Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2024/090

Audit of procurement and management of selected engineering systems contracts

Actions were needed to enhance procurement competitiveness and contract management for engineering systems contracts

26 December 2024
Assignment No. AG2024-619-01

Audit of procurement and management of selected engineering systems contracts

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and management of selected engineering systems contracts. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over procurement and management of selected engineering systems contracts, which were long term agreements to provide engineering materials and services to Secretariat user-entities such as peacekeeping and special political missions. The audit covered the period from 1 January 2021 to 31 December 2023 and included procurement and management of 55 engineering systems contracts, with not-to-exceed amounts totaling $1.45 billion, supporting six categories of engineering materials and services.

The procurement process for engineering systems contracts needed improvement to enhance competitiveness. Three vendors were awarded 18 contracts that accounted for 57 per cent of the total not-to-exceed values of the 55 engineering contracts. Further, several contracts awarded to the top three vendors were repeatedly extended from two to eight years, without going to the market. Additionally, market research and outreach activities conducted for the six categories of engineering materials and services did not sufficiently analyze and identify market conditions and prominent industry vendors to increase the vendor pools. Also, the Procurement Division primarily relied on searches on the United Nations Global Marketplace and issuance of requests for expressions of interest to identify potential vendors to participate in solicitation exercises without considering additional options.

OIOS made two recommendations. To address issues identified in the audit, OSCM needed to:

- Accelerate the establishment of engineering systems contracts by, among others: (a) stipulating the timely completion of statements of requirements and technical evaluations for the related procurement actions as key performance goals in the work plans of the Engineering Support Section and responsible staff members; (b) expanding the practice of assigning these tasks to engineering experts across the Secretariat; and (c) managing potential delays through source selection plans; and

- Enhance analysis of market conditions, expand sources of information in search for potential vendors, and organize outreach activities for relevant areas and categories, to identify prominent industry vendors and increase the vendor pool for engineering systems contracts.

DOS accepted the recommendations and implemented the one on engineering systems contracts. Actions required to close the remaining recommendation are indicated in Annex I.

CONTENTS

Audit of procurement and management of selected engineering systems contracts

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and management of selected engineering systems contracts.

2. Engineering systems contracts are global long-term agreements centrally established at United Nations Headquarters to provide required engineering materials and services to Secretariat user-entities such as peacekeeping and special political missions. The intended benefits of engineering systems contracts are to: achieve economies of scale and competitive prices through consolidating demands of user-entities; offer user-entities that may not have technical expertise, readily available specialty engineering solutions; eliminate the need and time taken to undertake local procurement actions; and provide standardized products to reduce installation, operation and maintenance costs.

3. Table 1 is a summary of 55 engineering systems contracts in force between 1 January 2021 and 31 December 2023 with total not-to-exceed (NTE) and release values of $1.451 billion and $979.98 million, respectively. These contracts supported six categories of engineering materials and services, namely, accommodation, energy, water and wastewater management, interior furnishing, physical security, and solid waste management. Of the 55 contracts, 16 had expired and 39 were still active as of 31 December 2023. United Nations Misson in South Sudan (UNMISS) and United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA) were the largest users of the contracts.

Table 1: Engineering systems contracts under six categories in force during 2021-2023 (amounts in millions of United States dollars)

Category	Number of contracts	NTE value	Release value
Accommodation	9	509.47	371.40
Energy	19	401.81	299.05
Water & wastewater management	10	324.99	215.29
Interior furnishings	5	104.02	57.08
Physical security	5	102.73	35.48
Solid waste management	7	8.24	1.68
Total	**55**	**1,451.26**	**979.98**

4. The Engineering Support Section (ESS), in the Sourcing Support Service (SSS), Logistics Division (LD), Office of Supply Chain Management (OSCM), is responsible for leading needs assessments, developing statements of requirements (SOR), and conducting technical evaluations of the proposals received from solicitation exercises. ESS, led by a chief at the P-5 level, has 11 posts. ESS and user-entities of these contracts are responsible for various aspects of managing the contracts.

5. The Engineering and Infrastructure team (EIT) and the Security team, in the Facilities, Construction and Security Section, Technology and Infrastructure Support Service, Procurement Division (PD), OSCM, are responsible for solicitation and financial evaluation of bids, and administration of global engineering systems contracts. EIT and Security team, each led by a Team Leader at the P-4 level, have six and four posts, respectively. The Team Leaders report to the Section Chief, at the P-5 level.

6. To record and manage the data needed to support the procurement and management of engineering systems contracts, OSCM used several systems and tools, including Umoja, United Nations Global Marketplace (UNGM), Contract Performance Reporting Tool (CPRT), Instant Feedback System (IFS), and Supply Chain Performance Report Dashboard.

7. Comments provided by DOS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over procurement and management of selected engineering systems contracts.

9. This audit was included in the 2024 risk-based work plan of OIOS due to financial, operational and fraud risks related to the selected contracts.

10. OIOS conducted this audit from February to June 2024. The audit covered the period from 1 January 2021 to 31 December 2023. Prior and later periods were also covered as applicable for trend and comparative analyses. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in procurement and contract management.

11. The audit methodology included: (a) interviews with key personnel of OSCM and the United Nations Global Support Centre (UNGSC), and engineering experts in UNMISS and MINUSCA; (b) review of relevant documentation; (c) assessment of systems and tools, including CPRT, IFS and the Supply Chain Performance Report Dashboard, as well as practices and processes for data management; (d) analytical review of relevant data including review of contract utilization rates and purchasing trends; and (e) sample testing of controls including in-depth reviews of 4 contracts to assess the adequacy of statements of requirements (SORs) and technical and commercial evaluation methodologies and to reperform the evaluations to confirm the accuracy of scoring; 3 contracts to ascertain the accuracy of invoice payments; and all 8 contracts that offered discounts for accurate processing of discounts.

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

III. AUDIT RESULTS

A. Procurement

<u>There was a need to enhance procurement competitiveness through timely development of SORs and completion of technical evaluations</u>

13. OIOS identified a few factors that could militate against effective international competition in the procurement process for engineering systems contracts, as described below. These issues could create an appearance of vendor lock-in, potentially discouraging new vendors from investing time and effort to participate in solicitations for engineering systems contracts.

(a) Large proportion of requirements was supplied by a small number of vendors

14. The 55 engineering systems contracts in force over the audit period were awarded to 30 vendors from 15 countries. These included three vendors that were awarded 18 contracts that accounted for 57 and

58 per cent of the total combined NTE and release values of engineering contracts, respectively, as shown in Table 2. Vendors B and C actively bid for and were awarded multiple contracts across the six engineering categories.

Table 2: Statistics of engineering systems contracts to the top three vendors that were in force during the audit period (in millions of United States dollars)

Top three vendors	NTE*	Release Value*	Number of contracts	Number of categories
Vendor A (France)	$326.39	$259.71	2	1
Vendor B (China)	$347.64	$228.21	10	4
Vendor C (Switzerland)	$150.99	$82.04	6	5
Total of top three vendors	**$825.02**	**$569.96**	**18**	**-**
Total of 55 contracts	**$1,451.26**	**$979.98**	**55**	**6**
% by top three vendors	**57%**	**58%**	**33%**	**-**

*Accumulated amounts from respective contracts inception dates to 31 December 2023

(b) Contracts to the top three vendors were repeatedly extended without going to the market

15. Contracts for several requirements were awarded to the top three vendors for long durations with repeated extensions of contract terms and significant volume increase without going to the market, as described below.

(i) Vendor B for wastewater treatment equipment

16. Contract PD/C0239/10 was established in January 2011 with Vendor B for a total duration of five years (three years with an option to extend the contract for two additional one-year periods, referred as 3+1+1 years hereafter). However, the contract was extended 13 times for an additional eight years to 2023 beyond the initial five years without going to the market. PD and ESS stated that a replacement contract could not be established in a timely manner because the process of preparing and issuing requests for proposals was cancelled twice to allow for significant revisions to SORs. The total accumulated NTE amount increased to $129.5 million or by 150 per cent from the initial NTE amount of $79.19 million. The total release value was $121.9 million. In 2023, the incumbent vendor B was awarded the replacement contract PD/C0231/23 for 3+1+1 years, following a new solicitation exercise.

(ii) Vendor B for solar photovoltaic (PV) diesel hybrid power systems

17. Vendor B was also awarded three contracts consecutively for a total duration of about 15 years to supply solar PV diesel hybrid power systems. The first contract PD/C0198/10 was awarded in 2013 for three years. The replacement contract PD/C0006/16 was awarded in 2016 for three years but was extended 10 times for a total of four years beyond the initial three years without going to the market. LD and PD explained that the SOR development was delayed due to lack of an electrical engineer for about two years. The issue of staffing resources in ESS is further discussed below. The initial NTE amount of contract PD/C0006/16 was $17.98 million and increased 2.5 times to $44.87 million. The release value of the contract totaled $44.26 million. In 2023, the incumbent vendor B was awarded for the replacement contract PD/C0199/22 for one year with an option to extend the contract for four additional one-year periods (1+1+1+1+1 years) with NTE amount of $78.2 million.

(iii) Vendor C for 250, 350, 500 and 750 KVA generators

18. Contract PD/C0185/17 for generators was established with Vendor C in 2017 for five years (3+1+1 years) expiring in September 2022 but was extended by at least two years. In July 2022, LD requested the approval of the Assistant Secretary-General, OSCM for a waiver from formal methods of solicitation to extend the contract for two additional years until September 2024, which was granted. LD attributed its request to limited staffing resources in ESS at that time and the need to prioritize development of SOR for the requirement for a turnkey renewable energy solution.

19. In its request for the waiver, LD stated that it aimed to complete the SOR and enable PD to issue solicitation documents to the market by December 2022 and establish a new contract by 30 September 2023. Anticipating the possibility that the solicitation process may go beyond one year to complete, LD requested an option to extend the contract for two additional one-year periods (1+1 years) until October 2024. However, it appears that PDC0/185/17 would need to be further extended beyond October 2024, as SOR was finalized September 2023, instead of prior to December 2022. OIOS was informed that LD was conducting technical evaluation of the bids as of June 2024.

(iv) Vendor A for modular pre-fabricated buildings/accommodations

20. Contract PD/C0161/15, which had been established with Vendor A in 2015 for five years (3+1+1 years) until 2019, was extended for four additional years without going to the market until January 2024. According to ESS and PD, this was largely due to delays in the SOR development caused by retirement of the responsible lead engineer. Also, it took time to reflect new guidance, such as the Elsie Initiative, into the SOR development. The Elsie Initiative seeks to increase and retain female civilian and uniformed personnel in peacekeeping operations through the improvement of camp layouts, accommodations, ablutions, and recreational facilities. The initial NTE amount of the contract was 162.6 million euros and increased to 307.6 million euros or 189 per cent. Total accumulated release value was 247.3 million euros.

21. PD and LD explained that an unstable market and the supply chain crisis during the COVID-19 pandemic posed challenges to undertake proper solicitations, which contributed to the above-mentioned contract extensions for the top three vendors. However, OIOS noted that repeated contract extensions were also attributable to delays in developing SORs for inclusion in solicitation documents and in completing technical evaluations of bids due to staffing constraints, and inadequate action to manage the related risks.

22. During the audit period, 4 of the 11 posts in ESS were vacant including the chief of section, whose duties were performed by an officer-in-charge for two years after the former chief's retirement. While all four vacant posts had been filled and a chief was formally recruited during the audit, ESS still faced staffing challenges and sometimes called upon engineering experts in UNGSC and missions to assist in developing SORs and conducting technical evaluations. More of such assignments would help to reduce the delays and OSCM informed OIOS that this was being envisaged through the new terms of reference for category management roles as part of the OSCM 2.0 initiative. The new terms of reference were issued in September 2024 and needed to be followed through to ensure effective implementation.

23. Furthermore, the ESS work plan, as well as those individual staff, needed revision to better stipulate timely initiation and completion of SORs and technical evaluations as key performance goals. The ESS work plan, while indicating the need to develop SORs and conduct sourcing activities in a timely manner, did not indicate specific actions to be taken and key performance indicators. Also, ePerformance documents of two key ESS staff members did not mention the need for timely initiation and completion of SORs and technical evaluation.

24. Additionally, the risk of delays in the completion of SORs and technical evaluations was only mentioned in the source selection plan[1] (SSP) for the requirement of wastewater treatment equipment out of the 18 contracts reviewed, although the SSP did not mention any risk mitigation measures. As SSPs are required to be approved by senior managers of OSCM and shared with the Headquarters Committee on Contracts (HCC), the inclusion of these risks with possible impact of repeated contract extensions and reduced procurement competitiveness may focus the attention of all the officials involved in the procurement process for prompt action to address them.

(1) OSCM should take steps to accelerate the establishment of engineering systems contracts by, among others: (a) stipulating the timely completion of statements of requirements and technical evaluations for the related procurement actions as key performance goals in the work plans of the Engineering Support Section and responsible staff members; (b) expanding the practice of assigning these tasks to engineering experts across the Secretariat; and (c) managing potential delays through source selection plans.

DOS accepted recommendation 1 and stated that OSCM had already taken necessary steps to accelerate the establishment of engineering systems contracts. These included ESS workplans stipulating timely completion of SORs and, as part of the category management strategy, sharing relevant tasks with UNGSC, whose staffing shortage had largely been resolved. In addition, the SSP establishes the timelines for every solicitation stage.

No exceptions were identified in the technical and commercial evaluations of bids while ESS noted the need to avoid demanding requirements in SORs

25. OIOS reviewed the adequacy of SORs and technical and commercial evaluation methodologies and re-performed technical and commercial evaluations to confirm the accuracy in the scoring given by the evaluation teams for four sampled contracts: PD/C0199/22 for energy, PD/C0231/23 for wastewater management, PD/C0292/23 for interior furnishing, and PD/C0002/24 for accommodation with NTE amounts of $78.2 million, $105.3 million, $34.2 million and 142.3 million euros, respectively.

26. There were no reportable issues identified. However, the audit noted that contract PD/C0199/22 required operating temperature for batteries for containerized/climatized systems to operate in a range from -20°C to 60°C. This requirement seemed excessively demanding, considering no mission was located in regions experiencing these temperature ranges and batteries and inverters were intended to be placed in a containerized/climate-controlled environment. Several vendors who attended the bidders' conference communicated to ESS and PD that it was difficult for them to meet the required operating temperature range and inquired whether a range from 10°C to 50°C or 0°C to 50°C would be acceptable, which however ESS did not accept.

27. Such a demanding requirement could become entry barriers with vendors, believing they do not have capacity to meet them fully, choosing not to participate in the bidding exercise for the contract. As ESS stated that it would continuously review and minimize excessively demanding requirements in future SORs, OIOS did not make a recommendation.

[1] The source selection plan is an instrument that serves as the procurement strategy for individual procurement cases through which PD and the requisitioner, e.g., ESS, jointly identify and describe their decisions on key procurement matters such as selection of sourcing methods, solicitation, team composition and scoring methodology for technical and commercial evaluations, and risk factors to achieve the best value for money.

Need to increase the vendor pool for engineering systems contracts

(a) Market analyses by category management teams were limited

28. Robust market research and outreach are essential to increase the pool of qualified vendors. Procurement Manual 5.2 states that during the development of category management strategies,[2] extensive market research should be conducted that can be drawn upon for individual solicitations where relevant. OSCM adopted the category management approach as a primary foundation of its supply chain management vision and strategy in 2015 and constituted a team for each of 40 identified product categories used in the Secretariat. Category management teams, composed of staff members from OSCM and other Secretariat entities such as UNGSC and missions, finalized the strategies for their respective categories in 2020/21.

29. Each category management strategy for the six engineering categories comprehensively analyzed spend data and existing systems contracts internally available within the Secretariat. However, some strategies did not sufficiently analyze factors such as market conditions, major industry vendors, and similar contracts of other United Nations organizations, for which the results were indicated as 'No' or 'Limited' as shown in Table 3. For example, only one and two teams conducted a comprehensive analysis of market conditions and identified industry prominent vendors, respectively. OSCM needed to enhance its analysis of market conditions and outreach activities to identify prominent industry vendors and increase the vendor pools for engineering systems contracts.

Table 3: Summary of the 2020/21 supply market analyses in six category management strategies

Components/Categories	Accommodation	Energy	Water and wastewater	Solid waste management	Interior furnishing	Physical security
Analysis of spend data	Yes	Yes	Yes	Yes	Yes	Yes
Analysis of existing systems contracts	Yes	Yes	Yes	Yes	Yes	Yes
Analysis of similar contracts of other UN organizations	No	No	Yes	Yes	Limited	No
Industry analysis for market conditions	No	No	Yes	Limited	Limited	Limited
Industry analysis for identification of major vendors in the industry	No	No	Yes	Yes	No	No

Source: OIOS compilation of the 2020/21 supply market analyses of six category management teams

(b) Outreach and sources of information on potential bidders needed to be expanded

30. Further, OSCM needed to expand its outreach activities to raise awareness of potential bidders of United Nations engineering requirements. According to the records provided, OSCM either organized or attended the following outreach events specific to the six categories during the audit period:

i. Held a global business seminar for security category in 2021 with 248 virtual attendants.
ii. Attended a global trade fair focusing on water and wastewater treatment equipment in 2022.
iii. Held a local business seminar in Central African Republic for engineering requirements with 16 in-person attendants in 2023.

[2] Through which a range of similar or related goods and services that an entity acquires are grouped and managed with greater understanding of both the needs of the clients and the dynamics of the supply markets.

31. OSCM indicated that it carried out more outreach activities through other outreach events not specific to the six categories. In OIOS view, these outreach events were not sufficient for the six engineering categories considering the high volume and technical specialty requirements. Also, the accommodation category team recommended to enhance outreach activities to vendors located in Africa for after-sales services, as their proximity to large user-entities could potentially reduce transportation time and cost. However, no action has been taken.

32. Furthermore, there was a need to expand sources being used to identify potential vendors. The internal and external sources mentioned by the Procurement Manual and SSPs for engineering systems contracts included UNGM search, requests for expression of interest (REOI), other United Nations organizations, relevant journals and trade publications, "WeConnect" global vendor database, and market/internet searches. A review of SSPs for eight contracts showed that PD mostly relied on UNGM search and REOI to identify/source vendors. Sourcing options through "WeConnect" global vendor database and market/internet searches were used only for three and two contracts respectively.

(2) OSCM should, to identify prominent industry vendors and increase the vendor pool for engineering systems contracts: (a) enhance analysis of market conditions and expand sources of information in search for potential vendors; and (b) organize outreach activities with specific focus on identifying potential vendors in relevant areas and categories.

DOS accepted recommendation 2 and stated that category management incorporated continuous analysis of market conditions and expanding the sources of information, which, together with outreach activities, would increase the pool of potential vendors for each specific area.

B. Contract management

User-entities could minimize year-end purchasing spikes and regularly review stock levels

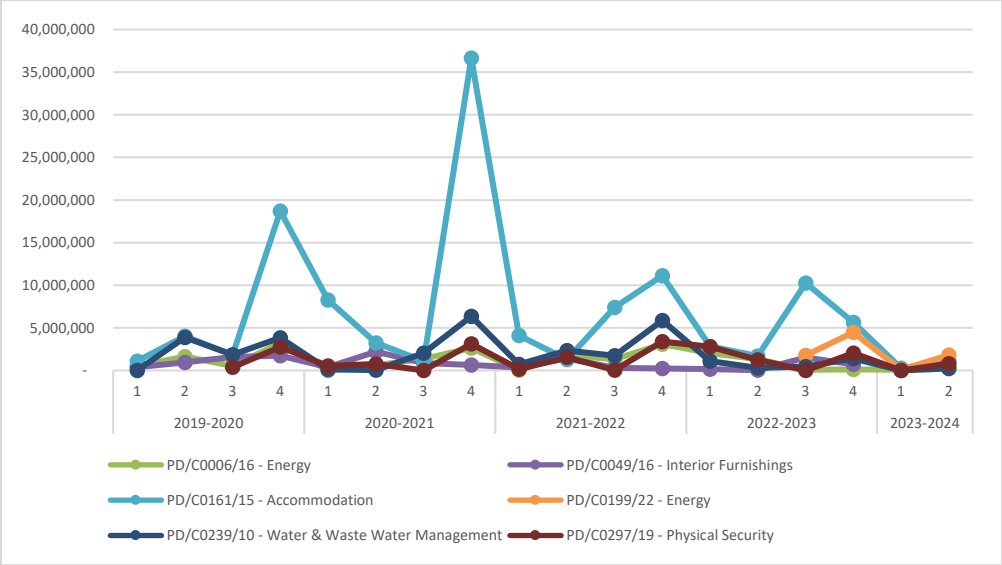
33. The average utilization rate[3] of engineering systems contracts during the audit period was 77 per cent across the six categories. The utilization rates for accommodation, water and wastewater management, energy, and interior furnishing categories were 75, 81, 84 and 85 per cent, respectively, while they were 26 and 42 per cent for solid waste management and physical security categories, respectively. PD and LD explained that utilization of the global engineering systems contracts was affected by movement restrictions during the COVID-19 pandemic and unforeseen closure of the mission in Mali. Also, the contracts for solid waste management and physical security categories had been established recently.

34. OSCM had made efforts to provide user-entities with information on the utilization and other details on systems contracts during annual chief engineers' conferences and integrated business planning meetings. OSCM also provided relevant information on systems contracts through the annual OSCM business guidance for supply chain planning, online catalogue, category management dashboard, and category management community of practice in SharePoint. In interviews with OIOS, engineering experts in UNMISS and MINUSCA, which were the largest users of the systems contracts, stated that they were aware of the systems contracts and these contracts in general met their needs. A review of records showed that these two missions purchased relevant engineering equipment only through the systems contracts, except for minor purchases of spare parts in isolated cases. Also, during the audit period, there were no requests for local procurement authorities for requirements already covered by systems contracts.

[3] Utilization rate represents total accumulated release values of contracts divided by NTE values, and were prorated for the audit period from January 2021 to December 2023

35. However, a review of large contracts per category indicated that user-entities raised much more purchase orders in the fourth quarter than at the beginning of the fiscal year.

Chart 1: Purchase orders by quarters for selected global engineering systems contracts in 2019-2024



36. Spikes in year-end purchasing could be seen as a way to avoid losing allotted funds by purchasing items that were not critically needed. Also, this happened despite the sizable volume of stocks held by user-entities. As of July 2024, the Equipment Visibility and Analysis Dashboard of DOS indicated that the Secretariat held stock balances of $90.5 million in acquisition value and $49.6 million in net book value for the six categories reviewed. Further, 36, 9 and 5 per cent of the stock were held between 12 and 24, 24 and 36, and more than 36 months, respectively. OSCM stated that it has provided advice to user-entities through the integrated business planning mechanism to regularly review their stock level and conduct purchasing activities throughout the fiscal years. The user-entities had authorities and responsibilities for managing purchases.

Vendor performance monitoring

37. The main performance monitoring tools in use were CPRT and IFS. User-entities and OSCM actively used CPRT and IFS to rate vendors' performance for each purchase order on scales ranging from one to five and provide specific feedback to the vendors on their performance as needed. Also, OSCM maintained the Supply Chain Performance Report Dashboard for capturing information on and advising user-entities of the time taken in the supply chain processes between ordering, shipping, receipt and inspections, and warehouse processes. For example, the Dashboard showed that, from July 2023 to June 2024, the end-to-end supply chain processes for the top three vendors of the global engineering systems contracts took 217 and 270 days on average for UNMISS and MINUSCA, respectively. The bulk of the period was for shipping as on average, it took vendors about 96 days to deliver items to freight forwarders.

38. A review of relevant records showed that user-entities worked closely with ESS on vendors' performance issues. For example, user-entities communicated to ESS leaking problems with pre-fabricated buildings and delays in installation of hangar tents, which ESS followed up with the vendors and resolved. UNMISS and MINUSCA mentioned that interactions with and support from ESS to resolve quality and timeliness issues for engineering equipment were positive.

Controls to ensure accurate invoice payment were adequate

39. The accuracy of payment of invoices for engineering systems contracts depended on the accurate assignment of unit prices to itemized materials and services in Umoja. When a systems contract came into effect, ESS mapped the itemized materials and services to relevant product identification (PID) numbers, which PD then assigned the contract unit prices in Umoja. When the United Nations and vendor agreed to modify the contracted unit prices due to market and other changes after contract initiation, the contract was formally amended and signed by United Nations staff with appropriate procurement authority and the concerned vendor. PD updated the modified unit prices in Umoja in accordance with the amendment. When raising purchase orders, user-entities selected desired PID numbers in Umoja. There were no discrepancies between the unit prices in Umoja and invoiced by vendors for the three contracts reviewed.

Controls to earn prompt payment discounts were being enhanced

40. Three of the 55 systems contracts provided discounts for orders beyond specified quantities or value as stated in the initial terms of the contracts or subsequent amendments. PD, when the discounts became available, needed to update discounted unit prices in Umoja. A review of purchases totaling $119 million for three contracts confirmed that the unit prices were accurately updated.

41. Five of the 55 systems contracts provided the opportunity to earn prompt payment discounts (PPD). Most purchases for these five contracts were made by peacekeeping missions, and the Regional Service Centre in Entebbe (RSCE) on behalf of the missions was responsible for processing invoices within the specified periods to earn applicable PPD. However, RSCE did not pay invoices submitted by the vendors for the contracts within the time period specified in the PPD clauses, resulting in potential loss of PPD of up to $857,000, as summarized in Table 4.

Table 4: Opportunity for PPD

Contract No.	Contract status	Net invoiced value as of 31 May 2024	Opportunity for PPD*
PD/C0160/15	Expired	61,363,000	614,000
PD/C0226/16	Active	28,857,000	58,000
PD/C0201/16	Expired	17,965,000	180,000
PD/C0041/16	Active	2,107,000	4,000
PD/C0118/19	Expired	1,295,000	1,000
Total			**857,000**

*Calculated by applying PPD rate specified in the contracts to net invoiced value

42. RSCE, in response to an OIOS query, explained that it was not previously aware of the PPD clauses in these contracts. As RSCE is now aware and committed to earn PPD to the extent possible, OIOS did not make a recommendation.

IV. ACKNOWLEDGEMENT

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

Internal Audit Division
Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of audit of procurement and management of selected engineering systems contracts

Rec. no.	Recommendation	Critical[4]/ Important[5]	C/ O[6]	Actions needed to close recommendation	Implementation date[7]
1	OSCM should take steps to accelerate the establishment of engineering systems contracts by, among others: (a) stipulating the timely completion of statements of requirements and technical evaluations for the related procurement actions as key performance goals in the work plans of the Engineering Support Section and responsible staff members; (b) expanding the practice of assigning these tasks to engineering experts across the Secretariat; and (c) managing potential delays through source selection plans.	Important	C	Action complete	Implemented
2	OSCM should, to identify prominent industry vendors and increase the vendor pool for engineering systems contracts: (a) enhance analysis of market conditions and expand sources of information in search for potential vendors; and (b) organize outreach activities with specific focus on identifying potential vendors in relevant areas and categories.	Important	O	Receipt of steps taken to: (a) enhance market analysis and use other sources of information and methods beyond UNGM search and REOI; and (b) organize relevant outreach events.	31 March 2026

[4] 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.
[5] 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.
[6] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[7] Date provided by DOS in response to recommendations.

APPENDIX I

Management Response

United Nations Nations Unies

INTEROFFICE MEMORANDUM MEMORANDUM INTERNE

TO: Mr. Byung-Kun Min, Director
A: Internal Audit Division
Office of Internal Oversight Services

DATE: 23 December 2024

REFERENCE: DOS-2024-04295

CLASSIFICATION: Confidential

THROUGH:
S/C DE:

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

SUBJECT: **Draft report on audit of procurement and management of selected engineering systems**
OBJET: **contracts (Assignment No. AG2024-619-01)**

1. Thank you for the opportunity to comment on the draft OIOS report. Please find attached our comments on the recommendations in Appendix I.

2. We appreciate the excellent cooperation between the Office of Internal Oversight Services and the Administration and stand ready to provide any additional clarification that may be required.

CC: Fatoumata Ndiaye
Muriette Lawrence-Hume

APPENDIX I

Management Response

Audit of procurement and management of selected engineering systems contracts

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OSCM should take steps to accelerate the establishment of engineering systems contracts by, among others: (a) stipulating the timely completion of statements of requirements and technical evaluations for the related procurement actions as key performance goals in the work plans of the Engineering Support Section and responsible staff members; (b) expanding the practice of assigning these tasks to engineering experts across the Secretariat; and (c) managing potential delays through source selection plans.	Important	Closure requested	Part (a): Chief, ESS Part (b): Chief, ESS Part (c): Director, PD and Chief, ESS	N/A	OSCM requests for the closure of this recommendation, as the necessary steps have already been taken to accelerate the establishment of engineering systems contracts as follows: a. Engineering Support Section workplans stipulate timely completion of statements of requirements. b. Currently, these tasks are shared with the United Nations Global Service Centre teams (Environmental and Technical Support Unit Innovation & Infrastructure Support Section) as a requirement of the approved category management strategy. It should be noted that the challenge with a lack of ESS staff has largely been resolved. c. The Source Selection Plan is an agreement between the Procurement and Logistics Divisions that establishes the timelines for every solicitation stage.

[1] 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.

[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.

APPENDIX I

Management Response

Audit of procurement and management of selected engineering systems contracts

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	OSCM should, to identify prominent industry vendors and increase the vendor pool for engineering systems contracts, (a) enhance analysis of market conditions and expand sources of information in search for potential vendors; and (b) organize outreach activities with specific focus on identifying potential vendors in relevant areas and categories.	Important	Yes	Director, LD; Director, PD; and Chief, EOS	First quarter of 2026	General analysis of market conditions and expanding the sources of information is a continuous process under Category Management, working in collaboration with outreach activities to increase the pool of potential vendors. The administration will take measures to implement the recommendation. However, the target date might need to be adjusted based on the availability of such relevant solicitations as the action will have to be area specific.