



# **INTERNAL AUDIT DIVISION**

## **REPORT 2021/081**

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### **Audit of centralised warehouse operations in the United Nations Interim Force in Lebanon**

**The Mission implemented several measures during the audit to strengthen its warehouse management including reassignment of staff to better align the workforce with expected workloads and improved controls over movement and storage of inventory. However, the Mission still needed to evaluate its implementation of the centralised warehouse strategy to optimise the intended benefits**

**29 December 2021  
Assignment No. AP2020-672-08**

# **Audit of centralised warehouse operations in the United Nations Interim Force in Lebanon**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of centralised warehouse operations in the United Nations Interim Force in Lebanon (UNIFIL). The objective of the audit was to assess whether the Mission had implemented efficient and effective mechanisms for well-managed and agile warehouse operations. The audit covered the period from July 2020 to November 2021 and included higher and medium risks areas in warehouse management and operations, which included: (a) receiving and inspection; (b) issue of materials; (c) stock control; (d) cycle counts; (e) write-off and disposal; and (f) safety and security.

UNIFIL established the Centralised Warehouse Section to improve the management and operations of the Mission's inventory and implemented adequate controls over the receiving, inspection and issuance of goods. UNIFIL also took several measures during the audit to strengthen its warehouse management including reassignment of staff to better align the workforce with expected workloads, improved controls over movement and storage of inventory items, and enhancement of safety measures. However, as UNIFIL had not yet evaluated the implementation of the centralized warehousing strategy it could not determine whether the Mission had realized the anticipated benefits. Also, some security measures needed to be strengthened.

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

- Evaluate the implementation of the centralised warehousing strategy in the Mission to determine the benefits vis-à-vis improvements in mandate delivery, in coordination with the Office of Supply Chain Management at United Nations headquarters as necessary; and
- Enhance theft preventive measures over warehousing facilities by: (i) ensuring that relevant staff of transport warehouses can access the recording of security video footage for monitoring purposes; and (ii) implementing measures to stop warehouse staff from parking their private vehicles near the entry/exit doors of the warehouses.

UNIFIL accepted the recommendations and has initiated action to implement them. Actions needed to close the recommendations are included in Annex 1.

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# **Audit of centralised warehouse operations in the United Nations Interim Force in Lebanon**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of centralised warehouse operations in the United Nations Interim Force in Lebanon (UNIFIL).
2. As part of an organization-wide strategy to align global, regional and mission centralised warehousing processes, UNIFIL reconfigured its supply chain process in 2015 and established a Centralised Warehousing Section (CWS) within the Supply Chain Management (SCM) pillar.
3. The objective of CWS is to streamline supply chain activities by centralizing the Mission's management of receipt, storage, issuance, recovery and write-off of expendables and non-expendables to achieve greater efficiency and effectiveness. The Section is responsible for all core warehousing activities including: (a) receiving and inspection of goods; (b) storage and issuance of goods; (c) physical verification of the existence of inventory; and (d) disposal of written-off materials and equipment.
4. CWS is headed by a Chief at the P-4 level, and consists of 37 staff, including 7 international and 30 national staff. It comprises the following units: (a) Receiving Unit; (b) Warehouse Operations; (c) Stock Control; and (d) Property Disposal. In addition, 10 military personnel from a contingent are responsible for material handling tasks (loading, unloading, and packing of stocks) in the warehouses. Technical sections are accountable for the assets and inventory entrusted to them. These sections include Engineering, Transport, Supply and Field Technology.
5. As of 30 June 2021, Umoja records indicated that the Mission had \$10 million worth of warehouse-related line items in stock.

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

6. The objective of the audit was to assess whether the Mission had implemented efficient and effective mechanisms for well-managed and agile warehouse operations.
7. This audit was included in the 2021 risk-based work plan of OIOS due to the operational and financial risks related to the management of the centralised warehouse operations in UNIFIL.
8. OIOS conducted this audit from July to October 2021. The audit covered the period from July 2020 to November 2021. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in warehouse management and operations, which included: (a) receiving and inspection; (b) issue of materials; (c) stock control; (d) cycle counts; (e) write-off and disposal; and (f) safety and security. Fuel and rations are managed within the Life Support Section and were therefore excluded from this audit, as were medical supplies.
9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) physical inspection of five warehouse facilities; and (e) sample testing of 30 purchase orders, 162 issue vouchers and 317 inventory line items.
10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### III. AUDIT RESULTS

#### A. Warehouse management and operations

##### Need for evaluation of the implementation of the centralised warehousing strategy in the Mission

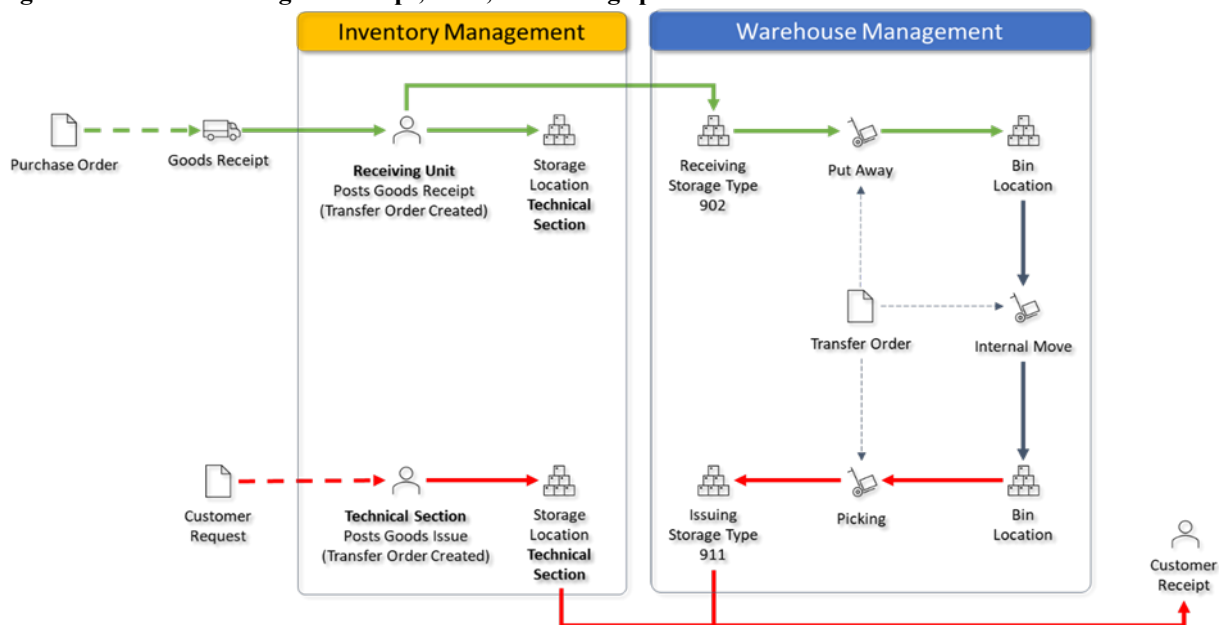
11. In May 2015, the Under-Secretary-General for the then Department of Field Support (DFS) approved the implementation of a vision and strategy for supply chain management in field missions. The strategy was expected to deliver improvements in efficiency, responsiveness, effectiveness, and client satisfaction along missions' supply chain. UNIFIL implemented the strategy as of 1 July 2015 with the integration of the operations of six individual warehouses maintained by the technical sections into CWS. In September 2017, the Umoja enterprise resources planning system was enhanced to enable the Mission to respond to changes by ensuring visibility of stock and inventory trends.

12. Although the implementation of centralised warehousing in UNIFIL resulted in the reduction of seven warehouse staff, it did not lead to the physical consolidation of inventory and warehouse locations. The Mission was yet to determine the appropriate number of warehouses it requires to handle its warehousing needs, therefore it continued to maintain six warehouses in multiple locations and co-located with the workshops of the respective technical sections. With the strategy, the Mission aimed to create an effective, integrated, cohesive and synchronized approach to warehousing work processes, functions, and activities. However, this had not been fully achieved. The following were noted:

- a. The amount of required administrative work had increased

13. To implement the new concept, inventory management (IM) and warehouse management (WM) modules were created in Umoja as shown in Figure 1. Inventory managers within the technical sections are responsible for inventory management of their respective stock items including inspection of goods received and stock level management, while CWS is responsible for warehouse management including the physical receipt, storage, issuance, and disposal of stocks. The “storage location” in IM is merely administrative. The “bin location” in WM is the actual location where the goods are stored.

**Figure 1: Illustration of good receipt, issue, and storage processes**



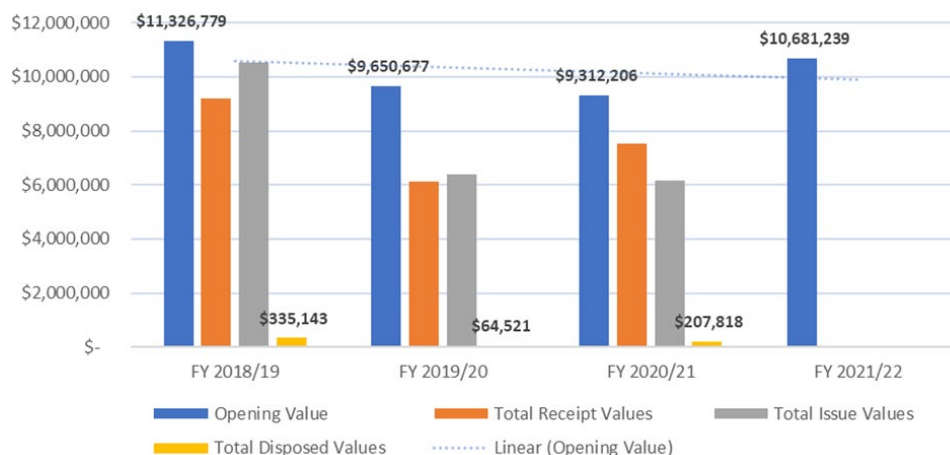
14. Although IM and WM are intended for separate sections (IM for technical sections and WM for CWS), goods are administratively stored in both IM and WM (“storage location” and “bin location”, respectively) to facilitate the technical sections and warehouses’ administrative duties. All movements of goods in the warehouse require a transaction in IM (goods receipt, goods issue, and goods disposal), after which a transfer order is required in WM to move goods in or out of the warehouse. This resulted in duplication of administrative duties since goods are received and issued in both modules.

15. Additionally, goods were issued directly from the warehouse to individual projects since the workshops were no longer being replenished with bulk supplies which was previously done before the implementation of centralised warehousing. As a result, warehouse transactions were required for all individual receipts and issue movements, as opposed to periodic bulk replenishment of the workshops, causing a disproportional high workload in the warehouse. For instance, before the implementation of the centralised warehousing strategy, the Engineering warehouse would issue bulk buckets of paint to the Engineering workshop (one bulk transaction), which in turn would issue smaller quantities to individual projects as required. However, under the IM/WM concept, both warehouse and engineering staff were involved in the individual administrative issuance of paint in small quantities. In OIOS opinion, the recording of transactions in both IM and WM poses a risk for data integrity. For instance, rations were stored in a separate warehouse. However, rations were also recorded in the IM module of General Supply warehouse, which did not physically keep any rations.

b. Management of stock levels were not effectively performed

16. The implementation of the centralised warehousing strategy had not resulted in a significant reduction of stock levels as illustrated in Figure 2. A review of stock levels, receipts and issues over the last three years indicated there was only a small reduction in stock levels (5.2 per cent). During 2020/21, receipts significantly exceeded issuances by \$1.4 million, reversing a trend in the previous two years that had seen issuances exceeding receipts. With a relatively lower level of activities due to the COVID-19 pandemic, the Mission received 471 goods or materials valued at \$479,932 for which no consumption had been recorded as of 31 October 2021. This contributed to the increase in the stock levels.

**Figure 2: Analysis of stock levels, receipts, issuances, and disposals over a three-year period**



17. Although Umoja provided tools to all stakeholders to monitor and analyze stock holdings and review the life cycle and condition of inventory, the Mission was not effectively utilizing them to manage its stock levels. As of 30 June 2021, the Mission had 12,956 stock items valued at \$3.5 million that were considered as dead stock (i.e., no transactions have occurred for a year or longer). This represented about

35 per cent of warehouse-related line items. The Mission stated that it periodically reviews and disposes of excess stock. However, this was done in the wider context of asset management where obsolete assets (mostly non-expendables) were written off, including spare parts for discontinued vehicle and generator models. The demand and supply network planning solution in Umoja Extension 2 is scheduled for roll-out in 2022 and is expected to enhance the capability to resolve this issue. The solution will enable the Mission to establish maximum and minimum stock levels and reorder points for each inventory item and subsequently determine appropriate courses of action to deal with confirmed excess stock items.

c. Umoja did not fully support the centralised warehousing strategy

18. Although, as shown in Figure 1, there was a clear delineation between IM and WM, warehouse staff had the capability to perform IM duties, including the issuance of goods in both modules. This occurred because the warehouse staff were previously working in the technical sections' workshops and their user access rights were never terminated. The Mission stated that, as a compensating control, a senior IM user was required to approve reservations prior to the issuance of goods but there no periodic reports to monitor this. OIOS noted that about 1 per cent of transfer orders were processed without a reservation, although they were properly justified.

19. As the property disposal function had become an integral part of the centralised warehousing operation, it was necessary to treat the storing of obsolete inventory including related facilities as warehouses and apply similar best practices of warehousing. However, a warehouse location had not been created for the Property Disposal Unit (PDU) in Umoja and IM user rights were not assigned to PDU staff. As a result, relevant staff could not identify and manage disposal items under their custody in Umoja. PDU staff were relying on technical sections' IM users to process administrative transactions on their behalf even for disposal items kept physically at the PDU location. Moreover, technical sections' IM users had the capability to fully dispose of articles in Umoja outside the PDU process and without the involvement of PDU staff. In one case, a warehouse staff member with inventory user rights inadvertently disposed of obsolete vehicle spare parts valued at \$45,000 without proper approval. Although this transaction was reversed in Umoja and re-processed correctly using the dedicated bin location for disposal, this indicated a lack of proper segregation of duties since technical sections were also responsible for making decisions for writing off stock and selecting the disposal method.

20. To initiate a receipt or issuance of goods in IM, as depicted in Figure 1, Umoja automatically generates a transfer request, based on which a transfer order is created by warehouse staff. However, this system generated process was not available to initiate the write-off and disposal process for consumables and spare parts. Therefore, transfer requests (input for transfer orders) from the warehouse to PDU could only be done manually. However, the Mission had not established an administrative hand-over process from the warehouse to PDU.

21. In general, as no evaluation has been conducted, UNIFIL could not determine whether the anticipated benefits of the implementation of the centralised warehousing strategy had been realized, including reduced costs and improved services. The Mission needed to assess progress and analyze results of the implementation of the strategy to ensure it has improved warehouse service delivery. In this regard, UNIFIL may seek the assistance of the Office of Supply Chain Management (OSCM) at United Nations Headquarters as necessary.

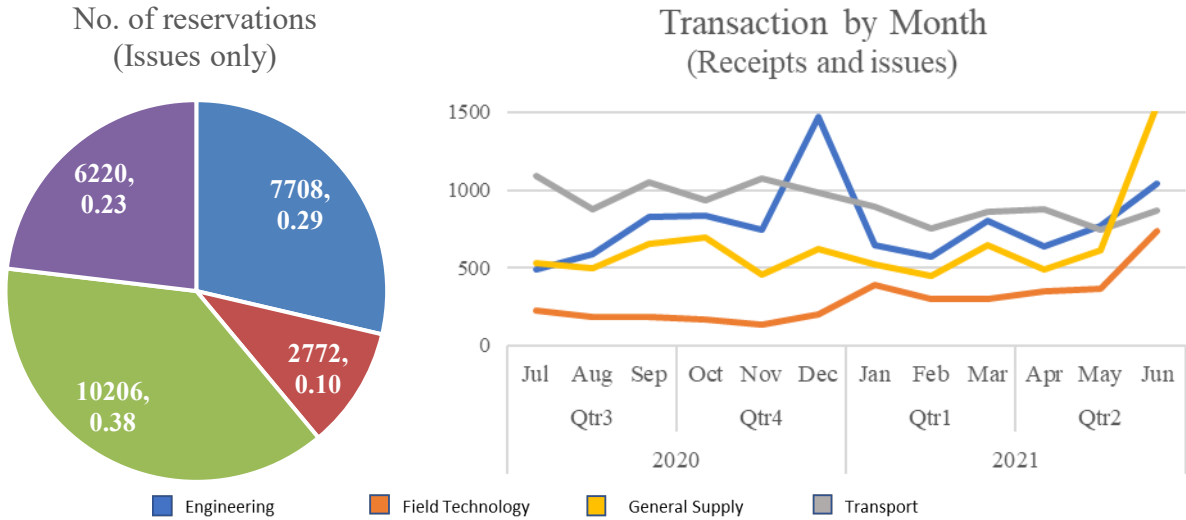
**(1) UNIFIL should evaluate the implementation of the centralised warehousing strategy in the Mission to determine the benefits vis-à-vis improvements in mandate delivery, in coordination with OSCM as necessary.**

*UNIFIL accepted recommendation 1 and stated that all warehouse operations and Umoja warehouse processes were in line with the Centralised Warehousing Operations manual. Synergies that had been achieved include the closure of two big warehouses (Receiving Warehouse and Generator Stores), centralization of operations and reduction of CWS posts from 67 in 2017/18 to 42 in 2021/22, after a civilian staffing review in 2021 during which posts on loan were regularized and vacant posts were abolished. The number of administrative processes had increased due to the segregation of duty between warehouses and technical sections and additional Umoja modules/requirements. However, the additional processes and approvals provide the technical sections with historical data to monitor consumption. Nevertheless, the Mission would conduct an evaluation as per the recommendation and provide supporting documentation by 31 March 2022.*

Staffing resources were being aligned with workload in warehouses

22. CWS staff performing warehouse operations (storage and physical issuance of stocks) were equally distributed between four warehouses (Transport, Engineering, General Supply and Field Technology), with each warehouse having seven staff. However, this may not be equitable as the number of transactions in the warehouses differed significantly as shown in Figure 3.

**Figure 3: Number of reservations 2020/21 and transactions per month**



Source: Umoja reservation and Transfer Order Records

23. Reservations for stock issuance for 2020/21 and monthly receipt and stock issuance for the same period were higher for the General Supply, Transport and Engineering warehouses for the most part, than the Field Technology Section warehouse. The nature of material handling in the warehouses differed significantly in terms of size and bulkiness of the items. For example, Field Technology mainly issued computers and network equipment, Engineering and Transport mainly provided goods and spare parts for daily maintenance of equipment at a higher frequency and the General Supply warehouse often issued multiple small items to end users such as stationery and cleaning materials. UNIFIL did not consider these factors when assigning its warehouse staff and as a result, CWS was facing challenges with managing the General Supply and Engineering warehouses efficiently and most of the discrepancies found during the physical verification of inventory were related to these warehouses.

24. During the audit, UNIFIL took action to return to staff members who were on loan to other sections back to their warehousing functions. The Mission also initiated recruitment actions to fill vacancies and



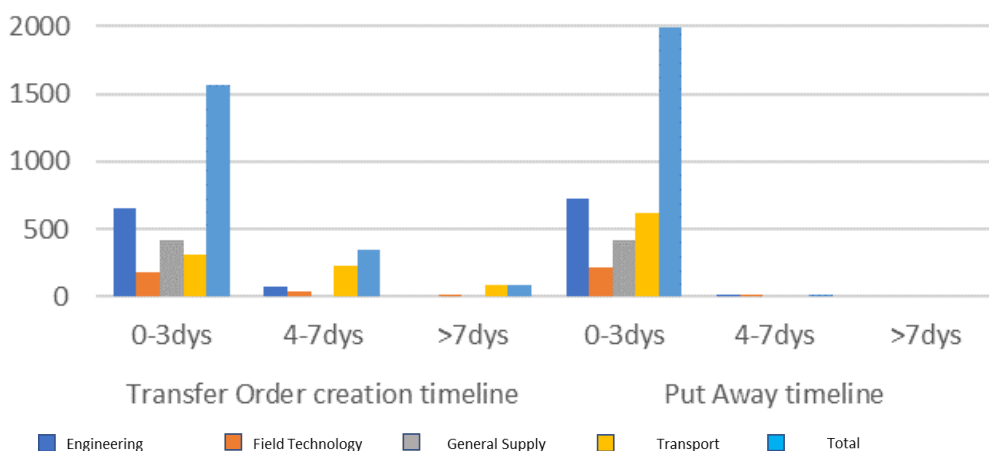
implemented measures to ensure that all warehouse staff can interchangeably perform duties between the different warehouses as and when required. Therefore, OIOS did not make a recommendation.

Controls over the receiving and inspection of goods were adequate

25. CWS processed 4,548 goods receipt transactions totaling \$10.1 million related to 392 purchase orders in 2020/21. Physical observation of the receiving and inspection of paint on 27 September 2021 indicated that the controls over the receipt and inspection process were adequate.

26. CWS established a processing time goal of five days from the physical receipt of goods until they are stored in their final bin location in the warehouse. A review of processing timelines for 1,992 goods receipts transactions indicated that the process was generally completed within seven days as shown in Figure 3. The few instances when this took longer were attributed to delays in the Transport warehouse, where COVID-19 related measures limited staff availability in the warehouse.

**Figure 3: Centralised Warehouse receiving process times (Days)**



Source: Umoja records

27. A review of goods receipt documentation for 30 purchase orders (valued at \$154,460) physically received and processed indicated the following: (a) there were processing delays in 19 cases (63 per cent) due to late technical inspection of goods received because of restrictions related to the COVID-19 pandemic; and (b) vendors’ delivery notes were not attached in 14 cases (47 per cent). Although attaching delivery notes is desirable, sufficient controls were in place to assess proper verification of the delivery against the purchase orders.

Controls over stock issuance were adequate

28. A review of 162 issue vouchers valued at \$1,060,418 out of 9,027 records valued at \$5,908,057 indicated that there were no discrepancies between the issued quantities and those recorded in Umoja. However, in 113 cases (70 per cent of the sample), copies of recipients’ identification cards were not obtained and in one case, the signature of the recipient was not obtained. Of the 113 cases without copies of the identification cards, in 49 cases the staff category of the recipients could not be identified as the prefix to the identification numbers was not written on the issue/transfer vouchers.

29. The above occurred due to inadequate supervision of warehouse staff to ensure compliance with procedures on issuing stocks from warehouses. As a result, there was no assurance that goods and materials

are issued to the correct recipient. During the audit, UNIFIL introduced a stamp, with required fields for name, identification number and signature. Based on the action taken, OIOS did not make a recommendation.

#### The Mission took action to improve accuracy of stock cycle counts

30. UNIFIL conducted cycle counts that covered all inventory items in its warehouse during 2020/21. The results of these cycle counts indicated minor differences of +/- \$12,000 for the year. OIOS physical verification of 317 inventory items valued at \$2,017,456 out of a total of 18,811 valued at \$10,274,565 identified discrepancies in 41 (13 per cent) cases as noted below:

- In 26 cases (totaling \$4,319 excess stocks and \$69,268 deficits), the bin location was incorrectly recorded in Umoja indicating goods had either been moved without an administrative transaction or were placed in the wrong bin location upon receipt. These included stock items such as generator spare parts;
- In 15 cases (totaling \$12,724 excess stocks and \$15,292 deficits) the goods were found in a different bin location. However, an administrative transfer was initiated after the verification, indicating goods had been moved within the warehouse without prior authorization to move them. This mainly concerned cables, paint, and network equipment;
- There were 14 inventory items (deficit of \$30,713) that could not be found. These included generator spare parts, valves and pistons for vehicles, compressors, air conditioners, reagent, and galvanized sheets; and
- A blind count (randomly selected in the warehouse and compared to Umoja records) of 145 inventory items also indicated there were 17 discrepancies in the quantities including nine cases in which Umoja records showed more items than found.

31. The Mission advised that the Stock Control Unit actively followed up on the differences found during cycle counts and only recorded discrepancies the Unit was not able to resolve. The discrepancies mainly occurred due to inadequate supervision and enforcement of standard procedures prior to the movement of items within the warehouse. For example, inventory items were internally transferred without an approved transfer order. In such cases, the transfer orders were created and executed. Other discrepancies were attributed to frequent rotation of military staff assigned to CWS, who were not fully conversant with procedures.

32. During the audit, UNIFIL assigned dedicated staff to proactively monitor transfer orders and provide guidance to military personnel on goods movements. Therefore, OIOS did not make a recommendation.

#### The PDU yard was appropriate and well organized

33. OIOS site visit to the PDU yard showed that vehicles were separated from other assets to be disposed of. The yard had an appropriate perimeter fence, access control, two entry/exit points, a gate pass system for items leaving the yard, and was well secured with functioning closed circuit television camera. The items to be disposed of were well segregated into metals, electronic waste, and tires among others.

34. The yard had a designated area for storage of used oil and oil filters and hazardous waste, such as expired medication, was stored separately. The Mission had a significant stock of hazardous waste awaiting disposal once a contract is signed. OIOS concluded that as currently located and designed, the PDU yard met the disposal needs of UNIFIL.

### Delays in disposal of written off items were justified

35. CWS received notifications of write-off of 211 items in 2020/21, including 171 assets with a depreciated value of \$801,143 as shown in Table 4, and 43 other items of equipment. The Mission had disposed of 139 items and 72 were pending disposal as of 30 September 2021. However, 22 of the 72 items pending disposals had exceeded the 180 days target set in the Strategic Guidance on Property Management Performance Monitoring and Reporting. A review of 20 of them indicated that the delays were due as although the items had been approved for donation, the Mission was waiting for the recipient collect them. Therefore, OIOS is not making any recommendation.

**Table 4: Asset disposal at UNIFIL from 1 July 2020 to 30 June 2021**

<b>Method of disposal</b>	<b>Number of assets</b>	<b>Depreciated value (USD Dollar)</b>
Cannibalization	9	13,343
Destruction	19	97,206
Donations	136	606,996
Commercial sale	2	60,610
Write-off	5	22,989
<b>Total</b>	<b>171</b>	<b>801,143</b>

### Controls over commercial sale of items written off were adequate

36. UNIFIL conducted a one-time commercial sale of 110,000 kilograms of ferrous and non-ferrous scrap metal, 74 prefabricated or containerized accommodations and ablutions, and two steel structure domes valued at \$79,899 in May and June 2021. A review of the sales records indicated that: (a) solicitation documents were issued; (b) applicable bid deposits were received; and (c) the disposal process was competitive. The Mission received full payment before delivering them to the purchasers. OIOS concluded that UNIFIL implemented adequate controls over commercial sales.

## **B. Warehouse safety and security**

### The health and safety conditions of warehouses had improved

37. OIOS site visit to five warehouses indicated there were safety instructions and markers on the floor and emergency exit signs. Warehouse shelves were of the maximum height and safety equipment was available for climbing, including light weight self-propelled electronic lifts, and standing ladders. Material handling equipment and personal protection equipment were available, and first aid stations/kits were installed. In one location (Engineering Materials warehouse), three of the four emergency exits had locked metal doors in front of them to which the warehouse staff did not have the keys. There were no accident record books in the warehouses, but the Mission's Occupational Safety and Health Unit maintained an online database in COSMOS, where all work-related incidents and accidents were reported/recorded.

38. During the audit, UNIFIL cleared the emergency doors of any obstruction. Keys to the emergency doors were also made available to warehouse staff and the doors were unlocked during operating hours.

### Fire safety and theft prevention conditions of warehouses needed to be improved

39. Safety checks conducted on the five warehouses indicated that fire detection and alarm systems, fire extinguishers, fire exit doors, open and smoking prohibition signs were adequate. Each warehouse is

fitted with fire hydrants in the place of sprinklers and each section of the Mission has a designated fire warden.

40. Although the warehouses had adequate access control, there was inadequate video coverage of some storage areas of the Field Technology warehouse. The video footage at the Transport Section heavy duty warehouse had been inaccessible for several months at the time of the visit due to a faulty computer. Moreover, access to the video footage was limited since it was stored on a separate server maintained by the Security Section. Warehouse staff did not comply with warehouse management instructions preventing them to park their private vehicles very close to the main entrance/exit doors of both Transport warehouses (light and heavy duty) and there were no signs prohibiting parking. Although there were no recorded cases of theft, the Mission needed to improve security measures for the warehouses.

41. During the audit, UNIFIL initiated action to procure additional cameras to provide ample coverage of storage areas in the Field Technology warehouse.

**(2) UNIFIL should enhance theft preventive measures in its warehousing facilities by: (i) ensuring that relevant staff of Transport warehouses can access the recording of security video footage for monitoring purposes; and (ii) implementing measures to stop warehouse staff from parking their private vehicles near the entry/exit doors of the warehouses.**

*UNIFIL accepted recommendation 2 and stated that it would ensure that relevant staff in all warehouses can access the recording of security video footage for monitoring purposes. Also, the Chief of the Transport Section had issued a broadcast on 17 November 2021 prohibiting staff from parking their private cars near the entry/exit doors of the warehouses.*

#### **IV. ACKNOWLEDGEMENT**

42. OIOS wishes to express its appreciation to the management and staff of UNIFIL 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 centralised warehouse operations in the United Nations Interim Force in Lebanon

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	UNIFIL should evaluate the implementation of the centralised warehousing strategy in the Mission to determine the benefits vis-à-vis improvements in mandate delivery, in coordination with OSCM as necessary.	Important	O	Receipt of the results of the evaluation of the implementation of the centralised warehousing strategy in UNIFIL and related supporting documentation	31 March 2022
2	UNIFIL should enhance theft preventive measures in its warehousing facilities by: (i) ensuring that relevant staff of Transport warehouses can access the recording of security video footage for monitoring purposes; and (ii) implementing measures to stop warehouse staff from parking their private vehicles near the entry/exit doors of the warehouses.	Important	O	Receipt of evidence that relevant staff in warehouses can access the recording of security video footage for monitoring purposes.	31 March 2022

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>3</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

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

# **APPENDIX I**

## **Management Response**



24 December 2021

To: Ms. Eleanor T. Burns, Director  
Internal Audit Division, OIOS

From: Major General Stefano Del Col,  
Head of Mission and Force Commander  
UNIFIL

A handwritten signature in blue ink, appearing to be "S. Del Col".

Subject: **Draft report on an audit of centralized warehouse operations in UNIFIL  
(Assignment No. AP2020/672/08)**

1. We refer to your memorandum on the above subject, reference No. OIOS-2021-01898 dated 20 December 2021. Please find attached, UNIFIL's response to the recommendations contained in the subject Draft Report.

2. In following the usual procedure, copies of any supporting documents will only be provided to MERAO based at UNIFIL HQ and will not be transmitted to you with this Mission's response.

Best regards.

Cc: Mr. Effendi Syukur, Audit Focal Point, UNIFIL  
Ms. Melva Crouch, UNIFIL  
Mr. Ibrahim Bah, Chief, MERAO, Internal Audit Division, OIOS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

## Management Response

## Audit of centralised warehouse operations in the United Nations Interim Force in Lebanon

Re c. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNIFIL should evaluate the implementation of the centralised warehousing strategy in the Mission to determine the benefits vis-à-vis improvements in mandate delivery, in coordination with the Office of Supply Chain Management at United Nations headquarters as necessary.	Important	Yes	Chief Centralized Warehousing Section	31 March 2022	<p>UNIFIL accepts the recommendation due to the shortage of time given to the mission to provide the response in coordination with UNHQ OSCM and to review if any previous evaluations were conducted within the mission prior to or after the implementation of Centralized Warehousing. It should be noted that the mission had requested OIOS that this should be an ‘Opportunity for improvement’ rather than a recommendation since there were no major issues identified during the audit process as UNIFIL CWS processes were in line with the Centralized Warehousing Manual and Umoja guidelines.</p> <p>As clarified in the audit responses and meetings, the Centralized Warehousing strategy was implemented globally in consultation and agreed upon with all Peacekeeping missions.</p> <p>Prior to the implementation of the Umoja/SAP Warehousing solution, workshops were conducted with peacekeeping missions (starting with the Galileo Decommission Project (GDP) Design Validation Workshop in June 2016 and the GDP Solution Process Deployment Workshop in June 2017), and the solutions were agreed upon globally.</p> <p>All warehouse operations and Umoja warehouse processes managed in Umoja/SAP are in line with the Centralized Warehousing Operations manual.</p> <p><u>Efficiency gains:</u></p> <ul style="list-style-type: none"> <li>- Prior to the implementation of Centralized Warehousing, processes such as issuance, returns, equipment management, maintenance and write-off initiations were managed by the Technical Sections under their respective warehouses. With the implementation of the Umoja warehouse solution in September 2017, further analysis was</li> </ul>

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.



Management Response

Audit of centralised warehouse operations in the United Nations Interim Force in Lebanon

Re c. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments																																																																																																																																															
						<p>conducted, and staff were reassigned to the technical sections based on the operational needs and Umoja roles.</p> <ul style="list-style-type: none"> <li>- After the implementation of Centralized Warehousing in UNIFIL, among other synergies achieved, two of the big warehouses (Receiving Warehouse and Generator Stores) were closed, operations were centralized and the reduction in staffing was also achieved and formalized through CSR as a result of the efficiency gains.</li> <li>- CWS had a total of 67 posts in 2017/2018. After further analysis of the operational requirements and during the 2021 CSR, posts on loan were regularized, vacant posts were abolished and the current 2021/2022 CWS staffing is 42 posts, a 37% reduction.</li> </ul> <table border="1"> <thead> <tr> <th colspan="5">CWS 2017/2018 Staffing</th> <th colspan="4">CWS 2020/2021 Staffing</th> <th>On Loan</th> <th>Vacant</th> <th>Active Posts</th> <th>CWS 202</th> </tr> <tr> <th>Warehouse / Unit</th> <th>P</th> <th>FS</th> <th>GS</th> <th>Total</th> <th>P</th> <th>FS</th> <th>GS</th> <th>Total</th> <th>GS</th> <th>GS</th> <th>Total</th> <th>P</th> </tr> </thead> <tbody> <tr> <td>CCWS</td> <td>1</td> <td>0</td> <td>0</td> <td>1</td> <td>1</td> <td>2</td> <td>1</td> <td>4</td> <td>1</td> <td>0</td> <td>3</td> <td>1</td> </tr> <tr> <td>Receiving &amp; Inspection</td> <td>1</td> <td>0</td> <td>6</td> <td>7</td> <td>0</td> <td>0</td> <td>6</td> <td>6</td> <td>0</td> <td>1</td> <td>5</td> <td>0</td> </tr> <tr> <td>Stock Control</td> <td>0</td> <td>1</td> <td>9</td> <td>10</td> <td>0</td> <td>0</td> <td>5</td> <td>5</td> <td>0</td> <td>0</td> <td>5</td> <td>0</td> </tr> <tr> <td>Property Disposal</td> <td>0</td> <td>1</td> <td>3</td> <td>4</td> <td>0</td> <td>1</td> <td>3</td> <td>4</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> </tr> <tr> <td>General Supply Warehouse</td> <td>0</td> <td>1</td> <td>13</td> <td>14</td> <td>0</td> <td>1</td> <td>9</td> <td>10</td> <td>0</td> <td>4</td> <td>6</td> <td>0</td> </tr> <tr> <td>Engineering Warehouses</td> <td>0</td> <td>1</td> <td>10</td> <td>11</td> <td>0</td> <td>0</td> <td>7</td> <td>7</td> <td>2</td> <td>2</td> <td>3</td> <td>0</td> </tr> <tr> <td>ICTS Warehouse</td> <td>0</td> <td>2</td> <td>5</td> <td>7</td> <td>0</td> <td>1</td> <td>6</td> <td>7</td> <td>2</td> <td>0</td> <td>5</td> <td>0</td> </tr> <tr> <td>Transport Warehouses</td> <td>0</td> <td>2</td> <td>11</td> <td>13</td> <td>0</td> <td>2</td> <td>11</td> <td>13</td> <td>3</td> <td>0</td> <td>10</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>2</b></td> <td><b>8</b></td> <td><b>57</b></td> <td><b>67</b></td> <td><b>1</b></td> <td><b>7</b></td> <td><b>48</b></td> <td><b>56</b></td> <td><b>8</b></td> <td><b>7</b></td> <td><b>41</b></td> <td><b>1</b></td> </tr> </tbody> </table> <p><i>*Excluding AUTLOG support at GS and EFMS Warehouses</i></p> <ul style="list-style-type: none"> <li>- Upon further analysis, it was confirmed that UNIFIL currently has the optimal number of warehouses to manage materials and, as mentioned in the DAR para 13, the warehouses are co-located with the workshops to create an effective, integrated, cohesive and synchronized approach to warehousing processes.</li> <li>- The number of administrative processes has increased due to the segregation of duty between Warehouses and Technical Sections and additional Umoja modules/requirements. However, the additional processes and approvals provide the technical sections historical data to monitor their consumption history, which is only available in the Inventory management module - while the Warehouse Management</li> </ul>	CWS 2017/2018 Staffing					CWS 2020/2021 Staffing				On Loan	Vacant	Active Posts	CWS 202	Warehouse / Unit	P	FS	GS	Total	P	FS	GS	Total	GS	GS	Total	P	CCWS	1	0	0	1	1	2	1	4	1	0	3	1	Receiving & Inspection	1	0	6	7	0	0	6	6	0	1	5	0	Stock Control	0	1	9	10	0	0	5	5	0	0	5	0	Property Disposal	0	1	3	4	0	1	3	4	0	0	4	0	General Supply Warehouse	0	1	13	14	0	1	9	10	0	4	6	0	Engineering Warehouses	0	1	10	11	0	0	7	7	2	2	3	0	ICTS Warehouse	0	2	5	7	0	1	6	7	2	0	5	0	Transport Warehouses	0	2	11	13	0	2	11	13	3	0	10	0	<b>Total</b>	<b>2</b>	<b>8</b>	<b>57</b>	<b>67</b>	<b>1</b>	<b>7</b>	<b>48</b>	<b>56</b>	<b>8</b>	<b>7</b>	<b>41</b>	<b>1</b>
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## Management Response

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						<p>maintains custodianship and can monitor physical allocation of the materials.</p> <p>Further evaluation will be conducted as per the recommendation and supporting documentation will be provided by 31 March 2022.</p>
2	UNIFIL should enhance theft preventive measures in its warehousing facilities by: (i) ensuring that relevant staff of Transport warehouses can access the recording of security video footage for monitoring purposes; and (ii) implementing measures to prevent warehouse staff from parking their private vehicles near	Important	Yes	(i) Security Information System Assistant	31 March 2022	<p>(i) UNIFIL Security Section has accepted the recommendation and will ensure that relevant staff of all warehouses can access the recording of security video footage for monitoring purposes. Requests for access will be sent to Security Section by CWS Warehouse managers.</p> <p>(ii) With reference to implementing measures to prevent warehouse staff from parking their private cars near the entry/exit doors of the warehouses, this recommendation was already implemented. Transport stores share parking space with the Transport workshops. A broadcast was sent from Chief Transport to all UNIFIL staff on 17 November 2021 prohibiting parking of private vehicles in any areas close to the entrances and exits of the Light Vehicle Stores and Heavy Vehicle Stores buildings (Ref DAR Para 40).</p> <p>As per the DAR only 2 (i) remains open.</p>

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