



INTERNAL AUDIT DIVISION

REPORT 2019/023

Audit of procurement activities at the
United Nations Office at Geneva

Procurement planning needs to be
strengthened and a mechanism needs to be
established for assessing client satisfaction
with the procurement services rendered

2 April 2019
Assignment No. AE2018/310/02

Audit of procurement activities at the United Nations Office at Geneva

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of procurement activities at the United Nations Office at Geneva (UNOG). The objective of the audit was to assess the adequacy, efficiency and effectiveness of procurement processes at UNOG. The audit covered the period from 1 January 2016 to 30 June 2018 and included a review of governance, procurement planning, the solicitation process, and monitoring.

The Local Committee on Contracts and the delegation of authority framework functioned as required. The solicitation process was also generally conducted in accordance with the Procurement Manual. However, procurement planning needs to be strengthened and a mechanism needs to be established for assessing client satisfaction with the procurement services rendered.

OIOS made three recommendations. To address the issues identified in the audit, UNOG needed to:

- Strengthen procurement planning guidelines to include requirements for requisitioners to: (a) ensure that the estimated deliverable timelines reflected in their procurement plans are achievable; (b) monitor their procurement plans and ensure procurement actions are initiated in a timely manner; and (c) analyze low-value procurement to determine whether there are any recurring needs that should be consolidated;
- Establish review mechanisms to ensure that risk assessments, particularly for large procurement actions, are consistently performed and include details on likelihood of occurrence, impact, and measures to mitigate the identified risks; and
- Establish a mechanism for getting feedback from clients with regard to the procurement services it renders.

UNOG accepted the recommendations and has initiated action to implement them.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1
III. AUDIT RESULTS	2-6
A. Governance	2
B. Procurement planning	2-4
C. The solicitation process	4-5
D. Monitoring	5-6
IV. ACKNOWLEDGEMENT	6
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

Audit of procurement activities at the United Nations Office at Geneva

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement activities at the United Nations Office at Geneva (UNOG).
2. Procurement and contracting at UNOG are carried out by the Procurement and Contracts Unit (PCU) which is part of the Purchase and Transportation Section (PTS) of Central Support Services under the Division of Administration.
3. PCU provides purchasing and contracting services to UNOG and 16 other United Nations organizations and offices based in Geneva. PCU also acts as the secretariat of the Common Procurement Activities Group (CPAG) which is a collaborative procurement network model that seeks to align procurement practices among 19 Geneva-based United Nations entities and international organizations.
4. PCU is headed by a P-4 who reports to the Chief of PTS (P-5) and is supported by 21 staff (10 professional and 11 general service). In addition, PCU had two P-4 staff assigned to the Strategic Heritage Plan project. PCU procured goods and services valued at \$95 million in 2016 through a total of 1,841 purchase orders and \$94 million in 2017 through 1,768 purchase orders.
5. Comments provided by UNOG are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy, efficiency and effectiveness of procurement processes at UNOG.
7. This audit was included in the 2018 risk-based work plan of OIOS because of high inherent risks associated with procurement of goods and services.
8. OIOS conducted this audit from October 2018 to January 2019. The audit covered the period from 1 January 2016 to 30 June 2018. Based on an activity-level risk assessment, the audit covered risk areas in procurement at UNOG, which included governance, procurement planning, the solicitation process, and monitoring.
9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing.
10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Governance

The Local Committee on Contracts and the delegation of authority framework functioned as required

11. Pursuant to Financial Rule 105.13 (b), UNOG had established a Local Committee on Contracts (COC) to review and provide advice to the Director of Administration on whether proposed procurement actions relating to contracts above \$200,000 were in accordance with the Procurement Manual and United Nations procurement policies. The composition of the COC was in accordance with the guidelines set out in Chapter 12 of the Procurement Manual. OIOS review of minutes of COC meetings showed that the COC duly carried out its role of reviewing procurement cases brought before it and advising the Director of Administration. OIOS' interview with four members of the COC indicated that they were satisfied with the level of training they received and the quality of submissions by PCU. UNOG had developed a Manual of Procedures for the COC for use by the Committee's members.

12. The UNOG Director of Administration had procurement authority for contract awards up to \$5 million. Contract awards exceeding \$5 million were reviewed by the Headquarters Committee on Contracts and approved by the Assistant Secretary-General of the Office of Central Support Services. The Director of Administration sub-delegated the authority to staff in writing according to their grades and functions in accordance with the thresholds recommended in the Procurement Manual. The delegated authority was mapped in Umoja in accordance with the levels reflected in the delegation of authority letters. The United Nations rolled out a new delegation of authority framework with effect from 1 January 2019. As the policy was still new at the time of the audit and there was a three-month transitional period to fully implement it, its implications were not reviewed or assessed in this audit.

B. Procurement planning

Acquisition planning needs to be strengthened

13. Acquisition planning is essential for effective and timely solicitation of bids and proposals, award of contracts, and delivery of the goods, services and works required by the United Nations. Requisitioners are responsible for developing acquisition plans in cooperation with PCU in a timely manner, generally not later than six months before the need for receipt of the goods, services or works. PCU sent out instructions for procurement planning to all requisitioners in a timely manner. No significant exceptions were noted with regard to requisitioners' compliance with the submission of acquisition plans. For 2018, for instance, PCU wrote to all requisitioners on 30 October 2017 asking them to submit acquisition plans for 2018 no later than 19 January 2018. All requisitioners submitted their procurement plans by the deadline except two who submitted slightly late (two weeks' delay).

14. Procurement needs were generally captured in the procurement plans. However, the plans did not take into account the six-month advance planning requirement recommended in the Procurement Manual and therefore, the estimates of the expected delivery dates were in some cases not realistic. For example, out of the 23 items in the Office for Coordination of Humanitarian Affairs (OCHA) procurement plan for 2018, 21 were expected to be delivered in the first quarter even though the plan was only approved in February 2018. Likewise, the 2018 Buildings and Engineering Section plan of \$24 million indicated that 101 out of 111 items of goods or services worth \$22 million were anticipated to be received in the first quarter even though, as in the case of OCHA, its plan was approved only on 28 February 2018.

15. Consequently, procurement actions were not always initiated in a timely manner as evidenced by the fact that several contracts had to be extended to allow time for the solicitation exercises to be completed, or were approved as ex-post facto cases. Of the cases presented to the COC in 2016-2017, five contracts relating to the Buildings and Engineering Section, one CPAG contract for supply of paper, and a translation contract were extended by between five to eight months to allow time to complete the bidding process. Similar extensions were noted in three cases relating to OCHA where procurement actions were initiated only one to two months before the contracts ended, despite several reminders by UNOG.

16. Requisitioners need to initiate procurement actions in a timely manner, taking into account the estimated procurement lead times to help ensure that goods or services are received within the anticipated time or, where applicable, new contracts are established before the old ones expire. Extending contracts while finalizing the procurement process results in inefficiency since PCU and the COC have to review the requests for extension, which causes additional administrative burden. Furthermore, there is a risk that vendors may increase their prices, and procurement actions may have to be rushed or processed as ex-post facto cases. Four out of 20 ex-post facto cases reviewed by OIOS were due to poor planning such as delays initiating the requisition, late submission to PCU of terms of reference, or submission of terms of reference that had inaccuracies which required rectification.

17. With regard to OCHA, it has field offices and operates in emergency environments and, therefore, it is essential for it to regularly review and update its procurement plans in the course of the year. PCU indicated that it regularly met with the focal point of OCHA's Geneva office to discuss the procurement plans. The delays in initiating procurement actions in 2016-2017 were partly attributed to the fact that following the implementation of Umoja, OCHA field offices increasingly started processing their procurement actions through UNOG instead of the United Nations Development Programme and other service providers. As a result, there was a learning period and a need to sensitize and train field office staff on the importance of procurement planning. OCHA also indicated that procurement actions relating to renewal of leases, particularly those which were the subject of Memoranda of Understanding with other United Nations agencies, were always delayed or processed as ex-post facto cases. This was because in most cases, the lead agency provided the details of costs charged to each agency very late. Nonetheless, OCHA needs to continue working with its field offices to ensure timely initiation of procurement actions.

18. Further, OIOS review of data relating to low-value acquisitions showed that some requisitioners made recurrent purchases from the same vendor for the same products annually. An annual review of low-value acquisitions could be done as part of the planning process to help determine any recurring needs that should be consolidated. For example, there were low value purchases totaling approximately \$158,596 from one vendor in 2017-2018. The items purchased from this vendor need to be analyzed to determine whether they were recurring, and whether the needs can be consolidated annually and procured once each year or through a long-term systems contract.

(1) UNOG should strengthen procurement planning guidelines to include requirements for requisitioners to: (a) ensure that the estimated deliverable timelines reflected in their procurement plans are achievable, taking into account the estimated procurement lead times; (b) monitor their procurement plans and ensure that procurement actions are initiated in a timely manner; and (c) analyze low value procurement of the previous year to determine whether there are any recurring needs that should be consolidated.

UNOG accepted recommendation 1 and stated that it shall: (a) analyze the acquisition form, which is currently submitted electronically, to determine if an additional column can be added to generate a date by which a shopping cart should be submitted in order to obtain the goods or services by the expected date; (b) determine if sending quarterly reminders, possibly automatically, to support requisitioners with submitting shopping carts in a timely manner is feasible; and (c) send a

memorandum to requisitioning offices to inform and provide guidance on the audit recommendations. Recommendation 1 remains open pending receipt of evidence of action taken to strengthen procurement planning guidelines to include requirements that would assist requisitioners in initiating procurement actions in a timely manner and identifying recurring low value purchases that could be consolidated.

C. The solicitation process

Solicitation was generally done in accordance with the Procurement Manual

19. The Procurement Manual sets out detailed procedures to ensure a transparent, fair and competitive procurement process. OIOS reviewed a sample of 50 procurement cases from the initiation of the request by the requisitioner to the award of the contract and analyzed the cases presented to the COC in 2016-2017 to assess compliance with important aspects of the Procurement Manual. The review showed that the solicitation process was generally conducted in accordance with Procurement Manual guidelines. The following positive aspects were noted:

- PCU used Source Selection Plans (SSP) to plan and document key aspects of the procurement actions including: (i) definition of the requirements; (ii) sourcing and solicitation methods; (iii) basis of award; (iv) type of contractual instrument; (v) planned timelines for the procurement process; (vi) composition of the technical and commercial evaluation teams; (vii) technical and commercial evaluation criteria and the scoring system; (viii) risk assessment; and (ix) performance factors. SSPs were prepared for all procurement cases sampled and signed by the requisitioner and PCU.
- Notes for file were used to document the reasons for sole source and ex-post facto cases and to explain the decisions made on various aspects of the procurement cases. The notes were signed by the requisitioners and PCU.
- Technical evaluation criteria were generic; there was no evidence that they were too specific or limiting. Analysis of the 74 cases presented to the COC showed that there were only two cases where a sole vendor passed the technical evaluation and in both cases, reasons were recorded in writing. Technical evaluations were conducted in accordance with the established criteria.
- Expressions of interest were issued as required and the number of vendors invited to bid were generally in accordance with the Procurement Manual.
- Vendors recommended by requisitioners were identified and requisitioners were informed that by signing the SSP, they were confirming that there was no conflict of interest with the proposed vendors. For partial ex-post facto cases, requisitioners were required to disclose any conflict of interest. UNOG indicated that it will start enforcing a similar requirement for full ex-post facto cases.
- Vendors who received contract awards had been properly registered; one exception was noted but this was an isolated case.

Need to improve risk assessment for individual procurement cases

20. Best value for money is described as the optimization of whole life costs and quality needed while taking into account potential risk factors and resources available. Risks need to be assessed and appropriate

measures identified to manage them. The Procurement Manual requires risk management at various stages of the procurement process. The SSP template used by UNOG had a section on risk assessment as required by the Procurement Manual. However, the quality of the risk assessments was inconsistent. In some SSPs the risks indicated were elaborate and included mitigating factors while in others, including large procurement cases, they were merely listed with no details of the rating and mitigating measures. Out of 17 cases above \$200,000 reviewed, four had deficiencies: one SSP did not identify any risk at all, while the other three merely listed risks without mitigating factors. In 10 out of 17 large procurement cases, the risks identified were not rated, even for large procurement actions above \$1 million. Proper risk assessment is particularly essential for large procurement cases since such cases are likely to be exposed to higher risk that need to be managed and mitigated. A good example of a case where the risk assessment was properly performed and could be adopted as best practice was the one for a \$2 million cleaning contract at the Office of High Commissioner for Human Rights.

(2) UNOG should establish review mechanisms to ensure that risk assessments, particularly for large procurement actions, are consistently performed and include details on likelihood of occurrence, impact, and measures to mitigate the identified risks.

UNOG accepted recommendation 2 and stated that it will update the SSP template to incorporate the headings of likelihood of occurrence, impact and measures to mitigate the identified risks. Recommendation 2 remains open pending receipt of evidence that appropriate mechanisms have been established to ensure that risk assessments are consistently performed and include details on likelihood of occurrence, impact and measures to mitigate high risk areas identified.

D. Monitoring

Need for a mechanism for obtaining feedback from clients

21. There were adequate arrangements for monitoring the status and timeliness of procurement actions. PCU had established a Shopping Cart Tracking Tool in the PCU Portal in 2017 that allowed each case officer to monitor timelines related to procurement cases. Colour coding (red, orange, yellow, green) helped to quickly identify the action required by the deadline as identified by the case officer in the tool. In addition, UNOG's Central Support Services, to which PTS reports, monitored procurement matters through the Umoja Business Intelligence module, shopping cart and contract monitoring tools and had regular meetings with the Chief of PTS. Furthermore, end-of-year reports were submitted to the Director of Administration to report exceptions, future year commitments, ex-post facto cases and exigency cases. OIOS reviewed the timelines for the 50 procurement cases sampled and except in a few cases, the solicitation process was completed within the timelines stated in the Procurement Manual. There were significant delays in 2 of the 22 CPAG procurement actions done in 2016-2017 which were attributed to a combination of factors, including inadequate coordination among the participating agencies. OIOS concluded that the delays were unique to CPAG and not systemic. Further, PCU indicated that it had significantly intensified its collaboration with CPAG.

22. However, arrangements for assessing client satisfaction with the procurement services needed to be improved. PCU serves 16 organizations in addition to undertaking procurement for various departments of UNOG. At the end of 2016, UNOG's Division of Administration conducted a survey to obtain feedback from its clients. The survey showed that 57 per cent of respondents found procurement services to be good, 24 per cent fair and 19 per cent poor. Even though 19 per cent of respondents indicated that procurement services were poor, the respondents did not provide any details on specific aspects of procurement that were not satisfactory. In 2017, the Division of Administration did not include procurement on its survey. PTS explained that UNOG did not solicit feedback from staff on procurement because it is a service provided

to client entities and not to individual staff. According to the UNOG budget, one of PTS's performance indicators is "increased percentage of clients responding to surveys who express satisfaction". UNOG therefore needs to establish a mechanism for obtaining feedback from its clients concerning its procurement services to address any areas which may require improvement and also to measure, with empirical evidence, its own performance.

(3) UNOG should establish a mechanism for getting feedback from clients with regard to the procurement services it renders.

UNOG accepted recommendation 3 and stated that it will undertake a survey on a regular basis. Recommendation 3 remains open pending receipt of evidence that UNOG has established a mechanism for obtaining feedback from clients regarding the procurement services it renders.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of procurement activities at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOG should strengthen procurement planning guidelines to include requirements for requisitioners to: (a) ensure that the estimated deliverable timelines reflected in their procurement plans are achievable, taking into account the estimated procurement lead times; (b) monitor their procurement plans and ensure that procurement actions are initiated in a timely manner; and (c) analyze low value procurement of the previous year to determine whether there are any recurring needs that should be consolidated.	Important	O	Receipt of evidence of action taken to strengthen procurement planning guidelines to include requirements that would assist requisitioners in initiating procurement actions in a timely manner and identifying recurring low value purchases that could be consolidated.	1 July 2019
2	UNOG should establish review mechanisms to ensure that risk assessments, particularly for large procurement actions, are consistently performed and include details on likelihood of occurrence, impact, and measures to mitigate the identified risks.	Important	O	Receipt of evidence that appropriate mechanisms have been established to ensure that risk assessments are consistently performed and include details on likelihood of occurrence, impact and measures to mitigate high risk areas identified.	1 July 2019
3	UNOG should establish a mechanism for getting feedback from clients with regard to the procurement services it renders.	Important	O	Receipt of evidence that UNOG has established a mechanism for obtaining feedback from clients regarding the procurement services it renders.	1 July 2019

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNOG in response to recommendations.

APPENDIX I

Management Response

Office des Nations Unies à Genève  United Nations Office in Geneva


MEMORANDUM INTERIEUR

INTEROFFICE MEMORANDUM

TO: Mr. Gurpur Kumar
A: Deputy Director
Internal Audit Division, OIOS

DATE: 21 March 2019

REF.

FROM: ^{Fof} Clemens M. Adams 
DE: Director
Division of Administration, UNOG

SUBJECT: Draft report on an audit of procurement activities at the United Nations Office at
OBJET: Geneva (Assignment No. AE2018/310/02)

1. UNOG acknowledges receipt of the draft report on an audit of procurement activities at the United Nations Office at Geneva (Assignment No. AE2018/310/02)
2. We take note of the overall results of the audit and the recommendations made to UNOG.
3. As requested, please find attached Appendix 1 duly completed, including UNOG's comments on each recommendation.

cc. Mr. Philip Compte, Chief, Central Support Services, UNOG
Mr. Stephen Farrell, Chief, Purchase and Transportation Section, UNOG
Ms. Isabella Misaki, Chief, General Administrative Services Section, OHCHR
Ms. Annie Tanmizi, Chief Operation Support Section, OCHA
Mr. Jorge J. Villanueva, Chief, Security and Safety Service, UNOG
Mr. Maarij Qazi, Executive Officer, DCM, UNOG
Mr. Michael Sylver, Executive Officer, UNECE
Mr. Adnan Issa, Chief, Resources Management Service, UNCTAD
Mr. Hugues Noumbissie, Audit focal point, UNOG
Ms. Anna Nyaoro, Chief, European Audit Section, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of procurement activities at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOG should strengthen procurement planning guidelines to include requirements for requisitioners to: (a) ensure that the estimated deliverable timelines reflected in their procurement plans are achievable, taking into account the estimated procurement lead times; (b) monitor their procurement plans and ensure that procurement actions are initiated in a timely manner; and (c) analyze low value procurement of the previous year to determine whether there are any recurring needs that should be consolidated.	Important	Partially	Chief, PCU	1 July 2019	While noting that the substance of the recommendation appears to be directed at requisitioners who may be clients of UNOG and thus not subject to the direct authority of UNOG management, UNOG shall: <ul style="list-style-type: none"> (a) Analyze the acquisition form, which is currently submitted electronically, to determine if an additional column can be added to generate a date by which a shopping cart should be submitted in order to obtain the goods or services by the expected date; (b) Determine if sending quarterly reminders, possibly automatically, to support requisitioners with submitting shopping carts in a timely manner is feasible; (c) Send a memorandum to requisitioning offices to inform and provide guidance on the audit recommendations.

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of procurement activities at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	UNOG should establish review mechanisms to ensure that risk assessments, particularly for large procurement actions, are consistently performed and include details on likelihood of occurrence, impact, and measures to mitigate the identified risks.	Important	Yes	Chief, PCU	1 July 2019	UNOG will update the Source Selection Plan template to incorporate the headings identified by the auditors being likelihood of occurrence, impact and measures to mitigate the identified risks.
3	UNOG should establish a mechanism for getting feedback from clients with regard to the procurement services it renders.	Important	Yes	Chief, PCU	1 July 2019	UNOG will undertake such a survey on a regular basis.