



INTERNAL AUDIT DIVISION

REPORT 2017/030

Audit of provision of guidance and support to fuel operations by the Department of Field Support

While the Department provided technical support for the establishment of fuel contracts for field missions, it needed to finalize the revision of the Fuel Manual and streamline oversight and training frameworks

28 April 2017
Assignment No. AP2016/615/04

Audit of provision of guidance and support to fuel operations by the Department of Field Support

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the provision of guidance and support to fuel operations by the Department of Field Support (DFS). The audit covered the period from January 2014 to August 2016 and it included a review of the: development and promulgation of policies and guidance; technical support to field missions; monitoring and oversight; and other operational planning considerations.

DFS provided field missions with technical support including establishment of fuel contracts. However, it needed to finalize the revision of the Fuel Manual and streamline oversight and training frameworks.

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

- Approve, resource and implement a plan to revise the Fuel Manual, including for consulting and collaborating with key functional entities related to fuel operations, to ensure that appropriate guidance is available for mission staff on fuel operations;
- Develop and implement a risk-based approach and methodology for conducting staff assistance visits to review field missions' fuel operations;
- Review and clearly articulate the monitoring and oversight roles of the Fuel Unit in DFS and define the framework within which to perform these roles; and
- Develop and implement a training framework for mission fuel officers that is responsive to their needs and provide opportunities for keeping their skills, education and technical abilities up to date.

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

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Audit of provision of guidance and support to fuel operations by the Department of Field Support

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the provision of guidance and support to fuel operations by the Department of Field Support (DFS).
2. The Fuel Unit in the Supply Section of the Specialist Support Service in the Logistics Support Division (LSD) is focal point for managing the petroleum, oil and lubricants (POL) programme in DFS. It is responsible for establishing the framework to operate and maintain high quality fuel and lubricants procedures that meet the requirements of field operations.
3. The core functions of the Fuel Unit include, to: (i) provide all field missions with reliable fuel services for the establishment of fuel contracts; (ii) provide related strategic policy, standards, guidelines, practices, information and operating procedures to be used by all peacekeeping missions in all phases of deployment; (iii) ensure products and services are aligned with mission requirements; and (iv) ensure all contracts reflect the minimum standards and accepted levels of quality and environmental sustainability.
4. The Fuel Unit is currently overseeing 23 active multi-year contracts for the provision of POL with a combined not-to-exceed amount of \$2.4 billion in support of 18 DFS-supported peacekeeping and special political missions. This is made up of 73 per cent turnkey, 21 per cent hybrid and 6 per cent in-house managed contracts.
5. For the 2015/16 financial year, the Fuel Unit oversaw an approved fuel budget of \$517 million, of which actual expenditure as at June 2016 was \$404 million (78 per cent). The Fuel Unit is headed by a Chief at the P-4 level. It has five authorized posts at the professional level, including one seconded military officer
6. Comments provided by DFS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the provision of guidance and support to fuel operations by DFS.
8. This audit was included in the 2016 risk-based work plan of OIOS due to the operational and financial risks related to, and the criticality of the management of, fuel to support mission operations.
9. OIOS conducted this audit from August to November 2016. The audit covered the period from January 2014 to August 2016. Based on an activity-level risk assessment, the audit covered high and medium risks in the: development and promulgation of policies and guidance; technical support to field missions; monitoring and oversight; and other operational planning considerations.
10. The audit methodology included: (a) interviews of key personnel, (b) reviews of documentation, (c) analytical reviews of data, and (d) random sampling and testing of active procurement cases supported by the Fuel Unit.

11. The audit did not include fuel operations in field missions, including the implementation of the electronic Fuel Management System.

III. OVERALL CONCLUSION

12. DFS provided technical support to field missions including establishment of fuel contracts. However, DFS needed to revise the Fuel Manual including for consulting and collaborating with key functional entities related to fuel operations, develop and implement a risk-based methodology for conducting staff assistance visits to field missions, review and clearly articulate the monitoring and oversight roles of the Fuel Unit and define a framework within which to perform these roles, and monitor training of fuel officers.

IV. AUDIT RESULTS

A. Development, promulgation and maintenance of policies and guidance

Prompt finalization of the Fuel Manual and collaboration with key functional entities was necessary to provide guidance on fuel operations

13. General Assembly resolution 60/266 requested the Secretary-General to review all aspects of fuel management including the preparation of a comprehensive fuel management manual and related standard operating procedures. The DPKO/DFS standard operating procedures on guidance development requires the lead drafter to consult and coordinate with all relevant stakeholders at Headquarters and in field missions while drafting operational guidelines.

14. The Fuel Manual had not been reviewed or revised since its promulgation in July 2008 despite attempts to do so by the Fuel Unit. The 2015/16 work plan of the Fuel Unit stated that the Manual would be completed by the end of the fiscal year; however, due to operational priorities and limited resources, the target was not met. LSD management explained that the Fuel Unit prioritized provision of technical support to establish fuel contracts. The goal was repeated in the 2016/17 work plan but no measures were planned or employed to ensure that the target would be met in a timely manner.

15. The Fuel Manual therefore did not cover recent initiatives relating to fuel management including policy and guidance on the electronic Fuel Management System, which had been fully implemented in 10 field missions as at December 2016; and turnkey and hybrid contracts, which formed about 94 per cent of active contracts overseen by the Fuel Unit. These types of contracts resulted in significant changes in fuel operations procedures in field missions including in ordering, receiving, issuing, storing, conducting quality control checks and accounting for fuel.

16. The three staff members of the Fuel Unit were reviewing and updating assigned sections of the Manual alongside their regular duties, resulting in the delays in its finalization. In addition, there was no evidence of formal consultations and collaborations between the Fuel Unit, as the lead drafter of the Manual, field missions and key functional entities that support fuel operations such as the Field Personnel Division; Engineering, Surface Transport and Aviation sections; and the Procurement Division in the Department of Management. For instance, there were no documented needs assessments, sharing of practitioner experiences or lessons learned from field missions and contributions and inputs from other entities. Also, DFS had not assessed the need for external expertise to provide industry related best practices into the updated Manual.

17. OIOS noted that the Fuel Unit drafted a plan in March 2016, which included collaboration with key entities such as forming inter-departmental working groups and committees for the update of the Manual. However, the plan was not being used as it had not yet been approved by LSD management. Inadequate consultations and collaborations in developing the Fuel Manual may result in user needs not being properly addressed, inaccurate reflection of processes and activities of the other related functional entities, as well as limited buy-in of the Manual.

18. OIOS noted that notwithstanding the absence of formal and updated guidance on these latest developments, some field missions had already updated their standard operating procedures to modify their procedures to be consistent with the requirements of turnkey and hybrid contracts. However, this increases the risk that individual missions' approaches to fuel operations may not be consistent with the DFS overall policy.

(1) DFS should approve, resource and implement a plan to revise the Fuel Manual, including for consulting and collaborating with key functional entities related to fuel operations, to ensure that appropriate guidance is available for mission staff on fuel operations.

DFS accepted recommendation 1 and stated that it would take action to implement it. Recommendation 1 remains open pending receipt of the updated Fuel Manual.

B. Technical support to field missions

The Fuel Unit provided technical support in establishing fuel contracts

19. The Fuel Manual requires the Fuel Unit to provide technical support in the development of fuel procurement documentation, including statements of works, evaluation criteria, model contracts, expressions of interest and requests for proposals. The Fuel Unit is also required to ensure that all fuel contracts reflect minimum standards and accepted levels of quality and environmental sustainability.

20. A review of 12 fuel procurement cases, including the four contracts established during the audit period, noted that the Fuel Unit supported the procurement of fuel for field missions. Fuel officers in LSD worked with fuel and procurement officers at field missions to develop statements of works which detailed the requirements of the missions and also provided evaluation criteria for bids. Technical evaluation teams comprising staff from Headquarters and mission fuel officers were properly established to evaluate bids and to support the Headquarters Committee on Contracts deliberations, when required. The audit also noted that several amendments were made to fuel contracts to better align products and services provided by vendors to missions' requirements. Amendments to contracts were reviewed by the Fuel Unit prior to being approved by the designated procurement officer.

21. Each contract reviewed by OIOS contained quality and environmental sustainability clauses, requirements for suppliers, as well as specifications for related equipment, services and technical support. Per the contracts, suppliers were also required to abide by the United Nations standard on environmental sustainability as contained in the United Nations Environmental Policy for Field Missions. OIOS concluded that the Fuel Unit had provided adequate technical support to field missions in establishing fuel contracts.

C. Monitoring and oversight

Assistance visits were not conducted and alternate monitoring procedures were not established

22. The Fuel Manual states that LSD will develop and conduct staff assistance visits to ensure field missions' understanding and compliance with DFS fuel management policies, guidance and standard operating procedures. Reports of such visits would be presented to the DPKO/DFS Fuel Management Committee for review and appropriate action.

23. Interviews with staff and reviews of documentation indicated that LSD had not developed procedures to conduct staff assistance visits such as risk-based criteria for selecting missions to be visited, evaluation criteria, reports to be generated and use of such reports. These procedures were necessary to prioritize field missions to be visited, determine the appropriate level of interaction between Headquarters and field missions and ensure the effectiveness of the visits.

24. OIOS also noted that no staff assistance visits were conducted or planned during the period under review. This was attributed to insufficient travel resources, as funding for assistance visits had dwindled over the years. OIOS however noted that funding was available to enable fuel officers at Headquarters to travel to mission sites for bidding conferences and site visits to facilitate procurement actions and eight such visits were undertaken during the audit period. Whereas management stated that these visits also accorded the officers the opportunity to review missions' fuel operations, OIOS noted that no formal approach or methodology had been developed to combine the two objectives, where possible. There was also no evidence that the officers reviewed field missions' fuel operations during these visits.

25. In the absence of assistance visits, the Fuel Unit did not have adequate visibility of field fuel operations to provide targeted, timely and relevant guidance and feedback to forestall escalation of matters arising that could otherwise have been resolved. There was also little opportunity for experts in the Fuel Unit to validate details of reports submitted to Headquarters by field missions. Previous OIOS audits of fuel management at various field missions noted inaccurate reporting of local and strategic fuel levels and weaknesses related to quality of fuel delivered, fuel facilities and equipment at the field mission level. These matters could have been proactively addressed during the assistance visits.

(2) DFS should develop and implement a risk-based approach and methodology for conducting staff assistance visits to review field missions' fuel operations.

DFS accepted recommendation 2 and stated that it would take action to implement it. Recommendation 2 remains open pending receipt of the DFS risk-based approach and methodology for conducting staff assistance visits.

The Fuel Unit needed to clearly articulate an oversight and monitoring framework

26. The 2010 Global Field Support Strategy anticipated that LSD would oversee peacekeeping support operations. In a memorandum dated November 2015, the Under-Secretary-General of DFS requested LSD, as part of its monitoring and oversight activities, to work with field missions to develop and introduce a reporting and escalation mechanism on fuel stock levels.

27. Responsibility for managing and administering fuel contracts was shared between field missions through their contract management and fuel units, the Procurement Division, and LSD Fuel Unit. However, there was a risk that the allocation of responsibilities may result in gaps and duplications in monitoring and oversight. For example, field missions were required to submit vendor performance

reports to the Procurement Division and, as an option, copy them to the LSD Fuel Unit. These reports included the status of implementation of technical aspects of fuel contracts which the Fuel Unit, as the lead in developing those requirements and also the Organization's expert and policy guardian on POL, would be better placed to review. Also, 12 of the fuel contracts reviewed contained key performance indicators that were being monitored by both the field missions' contract management units and the Fuel Unit resulting in duplication of efforts.

28. The Fuel Unit used a Risk Management Dashboard to assign risk ratings to field missions based on the levels of their fuel stocks. Other matters, such as technical performance issues at field missions, rates of implementation of recommendations and number and frequency of assistance visits, were not formally monitored by the Fuel Unit. As a result, the Fuel Unit was not actively and comprehensively monitoring compliance issues in field missions to avoid ad hoc and reactive remedial measures. For example, OIOS noted at least three instances where escalation of poor contract management and noncompliance issues could have been mitigated with more timely and relevant monitoring from the Fuel Unit. These included additional costs incurred by the Organization due to inconsistencies in statements of works, issues related to mobilization of fuel contracts and a long overdue ex post facto case.

29. In addition, the Fuel Unit did not have up-to-date information to monitor budget utilization and fuel stock levels as the information was obtained manually and field missions did not submit their returns on time. As of February 2017, the Fuel Unit had not received returns as at December 2016 from at least four field missions that had been requested to be delivered by the end of January 2017. The use of Umoja should assist in providing more timely information.

30. A well-defined monitoring framework had not been developed and implemented due to the ongoing strategic restructuring of LSD and conflicting and changing priorities. The Fuel Unit also noted that it was difficult to develop and initiate relevant processes due to the limited number of staff at the Unit.

(3) DFS should, as part of its strategic restructuring: i) review and clearly articulate the monitoring and oversight roles of the Fuel Unit; and ii) define the framework within which to perform these roles, including the use of Umoja.

DFS accepted recommendation 3 and stated that it would take action to implement it upon approval of the restructuring proposal by the General Assembly. Recommendation 3 remains open pending receipt of DFS directive clarifying the Fuel Unit's oversight and monitoring roles.

There was a need to promote active sharing of fuel management-related information

31. In resolution 60/266, the General Assembly requested the Secretary-General to ensure that lessons learned are shared systematically with all missions. The Fuel Manual also requires the Fuel Unit to support the POL programme through active sharing of information and advice with management and missions.

32. The Fuel Unit collected and generated several reports and correspondence relating to fuel operations. These included the monthly Risk Management Dashboard and the quarterly fact sheet prepared by field missions; presentations made to management by the Fuel Unit as part of DFS review meetings as well as guidance, advice and best practices provided to missions via code cables and e-mails. A report on Fuel Operations Best Practices was also prepared by an external party containing best and common practices in POL management and operations that may be adopted by the Fuel Unit as part of the POL programme. However, as DFS had not developed a mechanism for collecting, cataloguing and storing such information, including establishing a central repository, such information was currently held

in paper files, on personal computers and on the Unit's shared drive in no particular format and with limited access to others who might benefit from it. The Community of Practice, available on the DFS intranet, was also not being actively utilized.

33. OIOS made a recommendation to DFS to address the issue of inadequate platforms to collect and share information in its audit of aviation safety (AP2016/615/03). This is a DFS wide issue which if implemented, would also address the needs of the Fuel Unit. Also since the Organization is in the process of implementing the Unite Docs module for document management in the Secretariat, no additional recommendation has been made.

Training of fuel officers at Headquarters and in field missions needed to be streamlined

34. According to the Fuel Manual, the Fuel Unit is responsible for identifying the required technical standards for fuel officers and assistants, developing a training framework and monitoring field missions' on-the-job training programmes. The Manual also requires that fuel officers maintain technical expertise regarding POL handling, standards and specifications.

35. OIOS noted that the Fuel Unit had not developed a mechanism for monitoring training programmes for fuel officers and assistants at the field missions. For instance, the Fuel Unit was not obtaining reports of field missions' training activities such as post workshop/training session reports and feedback from participants. The Fuel Unit had also not participated in any mission related training activity including the bi-annual workshops organized for field missions, where matters related to fuel support are discussed, since May 2014. As the Fuel Unit was not monitoring and evaluating current training activities, the Unit was unable to objectively plan for continuous education of fuel officers based on identified needs and requirements, and develop efficient and effective training course contents and delivery methods.

36. Fuel officers were usually trained at instructor-led sessions conducted at a central location, such as the two recommended training activities for field fuel officers for 2017/18. The Unit had not explored other modalities such as online training to meet training needs in a more cost-effective way. This happened as the Fuel Unit, at its current staff strength, was unable to dedicate resources towards training.

37. The audit also noted that there were no provisions in place for fuel officers at Headquarters to maintain their professional expertise through formal training. None of the Fuel Unit officers had attended formal training during the audit period although some staff had been with the Unit for a long time. In addition, LSD had not maintained membership or subscribed to any fuel associations, including those whose specifications and standards were referred to in fuel contracts such as the American Society for Testing and Materials and the American Petroleum Institute.

38. Due to the above, the quality of POL-related advice given by fuel officers may not be adequate leading to ineffective decision making by management. In addition, fuel officers who interact daily with suppliers may be at a disadvantage if their knowledge is not current.

(4) DFS should develop and implement a training framework for fuel officers that is responsive to their needs and provides opportunities for keeping their skills, education and technical abilities updated.

DFS accepted recommendation 4 and stated that it would develop and implement a training framework for fuel staff. Recommendation 4 remains open pending receipt of the training framework for fuel officers.

D. Other operational planning considerations

DFS was exploring alternative coordination mechanisms to meet fuel requirements

39. As required by the Fuel Manual, the Fuel Unit supports field missions in planning to meet their fuel requirements including preparing annual procurement plans to establish, renew or amend contracts. The current DFS strategy is to establish single, mission-specific contracts, preferably turnkey. DFS was yet to analyze available information to consider whether alternate contracting arrangements, such as regional or joint contracts, may provide better value to the Organization. DFS advised that it was exploring avenues for establishing multi-mission/multi-country contracts based on fuel supply chain alternatives, opportunities, mission mandates and scope of works, amongst others; while aligning itself with the Supply Chain Strategy and the Concept of Category Management. Based on the action already being taken by DFS, no recommendation was made.

V. ACKNOWLEDGEMENT

40. OIOS wishes to express its appreciation to the management and staff of DFS 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 provision of guidance and support to fuel operations by the Department of Field Support

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	DFS should approve, resource and implement a plan to revise the Fuel Manual, including for consulting and collaborating with key functional entities related to fuel operations, to ensure that appropriate guidance is available for mission staff on fuel operations.	Important	O	Receipt of the updated Fuel Manual.	31 March 2018
2	DFS should develop and implement a risk-based approach and methodology for conducting staff assistance visits to review field missions' fuel operations.	Important	O	Receipt of the DFS risk-based approach and methodology for conducting staff assistance visits.	31 March 2018
3	DFS should, as part of its strategic restructuring: i) review and clearly articulate the monitoring and oversight roles of the Fuel Unit; and ii) define the framework within which to perform these roles, including the use of Umoja.	Important	O	Receipt of DFS directive clarifying the Fuel Unit's oversight and monitoring roles.	31 March 2018
4	DFS should develop and implement a training framework for fuel officers that is responsive to their needs and provides opportunities for keeping their skills, education and technical abilities up to date.	Important	O	Receipt of the training framework for fuel officers.	31 March 2018

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by DFS in response to recommendations.

APPENDIX I

Management Response



UNCLASSIFIED

Immediate

TO: Ms. Muriette Lawrence-Hume, Chief, New York Audit
A: Service, Internal Audit Division, OIOS

DATE: APR 25 2017

THROUGH:
S/C DE:

REFERENCE: UNHQ-AR-BOI-Memo-2-
2017-10438

FROM: Lisa Bittenheim, Assistant Secretary-General
DE: for Field Support

SUBJECT: **Draft report on an audit of provision of guidance and support to fuel**
OBJET: **operations by DFS (Assignment No. AP2016/615/04)**

1. I refer to your memorandum, dated 10 April 2017, regarding the above-mentioned audit. We note that OIOS has substantially taken into account our comments provided earlier. We have, however, updated Appendix 1 to reflect the individual responsible for the implementation of the recommendations with the deadline.

2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Avena-Castillo

Management Response

Audit of provision of guidance and support to fuel operations by the Department of Field Support

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DFS should approve, resource and implement a plan to revise the Fuel Manual, including for consulting and collaborating with key functional entities related to fuel operations, to ensure that appropriate guidance is available for mission staff on fuel operations.	Important	Yes	Director, LSD	First quarter of 2018	The Department of Field Support' (DFS) comments are reflected in the report.
2	DFS should develop and implement a risk-based approach and methodology for conducting staff assistance visits to review field missions' fuel operations.	Important	Yes	Director, LSD	First quarter of 2018	DFS' comments are reflected in the report.
3	DFS should, as part of its strategic restructuring: i) review and clearly articulate the monitoring and oversight roles of the Fuel Unit; and ii) define the framework within which to perform these roles, including the use of Umoja.	Important	Yes	Director, LSD	First quarter of 2018	DFS' comments are reflected in the report.
4	DFS should develop and implement a training framework for fuel officers that is responsive to their needs and provides opportunities for keeping their skills, education and technical abilities updated.	Important	Yes	Director, LSD	First quarter of 2018	DFS' comments are reflected in the report.

¹ 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.

² 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.