Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2023/055

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

UNISFA needed to address significant weaknesses in the control environment, ensure compliance with relevant regulations and rules and the related policies and procedures related to procurement and contract management, and address accountability issues

02 November 2023
Assignment No. AP2022-635-02

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and contract management in the United Nations Interim Security Force for Abyei (UNISFA). The objective of the audit was to assess whether management by UNISFA of procurement and contract implementation activities was effective and efficient, and in compliance with relevant policies and procedures. The audit covered the period from 1 July 2019 to 31 January 2023 and included a review of the control environment including governance structure, bidding and contract award process, contract performance monitoring, and replacement of expiring contracts.

OIOS identified significant weaknesses in the control environment and non-compliance with established regulations, rules and policies related to procurement and contract management. In the procurement cases reviewed, there was no assurance that Financial Regulations and Rules and procurement principles of effective international competition, fairness and transparency, best value for money and the interest of the United Nations were fully achieved.

OIOS made one critical and eight important recommendations. To address issues identified in the audit, UNISFA needed to:

Improve the control environment for procurement and contract management, including:

- restructure the membership of the Local Committee on Contracts in compliance with ST/AI/2011/8 requirements and ensure that attendance of case review is strictly by bonafide appointed voting members with the necessary background and financial expertise **(Recommendation 1)**;
- ensure that the Key Performance Indicators (KPIs) for contract implementation are reviewed and monitored against the performance targets during the monthly contractor meetings **(Recommendation 2)** and;
- prioritize the preparation of the procurement strategy for each financial period focusing on the high value and complex requirements; clearly define staff responsibilities, timelines, and follow-up actions to ensure that contracts are timely implemented and renewed; and review the procurement strategy on a quarterly basis and report to senior management on its progress to enhance transparency and accountability **(Recommendation 4)**.

Improve effectiveness of the procurement process and contract management, including:

- follow-up and obtain performance bonds from all current contractors, and take prompt action by withholding invoice payments due to delays in submitting performance bonds and recover losses resulting from non-performance **(Recommendation 3)**;
- complete all required information in the Source Selection Plan, and provide realistic and achievable target dates to complete the procurement activities and deliver timely award of the contracts **(Recommendation 5)**; and
- ensure that procurement bidding exercises are based on actual requirements to avoid assigning additional tasks to contractors; and cease the practice of extending contracts for unlimited periods **(Recommendation 8).**

The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for non-compliance with the Financial Regulations and Rules and resulting potential financial loss, including:

- breach of rules and policies and potential financial losses pertaining to the delay in a new solicitation exercise for the camp management services contract and various irregularities related to the current contract; and UNISFA should draw lessons from this case to improve (a) compliance with rules and policies and (b) individual accountability of the UNISFA staff with responsibilities of managing and overseeing the procurement and contract implementation processes **(Recommendation 6-critical);**
- splitting of award for murram supply totalling $9 million to nine vendors instead of submission to the Headquarters Committee on Contracts for review, and awarding of contracts to higher quoted vendors **(Recommendation 7)** and;
- failure to abide by procurement rules and losses incurred by using contractor A for crushed gravel **(Recommendation 9).**

UNISFA accepted all recommendations, implemented one, and has initiated action to implement the outstanding recommendations. Actions required to close the recommendations are indicated in Annex I.

CONTENTS

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and contract management in the United Nations Interim Security Force for Abyei (UNISFA).

2. UNISFA's annual acquisition plans for three financial years 2019/20, 2020/21 and 2021/22 were estimated at procurement values of $67, $71, and $66 million, respectively. As per the Demand and Acquisition Planning data, the Mission had issued 1,470 purchase orders for $205 million per Umoja records (table 1).

Table 1: Summary of purchase order data for the financial years 2019/20 to 2021/2022 (in US$)

Procurement Source	No of POs	Cost for 2019/20	No of POs	Cost for 2020/21	No of POs	Cost for 2021/22	Total POs	Total cost
Procurement Division - systems contract	140	43,890,123	186	48,195,529	156	37,219,961	482	129,305,613
GPSS - systems contract	72	4,908,719	49	2,126,641	42	4,712,316	163	11,747,676
UNISFA- local contracts*	48	14,246,596	58	14,006,458	68	13,315,757	174	41,568,811
UNISFA - standalone RFQs*	212	3,690,106	262	6,699,814	162	9,533,997	636	19,923,917
Interagency MOUs	3	205,310	2	180,940	5	1,443,377	10	1,829,627
UNAMID contracts	2	15,001	1	15,000	2	271,280	5	301,281
Total	**477**	**66,955,855**	**558**	**71,224,382**	**435**	**66,496,688**	**1,470**	**204,676,925**

***** *The audit scope covered contracts and POs from the highlighted rows*

3. UNISFA Supply Chain Management Section (SCMS) is responsible for procurement and contract management activities. It is headed by a Chief at the P-5 level, who is assisted by one field staff at the FS-5 level and one national staff. It comprised five units: (a) Procurement Unit, with five staff headed by a P-4; (b) Acquisition Management Unit, with seven staff headed by a P-4; (c) Centralized Warehousing Unit, with 20 staff headed by a P-4; (d) Supply Chain Performance Management Unit, with seven staff headed by a P-4; and (e) Movement Control Unit, with 23 staff headed by field staff at FS-7.

4. Procurement and contract management activities are governed by the United Nations Financial Regulations and Rules (FRR), Procurement Manual, Department of Operational Support (DOS) Contract Management Policy, and the terms of individual contracts signed between UNISFA and external parties.

5. The Department of Management Strategy, Policy, and Compliance (DMSPC) monitors the use of delegated authority, including the use of Key Performance Indicators (KPIs) to ensure that the delegates are complying with applicable legal and policy framework and internal controls. The heads of entity subdelegate selected authorities in accordance with limitations set out in the individual delegation of authority (DoA) to their staff to ensure the most effective and responsible use of resources under their authority. The authority to manage procurement in UNISFA was sub-delegated by the former acting Head of Mission to the Chief of Mission Support (CMS) according to inter-office memorandum reference UNISFA/MHQ/HOM/IOM/019/2021 dated 28 April 2021.

6. Comments provided by UNISFA are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether management by UNISFA of procurement and contract implementation activities was effective and efficient, and in compliance with relevant policies and procedures.

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

9. OIOS conducted this audit from September 2022 to February 2023. The audit covered activities during the period from 1 July 2019 to 31 January 2023 in higher and medium risk areas, including control environment, bidding and contract award, contract performance monitoring and replacement of expiring contracts.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation, (c) analytical review of Umoja data; and (d) review of nine procurement cases with a total value of $51.3 million out of $61.5 million (See table 1 - local contracts amounting to $41.6 million and standalone request for quotations (RFQs) amounting to $19.9 million). The audit scope excluded: (a) procurement through system contracts, which are managed at the United Nations Headquarters and the Global Procurement Services Section (GPSS) at the Regional Service Centre in Entebbe (RSCE); and (b) low-value acquisitions[1].

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

III. AUDIT RESULTS

A. Control environment

A.1. Inadequate composition and functioning of the Local Committee on Contracts

12. The primary purpose of the Local Committee on Contracts (LCC) is to render written advice to authorized officials on proposed procurement actions, which include agreements/contracts or other written instruments. The LCC is an integral part of internal controls and an advisory body for authorized officials discharging their procurement-related responsibilities. As per ST/AI/2011/8, the requirement for the LCC is to have four voting members at the P-4 level and above to the extent possible, and for each member to have one or more alternates to serve in the absence of regular members. The members and their alternates should have commercial, financial, or legal academic backgrounds and experience or other relevant qualifications, including training in procurement.

13. OIOS review of the composition and functioning of the LCC from July 2019 to June 2022 identified the following:

- The Mission appointed seven voting members instead of four, including an alternate chair. Two alternate members, a national staff legal officer and an international finance assistant at the FS-5 level participated in the meetings, contrary to the requirement that a member be at the P-4 level and above to the extent possible. While UNISFA referred to the flexibility implied in ST/AI/2011/8

[1] Low-value acquisitions are "informal" methods of solicitation and are exceptions to the use of formal methods such as Invitation-to-Bid and Request-for-Proposal.

(that is, P-4 and above *to the extent possible*), this flexibility would apply primarily to smaller entities with less staff, such as small special political missions. Per the approved 2022-23 UNISFA budget and staffing table, the Mission had 8 P-5, 37 P-4 and 30 P-3 encumbered positions, and hence, alternate members at the professional level could have been selected.

- The Chief Engineering Officer was an LCC voting member; however, he was not invited to participate in any of the meetings. The Chief Finance and Budget Officer (CFBO), who was the alternate chairperson, had only been invited to chair one meeting. Instead, the CMS appointed the Chief Audit Response Unit as the temporary chairperson on 11 March 2021. He was subsequently confirmed as the LCC chairperson on 20 July 2022.

- UNISFA explained that the CFBO was not physically in the Mission area for prolonged periods over four years and, given the operations of the Mission and different time zones, he could not participate more frequently than those who were in the Mission area. However, OIOS noted that several meetings of the Committee were held virtually during the COVID-19 pandemic and the physical presence of the CFBO was not a prerequisite for his attendance, nor was there any evidence that the CFBO declined a meeting invitation due to time difference. UNISFA also explained that the Chief Engineering Officer had attended LCC meetings as a requisitioner for engineering requirements; however, this does not satisfactorily explain the non-participation of this Officer as a voting member of the LCC in other meetings held over the period.

14. OIOS found that most of the LCC members who participated in meetings were from the administration pillar of Mission Support. For example, the Administrative Officer, Chief Audit Response Unit, and some of the LCC Secretaries reported directly to the CMS, resulting in a lack of balance in the Committee composition and risk of conflict of interest. For example, during the LCC deliberations of a contract extension (LCC/UNISFA/2021-0017), the CMS was quoted as having instructed the Procurement Unit to keep the contract open-ended, which was subsequently recommended by an LCC membership predominantly made of supervisees of the CMS.

A.2. Inadequate management of procurement and contract implementation risks

15. The Staff and Financial Regulations and Rules, Procurement Manual, Secretariat-wide Enterprise Risk Management and Internal Control Policy, Anti-fraud, and Anti-corruption framework and DoA framework address key risk management measures related to procurement and contract management.

16. A key element of risk management is identifying and assessing risks at the entity-level and implementing appropriate mitigation measures. Although UNISFA had developed a mission-wide risk register that identifies high-level risks related to procurement, risk mitigation measures were generally inadequate or not effectively implemented. As a result, the Mission was exposed to financial losses and non- or sub-standard performance by some vendors. OIOS found the following instances of inadequate/ineffective measures to mitigate procurement-related risks:

- Procurement Manual 4.2 requires entities to develop a strategic approach for their procurement processes as a key element for the timely implementation of projects or operations by ensuring that procurement contracts are awarded based on effective competition. This strategic approach requires understanding the nature of the requirements, contractors' capacity, operating environment's complexity, risks involved, and available internal United Nations capacities and resources. UNISFA developed demand and acquisition plans (DAPs) for the three financial years 2019/20, 2020/21 and 2021/22 as required, but had not developed procurement strategies, which would have addressed major risks. For example, while the facilities maintenance services contract was supposed to be a stop-gap measure for one year, it was extended multiple times to more than five years with significant increases in the number of contractor personnel. There were no specific procurement strategies/actions indicated in the DAPs.

- Monitoring and reporting on key contract performance indicators is critical for the satisfactory delivery of products and services. However, this was not systematically done by UNISFA. Monthly performance meetings with contractors did not include discussions on the indicators to assess and monitor progress and performance.

- Performance bonds that were essential to mitigate the risk of vendor non-performance were not systematically obtained from vendors. The review of 11 active contracts showed that 6 vendors had not submitted their performance bonds with values ranging from $7,978 to $98,863, as shown in table 2. Performance bonds were due within 15 days of signing the respective contracts.

Table 2: Contracts whose performance bonds (PB) were not received (NTE in US$)

No.	Contract Description	Contractor	Start Date	End Date	NTE Amount	PB (10%)
1	Ground Handling Services-Khartoum	B	04-Jun-20	03-Dec-22	988,629	98,863
2	Drainage and footpath structure	C	18-Dec-19	30-Jan-23	876,356	87,636
3	Provision for furniture	D	11-Nov-21	10-Nov-24	585,690	58,569
4	Timber for construction	E	25-Feb-22	24-Feb-25	477,900	47,790
5	Supply of cement and culverts	F	12-Apr-22	11-Apr-25	456,900	45,690
6	Door frames and parts	G	13-Apr-22	13-Apr-25	79,779	7,978

17. There was no evidence of actions taken or efforts made by the Procurement Unit to obtain these bonds. Further, although the contracts allowed the Mission to withhold invoice payments equivalent to the performance bond amount, this was not done and liquidated damages for delays or non-delivery of goods and services by the contractors were not applied. OIOS noted that UNISFA terminated seven contracts due to non-performance, and while a performance bond was obtained in one of the seven cases, no recovery was made from the contractor for non-performance.

18. The Procurement Unit explained that applying liquidated damages was very difficult given the challenges in Abyei deliveries, which often results in force majeure. Additionally, most of the period under review was during the COVID-19 pandemic, which impacted delivery lead times.

19. The absence of key staff over prolonged periods hindered effective risk management and oversight of procurement activities. OIOS review of the post-incumbency of the Procurement Unit and SCMS showed that:

- The Chief Procurement Officer was on sick leave for 172 days during the period from July 2019 to June 2020 and subsequently left the Mission on 31 March 2021. Upon his departure, a staff at the P-3 level on a temporary position was appointed as an Officer-in-Charge of the Procurement Unit up to 31 July 2021, when a new chief was appointed.

- The Chief SCMS was on leave from 1 August 2022 to 10 April 2023 and during his absence, the Officer-in-Charge at the P-4 level who was overseeing the section was, at the same time, on a temporary P-4 post in the Movement Control Unit.

A.3. Gaps in source selection plan, adherence to procurement timelines and vendor evaluation

20. The source selection plan (SSP) is an internal and collaborative document that describes the procurement process critical components and justifies the sourcing methodology to be used and procurement decisions to achieve the best value for money principle. Bid evaluation criteria should not unduly disqualify vendors from developing countries and countries with economies in transition and should be based on the principles of fairness and equity.

21. OIOS reviewed four procurement cases with a total NTE value of $13,634,665, including supply of murram (NTE $9 million, awarded to nine vendors), supply of crushed gravel (NTE $1.6 million, awarded jointly between contractors A and F), provision of force mobility (NTE $2,158,309, awarded to contractor H) and construction of drainage and footpaths (NTE $876,356, awarded to contractor C). The audit found the following:

- There was no indication of estimated value in two of the three SSPs[2], even though this was a requirement. Lack of estimated value in the SSP may result in inappropriate use of the sourcing and solicitation methods.

- The SSP details estimated milestones or timelines to complete each procurement activity. However, for these large procurements, the estimated milestones were unrealistic. For example, while the estimated time in the SSP for murram supply was set at 2.5 months, the bidding process took 15 months. Similarly, bidding for specialized workforce for force mobility took 11.5 months against the estimated 3 months.

- The technical evaluation for the murram requirement took 8 months, requiring the Mission to request an extension of the vendors' bid validity period of 120 days. UNISFA indicated that the high number of technical evaluations for various other solicitation exercises was the main reason for the delay. As shown above, the audit found that the delays were mainly attributable to weaknesses in risk management and planning.

- While mandatory criteria are required in the Procurement Manual, the Manual also highlights that the extent of the mandatory criteria must have a rational basis related to the fundamental purpose of the requirement, and the Procurement Official should ensure that mandatory criteria are not used to limit competition. In the procurement of murram, six vendors were disqualified for failing one out of seven mandatory criteria, "*provision of a designated focal point person based in Abyei,"*. OIOS noted that this criterion could have been met at a later stage in the bidding process since it may not have been essential to assess the capacity of a vendor to execute the contract.

22. In addition, OIOS investigated an instance of two RFQs issued by a procurement assistant where the commercial evaluations did not match the vendors' quotations, which had been manipulated to facilitate awarding the contracts to favored vendors. The actual prices quoted by these vendors were subsequently increased in the invoices resulting in a financial loss of $24,779 to UNISFA. OIOS had advised UNISFA to recover the financial loss, but UNISFA had not provided confirmation that this was done.

A.4. Procurement staff financial disclosures had been filed

23. All staff of the Procurement Unit had filed their annual financial disclosure statements with the Ethics Office, which is one of the Organization's key measures to identify potential conflicts of interest.

[2] There was no SSP for contractor H, which was established through mutual recognition principle.

UNISFA should:

(1) restructure the membership of the Local Committee on Contracts in compliance with policy requirements of its composition and ensure that attendance of case reviews is strictly by bonafide appointed voting members with the necessary background and financial expertise.

UNISFA accepted recommendation 1, indicating that it would further refine the latest LCC composition dated July-August 2022 in relation to the number, level, roles (members or alternates) and qualifications of its members.

(2) ensure that the Key Performance Indicators (KPIs) for contract implementation are reviewed and monitored against the performance targets during the monthly contractor meetings.

UNISFA accepted recommendation 2, indicating that it would continue to measure performance levels through relevant KPIs, based on the requirement and the contract terms, and to review the KPIs during the monthly contractor meetings. In addition, the Chief Mission Support will issue an instruction to all technical units to ensure relevant KPIs are discussed in all performance meetings, and any remedial action is followed-up by the technical unit/contract manager.

(3) follow-up and obtain performance bonds from all current contractors and take prompt action by withholding invoice payments due to delays in submitting performance bonds and recover losses resulting from non-performance.

UNISFA accepted recommendation 3, indicating that it the Procurement Unit had obtained performance bonds from contractor C, contractor D, contractor E, contractor F, contractor G and was following up with the remaining contractor B, which was unable to send the performance bond due to the current crisis in Khartoum. It would continue to follow up with contractors to provide performance bonds. Further, UNISFA has established retention in lieu of performance bonds for those vendors unable to secure bank performance bonds. Those contractors that did not comply with the agreed terms of the performance security may be referred to the Vendor Review Committee.

(4) prioritize preparation of the procurement strategy for each financial period focusing on the high value and complex requirements; clearly define staff responsibilities, timelines, and follow-up actions to ensure that contracts are timely implemented and renewed; review the procurement strategy on a quarterly basis and report to senior management on its progress to enhance transparency and accountability.

UNISFA accepted recommendation 4, indicating that it would further enhance existing monitoring tools (weekly report using Umoja contract data, contracts log, and shopping charts monitoring tool under the responsibility of SCMS) to monitor more closely the timely implementation of the demand plan based on type of solicitation, commodity, identified risks and lessons learnt, in particular on high-value and complex requirements. Such tools would ensure that rebidding exercises and contract extensions (as per contract terms) are actioned in due time to avoid ex post facto situations, or contract extensions outside of contract terms due to delays in rebidding are minimized.

(5) complete all required information in the Source Selection Plan and provide realistic and achievable target dates to complete the procurement activities and deliver timely award of the contracts.

UNISFA accepted recommendation 5, indicating that it has implemented it. Estimated value of requirement and realistic timelines are now included in all SSPs. SSPs are already used by UNISFA to discuss with technical units the various steps in the procurement process, including requirements and evaluation criteria definition, and clearly computed estimated award value. The CPO will send a reminder to this effect to all procurement officials and requisitioners, copy of which will be provided to OIOS.

B. Review of selected contracts

B.1. Contract for camp management services

24. In March 2015, UNISFA issued a Request for Proposal (RFP) for the provision of camp management services[3]. Following a solicitation exercise, on 15 September 2015 the contract was awarded to contractor J, the bidder with the most responsive proposal. The contract was signed on 26 June 2016 but was subsequently terminated on 28 September 2016 due to the refusal by the Government of Sudan to allow the contractor to operate in the Abyei area.

25. The Assistant Secretary-General of the Office of the then Central Support Services (ASG/OCSS) in April 2017 authorized UNISFA to conduct direct negotiations with contractor I, the second-ranked bidder with the most responsive proposal, as a stop-gap measure pending the outcome of another solicitation exercise. He noted that overall, contractor I's financial proposal was 40 per cent higher than that of contractor J and, further, the mobilization and demobilization component was 250 per cent higher. The ASG/OCSS stressed that the NTE amount should not exceed $9.2 million and that the contract should be for a one-year period until a new solicitation exercise was conducted. After negotiations, UNISFA awarded the contract to contractor I for one-year, effective 25 November 2017, with an NTE amount of $7.9 million and an option to extend an additional year to 24 November 2019 within a total NTE amount of $12.6 million. The renegotiated contract with contractor I was 32 per cent higher than contractor J's terminated contract, as shown in table 3 below.

Table 3: Contractors J versus I initial contract cost comparison (in $US)

Cost Description	Contractor J	Contractor I	Variance	Per centage
Mobilization and demobilization costs	537,363	950,000	412,637	77%
Managerial staff cost	1,826,421	2,418,000	591,579	32%
Management fees and overhead costs	1,770,669	2,115,598	344,929	19%
Cost of other materials and services	1,864,057	2,457,117	593,060	32%
Total	**5,998,511**	**7,940,715**	**1,942,204**	32%

26. As this contract was intended to be a stop-gap measure, both UNISFA and the United Nations Headquarters Procurement Division were confident that a new solicitation would be conducted within 16 months, as noted in the October 2017 minutes of the HCC. However, the audit noted the following weaknesses with management of contractor I's contract.

a. ***The contract was not used as a stop-gap measure as intended but continued for 5.6 years with an increase of 410 per cent, reaching the not-to-exceed amount of $40.4 million***

[3] Camp management services included accommodation management, camp cleaning services, garbage management, ground maintenance, facilities equipment operation and maintenance for equipment such as generators, wastewater plants, servicing air conditioners and electricals.

27. Although UNISFA assured the HCC that a new solicitation exercise would be completed within 16 months from November 2017, the process was initiated on 31 October 2019, only one month before expiry of the contract, when UNISFA submitted a statement of works to the United Nations Global Service Centre (UNGSC) for the solicitation of a replacement contract. In its response, UNGSC noted that the Mission's requirement was not developed following the "Updated List of Strategic Goods and Services and accompanying thresholds" issued by the USG/DOS dated 25 October 2019, for which Local Procurement Authority (LPA) is required. Since, according to the project cost estimate, the approach of the requirement was to supply manpower services, UNGSC advised UNISFA to seek a waiver from DOS Logistics Support Division. There was no evidence that the Mission obtained this waiver. After this, on 12 February 2020, UNISFA requested the Global Procurement Services Section (GPSS) in Entebbe to conduct a new procurement exercise for a replacement contract. GPSS issued an RFP on 23 September 2020.

28. UNISFA, as per the HCC minutes dated 20 November 2019 deliberating extension of the camp management services contract, explained that the re-bidding exercise took long as it took a full year before the contractor could be issued with a task order to mobilize after signing the contract, primarily due to objections by the local community who did not want contractor I. Further, the contractor faced challenges with securing visas for its international personnel and was, therefore, only able to deploy very few numbers of personnel. In addition, the contractor had difficulties in recruiting local personnel who were previously employed as individual consultants with UNISFA. This situation led to a strike, which lasted almost two months and was only resolved through the intervention of the Mission and the Local Community Administration.

29. The procurement for the replacement contract was further delayed due to the COVID-19 pandemic, during which the contract was extended several times. On 25 March 2022, given the expected finalization of the new solicitation exercise and contract award in the coming months, the ASG Office of the Supply Chain Management (OSCM) approved the Mission's request to extend the contract from 25 May to 24 August 2022 with an option to extend further for an additional three-months through 24 November 2022. The HCC reiterated its request that UNISFA expedite the finalization of the new solicitation exercise.

30. In June 2022, following the results of the new solicitation exercise, the ASG/OSCM approved award of the contract to a new bidder, contractor K, to replace the stop-gap contract with contractor I, which had been in place since 2017. The new contract was signed on 12 September 2022 with an NTE amount of $39.2 million over five years, and full mobilization was expected by 27 October 2022. UNISFA indicated that the two-and-a-half-year gap between the request for a new procurement exercise and the award of the replacement contract to contractor K was not attributable to the Mission but to GPSS. However, in reference to minutes of the HCC meeting dated 15 September 2021, the delay was documented as associated with the complexity of the requirement; the high number of proposals received; the Mission's concerns over a split award and operational challenges, which required discussions among various stakeholders; and GPSS' other competing priorities. Hence, the delay was not solely attributable to GPSS.

31. On 20 January 2023, the Chief Procurement Officer informed OIOS that the contract with contractor I needed to be further extended since the Sudanese Government had not authorized the new contractor to operate in the country. As a result, on 16 November 2022, UNISFA submitted another case presentation to the HCC seeking an extension of contractor I's contract for three months. The HCC recommended the case, and the Acting ASG/OSCM approved it. A new contract amendment (number 13) was signed by the CMS on 24 November 2022, extending the contract to 24 February 2023 with an option to extend for an additional three-month period through 24 May 2023 and an associated increase in the NTE amount of $5.4 million, resulting in a new aggregate of $40.4 million, pursuant to FRR 105.16 (a) (ix) – formal solicitation will not give satisfactory results.

b. ***Mobilization costs were not adequately justified***

32. Contractor I's revised cost breakdown for camp management services, dated 10 May 2017, included a total lump sum mobilization cost amounting to $750,000, comprised of: (i) $150,000 for transportation and visas for international personnel; (ii) $240,000 for transportation of equipment and materials; (iii) $160,000 for insurance on transportation of goods and supplies; (iv) $100,000 for rent for a regional support office in Khartoum and/or Entebbe; and (v) $100,000 for the cost of public relations. However, not all these amounts were justified. For example, contractor I was exempt from visa fees as per the Status of Forces agreement /Status of Mission Agreement (SOFA/SOMA) with the host country, and the basis for charging public relations costs was unclear. There was also no evidence that the vendor actually incurred such expenses.

33. UNISFA informed that it was their understanding that the Government of Sudan had imposed a mandatory requirement that companies operating in Abyei have an office in Khartoum. However, this was not included as a mandatory criterion in the technical or commercial evaluation for this solicitation or for the replacement contract to allow assessment of compliance or a cost comparison. The Mission further indicated that despite the SOFA exemption, the host Government still charged vendors for visas issued to their personnel, a cost which the Mission had to regularly reimburse under protest. In OIOS opinion, the Mission pre-empted the visa rejection, allowing inclusion of cost that should have been borne by contractor I. In addition, based on the Mission's explanation, the cost of visas should also have been included in the replacement contract by contractor K, which was not the case.

34. Further, during the bidding exercise in 2022, the financial proposal by contractor K did not include any mobilization/demobilization costs, while that of contractor I had both mobilization and demobilization costs totaling $275,000 despite having already included these costs in the existing contract.

c. ***A significant increase in the number of contractor's personnel above the established contract ceiling, without review by HCC, resulted in an additional cost to the Mission of approximately $10 million at the time of the audit***

35. The SOR for camp management services, which formed the basis of the contract with contractor I, stipulated that the maximum number of contractor local personnel to be deployed to all UNISFA locations would be 299 comprising 50 per cent unskilled, 30 per cent semi-skilled and 20 per cent skilled. Although personnel numbers at each location could vary based on changes in operational requirements at each camp, the maximum number of personnel was fixed and could not be exceeded. Also, per the contract, the daily rates for local personnel would be $12, $17, and $25 for unskilled, semi-skilled and skilled personnel, respectively, and a 30 per cent overhead charge (i.e., management fees) would be applied to the total personnel wages. UNISFA would issue monthly task orders indicating the number of contractor personnel to be deployed.

36. OIOS analysis of the deployment data from January 2020 to December 2022 showed that the number of local personnel deployed per month averaged 443 in 2020, 484 in 2021 and 523 in 2023. This represented an average monthly increase of 186 (or 62 per cent) above the contract ceiling. OIOS noted that this increase was partly facilitated by an amendment (#3) to the initial contract on 10 December 2018, about 12 months after the start of the initial contract, which increased the maximum number of local personnel from 299 to 377 without an increase in the NTE amount. The increase of 78 local personnel was comprised of 35 skilled, 35 semi-skilled and 8 unskilled personnel. No other amendments supported the increase in the maximum number of local personnel beyond 377. Also, effective 1 November 2019, another amendment (#4) increased the contractor's working hours from 40 to 48 over five days per week. There was no documented evidence or analysis to support the increase in the proposed change to the number of

personnel and working hours. The CMS approved both amendments and did not include any changes to the agreed scope of work prescribed in the initial contract.

37. Besides the increase in the total number of personnel, there was also a substantial increase in the number of skilled personnel in proportion to the other two categories. OIOS analysis showed that the actual proportion of skilled personnel had increased to 48 per cent of the total personnel compared to the contractual allocation of 20 per cent. Conversely, the proportion of semi-skilled and unskilled personnel was 11 and 17 per cent, respectively, below the contractual allocation. This directly increased the total cost as skilled personnel were billed at a higher rate of $25 and resulted in higher overhead costs compared to the other two categories.

38. The increase in the total number of personnel and change in the proportion of skilled workers led to an increased cost to the Mission of approximately $3,651,487. This, combined with an additional overhead cost and insurance coverage[4] of $1,955,446, resulted in the payment of $5,606,943 above the initial contract terms. As per Procurement Manual section 9.2, the increases in personnel required HCC recommendation and ASG/OSCM approval when the incremental gross revenue to the contractor exceeded the lower of 20 per cent of the originally approved contract value or $500,000 threshold; however, this was not done.

39. It should also be noted that there was a significant reduction in the Mission's footprint over the period from 1 June 2020 to 30 April 2021 because of the COVID-19 pandemic, as UNISFA personnel had been advised to work on a flexible working arrangement away from the Mission area. As a result, only limited cleaning services were offered. Despite this, the total number of the contractor's local personnel engaged in regular camp management works, excluding special projects, remained consistently high at between 455 and 525 during the said period. As explained further in paragraph 45, OIOS found that the attendance records of the vendor were not reliable, and the vendor accepted that an attendance fraud was committed by its personnel.

40. The Facilities and Environmental Management Unit (FEMU) explained that with the Mission's expansion, several projects had been implemented for support services and to meet environmental requirements (for example, the construction of accommodations for civilian personnel, individual uniformed personnel and Force Police Units that were deployed to team sites, and construction and management of waste management yards in Abyei, Kadugli and Gok Machar). Contractor I was also tasked with providing other support services in aviation, transport, and supply chain operations. Since the contract was executed through task orders, it could include additional services as necessitated by changes in the Mission's operations. However, OIOS noted that had a proper needs assessment been conducted, these requirements, including a significantly higher number of contractor personnel, could have been incorporated in the original solicitation documents, or included in a new procurement exercise.

41. Similarly, the number of international personnel deployed per month from January 2020 to December 2022 averaged 32 in 2020, 37 in 2021 and 82 in 2022. As of January 2023, the incremental cost of the increase in international personnel was $4,395,025. The main reason for this increase was the establishment of "dream teams"[5] to support the smart camp pilot project, which used the Field Remote Infrastructure Monitoring (FRIM) tool as the enabling technology platform[6]. This increase was also not submitted to HCC for review.

[4] Insurance coverage was charged at $1,500 per personnel per annum.

[5] Smart camp project management team composed of contractor I's international personnel

[6] The FRIM was piloted in the Mission in 2018 to support and improve service delivery in the Mission by providing real-time data to enable efficient and effective operational and strategic decisions.

42. Task orders for local personnel should have been issued within the maximum limit of 299 personnel, and the increase in contractual requirements, including the need for an increase in the skilled personnel category and international personnel, should have been submitted to the HCC for review and approval by the ASG/OSCM. The extra cost incurred of $10,001,968 could only be justified if the Mission submitted the case for further review by the HCC for a change in requirements, and the contract amended accordingly.

d. ***Controls over the attendance of contractor I's personnel was inadequate***

43. Prior to October 2019, Facilities Management Unit (FMU) was located under the Engineering Unit, which reported to the Chief Service Delivery Service and was responsible for verifying the attendance records of contractor I's local personnel. However, on 23 October 2019, the CMS, in an internal memo to all UNISFA staff, stated that FMU would be temporarily moved from the Engineering Unit to the Environmental Unit (whose name was changed to FEMU after the merge), which reported directly to him, ostensibly to deliver efficient and effective camp management services to its clients.

44. After the transfer, there was no evidence that FEMU verified contractor I personnel's attendance records. Further, while the move was supposed to be temporary, it was still in effect three and half years later.

45. Contractor I introduced a biometric system to track employee attendance from 1 November 2019 in the Abyei headquarters and Kadugli team site. However, there was no evidence of a mechanism to ensure the accuracy of attendance records generated from this system. On 24 March 2022, UNISFA received a whistleblower allegation from a contractor I employee indicating that the contractor had been manually recording the time and attendance of its employees remotely from Jordan rather than using the biometric software. CMS enquired about this allegation with the contractor, and in reference to a letter dated 21 May 2022 from contractor I to the CMS, the contractor's Deputy General Manager indicated that their staff had been manually adding employee attendance data since May 2020 instead of basing it on signed records. A preliminary review conducted by UNISFA showed that the biometric software had not been used since at least May 2021. On 23 September 2022, contractor I proposed to the CMS that they could engage an external auditor who would investigate and validate the accuracy and completeness of attendance and requested that UNISFA provide contractor I with all relevant records. The CMS reported the allegation to OIOS Investigations Division.

46. UNISFA mainly relied on the vendor to establish the attendance records and did not have an adequate control mechanism to verify and validate the attendance numbers provided by the vendor. Consequently, there was no assurance that UNISFA was paying for the actual services rendered by the vendor. OIOS noted that effective April 2022, when the attendance fraud was discovered, UNISFA started keeping manual attendance of contractor I's personnel in the Abyei and Kadugli sites.

47. The gaps noted in monitoring implementation of this contract were due to a weak control environment and resulted in significant extra costs to UNISFA.

(6) The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for breach of rules and policies and potential financial losses pertaining to the delay in a new solicitation exercise for the camp management services contract and various irregularities related to the current contract; and UNISFA should draw lessons from this case to improve (a) compliance with rules and policies and (b) individual accountability of the UNISFA staff with responsibilities of managing and overseeing the procurement and contract implementation processes.

UNISFA accepted recommendation 6, indicating that it would implement measures (e.g., instruction from CMS to concerned requisitioners/contract managers/pillar chiefs) on the use of service contracts involving task orders to ensure that potential changes in requirements are anticipated, to the extent possible, and any contract amendment increasing the quantity of services or potentially revising the scope of the contract are submitted to Procurement Unit (PU) for any necessary review and approval process, based on the delegation of authority and the Procurement Manual, prior to tasking the contractor. Such requests to the PU will be consistently routed via pillar heads for va1idation of the requirement vis-â-vis existing mission resources, including from TCCs. UNISFA will also review the terms of future Statement of Works to ensure that proposers are made aware that UNISFA shall not refund costs not payable by UNISFA under the SOMA (e.g., visa), even in the event that the contractor is charged by local authorities. In future tenders, PU will prepare commercial templates requesting proposers to provide sufficient breakdown of costs, based on the requirement, to facilitate the commercial evaluation. In addition, UNISFA will follow-up with contractor I on the results of their internal audit in relation to attendance of contractor's personnel to recover any ascertained losses from the contractor, noting that the mission withheld payments to the contractor pending such results. In addition, further to the audit observations, UNISFA technical units now conduct performance reviews regularly as per contracts provisions, and confirmation of same are reported to the CMS on a monthly basis.

OIOS takes note that UNISFA has started implementing necessary measures to strengthen the procurement, execution and oversight of camp management services and other service contracts involving the use of task orders. The actions highlighted by UNISFA, if fully implemented, would address the risks of non-compliance with procurement rules and wastage of United Nations resources going forward. However, OIOS reiterates that UNISFA's Head of Mission should consult with DOS and DMSPC regarding individual accountability for past practices, as a complementary measure to mitigate those risks.

B.2. Contracts for the supply of murram

48. In August 2019, UNISFA required the supply and delivery of murram to 24 mission locations for the rehabilitation of roads, helipad repairs and construction and camp improvement works at an estimated value of $10 million over a five-year period. UNISFA sought an LPA, and while GPSS was authorized to do the procurement on its behalf, after various consultations with the Procurement Division in New York, it was decided that UNISFA would do the procurement. A total of 71 vendors were invited to submit bids, of which 19 responded to the Invitation to Bid (ITB) and 9 of them were technically cleared by the evaluation team.

49. On 10 December 2019, the Procurement Unit submitted the case to the LCC for review and proposed a split contract award of $1 million to each of the nine vendors. This was endorsed by the LCC, who recommended that the contract be awarded to the nine vendors and stated that this was in accordance with Financial Rule 105.15(a) – qualified bidder whose bid substantially conforms to the ITB (lowest substantially conforming bid). The LCC also recommended that the Procurement Unit negotiate with vendors whose quoted prices were higher than other vendors and report back to the Committee. However, there was no indication of the specific vendors that fell within this category. On 15 December 2019, the CMS approved the recommended contract award and negotiations with the vendors.

50. After the CMS approval, the Mission signed contracts with four of the nine vendors and negotiated with the remaining five that quoted higher prices. The LCC held another meeting on 1 February 2020 to review the results of the negotiations and decide on the proposed awards to the remaining five vendors. The LCC noted minimal change between the previously quoted and negotiated prices; however, it proceeded

with its initial recommendation to award a $1 million contract to each of the remaining five vendors, which the CMS also approved.

51. The following irregularities were noted in the award and management of the related contracts:

- The total value of the contracts to be awarded to the nine vendors for the same requirement was $9 million; however, UNISFA did not submit this case to the HCC for review, presenting a lost opportunity to achieve the best value for money and compromising on appropriate checks and balances to ensure fairness and integrity of the procurement process. The CMS approved the case pursuant to review and recommendation by the LCC and not the HCC.

- UNISFA did not provide a basis for the equal division of the $9 million requirement into $1 million contracts awarded to each of the nine vendors despite their differing price quotations per quantity and per location; and hence, the risk that this procurement exercise was meant to circumvent an independent review by the HCC was very high. In fact, some LCC members (LCC/UNISFA/2019/008) questioned why the LCC presentations had been split for this single bidding exercise, assuming the split awards were not to ensure that the cases were kept within the one-million-dollar threshold. The Procurement Unit clarified that the purpose of awarding multiple contracts per option and per location was discussed at the management level to solve failures to obtain murram in the mission area, in case one vendor failed to deliver.

- The contract was not awarded in accordance with Financial Rule 105.15(a) – qualified bidder whose bid substantially conforms to the ITB (lowest substantially conforming bid) since all nine vendors could not have been equally considered as having the lowest substantially conforming bids or evaluated as having the lowest cost when their financial bids were significantly wide-ranging. For instance, on average, there was a 172 per cent difference between the lowest and highest prices quoted by the vendors for each location, with the lowest for different locations ranging from $16 to $19 per cubic meter and the highest rate ranging from $28 to $83. For the Abyei headquarters location, contracts were awarded to four contractors, including one with the highest quoted rate of $70 per cubic meter and another with the lowest quoted rate of $18.

- To achieve the best value for money principle, since all nine vendors were evaluated as substantially conforming to the requirements set forth in the solicitation documents, the contract should have first been awarded to the lowest cost submission for the maximum quantity offered, then to the next lowest cost submission for the maximum quantity offered, and so on, until the requirement was fulfilled. Since the highest quoted vendors had also been awarded contracts, the basis of the award of this contract was not in compliance with Financial Rule 105.15(a).

- This created an opportunity for collusion by vendors as those with lower quoted prices could collude with other vendors and intentionally not meet their commitment to the Mission in hopes that the required goods would be procured at higher prices from the other vendors. Per the Procurement Manual, to ensure good and fair competition, procurement officials should do their best to identify circumstances that may indicate the risk of vendors uniting for common profit and defeating the purpose of competition. OIOS noted that the contracts of five vendors were terminated on 19 June 2020 because of non-performance, and 3 of these 5 vendors had the lowest quoted prices. This put into question the adequacy of the Mission's evaluation process in assessing vendor capability to meet requirements set forth in the solicitation documents.

- None of the lowest quoting three vendors made any deliveries following the issuance of the first task orders by UNISFA. Furthermore, as noted earlier in the report, none of these vendors had submitted their required performance bonds, and UNISFA did not take any action to recover losses incurred from these contractors due to their non-performance.

- Task orders were not always issued to vendors with the lowest quoted prices resulting in financial loss to the Organization. Although the Procurement Unit, in its case submission to the LCC, indicated that task orders would be issued to contractors based on the lowest quoted price per location, this was not the case. OIOS analysis of purchase orders issued from 2019/20 to 2021/22 showed that on several occasions, UNISFA procured murram from contractors with higher quoted prices as opposed to the lowest quoted contractor. As a result, UNISFA paid $3,070,330 for the supply of murram, whereas, had the lowest rate quoted contractors supplied this murram, the Mission would have paid $1,104,662 and saved about $1,965,668.

- Milestones were not met and were unrealistic due to poor planning. Per the SSP, the procurement process was estimated to be completed in 2.5 months but took 15 months from issuance of solicitation documents to contract award. The technical evaluation process took 8 months, requiring the Mission to request an extension of the vendors' bid validity period of 120 days.

52. The quantity and quality of murram supplied were not verified. As a result, there was no assurance that quantities delivered by the contractors agreed with the task orders and that the quality of the murram followed required specifications, including: 20-25% of gravel 4-25mm; 40-45% of sand or small stone 0.3-4mm; 25-30% of silt; 2-5% of clay; and not more than 2% organic particle content. UNISFA stated that when murram is delivered, quantity is checked by measuring, recording, and certifying the load. Quality is also verified by the Engineering Unit and appropriate records are kept. However, during the audit review, a "Note to file" indicated that the goods receipt slip for murram was posted as per the invoice certified by the Chief Engineer, which shows that there was no independent verification by Receiving and Inspection Unit. Further, during the audit of asset management in UNISFA (ref report 2022/073, 19 December 2022), the Receiving and Inspection Unit confirmed that they did not participate in the receipt and inspection of murram in any of the delivery points. This would imply that the Mission was not able to verify the quantity and quality of murram received, which could result in financial loss due to payment for undelivered or poor-quality murram.

53. In addition, during the audit of asset management, it was noted that the Mission's murram roads could not be reliably verified against the existing infrastructure assets. OIOS could not verify the physical existence of 14 murram roads with a total capitalized value of approximately $11 million and a net book value of $5 million. OIOS thus recommended an impairment review of all Mission infrastructure assets to ensure that Mission assets are written down to values that can be reliably verified and supported by existing assets.

(7) The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for splitting of the award for murram supply totalling $9 million to nine vendors instead of submission to the Headquarters Committee on Contracts for review and awarding of contracts to higher quoted vendors.

UNISFA accepted recommendation 7, indicating that it has already revised its contractor non-performance risk mitigation methods, in view of the vendor collusion and potential losses risks brought about by multiple awards to vendors for the same requirements/locations at different prices, as also identified by the auditors. The latest contracts for murram, signed with contractors L, M and A in July and August 2023 further to HCC review, each contract NTE being over $1 million, were based on lowest bid by location. Likewise, two high-value contracts, one for concrete works with contractor A and contractor C and one for gravel with contractor N, signed in 2022 were for different locations, based on lowest bid by location. Any contractor performance failure will be treated as per contract *terms, and the vendor will be referred to the Vendor Review Committee, if warranted. The tender terms and resulting contracts will ensure vendors are aware that award will be made based on lowest bid by location, and that failure to perform will result in the vendor covering the additional cost to the mission for sourcing the same requirement at higher cost, in addition to jeopardizing the vendor's standing as a UN vendor. UNISFA will also consider low value bid bonds to encourage bona fide submissions, when this does not decrease competition, in addition to performance securities. UNISFA also stated that the Mission operating environment presented inherent supply challenges; however, the Mission would strive to refine its acquisition operations as described herein. In case quantities of material required entail multiple awards to fulfill the entire requirement, based on bids received, the award would be made as recommended by the auditors, exhausting lowest cost quantities available first.*

OIOS takes note that UNISFA has started and will continue to revise its past practices of splitting the award for murram without proper review by the HCC and without mitigating unnecessary high costs. The actions highlighted by UNISFA, if fully implemented, would address the risks of non-compliance and wastage of United Nations resources going forward. However, OIOS reiterates that UNISFA's Head of Mission should consult with DOS and DMSPC regarding individual accountability for past practices, as a complementary measure to mitigate those risks.

B.3. Contract for road and camp improvement

54. In 2018, UNISFA requested the United Nations Mine Action Service (UNMAS) to establish a contract to provide specialized/technical workers for road improvement and camp improvement in Abyei. On behalf of UNMAS, the United Nations Office for Project Services (UNOPS) established a contract with a vendor, contractor H, for one year from 1 July 2018 to 30 June 2019 with an option to extend. UNISFA provided funds to UNMAS for the provision of these services. However, it was not clear why UNISFA approached UNMAS as the required services did not relate to mine action activities. HCC also raised similar concerns about this arrangement when the case was submitted to it on an ex post facto basis.

55. OIOS noted that UNMAS did not release the UNISFA funds to UNOPS during the contract extension period as the contractual services were deemed outside the UNMAS mandate. Therefore, UNMAS returned the funds and did not exercise the option to extend this contract for another year.

56. However, on 16 July 2019, UNISFA, referring to the mutual recognition principle and "piggybacking" on the contract between UNOPS and contractor H, entered a direct contract with the vendor for the provision of services for specialized workers to enhance the Mission's force mobility with an NTE amount of $939,283 without a provision for further extension.

57. UNISFA established this contract based on sole source negotiations with the vendor. However, contrary to the FRR and Procurement Manual, UNISFA did not obtain prior waiver for an exception to formal methods of solicitation and to conduct sole source direct negotiations with the vendor. In accordance with the DoA framework, cooperation with any entity outside the United Nations Secretariat is subject to approval under relevant financial rules. In addition, the proposed contract value of $939,283 exceeded the delegated authority of the Chief Procurement Officer and was not submitted to the LCC for review.

58. Although the contract established by UNISFA did not include a provision for further extension, on 23 June 2020, only a week before the expiration of the contract, the Mission submitted a case to the HCC with a proposal to extend the contract for a period of six months from 1 July to 31 December 2020, with an option to extend for another six months from 1 January to 30 June 2021. The extension also entailed an increase of $1,219,026, leading to an aggregated total NTE of $2,158,309. An extension was needed because a new solicitation exercise for the said requirement was ongoing and had been delayed because of the COVID-19 pandemic.

59. In its meeting on 26 June 2020, HCC raised concerns about how the contract was awarded and that UNISFA had initially omitted key details from its case presentation to the Committee. Such details were related to the origins of the contract, which was based on the previous contract between UNOPS and contractor H on behalf of UNMAS and that the Mission had requested the assistance of UNMAS to obtain civil road work services through UNOPS. UNISFA provided the missing information in response to further inquiry by the Committee. Similarly, in response to a question related to the basis for the award (i.e., mutual recognition/cooperation with other United Nations organizations), UNISFA stated that the Mission used its delegated authority from the Secretary-General and in consultation with the ASG/OSCM to establish the contract. Upon further enquiry, HCC noted that the email communications submitted by UNISFA a few minutes before the meeting did not provide the relevant proof needed to support the authorization for UNISFA to engage directly with the vendor. In accordance with the Procurement Manual, all submissions to a review committee should be comprehensive, factually accurate, and clear to facilitate the review of the procurement action.

60. Given that the contract was established without appropriate delegated authority, HCC, upon review of additional information provided by UNISFA on 18 September 2020, recommended that the contract be extended on an ex post facto basis from the start of the contract on 1 July 2019 to 30 September 2020 for an NTE amount of $1.1 million. HCC also recommended extending the contract for a period of four months from 1 October 2020 to 31 January 2021 with an option to extend for five additional one-month periods through 30 June 2021 for a total NTE of $2.2 million. The Committee also urged UNISFA to expedite the processing of the new solicitation so that it would be completed by 31 January 2021 to eliminate the need for further contract extensions.

61. However, partly due to the COVID-19 pandemic, there were continued delays in the solicitation exercise and a new contract was only approved by the ASG/OSCM on 22 October 2021. Nevertheless, the actions taken by UNISFA less than three weeks after the date of the HCC's recommendation, to amend its contract (Amendment #3) with contractor H to deploy additional personnel to perform road works and improve force mobility, indicated further poor planning of operational requirements, and resulted in an additional cost of $125,150 to the Mission ($69,548 for salaries and $55,602 for a one-time mobilization/demobilization cost). Furthermore, regarding the option of utilizing a Troop Contributing Country contingent light field engineering company deployed to the Mission to support force mobility, UNISFA stated that even with the capacity of the contingent, the Mission required additional workforce to perform road works and improve force mobility. However, there was no evidence that UNISFA assessed the contingent's capacity and/or requested the contingent to carry out the additional tasks envisioned to be performed by the additional personnel to be deployed by the contractor.

62. Also, while the Mission had indicated to the HCC that its contract was established under the same rates, terms, and conditions, the UNISFA contract reflected an increase in the number of contracted personnel which contributed to a 42 per cent increase in the monthly fixed operating cost from $53,448 to $76,073 per month compared to the UNOPS contract. UNISFA also clarified that the increase in the monthly operating cost was due to additional taxes and insurance fees to be paid by the contractor because of unforeseen changes in South African legislation requiring contractor H to pay taxes and provide third-party health insurance coverage to South African employees working abroad. HCC deemed that the proposed pricing modification to accommodate additional taxation was not in compliance with the United Nations General Conditions of Contract.

63. OIOS noted that contractor H was also supporting contractor I, by providing personnel (about nine personnel) in heavy-equipment operation and repair and maintenance. These services were included in contractor I's contract, but the contractor did not have any staff offering these services at that time (i.e., November 2019).

64. Considering the issues noted in the award of the contract, HCC recommended that the ASG/OSCM, in consultation with DMSPC, provide guidance to UNISFA on applicable financial rules for cooperation with other United Nations entities and the relevant authority under the DoA framework.

65. The above observation further indicates the Mission's non-compliance with relevant procurement rules and policies. Recommendations 6 and 9 address this issue and therefore no new recommendation is formulated.

B.4. Contract for drainage and footpaths

66. UNISFA had a four-month contract with contractor C to construct drainage and footpaths in the UNISFA Abyei camp, effective 23 December 2019 with an NTE amount of $367,000.

67. Inadequate planning of the Mission's requirements and poor execution of the contract resulted in delays and a series of contract amendments, as shown in table 4. Within three months from the effective date of the contract, the Mission issued task orders totaling $610,920, 166 per cent more than the initial NTE amount. During the LCC meetings held on 26 February 2020, the Procurement Unit stated that it had received a request from the Engineering Unit to identify more concrete structures which were required to expand the footpath/drainage to connect to the ongoing new accommodations under construction and to connect to the new helipad, recreational and office areas. This was facilitated by an amendment (#1) to the contract dated 22 March 2020, which increased the NTE amount to $977,920. In response to a query by the LCC on why the original solicitation did not include such a huge change in the requirements, the requisitioner stated that the original scope of work was prepared some time back without an indication of the actual period. In OIOS opinion, such a significant change in the Mission's requirements within a short period should have been anticipated and included in the solicitation document, as this could have impacted the response by prospective vendors.

Table 4: Amendments to the contract for the construction of drainage and footpaths

Amendment	Date	Reason
1	22-Mar-20	Increase in the NTE amount from $367,000 to $977,920.
2	27-Apr-20	Include the provision of sand, cement, and fuel to the contractor on a cost-recovery basis to facilitate the execution of the contract.
3	29-Nov-20	Extend the duration of the contract to 20 December 2021 within the previously approved NTE amount of $977,920.
4	17-Jan-22	Further extend the contract for six months to 19 June 2022 to enable the contractor to complete the works which had been delayed due to the pandemic and the rainy season.
5	18-Mar-22	Decrease in the NTE amount from $977,920 to $876,356 to exclude the cost of cement, which was to be provided by the Mission.
6	30-Jun-22	Unlimited extension of the contract period until completion of the project.

68. Furthermore, despite a dissenting opinion by one of the three voting members of the LCC regarding the sixth amendment, the Committee recommended an unlimited extension of the contract period until the completion of the project, and the CMS approved this. In reference to LCC minutes number LCC/UNISFA/2022/013, the Committee inquired whether the contract would include any contingencies to protect the Mission from risks associated with an open-ended contract and asked about the penalty clause in the current contract and whether the Procurement Unit felt that this measure was enough to protect the Mission from unreasonable delays. The Procurement Unit did not respond. OIOS noted that at the time of the sixth amendment, the contract had been active for 30 months, from December 2019 to June 2022, compared to the initial contract duration of 4 months. The endorsement of an unlimited extension of the contract by the LCC, especially without remedies for breach of contract was not in line with best practice and best interest of the Mission, considering that the contractor had not fully delivered on its contractual obligations as per the initial contract.

69. UNISFA explained that the vendor faced several challenges beyond its control which hampered the fulfilment of its contracted obligations and the need for several amendments to the contract, including the extension of the contract duration to ensure the continuation of the works. Challenges included COVID-19, unexpected early rains, frequent labor strikes, and fuel shortage in Juba, which impacted the delivery of materials, including cement.

70. The above irregularities happened because the bidding was not done based on the actual requirements. The Mission issued significant additional task orders to contractor C, which they could not deliver within the agreed timeframe, leading to multiple extensions of the contract. Better planning of the Mission's requirements would have addressed some of the challenges.

(8) UNISFA should ensure that procurement bidding exercises are based on actual requirements to avoid assigning additional tasks to contractors; and cease the practice of extending contracts for an unlimited period.

UNISFA accepted recommendation 8, indicating that, as mentioned in the comments for recommendation 4, prior to submission for procurement action, it will implement measures to double-check requirements based on information available to the Mission. UNISFA further added that the unlimited contract extension referred to in the audit report was not the practice in UNISFA, and that the Mission agreed that unlimited contract durations were not viable terms. On the specific contract highlighted in the audit report, UNISFA confirmed that the contract was further amended to correct this, establishing an end date of 30 June 2024.

B.5. Contracts for crushed gravel

71. In 2020, UNISFA required the supply, transportation, and delivery of an estimated 20,000 cubic meters of crushed gravel to various locations totaling $1.6 million over five years. Similar to the Mission's decision to award $1 million contracts to nine vendors for the supply of murram (see paragraphs 49 to 51), UNISFA awarded $1 million contracts each to two vendors, contractors A and F, for the supply of crushed gravel based on the review and recommendation of the LCC. UNISFA did not provide a basis for awarding $1 million contract to each of the two vendors despite their differing price quotations per quantity and location, and hence, circumventing an independent review by the HCC.

72. Based on the proposal of the Procurement Unit, the LCC recommended that the two vendors be awarded the contracts for an initial period of three years with the option to extend for two one-year periods. However, as shown in table 5 below, the prices quoted by contractor A were significantly higher than those of contractor F, averaging 64 per cent, which created an opportunity for both vendors to collude in hopes that the Mission would procure its requirement from the vendor with the higher quoted prices. OIOS noted that UNISFA subsequently terminated its contract with contractor F because the vendor failed to meet contracted responsibilities. In reference to LCC meeting number LCC/UNISFA/2021-0001-0002, the Mission confirmed that both vendors had provided satisfactory service in the past. However, this contradicted the termination letter number CMS/IOM/20/060 sent to contractor F on 19 May 2020 due to failure to honor the terms and conditions of its contract - for the supply and loading of quarry murram. As noted in the murram case above, this put into question the adequacy of the Mission's evaluation process in assessing vendor capability to meet requirements set forth in the solicitation documents.

Table 5: Commercial evaluation results for contractors F and A (rate in US$)

Description	Location	Unit measure	Contractor F	Contractor A	Difference (A-F)	Percentage (A-F/F)
Supply and delivery of crushed gravel	Abyei	m^3	89	140	51	57
	Kadugli	m^3	69	150	81	117
	Gok Machar	m^3	124	100	(24)	(19)
Transportation of gravel from Abyei, Kadugli, Gok Machar to other UNISFA team sites	Various locations	km	2.50	5	2.50	100
Average						64

73. In 2021/22, the Mission purchased crushed gravel of 2,148 cubic meters at $140 per cubic meter from contractor A; in contrast, the lowest rate by contractor F was $89 per cubic meter (a difference of $51 per cubic meter) that resulted in a potential loss of $109,548. In addition, on 8 May 2021, the Mission issued another purchase order for 5,000 cubic meters to contractor A at $140 per cubic meter, indicating a potential loss of $255,000.

74. In its case presentation to the LCC and further response to OIOS preliminary audit results, UNISFA indicated that both vendors were awarded the contracts to mitigate the risk of non-performance. However, considering that only two vendors were technically cleared and there were significant price differences between the rates quoted by both vendors, OIOS is of the opinion that the award of such a long-term contract to contractor A was not in the best interest of the Organization to ensure best value for money.

(9) The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for failure to abide by procurement rules and losses incurred in the contract with contractor A for crushed gravel.

UNISFA accepted recommendation 9, indicating that, as mentioned in the comments for recommendation 7, it has already revised its contractor non-performance risk mitigation methods in view of the risks of perception of vendor collusion and potential losses brought about by multiple awards to vendors for the same requirements/locations at different prices.

As mentioned in recommendation 7 above, OIOS takes note that UNISFA has revised its past practices of splitting the award for crushed gravel to mitigate against vendor collusion in multiple awards. The actions highlighted by UNISFA, if fully implemented, would address the risks of non-compliance with procurement rules and wastage of United Nations resources going forward. However, OIOS reiterates that UNISFA's Head of Mission should consult with DOS and DMSPC regarding individual accountability for past practices, as a complementary measure to mitigate those risks.

IV. ACKNOWLEDGEMENT

75. OIOS wishes to express its appreciation to the management and staff of UNISFA for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[7]/ Important[8]	C/ O[9]	Actions needed to close recommendation	Implementation date
1	UNISFA should restructure the membership of the Local Committee on Contracts in compliance with policy requirements of its composition and ensure that attendance of case reviews is strictly by bonafide appointed voting members with the necessary background and financial expertise.	Important	O	Receipt of evidence of: • the formalized refined LCC composition in relation to job levels (P-4 level and above to the extent possible) roles and qualifications. • the completion of training of all current LCC members.	31 October 2024
2	UNISFA should ensure that the Key Performance Indicators (KPIs) for contract implementation are reviewed and monitored against the performance targets during the monthly contractor meetings.	Important	O	Receipt of evidence that KPIs are discussed in the monthly performance meetings and action points with responsible staff documented and followed up.	31 October 2024
3	UNISFA should follow-up and obtain performance bonds from all current contractors and take prompt action by withholding invoice payments due to delays in submitting performance bonds and recover losses resulting from non-performance.	Important	C	Action completed.	Implemented
4	UNISFA should prioritize preparation of the procurement strategy for each financial period focusing on the high value and complex requirements; clearly define staff responsibilities, timelines, and follow-up actions to ensure that contracts are timely implemented and renewed; review the procurement strategy on a quarterly basis and report to senior management on its progress to enhance transparency and accountability.	Important	O	Receipt of evidence of: • a procurement strategy for the subsequent financial period. • quarterly review of the procurement strategy and demand acquisitions plan.	31 October 2024
5	UNISFA should complete all required information in the Source Selection Plan and provide realistic and	Important	O	Receipt of evidence of: • The reminder sent by the CPO to all procurement officials and requisitioners on proper completion	31 October 2024

[7] 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.
[8] 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.
[9] Please note the value C denotes closed recommendations whereas O refers to open recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[7]/ Important[8]	C/ O[9]	Actions needed to close recommendation	Implementation date
	achievable target dates to complete the procurement activities and deliver timely award of the contracts.			of the SSP including realistic timelines. • Monitoring of SSP target dates for timely award of contracts.	
6	The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for breach of rules and policies and potential financial losses pertaining to the delay in a new solicitation exercise for the camp management services contract and various irregularities related to the current contract; and UNISFA should draw lessons from this case to improve (a) compliance with rules and policies and (b) individual accountability of the UNISFA staff with responsibilities of managing and overseeing the procurement and contract implementation processes.	Critical	O	Receipt of evidence of action taken to establish accountability for breach of rules and policies and potential financial losses.	30 April 2024
7	The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for splitting of the award for murram supply totalling $9 million to nine vendors instead of submission to the Headquarters Committee on Contracts for review and awarding of contracts to higher quoted vendors.	Important	O	Receipt of evidence of action to establish accountability for splitting of the award.	31 October 2024
8	UNISFA should ensure that procurement bidding exercises are based on actual requirements to avoid assigning additional tasks to contractors; and cease the practice of extending contracts for an unlimited period.	Important	O	Receipt of evidence of: • the amended contract and completion on its established end date. • needs assessment conducted to establish actual requirements prior to sourcing of subsequent contracts.	31 October 2024
9	The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for failure to abide by procurement rules and losses incurred in the contract with contractor A for crushed gravel.	Important	O	Receipt of evidence of establishment of accountability for failure to abide by procurement rules and losses incurred in the contract.	31 October 2024

APPENDIX I

Management Response

Management Response

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Client comments[3]
1	UNISFA should restructure the membership of the Local Committee on Contracts in compliance with policy requirements of its composition and ensure that attendance of case reviews is strictly by bonafide appointed voting members with the necessary background and financial expertise.	Important	Yes	UNISFA accepted recommendation 1, indicating that it will further refine the latest LCC composition dated July-August 2022 in relation to the number, level, roles (members or alternates) and qualifications of its members. With that said, UNISFA wishes to respectfully point out that it deems the LCC composition thus far to be compliant with the general guidance provided to entities in ST/AI/2011/8. UNISFA also wishes to confirm that all LCC members fully complied with the mandatory training requirements in ST/AI/2011/8.
2	UNISFA should ensure that the Key Performance Indicators (KPIs) for contract implementation are reviewed and monitored against the performance targets during the monthly contractor meetings.	Important	Yes	UNISFA accepted recommendation 2, indicating that it will continue to measure performance levels through relevant KPIs, based on the requirement and the contract terms, and to review the KPIs during the monthly contractor meetings. In addition, the Chief Mission Support will issue an instruction to all technical units to ensure relevant KPIs are discussed in all performance meetings, and any remedial action is followed-up by the technical unit/contract manager.
3	UNISFA should follow-up and obtain performance bonds from all current contractors and take prompt action by withholding invoice payments due to delays in submitting performance bonds and recover losses resulting from non-performance.	Important	Yes	UNISFA accepted recommendation 3, indicating that it will continue to follow-up with contractors to provide performance bonds. Further, the Procurement Unit had obtained performance bonds from [redacted]., [redacted], [redacted]., [redacted]., [redacted] and was following up with the remaining contractor, [redacted], which was unable to send the performance bond due to the current crisis in Khartoum. UNISFA has established retention in lieu of performance bonds for those vendors unable to secure bank performance bonds. Those contractors that did

[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.
[3] Please indicate feasibility and realistic timelines for implementation of the recommendation.

Management Response

Audit of procurement and contract management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Client comments[3]
				not comply with the agreed terms of the performance security may be referred to the Vendor Review Committee.
4	UNISFA should prioritize preparation of the procurement strategy for each financial period focusing on the high value and complex requirements; clearly define staff responsibilities, timelines, and follow-up actions to ensure that contracts are timely implemented and renewed; review the procurement strategy on a quarterly basis and report to senior management on its progress to enhance transparency and accountability.	Important	Yes	UNISFA accepted recommendation 4, indicating that it will further enhance existing monitoring tools (weekly report using Umoja contract data, contracts log, and shopping charts monitoring tool under the responsibility of SCMS) to monitor more closely the timely implementation of the demand plan, based on type of solicitation, commodity, identified risks and lessons learnt, in particular on high-value and complex requirements. Such tools would ensure that rebidding exercises and contract extensions (as per contract terms) are actioned in due time to avoid ex post facto situations, or contract extensions outside of contract terms due to delays in rebidding are minimized.
5	UNISFA should complete all required information in the Source Selection Plan and provide realistic and achievable target dates to complete the procurement activities and deliver timely award of the contracts.	Important	Yes	UNISFA accepted recommendation 5, appreciating the audit observation, indicating that it has implemented it. Estimated value of requirement and realistic timelines are now included in all SSPs. SSPs are already used by UNISFA to discuss with technical units the various steps in the procurement process, including requirements and evaluation criteria definition, and clearly computed estimated award value. The CPO will send a reminder to this effect to all procurement officials and requisitioners, copy of which will be provided to OIOS.
6	The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for breach of rules and policies and potential financial losses pertaining to the delay in a new solicitation exercise for the camp management services contract and various irregularities related to the current contract; and UNISFA should draw lessons from this case to improve (a) compliance with rules and policies and (b) individual accountability of the UNISFA staff with responsibilities of managing and	Critical	Yes	UNISFA accepted recommendation 6, indicating that it will implement measures (e.g. instruction from CMS to concerned requisitioners/contract managers/pillar chiefs) on the use of service contracts involving task orders, to ensure that potential changes in requirements are anticipated, to the extent possible, and any contract amendment increasing the quantity of services or potentially revising the scope of the contract are submitted to Procurement Unit (PU) for any necessary review and approval process, based on the delegation of authority and the Procurement Manual, prior to tasking the contractor. Such requests to PU will be consistently routed via pillar heads for validation of the requirement vis-à-vis existing mission

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	overseeing the procurement and contract implementation processes.			resources, including from TCCs. UNISFA will also review the terms of future SOWs to ensure that proposers are made aware that UNISFA shall not refund costs not payable by UNISFA under the SOMA (e.g. visa), even in the event that the contractor is charged by local authorities. In future tenders, PU will prepare commercial templates requesting proposers to provide sufficient breakdown of costs, based on the requirement, to facilitate the commercial evaluation. In addition, UNISFA will follow-up with [redacted] on the results of their internal audit in relation to attendance of contractor's personnel to recover any ascertained losses from the contractor, noting that the mission withheld payments to the contractor pending such results (to be confirmed by UNISFA). In addition, further to the audit observations, UNISFA technical units now conduct performance reviews regularly as per contracts provisions, and confirmation of same are reported to the CMS on a monthly basis.
7	The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for splitting of the award for murram supply totalling $9 million to nine vendors instead of submission to the Headquarters Committee on Contracts for review and awarding of contracts to higher quoted vendors.	Important	Yes	UNISFA accepted recommendation 7, indicating that it has already revised its contractor non-performance risk mitigation methods, in view of the vendor collusion and potential losses risks brought about by multiple awards to vendors for the same requirements/locations at different prices, as also identified by the auditors. In the latest contracts [redacted], signed with [redacted]. [redacted] and [redacted], [redacted] in July and August 2023, further to HCC review being each contract NTE over $1mil, based on lowest bid by location. Likewise, two high-value contracts for concrete works with [redacted] one other contract with gravel with [redacted] signed in 2022 are for different locations, based

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				on lowest bid by location. Any contractor performance failure will be treated as per contract terms, and the vendor referred to the Vendor Review Committee if warranted. The tender terms and resulting contracts will ensure vendors are aware that award will be made based on lowest bid by location, and that failure to perform will result in the vendor covering the additional cost to the mission for sourcing the same requirement at higher cost, in addition to jeopardizing the vendor's standing as UN vendor. UNISFA will also consider low value bid bonds to encourage bona fide submissions, when this does not decrease competition, in addition to performance securities. With that said, UNISFA wishes to respectfully point out that the mission operating environment presents inherent supply challenges, however the mission will strive to refine its acquisition operations as described herein. In case quantities of material required entail multiple awards to fulfill the entire requirement, based on bids received, the award would be made as recommended by the auditors, exhausting lowest cost quantities available first.
8	UNISFA should adhere to the Financial Regulations and Rules on procurement and contract management and ensure proper procurement planning to avoid unwarranted extension of contracts in subsequent contract awards.	Important	Yes	UNISFA accepted recommendation 8, indicating that, as mentioned in the comments for recommendation 4, it will further enhance existing monitoring tools, to enhance timely implementation of the demand plan. UNISFA will also re-circulate to all relevant staff involved in the acquisition process the DOS Supply Chain Operational Guidance on Cooperation issued in January 2021.
9	UNISFA should ensure that procurement bidding exercises are based on actual requirements to avoid assigning additional tasks to contractors; and cease the practice of extending contracts for an unlimited period.	Important	Yes	UNISFA accepted recommendation 9, indicating that, as mentioned in the comments for recommendation 6, it will implement measures to double-check requirements, based on information available to the mission, prior to submission for procurement action. UNISFA wishes to respectfully point out that the unlimited contract extension referred to in the audit report is not the practice in UNISFA, and that the mission agrees that unlimited contract durations are not viable terms. On the specific contract highlighted in the audit report,

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Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Client comments[3]
				UNISFA wishes to confirm that the contract was further amended to correct this, establishing an end date of 30 June 2024.
10	The Acting Head of Mission and Force Commander, in consultation with DOS and DMSPC, needed to establish accountability for failure to abide by procurement rules and losses incurred in the contract with [redacted] for crushed gravel.	Important	Yes	UNISFA accepted recommendation 10, indicating that, as mentioned in the comments for recommendation 7, it has already revised its contractor non-performance risk mitigation methods, in view of the perception of vendor collusion and potential losses risks brought about by multiple awards to vendors for the same requirements/locations at different prices.