not be available when needed, and also reduce vehicles' useful life due to the lack of regular maintenance.

(6) UNAMI should implement procedures to ensure vehicles are maintained in line with manufacturers' recommendations.

UNAMI accepted recommendation 6 and stated that vehicles were identified for maintenance based

on review of monthly trip tickets. Instructions had been issued to staff to ensure that vehicles were maintained as per the manufacturer's manual effective 31 July 2015. Based on the action taken by UNAMI, recommendation 6 has been closed.

IV. ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the Management and staff of UNAMI 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 vehicle fleet management in the United Nations Assistance Mission for Iraq

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMI should take steps to ensure that the Vehicle Establishment Committee meets at least once a year to review and adjust vehicle allocations and establish a minimum reserve of vehicles for contingencies.	Important	O	Receipt of evidence that the VEC is convened by the end of 2015, and vehicle allocations are properly established and implemented.	31 December 2015
2	UNAMI should implement adequate procedures to ensure UNAMI vehicles are driven only by staff with a valid United Nations driving permit, which is supported by a valid national driving license and passing of the UNAMI driving test.	Important	C	Action taken	Implemented
3	UNAMI should allocate sufficient resources for implementing adequate inventory management procedures that include: (a) analysis of spare part consumption patterns to establish optimum stock holdings and replenishment levels; (b) regular physical inventories of spare parts, and reconciliation with and updating of records in Galileo; (c) adequate segregation of inventory management functions; and (d) accounting for cannibalized items.	Important	O	Receipt of evidence that: optimum stock holdings and replenishment levels have been established; inventory taking is conducted regularly and records in Galileo are reconciled and updated; incompatible functions are segregated or where not feasible compensating controls are implemented; and staff are trained on accounting for cannibalized items.	31 December 2015
4	UNAMI should establish procedures for workshop safety inspections and maintenance of specialized equipment, and take steps to obtain expert services to conduct safety inspections and maintain specialized equipment.	Important	O	Receipt of evidence that procedures for safety inspections and servicing specialized equipment are developed and implemented, and inspection and maintenance have been carried out.	30 June 2016

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNAMI in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of vehicle fleet management in the United Nations Assistance Mission for Iraq

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5	UNAMI should establish procedures and provide guidance to staff on keeping adequate records of the maintenance and repair of vehicles, and monitoring and reporting on the performance of work done.	Important	O	Receipt of evidence that procedures have been implemented to maintain adequate records for monitoring and reporting of workshop activities.	31 December 2015
6	UNAMI should implement procedures to ensure vehicles are maintained in line with manufacturers' recommendations.	Important	C	Action taken	Implemented

APPENDIX I

Management Response

Management Response

Audit of vehicle fleet management in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMI should take steps to ensure that the Vehicle Establishment Committee meets at least once a year to review and adjust vehicle allocations and establish a minimum reserve of vehicles for contingencies.	Important	Yes	Chief Transport Officer	31/12/2015	The deteriorating security situation led to relocation of staff. Moreover, for evacuation readiness vehicles had to be relocated within Iraq. Depending on the security situation, a VEC will be held to be before the end of 2015. During the same meeting, the level of reserve will be established. In the Interim, the mission will keep a small reserve pool of about 5% to cater for contingencies.
2	UNAMI should implement adequate procedures to ensure UNAMI vehicles are driven only by staff with a valid United Nations driving permit, which is supported by a valid national driving license and passing of the UNAMI driving test.	Important	Yes	Chief Transport Officer	30/07/2015	A review of the procedures has taken place, and the UN staff members national driver's license expiry dates will be added to UNAMI driver's permits. Instructions have been issued, according to which the driving permit will correspond to the date of expiry of the UNAMI ID (based on contract date of expiry) or national driving permit whichever is earlier. <u>IMPLEMENTED</u>
3	UNAMI should allocate sufficient resources for implementing adequate inventory management procedures that include: (a) analysis of spare part consumption patterns to establish optimum stock holdings and replenishment levels; (b) regular physical inventories of spare	Important	Yes	Chief Transport Officer	31/12/2015	Regular physical verifications are already in place, will be further strengthened. Controls will be strengthened and concerned staff will be trained to ensure that cannibalized items are properly recorded. Procedures will be put in place to analyze the spare parts consumption

Management Response

Audit of vehicle fleet management in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	parts, and reconciliation with and updating of records in Galileo; (c) adequate segregation of inventory management functions; and (d) accounting for cannibalized items.					pattern and stocks held accordingly. Identification of slow and no moving parts will be carried out annually to identify parts that should be declared as surplus for use in other missions. The present procedures are under review with this aim and to improve the parts control system as a whole. Moreover, via the implementation of Central Warehouse, the present procedures will be improved and more resources will be utilized. PARTLY IMPLEMENTED , to be fully implemented before the end of 2015.
4	UNAMI should establish procedures for workshop safety inspections and maintenance of specialized equipment, and take steps to obtain expert services to conduct safety inspections and maintain specialized equipment.	Important	Yes	Chief Transport Officer	30/06/2016	Workshop managers are responsible for safety at their respective locations, and safety inspections are part of their daily tasks. However, a system of periodic and recorded safety inspections will be developed, including inspections conducted by qualified personnel according to set standards. A comprehensive inspection including serving and calibration of specialized equipment will be ensured by June 2016. PARTLY IMPLEMENTED .
5	UNAMI should establish procedures and provide guidance to staff on keeping adequate records of the maintenance and repair of vehicles, and monitoring and reporting on the performance of work done.	Important	Yes	Chief Transport Officer	31/12/2015	Problems with the patched Galileo system led to the implementation of the manual work orders that are normally not required, which contributed to the backlog of manual work orders found by the audit. This measure had to be taken to maintain records and to reduce workshop delays. A review of procedures and duties

Management Response

Audit of vehicle fleet management in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						has taken place, which will be further improved. Responsible staff have been advised to enter manual work orders into Galileo system with immediate effect. Will be fully implemented before the end of 2015. PARTLY IMPLEMENTED.
6	UNAMI should implement procedures to ensure vehicles are maintained in line with manufacturers' recommendations.	Important	Yes	Chief Transport Officer	31/07/2015	Maintenance is conducted as per UN regulations and per manufacturer's recommendations. Vehicles are identified for maintenance based on monthly Trip Ticket observations. There have been isolated instances of oversight with regards to the application of the maintenance sticker on the record card and this process has been tightened up. Instructions have been issued to ensure that the maintenance is conducted as per manufacture's manual. IMPLEMENTED.