



## **INTERNAL AUDIT DIVISION**

### **REPORT 2023/022**

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#### **Audit of Supply Chain Management in the United Nations Truce Supervision Organization**

**There was a need to improve acquisition  
management, vendor sourcing, performance  
management and supply chain-related risk  
management processes in UNTSO**

**23 June 2023**

**Assignment No. AP2022-674-02**

# **Audit of Supply Chain Management in the United Nations Truce Supervision Organization**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of Supply Chain Management in the United Nations Truce Supervision Organization (UNTSO). 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 to support the implementation of the mandated activities. The audit covered the period from January 2020 to December 2022 and included the governance structure, supply chain planning activities, sourcing and contract management, inventory and warehouse management, supply chain performance management and supply chain risk management.

UNTSO had aligned its mission support structures with the United Nations three-pillar structure for peacekeeping missions and was in the process of upgrading its Acquisition Planning Unit to an Acquisition Management Section in line with the supply chain management framework. The Mission began using the Supply Chain Planning Tool in 2021 to develop annual supply chain plans. Inventory management at Mission headquarters was centralized and controls were operating effectively to ensure accurate inventory records and well-organized warehouses. However, UNTSO needed to further improve acquisition management by strengthening the Integrated Business Planning process through effective participation. The Mission also needed to take action on the large amount of dead stock in its warehouses to improve inventory coverage.

OIOS made nine recommendations. To address issues identified in the audit, UNTSO needed to:

- Implement procedures to ensure supply chain plans are aligned with proposed budgets and updated in a timely manner.
- Improve Integrated Business Planning by ensuring that the heads of the Supply Chain Management and Service Delivery pillars co-chair meetings, all required section chiefs are present at meetings, and the agenda and activities are consistent with relevant guidance.
- Seek to improve competition in solicitations by identifying and analyzing the reasons for low bidding and exploring ways to improve responses to bid invitations.
- Improve document filing and retention by reviewing case files to ensure all relevant documents and correspondence are included in their procurement files.
- Improve oversight of low-value procurement to ensure its use is adequately justified in Umoja and all low-value procurement conditions set forth in the Procurement Manual are met.
- Periodically assess contractors' compliance with key performance indicators and use the assessments to prepare contractors' performance reports.
- Make changes to improve inventory coverage and reduce dead stock, and centralize warehouse management at the Tiberias field office to improve oversight of inventory and warehouse management.
- Improve overall supply chain performance by clarifying responsibilities for monitoring key performance indicators and implementing measures to improve performance.
- Review role assignments in Umoja to ensure they are consistent with staff responsibilities and that responsible managers provide adequate justification before assigning conflicting roles.

UNTSO accepted all recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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# Audit of Supply Chain Management in the United Nation Truce Supervision Organization

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of Supply Chain Management in the United Nation Truce Supervision Organization (UNTSO).

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

3. The SCM Pillar in UNTSO has 22 posts, consisting of four sections and one unit: Procurement, Supply Chain Performance Management and Business Intelligence, Movement Control, Centralized Warehousing, and an Acquisition Planning Unit. The Pillar is headed by a Chief at the P-4 level. The responsibility of each section/unit is as follows:

- The Chief Procurement Officer is responsible for providing advice on procurement-related actions and managing the procurement process in coordination with the requisitioning offices;
- The Acquisition Planning Unit plans the acquisition of goods and services for the Mission;
- Centralized Warehousing ensures visibility of stocks and inventory and core warehousing activities, including receipt, storage, safeguarding, issuance and disposal of goods in an integrated and effective manner;
- Performance Management and Business Intelligence monitors the performance of supply chain processes; and
- Movement Control coordinates inbound delivery, including facilitation of customs clearance and delivery of goods to points of consumption/storage.

4. Purchase orders raised from January 2020 to December 2022 amounted to \$11 million, as detailed in table 1, with the associated financial rules applied.

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

Financial rule	2020		2021		2022		Total (\$)
	Value (\$)	No. of POs	Value (\$)	No. of POs	Value (\$)	No. of POs	
105.15 - Formal solicitation	2,279,628	62	2,490,019	68	1,158,793	72	<b>5,928,440</b>
105.16 – Exceptions to formal solicitation <sup>1</sup>	1,576,705	199	1,966,640	189	1,165,407	134	<b>4,708,752</b>
105.17 – Cooperation	1,445	1	10,010	1	-	0	<b>11,455</b>
Low-value acquisitions (LVAs)	145,119	54	173,952	62	289,885	78	<b>608,956</b>
<b>Grand Total</b>	<b>4,002,897</b>	<b>316</b>	<b>4,640,621</b>	<b>320</b>	<b>2,614,085</b>	<b>284</b>	<b>11,257,603</b>

Source: Umoja

5. Comments provided by UNTSO are incorporated in italics.

<sup>1</sup>The Procurement Manual allows exceptions to the use of Invitations to Bid and Requests for Quotation (formal solicitation methods) through the use of Requests for Quotation and Low-Value Acquisitions.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess whether UNTSO had implemented efficient and effective mechanisms for a well-managed and agile supply chain to support the implementation of the mandated activities.
7. This audit was included in the 2022 risk-based work plan of OIOS due to the financial, operational and reputational risks relating to SCM processes in UNTSO.
8. OIOS conducted this audit from November 2022 to April 2023. The audit covered the period from January 2020 to December 2022. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in SCM, which included: (a) governance structure, (b) supply chain planning activities, (c) sourcing and contract management, (d) inventory and warehouse management, (e) supply chain performance management, and (f) supply chain risk management.
9. The audit methodology included: (a) an interview with key personnel; (b) a review of relevant documentation; (c) an analytical review of data; and (d) sample testing of 30 procurement case files with contract values totalling \$3,343,645 and 30 low-value acquisitions with a total value of \$76,480 using a judgmental sampling approach.
10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

## III. AUDIT RESULTS

### A. Governance structure

#### UNTSO was upgrading its Acquisition Planning Unit into an Acquisition Management Section

11. Until 2022, the service delivery and supply chain functions in UNTSO were not established as separate pillars in accordance with the three-pillar structure<sup>2</sup> for mission support in peacekeeping missions. The three-pillar structure was first promulgated in 2014, after which supplemental guidance was issued in 2017 to further support its implementation. In UNTSO, the supply chain remained a section under the Office of the Deputy Chief of Mission Support (DCMS) until 2022, when changes were made to establish the supply chain as a separate pillar, headed by a Chief at the P-4-level with a direct reporting line to the Chief of Mission Support (CMS). The DCMS remained Chief of the Service Delivery Pillar, while the CMS served as Chief of the Operations and Resource Management Pillar in the absence of a substantive post for chief of that pillar. The changes in the Mission organizational structure have yet to be updated.
12. The Acquisition Management Section<sup>3</sup> within the Supply Chain Pillar included only one unit for acquisition planning. The unit operated with one staff member at the FS-5 level until another staff was assigned in 2023. In the absence of Requisitioning and Contract Performance Evaluation Units, technical sections remained responsible for requisitioning while a Procurement Assistant was responsible for contract performance evaluation. UNTSO was in the process of expanding the Acquisition Planning Unit to include a Requisitioning Unit.

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<sup>2</sup> The three-pillar structure comprises the Operations and Resource Management, Service Delivery Management and Supply Chain Management Pillars.

<sup>3</sup> The Acquisition Management Section should comprise Acquisition Planning, Contract Performance Evaluation and Requisitioning Units.

13. Without the full complement of an Acquisition Management Section, the Procurement Section assumed responsibility for reviewing the shopping carts created by the technical sections and coordinating the quarterly vendor performance evaluation in the Contract Performance and Reporting Tool (CPRT). These additional tasks overwhelmed the resources of the Procurement Section, which consisted of two Procurement Assistants, a Senior Procurement Assistant, and a Chief Procurement Officer. Correspondence between the Procurement and technical sections revealed that the completion of the statement of requirements was delayed due to competing priorities. In addition, a CPRT Focal Point only partially fulfils the Contract Performance Evaluation Unit role, which includes managing contracts in accordance with United Nations rules and regulations. Mission management had identified two positions to be reassigned to create a requisitioning unit and was still doing the same for the Contractor Performance Evaluation Unit.

14. In the 2022 Mission budget, UNTSO eliminated three positions in other pillars, reducing the number of authorized posts from 232 to 229. The action was taken without adequate consideration of supply chain resource needs because UNTSO had not prioritized the change to its mission support structure per the three-pillar system. As a result, the implementation of the new structure and its components was delayed. In addition, staff resources in sections from which positions are being reallocated to form the Acquisition Management Section may be constrained.

15. UNTSO has recognized the need for dedicated contract management staff and stated that it would consider reallocating a mission support post to meet this need in the 2023 to 2027 workforce plan. Therefore, OIOS did not make a recommendation.

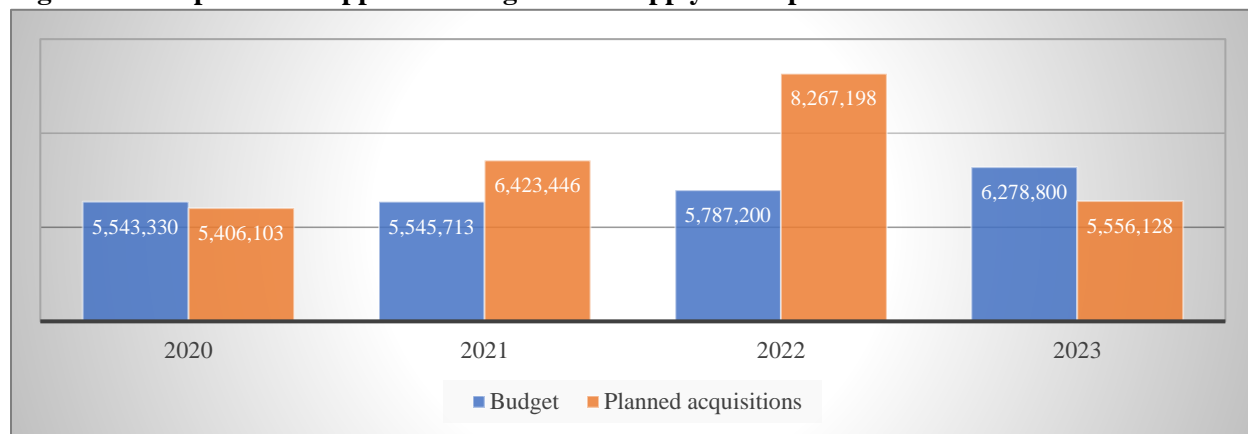
## **B. Supply chain planning activities**

### Need to align supply chain plans with the budget

16. UNTSO started acquisition planning in the Supply Chain Planning Tool (SCPT) in 2021. Previously, the Demand Acquisition Planning Tool was used. The Acquisition Planning Unit coordinated the acquisition planning process, and technical sections were responsible for developing and implementing their respective acquisition plans. The Office of Supply Chain Management (OSCM) provided extensive guidance to missions on acquisition planning through Supply Chain Operational Guidance (SCOG), Standard Operating Procedures on Global Supply Chain Plan, and other documents that were issued.

17. One of the steps in the supply chain planning process is to match demand requirements with the organization's budget for the same planning cycle to ensure consistency. This is important to ensure sufficient funds are available to implement the supply chain plan. Figure 1 compares the Mission's supply chain plans and budgets for the fiscal years from 2019-20 through 2022-23.

**Figure 1: Comparison of approved budgets with supply chain plans**



Source: Umoja and UNTSO supply chain plans

18. UNTSO attributed the significant difference between the budgeted and planned 2022 acquisitions (i.e., 42 per cent) to the inability to update information in SCPT after submitting the supply chain plan and decided to ensure that the 2023 acquisition plan is aligned with the budget. The 2023 budget preparation guidance issued by OSCM reiterated the call to align the annual supply chain and budget planning processes by ensuring that budgets are based on the supply chain plan and then further aligning the supply chain plan with the approved budget. Despite this, the total planned acquisition for 2023 was 7 per cent below the proposed budget of \$5,983,100. As of April 2023, UNTSO had not yet reconciled the acquisition plan with the approved budget. This could hinder the implementation of the plan.

19. UNTSO did not have effective procedures to ensure that planners reconciled their supply chain plans with proposed budgets and updated the former in a timely manner. The recent assignment of a second staff member to the Acquisition Planning Unit is expected to help improve oversight of acquisition planning.

**(1) UNTSO should implement procedures to ensure supply chain plans are aligned with proposed budgets and updated in a timely manner.**

*UNTSO accepted recommendation 1 and stated that guidance issued by the Department of Operational Support in May 2023 on operationalizing rolling planning would facilitate alignment of the demand plan with the budget.*

Need to improve supply chain plan monitoring through integrated business planning meetings

20. Integrated Business Planning (IBP) meetings bring together all stakeholders to review the status of supply chain plans and serve as a forum for relevant cross-functional business decisions. The Terms of Reference for IBP meetings at SCOG outline the activities that must be included in the local IBP process to ensure effectiveness. These include identifying: (i) potential synergies between requirements for goods and services, (ii) major deviations from the supply chain plan and the causes/reasons for the deviations, (iii) potential actions for unplanned requirements, and (iv) priorities and challenges associated with implementing major projects.

21. UNTSO monitored its acquisition plan through local IBP meetings. There were four local IBP meetings in 2021 and five in 2022. However, a review of the meeting minutes indicated that the IBP meetings were not effectively used as a monitoring and decision-making tool as intended. Instead, the meetings primarily served as a platform for supply chain sections to update technical sections on the status

of acquisition plan implementation and provide updates on procurement, logistics and other supply chain matters. In addition, records indicated that several required IBP activities had limited or no discussion. For example, unplanned procurements accounted for 23 and 15 per cent of total procurements in 2021 and 2022, respectively. However, there were no detailed discussions of the causes and potential actions for unplanned requirements.

22. To achieve substantive results from IBP meetings, relevant staff needed to be present and involved in the discussions. The governance structure for IBP meetings recommends that the chiefs of the SCM and Service Delivery Pillars co-chair the meetings, as this is good practice. The terms of reference for the IBP meetings also require the heads of the technical sections to be present at the IBP meetings. However, the meeting minutes indicated that the Chief of SCM was the only pillar head present at the meetings. The heads of technical sections were absent from several meetings, sometimes without a representative from their sections. This hindered discussions at the meetings and limited the effectiveness of IBP activities and the oversight of the acquisition plan in UNTSO.

**(2) UNTSO should improve Integrated Business Planning (IBP) by ensuring that: (i) the heads of the Supply Chain Management and Service Delivery pillars co-chair meetings; (ii) all required section chiefs are present at meetings; and (iii) agenda and activities at meetings are consistent with the terms of reference for local IBP meetings and other relevant guidance.**

*UNTSO accepted recommendation 2 and stated that section chiefs in IBP meetings would allow for genuine discussion and timely action on key issues related to end-to-end supply chain planning activities. The Mission also stated that the Chief Service Delivery or his Officer-in-Charge would ensure attendance at IBP meetings and the agenda for the meetings would be approved by the Chief or Officer-in-Charge of Supply Chain Management.*

### **C. Sourcing and contract management**

#### Limited competition could hinder the achievement of the best value for money

23. UNTSO followed the Procurement Manual to determine solicitation methods for procuring goods, works and services using both formal and informal bidding. Maximizing competition was essential to achieve the best value for money. However, effective competition was limited by the following:

- Limited availability of approved suppliers to provide services in restricted areas: Restrictions on activities on the Syrian side of the Golan required that potential vendors for each Request for Proposal (RFP) be reviewed and approved by a designated government official before RFP documents could be issued. The review generally resulted in a significantly reduced list of approved suppliers. For example, two reviewed solicitations for major construction services had resulted in the award of contracts to the same vendor at 39 per cent above the estimated cost.
- Low turnover from published tenders: UNTSO generally received a low number of positive responses to published RFPs. For example, of 22 vendors invited to bid on information technology equipment and supplies, only two submitted bids. In another case, 16 vendors were invited to bid for motor vehicle insurance services, but only one vendor submitted a bid. In 20 competitive solicitations reviewed, even though the Mission issued requests for proposals/quotations and invitations to bid to an average of 13 suppliers, it received an average of 3 bids.



24. UNTSO had not implemented consistent tracking practices to identify and analyze the reasons for low response to bid invitations. As a result of limited bids, the competition was limited to only a few suppliers, which could hinder the achievement of the best value for money.

**(3) UNTSO should seek to improve competition by identifying and analyzing the reasons for low bidding and exploring ways to improve responses to bid invitations.**

*UNTSO accepted recommendation 3 and stated that the Procurement Section would seek feedback from invitees for all solicitations that result in fewer than five offers or a response rate of less than 50 per cent.*

#### Need to improve document filing and retention practices

25. The Procurement Section created a file for each contract. In 2020, restrictions imposed by the COVID-19 pandemic encouraged the digitization of files throughout the Organization. Accordingly, UNTSO began maintaining electronic procurement files on SharePoint. Copies of contracts and their amendments were uploaded to Umoja, and bids submitted in hard copy were filed in physical folders.

26. The Procurement Manual requires that files contain, at a minimum, documents and relevant correspondence related to the following phases of the procurement process: pre-award, solicitation, submission, evaluation, award, post-award and contract administration. A review of 30 procurement files showed that there were gaps in document storage. In 18 of 30 procurement files reviewed, key documents such as source selection plans, responses to expressions of interest, evaluation reports, regret letters and final invitation lists were missing. In some cases, staff had documents in their mailboxes and personal files and provided them upon request; however, some documents could not be located. A significant portion of the missing documents was related to procurement activities in 2020 when staff teleworked for an extended period during the COVID-19 pandemic. Upon return to work, procurement files were not reviewed to ensure they had been updated with all relevant documents. In addition, letters and relevant correspondence regarding approving potential vendors for bidding in restricted areas were not forwarded to the Procurement Section to be retained in the appropriate procurement files. UNTSO organized procurement files per the job aid for electronic filing of procurement documents issued in May 2022 but needed to ensure that all relevant documents related to each case were filed.

**(4) UNTSO should improve document filing and retention by reviewing case files to ensure all relevant documents and correspondence are included in their procurement files.**

*UNTSO accepted recommendation 4 and stated that the filing of procurement-related documents would be restructured with a checklist.*

#### Need to improve oversight of low-value acquisitions

27. Technical sections may procure goods and services up to \$10,000 in value under low-value purchases, provided certain criteria are met. The requirements in the Procurement Manual include the absence of existing contracts and the non-recurring need for the goods/services to be procured. During the period reviewed, UNTSO procured 194 LVAs totalling \$608,956. The Mission used LVAs to meet some recurring needs. Table 2 provides examples of recurring purchases from the same vendor through LVAs.

**Table 2: Recurring Low-Value Acquisitions**

<b>Description</b>	<b>Frequency (Number of purchase orders)</b>	<b>Period</b>	<b>Amount (\$)</b>
Paints and related supplies	8	2021 and 2022	20,327
Medical consumables	3	2021	21,135
Computer accessories	5	2020	13,458

*Source: Analyzed information from Umoja Business Intelligence*

28. UNTSO contracted with a vendor to supply paint and accessories from 2018 through 2021, with two optional one-year extensions. In October 2020, the responsible technical section reported that the supplier was not meeting delivery requirements and product specifications and decided to terminate the contract on 30 June 2021 without exercising the extension option. However, this decision was reversed in 2021 when the Section requested an extension of the contract through February 2022 with an increase in the not-to-exceed contract amount while sourcing paints and related supplies through LVAs.

29. In the absence of a requisitioning office in UNTSO, the technical sections had to establish their respective shopping carts, creating an enabling environment for silo requisitioning. Combined with inadequate forecasting and aggregation of requirements, this led to the use of LVAs for recurring purchases.

30. A review of a sample of 30 LVAs showed that, contrary to the requirements of the Procurement Manual, requisitioners did not provide adequate documentation in Umoja to support the use of LVAs. In 17 of the transactions reviewed, the use of LVAs was not substantiated. In 16 cases reviewed, requisitioners also did not adhere to the requirement to obtain at least three vendor quotes. Of the 16 cases, justification for sole sourcing was documented and approved in 6 cases.

31. The above occurred because the Mission did not adequately oversee the use of LVAs. Consequently, the best value for money may not have been achieved.

**(5) UNTSO should: (i) improve oversight of low-value procurement to ensure that its use is adequately justified in Umoja; and (ii) ensure that all low-value procurement conditions set forth in the Procurement Manual are met.**

*UNTSO accepted recommendation 5 and stated that whilst low-value procurements were under the oversight of the Self Accounting Units, the newly created Acquisition Management Unit would review the process and serve as a filter for their creation to ensure greater scrutiny, proper use and justification of low-value procurements and compliance with the terms and conditions set forth in the Procurement Manual.*

The use of systems contracts could be improved

32. The United Nations Procurement Division (UNPD) has implemented systems contracts throughout the Secretariat to minimize repetitive bidding for the same commodities and achieve economies of scale. UNTSO procured 27 per cent of its requirements during the audit period through systems contracts. The low use of systems contracts was mainly due to: (a) location-specific services such as utilities, real estate leasing, and construction services that were not available through system contracts; (b) local restrictions such as regulations requiring the use of vehicles with specifications not available through existing system contracts; and (c) restrictions on imports into Syria.

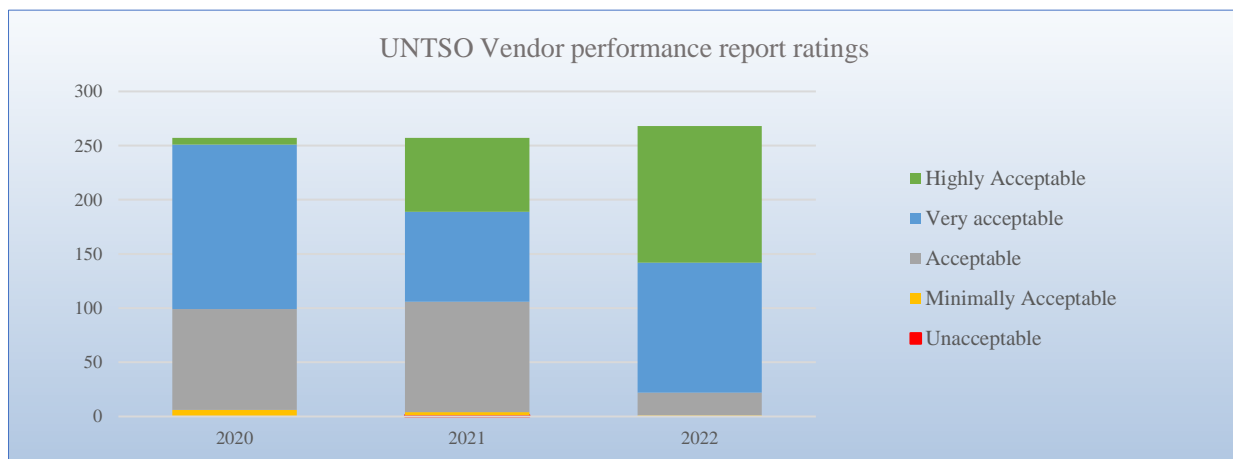
33. In a few cases, UNTSO used informal solicitation methods, including LVAs, to procure commodities available through systems contracts without justification. Improved oversight of LVAs would ensure that existing contracts are properly considered in procuring goods and services.

Vendor performance ratings showed improved results

34. Contract Managers are required by the Financial Regulations and Rules and current contract management policies to properly manage contracts throughout the contract life cycle. To facilitate this, the Procurement Manual requires responsible contract management staff to continuously monitor vendor performance through reports, meetings and inspections. Documentation of vendor performance evaluation and ranking is summarized in CPRT.

35. UNTSO produced 782 quarterly reports on contract performance in CPRT between 2020 and 2022. Reporting in CPRT was triggered by the receipt of goods/services during the quarter. The CPRT contact person assigned the reports to the appropriate staff in the technical sections and coordinated their completion. The average time UNTSO took to complete quarterly reports after they were released in CPRT improved from 35 days in 2020 to 17 days in 2022. The CPRT dashboard showed vendor performance has generally improved over the past three years, with an increase in very acceptable and highly acceptable performance ratings (figure 2).

**Figure 2: Average vendor performance ratings in the Contract Performance Reporting Tool**



Data source: CPRT dashboard

36. While improved vendor performance was commendable, performance ratings were not validated by key performance indicator (KPI) monitoring reports. Instead, requisitioning sections used generic contractor performance reports to assess, among other things, compliance with the scope of work and specifications without reference to the KPIs required in the statement of requirements. In addition, there was no indication that KPIs were used beyond their inclusion in the contract documents. Consequently, the basis for the vendor evaluation could not be determined.

**(6) Requisitioning sections should periodically assess contractors' compliance with key performance indicators and use the assessments to prepare contractors' performance reports.**

*UNTSO accepted recommendation 6 and stated that the Procurement Section would ensure that requisitioning sections include assessments of key performance indicators with their contractor performance reports.*

### Need to improve contract management

37. Delays in contract renewals led to extensions beyond the end of the contracts while new RFPs were underway. UNTSO also used LVAs to procure goods and services following the expiration of contracts for regularly consumed goods and services. Four of 12 selected contracts for regularly consumed services were extended beyond their end dates to allow the Mission to use services until new contracts were in place. In addition, 3 of the 30 LVAs reviewed were used to procure goods and services for which contracts had expired and new contracts were yet to be established.

38. Delays in the renewal of contracts increase the risk of disruption to Mission operations due to the unavailability of goods and services needed for effective operations. For example, in November 2022, the Mission's server infrastructure experienced an operating system failure that took storage systems offline. This caused Internet and Wi-Fi connectivity, printing, domain authentication and other services to be down for several hours. Although temporary measures were taken to reduce the impact of the outage, operations were interrupted because the required systems were unavailable. The servers, each with four-year useful life, had been in use since 2015. However, vendor support for server maintenance and its operating system ceased after the manufacturer announced it would begin end-of-life procedures in 2019. As a result, the Mission had to diagnose and resolve the problem internally. UNTSO explained that the old servers had not been replaced because UNPD had not renewed the system contract for the servers; however, the current system contract was finalized in September 2020. The servers and operating system have since been replaced.

39. UNTSO performed several construction activities during the audit period. These included rehabilitating and upgrading three observation posts, perimeter fencing work, and consulting services related to the refurbishing buildings at UNTSO headquarters. There were significant differences between the estimated and final contract costs and significant delays in execution. In addition, two contracts for the rehabilitation of observation posts were amended without change orders. For one of the two contracts, an additional cost of \$67,218 arising during contract implementation was only communicated to the Procurement Section and subsequently to the Local Committee on Contracts after the project was completed.

40. The contract management deficiencies stem from the Mission's lack of a Contract Performance Evaluation Unit with the expertise and guidance to ensure that contract management requirements are met throughout the contract period in accordance with contract terms and conditions. As UNTSO takes steps to restructure the Acquisition Management Section, contract management is expected to improve. Therefore, OIOS did not make a recommendation.

## **D. Inventory and warehouse management**

### Need to improve inventory and warehouse management

41. The Mission had centralized warehousing operations and established a Centralized Warehousing Section (CWS) within the Supply Chain Pillar. While the technical sections managed their respective inventories, the CWS was responsible for warehouse-related activities, including physical receipt of goods, storage, issue and disposal of inventory. UNTSO held inventory in warehouses at the Jerusalem headquarters and four field stations. CWS provided warehouse management support to the field offices.

a. Inventory management

42. Commodity Managers in the technical sections are responsible for controlling and monitoring inventory, managing stock levels by monitoring demand and expected deliveries, monitoring physical counts, and approving and issuing commodity shipments to other locations. Umoja provides stakeholders with tools to monitor and analyze their inventory levels and review inventory trends. The supply chain performance reporting dashboard also provides visualizations that show performance trends for the defined KPIs across the supply chain function.

43. UNTSO held and used inventory in 3,284 different material types between 2020 and 2022. As of 31 December 2022, inventory holdings were valued at \$1,853,148, of which 66 per cent (or \$1,219,650) had no movement in the last 12 months. Consistent with this, the Mission's 2022 inventory coverage report showed significantly low performance on KPIs associated with inventory coverage, as shown in figure 3. Stock coverage measures how long stocks will last. Significantly high dead stocks<sup>4</sup> indicate that the Mission may be holding obsolete stocks.

b. Warehouse management

44. UNTSO has centralized warehousing operations at its headquarters in Jerusalem and carried out effective warehouse management. During a visit to the warehouse, OIOS found that items were neatly organized, and bins and shelves were well-labelled, facilitating their identification. In addition, warehouse staff conducted regular inventory counts and reconciled physical quantities with Umoja's records. Spot counts conducted at warehouses in Jerusalem and Naqoura of 91 and 55 inventory items, respectively, showed that inventory was accurately accounted for in Umoja.

45. In the Tiberias field office, the inventory was managed in a decentralized manner by the respective technical sections. However, this practice contradicted two of the fundamental principles of centralized warehousing: (i) the establishment of centralized inventory management in both central and sector warehouses for all missions; and (ii) the maintenance of separation of roles between the actors involved in inventory, asset and property management, as well as their respective responsibilities for inventory replenishment, custody and use.

46. The Tiberias outstation kept inventory in various storage locations to facilitate access for use. In many cases, the storage locations described in Umoja did not match the actual storage locations. In addition, storage locations were not used to facilitate the organization and tracking of inventory items. A random inventory count by OIOS identified minor discrepancies between the inventory on hand and the records in Umoja, although responsible staff reported no discrepancies in previous counts. These discrepancies occurred because the CWS could not exercise adequate control over the stockpile due to its decentralized structure.

**(7) UNTSO should: (i) review its inventory and make changes to improve inventory coverage and reduce dead stock; and (ii) centralize warehouse management at the Tiberias field office to improve oversight of inventory and warehouse management.**

*UNTSO accepted recommendation 7 and stated that the Central Warehouse and Supply Chain Performance Management Units would forward inventory reports to the responsible sections for appropriate action.*

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<sup>4</sup> Stocks that have not been used over an extended period of time.

## E. Supply chain performance management

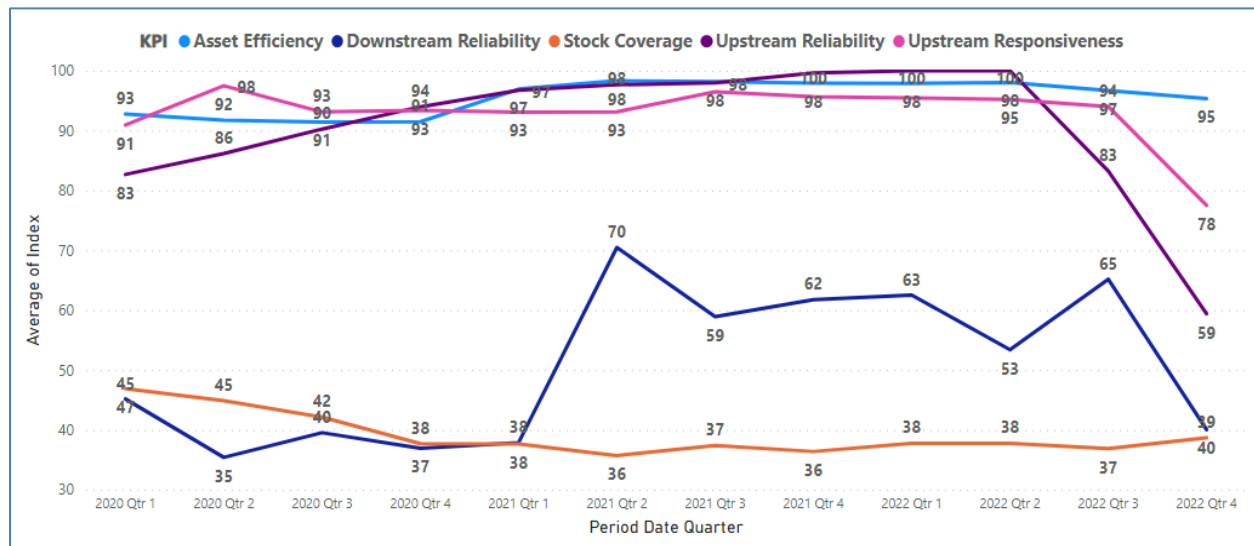
### The Mission needed to bridge gaps in monitoring supply chain performance management

47. Supply chain performance management is essential to maintaining the effectiveness of the supply chain function. The Supply Chain Performance Management Framework (SCPMF) issued by OSCM establishes KPIs to measure the overall health of the United Nations Secretariat supply chain. A Power BI dashboard facilitates the operationalization of the KPIs, enabling entities to analyze and self-diagnose the health of their supply chains and take necessary corrective actions as needed.

48. The Performance Management and Business Intelligence (PMBI) units are responsible for performance analysis of end-to-end business processes integrated into the supply chain and performance reporting using the supply chain performance management framework based on Supply Chain Operational Reference Model (SCOR) metrics and mission specific KPIs. At UNTSO, PMBI only monitored performance metrics related to asset management efficiency. Asset management efficiency is one of five SCOR performance attributes<sup>5</sup> that measure the overall health of the supply chain function. The other attributes, such as responsiveness, reliability, agility and cost, were not actively monitored. In addition, UNTSO had not established mission specific KPIs to measure supply chain performance.

49. The gaps in monitoring supply chain performance occurred because the Supply Chain Pillar had not established clear requirements and procedures for monitoring KPIs. Responsibilities for monitoring KPIs for stock coverage and supply chain reliability and responsiveness were not assigned, resulting in performance monitoring gaps. A review of historical results in the supply chain performance dashboard showed that UNTSO consistently attained high results for asset efficiency-related KPIs, while stock coverage and downstream reliability needed improvement. This is illustrated in figure 3 below.

**Figure 3: Supply Chain historical performance report 2020 to 2022**



Source: Supply chain performance dashboard

<sup>5</sup> The Asset Efficiency attribute indicates the age of the fixed assets base to enable improved management of asset portfolios. Reliability measures perfect order fulfilment for items purchased from commercial vendors (upstream) and items issued from stock (downstream). Responsiveness is the speed at which supply chain provides products to customers. It measures solicitation time (upstream) and source cycle times for purchasing transfer and delivery. Stock Coverage assesses material utilization by identifying excessive levels of inventory and/or slow-moving stock.

- (8) UNTSO should improve overall supply chain performance by clarifying responsibilities for monitoring key performance indicators (KPIs) and implementing measures to improve performance on all KPIs.**

*UNTSO accepted recommendation 8 and stated that the Supply Chain Performance Management and Business Intelligence Unit had been tasked with monitoring all key performance indicators and following up on performance improvement actions with responsible parties.*

## **F. Supply chain risk management**

### The Mission needed to improve supply chain risk management practices

50. UNTSO conducted a comprehensive risk assessment for the first time in 2017 as part of the enterprise risk management process. Identified risks were assessed in light of the Mission's mandates, objectives and overall strategic priorities. Following this process, the Mission developed a risk register. The risk register is reviewed regularly by the UNTSO Risk Management Committee, most recently in 2022. The 2022 register contains ten risk areas (with eight medium and two low residual risks). UNTSO has identified one risk related to SCM, i.e., supply chain disruptions due to natural, social, political or economic phenomena, with moderate residual risk.

51. Delegation of authority (DoA) and segregation of duties are key components of risk management within the supply chain function. Staff must also acquire the appropriate knowledge and skills to conduct procurement and other supply chain-related activities in a free and fair manner and to ensure best value.

#### a. Delegation of authority

52. The DoA framework provides greater flexibility to support mandate implementation in field operations. The UNTSO Head of Mission has sub-delegated procurement authority to CMS, who has further delegated authority to procurement officials. Delegated procurement authority is a prerequisite for obtaining the procurement approver role in Umoja, and LVAs should be approved by procurement officers or certifying officers with delegated authority.

53. The Business Transformation and Accountability Division of the Department of Management, Strategy, Policy and Compliance also identified instances of non-compliance in UNTSO in its quarterly DoA reviews. These included:

- Umoja roles without active delegated authority,
- DoA that remains active after staff are separated, and
- Sub-delegation of procurement authority to a staff member outside of the procurement function without written approval from OSCM.

54. UNTSO has addressed non-compliance instances in the quarterly monitoring reports and improved oversight of implementing the DoA framework to prevent further instances of non-compliance.

#### b. Segregation of duties

55. The SCOG provides guidance on the segregation of duties within the supply chain function. In conjunction with the Umoja Role Guide, this facilitates the assignment of roles and responsibilities in a manner that supports effective risk management.

56. A review of the role assignments in Umoja revealed instances where the role assignments conflicted with the segregation of duties. These included the following:

- A Transport Assistant held both the service delivery planner and the order releaser roles in Umoja, allowing users to both create/modify and review/release service orders. Another Transport Assistant held a role which allowed maintenance and modification of material records across all sections in UNTSO without limiting access to the Transport Section only.
- Five users were assigned both the low-value acquirer and the petty cash user roles. These roles allow users to create and modify low-value procurement orders and manage petty cash using the Umoja petty cash ledger function. The risk of misappropriation was partially mitigated by separating procurement and approval roles.
- A Property Control and Inventory Assistant had access to roles that allowed the creation of shopping carts for inventory items, the initiation of low-value acquisitions and the receipt of goods. According to the Umoja role guide, users with receiving authority should not have roles for low-value purchases or creating shopping carts.

57. In the above cases, there was no evidence that adequate justification was provided prior to approving and assigning incompatible roles to a single user. UNTSO had also assigned conflicting roles to users in the Umoja IBP environment contrary to the segregation of duties guidelines. According to the Supply Chain Planning Tool Role Guide, a local demand planner should not be assigned the role of a senior demand planner, price planner, or local source planner; however, multiple staff were assigned two or more of these roles. The pricing planner role, typically assigned to procurement/acquisition planners, was assigned to a budget assistant, as were the local demand planner and procurement planner roles. The Mission attributed the inadequate segregation of roles in supply chain planning to the limited availability of alternates due to staffing constraints and indicated that justification was provided to OSCM to request exceptions to the segregation of duties. However, a copy of this justification was not provided upon request.

c. Training

58. Procurement staff had completed all seven mandatory trainings for individuals working in procurement listed in the Secretary-General's bulletin on United Nations mandatory learning programmes (ST /SGB/2018/4). In November 2020, OSCM introduced an additional requirement for procurement officers to be certified at a certain level by an internationally recognized certification body. The deadline for certification was 31 December 2022, after which OSCM offered to grant a six-month extension until June 2023 upon request. By March 2023, 2 out of 4 UNTSO procurement staff had successfully earned the certification. One of the two remaining staff members had passed all exams and met other requirements for certification, while the other was still awaiting the final exam results.

59. UNTSO has continuously revised the composition of its Local Committee on Contracts in accordance with ST /AI/2011/8. All committee members completed the required courses prior to their appointment.

**(9) UNTSO should review role assignments in Umoja to ensure they are consistent with staff responsibilities and that responsible managers provide adequate justification before assigning conflicting roles.**

*UNTSO accepted recommendation 9 and stated that cases would be reviewed individually to ensure compliance.*



#### **IV. ACKNOWLEDGEMENT**

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

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of Supply Chain Management in the United Nations Truce Supervision Organization

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	C/ O <sup>8</sup>	Actions needed to close recommendation	Implementation date <sup>9</sup>
1	UNTSO should implement procedures to ensure supply chain plans are aligned with proposed budgets and updated in a timely manner.	Important	O	Receipt of evidence of implementation of the guidance issued by the Department of Operational Support in May 2023 for the operationalization of rolling plans.	Not provided
2	UNTSO should improve Integrated Business Planning (IBP) by ensuring that: (i) the heads of the Supply Chain Management and Service Delivery pillars co-chair meetings; (ii) all required section chiefs are present at meetings; and (iii) agenda and activities at meetings are consistent with the terms of reference for local IBP meetings and other relevant guidance.	Important	O	Receipt of documentation confirming that: (i) IBP meetings are co-chaired by the heads of Supply-Chain Management and Service Delivery pillars; (ii) required section chiefs attend IBP meetings; and (iii) the agenda and activities at meetings are consistent with the terms of reference for local IBP meetings and other relevant guidance.	31 December 2023
3	UNTSO should seek to improve competition by identifying and analyzing the reasons for low bidding and exploring ways to improve responses to bid invitations.	Important	O	Receipt of Procurement Section's documented action of tracking and analyzing bids with low responses.	31 December 2023
4	UNTSO should improve document filing and retention by reviewing case files to ensure all relevant documents and correspondence are included in their procurement files.	Important	O	Receipt of evidence of implementation of the restructured procurement filing system.	31 July 2023
5	UNTSO should: (i) improve oversight of low-value procurement to ensure that its use is adequately justified in Umoja; and (ii) ensure that all low-value procurement conditions set forth in the Procurement Manual are met.	Important	O	Receipt of: (i) evidence of enhanced oversight on LVAs by the Acquisition Management Unit; and (ii) evidence of compliance with the Procurement Manual for low-value procurement.	31 December 2023

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>9</sup> Date provided by UNTSO in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of Supply Chain Management in the United Nations Truce Supervision Organization

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	C/ O <sup>8</sup>	Actions needed to close recommendation	Implementation date <sup>9</sup>
6	Requisitioning sections should periodically assess contractors' compliance with key performance indicators and use the assessments to prepare contractors' performance reports.	Important	O	Receipt of assessment of contractors' compliance with key performance indicators in preparing contractor performance reports.	31 December 2023
7	UNTSO should: (i) review its inventory and make changes to improve inventory coverage and reduce dead stock; and (ii) centralize warehouse management at the Tiberias field office to improve oversight of inventory and warehouse management.	Important	O	Receipt of inventory reports showing improved inventory coverage and centralization of warehouse management at the Tiberias field office.	31 December 2023
8	UNTSO should improve overall supply chain performance by clarifying responsibilities for monitoring key performance indicators (KPIs) and implementing measures to improve performance on all KPIs.	Important	O	Receipt of evidence of monitoring of key performance indicators and follow-up with responsible parties on performance improvement actions.	31 December 2023
9	UNTSO should review role assignments in Umoja to ensure they are consistent with staff responsibilities and that responsible managers provide adequate justification before assigning conflicting roles.	Important	O	Receipt of evidence of review of role assignments in Umoja with adequate justifications for assignment of conflicting roles.	31 December 2023

# **APPENDIX I**

## **Management Response**

UNITED NATIONS



NATIONS UNIES

**TRUCE SUPERVISION ORGANIZATION**

**INTEROFFICE MEMORANDUM**

**Date:** 19 June 2023

**To:** Mr. Kemal Karaseki, Acting Chief  
Peacekeeping Audit Service Internal Audit Division, OIOS

**From:** Major General Patrick Gauchat  
Head of Mission and Chief of Staff

**Subject:** **Draft Report on an Audit of Supply Chain Management in the United Nations Truce Supervision Organization-UNTSO (Assignment No. AP2022-674-02)**

1. I refer to your memorandum reference # OIOS-2023-00962, on the draft report of an audit of Supply Chain Management in UNTSO, 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. Michael Tarallo, Chief of Mission Support, UNTSO  
Mr. Ibrahim Bah, Chief, Middle East Regional Audit Office, IAD, OIOS  
Ms. Francia Palomino, Chief Supply Chain Management, UNTSO  
Ms. Lindita Hoxha, Audit Focal Point, UNTSO

## Management Response

## Audit of Supply Chain Management in the United Nations Truce Supervision Organization

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNTSO should implement procedures to ensure supply chain plans are aligned with proposed budgets and updated in a timely manner.	Important	Yes	CMS, Chief Supply Chain	TBD (UNHQ will advise)	Reference to DOS -2023-01279 dated 01 May 2023 Guidance for operationalization of Rolling Planning establishes a structured quarterly planning process with the flexibility and agility of a continuous 24 month rolling demand plan. This will facilitate the path to align the plans with the budget.
2	UNTSO should improve Integrated Business Planning (IBP) by ensuring that: (i) the heads of the Supply Chain Management and Service Delivery pillars co-chair meetings; (ii) all required section chiefs are present at meetings; and (iii) agenda and activities at meetings are consistent with the terms of reference for local IBP meetings and other relevant guidance.	Important	Yes	CMS	December 2023	(i) Attendance of Service delivery unit Chiefs will facilitate in-depth discussion and timely action on key issues related to end-to-end Supply chain activities. (ii) Chief Service Delivery or OIC will ensure attendance. (iii) Chief Supply Chain or OIC will approve the IBP agenda
3	UNTSO should seek to improve competition by identifying and analysing the reasons for low bidding and exploring ways to improve response to bid invitations.	Important	Yes	Chief Supply Chain, Chief Procurement	December 2023	Procurement Unit will ensure that the list of invitees for each solicitation includes the minimum number of vendors indicated in Chapter 5.7 of the Procurement Manual to boost international competition. However, for some requirements that by nature can be procured only locally,

<sup>1</sup> 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.

<sup>2</sup> 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.

Management Response

Audit of Supply Chain Management in the United Nations Truce Supervision Organization

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>especially in remote areas and areas of the mission with political sensitivities, lists are sometimes limited to a few local vendors. It should be noted that Chapter 6.2, Para 6.2.1 of the Procurement Manual stipulates the following:</p> <p>“A low number of offers received from prospective contractors in response to a solicitation is not necessarily an indication of an absence of effective international competition, given that industries, geographical markets, and individual requirements may have idiosyncrasies that affect the number of viable and responsive competitors.”</p> <p>In many cases, Procurement Unit contacts invitees to querying their reasons for not participating in solicitations in order to improve the process. However, that has not consistently be done for all cases.</p> <p>Procurement Unit will ensure feedback from invitees for all solicitations that generate less than 5 offers or where the level of responses is less than 50%. This should be implemented immediately with</p>

## Management Response

## Audit of Supply Chain Management in the United Nations Truce Supervision Organization

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						results to be observed by end of September 2023.
4	UNTSO should improve document filing and retention by reviewing case files to ensure all relevant documents and correspondence are included in their procurement files.	Important	Yes	Chief Supply Chain, Chief Procurement	July 2023	The Procurement filing system is being restructured with a check list. This should be fully implemented by end of July 2023.
5	UNTSO should: (i) improve oversight of low-value procurement to ensure its use is adequately justified in Umoja; and (ii) ensure that all low-value procurement conditions set forth in the Procurement Manual are met.	Important	Yes	Chief Supply Chain, Chief Acquisition Management Unit	December 2023	LVA's are under the oversight of the Self Accounting Units. The newly created Acquisition Management Unit will review the process and serve as filter for the creation of LVA's, which will ensure greater scrutiny and proper use and justification for LVAs as per conditions set forth in the Procurement Manual.
6	Requisitioning sections should periodically assess contractors' compliance with key performance indicators and use the assessments to prepare contractors' performance reports.	Important	Yes	CMS, Self-Accounting Units	December 2023	Whereas assessment of vendors against key performance indicators is the responsibility of Requisitioning sections, PS will ensure that KPI assessments are attached with Contractor Performance Reports (Annex 24 of the PM) received from requisitioning sections.
7	UNTSO should: (i) review its inventory and make changes to improve inventory coverage and reduce dead stock; and (ii) centralize warehouse management at the Tiberias field office to improve oversight of inventory and warehouse management.	Important	Yes	CMS, Self-Accounting Units	December 2023	Central Warehouse and Performance Management send stock and holdings reports to the SAU's for appropriate action as the action owners are from Service Delivery Pillar and ORM



## Management Response

## Audit of Supply Chain Management in the United Nations Truce Supervision Organization

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Pillars as well as medical and Security.
8	UNTSO should improve overall supply chain performance by clarifying responsibilities for monitoring key performance indicators (KPIs) and implementing measures to improve performance on all KPIs.	Important	Yes	Chief Supply Chain	December 2023	The Supply Chain Performance and Business Intelligence Unit is tasked to monitor all the Supply Chain KPIs and follow up on measures to improve the performance. This forms part of the units' routine work and work initiated on April 2023. The monitoring and alerting will be done at a monthly interval. Kindly note that some of the action owners of the performance are under Service Delivery Pillar and hence information will be shared with them for their appropriate action.
9	UNTSO should review role assignments in Umoja to ensure they are consistent with staff responsibilities and that responsible managers provide adequate justification before assigning conflicting roles.	Important	Yes	Security Liaison Officer	December 2023	The Security Liaison Officers will review case by case and ensure compliance.