



INTERNAL AUDIT DIVISION

REPORT 2023/011

Audit of contract management in the United Nations Mission in the Republic of South Sudan

UNMISS needed to develop standard operating procedures to clarify oversight arrangements and related responsibilities for contract management, monitor the use of performance bonds and provide training to staff performing contract management activities

24 April 2023

Assignment No. AP2022-633-04

Audit of contract management in the United Nations Mission in the Republic of South Sudan

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of contract management in the United Nations Mission in the Republic of South Sudan. The objective of the audit was to assess whether the contract management activities of UNMISS were efficient and effective. The audit covered the period from 1 July 2020 to 30 June 2022 and included oversight of contract management, invoice verification and payments and contract administration.

UNMISS had a decentralized contract management function that needed improved controls to bolster the efficiency and effectiveness of contract management activities throughout the contract lifecycle. Specifically, UNMISS needed to develop standard operating procedures to clarify oversight arrangements and related responsibilities for contract management, establish a tracking system to monitor the use of performance bonds to secure contractors' performance and provide training to staff performing contract management activities.

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

- Develop standard operating procedures to clarify oversight arrangements and related responsibilities and ensure consistent contract management practices;
- Adequately monitor the timely certification of the receipt of goods and enhance the verification of invoices for security services;
- Establish a tracking system to monitor the use of performance bonds; and
- Inform staff engaged in contract management activities of their training requirements and monitor the completion of such training.

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

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Audit of contract 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 contract management in the United Nations Mission in the Republic of South Sudan (UNMISS).
2. The United Nations Procurement Manual defines contract management as actions undertaken after the award of a contract to cover activities such as contractor performance monitoring, payments, contract closure and record retention. Effective contract management helps ensure that quality goods and services, in the right quantity, are delivered on time and in accordance with the agreed-upon contract terms.
3. The contract management in UNMISS is guided by the Department of Operational Support (DOS) Contract Management Policy, the Procurement Manual, the United Nations General Conditions of Contract for Provision of Goods and Services, the United Nations Financial Regulations and Rules and the terms of individual contracts signed between UNMISS and external parties.
4. UNMISS does not have a centralized Contract Management Section. Instead, the technical sections¹ have one or more contract management focal points that monitor the performance of the contractors in addition to their regular responsibilities. Additionally, the Procurement Section is responsible for contract administration, including contract amendments or extensions, contract closure, record retention, maintenance of the contract files and handling performance bonds.
5. As of 30 June 2022, UNMISS had 124 active contracts with a cumulative not-to-exceed (NTE) amount of around \$1 billion, as shown in table 1 below.

Table 1: Contract NTE amount per technical section as of 30 June 2022

Technical sections	Number of contracts	Not- to-exceed amount (USD)
Fuel	1	326,301,296
Field Technology	8	215,772,910
Aviation	17	213,857,726
Rations	2	182,282,872
Engineering	47	41,873,385
Movement control	18	20,953,071
Security	3	16,684,506
Accommodation Management	1	4,415,450
Mission Support Center	1	1,500,000
Transport	3	1,282,696
Communication and Public Information	10	683,332
Other Supply	3	664,522
Integrated Mission Training Center	3	236,427
Welfare	5	123,706
Civil Affairs Department	1	71,940
Information Management	1	14,500
Total	124	1,026,718,339

Source: UNMISS Procurement Section and technical sections' records

¹ Technical sections include Engineering, Field Technology, Aviation, Transport, Movement Control, Security, Accommodation Management Unit, Fuel Unit, Rations Unit and Communications and Public Information Office.

6. UNMISS Procurement Section and technical sections managed 106 local contracts totaling \$89.7 million. The remaining 18 system contracts totaling \$937 million were managed by the Procurement Division at the United Nations Headquarters in New York. These system contracts did not fall within the audit scope.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether the contract management activities of UNMISS were efficient and effective.

8. This audit was included in the 2022 risk-based work plan of OIOS due to the operational and financial risks related to the contract management activities in UNMISS.

9. OIOS conducted this audit from June 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 the management of contracts, which included: (a) oversight of contract management, (b) invoice verification and payments, and (c) contract administration.

10. The audit methodology included: (a) interviews with key personnel of Procurement and technical sections, (b) a review of relevant documentation, (c) an analytical review of data related to vendor payments, and (d) a random sample testing of 30 contracts totalling \$590 million out of 124 contracts totalling \$1 billion. The 64 contracts related to Engineering and Aviation sections totaling \$256 million were not included in the sample as they were separately covered in the recent OIOS audits of engineering projects² and air operations³.

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

III. AUDIT RESULTS

A. Oversight of contract management

The decentralized contract management activities needed improved clarity of roles and responsibilities

12. The Provisional Supply Chain Planning Operational Guidance of December 2018 requires the field missions to establish a Contract Performance Evaluation Unit (CPEU) to monitor and evaluate contractors' performance.

13. UNMISS did not have a centralized Contract Management Unit but entrusted the technical sections with the responsibility to monitor and evaluate the contractors' performance for goods and services delivered to their respective sections. Also, it had not established a CPEU to assist the technical sections, coordinate with the responsible procurement officers, and provide the expertise and guidance to manage contracts. In benchmarking the contract management function among four comparable peacekeeping missions, OIOS found that it was decentralized in one and centralized in the other three missions with varying staff compositions, as shown in table 2 below.

² Report 2022/063- Audit of engineering projects in the United Nations Mission in the Republic of South Sudan

³ Report 2022/086- Audit of air operations in the United Nations Mission in the Republic of South Sudan

Table 2: Comparison of contract management function in four peacekeeping missions

Mission	Structure	Staffing
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO)	Centralized: Contract Management Section was established within the Supply Chain Management Service. The Section provided guidance and oversight over the contract management activities.	21 staff (1 P-4, 4 P-3s, 5 Field Staff, 8 National General Service and 3 United Nations Volunteers)
United Nations Support Office in Somalia (UNSOS)	Centralized: CPEU was established within the Acquisition Management Section. The Unit provided guidance to the contract administrators and project managers in various sections/units.	6 staff (1 P-3 and 5 national staff)
United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA)	Centralized: CPEU was established within the Acquisition Management Section. The Unit provided guidance to the contract administrators and project managers in various sections/units	4 staff (2 national staff and 2 outsourced from a contractor)
United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA)	Decentralized: Each technical section had a contract manager overseeing the day-to-day contract management activities.	Not applicable

Source: *Peacekeeping missions documents*

14. Further, UNMISS did not develop standard operating procedures (SOPs) in line with the Procurement Manual and Contract Management Policy to guide the contract management activities throughout the contract lifecycle. As a result, the roles and responsibilities related to contract management activities were unclear for the officials of various sections. There was also inadequate management oversight of contract management activities leading to weaknesses in timely, accurate and consistent performance monitoring and closure of contracts, as noted in the following paragraphs.

Performance reviews of contractors needed to be strengthened and properly documented

15. Contract management focal points are required to monitor contractors’ performance against the key performance indicators established in the contracts, hold periodic performance review meetings with the contractors, and record the quarterly performance reports in the contractors’ performance reporting tool (CPRT).

16. OIOS review of 30 randomly selected contracts noted the following deficiencies:

- Out of the 160 periodic performance review meetings (PRMs) expected during the review period, only 63 PRMs were held and documented in minutes.
- Only 21 out of 63 PRM minutes were attached to the CPRT system to support the quarterly performance evaluation reports.
- Some key performance indicators for monitoring the performance of contractors, such as the number of shipments delivered timely for logistics services and network availability for mobile communications were not measured and reported.
- No performance review meetings were held with a contractor rated “minimally acceptable” and “unacceptable” in the performance reports of the second quarter of 2021 and 2022, respectively. The only supporting documents attached to the CPRT were emails exchanged with the contractor in the first quarter of 2021 related to the contractor’s poor performance on the execution of a

specific task order. Regarding the same contractor, only 2 out of 8 quarterly performance reports were recorded in CPRT during the audit period.

- There were inconsistencies in the performance ratings. For example, in a contractor performance report for the second quarter of 2022, the overall performance, which is the aggregation of the different performance parameters, was rated as “minimally acceptable”, but the final comment of the contract management focal point in CPRT was “unacceptable”. Despite the above ratings, the contractor was recommended for future contracts.
- Some of the fields in CPRT were not consistently completed by different technical sections. For example, the field confirming timely payments to contractors was completed by the Accommodation Management Unit but left blank by the Transport Section.

17. The above gaps occurred because: (i) the routine discussions were held with the contractors by phone or email but not documented, and performance review meetings were not held in some cases due to COVID-19 restrictions; and (ii) the inadequate management oversight over the contractor performance reviews had prevented the Mission from ensuring contractors’ compliance with contractual terms and conditions.

Inadequate closure of contracts

18. In coordination with the technical sections, the procurement officials are required to prepare a closure report at the end of a contract after determining that all obligations have been met, the contractor performance evaluation has been completed and all payments have been settled.

19. The contract management module in Umoja showed that 328 expired contracts as of 30 June 2022 were not closed, 90 of which expired more than five years, as shown in table 3 below.

Table 3: Status of expired contracts as of 30 June 2022

Time elapsed	0 – 1 year	1 – 3 years	3 – 5 years	+ 5 years	Total
Expired contracts	106	61	71	90	328

Source: contract management module in Umoja

20. A review of 30 out of 328 expired contracts indicated that the Procurement Section did not prepare the closure reports at the end of the contracts because it expected the relevant technical sections to initiate the closure process. However, there were no guidelines delineating this responsibility. Moreover, the technical sections could not timely start the closure process because the documents required for such closure were not timely prepared, such as the final evaluation report of the contractor’s performance and the confirmation that the contractual obligations were met. For example, a contract for transportation services could not be closed on time because, among the eight required documents, only the termination letter was available in the closure file. Other documents, such as the confirmation that delivery obligations have been met and no pending claims or investigations against the contractor were missing.

21. The closeout process was ineffective due to a lack of SOPs to clarify oversight arrangements and delineate responsibilities between the Procurement and technical sections.

22. As a result, there was no assurance that the contractors met all contractual obligations leading to an increased risk of rehiring poor performing contractors.

(1) UNMISS should develop standard operating procedures to clarify oversight arrangements and related responsibilities and ensure consistency of contract management practices.

UNMISS accepted recommendation 1 and stated that it would draft standard operating procedures with inputs from relevant sections to ensure consistency in contract management practices.

B. Invoice verification and payments

Need to improve procedures for timely certification of the receipt of goods and services

23. The payment procedures for vendors require certification of goods receipt notes (GRN) and service entry sheets (SES) for receipt of services, respectively, prior to approving vendor payments. However, OIOS noted delays of an average of 26 days for 12 vendor payments totaling \$2.6 million out of 85 vendor payments totaling \$28 million, primarily due to delays in the certification of the receipt of goods and services. The payments were made within the stipulated 30 days for the remaining 73 vendor payments totaling \$25.4 million.

24. The above occurred due to the lack of a monitoring mechanism to ensure timely certification of the receipts of goods and services and recording of the GRN and SES in Umoja by the technical sections. As a result, delayed payments may impede contractors' willingness to continue doing business with the Mission and result in contractors increasing prices for future goods and services to absorb the costs associated with overdue payments.

25. Furthermore, OIOS noted an incorrect payment for a contract related to unarmed guard services due to discrepancies between the proof of deployment provided by the contractor and the physical attendance records prepared by the UNMISS Guard Force Unit. For example, the attendance records showed a shortage of six guards during the night shift on 22 December 2021 in the Tomping water plant location and a surplus of seven guards in the United Nations House compound on the same night. This happened because of a lack of monitoring and oversight by the Safety and Security Section to verify the accuracy of payments for services rendered by unarmed security guards. As a result, there was a risk of overpayment to the contractors for services that were not rendered.

(2) UNMISS should: (a) adequately monitor the timely certification of the receipt of goods and services by the technical sections; and (b) enhance its verification of invoices for security services.

UNMISS accepted recommendation 2 and stated that it would determine the responsible sections or individuals and include relevant provisions in the standard operating procedures for the monitoring and timely certification of receipt of goods and services. Furthermore, it issued a new standardized daily proof of deployment form to all area security advisers/guard force units to accurately record all transactions in the monthly proof of deployment reports.

C. Contract administration

Need to strengthen the monitoring of performance bonds

26. The United Nations Procurement Manual requires performance bonds or other security instruments to secure contractors' performance. However, of a random sample of 30 contracts reviewed by OIOS, UNMISS did not obtain performance bonds for 9 contracts totaling \$641,870. The Mission advised that

they did not obtain performance bonds for four of these data and satellite television services contracts due to the monopoly or duopoly of suppliers in the country and the criticality of such services. In addition, the Mission did not renew performance bonds totaling \$479,187 that expired by a period ranging from four months to three years for another nine contracts.

27. The above occurred because UNMISS did not establish a tracking system to monitor if performance bonds of the correct value and validity were obtained from contractors according to the terms of the contracts. As a result, the Mission had inadequate safeguards against contractors' inability to fulfil contractual obligations.

(3) UNMISS should establish a tracking system to monitor that performance bonds are obtained to effectively secure contractors' performance according to the terms and duration of contracts.

UNMISS accepted recommendation 3 and stated that it would establish a log register to ensure that performance bonds are secured and renewed where applicable.

A leased contract that was not cost-effective was terminated

28. UNMISS continuously extended for nine years a lease agreement with a cumulative NTE amount of \$4.9 million for the provision of hotel accommodation for its staff, contractors and other authorized individuals on official visits. The Mission paid an annual rent of \$454,524 for the hotel accommodation in 2021 and 2022 but recovered only \$128,908 and \$123,846 from its staff and other occupants in 2021 and 2022, respectively. Since 2014, UNMISS had expanded the internal capacity of transit accommodation in its two compounds in Juba, namely, Tomping and United Nations House.

29. In 2022, the capacity of transit accommodation in these compounds was 129 and 5, with an annual occupancy rate of 38 and 21 per cent, respectively. Furthermore, the occupancy rates in the leased hotel averaged 55 and 41 per cent in 2021 and 2022, respectively, indicating the diminishing requirement for such a lease. But the Mission had not conducted a comprehensive cost-benefit analysis to justify the lease extension and explored the possibility of using the Mission's accommodation facilities in lieu of the hotel. A new procurement process was also not initiated to benefit from competitive bidding.

30. However, UNMISS terminated the lease agreement with the hotel accommodation effective 22 January 2023. Therefore, OIOS did not make a recommendation.

Need to provide training to staff performing contract management activities

31. The United Nations Procurement Manual requires staff involved in procurement, including contract management activities to complete relevant training in the United Nations Procurement Training Campus.

32. All staff in the Procurement Section had completed relevant procurement training, but 16 out of 24 staff did not undertake any refresher training for over five years even though some of the procurement processes had changed in the intervening period.

33. Also, a review of the training records of 23 staff in technical sections engaged in contract management activities indicated that only 5 staff completed the training. Out of the remaining 18 staff, 6 had not received any training and 12 had not received any refresher training in the last five years.

34. The above occurred because the staff were not aware of training requirements and the opportunities for free online specialized procurement courses, including a contract management course hosted by the

United Nations System Staff Campus Blue Line platform. Also, the Mission did not establish a mechanism to monitor the training of staff engaged in contract management activities. This prevented the Mission from enhancing staff capacity through progressive professionalization of the contract management function.

(4) UNMISS should inform staff engaged in contract management activities of their training requirements and implement a monitoring system over the completion of such training.

UNMISS accepted recommendation 4 and stated that the Integrated Mission Training Center (IMTC) would inform the staff about training once the list of courses and participants is finalized. Furthermore, IMTC would monitor if staff selected for trainings have completed the required courses.

IV. ACKNOWLEDGEMENT

35. 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 contract management 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 develop standard operating procedures to clarify oversight arrangements and related responsibilities and ensure consistency of contract management practices.	Important	O	Development of the standard operating procedures delineating oversight arrangements and related responsibilities.	31 December 2023
2	UNMISS should: (a) adequately monitor the timely certification of the receipt of goods and services by the technical sections; and (b) enhance its verification of invoices for security services.	Important	O	Receipt of evidence of the established measures for monitoring the timely certification of receipt of goods and services and the implementation of new standardized daily proof of deployment form to support the accuracy of monthly proof of deployment reports.	30 March 2024
3	UNMISS should establish a tracking system to monitor that performance bonds are obtained to effectively secure contractors' performance according to the terms and duration of contracts.	Important	O	Receipt of evidence that UNMISS has established a tracking system to monitor the use of performance bonds to secure contractors' performance.	30 August 2023
4	UNMISS should inform staff engaged in contract management activities of their training requirements and implement a monitoring system over the completion of such training.	Important	O	Receipt of evidence that UNMISS has informed staff engaged in contract management activities about their training requirements and established a monitoring mechanism for training.	31 December 2023

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: 12 April 2023

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

From: Nicholas Haysom 
Special Representative of the Secretary-General

Subject: **Management Response to the draft report of the audit of Contract Management in the United Nations Mission in the Republic of South Sudan (Assignment No. AP2022-633-04)**

1. UNMISS acknowledges receipt of the draft report from OIOS on the Audit of Contract Management dated 29 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
Ms. Aminata Thiaw Kone, UNMISS
Mr. Matthew Carlton, UNMISS
Mr. Qazi Ullah, UNMISS
Mr. Nikolay Kovalev, UNMISS
Ms. Daniela Wuerz, UNMISS
Mr. Jeffrey Lin, OIOS

Management Response

Audit of contract management 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 develop standard operating procedures to clarify oversight arrangements and related responsibilities and ensure consistency of contract management practices.	Important	Yes	c/o ODMS and relevant sections	31 December 2023	SOP to be drafted with inputs from relevant sections to ensure consistency in contract management practices.
2	UNMISS should: (a) adequately monitor the timely certification of the receipt of goods and services by the technical sections; and (b) enhance its verification of invoices for security services.	Important	Yes	(a) c/o ODMS (b) Area Security Advisers (ASA), Guard Force (GF) Commanders	30 March 2024	(a) Based on the upcoming SOP, UNMISS shall determine the responsible section/individual for sub-recommendation (a). (b) The Contracts Management Unit (CMU) of the Security Section had requested all ASA/GF in all states on 12 January 2023 to use a standardized “Daily Proof of Deployment Form” which was accepted by the OIOS Auditors. A newly standardized “Daily Proof of Deployment Format” was sent to all ASAs/GF and all transactions to be reflected at the end of the month on “Monthly Proof of Deployment (POD)” as the invoices are based on the Monthly PODs. CMU had requested the implementation to all GF stakeholders to use the standardized “Daily Proof of Deployment Format” with immediate effect since 12 January 2023.

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.

Management Response

Audit of contract management 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
3	UNMISS should establish a tracking system to monitor that performance bonds are obtained to effectively secure contractors' performance according to the terms and duration of contracts.	Important	Yes	Chief Procurement Officer	30 August 2023	A log register will be established to ensure that Performance Bonds are effectively secured including renewals where applicable.
4	UNMISS should inform staff engaged in contract management activities of their training requirements and implement a monitoring system over the completion of such training.	Important	Yes	Chief, IMTC	31 December 2023	IMTC should be able to support this recommendation by informing the staff, once the list of courses to be undertaken are made available together with the list of participants. On the monitoring part, IMTC will coordinate with the technical sections to ensure that their staff selected for those courses will complete the required courses.