



INTERNAL AUDIT DIVISION

REPORT 2016/163

Audit of management of rations contracts in the African Union-United Nations Hybrid Operation in Darfur

There was a need to adjust rations food orders to account for composite ration packs issued, conduct food quality assurance activities, ensure sufficient levels of operational and strategic reserves, and take advantage of prompt payment discounts

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Audit of management of rations contracts in the African Union-United Nations Hybrid Operation in Darfur

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of rations contracts in the African Union-United Nations Hybrid Operation in Darfur (UNAMID). The audit covered the period from 1 July 2014 to 30 June 2016 and included review of requisitioning of food rations, delivery, receipt and storage of rations, stock management and reporting, and invoice processing.

UNAMID raised food orders in line with the United Nations Rations Scale and monitored the delivery of food rations at military contingents' and formed police units' locations. However, UNAMID needed to strengthen controls over food orders, quality assurance activities, operational and strategic reserves and invoice processing.

OIOS made four important recommendations. To address issues identified in the audit, UNAMID needed to:

- Adjust fresh food orders to account for composite ration packs issued to military contingents and formed police units;
- Conduct regular food quality assurance surveillance activities including: verification of rations received, inspection of food quality and safety at the contractor's warehouses; and inspection of military contingents' and formed police units' food rations facilities;
- Conduct monthly counts and inspections of operational and strategic reserves of rations held by the contractor and composite rations packs by the Rations Unit; and
- Pay invoices in a timely manner to obtain prompt payment discounts.

UNAMID accepted the recommendations and has initiated action to implement them.

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Audit of management of rations contracts in the African Union-United Nations Hybrid Operation in Darfur

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of rations contracts in the African Union-United Nations Hybrid Operation in Darfur (UNAMID).
2. UNAMID provides rations (fresh, frozen, chilled, dried, canned, and bottled water) and composite ration packs to 15,000 military troops and formed police units throughout the Mission's area of operations. UNAMID acquired fresh rations through a contract with a not-to-exceed amount of \$194 million and composite ration packs through another contract with a not-to-exceed amount of \$95 million. Both of these contracts were established by the Procurement Division at United Nations Headquarters. From 1 July 2014 to 30 June 2016, UNAMID acquired rations and composite ration packs valued at \$137 million and \$9 million, respectively.
3. The fresh rations contractor is responsible to: (a) supply, transport, store and deliver rations to designated contingent locations based on orders approved by authorized officials of the Mission; and (b) maintain the Mission's composite ration packs as Mission-owned strategic reserves. The UNAMID Rations Unit is responsible for the day-to-day management of the rations contracts including: requisitioning and inspection of rations and implementation of food quality assurance surveillance programme. The Unit is headed by a Chief Rations Officer at the Field Service-7 level who is assisted by 27 staff (8 international, 4 United Nations volunteers and 15 national staff). The Rations Unit is responsible for monitoring the contractors' performance.
4. Comments provided by UNAMID are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of rations contracts in UNAMID.
6. This audit was included in the 2016 risk-based work plan of OIOS due to operational and financial risks related to management of rations contracts in UNAMID.
7. OIOS conducted this audit from August to October 2016. The audit covered the period from 1 July 2014 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the management of rations contracts, which included reviews of: requisitioning of food rations; delivery and receipt of rations; storage, stock management and reporting; and invoice processing.
8. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, and (d) judgmental sample testing.

III. OVERALL CONCLUSION

9. UNAMID raised food orders in line with the United Nations Rations Scale; monitored the delivery of food rations at military contingents' and formed police units' locations; and certified rations invoices for payment after verifying the accuracy and completeness of supporting documents. However, UNAMID needed to: (a) adjust fresh food orders to account for composite ration packs issued; (b)

conduct regular food quality assurance surveillance activities including verification of rations received, inspection of food quality and safety at the contractor's warehouses, and inspection of food rations facilities; and (c) regularly count and inspect operational and strategic rations reserves and composite ration packs.

IV. AUDIT RESULTS

A. Requisitioning of food rations

Need for accurate and timely adjustment of food orders for composite ration packs consumed by military contingents and formed police units

10. The Departments of Peacekeeping Operations and Field Support (DPKO/DFS) guidelines on rations management, the rations contract and UNAMID rations standard operating procedures require the Rations Unit to: (a) issue duly approved bulk and final fresh food orders covering a 28-day cycle no later than 84 and 14 calendar days, respectively prior to the start of relevant consumption period; (b) ensure each food order reflects the deployed troop strength and should not exceed 4,500 calories per person per day or the ceiling man-day rate; and (c) adjust final food orders for the number of composite ration packs issued to military contingents and formed police units.

11. A review of all 26 bulk and final food orders issued to the contractor during the audit period indicated that the Rations Unit issued these orders within the stipulated time and each order reflected the deployed troop strength. However, a reconciliation of the number of composite ration packs issued to military contingents and formed police units with the adjustments for composite ration packs made to food orders from July 2015 to June 2016 indicated that the Rations Unit did not adjust food orders for 33,407 composite rations packs issued, estimated at \$493,755.

12. The above occurred because the Rations Unit did not implement procedures to ensure military contingents and formed police units' food orders were adjusted to take into account the composite ration packs issued. As a result, there was a potential loss of \$493,755. There was also a risk of financial loss as the Mission was not reducing food orders to account for composite ration packs and thereby issuing more rations than the maximum allowed calories of 4,500 per person per day.

(1) UNAMID should implement procedures to ensure the Rations Unit adjusts fresh food orders received from military contingents and formed police units to account for composite ration packs issued.

UNAMID accepted recommendation 1 and stated that it would harmonize the composite rations packs' database with Galileo and prepare a summary of issued packs to facilitate adjustment of fresh rations food orders. Recommendation 1 remains open pending receipt of evidence that the Mission has a mechanism in place to adjust fresh food orders for composite ration packs issued to military contingents and formed police units.

B. Delivery and receipt of rations

There was adequate monitoring and acknowledgement of food rations delivered to military and police locations

13. The DPKO/DFS guidelines on rations management, the rations contract, and UNAMID rations standard operating procedures require the Mission's designated official to acknowledge receipt of rations at delivery points by signing delivery notes and preparing related receiving and inspection reports.

14. From July 2014 to June 2016, the rations contractor delivered rations based on 7,571 final food orders issued by UNAMID to various contingent locations in all five sectors. A review of the records of deliveries indicated that: (a) delivery notes were signed by the respective contingents' and formed police units' logistics officers, authorized to represent the Mission's designated official at these locations; and (b) the logistics officers prepared receiving reports recording whether the deliveries conformed to approved orders in terms of delivery schedule, quantities, quality and authorized substitutions. The Rations Unit was able to identify performance shortfalls by the rations contractor and the Mission consequently deducted \$3.8 million from payments made to the contractor for its failure to achieve acceptable performance levels specified in the rations contract.

15. OIOS concluded that UNAMID implemented adequate controls over the receipt of food rations at military contingent and formed police unit locations.

C. Storage, stock management and reporting

Inadequate food quality assurance surveillance activities

16. The UNAMID food quality assurance surveillance plans require the Rations Unit to: (a) verify food items received at the contractor's warehouses for conformance with United Nations' rations standards; (b) undertake monthly quality assurance and food safety inspections at the contractor's warehouses; and (c) conduct quarterly inspections of food rations facilities at military contingent and formed police unit locations to ensure compliance with UNAMID standard operating procedures on hygienic and food safety standards.

17. A review of the Mission's food quality and safety assurance reports indicated that the Rations Unit consistently reviewed weekly temperature reports downloaded from freezer logs in delivery trucks and in the contractor's warehouses to ascertain that food rations were transported and kept at prescribed temperatures. However, the Rations Unit did not:

(a) Maintain evidence of verification of food items received at the contractor's warehouses in El Geneina and Nyala. In El Fasher, the Unit did not verify food items received during 7 of 12 months between July 2015 and June 2016;

(b) Regularly undertake monthly quality assurance and food safety inspections. The Unit conducted 3 (one in El Fasher and two in El Geneina) of 36 planned monthly quality assurance and food safety inspections; and

(c) Conduct all planned inspections of rations facilities at military contingents and formed police units' locations. The Unit conducted 105 of 132 planned hygienic and food safety inspections in Sector North, 22 of 116 in Sector South and 66 of 128 in Sector West.

18. The above occurred because rations officers were not adequately supervised to ensure that food quality assurance activities were completed as required. As a result, there was an unmitigated risk that the contractor's food storage practices and military contingents and formed police units' rations facilities may not meet required quality, hygiene and safety standards.

(2) UNAMID should implement measures to ensure regular food quality assurance surveillance activities are conducted including: verification of rations received and quality surveillance and food safety inspections at the contractor's warehouses; and hygienic and food safety inspections at military contingents' and formed police units' locations.

UNAMID accepted recommendation 2 and stated that it had resumed established quality assurance surveillance activities, which were impacted by significant delays in customs clearance of food rations. It would provide training to uniformed personnel on hygienic and food safety standards and ensure oversight. Recommendation 2 remains open pending receipt of evidence that the required monthly and quarterly quality surveillance activities and food safety inspections are being conducted.

Need for enhanced monitoring of the contractor's operational and strategic reserves and Mission-owned strategic reserves

19. The rations contract and UNAMID rations standard operating procedures require the Rations Unit to (a) ensure that the rations contractor maintains, at all times, no less than 28-day supply of operational stock and 56-day supply of strategic reserves of dry, canned, chilled and frozen food rations for the number of troops deployed; and (b) stock 14-day supply of composite ration packs as Mission-owned strategic reserves for all personnel.

20. A review of 26 of 104 weekly stock reports indicated that: (a) the contractor did not have the required levels of operational stock and strategic reserves; and (b) the Rations Unit did not have sufficient reserves to meet the 14-day requirement for all personnel. This resulted due to: (a) delays in customs clearance procedures of the Mission's shipments from Port of Sudan; and (b) the Rations Unit not conducting sufficient counts and inspections of operational stocks and strategic reserves to determine quantities of available rations. For instance, during the audit period, the Unit: (i) conducted only one count of operational stocks and strategic reserves at each of the three contractor's warehouses; and (ii) did not conduct 11 of 12 planned physical counts and inspections of composite ration packs at the contractor's warehouses and 101 of 248 planned inspections at contingent and formed police unit locations.

21. As a result, there was a risk of insufficient ration reserves in the event of an emergency or delivery interruptions. Poor inventory management resulted in a loss of \$590,283 related to 39,938 composite ration packs that were unaccounted for during OIOS counts and inspections. UNAMID was also paying the contractor for warehouse services to maintain sufficient levels of operational and strategic ration reserves.

(3) UNAMID should implement a schedule with target dates for completion to ensure monthly counts and inspections of operational and strategic ration reserves including composite rations packs are regularly done.

UNAMID accepted recommendation 3 and stated that it would conduct random monthly counts and inspections of operational and reserve stocks held by the contractor and composite ration packs. Each sector supervisor would be required to sign off on the stock verification report and relevant

documentation would be maintained at the Mission's headquarters. Recommendation 3 remains open pending receipt of evidence that monthly counts and inspections of operational and strategic ration reserves and composite ration packs are being done and properly recorded.

D. Invoice processing

Need for adherence to contractual timelines in processing invoices

22. The rations contract and UNAMID rations standard operating procedures require the Rations Unit to: verify that rations invoices are based on contracted unit prices and are appropriately supported. UNAMID is required to pay all invoices within 30 days of receiving the goods/services and supporting documentation and take advantage of the prompt payment discount of 0.2 per cent.

23. A review of the payment process for 225 invoices totaling \$81.3 million out of 255 invoices totaling \$94 million indicated that invoices were appropriately verified and certified by designated finance and rations officers for accuracy and completeness of supporting documents and payments processed accordingly. However, UNAMID lost prompt payment discounts of \$94,582 because invoices were not paid within 30 days. It took the Rations Unit an average of 25 days to verify invoices and 13 days for the Finance Section to process payments. Although UNAMID had an invoice tracking mechanism to ensure invoices were expeditiously paid, the Finance Section and Rations Unit did not effectively utilize this mechanism.

(4) UNAMID should take measures to enforce the use of its tracking mechanism to ensure invoices are expeditiously paid to take advantage of prompt payment discounts.

UNAMID accepted recommendation 4 and stated that a weekly invoice payment process using an electronic rations management software had been implemented which would reduce processing time by the Rations Unit. Recommendation 4 remains open receipt of evidence that invoices are expeditiously paid to take advantage of prompt payment discounts.

V. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of management of rations contracts in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMID should implement procedures to ensure the Rations Unit adjusts fresh food orders received from military contingents and formed police units to account for composite ration packs issued.	Important	O	Receipt of evidence that the Mission has a mechanism in place to adjust fresh food orders for composite ration packs issued to military contingents and formed police units.	31 March 2017
2	UNAMID should implement measures to ensure regular food quality assurance surveillance activities are conducted including: verification of rations received and quality surveillance and food safety inspections at the contractor's warehouses; and hygienic and food safety inspections at military contingents' and formed police units' locations.	Important	O	Receipt of evidence that the required monthly and quarterly quality surveillance activities and food safety inspections are being conducted.	31 March 2017
3	UNAMID should implement a schedule with target dates for completion to ensure monthly counts and inspections of operational and strategic ration reserves including composite rations packs, are regularly done.	Important	O	Receipt of evidence that monthly counts and inspections of operational and strategic ration reserves and composite ration packs are being done and properly recorded.	31 March 2017
4	UNAMID should take measures to enforce the use of its tracking mechanism to ensure invoices are expeditiously paid to take advantage of prompt payment discounts.	Important	O	Receipt of evidence that invoices are expeditiously paid to take advantage of prompt payment discounts. .	31 December 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 UNAMID in response to recommendations.

APPENDIX I

Management Response

Management Response
Audit of management of rations contract in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should implement procedures to ensure the Rations Unit adjust food orders received from military contingents and formed police units to account for the composite ration packs issued.	Important	Yes	Chief Rations Officer	31 March 2017	Procedures to adjust food order for composite ration packs (CRPs) are in place. UNAMID will harmonize the databases and subsequently a summary per sector will be reconciled at mission HQ to facilitate a prompt recovery via adjustment of fresh rations orders for the current period.
2	UNAMID should implement effective measures to ensure regular food quality assurance surveillance activities are conducted including: verification of rations received and quality surveillance and food safety inspections at the contractor's warehouses; and hygienic and food safety inspections at military contingents' and formed police units' locations.	Important	Yes	Chief Rations Officer	31 March 2017	UNAMID acknowledges the recommendation. During the audited period the mission experienced two significant periods where there was prolonged delays in the customs clearance of food and rations resulting in the depletion of food stocks in the warehouses. This affected the quality assurance surveillance activities as food was at times verified on clearance and immediately distributed to the end users. This resulted in there being no need for quality checks in the contractor's warehouses. This change in process was however not documented and in future it will be appropriately documented. The laid down quality assurance surveillance activities have since been resumed. On the part of quarterly hygienic and

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Management Response
Audit of management of rations contract in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						food safety inspections at military contingent and formed police unit locations, UNAMID is providing trainings to uniformed personnel and will also provide oversight.
3	UNAMID should implement schedule with target dates for completion to ensure monthly counts and inspections of operational stock and strategic ration reserves held by the rations contractor and composite rations packs by Rations Unit are regularly done.	Important	Yes	Chief Rations Officer	31 March 2017	With effect from January 2017, UNAMID will conduct random counts and inspections on a monthly basis of 30 line items of operational stocks and 20 line items of reserve stocks and verify the results against the stock declared by the contractor on the weekly inventory report. Each sector supervisor is to sign off and send the stock verification report to mission HQ where respective folders will be maintained.
4	UNAMID should take measure to enforce the use of its tracking mechanism to ensure invoices are expeditiously paid to take advantage of prompt payment discounts.	Important	Yes	Chief Rations Officer	31 December 2016	The certification of invoices is done by the rations unit in the mission and payment is done by the Regional Service Center in Entebbe (RSCE). On the mission's part, a weekly invoice payment process using electronic Rations Management System has been implemented which will reduce the processing time by the ration's unit.