



## **INTERNAL AUDIT DIVISION**

### **REPORT 2019/015**

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#### **Audit of award of a contract for the provision of unarmed security services at the United Nations Information and Communications Technology Facility in Valencia**

**While the award of the contract was generally in compliance with the procurement manual, efficiency and effectiveness of procurement actions could be enhanced**

**20 March 2019**

**Assignment No. AH2018/513/02**

# **Audit of award of a contract for the provision of unarmed security services at the United Nations Information and Communications Technology Facility in Valencia**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the award of a contract for the provision of unarmed security services at the United Nations Information and Communications Technology Facility in Valencia. The objective of the audit was to assess whether the contract was awarded effectively, efficiently and in compliance with the United Nations procurement manual. The audit covered the period of the procurement exercise from August 2017 to September 2018.

The procurement exercise was carried out at the United Nations Global Service Centre (UNGSC), and it was generally in compliance with the provisions of the procurement manual. However, there were opportunities to improve the efficiency and effectiveness of procurement actions through better implementation of procurement guidance and review and application of lessons learned from previous procurement activities. UNGSC agreed to take action to address opportunities for improvement identified. As the audit only reviewed one procurement action, OIOS did not make any recommendations and will undertake a more comprehensive audit of procurement activities at UNGSC in the near future.

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# **Audit of award of a contract for the provision of unarmed security services at the United Nations Information and Communications Technology Facility in Valencia**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the award of a contract for the provision of unarmed security services at the United Nations Information and Communications Technology Facility (UNICTF) in Valencia, Spain.
2. The contract was for the provision of unarmed security services and maintenance and repair services of a closed-circuit television (CCTV) surveillance system and radio-frequency identification (RFID) access control equipment. It was awarded on 21 September 2018 to Contractor A for an initial period of three years, with an option to extend to two additional periods of one year each, for an aggregate not-to-exceed (NTE) amount of EUR 2,650,881. The contract replaced two existing contracts for the provision of security services and maintenance of equipment with the same vendor that were expiring on 30 September 2018.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

3. The objective of the audit was to assess whether the award of the contract was carried out effectively, efficiently and in compliance with the United Nations procurement manual to ensure the principles of fairness, objectivity, transparency and best value for money.
4. This audit was included in the 2018 risk-based work plan of OIOS due to the inherent risks of non-compliance and fraud in high value procurement actions and concerns raised about the close range of the initial commercial offers proposed by bidders and the results of a Best and Final Offer (BAFO) procedure.
5. OIOS conducted this audit from October to December 2018. The audit covered the period of the procurement exercise from August 2017 to September 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the award process, which included: (i) efficiency and effectiveness of the procurement exercise; and (ii) compliance with United Nations procurement manual.
6. The audit methodology included: (a) interviews of key personnel in UNICTF, the Procurement Unit at the United Nations Global Service Centre (UNGSC) and the Procurement Division at Headquarters, (b) reviews of relevant documentation, and (c) analytical reviews of data.
7. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### III. AUDIT RESULTS

#### A. Effectiveness of the procurement action

##### The procurement process was largely followed

8. Financial Regulations and Rules and the procurement manual provide the framework for procurement.

9. Central Services as the requisitioner, submitted a requisition to the Procurement Unit at UNGSC in August 2017 to replace a contract for unarmed security services that was expiring on 30 September 2018. The Procurement Unit obtained a local procurement authority from the Procurement Division and conducted the procurement action.

10. On 12 January 2018, UNGSC issued a request for proposal (RFP) to 12 companies that had previously expressed an interest to participate in the solicitation process and had been cleared by the Department of Safety and Security. Four bidders submitted technical and financial proposals that were evaluated. More than 95 per cent of the commercial offers represented the cost of providing five guards for the unarmed security services. According to host country regulations, a new contractor had to re-employ the guards already serving in the UNICTF premises under the same category, seniority and other conditions. Therefore, the costs all four bidders proposed for guards were relatively similar.

11. On 12 June 2018, the bidders were invited to participate in a BAFO procedure due to the revision of the list of spare parts under the requirement for maintenance services for the CCTV and RFID systems. The list was revised because some of the equipment included in the RFP were obsolete. All bidders responded to the BAFO request, but the fourth bidder was disqualified as the BAFO proposal was sent to an incorrect email address. Two of the bidders revised their commercial offers, while the third did not. Contractor A who obtained the highest technical score and offered the lowest price was awarded the contract.

12. OIOS concluded that the contract award was based on the qualified, most responsive proposal, although there were opportunities for improving the overall procurement process as discussed below.

##### UNGSC undertook to implement measures to comply more effectively with the procurement manual

13. Compliance with the procurement manual increases the likelihood that procurement actions are conducted effectively, transparently and economically.

14. A review of the procurement case file indicated that UNGSC could improve compliance with the procurement manual in the following areas:

- i. *Acquisition planning.* While UNICTF included the procurement of unarmed security services in its acquisition plan, the procurement of maintenance services of CCTV surveillance and RFID access control systems was omitted. This led to delays in the procurement process as the scope of requirements and the request for expression of interest (REOI) had to be amended to include maintenance services.
- ii. *Minimum number of vendors and vendor outreach.* Only 12 vendors were invited to participate in the solicitation despite a minimum of 20 vendors being required for acquisitions between \$1 and \$5 million. Three additional companies interested in participating in solicitation were not cleared

by the Department of Safety and Security as documented in the Source Selection Plan on the case file. Even though the REOI was published on the websites of the United Nations Global Marketplace, UNGSC and Chamber of Commerce in Valencia, it did not generate sufficient interest. Therefore, UNGSC conducted an additional solicitation of expression of interest by sending direct emails to approximately 100 companies registered with host country authorities as providers of security services. According to UNGSC, it also sent emails to all 2,864 vendors registered in the United Nations Global Marketplace for the procured services to inform them about the REOI as required by the procurement manual. However, UNGSC was not able to provide evidence that the latter emails were sent. Therefore, OIOS could not determine whether adequate outreach had been conducted to ensure effective competition.

- iii. *Email submissions of proposals.* The procurement manual states that proposals submitted via fax or electronic means will be rejected unless they are specifically allowed. All four vendors submitted their proposals through emails. Email submissions have a higher inherent risk of unauthorized disclosure of confidential information included in the tendering documents. UNGSC stated that it had implemented controls to secure proposals received via emails, including limiting and monitoring access to the dedicated email account used for such proposals. However, the email access logs provided by UNGSC that could be used for monitoring the email account only had information on when it was last accessed by members of the secretariat of the tender opening committee. This limited effective monitoring of the account. UNGSC has piloted and expects to implement an e-tendering system that has built-in controls to better protect bidding documents before the official opening date and time.
  - iv. *Public opening of tenders.* UNGSC has a long-standing practice of not opening tenders publicly, including for the reviewed procurement exercise. UNGSC indicated that this practice would be reviewed to comply with the procurement manual. Public opening of tenders increases transparency of the procurement action.
  - v. *Record of a meeting with vendors.* An administrative summary of the mandatory formal site visit organized for the bidders was recorded in an email; however, no formal written technical debriefing report was produced covering technical aspects of the site visit such as the physical premises and equipment inspected. Absence of a technical debriefing report may impede effective reviews by the Award Review Board in case of complaints by unsuccessful bidders.
  - vi. *Signature of the contract.* Although not explicitly required by the procurement manual, OIOS noticed that not all the annexes of the contract were initialed by the vendor. The vendor signed only the contract and Annex C – Pricing Schedule. While UNGSC has a practice of initialing all pages of a contract and annexes, vendors often did not return all the pages initialed. This may make UNGSC vulnerable in case of disputes and unsatisfactory performance by the awarded vendor.
15. UNGSC undertook to review its implementation of guidance in the procurement manual to ensure that procurement activities are conducted more effectively.

## **B. Efficiency and lessons learned**

### UNGSC undertook to document and apply lessons learned to improve the efficiency of procurement actions

16. Lessons learned are the documented information that reflect both the positive and negative experience of a project. They bring together insights gained by the requisitioner and the Procurement Unit during a procurement exercise that can be usefully applied on similar procurement actions in the future.

17. The award of the contract was delayed by three months requiring extensions of the previous contracts for security and maintenance services. Some of the delays could have been avoided if UNGSC had applied lessons learned from the previous procurement exercise conducted in 2015/2016. For example, the same clarifications and amendments were issued to vendors in both procurement exercises, including vendors' request for a list of security personnel already working at UNICTF to comply with host country regulations. Furthermore, the original RFP did not take into account the requirement of the host country National Collective Agreement to increase salary of security guards per applicable price indexes. At the vendors' request, an amendment to RFP had to be issued.

18. At the request of OIOS, UNGSC identified additional lessons learned pertaining to the need: (i) to prepare more realistic and detailed statements of requirements by requisitioners prior to any tendering activity; (ii) for procurement representatives attending mandatory site visits to identify potential issues, and encourage proper recording and sharing of information; (iii) to develop technical expertise in the area of security by all staff involved in the procurement; and (iv) to identify and resolve issues on a timely basis. For example, the list of spare parts included in the RFP contained obsolete components, which caused difficulty in estimating prices of spare parts that may not be available in the future. As part of the BAFO process, UNGSC reduced the list of spare parts required for maintenance of CCTV and RFID systems equipment.

19. UNGSC had updated technical evaluation criteria based on the recommendations by the Local Committee on Contracts (LCC) from the previous procurement exercise in 2016. Both mandatory and point-based criteria were expanded to assess emergency staffing arrangements, recruiting procedures, customer relationship management and quality control and training programme. However, OIOS found that the newly added criteria for recruiting procedures were unclear. For example, vendors obtained only 0 to 9 points out of a maximum 20 for recruiting procedures, even though all four vendors were large and well-established companies. The technical evaluation included an assessment of six specific sub-criteria, such as drug test certification and criminal background checks; however, they were not disclosed in the solicitation documents. The technical evaluators noted in several cases that vendors did not provide specific details responding to the sub-criteria and thus zero scores were given. Ambiguous evaluation criteria may adversely affect qualified vendors.

20. Furthermore, the evaluation criteria included experience in securing critical facilities such as large power plants (nuclear, hydro/electric) and prisons that was allocated 10 per cent of the maximum available score of 100 points for technical evaluation. UNGSC commented that the facility in Valencia is considered critical due to the nature of data stored there and therefore the selected vendor must be capable of preventing sabotage. Although strong physical security controls need to be ensured, there is a risk that excessive criteria may impede effective competition and favour particular vendors.

21. There was a significant increase in requirements compared to the previous contracts related to: (i) need for an additional security guard that resulted in additional cost of EUR 689,000 over the total five-year period of the contract; and (ii) NTE amount of EUR 52,000 for spare parts over the period of five years. However, no justification for these increases was included in the case file. UNGSC commented that

an additional security guard was needed to cover increase in staff and equipment in the past two years due to the move by the United Nations Office for Project Services and International Computing Centre into UNICTF premises. The increase in spare parts was justified by the age of equipment in the UNICTF premises, some of which had been donated by the host country in 2009. UNGSC also noted that the NTE amount for spare parts might not be fully spent if the equipment did not have to be replaced. Written justification for the change of requirements in the procurement case file would improve clarity of the procurement action, keep a record of the decisions taken and thus facilitate any subsequent reviews by LCC, Headquarters Committee on Contracts, authorizing officers, compliance, monitoring and audit functions.

22. UNGSC agreed to record and apply lessons learned to make future procurement exercises more efficient.

#### **IV. ACKNOWLEDGEMENT**

23. OIOS wishes to express its appreciation to the management and staff of UNGSC and the Department of Operational Support for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services



# **APPENDIX I**

## **Management Response**



UNCLASSIFIED

Immediate

DATE: 12 March 2019

REFERENCE: DOS-2019-01711

TO: Ms. Muriette Lawrence-Hume, Chief  
A: New York Audit Service, Internal Audit Division  
Office of Internal Oversight Services

THROUGH:  
S/C DE:

FROM: Atul Khare, Under-Secretary-General  
DE: for Operational Support

A handwritten signature in black ink, appearing to read 'Atul Khare', written over a horizontal line.

SUBJECT: **Audit of award of a contract for the provision of unarmed security services at the**  
OBJET: **United Nations Information and Communications Technology Facility in Valencia**

1. I refer to your memorandum, dated 23 January 2019, regarding the draft report on the above-mentioned audit. DOS reviewed the draft report and has no further comments.
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