



## INTERNAL AUDIT DIVISION

### REPORT 2017/038

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Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan

The Mission needed to implement cost-effective arrangements for accommodating visitors and staff in transit, improve management of a hotel being leased, and strengthen controls over contract management

19 May 2017  
Assignment No. AP2016/633/07

# **Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over general services contracts management in the United Nations Mission in the Republic of South Sudan (UNMISS). The audit covered the period from 1 July 2013 to 31 December 2016 and included a review of: contract development, implementation and closure related to contracts for provision of leased hotel accommodation, three catering services contracts, duty-free commissary services, camp support services, fumigation and pest control, among others.

UNMISS needed to implement cost-effective arrangements for accommodating visitors and staff in transit, improve management of a hotel being leased to minimize losses being incurred, and strengthen controls over general services contract management processes.

OIOS made eight recommendations. To address issues identified in the audit, UNMISS needed to:

- Revisit the need to continue to lease a hotel at an annual cost of \$560,000 that had a 50 per cent occupancy rate, and implement cost-effective arrangements to provide safe and secure temporary accommodation for staff and visitors and those in transit by considering other viable options such as constructing visitors' accommodations or assigning private security personnel, within the existing security contract, to hotels cleared by the Department of Safety and Security;
- Review and reconcile the room occupancy records at the leased hotel and the General Services Section records with the cashier's and Finance Section recovery records and initiate the recovery of all uncollected room charges;
- Develop and implement guidance on managing activities related to the lease of temporary accommodation;
- Document reasons for waiving the requirement for security instruments and monitor the validity of all performance bonds for the duration of the respective contracts;
- Ensure contractors' compliance with the requirement for appropriate insurance policies for their staff and assets;
- Obtain competitive prices of items sold at the duty-free commissary services and ensure the required customer surveys at cafeterias and at the duty-free commissary services are concluded to assess and, if necessary, improve the quality of services provided by contractors;
- Ensure contract performance review meetings include assessment of vendors' compliance with agreed performance standards and quality of work and, where appropriate, use specific indicators and evaluation criteria; and
- Prepare closure reports for concluded contracts.

UNMISS accepted the recommendations and has initiated action on some of them.

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# **Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of general services contracts management in the United Nations Mission in the Republic of South Sudan (UNMISS).
2. The United Nations Procurement Manual defines contract management as the ongoing monitoring and management of vendors' performance and obligations under contracts for goods, services or works. The Contracts Management Unit of the General Services Section (GSS) is responsible for providing oversight and monitoring of general services contracts. The Unit is headed by a staff at the P-3 level who directly reports to the Deputy Chief of GSS at the P-4 level. The Unit has three authorized posts, comprising two international staff and one United Nations volunteer.
3. From July 2013 to June 2016, the Mission had 20 general services contracts with a total not-to-exceed amount of \$21.2 million. As of December 2016, the GSS had 12 active contracts with a total not-to-exceed amount of \$11.2 million including for the provision of leased hotel accommodation for exclusive use by the Mission, three catering services contracts, duty-free commissary services, camp support services, fumigation and pest control.
4. Comments provided by UNMISS are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over general services contracts management in UNMISS.
6. This audit was included in the 2016 risk-based work plan of OIOS due to the operational and financial risks related to management of general services contracts in UNMISS.
7. OIOS conducted this audit from June 2016 to January 2017. The audit covered management of active general services contracts during the period from 1 July 2013 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in managing general services contracts, which included the development, implementation and closure of contracts related to provision of leased hotel accommodation, three catering services contracts, camp support services, fumigation and pest control, among others.
8. The audit methodology included: (a) assessment of internal controls, (b) interviews of key personnel, (c) review of relevant documentation, (d) test of controls on a sample basis using judgmental sampling, and (e) site visits to select contractors' premises in Juba.

## **III. OVERALL CONCLUSION**

9. UNMISS needed to implement cost-effective arrangements for accommodating visitors and staff in transit and improve the current management of a leased hotel to minimize losses being incurred. UNMISS also needed to strengthen controls over its general services contracts management processes such as: documenting reasons for waiving security instruments; monitoring contractors' compliance with

contractual terms; conducting adequate performance reviews with contractors; conducting customer surveys for the duty-free commissary and catering services; and preparing contract closure reports.

## **IV. AUDIT RESULTS**

### **A. Temporary accommodation for staff**

#### Need for more cost-effective arrangements for the accommodation of visitors and staff in transit

10. United Nations Financial Regulation 5.12 requires the Mission to consider best value for money in procuring goods and services.

11. Due to the security situation in Juba following the December 2013 crisis, UNMISS leased a hotel to temporarily accommodate staff on travel status at an annual rental of \$725,000. The contract was for a period of one year from 22 January 2014 to 21 January 2015. Due to exigency, the procurement for the leased hotel accommodation did not follow a formal solicitation process, and instead UNMISS entered into a memorandum of undertaking with the vendor pending signing of a lease contract. The lease was subsequently signed for one year to January 2015, longer than initially expected, as the Mission did not have plans to build new accommodations. After review by the Local and Headquarters Committees on Contracts and approval by the Assistant Secretary-General for Central Support Services, the Mission extended the lease: (a) for 11 months to 21 January 2016 at \$725,000; and (b) for 12 months to 21 January 2017 at \$623,500.

12. In January 2017, the Mission requested for Headquarters Committee on Contracts' review and the Assistant Secretary-General for Central Support Services' approval to extend the lease for three more years at an annual rental of \$561,150. This request was made even though the hotel only had an occupancy rate of 50 per cent, and resulted in the Mission incurring avoidable costs.

13. OIOS appreciates that UNMISS needed to provide safe and secure accommodation for staff visiting the Mission or in transit to a Mission location, which was guided by the Department of Safety and Security (DSS) security risk assessment. However, UNMISS was unable to provide OIOS with evidence that they had adequately considered other viable options prior to the lease renewals, such as: (a) constructing additional self-contained prefabricated structures similar to those used by UNMISS staff within the Tomping compound; (b) constructing transit accommodations (permanent/prefabricated) within the United Nations House; and (c) assigning private security personnel (within the existing security contract) to augment the security in selected hotels (as at 27 January 2017, DSS had cleared nine hotels for residential accommodation and four hotels for workshops and conferences only).

14. As a result, UNMISS proposed to continue to lease a hotel at an annual cost of \$561,150 for up to three years that only had an occupancy rate of 50 per cent, without establishing sufficient cost-recovery mechanisms and addressing low occupancy rates. The lease arrangement therefore resulted in a financial loss of \$1.3 million over a three-year period as indicated in Table 1.

**Table 1: Comparison of revenues and costs for the lease for the period 2014 -2016**

	2014	2015	2016	Total
Total revenue reported to Local Committee on Contracts by GSS	\$698,891	\$606,204	\$446,033	\$1,751,128
Unrecovered room charges*	(245,458)	(103,712)	(66,005)	(415,175)
Lease payment	(725,000)	(725,000)	(623,500)	(2,073,500)
Fuel provided by the Mission	(129,600)	(129,600)	(129,600)	(388,800)
Engineering works performed by the Mission	(162,714)	--	--	(162,714)
Surplus/(Loss)	(\$563,881)	(\$352,108)	(\$373,072)	(\$1,289,061)

\* This represents amounts reported in GSS revenue reports that could not be vouched to payments in Umoja. The aggregate amount of unrecovered room charges from 2014 to 2016 as per the Finance Section was even higher at \$500,000.

**(1) UNMISS should revisit the need to continue to lease a hotel at an annual cost of over \$500,000, which has only a 50 per cent occupancy rate, and take action to implement cost-effective arrangements to provide safe and secure temporary accommodation for staff and visitors and those in transit by considering other viable options such as constructing visitors accommodations or assigning private security personnel within the existing security contract to hotels cleared by the Department of Safety and Security.**

*UNMISS accepted recommendation 1 and stated that given the existing political and security situation in Juba, there were no immediate plans to discontinue the lease of the hotel because it was in a strategic and secure location in close proximity to the Juba International Airport; it served as a safe haven and secondary evacuation point for staff from other field offices; and complemented UNMISS transit accommodation capacity. The Mission also stated that future use of the hotel would be reviewed taking into account its strategic and operational requirements as dictated by the political and security situation in the country, and the economic viability of the lease. UNMISS would also continue to allocate resources toward improving the existing transit accommodation including by the construction of 150 prefabricated units in Topping, a number of which would be allocated as transit units. Recommendation 1 remains open pending receipt of evidence that the Mission has considered and implemented cost-effective arrangements to provide safe and secure temporary accommodation for staff and visitors and those in transit.*

## **B. Contract management**

### Inadequate procedures over the leasing of accommodation for visitors and staff in transit

15. The Mission is required to establish and implement adequate controls to account for revenues generated from its leased hotel property and to offset the cost of leasing the hotel which included \$2,073,500 in lease payments and \$388,800 for cost of fuel provided. UNMISS procedures require GSS to manage room occupancy with the vendor, authorize all those staying in the leased hotel and recover all amounts due. GSS is also required to: (a) prepare monthly summaries of invoices and payments; (b) provide the Finance Section with a monthly summary report of unpaid room invoices to be recovered from staff through payroll deduction; and (c) obtain daily occupancy reports from the vendor.

16. A review of hotel bookings and occupancy reports for the period January 2016 to December 2016, review of 36 monthly invoice/payment summary records as well as analysis of revenues and costs of operating the lease for the period 2014 to 2016 indicated that GSS prepared periodic invoice and payment summaries, but they did not perform a number of other required functions effectively as follows:

- Although the room occupancy rate dropped from 100 per cent in 2014 to an average of 50 per cent as at October 2016, the Mission did not consider how to minimize the losses being incurred;
- GSS was not recovering unpaid room charges that had accumulated to over \$400,000 as shown in Table 1;
- The Mission did not implement adequate controls to mitigate the risk of guests staying in the hotel or extending their stay without GSS authorization and room charges not being paid to the Finance Section;
- GSS did not reconcile room occupancy reports from the hotel with payments received by the Finance Section to promptly identify and recover unpaid room charges; and
- The Finance Section did not reconcile invoice and payment summaries prepared by GSS with Umoja to ensure that all payments were accounted for.

17. As a result, the Mission: (a) was contracting hotel accommodation at a significant loss, calculated by OIOS at nearly \$1.3 million over three years; and (b) did not have adequate procedures in place to mitigate the risk of losses, which had accumulated to over \$400,000 due to unpaid invoices as indicated in Table 1. For instance, OIOS noted 32 guests that were included in the hotel's daily occupancy report but were not included in the GSS occupancy reports and the related recovery records.

18. The above occurred because the Mission had not conducted a comprehensive management review of the lease and issued and implemented guidance and procedures on managing activities related to the lease.

**(2) UNMISS should develop and implement guidance on managing the activities related to the lease for the temporary accommodation of staff and visitors to minimize losses resulting from unpaid invoices and personnel occupying rooms without authorization.**

*UNMISS accepted recommendation 2 and stated that it had promulgated Mission Directive No. 2017/002 on 3 March 2017, providing details governing management of the leased hotel as charges for various categories of staff. Mission Directive No. 2017/002 did not fully address the need for stronger controls in the operation of the leased hotel accommodation. Recommendation 2 remains open pending receipt of more comprehensive guidance and procedures on the operation, management and accounting for the leased hotel accommodation and evidence that measures have been implemented to minimize losses from the hotel lease.*

**(3) UNMISS should review and reconcile the room occupancy records at the leased hotel and the General Services Section records with the cashier's and Finance Section recovery records and initiate the recovery of all uncollected room charges from United Nations personnel concerned.**

*UNMISS accepted recommendation 3 and stated that GSS and the Finance Section carried out monthly reconciliation of their records. Recommendation 3 remains open pending receipt of evidence that GSS and the Finance Section have reconciled room occupancy and collection records from 2014 to 2016 and the Mission initiated recovery of uncollected hotel room revenues for the period.*

Performance bonds were not monitored effectively

19. The United Nations General Conditions of Contracts require UNMISS to obtain and maintain valid performance bonds to protect the United Nations against the risk of loss in the event a contractor fails to perform its obligations under a contract. The Procurement Manual requires the Chief Procurement Officer to approve and document all decisions to exclude requirements for security instruments such as performance bonds, and the Contracts Management Unit to ensure the validity of these instruments for the duration of the related contracts.

20. OIOS review of 13 active general services contracts indicated that six contracts with an aggregate value of \$8.6 million required vendors to post performance bonds. At the time of audit in June 2016, the performance bonds for three of these six contracts had expired. UNMISS subsequently obtained a bond for one of the contracts on 8 September 2016, but did not obtain updated bonds for the other two contracts. The other seven contracts with an aggregate value of \$2.6 million did not require performance bonds because the Mission waived the requirement. However, the Chief Procurement Officer did not document the reasons for waiving the requirement.

21. The above resulted because UNMISS had not implemented effective monitoring procedures to ensure the required bonds were valid during the entire contract period and to ensure the Chief Procurement Officer documented reasons for waiving bond requirements. Consequently, there was risk of financial loss in the event contractors failed to meet their contractual obligations.

**(4) UNMISS should implement measures to ensure: reasons for waiving the requirement for security instruments are documented; and the validity of all performance bonds is monitored for the duration of the respective contracts.**

*UNMISS accepted recommendation 4 and stated that it would document the reasons for waiving the requirement for security instruments in source selection plans. The Mission also stated that the Contracts Management Unit and the Procurement Section would work together to ensure that renewed performance bonds were obtained. Recommendation 4 remains open pending receipt of evidence that the Mission documents reasons for waiving the requirement for security instruments in source selection plans and that it was monitoring the security instruments to ensure they remain valid for the duration of the contracts.*

Need to enforce contractual provisions relating to submission of insurance policies

22. The United Nations General Conditions of Contracts require UNMISS to enforce the requirement for contractors to maintain liability insurance for their equipment and property, and workers' compensation for their employees.

23. A review of all 29 general services contracts indicated that only the lease for the hotel for accommodating staff on travel status and the contract for duty-free commissary services required insurance policies. The lease for the hotel required UNMISS to obtain from the contractor: (a) comprehensive insurance for the premises covering all risks such as fire, explosion, civil strife, earthquake, flood and war; and (b) proof of public liability insurance covering UNMISS as an additional insured party from claims against the Mission. The contract for the duty-free commissary services required the Mission to obtain from the contractor proof of accident and life insurance for its employees. UNMISS did not obtain the required comprehensive coverage and was unable to provide evidence that the Mission had accident and life insurance coverage from the two contractors.



24. The above resulted because GSS did not take steps to enforce the requirements for insurance coverage. Due to the absence of the required insurance coverage for contractors' assets and their employees, there was a reputational risk and risk of financial loss that may result from claims against UNMISS for the actions of contractors.

**(5) UNMISS should monitor and enforce contractors' compliance with the requirement for appropriate insurance policies.**

*UNMISS accepted recommendation 5 and stated that GSS has developed and was in the process of implementing a mechanism to ensure contractors' compliance with documentation requirements including the submission of insurance policies, where required, to ensure that required documents were submitted and received without exception. Recommendation 5 remains open pending receipt of evidence that UNMISS has implemented measures to ensure contractors' compliance with documentation requirements including the submission of insurance policies and was monitoring the submission of required insurance documents.*

Need to conduct price and customer surveys

25. The three contracts for catering and duty-free commissary services require UNMISS to conduct: (a) periodic customer surveys to obtain customers' feedback on the quality of services provided by the contractors; and (b) price surveys to confirm the competitiveness of the prices of goods sold at the duty-free facility and to claim for a rebate should the prices be found to be unreasonably higher than the prices offered by other suppliers.

26. GSS had carried out one price survey with respect to the prices of food served by the caterers in UNMISS compounds. The Mission however had not conducted any: (a) customer surveys to obtain feedback on the quality of services of the duty-free commissary services contractor and all three catering service contractors in UNMISS Headquarters in Juba; and (b) formal surveys of prices of commonly used items in the duty-free commissary. As a result, the Mission missed the opportunity to take prompt corrective actions to improve the quality of services provided by the contractors and to exercise its right to claim rebates from the duty-free commissary services contractor. A comparison of the prices of 21 common items sold in the duty-free commissary with prices of similar items in one of the largest retail outlets in Juba indicated that the prices offered by the contractor were higher, on average, by 52 per cent.

27. The above occurred because the Mission had not taken appropriate actions such as clarifying responsibilities and developing and implementing an action plan to ensure the required surveys were conducted. UNMISS advised that the contract did not explicitly allocate responsibility for the task or state the frequency of the reviews.

**(6) UNMISS should take appropriate actions such as clarifying responsibilities and implementing an action plan to obtain competitive prices of items sold at the duty-free commissary and ensure the required customer surveys for the duty-free commissary service and cafeterias are conducted to assess and, if necessary, improve the quality of services provided by contractors.**

*UNMISS accepted recommendation 6 and stated that GSS had conducted an informal survey of the items sold in the duty-free commissary and used the related results to encourage competition by allowing a local supplier to open a supermarket within the United Nations House compound. The Mission also advised that formal surveys would be conducted to assess the outcome of its decision and GSS would review the terms of reference for the duty-free commissary services to include additional responsibility related to monitoring and evaluation of goods and services.*

Recommendation 6 remains open pending receipt of evidence that the Mission has conducted the required price and customer satisfaction surveys and taken prompt corrective actions, where necessary, related to the services provided by contractors and prices offered by the duty-free commissary.

Monitoring and evaluation of vendors' performance needed improvement

28. The Procurement Manual requires UNMISS to regularly monitor and review contractors' performance against key performance indicators (KPIs) and submit to the Director of Mission Support contract performance reports in the frequency specified in the respective contracts. The Manual also requires: (a) the Contracts Management Unit and the responsible self-accounting unit to hold regular performance review meetings with contractors and maintain adequate records on contracts management activities; and (b) end users to develop specific performance measurement criteria against which vendors' performance could be monitored and measured.

29. OIOS reviewed 20 locally procured contracts and noted that for six contracts, although the Mission conducted contractors' performance review meetings and carried out inspections of contractors' premises, the meetings mainly focused on addressing problems reported by the contractors and GSS did not assess their performance against established KPIs. For another seven contracts, GSS was not monitoring performance against the KPIs specifically developed and agreed with the contractors. Instead, GSS relied on self-assessments carried out by the contractors without independently verifying their accuracy.

30. GSS also did not regularly report to the Director of Mission Support on contractors' performance. For instance, during the audit period, GSS: prepared only one performance evaluation report for one of two contracts that required monthly performance reviews and only one performance evaluation report for one of four contracts that required quarterly reviews each; and did not assess the performance of vendors for six contracts that had expired during the audit period.

31. The above occurred because GSS did not take adequate and effective steps such as implementing a timetable for performance review meetings to evaluate the contractors' performance and prepare the related reports. GSS started requiring contractors to provide information on KPIs in March 2016 after a change in management of the Contracts Management Unit of GSS but it was not yet taking proactive action to obtain the required data and independently assess the performance of contractors.

32. As a result of the lack of adequate performance monitoring and reporting, there was an increased risk that the Mission did not promptly identify poor performance and take appropriate remedial action in a timely manner. For instance, OIOS observed some delays in the services provided in one of the cafeterias as well as unavailability of some stock items in the duty-free commissary.

**(7) UNMISS should take action to ensure required performance review meetings are held and contractors performance is assessed, measured and reported against agreed key performance indicators.**

*UNMISS accepted recommendation 7 and stated that contractors had been requested to meet performance standards in accordance with the agreed KPIs. The Mission added that contract focal points would assess, measure and document performance against the KPIs and results would be reflected in the contractors' performance evaluation reports. Recommendation 7 remains open pending receipt of evidence that UNMISS is holding performance review meetings and contractors performance is being assessed, measured and reported against agreed KPIs.*

Contract closure reports were not prepared

33. The Department of Peacekeeping Operations/Department of Field Support Contract Management Policy requires UNMISS to evaluate the contractors' performance and prepare closure reports.

34. A review of 13 of 20 general services contracts that expired during the audit period indicated that UNMISS only evaluated the performance of two contractors and prepared a closure report for one of these two contractors. The Mission had not evaluated the performance of 11 of the 13 expired contracts and prepared the related closure reports for the other 12 expired contracts. This was because the Contracts Management Unit did not take action to ensure the performance evaluation of contractors was done following the completion of the contract.

35. As a result, lessons learned and best practices were not documented and there was a risk of: (a) financial loss that may result from non-recovery of equipment provided by the Mission to the contractors; and (b) rehiring contractors who performed poorly.

**(8) UNMISS should implement procedures to ensure that the performance of contractors managed by the General Services Section is assessed upon expiration of the contract and that closure reports are prepared for concluded contracts.**

*UNMISS accepted recommendation 8 and stated that standard operating procedures for contract close-out was being drafted. This would emphasize the need for a contract close-out report to be prepared and completed within three months following contract expiration. Recommendation 8 remains open pending receipt of evidence that UNMISS has implemented procedures for evaluating the performance of contractors and is preparing the related closure reports following the expiration or termination of contracts.*

## V. ACKNOWLEDGEMENT

36. OIOS wishes to express its appreciation to the management and staff of UNMISS 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 general services contracts management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNMISS should revisit the need to continue to lease a hotel at an annual cost of over \$500,000, which has only a 50 per cent occupancy rate, and take action to implement cost-effective arrangements to provide safe and secure temporary accommodation for staff and visitors and those in transit by considering other viable options such as constructing visitors accommodations or assigning private security personnel within the existing security contract to hotels cleared by the Department of Safety and Security.	Important	O	Receipt of evidence that the Mission has considered and implemented cost-effective arrangements to provide safe and secure temporary accommodation for staff and visitors and those in transit.	30 June 2017
2	UNMISS should develop and implement guidance on managing the activities related to the lease for the temporary accommodation of staff and visitors to minimize losses resulting from unpaid invoices and personnel occupying rooms without authorization.	Important	O	Receipt more comprehensive guidance and procedures on the operation, management and accounting for the leased hotel accommodation and evidence that measures have been implemented to minimize losses from the hotel lease.	30 June 2017
3	UNMISS should review and reconcile the room occupancy records at the leased hotel and the GSS records with the cashier's and Finance Section recovery records and initiate the recovery of all uncollected room charges from United Nations personnel concerned.	Important	O	Receipt of evidence that GSS and the Finance Section have reconciled room occupancy and collection records from 2014 to 2016 and the Mission initiated recovery of uncollected hotel room revenues for the period.	30 June 2017
4	UNMISS should implement measures to ensure: reasons for waiving the requirement for security	Important	O	Receipt of evidence that the Mission documents reasons for waiving the requirement for security	31 July 2017

<sup>1</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>2</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>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNMISS in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	instruments are documented; and the validity of all performance bonds is monitored for the duration of the respective contracts.			instruments in source selection plans and that it was monitoring the security instruments to ensure they remain valid for the duration of the contracts.	
5	UNMISS should monitor and enforce contractors' compliance with the requirement for appropriate insurance policies.	Important	O	Receipt of evidence that UNMISS has implemented measures to ensure contractors' compliance with documentation requirements including the submission of insurance policies and was monitoring the submission of required insurance documents	31 July 2017
6	UNMISS should take appropriate actions such as clarifying responsibilities and implementing an action plan to obtain competitive prices of items sold at the duty-free commissary and ensure the required customer surveys for the duty-free commissary service and cafeterias are conducted to assess and, if necessary, improve the quality of services provided by contractors.	Important	O	Receipt of evidence that the Mission has conducted the required price and customer satisfaction surveys and taken prompt corrective actions, where necessary, related to the services provided by contractors and prices offered by the duty-free commissary	30 June 2017
7	UNMISS should take action to ensure required performance review meetings are held and contractors performance is assessed, measured and reported against agreed key performance indicators.	Important	O	Receipt of evidence that UNMISS is holding performance review meetings and contractors performance is being assessed, measured and reported against agreed KPIs.	30 June 2017
8	UNMISS should implement procedures to ensure that the performance of contractors managed by the General Services Section is assessed upon expiration of the contract and that closure reports are prepared for concluded contracts.	Important	O	Receipt of evidence that UNMISS has implemented procedures for evaluating the performance of contractors and is preparing the related closure reports following the expiration or termination of contracts.	30 June 2017

# **APPENDIX I**

## **Management Response**

Management Response

Audit of management of general services contracts in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNMISS should revisit the need to continue to lease a hotel at an annual cost of over \$500,000, which has only a 50 per cent occupancy rate, and take action to implement cost-effective arrangements to provide safe and secure temporary accommodation for staff and visitors and those in transit by considering other viable options such as constructing visitors accommodations or assigning private security personnel within the existing security contract to hotels cleared by the Department of Safety and Security.	Critical	Yes	Chief FMU	31 March 2017	<p><b>Recommendation implemented:</b></p> <p>Given the existing political and security situation in Juba and South Sudan characterized by a very high degree of instability, there are no immediate plans to discontinue the lease of the hotel for the following reasons:</p> <ul style="list-style-type: none"> <li>• Strategic and secure location inside the UNMISS camp in Tomping;</li> <li>• Close proximity to Juba airport;</li> <li>• Serves as safe haven and secondary evacuation point for staff from other field offices; and</li> <li>• Complements UNMISS transit accommodation capacity.</li> </ul> <p>It is worth noting that following the implementation of Mission Directive (MD) No. 2017/002 (broadcast of 3 March 2017) the occupancy rate has steadily increased from 69% and 56% in March and April to a competitive 77% in May 2017.</p> <p>Future use of the hotel will be reviewed as necessary taking into account 1) UNMISS strategic and operational requirements as dictated by the political and security</p>

<sup>1</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>2</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 general services contracts management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>situation in the country, and 2) economic viability of the lease.</p> <p>At the same time, the Mission continues to allocate resources toward improving the existing transit accommodation in terms of both capacity and quality of service. Phased construction of 150 prefabricated CORIMEC units in Topping has started, a number of which will be allocated toward and serve as transit units.</p> <p>The recommendation to have private security personnel assigned to Security-cleared hotels is not either practical or cost-effective.</p>
2	UNMISS should develop and implement guidance on managing the activities related to the lease for the temporary accommodation of staff and visitors to minimize losses resulting from unpaid invoices and personnel occupying rooms without authorization.	Critical	Yes	Chief FMU	31 March 2017	<p><b>Recommendation implemented:</b></p> <p>Mission Directive (MD) No. 2017/002, broadcast of 3 March 2017, outlines the details governing the management of the hotel as well as the charges for the various categories of staff.</p> <p>Please also refer to our response to recommendation no. 3: GSS and Finance Section carry out regular reconciliation of occupancy records and charges. This further demonstrates stronger controls in the management of the hotel.</p>



## Management Response

## Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical/ <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNMISS should review and reconcile the room occupancy records at the leased hotel and the GSS records with the cashier's and Finance Section recovery records and initiate the recovery of all uncollected room charges from UN personnel concerned.	Critical	Yes	Chief FMU	31 March 2017	<b>Recommendation implemented:</b>  GSS/FMU carries our regular reconciliation of occupancy records with the hotel and the Budget and Finance Section, at least once a month. The strategy employed along with timely and efficient invoicing and billing processes maximizes the recoveries and the amount of bills that are paid on time.
4	UNMISS should implement measures to ensure: reasons for waiving the requirement for security instruments are documented; and the validity of all performance bonds is monitored for the duration of the respective contracts.	Important	Yes	Chief Contracts and Budget Unit And Chief Procurement Purchasing Unit 3	31 July 2017	<b>Implementation in progress:</b>  Procurement and Contract Management Unit (CMU) are working on obtaining renewed performance bonds. Further, in instances where there is no requirement for a security instrument, it will be indicated in the Source Selection Plan. To note: There has been no new solicitation since April 2017.
5	UNMISS should monitor and enforce contractors' compliance with the requirement for appropriate insurance policies.	Important	Yes	Chief Contracts and Budget Unit	31 July 2017	<b>Implementation in progress:</b>  GSS/CMU has developed and is in the process of implementing a mechanism that is to ensure contractors compliance with documentation requirements including the submission of a proper insurance policy. Central to this new process-control tool is a "Contractor Data Requirement List", the aim of which is to ensure all contract-required documents are submitted and received

## Management Response

## Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						without exception. This is work in progress - a number of insurance policies have already been received.
6	UNMISS should take appropriate actions such as clarifying responsibilities and implementing an action plan to obtain competitive prices of items sold at the duty-free commissary and ensure the required customer surveys for the duty-free commissary service and cafeterias are conducted to assess and, if necessary, improve the quality of services provided by contractors.	Important	Yes	Deputy Chief GSS	30 June 2017	<b>Implementation in Progress:</b>  GSS has conducted an informal survey of the items sold in the PX to ensure the goods offered for sale are priced competitively. Based on the survey, the Mission has opted to 1) foster competition by allowing a competitor to open a supermarket in the UN House Compound, and 2) conduct a formal survey to assess the outcome. A complete and formal survey on PX services and a review of the TORs for the PX Coordinator are in progress.
7	UNMISS should take action to ensure required performance review meetings are held and contractors performance is assessed, measured and reported against agreed key performance indicators.	Important	Partially accepted	Chief Contracts and Budget Unit	30 June 2017	<b>Implementation in progress:</b>  The contractors have been requested to meet performance standards in accordance with the agreed set of KPIs as defined in the contract document. Contract focal points will assess measure and document performance against the KPIs. The results will be reflected in the contractors' performance evaluation reports.

## Management Response

## Audit of general services contracts management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
8	UNMISS should implement procedures to ensure that the performance of contractors managed by the General Services Section is assessed upon expiration of the contract and that closure reports are prepared for concluded contracts.	Important	Yes	Chief Contracts and Budget Unit	30 June 2017	<p><b>Implementation in progress.</b></p> <p>An SOP that is to set out a procedure for contract close-out is being drafted. This will emphasize the need for a contract close-out report to be prepared and completed within three (3) months following contract expiration date.</p>