



# **INTERNAL AUDIT DIVISION**

## **REPORT 2017/009**

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### **Audit of management of air transportation of uniformed personnel and related cargo at United Nations Headquarters**

**While the Organization achieved operational and cost efficiencies in transporting uniformed personnel in support of field operations, opportunities existed to further improve efficiency and economy of operations**

**10 March 2017**

**Assignment No. AH2015/513/03**

# **Audit of management of air transportation of uniformed personnel and related cargo at United Nations Headquarters**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over strategic air transportation of uniformed personnel and related cargo. The audit covered the period from 1 January 2014 to 31 March 2016 and included reviews of: overall planning of movement requirements; procurement and management of air charter services contracts; use of Letters of Assist; and use of mission assets for troop movements.

The Department of Field Support (DFS) in coordination with the Department of Peacekeeping Operations, the Office of Central Support Services (OCSS) in the Department of Management (DM) and field missions effectively managed the air transportation of military and police contingents to and from their home countries and various field missions. Through day-to-day administration and management of a long-term charter aircraft by the Movement Control Section (MCS), the Organization was able to achieve both operational efficiencies and \$18 million in savings from September 2012 to December 2014 in transporting uniformed personnel. However, opportunities existed to further improve efficiency and economy of operations.

OIOS made 11 recommendations to address issues identified in the audit.

DFS needed to:

- Implement an information management system in MCS to maintain relevant planning documents pertaining to the movement of troops and related cargo;
- Implement a new benchmarking model for determining reimbursement amounts to Member States for troop movements under Letters of Assist;
- Explore the possibility of establishing another long-term air charter option for troop movements;
- Ensure missions complete carrier assessment reports on short-term air charters;
- Establish clear procedures and assign responsibilities for periodic performance evaluation of the long-term air operator;
- Develop guidelines on cost elements to be included in developing estimates for the use of mission aircraft for troop movements;
- In coordination with the Umoja team, develop customized operational reports; and
- Review the adequacy of staffing resources in MCS.

OCSS needed to:

- Revise the vendor registration process for air operators to obtain a realistic view of vendors interested in providing short-term passenger transportation services;
- Ensure the Procurement Division complies with reporting requirements under its special delegation for short-term logistics and transportation; and
- Address, in coordination with DFS, delays in establishing Letters of Assist.

DFS and DM accepted the recommendations and have initiated action to implement them.

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1-2
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. OVERALL CONCLUSION	2
IV. AUDIT RESULTS	3-12
A. Planning movement requirements and requisitioning	3-4
B. Procurement process for long- and short-term air charters	4-5
C. Letters of Assist	6-7
D. Management of long- and short-term air charters	7-9
E. Use of mission aircraft	10
F. Invoice processing	10-11
G. Movement control quality management programme	11-12
V. ACKNOWLEDGEMENT	12
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# Audit of management of air transportation of uniformed personnel and related cargo at United Nations Headquarters

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of air transportation of uniformed personnel and related cargo at United Nations Headquarters.

2. In accordance with established memoranda of understanding, various Troop/Police Contributing Countries (T/PCCs) provide troops, equipment and services to peacekeeping missions. Under the terms of the agreements, the United Nations is responsible for transporting: (a) troops/police upon deployment, rotation and repatriation; and (b) contingent-owned equipment during deployment, re-deployment, repatriation and on exceptional instances, during rotation. Transportation is executed by road, rail, sea or air.

3. The Movement Control Section (MCS) in the Logistics Support Division (LSD) of the Department of Field Support (DFS) is responsible for, inter alia, forecasting, developing and planning strategic movement requirements and arranging and executing these movements, while the Office of Military Affairs and the Police Division within the Department of Peacekeeping Operations (DPKO) are responsible for providing guidance and liaising with Member States as and when required. The Procurement Division in the Office of Central Support Services (OCSS) of the Department of Management is responsible for procuring long- and short-term air transportation services to fulfil movement requirements. MCS also coordinates movements with: (a) permanent missions of respective Member States; (b) Office of Operations and Force Generation Service in DPKO; (c) field missions; (d) the Transportation and Movements Integrated Control Centre (TMICC) in Entebbe, Uganda; and (e) the Aviation Safety Section.

4. MCS utilizes a mix of commercial, United Nations-owned aircraft and Member States' provided aircraft for the movement of uniformed personnel and related cargo. These include: (a) short-term charter aircraft with commercial operators; (b) assets under Letters of Assist (LOAs) with Member States; (c) a commercial long-term charter agreement for a wide body aircraft and other United Nations assets in field missions; and (d) purchase of individual commercial flight tickets.

5. For the audited period from January 2014 to March 2016, \$398.9 million was spent on strategic movements by air as shown in Table 1, broken down into mode of transport.

**Table 1: Expenditure for strategic movements by air from January 2014 to March 2016**  
(amounts in millions of United States dollars)

<i>Description</i>	<i>2014</i>	<i>2015</i>	<i>2016*</i>	<i>Total Amount</i>	<i>Percentage</i>
Short-term commercial contracts	103	67	15	185	46.4
Letters of Assist	61	54	11	126	31.6
Wide body aircraft and United Nations air assets	46	38	3	87	21.8
Commercial flight tickets			0.9	0.9	0.2
<b>Total</b>	<b>210</b>	<b>159</b>	<b>29.9</b>	<b>398.9</b>	<b>100</b>

\*Through March 2016

6. MCS is headed by a Chief at the P-5 level and has 13 authorized posts including 9 professional and 4 general service staff.

7. Comments provided by DFS and DM 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 strategic air transportation of uniformed personnel and related cargo.

9. This audit was included in the 2015 risk-based work plan of OIOS due to high operational risks and the overall expenditure on strategic movement by air in peacekeeping operations.

10. OIOS conducted this audit from June to September 2016. The audit covered the period from 1 January 2014 to 31 March 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the management of strategic air transportation of uniformed personnel and related cargo, which included: (a) overall planning of movement requirements; (b) procurement and management of air charter services contracts; (c) use of LOAs; and (d) use of mission assets for troop movements.

11. The audit methodology included: (a) interviews of key personnel; (b) reviews of relevant documentation; and (c) analytical reviews of data. OIOS reviewed a statistical sample of 55 case files comprising: (i) 27 short-term commercial contracts valued at \$20.1 million; (ii) 18 movements under LOAs totaling \$16 million; (iii) 9 movements by United Nations chartered aircraft totaling \$2 million; and (iv) one movement by purchase of commercial flight tickets totaling \$698,960. OIOS also reviewed the procurement case file for one long-term air charter aircraft.

## **III. OVERALL CONCLUSION**

12. The audit showed that DFS in coordination with DPKO, OCSS and field missions effectively managed the air transportation of T/PCCs to and from their home countries and various field missions. Through day-to-day administration and management of a long-term charter aircraft by MCS, the Organization was able to achieve both operational efficiencies and \$18 million in savings from September 2012 to December 2014 in transporting uniformed personnel. However, DFS needed to further improve efficiency and economy of operations through: (a) implementing the information management system in MCS; (b) developing a reliable and transparent benchmarking model for reimbursing Member States for movements under LOAs; (c) exploring the establishment of another long-term air charter option for troop movements; (d) strengthening performance evaluation and reporting on air operators; (e) developing guidelines on calculating the cost for using mission aircraft for troop movement; (f) developing customized reports on payments processed on the long-term air charter agreement; and (g) reviewing adequacy of staffing resources in MCS.

13. OCSS needed to: (a) revise the vendor registration process for air operators; (b) ensure compliance with reporting requirements under delegation of authority to the Director of Procurement Division; and (c) in coordination with DFS, streamline the LOA process.

## IV. AUDIT RESULTS

### A. Planning movement requirements and requisitioning

#### Changes in operational requirements resulted in frequent cancellations of solicitations for short-term air charters

14. DPKO and DFS are required to develop modalities for operational cooperation to ensure effective coordination, consultation and information sharing with Member States.

15. DPKO/DFS implemented various measures to assist T/PCCs with preparations for deployment of their troops and related cargo including providing reference materials and templates and conducting assessment and advisory visits to T/PCCs prior to deployment. MCS planned routine rotational movements of contingents based on their initial deployment date and rotation frequency, and typically initiated contact with T/PCCs two to three months prior to their scheduled rotation date. MCS submitted relevant statements of requirements to the Procurement Division 33 days on average prior to the planned date of movement, which was reasonable to achieve the target lead time of 15 days from solicitation to contract award.

16. However, due to delayed readiness of troops and equipment, delayed responses from permanent missions, security conditions and other unique restrictions by host countries, several solicitations were cancelled after they had been issued to potential vendors; sometimes after bid opening or award of contract. Frequent cancellations of solicitations could negatively impact the procurement process as some vendors may be less willing to participate in future solicitations.

17. As some of the delays were outside DPKO/DFS control and efforts to assist T/PCCs were ongoing, OIOS did not make a recommendation in this regard.

#### DFS needed to implement an information management system to maintain relevant planning documents pertaining to the movement of troops and related cargo

18. The Movement Control Manual prescribes various planning documents, approvals and authorizations that should be in place prior to movement of uniformed personnel and equipment.

19. OIOS noted that for six out of nine movements of uniformed personnel by mission assets, some of the relevant planning documents were not available in hard or soft copies and could not be retrieved in the absence of the responsible case officer due to inadequate records management. In addition, MCS did not have documentation providing evidence that all available options had been considered prior to initiating the procurement process for short-term air charters. For example, 22 solicitations were cancelled after they had been initiated when MCS determined that it was more cost-effective to conduct the movement by the long-term charter aircraft, mission assets or purchase of commercial tickets.

20. According to MCS, an information management system, which would allow for documents to be automatically generated and stored, had not been implemented due to inadequate funding. As an interim measure, a checklist was introduced to ensure minimum required documentation is maintained for each movement. However, OIOS noted that case officers did not always utilize the checklist.

<p><b>(1) DFS should allocate resources to implement the information management system in the Movement Control Section to generate and maintain relevant planning documents pertaining to the movement of troops and related cargo.</b></p>
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*DFS accepted recommendation 1 and stated that an information management system would be developed in close coordination with the Umoja extension II logistics management module to avoid any potential duplication of functionalities. Recommendation 1 remains open pending receipt of evidence of implementation of an information management system in MCS to maintain relevant planning documents.*

## **B. Procurement process for long- and short-term air charters**

OCSS, in coordination with DFS, needed to revise the vendor registration process for air operators

21. The Procurement Manual stipulates that a key factor in obtaining best value for money is the identification of vendors to fulfil a requisitioner's need. The goal is to have multiple vendors that are able to meet or exceed the performance criteria to ensure competitive prices are obtained.

22. Twenty of the 27 short-term commercial air charters reviewed were related to the transportation of passengers. Vendor response rate to solicitations was low (average of 4 out of 61 vendors invited to participate). OIOS noted that the same core of 46 vendors were invited to all 20 solicitations for transportation of passengers; however, 37 of these vendors did not submit any bids/proposals over the period from January 2014 to March 2016. Ten of the 37 vendors who did not submit bids repeatedly sent acknowledgement letters to the Procurement Division indicating that they would not be participating in the solicitation due to: (a) inability to meet technical requirements; (b) lack of capacity to submit a bid; or (c) lack of suitable aircraft with required cabin size.

23. The low vendor response rate was impeding the Organization's ability to obtain best value for money and resulting in over-reliance on one vendor which accounted for 72 per cent (about \$8.5 million) of the 20 contracts awarded for short-term air charters for transportation of passengers.

24. According to the Procurement Division, some vendors that did not respond may only be interested in participating in solicitations for long-term air charters. However, the vendor registration process did not differentiate between long- and short-term air charter vendors. The Procurement Division informed OIOS that there had been preliminary discussions with DFS to revise registration procedures for flight service vendors but no decision or action had been taken.

**(2) OCSS, in coordination with DFS, should revise the vendor registration process for air operators to clearly identify air operators that are interested in providing short-term passenger transportation services to obtain a more realistic view of the market and inform any business decisions.**

*OCSS accepted recommendation 2 and stated that air operators would be requested to indicate their preference for long- and short-term passenger transportation services and the Procurement Division would revise the vendor list accordingly. Recommendation 2 remains open pending receipt of the revised vendor registration process for air operators.*

The Procurement Division was undertaking outreach activities

25. The OCSS proposed programme budget for the biennium 2016-2017 indicated that the Procurement Division would continue to identify new vendors to increase its pool of bidders and enhance international competition.

26. As part of its outreach activities, the Procurement Division attended several business seminars in Europe, Asia, Africa and America, and made presentations on the Organization's logistics and transportation needs and the vendor registration process. However, participation in solicitation exercises for short-term air charters by vendors based in Asia and Africa, where about 87,000 (or 86 per cent) of troops/uniform personnel originate, continued to be generally low. As a result, 70 per cent of the audited short-term movements were conducted by air operators from other regions, resulting in high positioning and depositioning<sup>1</sup> costs of about 30 per cent of contracted values. As the Procurement Division had ongoing efforts to continue and expand its outreach activities, OIOS did not make a recommendation in this regard.

OCSS needed to ensure compliance with reporting requirements under delegation of authority to the Director of Procurement Division

27. In accordance with its delegation of procurement authority, the Procurement Division is required to report on a quarterly basis to the Headquarters Committee on Contracts (HCC) and the Assistant Secretary-General, OCSS, all contracts awarded under the Director's special delegation for short-term logistics and transportation.

28. The Procurement Division ensured that the acquisition process for long- and short-term air charters complied with relevant policies and procedures prescribed in the Procurement Manual. Requirements were clearly stated, technical and commercial evaluations were adequately conducted; and contracts were awarded to vendors in accordance with the Director's delegation of authority or submitted to HCC, as appropriate. However, the Procurement Division did not comply with the reporting requirements as five of the six cases awarded under the Director's special delegation were not included in the Division's quarterly reports to HCC and the Assistant Secretary-General, OCSS.

29. This was partly due to the Division's transition to Umoja as contracts required to be reported were not accurately extracted from the system. As a result, management was not provided with an accurate report on all contracts awarded under the Director's special delegation.

**(3) OCSS should: (i) implement measures to ensure that all relevant contracts awarded under the Director of Procurement Division's special delegation for short-term logistics and transportation are reported to the Headquarters Committee on Contracts and Assistant Secretary-General, OCSS; and (ii) retroactively identify and report all outstanding cases.**

*OCSS accepted recommendation 3 and stated that the Procurement Division would maintain a separate record of contracts to review the accuracy of Umoja generated reports. All outstanding contract awards under the Director's special delegation would be retroactively reported to the Assistant Secretary-General, OCSS in the first half of 2017. Recommendation 3 remains open pending receipt of copies of the reports submitted to HCC and the Assistant Secretary-General, OCSS on contracts awarded under the Director of Procurement Division's special delegation for short-term logistics.*

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<sup>1</sup> Positioning and depositioning costs represent costs of empty flights to position or deposition an aircraft for incoming/outgoing troops.



## C. Letters of Assist

### DFS needed to implement a new benchmarking model for determining reimbursement amounts under LOAs

30. The Movement Control Manual requires MCS to determine reimbursements to T/PCCs for movements conducted under LOAs by comparing amounts requested by T/PCCs with the estimated cost to the United Nations if the service was commercially contracted. The United Nations reimburses T/PCCs at the lower of these two amounts.

31. MCS used the results of market surveys conducted by the Procurement Division as its benchmark for cost comparison. In all cases reviewed, the United Nations reimbursed T/PCCs the lower of the requested amount and the lowest market survey estimate. However, the use of market survey results to determine LOA reimbursements did not provide adequate assurance that the Organization was paying a reasonable amount for troop and cargo movements conducted by T/PCCs. This was due to: (a) high positioning/depositioning costs that were typically included in proposals submitted by vendors that responded to market surveys but not applicable to T/PCCs; and (b) lack of incentive for air operators to provide reliable and reasonable estimates that would be used solely for the purpose of benchmarking.

32. About \$3 million (18 per cent) of the \$16 million that was reimbursed to T/PCCs represented costs for positioning and depositioning of aircraft for the 18 LOA cases reviewed. Six of the 18 movements had an average positioning/depositioning cost of \$1.2 million representing 56 per cent of the lowest technically accepted offer. Due to an inadequate benchmarking model, there was a risk that the Organization was reimbursing Member States at unreasonably high levels for troop movements.

33. At the time of the audit, MCS was finalizing a new benchmarking model, based on historical and current costs incurred on the long-term air charter contract, which was a proven cost-effective way of transporting uniformed personnel by air. The new model was pending approval by senior management in DFS and OCSS.

**(4) DFS should, in coordination with OCSS, finalize and implement the new benchmarking model for determining reimbursement amounts to Member States for troop movements under Letters of Assist agreements.**

*DFS accepted recommendation 4 and stated that a new costing methodology for LOAs would be submitted to DM for implementation. Recommendation 4 remains open pending receipt of evidence of implementation of the new LOA costing methodology.*

### OCSS needed to streamline the LOA process

34. The Procurement Manual requires that a duly signed and dated LOA agreement between the United Nations and T/PCCs be in place prior to commencement of work by Member States. The Under-Secretary-General for Field Support has delegated authority to enter into LOAs up to \$200,000. This authority was further delegated to the Director, LSD. All proposed LOAs with values above \$200,000 are reviewed by the HCC and approved by the Assistant Secretary-General, OCSS. The Director, LSD is responsible for signing LOAs.

35. All 18 LOA cases were duly approved by the Assistant Secretary-General, OCSS or the Director, LSD in accordance with the delegation of authority. However, in 11 cases, Member States conducted movement of their troops prior to review and signing of the LOA. This was due to a lengthy LOA process

that took on average 59 days (about 8 weeks) from the date of receipt of confirmation from the permanent mission to the date the LOA was signed by the Director, LSD.

36. MCS indicated that they had very little control in preventing T/PCCs from transporting their troops without an agreement in place and some T/PCCs delayed submission of relevant documents and signing of the agreement until after movement of their troops. For the period January 2014 to March 2016, MCS processed 29 ex-post facto cases totaling \$10.8 million (out of 166 LOAs totaling \$126 million) where T/PCCs transported their troops prior to completion of the LOA process and necessary reviews and approvals. MCS indicated that the proposed benchmarking model for LOAs would eliminate time taken for market surveys.

37. OIOS noted that a main factor for the lengthy LOA process was the need for all cases over \$200,000 to be submitted to the HCC for review. Approximately 35 of the 59 days were spent on: preparing case presentations for HCC by DFS and the Procurement Division; HCC review; approval by the Assistant Secretary-General, OCSS; and signing of the agreement by the Director, LSD.

38. The absence of signed LOA agreements may expose the United Nations to liability risks as pertinent terms and conditions would not have been agreed upon prior to movement of troops. However, OIOS noted that payments to Member States were only made after LOAs were signed by both parties.

**(5) OCSS should, in coordination with DFS, review and take action to address delays in establishing Letters of Assist.**

*OCSS and DFS accepted recommendation 4 and stated that the proposed new LOA cost methodology would help streamline the process and reduce timelines for establishing LOAs. Recommendation 5 remains open pending receipt of evidence of implementation of the new LOA costing methodology.*

## **D. Management of long- and short-term air charters**

### DFS needed to prepare a business case for the establishment of another long-term air charter option for troop movements

39. One of the key objectives of MCS is to execute strategic movement of contingent personnel and cargo in the most effective and efficient way. The United Nations established a long-term air charter contract for a wide body aircraft in November 2015. The contract was for two years with an optional one year extension and a not-to-exceed amount of \$185 million. MCS utilized the aircraft exclusively for movement of uniformed personnel and related baggage.

#### **(a) The long-term aircraft was fully utilized with cost and operational efficiencies**

40. MCS was directly involved in tasking the aircraft and scheduling flights, which provided the Organization with operational flexibility in planning and executing troop movements and ensured minimization of empty legs from positioning and de-positioning of the aircraft. The long-term aircraft also provided additional operational flexibility as it could be deployed anywhere in the world within 24 hours. Through close coordination between MCS and the air operator, last minute changes in requirements and flight schedules were accommodated. At the start of the audit in June 2016, utilization<sup>2</sup> of the aircraft had

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<sup>2</sup> Utilization determined by comparing the number of hours flown with the minimum guaranteed contracted number of hours.

exceeded the annual minimum of 2,820 hours that were guaranteed from October 2015 to November 2016.

41. Through its day-to-day administration and management of the long-term air charter contract, MCS was able to achieve about \$18 million in savings from September 2012 to December 2014<sup>3</sup> through reduction in the use of short-term air charters and increased flexibility in utilizing a dedicated aircraft for troop movements. The direct involvement of MCS in planning requirements, coordinating with various stakeholders and payment processing ensured effective administration. OIOS concluded that adequate controls were in place over the tasking and utilization of the aircraft to ensure operational and cost efficiencies.

**(b) Further operational and cost efficiencies could be achieved through the establishment of another long-term air charter option for troop movements**

42. Data provided by MCS as of August 2016 showed that out of 112,000 troops transported annually, 50,000 (45 per cent) were being transported by the wide body aircraft. The aircraft mostly operated from the South East Asia region to transport troops based in India, Nepal and Bangladesh. MCS, on several occasions, was able to rearrange already scheduled flight plans to utilize the wide body aircraft after results of short-term commercial bidding exercises showed that the lowest technically compliant offers were not cost-effective and in the best interest of the Organization. A review of two examples of rearranged flight plans showed that the Organization saved \$1.4 million by utilizing the wide body aircraft to move contingent units when compared with the lowest technically accepted bid for the same movements by short-term commercial charters.

43. OIOS also reviewed three cases of lost opportunities for savings due to the unavailability and limited capacity of the wide body long-term aircraft to execute these movements. As such, the movements had to be conducted by short-term air charters which resulted in additional costs of \$1 million.

44. MCS also identified 47 troop movements that were carried out by short-term air charters between November 2015 and August 2016 at a cost of \$15.5 million that could have been conducted more economically by using a long-term wide body aircraft, if available. However, MCS had not done a complete cost comparison for each of these movements to quantify total potential savings.

45. Despite full utilization of the wide body aircraft, short-term commercial charters still accounted for the largest portion of costs incurred (\$185 million or 46 per cent) for strategic air movement of uniformed personnel in the audited period. MCS also expected a further increase in short-term commercial air charters with the proposed new benchmarking model for LOAs, which may reduce the number of movements carried out by T/PCCs. However, with low vendor response rates to solicitations for short-term air charters and high positioning/depositioning costs, there were opportunities for the Organization to achieve significant savings by putting in place another long-term air charter option.

46. In 2014, MCS prepared a business case for the establishment of a second long-term contract for a wide body aircraft. However, due to other operational priorities of LSD, senior management had not taken any decision on the proposed initiative. Nevertheless, OIOS review of the business case showed that it did not present adequate details on potential operational and cost efficiencies to enable senior management to make an informed decision.

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<sup>3</sup> MCS-calculated comparison of the cost of movements by the wide body from September 2012 to December 2014 (under the previous contract) with the cost of similar movements previously conducted by short term commercial charters.

**(6) DFS should explore establishing another long-term air charter option for troop movements in order to improve cost efficiency of air transportation of troops.**

*DFS accepted recommendation 6 and stated that it would submit a business case for another wide body aircraft to the Procurement Division. Recommendation 6 remains open pending receipt of a copy of the business case and subsequent action taken to establish another long-term air charter option.*

DFS needed to conduct adequate performance evaluation and reporting on long- and short-term air operators

47. The Aviation Manual and Aviation Safety Manual require mission aviation safety officers and movement control officers to jointly prepare carrier assessment reports after completion of each short-term charter flight and submit them to the Aviation Safety Section through the Aviation Inspection and Recommendations Module. For long-term air charter agreements, the Manuals require mission aviation officers and aviation safety officers to prepare quarterly performance and end of contract evaluation reports to assess technical, operational and safety aspects of the air carrier.

48. Carrier assessment reports were not prepared for 25 of 27 short-term air charter movements due to inadequate monitoring and oversight by mission staff and DFS. Without the carrier assessment reports the Aviation Safety Section was not able to analyse trends and alert requisitioners and the Procurement Division of any safety issues for subsequent corrective action by the operator or the Organization.

49. MCS did not conduct quarterly performance evaluations of the long-term air charter agreement due to lack of clear guidance on how technical and safety aspects of the air operator would be regularly evaluated and reported on. In addition, one recommendation by the Aviation Safety Section to install a tracking device on the backup wide body aircraft was not implemented. MCS considered that the device was not needed because the backup aircraft was not being used solely by the United Nations. However, no agreement was reached with the Aviation Safety Section on the implementation or closure of this recommendation.

**(7) DFS should implement a monitoring mechanism to ensure missions complete carrier assessment reports on short-term air charters for timely reporting of safety issues and subsequent corrective actions.**

*DFS accepted recommendation 7 and stated that MCS and the Aviation Safety Section would work with missions to ensure timely completion of carrier assessment reports. Recommendation 7 remains open pending receipt of evidence of a monitoring mechanism to ensure completion of carrier assessment reports for short-term air charters.*

**(8) DFS should establish clear procedures and assign responsibilities for periodic performance evaluation of the long-term air operator used for troop movements and take a decision on the implementation or closure of the recommendation for a tracking device on the backup aircraft.**

*DFS accepted recommendation 8 and stated that it would ensure that quarterly performance evaluations of the long-term air operator are conducted. DFS would, in consultation with the air operator, ascertain the need for installation of a tracking device on the backup aircraft. Recommendation 8 remains open pending receipt of procedures for periodic performance evaluations of the long-term air operator, and evidence supporting the decision on the need or otherwise for a tracking device on the backup aircraft.*

## E. Use of mission aircraft

### DFS needed to develop guidelines on calculating the cost for using mission aircraft

50. Upon receipt of a movement request from MCS, respective missions are required to provide an estimate of the cost of using their available aircraft for transporting uniformed personnel and related cargo.

51. OIOS reviewed nine movements of troops and cargo by mission assets, seven<sup>4</sup> of which totaled \$2 million. Cost estimates provided by field missions were not developed consistently. In four of the seven cases, missions included both fixed rental costs and other variable operating costs in their estimates, while for the three other cases, only the variable operating costs were charged. In one case for the rotation of personnel between Dar es Salaam, Tanzania and Entebbe, Uganda, in June 2014, crew accommodation of \$56,232 was charged as part of the variable costs. This represented \$852 per crew member per night, which was significantly higher than the Organization's daily subsistence allowance rates of \$223 for Dar es Salaam and \$207 for Entebbe. MCS did not challenge cost estimates provided by missions that had no detailed information to support the amounts charged.

52. Absence of clear guidance on calculating the cost of using mission aircraft for strategic movements leads to inconsistency and unreliable information for cost analysis for selecting the most economical option.

**(9) DFS should develop guidelines on the cost elements that are to be included in estimates and charges related to the use of mission aircraft by the Movement Control Section for movement of troops and cargo.**

*DFS accepted recommendation 9 and stated that it would work with the Air Transportation Section to provide guidance and direction. A draft template had been developed for missions to enter accurate cost estimates. Recommendation 9 remains open pending receipt of guidelines on elements to be included in determining the cost of mission aircraft for troop and cargo movement.*

## F. Invoice processing

### DFS needed to develop customized reports on payment processing

53. MCS standard operating procedures and Umoja guidance require the Section to ensure vendor invoices are processed in a timely manner and that payments are made after certification of satisfactory completion of obligations in accordance with contractual terms.

54. Payments were adequately processed for services rendered in accordance with contractual terms and were adequately supported by relevant certification documents. Few cases of delayed payments were noted mainly due to system issues in Umoja.

55. However, MCS was not able to provide OIOS with a report on total payments processed in Umoja related to the long-term air charter contract. This was because MCS had not developed customized reports for the long-term air charter agreement or dedicated time to reconcile data from its internal database with Umoja. OIOS utilized an alternate report generated by MCS from its internal database;

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<sup>4</sup> The cost of the remaining two movements could not be determined as the Mission did not provide MCS with a cost estimate and charged actual cost against its aviation budget as opposed to the budget for strategic movement.

however, there was no assurance that this report was complete. As a result, there was a risk of inadequate monitoring by MCS of total payments processed under the long-term air charter contract. MCS also delayed providing data for the audit due to inconsistencies in Umoja reports, which had to be addressed prior to the start of the audit.

**(10) DFS should, in coordination with the Umoja team, identify its reporting needs and develop customized business intelligence reports on payments processed on the long-term air charter agreement and reconcile operational data on movement control operations with Umoja records.**

*DFS accepted recommendation 10 and stated that it would submit its reporting requirements to the Office of Information and Communications Technology for implementation. Recommendation 10 remains open pending development of Umoja reports to monitor payment of invoices and operational data on movement control.*

## **G. Movement control quality management programme**

### DFS needed to review adequacy of staffing resources in MCS

56. One of the objectives of MCS is to oversee movement control activities in field missions and at Headquarters in New York and regularly monitor, measure and assess performance.

57. MCS developed various standard operating procedures and a quality management programme with several key performance and key result indicators to guide, monitor and assess performance of movement control operations in the Organization. MCS was informally monitoring two of its key performance indicators related to customer satisfaction and efficiency of the wide body aircraft. However, full implementation and monitoring of other indicators were pending due to inadequate staffing resources.

58. MCS had an authorized staffing of nine professional and four general service staff. At the time of the audit one P-4 Movement Control Officer had been temporarily assigned to an Umoja Business Readiness Team to support the rollout of the logistics module in Umoja. Another P-3 Movement Control Officer post with responsibility for quality control had been vacant since April 2016. As a result, there was increased workload on desk officers especially in the management of the long-term air charter contract. In addition, absence of a quality control officer resulted in non-implementation of MCS' quality management programme which was developed to guide movement control specialists to manage goals and risks, enhance supply chain performance and bring the Organization's movement control operations to ISO 9001 certification standards.

59. OIOS also noted that a core mandate of TMICC in Entebbe, established in 2010, was to manage and administer the long-term air charter contract. However, this task was not transferred to TMICC but retained in MCS to ensure close coordination with permanent missions of T/PCCs and other stakeholders. Furthermore, although TMICC was established to provide fully integrated transportation and movement services to some field missions, TMICC was not managing any United Nations aircraft as these were being managed and tasked by respective missions.

60. In OIOS opinion, the capacity of MCS should be enhanced to ensure effective and efficient strategic movement operations to leverage: (i) the value of the current long-term air charter agreement managed by MCS; (ii) the potential for future savings from the establishment of another long-term agreement; and (iii) implementation of the movement control quality management programme.

**(11) DFS should review the adequacy of staffing resources in the Movement Control Section in line with the increased workload and actual and projected cost savings resulting from the management of the long-term air charter contract.**

*DFS accepted recommendation 11 and stated that it would review the adequacy of staffing resources in MCS. Recommendation 11 remains open pending receipt of the results of the review of the adequacy of staffing resources in MCS.*

## **V. ACKNOWLEDGEMENT**

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

(Signed) Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of management of air transportation of uniformed personnel and related cargo at United Nations Headquarters

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	C/ O <sup>7</sup>	Actions needed to close recommendation	Implementation date <sup>8</sup>
1	DFS should allocate resources to implement the information management system in the Movement Control Section to generate and maintain relevant planning documents pertaining to the movement of troops and related cargo.	Important	O	Submission of evidence of implementation of the information management system in MCS to maintain relevant planning documents.	30 September 2019
2	OCSS, in coordination with DFS, should revise the vendor registration process for air operators to clearly identify air operators that are interested in providing short-term passenger transportation services to obtain a more realistic view of the market and inform any business decisions.	Important	O	Submission of the revised vendor registration process for air operators that clearly identifies air operators that are interested in providing short-term passenger transportation services.	31 December 2017
3	OCSS should: (i) implement measures to ensure that all relevant contracts awarded under the Director of Procurement Division's special delegation for short-term logistics and transportation are reported to the Headquarters Committee on Contracts and Assistant Secretary-General, OCSS; and (ii) retroactively identify and report all outstanding cases.	Important	O	Submission of copies of reports submitted to HCC and the Assistant Secretary-General, OCSS on contracts awarded under the Director of Procurement Division's special delegation for short-term logistics.	31 December 2017
4	DFS should, in coordination with OCSS, finalize and implement the new benchmarking model for determining reimbursement amounts to Member States for troop movements under Letters of Assist agreements.	Important	O	Submission of evidence of implementation of the new LOA costing methodology for determining reimbursement amounts to Member States for troop movements.	31 March 2018
5	OCSS should, in coordination with DFS, review and take action to address delays in establishing	Important	O	Submission of evidence of implementation of the new LOA costing methodology.	31 March 2018

<sup>5</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>6</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>7</sup> C = closed, O = open

<sup>8</sup> Date provided by DFS and DM in response to recommendations.



<b>Rec. no.</b>	<b>Recommendation</b>	<b>Critical<sup>5</sup>/ Important<sup>6</sup></b>	<b>C/ O<sup>7</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>8</sup></b>
	Letters of Assist.				
6	DFS should explore establishing another long-term air charter option for troop movements in order to improve cost efficiency of air transportation of troops.	Important	O	Submission of a copy of the business case and subsequent action taken on the establishment of another long-term air charter option.	31 March 2018
7	DFS should implement a monitoring mechanism to ensure missions complete carrier assessment reports on short-term air charters for timely reporting of safety issues and subsequent corrective actions.	Important	O	Submission of evidence of a monitoring mechanism to ensure completion of carrier assessment reports for short-term air charters.	31 March 2018
8	DFS should establish clear procedures and assign responsibilities for periodic performance evaluation of the long-term air operator used for troop movements and take a decision on the implementation or closure of the recommendation for a tracking device on the backup aircraft.	Important	O	Submission of procedures for periodic performance evaluations of the long-term air operator, and evidence supporting the decision on the need or otherwise for a tracking device on the backup aircraft.	30 September 2017
9	DFS should develop guidelines on the cost elements that are to be included in estimates and charges related to the use of mission aircraft by the Movement Control Section for movement of troops and cargo.	Important	O	Submission of guidelines on elements to be included in determining the cost of mission aircraft for troop and cargo movement.	30 September 2017
10	DFS should, in coordination with the Umoja team, identify its reporting needs and develop customized business intelligence reports on payments processed on the long-term air charter agreement and reconcile operational data on movement control operations with Umoja records.	Important	O	Notification of the reports developed to monitor payment of invoices and operational data on movement control.	31 March 2019
11	DFS should review the adequacy of staffing resources in the Movement Control Section in line with the increased workload and actual and projected cost savings resulting from the management of the long-term air charter contract.	Important	O	Submission of the results of the review of the adequacy of staffing resources in MCS.	30 September 2017

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>9</sup> / Important <sup>10</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DFS should allocate resources to implement the information management system in the Movement Control Section to generate and maintain relevant planning documents pertaining to the movement of troops and related cargo.	2	Yes	Director, LSD and ASG, OICT	Third quarter of 2019	DFS acknowledges that there is a need to implement an information management system in the Movement Control Section. Such a system, however, needs to be developed in close coordination with the Umoja Extension-2 Logistics Module to avoid any potential duplication of functionalities.
2	OCSS, in coordination with DFS, should revise the vendor registration process for air operators to clearly identify air operators that are interested in providing short-term passenger transportation services to obtain a realistic view of the market and inform any business decisions.		N/A	N/A	N/A	The Department of Management (DM) will provide its comments on this recommendation.
3	OCSS should: (i) implement measures to ensure that all relevant contracts awarded under the Director of Procurement Division's special delegation for short-term logistics and transportation are reported to the Headquarters Committee on Contracts and Assistant Secretary-General, OCSS; and (ii) retroactively identify and report all outstanding cases.		N/A	N/A	N/A	DM will provide its comments on this recommendation.

<sup>9</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>10</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>9</sup> / Important <sup>10</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	DFS should, in coordination with OCSS, finalize and implement the new benchmarking model for determining reimbursement amounts to Member States for troop movements under Letters of Assist agreements.	2	Yes	Director, LSD and ASG, OCSS	First quarter of 2018	DFS' comments are reflected in the report.
5	OCSS should, in coordination with DFS, review and take action to address delays in establishing Letters of Assist.	2	Yes	ASG, OCSS and Director, LSD	First quarter of 2018	DFS' comments are reflected in the report.
6	DFS should explore establishing another long-term air charter option for troop movements in order to improve cost efficiency of air transportation of troops.	2	Yes	Director, LSD	First quarter of 2018	DFS' comments are reflected in the report.
7	DFS should implement a monitoring mechanism to ensure missions complete carrier assessment reports on short-term air charters for timely reporting of safety issues and subsequent corrective actions.	2	Yes	Director, LSD	First quarter of 2018	DFS' comments are reflected in the report.
8	DFS should establish clear procedures and assign responsibilities for periodic performance evaluation of the long-term air operator used for troop movements and take a decision on the implementation or closure of the recommendation for a tracking device on the backup aircraft.	2	Yes	Director, LSD	Third quarter of 2017	DFS' comments are reflected in the report.

## Management Response

## Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>9</sup> / Important <sup>10</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
9	DFS should develop guidelines on the cost elements that are to be included in estimates and charges related to the use of mission aircraft by the Movement Control Section for movement of troops and cargo.	2	Yes	Director, LSD	Third quarter of 2017	DFS' comments are reflected in the report.
10	DFS should, in coordination with the Umoja team, identify its reporting needs and develop customized business intelligence reports on payments processed on the long-term air charter agreement and reconcile operational data on movement control operations with Umoja records.	2	Yes	Director, LSD and ASG, OICT	31 March 2019	DFS will submit, in accordance with the established procedures, a request that air charter payment reporting is considered by OICT in the appropriate sequence and timeline. Umoja will support these activities as required. DFS will provide OICT with requirements for an Umoja BI report on payments processed on the long-term air charter agreement by 31 March 2017. OICT plans to deliver an Umoja BI report based of data currently available in the Umoja system by 31 Dec 2017.
11	DFS should review the adequacy of staffing resources in the Movement Control Section in line with the increased workload and actual and projected cost savings resulting from the management of the long-term air charter contract.	1	Yes	Director, LSD	Third quarter of 2017	DFS' comments are reflected in the report.

## Management Response

## Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>11</sup> / Important <sup>12</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DFS should allocate resources to implement the information management system in the Movement Control Section to generate and maintain relevant planning documents pertaining to the movement of troops and related cargo.					
2	OCSS, in coordination with DFS, should revise the vendor registration process for air operators to clearly identify air operators that are interested in providing short-term passenger transportation services to obtain a realistic view of the market and inform any business decisions.		Yes	Team Leader, Vendor Registration Management Team, PD/OCSS	31 December 2017	Air Operators will be requested to indicate their preference for short-term and/or long-term passenger transportation services and the vendor lists will be revised accordingly.
3	OCSS should: (i) implement measures to ensure that all relevant contracts awarded under the Director of Procurement Division's special delegation for short-term logistics and transportation are reported to the Headquarters Committee on Contracts and Assistant Secretary-General, OCSS; and (ii) retroactively identify and report all outstanding cases.		Yes	Chief, Logistics and Transportation Section, PD/OCSS	31 December 2017	Some contracts were not accurately reflected in reports to the Headquarters Committee on Contracts and Assistant Secretary-General/OCSS due to Umoja transition issues (Business Intelligence filtering). To ensure accuracy of future reports, the Logistics and Transportation Section has created an Excel sheet to record contracts upon award, which will be compared to the Umoja generated report. All outstanding cases will be reported retroactively to the Assistant Secretary-General/OCSS in the first half of 2017.

<sup>11</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>12</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>11</sup> / Important <sup>12</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	DFS should, in coordination with OCSS, finalize and implement the new benchmarking model for determining reimbursement amounts to Member States for troop movements under Letters of Assist agreements.					
5	OCSS should, in coordination with DFS, review and take action to address delays in establishing Letters of Assist.		Yes	Chief, Logistics and Transportation Section, PD/OCSS	31 December 2017	<p>The implementation of this recommendation will depend on the implementation of recommendation 4 by DFS.</p> <p>Without detailed information on the data analysis of the delay, it is not possible to pinpoint the exact issue. However it should be noted that for this type of Letters of Assist (LOAs), the Procurement Division's role is minimal, and is limited to conducting market surveys and onward submission of DFS' cases to the Headquarters Committee on Contracts. It is also possible that for some cases, market surveys might have already been completed and therefore were not included in the number of</p>

Management Response

Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>11</sup> / Important <sup>12</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>days for the delay (para. 35 of the OIOS draft report indicated the starting point is "the date of receipt of confirmation from the permanent mission").</p> <p>Nevertheless, it is expected that the outcome of the working group on LOAs will further streamline the LOA process and contribute to the reduction of timelines. For this category of LOA processes, the new LOA costing methodology can result in less market surveys therefore cutting the total length of the process.</p>
6	DFS should explore establishing another long-term air charter option for troop movements in order to improve cost efficiency of air transportation of troops.					
7	DFS should implement a monitoring mechanism to ensure missions complete carrier assessment reports on short-term air charters for timely reporting of safety issues and subsequent corrective actions.					
8	DFS should establish clear procedures and assign responsibilities for periodic performance evaluation of the long-term air operator used for troop movements and take a decision on the implementation or closure of the recommendation for a tracking device on the backup aircraft.					
9	DFS should develop guidelines on the cost elements that are to be included in					



Management Response

Audit of management of air transportation of uniformed personnel and related cargo

Rec. no.	Recommendation	Critical <sup>11</sup> / Important <sup>12</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	estimates and charges related to the use of mission aircraft by the Movement Control Section for movement of troops and cargo.					
10	DFS should, in coordination with the Umoja team, identify its reporting needs and develop customized business intelligence reports on payments processed on the long-term air charter agreement and reconcile operational data on movement control operations with Umoja records.					
11	DFS should review the adequacy of staffing resources in the Movement Control Section in line with the increased workload and actual and projected cost savings resulting from the management of the long-term air charter contract.					