



INTERNAL AUDIT DIVISION

REPORT 2019/135

Audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

**The Mission needed to expedite the
implementation of the centralized
warehousing concept and its performance
management system to improve its inventory
management**

**20 December 2019
Assignment No. AP2019/641/05**

Audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). The objective of the audit was to assess the adequacy and effectiveness of warehouse operations in MINUSMA. The audit covered the period from 1 July 2016 to 30 June 2019 and reviewed higher and medium risk areas in warehouse operations which included: implementation of the centralized warehousing concept including performance management system; and warehouse operations and facilities.

While progress was being made, the Mission needed to take further action to realize the benefits of the centralized warehousing concept to streamline activities and procedures to achieve greater efficiency.

OIOS made eight recommendations. To address issues identified in the audit, MINUSMA needed to:

- Develop a plan with target completion dates to expedite the full implementation of the centralized warehousing concept;
- Establish and monitor the achievement of key performance indicators to enhance its performance management system for centralized warehousing operations;
- Ensure that the receiving and inspection process is completed effectively and in a timely manner and backlogs and discrepancies are expeditiously processed and adequately followed up;
- Conduct regular physical verification of its inventories and reconcile discrepancies found with Umoja records;
- Establish and monitor maximum, minimum and re-order stock levels and identify all slow-moving or surplus items to transfer to other missions or take appropriate action for their best utilization;
- Expedite its review of user access provision in Umoja and remove incompatible and redundant roles;
- Implement appropriate fire, health, safety and security measures in its warehouses; and
- Conduct a training needs assessment for all warehouse staff to identify skills and knowledge gaps and provide the required training.

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

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Audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA).
2. The erstwhile Department of Field Support (DFS) approved the implementation roadmap for supply chain management in field missions, where a centralized warehousing concept was the key element to align global, regional and a Mission's warehousing processes and streamline all supply chain activities to achieve greater efficiencies and effectiveness in inventory management. The DFS manual on centralized warehousing in the field issued in November 2018 (the Manual) provided guidance on the implementation of the centralized warehousing concept.
3. MINUSMA established the Centralized Warehouse Section (CWS) in July 2017 within the Supply Chain Management pillar. CWS comprises the following four units: (i) Receiving and Inspection (R&I), (ii) Warehouse Operations, (iii) Property Disposal and (iv) Stock Control. The Mission also established the Supply Chain Performance Section (SCPS) to monitor the performance of CWS and other sections within the Supply Chain Management pillar.
4. CWS is headed by a Chief at the P-5 level who reports to the Chief, Supply Chain Management pillar. The Section has 17 international and 31 national staff and 9 United Nations volunteers. SCPS is headed by a Chief at the P-4 level who reports to the Chief, Supply Chain Management pillar. The Section has 11 international and 9 national staff and 1 United Nations volunteer.
5. The Mission's inventory holding as at 30 June 2019 consisted of \$248.7 million of fixed assets, \$49.2 million of serialized equipment and \$53.2 million of expendables. Fixed assets are equipment with a financial value above the capitalization threshold of \$20,000 under the International Public-Sector Accounting Standards (IPSAS). All fixed assets and equipment items have a unique serial number assigned for tracking purposes. Expendables are tracked by quantity and not individually.
6. Comments provided by MINUSMA are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of the centralized warehousing operations in MINUSMA.
8. This audit was included in the 2019 risk-based work plan of OIOS due to the operational and financial risks associated with the Mission's warehouse operations.
9. OIOS conducted this audit from May to September 2019. The audit covered the period from 1 July 2016 to 30 June 2019. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in warehouse operations which included implementation of the centralized warehousing concept including performance management system and warehouse operations and facilities.

10. The audit methodology included: interviews of key personnel, reviews of relevant documentation, analytical reviews of data, sample testing of inventory records and field visits to four of five warehouse locations.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Implementation of the centralized warehousing concept

An implementation plan has not been developed to fully implement the centralized warehousing concept, impacting on its effectiveness

12. The Mission had not developed a plan to guide its personnel and drive the implementation of the centralized warehousing concept to fully realize its benefits to make warehousing and supply chain activities more cohesive and effective. Such a plan would include the Mission's strategy on the scope of the centralized warehousing concept at each location, a gap analysis of warehouse staffing capacity, site plans of warehouse facilities and a schedule of milestones with target completion dates. Also, measures to raise awareness of technical sections in the implementation of a centralized warehousing concept needed to be enhanced to ensure they fully understood their responsibilities, such as transferring their inventory to central warehouses managed by CWS.

13. Due to a lack of an implementation plan, the centralized warehousing concept was only partially implemented two years after the establishment of CWS in 2017. For instance, although in Bamako and Gao, CWS had custody of and managed all inventory, in Timbuktu, Mopti and Kidal technical sections continued to be custodians of their inventory. This was mainly because the Office of Mission Support had not built staff capacity for centralized warehousing functions, and because warehouse facilities in Mopti and Kidal were inadequate with inventory kept in containers, which made it difficult to implement the centralized warehousing concept.

14. Additionally, the current structure did not ensure adequate separation of duties as the General Supply Unit, responsible for facilitating the acquisition of goods and services, was located under the Supply Chain Management pillar, instead of in the Life Support Section under Service Delivery Management pillar. This arrangement weakened the internal controls in that the duties of custody of supply items were not segregated from replenishment and issuing of inventory.

15. The lack of a structured plan and approach to implement the centralized warehousing concept resulted in a missed opportunity to improve the effectiveness and efficiency of its inventory management in supporting the Mission's operational activities.

(1) MINUSMA should develop an implementation plan with target completion dates to expedite the full implementation of the centralized warehousing concept that includes the necessary staffing resources and warehouse facilities as well as ensure adequate separation of duties.

MINUSMA accepted recommendation 1 and stated that it would put in place measures to ensure that an implementation plan is formulated and executed to expedite full implementation of the centralized warehousing concept in the Mission. The implementation will depend on the availability of resources. The relocation of the General Supply Unit to the Service Delivery Management pillar was planned

for the 2020/21 financial period. Recommendation 1 remains open pending receipt of a copy of an implementation plan for centralized warehousing concept and evidence that the General Supply Unit has been relocated to Service Delivery Management pillar.

The performance management system was not sufficiently comprehensive and thus not fully effective in improving inventory management

16. An effective performance management system allows performance to be systematically monitored and thus improved.

17. SCPS had established some key performance indicators (KPIs) including performing a 100 per cent annual physical verification, conducting receiving and inspection of goods within 15 days of delivery and writing off and disposing of assets within 180 days. However, the measurement and monitoring of KPIs were not fully effective in improving performance. For example, a KPI required the Mission to write off and dispose of assets within 180 days of reaching the end of their useful life or being damaged. OIOS review of 70 of 234 write-off and disposal cases noted that in 14 cases, there were delays of an average of 549 days from the reporting date of accidents/losses to review by the Security Investigation Unit and submission to the Local Property Survey Board. While the Mission was reporting on this KPI through its quarterly supply chain performance reports, it was not identifying causes for delays and acting to improve performance, and thus avoiding stockpiling of damaged and obsolete assets which incur unnecessary warehousing costs.

18. Additionally, SCPS had not established KPIs necessary to measure the efficiency and effectiveness of centralized warehousing operations such as storage space utilization, quality of customer service and health and safety of staff. They had also not implemented KPIs to assess equipment utilization, identify aging stock especially slow-moving items that had not been used or issued for more than a year. Adequate KPIs needed to be developed and monitored to obtain the expected benefits of the centralized warehousing concept and to ensure a sound inventory management system is in place.

(2) MINUSMA should enhance its performance management system for centralized warehousing operations by establishing and effectively monitoring the achievement of key performance indicators for efficient and effective warehouse operations.

MINUSMA accepted recommendation 2 and stated that, in liaison with the Programme Management and Evaluation Unit, it would develop KPIs to augment the property management KPIs, which were currently in use. Recommendation 2 remains open pending receipt of evidence of the enhanced performance management system that establishes and effectively monitors the achievement of relevant KPIs.

B. Warehouse operations and facilities

Need to adhere to the established procedures and timelines on receiving and inspection of goods received

19. Goods that are received by the Mission should be inspected within 15 days by a joint inspection team comprising staff from the R&I Unit and technical sections, and the results of the inspection should be recorded, including any discrepancies identified in quantity or quality to ensure that only those goods received are acceptable and paid for.

20. OIOS review of 114 of 16,502 deliveries showed that the R&I Unit did not consistently inspect goods received by the Mission. For example, in 12 deliveries goods received were inspected by only one

staff from the R&I Unit. Additionally, 30 deliveries to the regions were not inspected prior to receipt due to unavailability of R&I staff in the regions. Management advised that this occurred mostly for the goods procured from local vendors that were delivered directly to requisitioning units and ex-post facto inspections were subsequently conducted. The Mission did not have relevant records to support those ex-post facto inspections. In addition, from the review of 114 deliveries conducted by the R&I Unit, it was noted that:

- Payment records showed that for six deliveries, the R&I Unit did not report discrepancies in quantities received, which included 22,880 units of defense barriers and 135 units of module prefabs that were expected to be delivered to the Mission between November 2016 and November 2018. At the time of the audit, these six deliveries were being reviewed by management for appropriate action.
- For 91 deliveries, Manufacturers' serial numbers were not indicated in the R&I document of serialized equipment because these were not recorded either by the R&I staff or the manufacturers.
- For 44 deliveries, the time that elapsed from date of delivery to date of completion of receiving and inspection process could not be measured, as inspection reports and signatures/stamps to support and validate the actual date of deliveries were not available. In 25 of 114 deliveries, completion of receiving and inspection was delayed by an average of 41 days exceeding the KPI of 15 days. Receiving and inspection for remaining 45 deliveries were done within 15 days.

21. OIOS review of Umoja records indicated that the Mission did not properly review and address goods in transit that were pending for more than one year. These comprised: (a) 44,596 items that included computer laptops and motor vehicle spares transferred from other missions between May 2018 and June 2019; (b) 285,383 items that included modular unit prefabs that had been paid for by the Mission between October 2017 and October 2018; and (c) 576 items that included modular unit prefabs and motor vehicle spares transferred from Bamako to four regions between September 2017 and June 2019. Due to inaccurate records as discussed below, OIOS could not determine whether the above items had been delivered to the Mission.

22. The above resulted because there was inadequate monitoring of the receiving and inspection KPI by management to improve performance and ensure that the receiving and inspection process was conducted in a timely and effective manner. It was also due to insufficient oversight by management to ensure: (a) responsible staff did not accept goods that did not agree to the quality and quantity of those ordered; (b) monitoring and taking action on goods in transit; and (c) vendors were aware of their responsibilities to place serial numbers on their goods.

(3) MINUSMA should: (a) conduct the receiving and inspection process within the timeline established and expeditiously complete discrepancy reports to avoid overpayments; (b) address backlogs in the process including outstanding goods in transit; and (c) inform vendors of the requirement to place serial numbers on their goods.

MINUSMA accepted recommendation 3 and stated that it would put in place measures to ensure supervision is strengthened and any discrepancy in deliveries is addressed. Technical sections have been advised not to receive items from vendors without informing CWS so that the receiving and inspection process is completed. Also, it would ensure that a monitoring mechanism is put in place to deal with the delivery of goods in transit to verify and process all outstanding goods that are in transit promptly. Where some documentation was missing, the Mission would follow up with the vendor/originating missions and entities as appropriate. It would also put in place a requirement for

packing instructions for every order placed. CWS would coordinate with technical sections to ensure packing information are given to vendors when placing orders, the Procurement Section and Central Acquisition Unit would ensure no orders are processed without this information. Further, the Procurement Section and technical sections would agree on best options when a vendor is not able to comply with specific packing instructions on markings on their goods. Recommendation 3 remains open pending receipt of evidence of: conducting receiving and inspection process in a timely manner by a joint inspection team; expeditiously completing discrepancy reports and processing the backlogged goods in transit; and systematically issuing packing instructions to vendors to place serial numbers on their goods.

Inventory management needed to improve through regular physical verification

23. MINUSMA is required to implement procedures to manage its inventory in an effective and efficient manner. This includes implementing controls such as conducting physical verification of inventory and reconciling the results of physical counts to records in Umoja.

a) Correction of discrepancies related to migration of data from Galileo to Umoja was almost complete

24. Following the migration from Galileo to Umoja in September 2017, at the time of the audit, MINUSMA was still addressing about three per cent of data inaccuracies that resulted during the process related to product identification numbers and quantities recorded. Most of the inaccuracies were corrected in 2019 as MINUSMA, with assistance of the Department of Operational Support, implemented a physical inventory reconciliation and optimization project. During a four-month period from February to June 2019, the Mission corrected discrepancies on 97 per cent of the 22,837 items that had been migrated.

b) Complete physical inventory counts were not done on an annual basis

25. The Mission was not consistently conducting the required physical checks. For instance, as at 30 June 2019, only 54 per cent (17,759-line items) and 37 per cent (15,918-line items) of equipment were verified in 2017/18 and 2018/19, respectively. Similarly, only 70 per cent (5,023-line items) and 50 per cent (3,833-line items) of fixed assets were verified. There was no evidence that the Mission took corrective actions to reconcile and address discrepancies identified during physical verifications. This included the latest physical inventory results in 2018/19 indicating that 125 fixed assets and 124 equipment line items valued at \$3.4 million could not be located. Additionally, OIOS physical count of expendable items in Bamako, Mopti, Timbuktu, Gao and Kidal found discrepancies between physical quantities and those recorded in Umoja. From a sample of 465 expendable line items, 58 could not be located, such as spare parts and engineering and supply items, and for 235 items, discrepancies in quantities were identified.

26. The above happened as SCPS and CWS did not properly supervise the stocktaking and recording of movement of stocks in Umoja and had not properly trained or guided their staff to ensure reliable and up-to-date inventory records are kept. As a result, there was an increased risk of: (a) loss of stock due to theft and damage; (b) purchasing items already in storage due to unreliable stock balances; and (c) excess and obsolete stock not being identified in order to implement appropriate action.

(4) MINUSMA should implement an adequate mechanism to supervise and properly guide staff to conduct regular physical verification of its inventories and to reconcile discrepancies found with Umoja records.

MINUSMA accepted recommendation 4 and stated that it would ensure supervisory controls are enhanced. Currently, the Property Control and Inventory Unit conducted physical verification once

every six months. The warehouse was responsible for items in stock, while technical sections were responsible for stock taking of the equipment and assets already issued. For the warehouse, each warehouse supervisor was responsible for carrying out inventory counts with the target of reaching 100 per cent at the end of the financial year, and this process was monitored through Umoja. Recommendation 4 remains open pending receipt of evidence of 100 per cent physical verification and reconciliation of discrepancies for expendables, equipment and fixed assets.

Need to establish and monitor stock levels and take appropriate action on slow-moving items

27. MINUSMA technical sections are required to establish minimum and maximum stock levels, and to periodically review stock levels to avoid stock-outs and excess holding and to declare surplus for re-distribution to other missions. To ensure good inventory management, the Mission is required to use established KPIs to assess equipment utilization, identify aging stock especially slow-moving items not used or issued for more than a year, and declare surplus for re-distribution to other missions.

28. None of the technical sections had established minimum and maximum stock levels, re-order points and any other required stock levels. Relevant KPIs were not used to assess equipment utilization, identify aging and slow-moving items and declare surplus for re-distribution to other missions. OIOS review of Umoja stock reports showed that 5,221 expendable items with an acquisition cost of \$15.7 million and 3,743 serialized items with an acquisition cost of \$37.9 million, mostly engineering and transport items, had not moved for more than one year. The Mission stated that it still needed to maintain some slow-moving items such as construction materials whose usage depended on strategic decisions of senior leadership and vehicle spare parts to support aging vehicles.

29. The above resulted as management in the Supply Chain Management pillar did not prioritize the implementation of the centralized warehousing concept and improve efficiency and effectiveness of inventory management including establishment of stock levels and taking appropriate action on slow-moving items. As a result, existing warehouse space was used inefficiently to store items that were possibly obsolete or no longer needed. There was also a missed opportunity to redeploy surplus items to other missions.

(5) MINUSMA should: (a) ensure that technical sections establish and monitor maximum, minimum, safety and reorder point stock levels; and (b) identify all slow-moving or surplus items and take appropriate action to dispose of them.

MINUSMA accepted recommendation 5 and stated that measures would be taken to ensure that all technical sections establish and monitor maximum, minimum, safety and reorder point stock levels to improve efficiency in its inventory management. Aviation and Field Technology Sections had established a system to monitor stock levels but did not maintain or timely address slow-moving items in surplus. All technical sections would identify all slow-moving items and take appropriate action to ensure their proper utilization, but in some cases, stock levels would remain high. For example, the stock of medical supplies would remain high to forestall availability gaps, especially in emergency and life-threatening situations. Also, the stock of construction materials would be high due to damage from unpredictable attacks and long procurement process, changes in camp construction priorities and potential increase of accommodation requirements. Recommendation 5 remains open pending receipt of evidence of establishment and monitoring of stock levels and identification by technical sections of all slow-moving items and actions taken to ensure their proper utilization.

Need to adequately segregate responsibilities and align staff roles in Umoja with authorized tasks

30. The Umoja roles guide requires MINUSMA to separate inventory and warehouse management functions to ensure the same staff member does not initiate and approve the same transaction. OIOS identified instances of incompatible access where three staff were assigned incompatible roles of service delivery user and service delivery approver. Additionally: (a) 14 out of 35 staff with warehousing roles in Umoja were mapped to inventory roles to be performed by technical sections' staff; (b) seven technical sections' staff were mapped to warehousing roles; and (c) two staff with property disposal roles were mapped to warehousing roles.

31. On 26 June 2019, the Mission established a Committee to review Umoja user access provision to identify and remove any inadequate and redundant mapping of Umoja roles. The Committee had not reported its review results to the Director of Mission Support as at 30 September despite being tasked to do so by 31 July 2019. As a result, there was a risk of unauthorized issuance of stock and fraud.

(6) MINUSMA should expedite its review of user access provision and take action to remove incompatible and redundant roles in Umoja.

MINUSMA accepted recommendation 6 and stated that the review of user access provision was being undertaken by the Committee established by the Director of Mission Support and corrective action would be taken to remove redundant and incompatible roles. Recommendation 6 remains open pending receipt of evidence of completion of the review of user access provision and removal of redundant and incompatible roles.

Need to improve fire, health, safety and security measures

32. The Mission is required to put in place adequate safety measures to safeguard its inventory and mitigate the impact of fire, health, safety and security risks to its staff and premises.

33. Warehouse staff were provided with personal protective gear such as helmets, boots and gloves, and fire extinguishers were in place in warehouses and periodically inspected to ensure they had not expired. However, the Mission had not installed fire alarms, emergency exit doors, air conditioners and signages prohibiting dangerous practices such as smoking and unsafe handling of inventory. The immediate surrounding area of warehouses in Bamako was not paved and became muddy during the rainy season, limiting access and creating risk of injury to staff.

34. The Mission had not installed closed-circuit television at all warehouses. Also, security arrangements in container yards in Mopti, Timbuktu and Kidal needed to be enhanced, as there was insufficient perimeter fencing and security guards assigned to restrict unauthorized access. This increased the risk of loss of assets through theft. The Mission explained that this was due to delays in the allocation of space exclusively for CWS in Mopti and Kidal, and once allocated, the necessary security measures would be implemented.

(7) MINUSMA should: (a) install closed-circuit television, fire alarms, emergency exit doors and signage prohibiting smoking and dangerous practices in warehouses; and (b) limit unauthorized access to its warehousing in Mopti, Kidal and Timbuktu by enhancing security measures.

MINUSMA accepted recommendation 7 and stated that all warehouses underwent a fire inspection by the Fire Unit before they were commissioned, and that the Unit recommended the number and locations of fire extinguishers and regularly inspected them. The Occupational Health and Safety

Unit under the Medical Section would carry out regular toolbox safety talk with warehouse staff. The Mission would carry out fire safety inspection and install close circuit television, fire alarms, and provide emergency exit doors and appropriate signage in all warehouses as feasible and necessary. There were warehouse yards in Gao and Timbuktu, but in Timbuktu not all the containers were in the restrictive yards as CWS did not have adequate staff to manage all the inventory and some containers were not under CWS management. In Kidal and Mopti, Regional Administrative Officers, in liaison with the Engineering Section, were in the process of identifying warehouse yards. The Mission would review to provide security and access restriction measures upon placement of warehouses and containers in designated yards. For Menaka and Tessalit, the requirement was under review. Recommendation 7 remains open pending receipt of evidence that adequate fire, health, safety and security measures have been implemented.

Need to conduct a training needs assessment and provide training for staff

35. Mission management had not provided structured training to staff responsible for warehousing activities, including on areas such as general warehousing principles and best practices, inventory management and control, health and safety, movement of dangerous goods and processing of inventory transactions in Umoja. Four selected staff were trained and designated as Umoja local process experts who provided ad hoc training to other staff. However, this was not sufficient as technical sections staff in Mopti, Timbuktu and Kidal who were responsible for custodial and inventory roles had not attended training on skills to process stock movements in Umoja. Also, due to insufficient training provided, staff, especially from the Engineering Section, had limited knowledge to identify their items in Umoja.

36. The above occurred because the Mission had not conducted a training needs assessment to identify gaps in skills of staff and develop a training plan to address these gaps. As a result, essential central warehousing activities such as regular inventory counts, adequate receiving and inspections, maintenance of reliable data and monitoring stock levels were not adequately conducted. This impacted on the efficiency and effectiveness of warehouse and inventory management operations.

(8) MINUSMA should conduct a training needs assessment for all warehouse staff to identify any skills and knowledge gaps and provide the required training.

MINUSMA accepted recommendation 8 and stated that this was an ongoing exercise being carried out whenever there were new staff and/or when there were changes in the working process and procedures. Recommendation 8 remains open pending receipt of evidence that a training needs assessment for all warehouse staff has been conducted and required training provided.

IV. ACKNOWLEDGEMENT

37. OIOS wishes to express its appreciation to the management and staff of MINUSMA 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

STATUS OF AUDIT RECOMMENDATIONS

Audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MINUSMA should develop an implementation plan with target completion dates to expedite the full implementation of the centralized warehousing concept that includes the necessary staffing resources and warehouse facilities as well as ensure adequate separation of duties.	Important	O	Receipt of a copy of an implementation plan for the centralized warehousing concept and evidence that the General Supply Unit has been relocated to Service Delivery Management pillar.	31 December 2020
2	MINUSMA should enhance its performance management system for centralized warehousing operations by establishing and effectively monitoring the achievement of key performance indicators for efficient and effective warehouse operations.	Important	O	Receipt of evidence of the enhanced performance management system that establishes and effectively monitors the achievement of relevant KPIs.	30 September 2020
3	MINUSMA should: (a) conduct the receiving and inspection process within the timeline established and expeditiously complete discrepancy reports, if any, to avoid overpayments; (b) address backlogs in the process including outstanding goods in transit; and (c) inform vendors of the requirement to place serial numbers on their goods.	Important	O	Receipt of evidence of conducting receiving and inspection process in a timely manner by a joint inspection team; expeditiously completing discrepancy reports and processing the backlogged goods in transit; and systematically issuing packing instructions to vendors to place serial numbers on their goods.	31 December 2020
4	MINUSMA should implement adequate mechanism to supervise and properly guide staff to conduct regular physical verification of its inventories and take action to reconcile discrepancies found with Umoja records.	Important	O	Receipt of evidence of 100 per cent physical verification and reconciliation of discrepancies for expendables, equipment and fixed assets.	31 December 2020
5	MINUSMA should: (a) ensure that technical sections establish and monitor maximum, minimum, safety and reorder point stock levels; and (b) identify	Important	O	Receipt of evidence of establishment and monitoring of stock levels and identification by	31 December 2020

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 MINUSMA in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	all slow-moving or surplus items and take appropriate action to dispose of them.			technical sections of all slow-moving items and actions taken to ensure their proper utilization.	
6	MINUSMA should expedite its review of user access provision and take action to remove incompatible and redundant roles in Umoja.	Important	O	Receipt of evidence of completion of the review of user access provision and removal of redundant and incompatible roles.	30 September 2020
7	MINUSMA should: (a) install closed-circuit television, fire alarms, emergency exit doors and signage prohibiting smoking and dangerous practices in warehouses; and (b) limit unauthorized access to its warehousing in Mopti, Kidal and Timbuktu by enhancing security measures.	Important	O	Receipt of evidence that adequate fire, health, safety and security measures have been implemented in the warehouses.	31 December 2020
8	MINUSMA should conduct a training needs assessment for all warehouse staff to identify any skills and knowledge gaps and provide the required training.	Important	O	Receipt of evidence that a training needs assessment for all warehouse staff has been conducted and required training provided.	30 September 2020

APPENDIX I

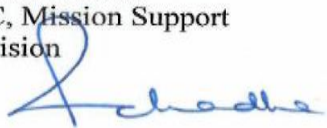
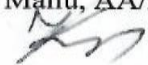
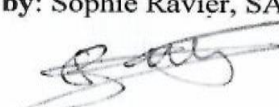

Management Response



FACSIMILE

13 December 2019

Reference: MINUSMA/ODMS/2019/0375

TO: Mr. Daeyoung Park Chief Peacekeeping Audit Service Internal Audit Division OIOS, Entebbe	FROM: Norman Atkins for OIC, Mission Support Division 
ATTN: Mr. Seydou Sirpe Chief Resident Auditor Bamako	
INFO:	
FAX #:	FAX #:
TEL #:	TEL #:
SUBJECT: Draft report on audit of the centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) (Assignment No: AP2019/641/05)	
Total number of transmitted pages including this page: 5	
<p>Reference: Facsimile, IAD-19/641/05, dated 9 December 2019; and, Peacekeeping Audit Service, OIOS, memorandum of 9 December 2019, OIOS-2019.</p> <ol style="list-style-type: none">1. In reply to the referenced correspondence, please find attached MINUSMA's Management Response to the OIOS findings and recommendations, as presented in the subject report.2. A note has been taken of the areas of concern that warrant attention and the production of an action plan for implementing the recommendations. For enhanced efficiency and effectiveness of MINUSMA operations, all necessary actions to improve will be taken. <p>Best wishes.</p>	
Drafted by: Boniface Mailu, AA/RMCU 	Authorized by: Sophie Ravier, SAO 
Through: Katerina Maximova, Acting RMCU 	

Management Response

Audit of centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MINUSMA should develop an implementation plan with target completion dates to expedite the full implementation of the centralized warehousing concept that includes the necessary staffing resources and warehouse facilities as well as ensure adequate separation of duties.	Important	Yes	Chief Centralized Warehousing Section (CWS)	31 December 2020	MINUSMA concurs with the recommendation. The Mission will put in place measures to ensure that an implementation plan is formulated and executed to expedite the full implementation of the centralized warehousing concept in the Mission. The implementation will depend on the availability of resources. The relocation of the General Supply Section to Service Delivery is planned for the 2020/2021 financial period.
2	MINUSMA should enhance its performance management system for centralized warehousing operations by establishing and effectively monitoring the achievement of key performance indicators for efficient and effective warehouse operations.	Important	Yes	Chief CWS / Chief Program Management and Evaluation Unit.	30 September 2020	In liaison with Program Management and Evaluation Unit, the Mission will develop Key performance indicators (KPIs) to augment the Property Management KPIs, which are currently in use.
3	MINUSMA should: (a) conduct the receiving and inspection process within the timeline established and expeditiously complete discrepancy reports, if any, to avoid overpayments; (b) address backlogs in the process including outstanding goods in transit;	Important	Yes	a. Chief Receiving and Inspection (R&I) Unit b. Chief R&I Unit.	31 December 2020	a. The Mission agrees with the recommendation and will put measures in place to ensure that supervision is strengthened and any discrepancy in deliveries addressed. The technical sections have been advised not to receive items from vendors without informing the Centralized Warehouse Section (CWS) so that the receiving and inspection process is done and completed as per the procedures. b. MINUSMA agrees with the recommendation and will ensure that a monitoring mechanism is put in place to deal

⁵ 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.

⁶ 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.

Management Response

Audit of centralized warehousing operations in the United Nations Multidimensional Integrated Stabilization Mission in Mali

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	and (c) inform vendors of the requirement to place serial numbers on their goods.			c. Chiefs of Technical Sections.		<p>with the delivery of goods in transit. The Mission will verify and process all outstanding goods that are in transit. Where all documentations are available, the Mission will process goods received promptly. Where some documentation is missing, the Mission will follow up with the vendor / originating Mission or Brindisi as appropriate.</p> <p>c. The Mission will put in place a requirement for packing instructions for every order placed. CWS will coordinate with all the technical units dealing with packaging to ensure packing instructions are given to vendors when placing orders. The Movement Control Unit (MOVCON) will provide professional advice on packaging and the Procurement Section, and Central Acquisition Unit (CAU) will ensure that no order will be processed if there are no packing instructions attached. Where a vendor is not able to comply with any specific packing instructions/markings, the Procurement Section will discuss with the concerned technical section and agree on the best option for both parties.</p>
4	MINUSMA should implement adequate mechanism to supervise and properly guide staff to conduct regular physical verification of its inventories and take action to reconcile discrepancies found with Umoja records.	Important	Yes	Chief CWS	31 December 2020	<p>The Mission concurs with the recommendation and will ensure that supervisory controls are enhanced. Currently, Property Control and Inventory Unit (PCIU) does physical verification once every six months. The warehouse is responsible for the items already issued out (equipment and Assets) in as far as stock-taking is concerned.</p> <p>For the warehouse, each warehouse supervisor is responsible for carrying out inventory counts with the target of reaching 100% at the end of the financial year, and this process monitored through UMOJA.</p>
5	MINUSMA should: (a) ensure that technical sections establish and monitor maximum,	Important	Yes	Chief Technical Sections.	31 December 2020	<p>a) The Mission concurs with the recommendation. Measures will be taken to ensure that all the other technical sections (namely Transport, Medical, Engineering, and General Supply) establish and monitor maximum and minimum</p>

Management Response

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Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	minimum, safety and reorder point stock levels; and (b) identify all slow-moving or surplus items and take appropriate action to dispose of them.					<p>safety and reorder levels to improve the effectiveness and efficiency of inventory management. The Mission will put all the necessary effort to implement the recommendation by the 31st of December 2020. Aviation section and Field Technology Section have already established a system for the monitoring of the levels of stock and do not maintain/timely address slow-moving items in surplus. However, in view of the mission-specific challenges like changing construction priorities and unexpected attacks, and (following the physical inventory reconciliation and optimization project), the inventory verifications to be done before a baseline can be established, this timeline may need to be revised.</p> <p>b) The Mission agrees with the recommendation. All technical sections will identify all slow-moving items and take appropriate action to ensure there is proper utilization. Still, in many cases, MINUSMA stock levels will remain high. For example, most of the slow-moving medical items are supplies that are included as basic and essential operational requirements for clinical support. Notwithstanding their slow-moving nature, they are reordered regularly irrespective of whether they are utilized or not in a bid to forestall any availability gap when they are eventually needed, especially in emergency and life-threatening situations. Damages from unpredictable attacks require stock levels for materials that will, by nature, be slow-moving. Long procurement process and changes in camp construction priorities and potential increased accommodation requirements lead to the longer stock holding of construction materials and high-cost items that are bought now to be required later.</p>
6	MINUSMA should expedite its review of user access provision and take action to	Important	Yes	Chief, Supply Chain Performance Section /	30 September 2020	MINUSMA concurs with the recommendation. The review of user access provision is being done by the committee established by the Director of Mission Support (DMS), and corrective action will be taken to remove redundant and incompatible roles.

Management Response

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Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	remove incompatible and redundant roles in Umoja.			Chief, Field Technology Section (FTS).		
7	MINUSMA should: (a) install closed-circuit television, fire alarms, emergency exit doors and signage prohibiting smoking and dangerous practices in warehouses; and (b) limit unauthorized access to its warehousing in Mopti, Kidal and Timbuktu by enhancing security measures.	Important	Yes	Chief CWS	31 December 2020	<p>a) MINUSMA concurs with the recommendation. All the warehouses undergo a fire inspection by the Fire Unit before they are commissioned. The Fire Unit recommends the number of fire extinguishers and their locations. The Fire Unit also carries out regular inspections of the fire extinguishers and the fire alarms. Occupational Health and Safety unit (under the medical section) carries out regular Toolbox safety talk with Warehouse staff. The Mission will carry out Fire Safety inspection and install close circuit television, fire alarms, and provide emergency exit doors and appropriate signage in all warehouses as feasible and necessary.</p> <p>b) Kidal and Mopti Regional Administrative Officers (RAOs), in liaison with the Engineering Section, are in the process of identifying warehouse yards. Gao and Timbuktu already have warehouse yards even though in Timbuktu, not all the containers are in the restrictive yards due to staffing constraints. CWS does not have adequate staff to manage all the inventory, and therefore these containers are not under CWS management. For Menaka and Tessalit, the requirement is under review.</p>
8	MINUSMA should conduct a training needs assessment for all warehouse staff to identify any skills and knowledge gaps and provide the required training.	Important	Yes	Chief CWS	30 September 2020	The Mission concurs with the recommendation. This is an ongoing / continuous exercise that is carried out whenever we have new staff, and when there are changes in the working process and procedures.