



INTERNAL AUDIT DIVISION

REPORT 2023/010

Audit of the use of low-value acquisitions in the United Nations Mission in the Republic of South Sudan

UNMISS needed to establish contracts for frequently required conference services, strengthen management oversight over the use of low-value acquisitions, and conduct local business seminars in field office locations to encourage new vendors to register and participate in the Mission's procurement process

**24 April 2023
Assignment No. AP2022-633-09**

Audit of the use of low-value acquisitions in the United Nations Mission in the Republic of South Sudan

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the use of low-value acquisitions in the United Nations Mission in the Republic of South Sudan (UNMISS). The objective of the audit was to assess the adequacy and effectiveness of controls over the use of low-value acquisitions (LVAs) in UNMISS. The audit covered the period from 1 July 2020 to 30 June 2022 and included management oversight over the use of LVAs.

UNMISS used LVAs to procure goods and services after obtaining the required minimum number of three quotations from vendors except for five special cases where it obtained waivers from the Director of Mission Support. It also implemented adequate controls over receiving and inspecting goods procured using LVAs. However, UNMISS needed to strengthen management oversight over the use of LVAs.

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

- Ensure that substantive sections, in coordination with field administrative officers, plan and consolidate their requirements for conferencing services to facilitate the establishment of contracts.
- Ensure acquisitioners complete the required checklist confirming the suitability of LVAs in line with established procurement procedures.
- Distribute the LVAs analytical reports prepared by Business Analytics and Compliance Section to the technical and substantive sections for appropriate action and strengthen management oversight over the use of LVAs.
- Conduct local business seminars in field office locations periodically to encourage new vendors to register and participate in the Mission's procurement process.

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

CONTENTS

| | |
|---|-----|
| I. BACKGROUND | 1 |
| II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY | 2 |
| III. AUDIT RESULTS | 2-5 |
| Management oversight over the use of low-value acquisitions | 2-5 |
| IV. ACKNOWLEDGEMENT | 5 |
| ANNEX I Status of audit recommendations | |
| APPENDIX I Management response | |

Audit of the use of low-value acquisitions 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 the use of low-value acquisitions (LVAs) in the United Nations Mission in the Republic of South Sudan (UNMISS).

2. The United Nations Procurement Manual defines LVAs as a direct form of procurement undertaken by the requisitioner or a procurement official without going through a formal solicitation process. LVAs are used to procure readily available, off-the-shelf, standard specification goods and services or simple works and services not exceeding \$10,000¹.

3. The technical and substantive sections² of UNMISS used LVAs to procure goods and services for operational requirements. The requisitioners in the technical sections with ‘Low-Value Acquisitioner’ enterprise roles in Umoja created purchase orders for LVAs after obtaining three quotations from vendors and selecting the quote offering the best value for money. Relevant certifying officers approved these purchase orders in line with the technical sections’ approved budgets. For LVAs related to substantive sections, the Acquisitions and Requisitions Unit created the purchase orders for LVAs in Umoja on behalf of the substantive sections. The Unit also verified that the programmatic activities for which the substantive sections intended to use LVAs were planned and approved in the Mission’s acquisition plan and were supported by three vendor quotations. The use of LVAs in UNMISS was guided by the Mission’s standard operating procedures (SOPs), United Nations Financial Regulations and Rules and the Procurement Manual.

4. UNMISS used 1,893 LVAs totaling \$7.4 million during the audit period as shown in table 1 below:

Table 1: Use of LVAs by sections

| Fiscal Year | 2020/21 | | | 2021/22 | | |
|------------------|------------|------------------|---------------|--------------|------------------|---------------|
| | Section(s) | No of LVAs | Value (in \$) | Per cent | No of LVAs | Value (in \$) |
| Field Technology | 6 | 36,958 | 1% | 8 | 60,046 | 2% |
| Medical | 10 | 39,240 | 1% | 11 | 49,111 | 1% |
| Supply | 10 | 53,982 | 2% | 5 | 21,367 | 1% |
| Engineering | 50 | 411,780 | 11% | 37 | 308,397 | 8% |
| Transport | 69 | 639,831 | 18% | 14 | 122,644 | 3% |
| Substantive | 729 | 2,402,423 | 67% | 944 | 3,249,635 | 85% |
| Total | 874 | 3,584,214 | 100% | 1,019 | 3,811,200 | 100% |

Source: Umoja LVA report

5. Comments provided by UNMISS are incorporated in italics.

¹ Or equivalent amount as per UN operational rates of exchange on the quotation date.

² Technical sections include Engineering, Field Technology, Medical, Supply and Transport. Substantive sections include Child Protection Unit, Civil Affairs Division, Gender Advisory Unit, Human Rights Division, Police Component, Political Affairs Division, Public Information Office, and Rule of Law Section.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of controls over the use of LVAs in UNMISS.

7. This audit was included in the 2022 risk-based work plan of OIOS due to the financial and operational risks associated with using LVAs in UNMISS.

8. OIOS conducted this audit from October to November 2022. The audit covered the period from 1 July 2020 to 30 June 2022. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in management oversight over LVAs.

9. The audit methodology included: (a) interviews of key personnel involved in the use of LVAs, (b) reviews of relevant documentation, (c) analytical review of data extracted from Umoja for LVAs, and (d) a sample testing of 171 LVAs totalling \$1million.

10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

Management oversight over the use of low-value acquisitions

11. The United Nations Procurement Manual stipulates that LVAs should not be used to buy goods and services under certain conditions such as: (a) recurring requirements; (b) goods and services that are available in current local and systems contracts, and (c) splitting of requirements into multiple LVAs to avoid a formal solicitation. Furthermore, the UNMISS SOPs for LVAs require the low-value acquisitioners to complete a checklist confirming the suitability of LVAs for intended purchase in line with the Procurement Manual after conducting a detailed analysis.

12. OIOS analysis of Umoja report of all 1,893 LVAs totaling \$7.4 million used during the audit period indicated that 1,350 (or 71 per cent) of the LVAs totaling \$4.7 million (or 64 per cent) did not comply with the relevant provisions of the Procurement Manual as shown in table 2 below:

Table 2: LVAs used contrary to the provisions of the Procurement Manual

| Nature of exception(s) noted | Description of goods or services | Responsible section(s) | No. of LVAs | Value (in \$) | Per cent |
|---------------------------------|----------------------------------|------------------------|--------------|------------------|-------------|
| a. Recurring requirement | Conference Services | Substantive sections | 1,221 | 3,822,981 | 80 |
| | Paints and related products | Engineering | 6 | 25,071 | 1 |
| | Reefer gas | Engineering | 5 | 33,130 | 1 |
| | Sand and gravel | Engineering | 11 | 71,854 | 2 |
| b. Available in system contract | Batteries | Transport | 9 | 60,191 | 1 |
| | Tyres | Transport | 19 | 132,183 | 3 |
| | Medical supplies | Medical | 21 | 88,351 | 2 |
| c. Splitting of LVAs | Vehicle-equipment spares | Transport | 44 | 330,212 | 7 |
| | Plumbing materials | Engineering | 14 | 124,787 | 3 |
| | Total | | 1,350 | 4,688,760 | 100% |

13. Using LVAs to procure goods available in local or system contracts resulted in higher prices. For example, the Mission overpaid \$10,391 when it used three LVAs to procure paints, cement and reefer gas available in local contracts. Furthermore, contrary to the provisions of the Procurement Manual, the Transport Section repeatedly used LVAs to procure heavy-duty engineering spares that were not required for immediate operational use. For example, 28-line items of heavy-duty engineering spares under eight LVAs totaling \$79,671 bought in October 2020 were still in stock as of 28 September 2022.

14. The inappropriate use of LVAs indicated in table 2 above occurred because the Mission did not prioritize actions to ensure that: (a) substantive sections, in conjunction with field administrative officers, planned and consolidated their requirements for conferencing services to facilitate the establishment of contracts by the Procurement Section, (b) LVA approving officers in Umoja verified that the acquisitioners completed the checklist confirming the suitability of the use of LVAs, and (c) LVA analytical reports prepared by the Business Analytics and Compliance Section that highlighted inappropriate use of LVAs were distributed to technical and substantive sections for appropriate action.

(1) UNMISS should ensure that substantive sections, in coordination with field administrative officers, plan and consolidate the requirements for conferencing services to enable the Procurement Section to establish contracts for conferencing services.

UNMISS accepted recommendation 1 and stated that it would consolidate the requirements of conferencing services at field offices, although the vendor capacities to provide such services vary from one field office to another. The Mission will make coordinated efforts at field levels to identify service providers for establishing contracts.

(2) UNMISS should ensure that approving officers verify that low-value acquisitioners complete the required checklist confirming the suitability of low-value acquisitions in line with established procurement procedures.

UNMISS accepted recommendation 2 and stated that it would consistently remind approving officers of their responsibility to verify that acquisitioners complete the required checklist before they grant their approval.

(3) UNMISS should: (a) distribute the low-value acquisitions analytical reports prepared by Business Analytics and Compliance Section to the technical and substantive sections for their information and appropriate action, and (b) strengthen the management oversight to monitor and act against inappropriate use of low-value acquisitions.

UNMISS accepted recommendation 3 and stated that it would share the quarterly low-value acquisition reports with senior managers and chiefs of the technical and substantive sections for their information and necessary actions. This would serve as the oversight mechanism on the use of low-value acquisitions.

A minimum of three quotations were obtained from vendors

15. UNMISS SOPs for LVAs require the technical and substantive sections to obtain a minimum of three written quotations from vendors and, where this is not possible, to obtain exceptional approval for a waiver from the Director of Mission Support.

16. OIOS review of a random sample of 171 LVAs totaling \$1 million showed that technical and substantive sections obtained a minimum of three quotations and five waivers from the Director of Mission Support. Furthermore, the quotations from vendors included important information such as price, quantity, quality, warranties, goods expiry periods and delivery place that facilitated the comparison of quotes from

different vendors. Therefore, OIOS concluded that UNMISS complied with the requirement to obtain a minimum number of quotations.

Need to conduct local business seminars to promote vendor diversity

17. To ensure the procurement principle of competition, UNMISS needed to periodically conduct local business seminars to promote opportunities for new potential local vendors to register and participate in the local procurement process of the Mission.

18. Analysis of Umoja LVA reports showed that UNMISS used the same vendors during the audit period to purchase specific goods and services such as conference services, engineering items and transport spare parts. For example, the Engineering Section procured items costing \$424,530 from nine vendors, representing 59 per cent of all LVAs used by the section during the audit period. Also, the Transport Section used 46 LVAs to procure heavy-duty engineering equipment spares costing \$499,029 from three vendors representing 59 per cent of the total LVAs raised by the section. Furthermore, substantive sections also used 241 LVAs to procure conference services totaling \$774,505 from only three vendors in Bor, Wau and Yambio during the audit period. This had deterred the Mission from enhancing vendor diversity and promoting competition for LVAs.

19. The above occurred because the UNMISS Procurement Section conducted annual local business seminars in Juba but did not expand it to the field offices to encourage new vendors in field locations to register and conduct business with the United Nations. As a result, the Mission purchased goods at higher prices from registered vendors. For example, when procuring decking jacks for building construction and chain-link wire for fencing, the lowest quotes were obtained from vendors not registered on United Nations Global Market platform. As a result, UNMISS could not buy the goods from the vendors with the lowest prices but from the registered vendors at prices higher by 14 and 135 per cent, respectively.

(4) UNMISS should periodically conduct local business seminars in field office locations to encourage new vendors to register and participate in the Mission's procurement process.

UNMISS accepted recommendation 4 and stated that it had plans to expand the conduct of annual business seminars to sectors.

The weaknesses in the delivery of goods and vendor payments for conference services are being addressed

20. Vendors are required to timely deliver the goods in accordance with the terms of the LVA purchase orders. UNMISS is also required to make timely payments to vendors upon the satisfactory delivery of their obligations per delivery terms.

21. OIOS noted delayed delivery of goods and delayed payments to vendors as described in the following paragraphs:

(a) Delays in delivery of goods

22. A review of randomly selected 111³ LVAs for goods valued at \$822,158 showed that the delivery of goods for 76 LVAs valued at \$536,082 (or 65 per cent) was delayed by an average of 50 days from the delivery dates stipulated in purchase orders. Moreover, the review showed significant delivery delays of over 120 days after the delivery dates for three purchase orders for urgently required items, including medical supplies such as laboratory reagents valued at \$13,369. Also, there were long delays of 365 and

³ The purchase orders relate to goods/materials procured by technical sections only, namely Engineering, FTS, Medical, Supply and Transport

603 days beyond the due delivery dates for platoon pallets costing \$9,800 and information and communication technology spares costing \$4,900, respectively. As a result, there was a risk of ineffective support for time-sensitive operational requirements.

23. The above resulted due to the lack of monitoring mechanisms to ensure timely delivery of goods by vendors and appropriate action for non-compliance with terms of the purchase orders. The Mission management advised that some delays were attributed to supply chain disruptions due to the COVID-19 pandemic. Since there was a decreasing trend in both use of LVAs and delays in goods delivery with the improved supply chain post-COVID-19 pandemic crisis, OIOS did not make a recommendation.

(b) Delays in vendor payments

24. Payments for 91 (or 53 per cent) vendor invoices valued at \$474,377 out of 171 invoices were made after the stipulated 30 days in the purchase orders. The average payment delay was 59 days beyond the due date of payment. This exposed the Mission to reputational risk. OIOS noted that some technical sections, such as Engineering and Transport recently implemented vendor payment tracking mechanisms following the audits of engineering projects and contracts management in UNMISS. However, substantive sections that had 44 (or 48 per cent) out of 91 invoices with delayed payments averaging 117 days had no vendor invoice payment tracking mechanisms.

25. UNMISS advised and OIOS confirmed that Acquisitions & Requisitions Unit sends reminders to substantive sections for submission of payment documents regarding programmatic activities procured using LVAs, especially towards the end of the fiscal year. Furthermore, the Unit sends reminders to cancel approved LVAs if the services were not received. Nevertheless, the Acquisitions & Requisitions Unit will increase the frequency of sending reminders if payment documents were not received by the Unit after 30 days from the promised delivery date, or if the UNMISS Finance Unit has not made payments within 10 working days from the submission of service entry sheets in Umoja. Therefore, based on actions already taken and committed by UNMISS, OIOS did not make a recommendation.

Controls over receiving and inspection of goods for low-value acquisitions were effective

26. UNMISS constituted joint inspection teams comprising staff from the Receiving and Inspection Unit, technical sections and the Centralized Warehouse Unit to inspect and accept only those goods that met the quantity ordered and quality specifications.

27. OIOS review of 111 randomly selected receiving and inspection reports for goods purchased using LVAs valued at \$822,158 indicated that the receipt and inspections of goods were carried out effectively. The inspection teams ensured: (a) timely inspection of goods received; (b) all requisite members of the joint inspection teams participated in inspections; and (c) Umoja records were promptly updated. Therefore, OIOS concluded that controls over goods receipt and inspection for LVAs were effective.

IV. ACKNOWLEDGEMENT

28. 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.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the use of low value acquisitions in the United Nations Mission in the Republic of South Sudan

| Rec. no. | Recommendation | Critical ⁴ / Important ⁵ | C/ O ⁶ | Actions needed to close recommendation | Implementation date ⁷ |
|----------|---|---|----------------------|---|----------------------------------|
| 1 | UNMISS should ensure that substantive sections, in coordination with field administrative officers, plan and consolidate the requirements for conferencing services to enable the Procurement Section to establish contracts for conferencing services. | Important | O | Receipt of evidence that UNMISS has consolidated the requirements for conferencing services and taken steps to establish the contracts. | 31 December 2024 |
| 2 | UNMISS should ensure that approving officers verify that low-value acquirers complete the required checklist confirming the suitability of low-value acquisitions in line with established procurement procedures. | Important | O | Receipt of evidence that the acquirers complete the required checklist before they grant their approval for low-value acquisitions. | 31 December 2023 |
| 3 | UNMISS should: (a) distribute the low-value acquisitions analytical reports prepared by Business Analytics and Compliance Section to the technical and substantive sections for their information and appropriate action, and (b) strengthen the management oversight to monitor and act against inappropriate use of low-value acquisitions. | Important | O | Receipt of evidence that quarterly low-value acquisition reports are shared with senior management and chiefs of sections and appropriate actions are taken, as needed. | 31 December 2023 |
| 4 | UNMISS should periodically conduct local business seminars in field office locations to encourage new vendors to register and participate in the Mission's procurement process. | Important | O | Receipt of evidence that local business seminars are conducted periodically in field office locations. | 1 July 2024 |

⁴ 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.

⁵ 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.

⁶ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁷ Date provided by UNMISS in response to recommendations.

APPENDIX I

Management Response

UNITED NATIONS

United Nations Mission
in South Sudan

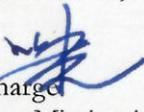


NATIONS UNIES

Mission des Nations Unies
en Soudan du Sud

Date: 6 April 2023

To: Mr. Kemal Karaseki
Acting Chief, Peacekeeping Audit Service
Internal Audit Division, OIOS

From: Guang Cong 
Officer-In-Charge
United Nations Mission in South Sudan

Subject: **Management Response to the draft report of the Audit of the Use of Low-Value Acquisitions in the United Nations Mission in the Republic of South Sudan (Assignment No. AP2022-633-09)**

1. UNMISS acknowledges receipt of the draft report from OIOS on the Audit of the use of Low-Value Acquisitions dated 24 March 2023.
2. Please find attached the Management Response to the recommendations as indicated in Appendix I.
3. Thank you for your consideration and support.

cc: Ms. Victoria Browning, UNMISS
Mr. Paul Egunsola, UNMISS
Mr. Aggrey Kedogo, UNMISS
Mr. Matthew Carlton, UNMISS
Ms. Daniela Wuerz, UNMISS
Mr. Jeffrey Lin, OIOS

Management Response

Audit of the use of low value acquisitions in the United Nations Mission in the Republic of South Sudan

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|---|--|--------------------|---------------------------------|---------------------|---|
| 1 | UNMISS should ensure that substantive sections, in coordination with field administrative officers, plan and consolidate the requirements for conferencing services to enable the Procurement Section to establish contracts for conferencing services. | Important | Yes | Administrative Officer, OCORMS | 31 December 2024 | While UNMISS agrees to this recommendation in part to consolidate conferencing requirements/services at the field office level for the purpose of establishing contracts for conferencing services, it should be noted that vendor capacities to provide such services vary from field office to field office within the context of the Mission’s operating environment. Nonetheless, the Mission will, to the extent possible, make coordinated efforts at field levels to identify service providers in order to establish contracts. |
| 2 | UNMISS should ensure that approving officers verify that low-value acquisitioners complete the required checklist confirming the suitability of low-value acquisitions in line with established procurement procedures. | Important | Yes | Chief, BACS | 31 December 2023 | UNMISS will consistently remind Approving Officers of their responsibility to verify that acquisitioners have completed the required checklist before they grant their approval. |
| 3 | UNMISS should: (a) distribute the low-value acquisitions analytical reports prepared by Business Analytics and Compliance Section to the technical and substantive sections for their information and appropriate action, and (b) strengthen the management oversight to monitor and act against inappropriate use of low-value acquisitions. | Important | Yes | Chief, BACS | 31 December 2023 | The Quarterly LVA Reports will be shared with senior managers and chiefs of the technical and substantive sections so that they will be informed and can take the necessary actions. This will serve as the oversight mechanism on the use of LVAs. |
| 4 | UNMISS should periodically conduct local business seminars in field office locations to encourage new vendors to register and participate in the Mission’s procurement process. | Important | Yes | Chief Procurement Officer | 1 July 2024 | This is being implemented. UNMISS has conducted Business Seminars in Juba in the last 2 years and plans to continue holding the annual business seminar in Juba, as well as expand to the Sectors. |

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

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