Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2025/006

Audit of the management of strategic deployment stocks

While strategic deployment stocks have supported start-up and ongoing peace operations, their changing landscape necessitates a revision of the strategy and conceptual framework

28 April 2025
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Audit of the management of strategic deployment stocks

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of strategic deployment stocks (SDS). The objective of the audit was to assess the efficiency and effectiveness of the establishment, management and use of SDS. The audit covered the period from 1 July 2021 to 31 March 2024 and included a review of the SDS concept, governance, composition, financial management, procurement, and property management.

At the time of audit, a strategic forum had been established to evaluate the alignment of the current SDS concept with evolving needs of peacekeeping operations. The Department of Operational Support (DOS) needed to better utilize data analytics to reassess various SDS components such as stock composition and cost recovery model to enhance overall SDS management and utilization of stock. Additionally, stock readiness was not always ensured, and obsolete goods were not timely written off.

OIOS made four recommendations. To address issues identified in the audit, DOS needed to:

- Revise SDS composition based on detailed analysis of material criticality and supply chain capabilities;
- Systematically implement discounted pricing for older assets;
- Initiate procurement process for expired system contracts and establish new system contracts for additional SDS items; and
- Take measures to timely write off obsolete or damaged strategic deployment stocks.

DOS accepted the recommendations and initiated actions to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of the management of strategic deployment stocks

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of strategic deployment stocks (SDS).

2. SDS, proposed by the Secretary-General and endorsed by the General Assembly in its resolution 56/292 of 27 June 2002, was established to enhance the capability to rapidly deploy new peacekeeping missions (PKMs). The resolution outlined the SDS concept, its implementation and planning assumptions to guide the actual stock composition and its financing modalities. This initiative was rooted in the need for a strategic reserve of critical items with long procurement lead times, such as vehicles and engineering equipment, accommodation, and ablution units, to support the start-up phase of missions.

3. The General Assembly initially approved the establishment of SDS with a budget of $141.55 million to deploy a single complex mission. In 2011/12, this amount was reduced by $50 million, bringing the current funding level to $91.55 million.

4. The Strategic Deployment Solutions Board, established in 2022 and led by the Assistant Secretary-General of the Office of Supply Chain Management, is responsible for overseeing SDS performance, reviewing stock compositions, and addressing strategic issues. It is assisted by the SDS Strategic Forum, which was established in 2024. The SDS Unit within the Supply Chain Service of UNLB in Brindisi is responsible for developing and updating planning assumptions, composition review and the day-to-day operation, maintenance and issuance of SDS. The SDS Unit is headed by the Chief of Unit at the P-4 level, who reports to the Chief of Supply Chain Service of UNLB. The Chief of Unit is assisted by an international staff at the P-3 level and two local staff.

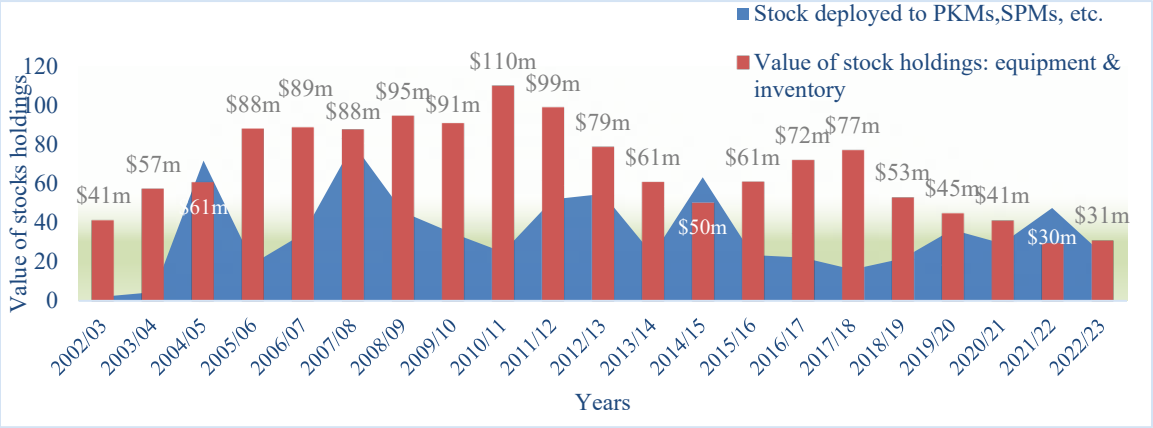
5. UNLB primarily used two applications for managing SDS. Umoja served as the central platform, managing all transactional data related to the receipt, issue, and accounting for inventory. In addition, UNLB developed an in-house SDS management application, SDSApp, which provided an online catalogue of SDS commodities, enabled automated workflow approvals for SDS requests, and facilitated comprehensive visibility of request processing from placement of order to dispatch of commodities.

6. Furthermore, the SDS Unit used the SDS capacity dashboard to provide visibility and detailed reports on inventory composition, current holdings, historical deployments, stock availability, utilization rates, and deployment readiness. This dashboard was supported by two additional management dashboards, namely, the supply chain management dashboard and the equipment visibility and analysis dashboard. All three dashboards were implemented using Power BI, enabling efficient data visualization and management reporting. Relevant data from Umoja was fed into the SDSApp and management dashboards.

7. From inception to 30 June 2023, SDS costing over $733 million have been deployed to support peace operations, representing 98 per cent of total usage of SDS, with the remaining 2 per cent deployed to other activities. The rate of deployment of SDS varied with two significant surges, one in 2007/08 due to the start-up of major PKMs such as the African Union-United Nations Hybrid Operation in Darfur (UNAMID) and United Nations Mission in the Central African Republic and Chad; and the other in 2014/15 due to the start-up phases of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) and United Nations Multidimensional Integrated Stabilization Mission in Central African Republic (MINUSCA). As of 30 June 2023, SDS physical assets were primarily composed of engineering, transport, information and communications technology, and medical equipment and inventory, totaling around $31 million (equipment at net book value and inventory at cost). Figure 1 is a graphical presentation

of the annual SDS deployment and stock holdings from 2002 to 2023, illustrating the utilization of SDS assets against the stock levels over time.

Figure 1: Annual SDS deployment and year-end stock holdings (2002-2023)



Source: United Nations Logistics Base (UNLB)

8. Comments provided by DOS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

9. The objective of the audit was to assess the efficiency and effectiveness of the establishment, management and use of SDS.

10. This audit was included in the 2023 risk-based work plan of OIOS due to the financial and operational risks associated with SDS in the Secretariat. Furthermore, OIOS last reviewed the establishment and use of SDS in 2017 (A/71/798). Since then, there have been significant changes in the lifecycle of PKMs and an increased delegation of authority to heads of missions.

11. OIOS conducted this audit from February to July 2024. The audit covered the period from 1 July 2021 to 31 March 2024. Based on an activity-level risk assessment, the audit covered higher and medium risk areas related to SDS concept, governance, composition, financial management, procurement, and property management.

12. The audit methodology included: (a) interviews with key personnel; (b) review of documents; (c) focus group meetings with various stakeholders from five major PKMs;[1] (d) assessment of SDSApp and management dashboards, including the SDS capacity dashboard with a particular focus on verifying the accuracy and completeness of the underlying data related to SDS inventory and equipment; (e) analytical review of data collated from management dashboards regarding inventory and equipment volume, equipment condition, inventory composition, utilization rates, deployment readiness, ageing of assets, depreciation and write-offs; and (f) physical verification of random sample of SDS.

[1] MINUSMA, MINUSCA, United Nations Mission in South Sudan (UNMISS), United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO) and United Nations Interim Security Force for Abyei (UNISFA). Participants included chiefs of service delivery management and of supply chain management.

13. To assess the reliability of data pertaining to the composition and current holdings of SDS inventory, OIOS: (a) interviewed key personnel knowledgeable about the data; (b) observed how data was updated into the SDSApp and dashboards in response to changes in master and transactional data; and (c) verified selected stock balances and physical condition of equipment through random inspection and count during physical verification of stock.

14. The audit was conducted in accordance with the Global Internal Audit Standards.

III. AUDIT RESULTS

A. SDS concept

The SDS concept was being re-evaluated

15. SDS were created to address challenges in rapid deployment capabilities of United Nations peacekeeping operations and aimed to secure minimum operational capacity within 90 days of Security Council approval of complex start-up missions. This initiative was introduced after a peak period of peacekeeping activities during the 1990s, when 34 missions were established, the highest number recorded in any decade.

16. However, since 2014, no new major PKMs have emerged and only 11 remained active in 2024. In contrast to the declining trends in PKMs, the number of SPMs increased over the years with 39 active SPMs in 2023, up from just 8 at the end of 2002. This shifted the primary utilization of SDS towards supporting existing operations of PKMs and SPMs, as well as other types of United Nations entities, such as United Nations Office for Project Services, United Nations Population Fund and World Food Programme.

17. This shift in the landscape of peace operations indicates that the original SDS planning assumptions in 2002 no longer align completely with present or anticipated needs. The Secretariat proposed a revised SDS concept in 2022 (A/76/730) aiming to expand the scope of support provided by SDS under the "One UN" framework. However, as reflected in the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) A/77/767/Add.6 of April 2023, UNLB informed the Committee that, in the absence of a General Assembly resolution on the new SDS concept, only limited pilot projects were being implemented regarding its operations. At the time of the audit, the SDS Strategic Forum was evaluating the alignment of the current SDS concept with evolving peacekeeping dynamics, with the first meeting of the Forum held on 8 July 2024.

DOS was committed to continuously evaluating the effectiveness of regional deployment stocks

18. To strategically position essential supplies closer to the operations and expedite deployment, particularly within the East African region, UNLB established regional deployment stocks (RDS) in Entebbe pursuant to General Assembly resolution 75/294 of July 2021. RDS, managed by a team of four staff within the Forward Support and Deployment Hub of the Regional Service Centre in Entebbe (RSCE), is primarily composed of goods that require no maintenance, such as United Nations blue accoutrements, prefabricated buildings, field defence stores, personal protective equipment, and ablutions.

19. The deployment from RDS has been limited; 10 deployments from inception in 2021 through 31 March 2024, totalling $826,156 or 25 per cent of the total stock, and 2.6 per cent of the overall deployment of SDS ($31.46 million) during the 2022/23 and 2023/24 fiscal years. As of 31 March 2024, RDS comprised 58 items valued at $3.3 million.

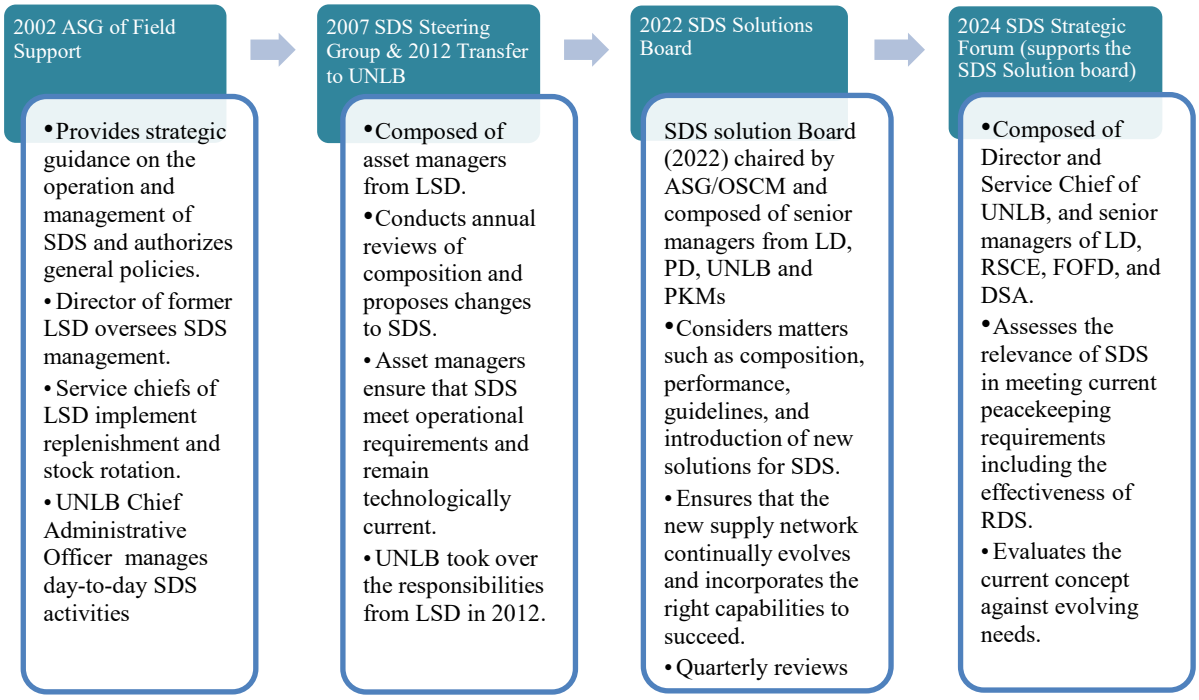
20. The 2022 revised concept of SDS also proposed the establishment of a limited number of additional regional hubs holding pre-positioned inventories to support nearby entities. However, the implementation of RDS and the proposal to establish other regional inventory hubs lacked comprehensive data and analysis to confirm their effectiveness or financial advantage. For example, delivery lead times from Brindisi versus potential time savings from storing goods at the Entebbe hub had not been benchmarked. At the time of audit, no additional hubs had been established. DOS stated that it will continue to assess the RDS initiative as appropriate. DOS advised that this matter was addressed in the RDS Proof of Concept report.

B. SDS governance

The governance structure for the management of SDS had evolved

21. At inception, the governance structure for the operation and management of SDS included the former Assistant Secretary-General for Field Support providing strategic guidance and authorizing general policies, while the Director of the former Logistics Support Division (LSD) was responsible for overall management, including planning, policy development, and stock replenishment. Over time, the governance structure evolved with the establishment of the SDS Steering Group in 2007, followed by the transfer of the function to UNLB in 2012, with the Director of UNLB taking over the responsibilities that were formerly assigned to the Director of LSD, and establishment of the Strategic Deployment Solutions Board in 2022. In 2024, a Strategic Forum was established to support the Board. The composition and functions of these structures are shown in figure 2.

Figure 2: SDS governance framework 2002-2024



Abbreviations: OSCM, Office of Supply Chain Management; LD, Logistics Division; PD, Procurement Division; FOFD, Field Operations and Finance Division; DSA, Division of Special Activities

22. During its tenure, the SDS Steering Group, in addition to conducting annual reviews of the SDS composition to maintain the rapid deployment capabilities, oversaw and advised on various aspects of SDS in terms of capability, inventory holdings, issuances, and replenishments. Since its inaugural meeting on 7 December 2022, the Strategic Deployment Solutions Board had convened five times up to 24 April 2024, reviewing a variety of areas including quarterly summaries of SDS activities, performance management, and stock compositions. In the January 2024 meeting, the Director, UNLB shared proposals considered by UNLB, including: (a) possible reduction in the overall size of SDS as a startup kit for peace operations, resulting in possible adjustments in the SDS composition, considering demand trends; and (b) additional usage scenarios, for instance, for medical emergencies, and humanitarian disasters, where SDS continues to be an indispensable tool. In addition, the Strategic Forum was evaluating the alignment of the current SDS concept with evolving peacekeeping dynamics. Despite the governance structure in place, weaknesses noted below on SDS utilization rates, ageing of assets, material readiness and write-offs indicated the need for more effective governance and management oversight.

C. SDS composition

Need to refine SDS composition based on a review of readiness, utilization and holdings

23. According to the foundational principles set out in the original concept (A/56/872 of March 2002), SDS were intended to support the operational readiness and rapid deployment of peacekeeping operations, necessitating that SDS resources remain current, serviceable, and responsive to operational needs. The 2007 SDS policy directive required that asset managers conduct annual reviews of SDS composition to ensure that equipment meet the operational requirements and are technologically current and that new capabilities are introduced as required along with expansion of current capabilities.

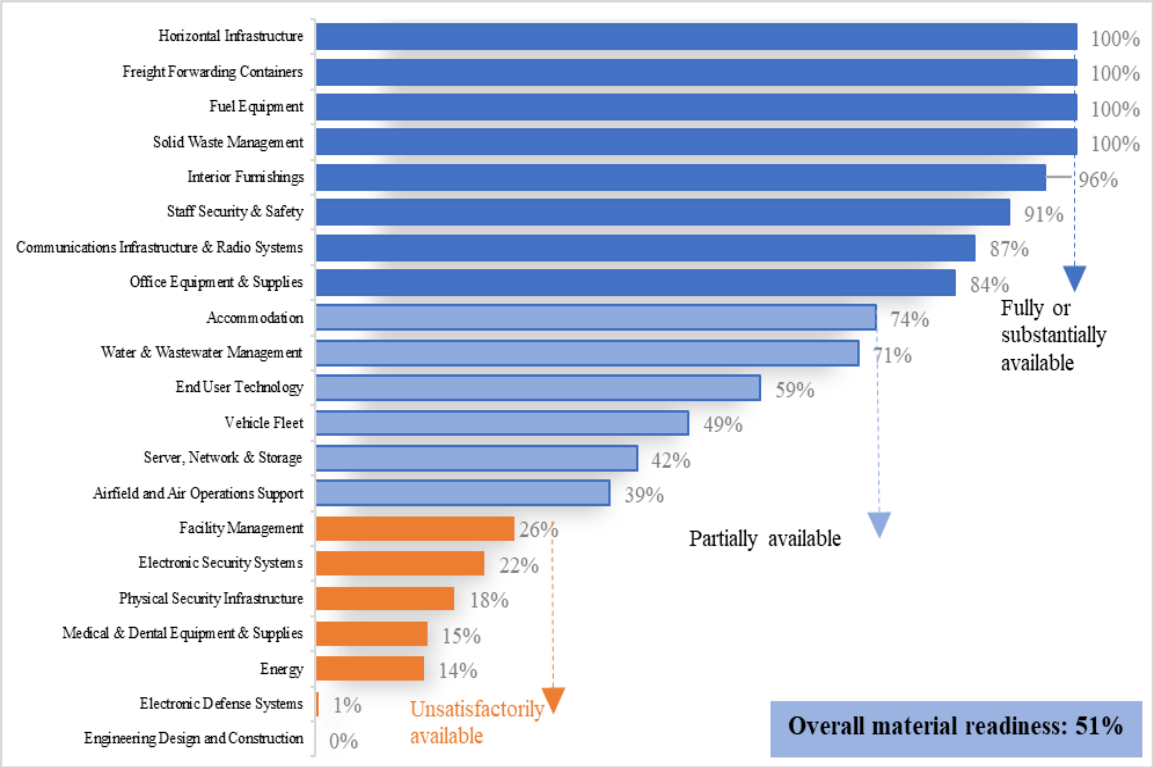
24. However, there was a need to review the readiness, utilization and holdings of SDS assets as detailed in the following paragraphs.

(a) SDS readiness

25. The SDS composition for 2023/24 was reviewed and necessary adjustments were approved by the Strategic Deployment Solutions Board in its quarterly meetings. A comparative analysis of the Steering Group/Board's approved annual stock composition for 2023/24 against the actual stock levels as of 31 March 2024 showed that the overall SDS readiness to meet the mission start-up requirements was 51 per cent,[2] potentially impacting the timely availability of critical materials for potential start-up missions, as indicated in figure 3. DOS advised and OIOS confirmed that UNLB rotated SDS by issuing stock to existing clients, and replenishment took 90-365 days. Goods replenished, but pending delivery also impacted stock readiness.

[2] Overall readiness is calculated using a weighted average of the readiness of each stock, based on the OIOS analysis of SDS stock holdings as of March 2024. The readiness of an individual stock item is determined by comparing the current quantity held as of a particular date to the total quantity that would be needed if a start-up mission were to be deployed on the same date.

Figure 3: SDS material readiness per category as of 31 March 2024



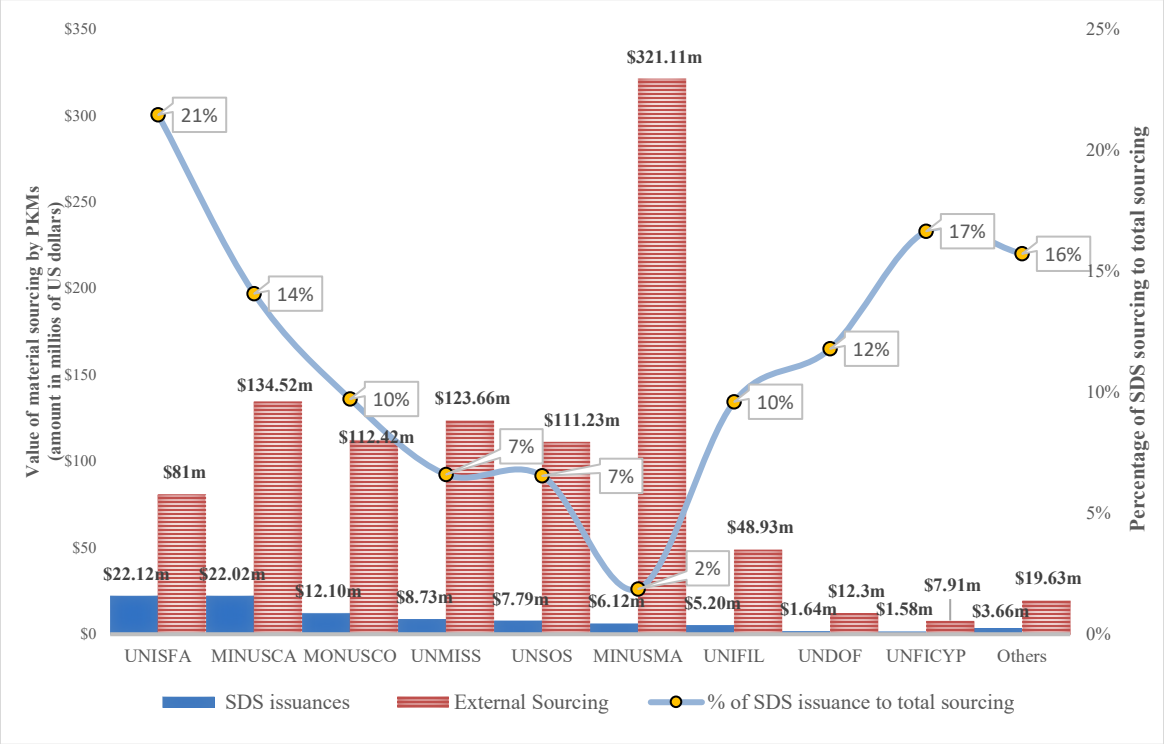
Source: OIOS analysis based on UNLB data
Note: Stock availability: 100%-75% = Fully/Substantially available, 74%-30% = Partially available, <30% = Unsatisfactorily available.

26. Compared with the approved stock composition, essential items like accommodation units (74 per cent) and vehicles (49 per cent) were partially available for deployment, while other crucial materials like facility management (26 per cent) and medical equipment (15 per cent) were significantly understocked. However, while replenishing SDS items to their approved levels is necessary to ensure readiness, it is important to consider that full restocking may result in unused supplies, given that no new peacekeeping missions have emerged since 2014.

(b) SDS issuances and holdings

27. As the last establishment of a new start-up mission was in 2014, SDS was used to support ongoing operational needs of existing peacekeeping missions at their request. Between July 2021 and March 2024, this amounted to approximately $90.8 million or 8.5 per cent out of their requirements totaling $1.07 billion, as shown in figure 4.

Figure 4: Comparison of internal versus external sourcing by missions (1 July 2021 to 31 March 2024)

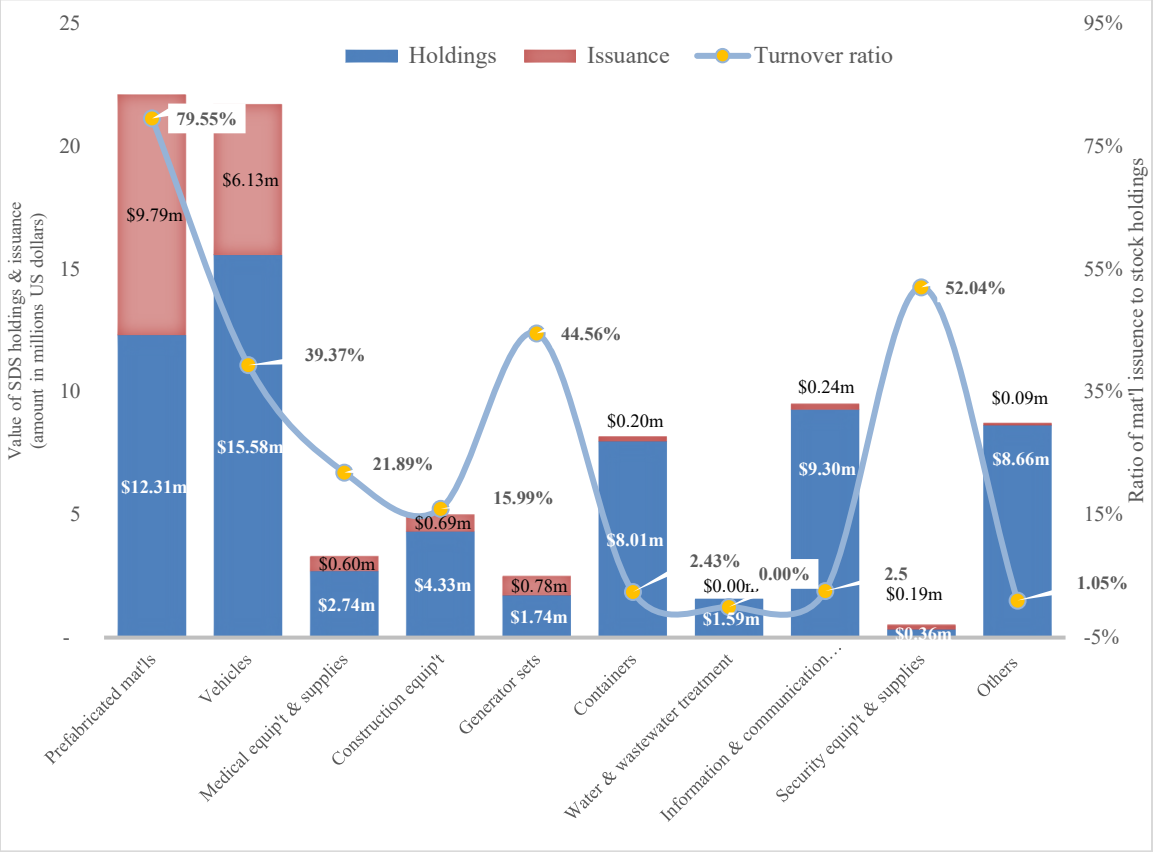


Source: Umoja BI & SDSApp

28. Prefabricated materials and vehicles were the most frequently requested items from SDS, followed by generator sets, construction equipment and medical equipment and supplies. While vehicles were mainly obtained from SDS, significant additional quantities of other items were purchased despite being held in SDS. Figure 5 shows that the capacity for SDS to meet mission requirements exceeded that which was being utilized. For example, OIOS noted that although SDS had prefabricated materials valued at $12.31 million as of 31 March 2024, missions only obtained materials totalling $9.79 million from SDS between 1 July 2022 and 31 March 2024, while opting to externally procure similar materials totaling $26.81 million during the same period. Similarly, containers amounting to $200,000 were obtained from SDS against a SDS stock holding of $8 million, while external purchases amounted to $13 million.

29. An analysis of stock rotation data maintained on SDS indicated that from 1 July 2022 to 31 March 2024, only 52 per cent of the total 1,432-line items valued at $64.62 million (or $41.17 million, representing around 65 per cent of value) were rotated, compared to an average rotation rate of 63 per cent (or, an average of $31 million or 57 per cent of the value) from 2020/21 to 2022/23. One of the functions of the newly constituted Strategic Forum is to advise the Strategic Deployment Solutions Board on the alignment of the current SDS composition vis-à-vis the changing requirements of peace operations. The issuance of selected categories of materials against stock holdings from 1 July 2022 to 31 March 2024 is shown in figure 5.

Figure 5: Ratio of material issuances to stock holdings (1 July 2022 to 31 March 2024)



Source: SDSApp data

30. There were many factors contributing to the relatively high SDS holdings compared to the utilization rates, especially for items that could benefit from frequent rotation such as information and communications (ICT) equipment. They include: (i) lack of automated identification of SDS items against demand requirements; and (ii) age of SDS equipment/items not needed for ongoing sustainability of missions. There was also an issue related to the cost of SDS items, which is discussed in part D of the report.

i. Lack of automated identification of SDS items against demand requirements

31. Until fiscal year 2021/22, the consolidated demand plan developed by the missions using the Demand Acquisition Planning tool facilitated the identification of items from existing reserves that could meet missions' demand requirements. However, the new supply chain planning tools introduced under Umoja Extension 2 lacked functionality to automatically highlight the availability of items from existing reserves in a user-friendly manner. Moreover, the UNLB clearing house[3] function did not have systematic procedures to regularly inform missions of available stock against their demand requirements, which hindered effective utilization of existing reserves including SDS. These gaps have deterred effective identification and consideration of internal sourcing opportunities.

[3] The clearing house is a function that independently verifies that all requests for acquisition are part of the approved demand plan and confirms that there are no available stocks from internal sources (UN reserves, Surplus and SDS) before considering acquisition from external sources.

32. OSCM and UNLB have been implementing some measures to address internal sourcing issues. These include enhancing visibility of field missions and other clients of items they may require using the Supply Chain Planning Tool (SCPT), and of various sources of supply such as entity surplus, United Nations reserves, SDS, return, refurbish and reuse programme or from system contracts. As the facilitator of the global integrated business planning process, UNLB also supported the entities in aligning the quarterly rolling plans for acquisitions with supply availability and plan execution. Furthermore, at the time of the audit, UNLB was in the process of implementing a new approach that involved a phased rolling out of a Business Intelligence dashboard intended to better track and promote the use of internal sourcing options.

ii. Age of SDS equipment/items not needed for ongoing sustainability of missions

33. An analysis of SDS equipment stock holding as of 31 March 2024 indicated that 43 per cent of equipment in terms of acquisition value ($21.06 million of $48.38 million) were not used for three years or more as shown in Table 1. DOS advised that lack of a policy to declare SDS as a default sourcing option impacted stock rotation and contributed to ageing of assets. OIOS noted that under the new delegation of authority, sourcing decisions were assigned to heads of entities.

Table 1: Age analysis for SDS equipment stock holdings as of 31 March 2024

Time in stock	Equipment acquisition value $	Percentage of total acquisition value	Number of equipment	Percentage of number of equipment
Less than 6 Months	11,478,297	24%	5,042	49%
06 to 11 Months	10,122,999	21%	1,908	19%
12 to 23 Months	3,746,379	8%	839	8%
24 to 36 Months	1,969,452	4%	142	1%
36 Months +	21,064,084	43%	2,298	23%
Total	**48,381,211**	**100%**	**10,229**	**100%**

34. Some of these items were mainly needed during the start-up phase of the missions. These include communications equipment inventory items, such as 19 wireless distribution systems and 2 communication shelters, procured in 2016 with an acquisition value of $1.4 million and $410,000, respectively, and 2 airport control towers, procured in 2017, with an acquisition value of $1.5 million. They accounted for approximately 35 per cent of the acquisition value of communications equipment held. Additionally, eight vehicles, six 4x4 trucks and two 6x6 trucks totalling $1.23 million had not been used for more than 10 years, almost reaching their estimated useful life. The initial one- to two-year warranties on these vehicles expired without use, and the availability of spare parts declined as newer models were introduced. Also, two containerized generator sets with a cumulative value of $420,000 had not been utilized in the past five years. However, UNLB continued to procure identical assets from July 2022 to 31 March 2024, including the purchase of an additional eight trucks valued at $860,000, a containerized generator set valued at $180,000, and five generator set enclosures valued at $62,000.

35. Advancements in global supply chain management, adoption of the category management approach, and technological progress have significantly altered the procurement landscape, and therefore, the nature of items needing to be held in SDS inventory to facilitate deployment of a start-up mission. For example, items such as laptops and printers, previously essential for inclusion in SDS due to their need for rapid mission deployment, now benefit from reduced lead times and are widely available through system contracts or local markets at many peacekeeping locations. Nevertheless, the audit noted that as of 31 March 2024, SDS inventory still included 183 laptops and 404 monitors, valued collectively at $600,000. DOS

advised that the delivery lead times had not changed much in the last 10 to 15 years and laptops, monitors, and printers are among the most critical items required for day-to-day operations of peace operations. However, OIOS is of the opinion that, given the widespread availability of these items in local markets and the existence of system contracts with significantly reduced delivery lead times, UNLB needed to reassess the necessity of retaining these items in stock, especially in the absence of new start-up missions.

36. Additionally, 10 product line items identified as low criticality by UNLB, such as solar systems, small generators and single module prefabricated structures, valued at $3.44 million, were included in the SDS composition. The storage of readily available ICT equipment and items of low criticality tied up resources in inventory that could otherwise be allocated to more critical assets. This increased opportunity costs and the risk of suboptimal utilization of warehouse resources and obsolescence, potentially compromising the SDS's overall operational readiness. Notably, ICT equipment totalling $690,000 and $1.38 million were written off in 2022 and 2023, respectively due to technological obsolescence.

(1) DOS should, based on detailed analysis of material criticality and supply chain capabilities, revise the current strategic deployment stocks composition to better utilize the materials.

DOS accepted recommendation 1 and stated that it would continue to conduct annual reviews of SDS composition in line with the 2002 SDS concept and 2007 SDS policy directive, with the next review planned for 2024-25.

D. SDS financial management

Need to review pricing of issuance of older assets

37. SDS are issued at replacement cost[4] plus freight,[5] charged to the receiving missions' budgets. Focus group discussions with five large PKMs revealed that this approach was often not cost-effective, as the missions needed to pay the replacement cost for acquiring older, depreciated goods, in addition to bearing two sets of freight costs. Focus group participants unanimously agreed that purchasing locally was sometimes more economical, complicating stock rotations from Brindisi. OIOS identified that UNIFIL externally procured eight containerized cold rooms (20 feet) in June 2023 for $24,300 each, significantly lower than the $38,961 replenishment value charged by UNLB to MINUSCA for the same materials in 2023/24. OIOS also noted that SDS value had increased over the years due to the issuance of materials at replacement cost, recoveries of freight charges, and investment returns. As per the financial statements of United Nations peacekeeping operations dated 30 June 2023 (A/78/5 (Vol. II), page 227), SDS comprising physical assets and cash and investment holdings amounted to $118 million.

38. The 2022 revised concept of SDS proposed a cost recovery model for equipment to include various elements such as acquisition value, technical assistance, freight costs, as well as the potential price difference between the original and replacement cost of items. For non-peacekeeping entities, additional fees cover operational expenses at UNLB and regional hubs. A comparison of the value proposition under the SDS cost recovery model against direct purchasing from vendors is illustrated in Table 2.

[4] Current price of the same or similar item

[5] Made up of shipping and freight forwarding cost of SDS from vendor to Brindisi + freight cost from Brindisi to Mission.

Table 2: Comparison of value proposition between SDS cost recovery model and direct vendor purchase

Issue	SDS cost recovery model	Direct vendor purchase	Comparative difference
Price composition	Goods issued at retail price + incidental costs (including freight cost from vendor to Brindisi + freight cost from Brindisi to mission)	Retail price + freight cost from vendor (this cost is very low if purchased locally)	SDS price is higher due to additional freight cost and no adjustment for age of item
Value of goods	Life span partially or fully expired, limited remaining warranty, older model, fewer spare parts available	Full life span, full warranty, latest model, all spare parts readily available	SDS goods offer significantly less value
Delivery time	SDS items readily available	Procurement lead time may delay delivery of items	SDS may be more responsive

39. The necessity for PKMs to acquire goods from SDS is crucial to support strategic stock maintenance and facilitate stock rotation. However, there had not enough discussions with stakeholders to secure buy-in or to reach an agreement on the optimum cost recovery model.

40. UNLB advised that evaluating a supply chain should incorporate several key metrics, in addition to costs. This includes responsiveness, reliability, and agility. DOS further advised that applying the replacement value of an item upon issuance is the basic financial mechanism that makes the SDS concept sustainable. The Strategic Forum and SDS Board reconfirmed that this is the best mechanism. Therefore, OIOS did not make a recommendation, but DOS could explore possibilities to review the cost recovery model for SDS based on detailed cost analysis and stakeholder discussions.

41. Notwithstanding the above, OIOS noted that UNLB has been offering aged items to clients at discounted rates, thereby avoiding a complete loss of value of these assets due to expired lifespans. A total discount of $504,152 had been applied in 10 cases of stock rotation amounting to $1.3 million from August 2021 to June 2024. These transactions represent 30 per cent of the equipment that exceeded their useful lives during this period. The average discounts given were approximately 40 per cent of the current replacement cost; however, criteria had not been established for the systematic application of the discounts. ACABQ commented that any modification of the existing policy on cost recovery had to be submitted to the General Assembly for consideration.

(2) DOS should explore possibilities to systematically implement discounted pricing for older assets.

DOS accepted recommendation 2 and stated that it would develop, in coordination with the Department of Management Strategy, Policy and Compliance (DMSPC), a clear mechanism for discounted pricing, as applicable, which would form part of the revised accounting guidelines. DOS would inform the General Assembly, accordingly.

E. Procurement

Need for system contracts

42. OIOS analysis indicated that within the current composition of SDS for the fiscal year 2023/24, there were 78 out of 317 items not covered by any system contract, and the system contracts for 50 items had expired without replacement. This occurred because the procurement process to replace these expired contracts was not initiated timely. UNLB advised that system contracts were not established for some commodities due to a decrease in global demand. For such commodities included in the SDS composition,

procurement is handled through one-time purchases. However, unavailability of system contracts would prevent timely replenishment and readiness of SDS when needed.

(3) DOS should renew or initiate the procurement process for expired system contracts and establish new system contracts for additional items of strategic deployment stocks when needed, to ensure faster replenishment of related items.

DOS accepted recommendation 3 and stated that UNLB would collaborate with category managers to ensure the timely renewal of expired contracts. Specifically: (a) UNLB would identify gaps in SDS to be sourced through system contracts; (b) the Chief of Planning, OSCM would work with UNLB and other client entities to identify gaps in core categories; and (c) identified category leads would work with PD and other relevant stakeholders to renew or initiate process for establishing systems contracts.

F. Property management

Key performance indicators for property management were established

43. The Global Asset Management and Policy Services in DMSPC established a series of key performance indicators (KPIs) that are reported quarterly as part of the performance management framework for property management, including SDS. These included several categories of accountability and stewardship matrices such as accurate physical verification of stock, and minimal accumulated depreciation of SDS, which were consistently measured based on Umoja transactional data. The overall performance index results indicated that SDS met performance targets at the end of fiscal year 2022/23.

44. Additionally, the performance of SDS was reported annually to the General Assembly through results-based budgeting indicators. These indicators include process cycle time for SDS, the percentage of SDS received by the requesting mission from UNLB within 30 and 90 days from the approved stock transfer request, and the percentage of non-serialized inventories held at UNLB during the financial year. The SDS Unit within UNLB also developed and maintained a comprehensive SDS capacity dashboard and monitored the performance of SDS through internal KPIs such as SDS responsiveness or stock transfer order processing timeliness, SDS readiness status, and SDS cost recovery cycle. OIOS concluded that UNLB had established KPIs to assess various aspects of the management of SDS.

There were effective controls over physical verification of stock

45. The Property Management Unit (PMU) of UNLB developed and implemented a comprehensive plan for the physical verification of SDS for fiscal years 2020/21, 2022/23, and 2023/24 in compliance with organizational policy guidelines and property management frameworks. The physical verification covered 100 per cent of SDS assets each year, with no discrepancies found. OIOS also independently verified 133 of the 4,286 assets across the product categories of transport, supply, engineering, and ICT in at least 16 different storage bin locations. All assets were physically identified, including two that had been temporarily relocated for maintenance purposes. OIOS concluded that UNLB had established effective controls over the physical verification of stock.

There was a need for timely write-off of SDS

46. The manual on Centralized Warehousing Operations in the Field (version 2.0) requires global asset managers for SDS to initiate write-off procedures for goods that have reached the end of their useful life or are idle or damaged.

47. The total value of SDS written off during the last five financial years from 2019/20 to 2023/24 (as of 31 March 2024) was $2.08 million as depicted in figure 6. Around 99.5 per cent of write-offs were related to ICT equipment.

Figure 6: Annual write-offs of SDS equipment

Source: OIOS analysis based on UNLB data

48. Figure 6 shows that few SDS equipment were written off in the fiscal years 2019/20 and 2020/21, despite equipment valued at $5.68 million and $2.72 million having reached the end of their useful life and potentially became obsolete at the end of those fiscal years. This occurred because UNLB did not timely execute write-off procedures, due to prioritizing resources for other tasks. Delaying write-off could lead to incorrect reporting of inventory of usable assets and missed opportunity for timely analysis of nature and causes of write-off to minimize the additional write-off.

(4) DOS should take measures to timely write off obsolete or damaged strategic deployment stocks.

DOS accepted recommendation 4 and stated that it would execute timely write-offs for obsolete or damaged SDS items. DOS would also collaborate with DMSPC to include provisions in the revised accounting guidelines to maintain equipment in SDS inventory past life expectancy, only if operationally beneficial.

IV. ACKNOWLEDGEMENT

49. OIOS wishes to express its appreciation to the management and staff of DOS and DMSPC 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 the management of strategic deployment stocks

Rec. no.	Recommendation	Critical[6]/ Important[7]	C/ O[8]	Actions needed to close recommendation	Implementation date[9]
1	DOS should, based on detailed analysis of material criticality and supply chain capabilities, revise the current strategic deployment stocks composition to better utilize the materials.	Important	O	Receipt of evidence of revised SDS composition.	31 March 2026
2	DOS should explore possibilities to systematically implement discounted pricing for older assets.	Important	O	Receipt of evidence of the development of a mechanism for discounted pricing.	30 June 2026
3	DOS should renew or initiate the procurement process for expired system contracts and establish new system contracts for additional items of strategic deployment stocks when needed, to ensure faster replenishment of related items.	Important	O	Receipt of evidence that DOS has taken action to timely renew or initiate a process for establishing new system contracts.	30 June 2026
4	DOS should take measures to timely write off obsolete or damaged strategic deployment stocks.	Important	O	Receipt of evidence that DOS has taken measures to timely write-off obsolete or damaged strategic deployment stocks.	30 June 2026

[6] 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.
[7] 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.
[8] Please note the value C denotes closed recommendations, whereas O refers to open recommendations.
[9] 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: 24 March 2025

REFERENCE: DOS-2025-00834

CLASSIFICATION: Unclassified

THROUGH:
S/C DE:

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

SUBJECT: **Draft report on an audit of the management of strategic deployment stocks (Assignment No. AH2023-619-01)**
OBJET:

1. Thank you for the opportunity to comment on the subject draft report. Please find attached our comments on the findings and recommendations as Appendices I and II.

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 the management of strategic deployment stocks

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DOS should, based on detailed analysis of material criticality and supply chain capabilities, revise the current strategic deployment stocks composition to better utilize the materials.	Important	Yes	Director, UNLB	31 March 2026	The client comments are reflected in the report.
2	DOS should explore possibilities to: (a) adjust the cost recovery model for strategic deployment stocks, based on detailed cost analysis and stakeholder discussions; and (b) systematically implement discounted pricing for older assets.	Important	(a) No (b) Yes	(a) Not applicable (b) Director, UNLB	(a) Not applicable (b) 30 June 2026	(a) Applying the replacement value of an item upon issuance is the basic financial mechanism that makes the SDS concept sustainable. The Strategic Forum and SDS Board reconfirmed that this is the best mechanism and should not be changed. (b) DOS, in collaboration with DMSPC, will develop a clear mechanism for discounted prices as applicable, which will form part of the revised Accounting Guidelines. DOS will inform the General Assembly accordingly.
3	DOS should renew or initiate the procurement process for expired system contracts and establish new system	Important	Yes	ASG, OSCM	30 June 2026	The client comments are reflected in the report. Specifically:

[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 the management of strategic deployment stocks

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	contracts for additional items of strategic deployment stocks to ensure faster replenishment of related items when needed.					1. UNLB will identify gaps in SDS to be sourced through systems contract. [*Director, UNLB: 30 June 2025*] 2. The Chief of Planning will work with UNLB and other client entities to identify gaps in core categories. [*Chief of Planning, OSCM: 31 December 2025*] 3. Identified category leads will work with PD and other relevant stakeholders to renew/initiate process for establishing systems contract. [*Category Lead with support from Technical and Commercial Leads: 30 June 2026*]
4	DOS should take measures to timely write-off obsolete or damaged strategic deployment stocks.	Important	Yes	Director, UNLB	30 June 2026	The client comments are reflected in the report.