



INTERNAL AUDIT DIVISION

REPORT 2021/024

Audit of supply chain management in the United Nations Peacekeeping Force in Cyprus

**There was a need to improve supply chain
planning and enhance training and guidance
of staff performing key roles in sourcing
requirements and managing contracts**

21 June 2021

Assignment No. AP2020-654-02

Audit of supply chain management in the United Nations Peacekeeping Force in Cyprus

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of supply chain management (SCM) in the United Nations Peacekeeping Force in Cyprus (UNFICYP). The objective of the audit was to assess whether the Mission had implemented efficient and effective mechanisms for a well-managed and agile supply chain. The audit covered the period from 1 July 2018 to 30 June 2020 and included: (a) planning of SCM activities; (b) sourcing and delivery activities; (c) contract management; and (d) supply chain risk management.

UNFICYP aligned its mission support structures with the United Nations three-pillar structure for peacekeeping missions but the task of acquisition planning was not properly assigned. None of the technical sections used any forecasting model or adequate historical consumption data to determine their gross demand plan, contributing to the Mission carrying excess inventory. The Mission had also not established trigger points such as maximum and minimum stock levels to determine the appropriate acquisition action required. Training and guidance needed to be strengthened for staff developing statements of works, performing technical evaluation of bids, evaluating contractors' performance and serving as members of the Local Committee on Contracts (LCC). Nevertheless, UNFICYP had effective arrangements for delivery of goods to the Mission and to end users and was also effectively monitoring not-to-exceed amounts and expiry dates of contracts.

OIOS made six recommendations. To address issues identified in the audit, UNFICYP needed to:

- Review the roles and responsibilities of staff responsible for acquisition planning to ensure they adequately perform the strategic functions envisioned in the Supply Chain Management Blueprint;
- Ensure its methodology for replenishing inventory fully considers all relevant factors such as condition of existing assets and stock levels and that trigger points for maximum and minimum stock levels, reorder points and reorder quantities are established;
- Enhance the preparation of statements of works and establish and monitor compliance with timelines defined for the process;
- Select an appropriate mix of personnel with the right skill sets to serve in technical evaluation committees and provide them with relevant briefing and training;
- Revise the composition of LCC and provide periodic training to its members to ensure enhanced effectiveness and compliance with the Procurement Manual; and
- Implement monitoring mechanisms to ensure requisitioners define and properly assess key performance indicators during evaluation of contractors.

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

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Audit of supply chain management in the United Nations Peacekeeping Force in Cyprus

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of supply chain management in the United Nations Peacekeeping Force in Cyprus (UNFICYP).

2. In May 2015, the United Nations approved the Supply Chain Management (SCM) Vision and Strategy whose objective was to implement a well-managed and agile supply chain. The SCM Blueprint, developed in support of the Vision and Strategy, provides operational details to assess and improve organizational supply chain.

3. The UNFICYP Supply Chain Management Pillar comprises 25 staff, of which two are international staff and the rest are national staff. The pillar is headed by a Chief at the P-5 level, who reports to the Chief of Mission Support at the D-1 level. The Pillar consists of six units namely Procurement, Integrated Acquisition Unit (IAU), Centralized Warehouse, Supply Chain Performance, Movement Control (MovCon) and Contingent-Owned Equipment¹. The Chief Procurement Officer at P-4 level is responsible for providing advice on procurement related actions and managing the procurement process in coordination with the requisitioning offices. The Head of IAU at G-7 level is responsible for planning the acquisition of goods and services, reviewing user requests and creating shopping carts in Umoja. The Central Warehousing Supervisor at G-6 level ensures visibility of stocks and inventory and oversees core warehousing activities including receipt, storage, safeguarding, issuance, and disposal of goods. The Supply Chain Performance Assistant at G-5 level monitors performance of supply chain processes, while the MovCon Assistant at G-4 level is responsible for delivery of goods to points of consumption.

4. Purchase orders raised from July 2018 to June 2020 totaled \$21 million as detailed in Table 1, together with the associated financial rules applied. The Mission's acquisition plans for 2018/19 and 2019/20 were \$13.7 million and \$12.9 million, respectively.

Table 1: Summary of purchase orders raised and applicable financial rules

Financial rule	2018/19		2019/2020		Total \$
	Value \$	No. of purchase orders	Value \$	No. of purchase orders	
105.15 – Formal solicitation	9,358,295	411	7,889,966	362	17,248,261
105.16 – Exceptions to the use of formal methods of solicitation	1,853,140	133	1,664,300	132	3,517,440
105.17 – Co-operation	-		10,902	7	10,902
Low value acquisitions	262,878	87	331,350	107	594,228
Grand Total	11,474,313	631	9,896,518	608	21,370,831

Source: Umoja

5. Comments provided by UNFICYP are incorporated in italics.

¹ Contingent-owned equipment is not in the scope of the audit

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether the Mission had implemented efficient and effective mechanisms for a well-managed and agile supply chain.
7. This audit was included in the 2020 risk-based work plan of OIOS due to the financial, operational, and reputational risks relating to supply chain management processes in UNFICYP.
8. OIOS conducted this audit from May to November 2020. The audit covered the period from 1 July 2018 to 30 June 2020. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in SCM, which included: (a) planning of SCM activities; (b) sourcing and delivery of goods; (c) contract management; and (d) supply chain risk management.
9. The audit methodology included: (a) interviews with key personnel; (b) review of all eight procurement actions processed during the audit period and other relevant documentation; (c) analytical review of data; and (d) review of contract and supply chain risk management activities.
10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Planning of SCM activities

Need to strengthen the acquisition planning function

11. In July 2015, UNFICYP aligned its mission support structures with the United Nations three-pillar structure for peacekeeping missions. The restructuring resulted in the establishment of IAU, as part of the SCM pillar, to promote timely requisitioning of goods and services. IAU was responsible for: (a) raising shopping carts for standard purchase orders and low value acquisitions (LVAs); (b) creating and reviewing commitments for earmarked funds; and (c) raising service entry sheets. However, these functions did not include the core strategic activities envisioned in SCM Blueprint for the acquisition unit such as: overseeing planning, development and management of the acquisition process for various services and commodities; evaluating different sourcing options; assessing local market conditions; and logistics forecasting.
12. The functions of IAU were solely handled by a Procurement Assistant who also served as the demand and acquisition planning (DAP) focal point. This created a possible conflict of interest situation. Moreover, due to staffing constraints, and conducting non-core activities, many of IAU functions were not done such as monitoring and maintaining budget monitoring reports, providing historical purchase order information and assisting technical sections (medical, transport, field technology services and engineering and facilities management) in preparing their acquisition plans. Acquisition plans were therefore prepared by technical sections without coordination by IAU.
13. The Procurement Assistant was also responsible for updating the status of acquisitions and sharing it with technical sections for their input and feedback. The reported status of acquisitions was reviewed at monthly integrated business planning (IBP) meetings with the United Nations Global Service Centre (UNGSC) and quarterly IBP meetings with the technical sections led by the DAP focal point. However, the monitoring was not adequate to timely identify and address potential bottlenecks in the implementation of the DAP and deviations from it. This was because the DAP focal point relied heavily on submissions from

technical sections on the implementation status of the plan without independently corroborating information with budget figures in Umoja.

14. OIOS review of budgeted against actual expenditure for 2019/20 showed that \$3 million or 25 per cent of planned acquisitions were not completed on time, despite rescheduling the delivery times. Moreover, \$2.1 million or 18 per cent of actual purchases had not been included in acquisition plans. Also, goods and services in the DAP tool totalled \$12 million, as opposed to \$13.7 million in the budget (Umoja). Therefore, \$1.7 million of the budget was not tracked in the DAP tool.

15. Additionally, IAU was assuming non-core activities such as the processing of LVAs centrally. This accounted for 16 per cent of their workload yet only 3 per cent of the value of total purchase orders raised during the audit period. The involvement of IAU in raising shopping carts for LVAs was a departure from the usual practice of technical sections being directly responsible for this, which was more efficient and increased decentralization. Management indicated that it had assigned this role to IAU to prevent possible abuse. However, requisitioners rated their satisfaction with the timeliness of LVAs at 54 per cent, which was much lower than the overall satisfaction rate on timeliness of standard purchase orders at 90 per cent. Decentralizing LVAs would help to improve the satisfaction rating of IAU and allow it to dedicate more time to its core-functions.

16. The above occurred because the grade of the Procurement Assistant tasked with performing the acquisition functions (G-6) was not commensurate with the responsibilities of the role. Also, UNFICYP's SCM pillar was partly guided by outdated standard operating procedures (SOPs) and terms of reference for the DAP focal point. Nineteen of its SOPs were overdue for review: 13 that were issued prior to 2015 and required annual review, and 6 that were issued in 2017 and required biennial review. There was also a multiplicity of SOPs as several documents on similar processes had not been consolidated for administrative ease and reference but instead were kept as standalone documents. As a result, guidance on operations had not fully evolved to effectively handle the complex demands of SCM, especially to enhance demand, sourcing and acquisition planning.

(1) UNFICYP should strengthen the acquisition planning function by, among others: (a) reviewing the roles and responsibilities of staff responsible for acquisition planning to ensure that they can adequately perform the core strategic functions envisioned in the Supply Chain Management Blueprint, including overseeing the implementation of the acquisition plan; and (b) updating its standard operating procedures and terms of reference accordingly.

UNFICYP accepted recommendation 1 and stated that the Mission had commenced the transfer of acquisition planning and monitoring functions from the Procurement Section to IAU. The transfer would be implemented in alignment with United Nations Headquarters' timeline for the deployment of the new Umoja demand planning tool. The Mission would also continue to review and update SCM related SOPs as well as the TORs for IAU staff. Recommendation 1 remains open pending receipt of evidence that the capacity of the acquisition planning function has been strengthened, and receipt of updated SCM related SOPs and TORs for IAU staff.

Need to improve the demand planning process and inventory management

17. Technical sections are responsible for estimating their requirements for goods and services (demand planning) and uploading them to the DAP tool, a web-based application designed to facilitate data collection and review, and aggregation of missions' annual demand plans.

18. In developing their demand plan, the technical sections did not use any forecasting model or adequate historical consumption data to determine their gross demand². Instead, they placed heavy reliance on previous year's budget figures to estimate future requirements. Also, assumptions used in arriving at demand requirements (such as size of clientele base, estimated level of activity, asset replacement requirements) were not adequately documented. The Mission stated that they used two to three years past consumption data but there was no evidence to support this.

19. Partly because of this, the Mission was carrying excess inventory in the warehouse, although it had not declared any as excess stock. For instance, inventory as of June 2020 included items, notably printers, laptops and air conditioner units that had been in stock for periods ranging from one to three years. There were also several such items of equipment that had only been in use for between half to two-thirds of their useful lives. Therefore, those items in stock were not readily needed, resulting in an increased risk of stock obsolescence. Overall, UNFICYP had the fifth highest level of stock coverage out of 15 entities reflected in an Umoja business intelligence (BI) report for the period July 2019 to June 2020. The value of stock items that exceeded more than one year's requirements was \$1.4 million (42 per cent) of its total stock of \$3.3 million. The ideal stock coverage was up to a year but only \$309,000 (9 per cent) of stock met this criterion. Stock items that had no movement in the year accounted for \$1.6 million (49 per cent) and was ninth highest of the 15 entities.

20. In addition, information and communications technology (ICT) items were mostly issued on a "last in first out" basis instead of "first in first out", resulting in the Mission holding aging quantities of ICT assets in inventory. Such a practice also resulted in lost opportunity to invest in other operational activities with higher priority. UNFICYP informed that it monitored stock levels and replenishment thereof but agreed that there were limited cases where assets were deemed technically obsolete prior to the end of their useful life. Some assets were also replaced after limited use and placed in stock as spares.

21. Furthermore, the Mission had not established trigger points such as maximum and minimum stock levels, reorder quantities and reorder points to determine appropriate acquisition action required. Consequently, the targeted benefits of supply chain planning of reduction of surplus inventory and assets, and reduction of inventory that expire in stock was not achieved.

22. As part of the ongoing roll-out of Umoja Extension 2 solution for demand and supply network planning (DP/SNP), the Office of Supply Chain Management (OSCM) in DOS was introducing functionalities for supply chain planning. This would enhance advance planning capabilities through the provision of insights into historical data, data-driven forecasting, real time information across other Umoja modules and what-if scenarios. Supply network planning is also expected to provide better analytical tools for supply fulfilment strategies, as well as improve inventory management and reduce inventory obsolescence. UNFICYP has engaged with OSCM to ensure successful deployment of the solution by April 2022. While this is expected to enhance demand planning, UNFICYP needed to improve its inventory management.

(2) UNFICYP should improve inventory management by ensuring that: (a) its methodology to replenish inventory considers all relevant factors such as condition of existing assets and stock levels in the warehouse; (b) stocks are consistently issued from the warehouse on a first-in first-

² The Annual **Gross Demand Plan** represents the entity's overall requirements for goods and services for the ensuing fiscal year. Gross demand is unconstrained and based on the actual operational requirements of the entity. The Annual **Net Demand Plan** represents the entity's net requirements for goods and services for the ensuing fiscal year. It derives from the Annual Gross Demand Plan less the projected holdings calculated on the basis of the current inventory, the consumption rate as well as the ongoing procurement.

out basis; and (c) trigger points for maximum and minimum stock levels, reorder points and reorder quantities are established.

UNFICYP accepted recommendation 2 and stated that the Mission had requested the assistance of OSCM and the Umoja ICT Administrator to develop and implement automated stock triggers for maximum and minimum levels of all commodities accommodated in the Centralized Warehouse. The Mission was also controlling stock performance against established key performance indicators (KPIs) and following stock issue guidance stipulated in the Centralized Warehouse Manual. Recommendation 2 remains open pending receipt of evidence of actions taken to improve inventory management, including to replenish and issue stocks from the warehouse and establish trigger points for various stock levels.

Need to enhance preparation of statements of works

23. On average, the Mission took much longer than the prescribed timelines in the Procurement Manual³ to complete procurement actions from needs identification to signing of contract. This was based on an analysis of \$3.8 million worth of goods and services classified by the Mission as new procurement. Solicitations done through requests for proposals (RFPs) took 435 days, while invitations to bid (ITBs) took 189 days, against standard averages of 194 and 100 days, respectively as shown in Table 2. Development of technical requirements or specifications accounted for 40 to 70 per cent of the total time taken. Nevertheless, reviews by the Local Committee on Contracts (LCC) and contract preparation and award were done timely.

Table 2: Timelines for acquisition activities

Average days	RFP		ITB	
	Actual	Maximum	Actual	Maximum
To develop technical specifications/SOWs	117	72	82	40
To conduct technical evaluations	30	15	24	10
From initiation of requirement to contract award	435	194	189	100

Source: OIOS Compilation from Source Selection Plans and SOW Reports from AMS

24. The quality of statements of works (SOWs) prepared by technical sections continued to be a challenge in the Mission and resulted in protracted reviews by the Procurement Section, ultimately prolonging the length of the process. To address this, Mission management had arranged an SOW writing training course in 2019 and distributed the latest guidance on developing scope of work/requirements for regular goods and services but skills gaps persisted. This led to the Mission identifying definition of needs and preparation of SOWs as high risks in its risk register. The Mission needed to liaise with UNGSC for them to provide additional training to technical sections on preparation of SOWs.

25. Also, technical sections did not prioritize the preparation of SOWs due to inadequate supervisory oversight and the Procurement Section had to send several reminders. For instance, for provision of janitorial services, the Procurement Section sent six reminders over a six-month period before the SOW was submitted to the Section for review. For the lease of rental cars, the Procurement Section issued four reminders over a two-month period before the submission of the SOW. The SOW required extensive revisions that resulted in several iterations over a period of seven months.

³ Annex D-20 of the Procurement Manual Version 7, which specified procurement timelines, is no longer part of the current United Nations Procurement Manual issued in June 2020, but the timelines are still useful for assessing turnaround times of procurement activities.

26. The Mission also did not have a robust performance monitoring system over the establishment of new local contracts. In DOS, for example, OSCM maintains a solicitation schedule that indicates the status of ongoing solicitation processes and facilitates monitoring and follow-up of various steps in the process. However, the UNFICYP Supply Chain Performance Unit largely focused on measuring parameters related to property management, which did not monitor end to end performance of supply chain activities.

(3) UNFICYP should enhance the preparation of statements of works by: (a) improving supervisory oversight at technical section level; (b) liaising with the United Nations Global Service Centre to provide additional training to technical sections staff; and (c) establishing a mechanism for monitoring compliance with timelines defined for the process.

UNFICYP accepted recommendation 3 and stated that technical sections work closely with the Procurement Section in developing SOWs, as well as with UNGSC and United Nations Headquarters for complex projects. Also, key technical staff in the Mission had completed the mandatory computer-based procurement training and SOW writing course in 2019. This notwithstanding, UNFICYP would schedule and arrange additional advanced SOW training for all technical sections in conjunction with UNGSC. Recommendation 3 remains open pending receipt of evidence of additional training of staff of technical sections and improved timeliness of completed SOW documents.

B. Sourcing activities

The Mission made good use of system contracts

27. The Procurement Division established system contracts for use across the Secretariat to minimize the number of repetitive solicitations for the same commodities and to achieve economies of scale. During the audit period, UNFICYP purchased about 80 per cent of its requirements through system contracts, and this was generally satisfactory, and although there were a few instances of late or wrong delivery of goods. Additionally, on five occasions, UNFICYP requested for a local purchase authority to procure hybrid vehicles and microwave link and radio equipment at a combined amount of \$306,000. This was because the required specifications were not covered by any system contract. OIOS concluded that UNFICYP had made good use of available system contracts.

Exceptions to the formal methods of solicitations were correctly applied

28. During 2019/20, UNFICYP invoked exceptions to formal methods of solicitations under Financial Rule 105.16 on 132 purchase orders totaling \$1.7 million as shown in Table 3. OIOS reviewed 71 per cent of value of the purchases and concluded that the exceptions were correctly applied, and approval was obtained from the LCC and Chief Procurement Officer.

Table 3: Exceptions to formal methods of solicitation

Financial Rule	Description of rule	Total spent \$
105.16(a)(i)	No competitive market	120,920
105.16(a)(ii)	Need to standardize requirement	344,758
105.16(a)(ix)	Formal solicitation did not give satisfactory results	907,742
105.16(a)(x)	Amount below threshold for formal solicitation	265,580
Others	Others	25,300
Total		1,664,300

Source: OIOS compilation from Umoja

Need to improve the technical evaluations of bids

29. UNFICYP established teams to evaluate bids according to the predefined evaluation criteria to achieve best value for money. While the Mission ensured that supervisors and subordinates did not serve on the same evaluation committee, it did not take corresponding measures to ensure that representation in the evaluation committees was at a sufficiently senior level to ensure thorough analysis. For instance, 71 per cent of the staff who evaluated the eight bids that committed the Mission to contracts amounting to \$5.6 million were at G-5 or lower positions despite over 40 per cent of staff in Mission being above this level. There was also no evidence that commercial evaluation teams provided sufficient guidance to the technical evaluation teams on the effective conduct of evaluations. This ultimately impacted the quality and timeliness of the evaluations against the need for an agile and efficient procurement action. The following were also observed:

- No technical evaluation was undertaken in the solicitation for the provision of medical services with a not-to-exceed (NTE) amount of \$1 million, to confirm whether the medical institutions met the Mission's requirements. The Mission relied on a pre-clearance report dated 11 July 2018 by the erstwhile Medical Services Division in Headquarters, which listed those institutions as pre-cleared. The Procurement Manual requires that when direct negotiations are used, the offer needs to be evaluated.
- The evaluation of bids for the provision of waste management services unjustifiably disqualified two out of four bidders. After intervention by the Procurement Division, the results of the evaluation were annulled, and it was agreed to enter into direct negotiation with all the bidders.

(4) UNFICYP should strengthen technical evaluations by: (a) selecting an appropriate mix of personnel with the right skill sets to effectively serve in evaluation committees; and (b) providing briefing and training to members prior to them assuming such responsibilities.

UNFICYP accepted recommendation 4 and stated that due to its relatively small size, the Mission had limited technical staff with the full range of skill sets in each field. Despite this limitation, the Mission selects an appropriate mix of qualified personnel to serve on technical evaluation committees. Nevertheless, UNFICYP would explore options in consultation with OSCM and UNGSC to provide additional training and guidance to enhance the capacity of those staff members involved in technical evaluations. Recommendation 4 remains open pending receipt of evidence of selection of an appropriate mix of trained personnel to serve on technical evaluation committees, and overall improved technical evaluations.

Need to revise the composition of LCC

30. During the audit period, the Committee reviewed and recommended eight cases to the Chief of Mission Support for approval. The LCC also commented on the composition of technical evaluation committees and the conduct of bid evaluations. However, a review of the composition of the LCC indicated that out of the 10 members: (a) 4 had served as LCC members for between 7 to 11 years, in excess of the maximum allowable tenure of 6 years stipulated in ST/AI/2011/8 on review committees on contracts; (b) only 4 members had completed both basic and advanced LCC training and another member was unable to provide evidence of completing the basic or advanced LCC course; and (c) there was no evidence that LCC members had participated in ongoing training in procurement matters. The Procurement Manual had undergone two revisions in the audit period and four LCC members had obtained their basic or advanced certification more than six years ago.

31. The Mission explained that the lack of regular rotation of LCC members was due to the limited number of qualifying officers to choose from owing to the small size of the Mission. Nonetheless, a review of staffing showed the Mission had 20 potential members who were at the required levels of at least P-4 level stipulated in ST/AI/2011/8. LCC members were also appointed based on their functional title and not in an individual capacity as required.

32. Non-implementation of the rotation policy could predispose members to conflict of interest situations and inhibit their impartiality as committee members, while inability to participate in periodic procurement-related training could reduce the effectiveness of LCC deliberations.

(5) UNFICYP should revise the composition of the Local Committee on Contracts and provide periodic training to its members to ensure enhanced effectiveness and compliance with the Procurement Manual.

UNFICYP accepted recommendation 5 and stated that the Mission had nominated five members to participate in LCC training in April 2021 but only three slots were allocated to UNFICYP. As advised by the Headquarters Committee on Contracts secretariat, the remaining two nominees were put on waiting list. The composition of the UNFICYP LCC would be revised by 30 June 2021. Recommendation 5 remains open pending receipt of evidence of the revised membership of the LCC that complies with Procurement Manual guidelines.

C. Delivery activities

Upstream and downstream responsiveness were adequate

33. Indices measuring UNFICYP upstream⁴ and downstream delivery activities showed that they were effective and optimized when compared with other peacekeeping missions. Upstream activities were measured by responsiveness and reliability indices, while downstream activities were measured by delivery responsiveness and deliver reliability as explained below.

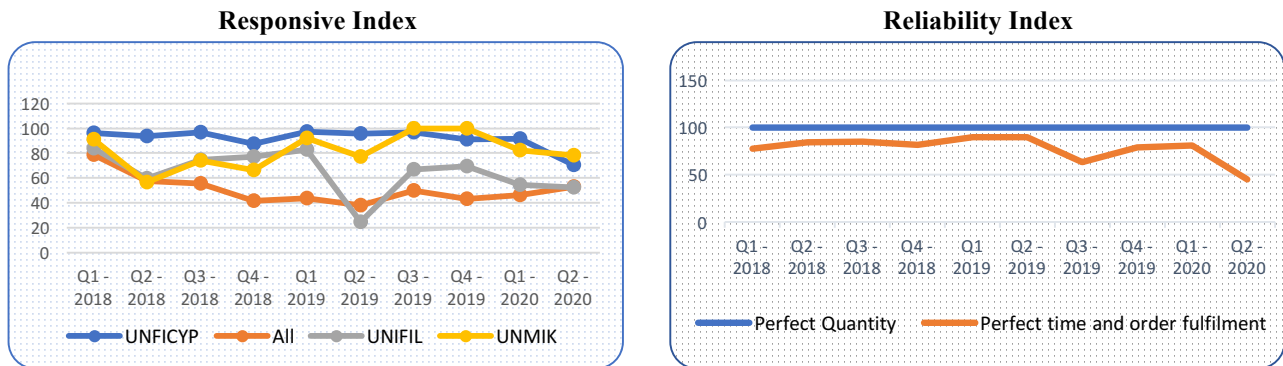
a) Upstream activities

34. Over the past two years, the responsiveness index⁵ for the Mission's upstream activities averaged 92 per cent and was the highest among peacekeeping entities, which averaged 51 per cent. This implied that the Mission fulfilled 92 per cent of its orders within the time expected. In terms of the reliability index as measured by perfect time, quantity and order fulfilment (right goods and services), UNFICYP achieved 79 per cent for both time and order fulfilment, and 100 per cent for quantity. Figure 1 shows the results of upstream activities as measured against comparable missions and average for all missions.

⁴ Upstream activities refer to those activities for freight or transportation of goods from the manufacturer/vendor to the United Nations, while downstream activities refer to processes for the delivery of goods from the United Nations warehouse or inventory to the end user.

⁵ Responsive index measures the number of days it takes from creation of shopping cart to when the goods are received, while reliability index measures the extent of order fulfilment on three criteria namely, right quantity, right time and right goods and services.

Figure 1 – UNFICYP upstream responsive and reliability indices as measured against other missions



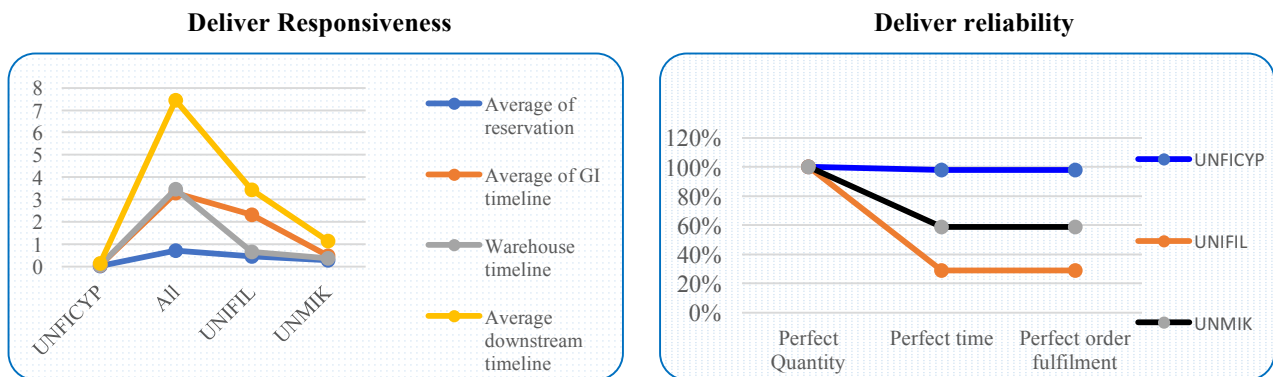
Source: Umoja BI data

Abbreviations: UNIFIL - United Nations Interim Force in Lebanon; UNMIK - United Nations Interim Administration Mission in Kosovo

b) Downstream activities

35. The Mission’s downstream timeline⁶ over the past two years averaged 0.13 days against its benchmark of 3 days. Out of 22,631 reservations placed by end users over the period, 22,251 or 98 per cent were processed the same day. In terms of deliver reliability index as measured by perfect time, quantity and order fulfilment, UNFICYP achieved 100 per cent for perfect quantity and 98 per cent for both time and order fulfilment, which were higher than any other peacekeeping mission. The deliver response measures the extent to which right goods in the right quantities and timing were delivered to the end user as detailed in Figure 2. UNFICYP was yet to develop performance targets for deliver reliability.

Figure 2: UNFICYP downstream activities as measured by other missions



Source: Umoja BI data

D. Contract management

Need to improve contract management

36. UNFICYP uploaded all 120 vendor contracts with NTE totaling \$32 million into the contractor performance reporting tool and was up to date with evaluating vendor performance. A review of contract management records for 16 contracts showed that the requisitioner adequately monitored vendor performance against established KPIs for 2 contracts (food rations and catering services) with NTE of \$6.7 million. The requisitioner also inspected both the quality and quantity of ordered rations, followed up credit

⁶ Downstream time refers to time taken from when a reservation is placed to delivery of goods or inventory to the end user.

notes in cases of shortfalls in quantities delivered and held monthly meetings with vendors to discuss performance issues.

37. However, for the remaining 14 contracts with NTE of \$11.4 million the following was noted:

- The requisitioner did not conduct kick-off or regular ongoing performance meetings for four contracts to agree on key deliverables and monitor contract performance. Ongoing periodic meetings were sporadic and not held monthly or quarterly as specified in the contracts.
- Requisitioners did not define KPIs against which to measure performance for four contracts (laundry services, stationery, firefighting equipment and cellular mobile voice data).
- While KPIs were indicated for four other contracts (including cleaning and road sweeping services, and liquid petroleum gas), they did not reflect performance standards but instead were lists of all services to be delivered.
- For two contracts for the supply and delivery of firefighting equipment, contract managers did not rate performance on 19 out of 23 criteria, including quality of work and adherence to the scope of works for 2019. Similar lapses were evident for 2018, when 14 criteria were left unrated. In both cases, recommendations for contract renewals were made.
- For all 14 contracts, there was no evidence that contract managers undertook random spot checks, and obtained plans on risk management, contingency, fire protection and quality assurance that were required by the contracts. Therefore, contract managers did not proactively identify performance gaps but relied on vendor representations and customer complaints.

38. The above occurred because UNFICYP did not have a dedicated contract management officer but rather a focal point who multi-tasked other focal point responsibilities. Requisitioners were also not adequately trained as only 4 of the 11 staff who were responsible for the performance of the 16 contracts reviewed had undertaken the contract management course. Moreover, only three of them had completed the seven procurement-related training strongly recommended for contract managers. The OIOS recommendation in its audit of procurement, contract management and medical services in UNFICYP (report number 2017/140) dated 14 December 2017, for the Mission to provide training to staff responsible for contract management remained outstanding.

(6) UNFICYP should strengthen management of its contracts by: (a) implementing monitoring mechanisms to ensure requisitioners define in contracts key performance indicators for evaluating vendors performance; and (b) requiring persons involved in contract management to undertake relevant training.

UNFICYP accepted recommendation 6 and stated that the Mission would continue to work with UNGSC and other missions or entities to source additional training for relevant staff in technical sections to further strengthen the management of its contracts, including greater focus on the use and assessment of KPIs, which add value to the contract management process. The Mission would also use the recently implemented Contracts Performance Reporting Tool and the Instant Feedback System to further strengthen contract management. Recommendation 6 remains open pending receipt of evidence of additional training of staff involved in contract management and improved contracts management through implementation of appropriate KPIs and electronic tools.

NTE amounts and expiry dates of contracts were adequately monitored

39. The technical sections with the support of the Procurement Section monitored contract NTEs and expiry dates. The renewal of 15 contracts that expired in the period under review was initiated at least six months beforehand prior to expiration. Though contract renewal processes were initiated timely by the Procurement Section, delays in finalizing demand requirements delayed the award of replacement contracts. This issue is dealt with in recommendation 3.

E. Supply chain risk management

The risk management programme for supply chain activities was under review

40. In January 2017, UNFICYP established a risk management committee to review the Mission's risk register on an ongoing basis for emerging risks and changes in the operating environment. Although risks were identified under business continuity related to pandemics and major supply chain disruptions, they were rated as low. Due to the assignment of this rating, risk treatment and response plans were not developed as it was only done for high and medium rated risks. The outbreak of the COVID-19 pandemic has shown the importance of developing contingency plans to maintain business continuity and build supply chain resiliency.

41. UNFICYP, in consultation with the Department of Management, Strategy, Policy and Compliance, has commenced a review of its operational, financial and reputational risks to address those associated with unique events such as the COVID-19 pandemic. Therefore, OIOS is not making a recommendation but will monitor progress during its upcoming advisory engagement on the review of military and police operations in response to COVID-19 pandemic in UNFICYP.

IV. ACKNOWLEDGEMENT

42. OIOS wishes to express its appreciation to the management and staff of UNFICYP 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 supply chain management in the United Nations peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical⁷/ Important⁸	C/ O⁹	Actions needed to close recommendation	Implementation date¹⁰
1	UNFICYP should strengthen the acquisition planning function by, among others: (a) reviewing the roles and responsibilities of staff responsible for acquisition planning to ensure that they can adequately perform the core strategic functions envisioned in the Supply Chain Management Blueprint, including overseeing the implementation of the acquisition plan; and (b) updating its standard operating procedures and terms of reference accordingly.	Important	O	Receipt of evidence that the capacity of the acquisition planning function has been strengthened, and receipt of the updated SCM related SOPs and TORs for IAU staff.	31 December 2021
2	UNFICYP should improve inventory management by ensuring that: (a) its methodology to replenish inventory considers all relevant factors such as condition of existing assets and stock levels in the warehouse; (b) stocks are consistently issued from the warehouse on a first-in first-out basis; and (c) trigger points for maximum and minimum stock levels, reorder points and reorder quantities are established.	Important	O	Receipt of evidence of actions taken to improve inventory management, including to replenish and issue stocks from the warehouse and establish trigger points for various stock levels.	30 April 2022
3	UNFICYP should enhance the preparation of statements of works by: (a) improving supervisory oversight at technical section level; (b) liaising with the United Nations Global Service Centre to provide additional training to technical sections staff; and (c) establishing a mechanism for monitoring compliance with timelines defined for the process.	Important	O	Receipt of evidence of additional training of staff of technical sections and improved timeliness of completed SOW documents.	31 December 2021

⁷ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁸ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁹ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

¹⁰ Date provided by UNFICYP in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of supply chain management in the United Nations peacekeeping Force in Cyprus

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	C/ O ⁹	Actions needed to close recommendation	Implementation date ¹⁰
4	UNFICYP should strengthen technical evaluations by: (a) selecting an appropriate mix of personnel with the right skill sets to effectively serve in evaluation committees; and (b) providing briefing and training to members prior to them assuming such responsibilities.	Important	O	Receipt of evidence of selection of an appropriate mix of trained personnel to serve on technical evaluation committees, and overall improved technical evaluations.	31 December 2021
5	UNFICYP should revise the composition of the Local Committee on Contracts and provide periodic training to its members to ensure enhanced effectiveness and compliance with the Procurement Manual.	Important	O	Receipt of evidence of the revised membership of the LCC that complies with Procurement Manual guidelines.	30 June 2021
6	UNFICYP should strengthen management of its contracts by: (a) implementing monitoring mechanisms to ensure requisitioners define in contracts key performance indicators for evaluating vendors performance; and (b) requiring persons involved in contract management to undertake relevant training.	Important	O	Receipt of evidence of additional training of staff involved in contract management and improved contracts management through implementation of appropriate KPIs and electronic tools.	31 December 2021

APPENDIX I

Management Response



UNITED NATIONS PEACEKEEPING FORCE IN CYPRUS
P.O. BOX 25644, 1311 NICOSIA, CYPRUS – TEL: 357-22-614000 FAX: 357-22-614600

INTER-OFFICE MEMORANDUM

DATE: 3 June 2021
REF: OSRSG-210602

TO: Ms. Eleanor T. Burns, Director
A: Internal Audit Division, OIOS

FROM: Elizabeth Spehar, Special Representative of the Secretary-General
DE: and Head of Mission

A handwritten signature in black ink, appearing to be 'ES', with a horizontal line extending to the right.

SUBJECT: Draft report on an audit of supply chain management in the United Nations
OBJET: Peacekeeping Force in Cyprus (Assignment No. AP2020-654-02)

1. I refer to your inter-office memorandum, reference # OIOS-2021-00704 on the draft report of an audit of supply chain management in UNFICYP, requesting the Mission's comments, including an action plan with target dates and the titles of the individuals responsible for implementing the recommendations.
2. Please find attached the Mission's response to the draft report of the above-mentioned audit.

Thank you.

cc: Ms. Fatoumata Ndiaye, Under-Secretary-General, OIOS
Mr. Joel Cohen, Chief of Mission Support, UNFICYP
Mr. Ibrahim Bah, Chief, Middle East Regional Audit Office, IAD, OIOS
Mr. Ivan Radev, Chief Supply Chain Management, UNFICYP
Ms. Aveen Nouri, Chief Procurement Officer, Procurement Section, UNFICYP

Management Response

Audit of supply chain management in the United Nations Peacekeeping force in Cyprus

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNFICYP should strengthen the acquisition planning function by, among others: (a) reviewing the roles and responsibilities of staff responsible for acquisition planning to ensure that they can adequately perform the core strategic functions envisioned in the Supply Chain Management Blueprint, including overseeing the implementation of the acquisition plan; and (b) updating its standard operating procedures and terms of reference accordingly.	Important	YES	C/Supply Chain Management	For part (a) the target date of implementation will be in alignment with UN Headquarters timeline of deployment of the new Umoja demand planning tool. For part (b), the target date of implementation is 31 December 2021	UNFICYP accepts this recommendation and has already commenced with arrangements to transfer the Acquisition Planning function including monitoring acquisition planning from Procurement Section (PS) to Integrated Acquisition Unit (IAU). The target date of implementation will be in alignment with the UN Headquarters timeline of the deployment of the new Umoja demand planning tool. With regards to recommendation 1. (b), UNFICYP will continue reviewing and updating the Supply Chain related SOPs as well as the TORs for the staff in IAU. Target date of implementation is 31 December 2021.
2	UNFICYP should improve inventory management by ensuring that: (a) its methodology to replenish inventory considers all relevant factors such as condition of existing assets and stock levels in the warehouse; (b) stocks are consistently issued from the warehouse on a first-in first-out basis; and (c) trigger points for maximum and minimum stock levels, reorder points and reorder quantities are established.	Important	YES	C/Supply Chain Management	30 April 2022	UNFICYP accepts this recommendation. The Mission's Supply Chain Performance Unit, which reports to the Chief, SCM, regularly controls stocks, reports performance (against established KPIs) and informs the Commodity Managers of the status of items held by the Mission. A complete report on inventory (what is currently in stock, serialized and non-serialized items) and a separate list of all

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² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

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Audit of supply chain management in the United Nations Peacekeeping force in Cyprus

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						<p>serialized items, extracted from Umoja, including non-moving items, are distributed to all TUs on a bi-monthly basis for their review and appropriate action. Please see attached sample report. Additionally, as per Annex D – Property Management Quarterly Reports (relevant to KPI performance), the action owner for all what is related to stock is Commodity Managers, and for good surplus, Commodity Managers in entities (mission) and UNGSC.</p> <p>Centralized Warehouse staff follow the guidelines stipulated in the Centralized Warehouse manual. e.g. for expendables, the method followed is “first in first out”; serialized items can be issued only upon TUs instructions/decision/approvals.</p> <p>UNFICYP has and continues to monitor stock levels and replenishment thereof. There are limited cases where assets are deemed technically obsolete prior to the End of Life (EOL), or assets recovered after limited use, placed in unit stock as spares. Due to the COVID-19 pandemic, the majority of UNFICYP staff including staff in the SCM pillar (i.e. Centralized Warehouse staff) worked remotely from home and those personnel residing in the northern part of the island faced significant restrictions that prevented them from being able to regularly cross into the Republic of Cyprus and commute to UNFICYP HQ, therefore, it was not possible to complete a full inventory revision and to replace the</p>

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						<p>items which needed to be removed from stock, and to further investigate the figures stipulated in Paragraph 18 of the Audit report. It is important to note that UNFICYP built some “reserve in stock” to ensure critical maintenance level support should the ongoing pandemic situation further adversely impact the supply chain process.</p> <p>UNFICYP takes into consideration multiple factors when replenishing warehouse stock or executes asset replacement initiatives. Warehouse stock replenishment and/or related planning is largely executed based on historical consumption patterns. Asset replacements are executed in a planned manner and such plans and justification(s) are integrated into the TUs budget proposal.</p> <p>The above notwithstanding, UNFICYP takes note of OIOS’s recommendation and moving forward has requested assistance from O/SCM/DOS and Umoja IT Administrator to develop and implement in Umoja an electronic stock trigger points which will set-up maximum and minimum levels for all commodities accommodated in the Centralized Warehouse.</p> <p>With regards to the target date of implementation, the mission follows the deployment target set by UN Headquarters. As per the attached presentation, the full deployment to PKMs is targeted for 30 April 2022. Please see</p>

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						slide # 4 in the attached presentation from O/SCM-DOS.
3	UNFICYP should enhance the preparation of statements of works by: (a) improving supervisory oversight at technical section level; (b) liaising with the United Nations Global Service Centre to provide additional training to technical sections staff; and (c) establishing a mechanism for monitoring compliance with timelines defined for the process.	Important	YES	C/Procurement Section, Technical Units Heads, Mission's Contract Management Focal Point	31 December 2021	<p>UNFICYP accepts this recommendation.</p> <p>Technical Units work closely with UNFICYP Procurement Section in the development of SOWs as well as with UNGSC and UN Headquarters for complex SOWs i.e. larger projects, complex multi-year contracts.</p> <p>Key technical staff within the mission have completed the mandatory online procurement training and attended training on performance-based contracting and scope of works writing, organized by the Acquisitions and Contract Management Section of UNIFIL on 25 and 26 September 2019 at UNFICYP.</p> <p>The above notwithstanding, UNFICYP Procurement Section is working in coordination with the UNFICYP Contract Management focal point in order to schedule and arrange additional and next step higher-level SOW training for all technical sections within the mission (in conjunction with UNGSC).</p> <p>Target date of implementation is 31 December 2021.</p>
4	UNFICYP should strengthen technical evaluations by: (a) selecting an appropriate mix of personnel with the right skill-sets to effectively serve in evaluation committees; and (b) providing briefing and training to members prior to them assuming such responsibilities.	Important	YES	C/Procurement Section, Technical Units Heads, Mission's Contract	31 December 2021	<p>UNFICYP accepts this recommendation.</p> <p>It should be noted however that the mission has a limited number of technical staff with the full range of skill sets in each particular field of work. Nevertheless,</p>

Management Response

Audit of supply chain management in the United Nations Peacekeeping force in Cyprus

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				Management Focal Point		<p>UNFICYP continues to select an appropriate mix of qualified personnel to serve on technical evaluation committees. In doing so, the mission makes every effort to ensure no supervisor and supervisee serve on the same committee, and that for each technical evaluation, at least one technically competent staff member serves on behalf of the unit.</p> <p>It is to be noted that the Unit Chiefs within the respective Technical Units provide nominations for the technical evaluation committees. When submitting the technical proposals/bids for review by the TEC, PS communicates guidelines on conducting the technical evaluation. This communication has been shared with the OIOS auditors</p> <p>Nevertheless, recognizing the importance placed on having qualified staff serving on technical evaluation committees, the mission will explore options in consultation with OSCM/DOS and UNGSC to provide additional training and guidance to enhance the capacity of those staff members involved in TEs.</p> <p>Proposed target date of implementation is 31 December 2021.</p>
5	UNFICYP should revise the composition of the Local Committee on Contracts and provide periodic training to its members to ensure enhanced effectiveness and compliance with the Procurement Manual.	Important	YES	C/Mission Support	30 Jun 2021	<p>UNFICYP accepts this recommendation.</p> <p>The Mission has taken active steps during the spring of 2021 identifying additional staff members to be nominated for membership of the LCC Committee. Five</p>

Management Response

Audit of supply chain management in the United Nations Peacekeeping force in Cyprus

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						additional staff members have subsequently been nominated to participate in the LCC training in April 2021. However, only three slots were allocated to UNFICYP. As advised by the HCC Secretariat the remaining two nominees are put on waiting list. A revised composition of UNFICYP LCC will be issued by 30 June 2021.
6	UNFICYP should strengthen management of its contracts by: (a) implementing monitoring mechanisms to ensure requisitioners define in contracts key performance indicators for evaluating vendors performance; and (b) requiring persons involved in contract management to undertake relevant training.	Important	YES	Chief Mission Support/ Contract Management Focal Point	31 Dec 2021	<p>UNFICYP accepts this recommendation.</p> <p>The Mission will continue to work closely with UNGSC and other missions or entities to request assistance in providing additional training to relevant staff in technical sections to further strengthen the management of its contracts, with greater focus on the development and monitoring of KPIs, acknowledging that the introduction of KPIs, as applicable, adds value to the contract management process.</p> <p>In addition, the implementation of the Contract Performance Reporting Tool (CPRT) in UNFICYP allows timely reporting and tracking of contract performance – which in turn support mission-wide efforts to further strengthen contract management. CPRT is accessible via internet thus facilitating seamless performance reporting as proven during the ongoing pandemic. The mission has also started using the Instant Feedback System as another control mechanism for all contracts as indicated in the recently</p>

Management Response

Audit of supply chain management in the United Nations Peacekeeping force in Cyprus

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						promulgated facsimile issued to all entities (copy attached). Target date for implementation is 31 December 2021.