OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2019/036

Audit of information and communications technology services provided by United Nations agencies to the erstwhile Department of Field Support

Controls over the management of services provided by the agencies need to be strengthened

22 May 2019
Assignment No. AT2018/615/01

Audit of information and communications technology services provided by United Nations agencies to the erstwhile Department of Field Support

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of information and communications technology (ICT) services provided by United Nations agencies (hereafter referred to as "Agency A" and "Agency B") to the erstwhile Department of Field Support (DFS). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring the efficient and effective provision of ICT services to the erstwhile DFS. The audit covered the period from January 2010 to April 2018 and focused on risk areas relating to the regulatory framework and service management.

The audit showed that controls over the management of services provided by the United Nations agencies needed to be strengthened. To address the issues identified in the audit, the Office of Information and Communications Technology (OICT) needed to:

- Establish an ICT service delivery model defining the role of second and third-party ICT service providers within the context of an ICT service delivery model; and document appropriate policy directives for engaging with second-party ICT service providers;

- Strengthen its mechanisms for engagement of second-party providers of ICT services by: (a) conducting due diligence to ensure the cost-effectiveness of services procured by the Organization; and (b) ensuring that scalability is built into the contractual arrangements with second-party service providers;

- Renegotiate the current memorandum of understanding, service delivery agreements and billing methodologies with Agency A and Agency B to mitigate the observed gaps; require from Agency A detailed description and breakdown of service costs in alignment with its service catalogues; and resolve the outstanding invoices of $5 million under dispute with Agency A and recover any additional overpayments;

- In collaboration with the Office of Programme Planning, Finance and Budget, define a methodology for calculating charge backs and develop mechanisms for visibility of charge backs allocated to each field mission;

- Assess and update the financial agreements with Agency B to prevent potential risks of overcharging such as salary costs, project management and administrative fees; and (b) ensure in future financial agreements with Agency B that the standard staff costs are aligned with those published by the International Civil Service Commission; and

- Strengthen its performance management monitoring processes for ICT services outsourced to Agency A and Agency B.

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

CONTENTS

Audit of information and communications technology services provided by United Nations agencies to the erstwhile Department of Field Support

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of information and communications technology (ICT) services provided by United Nations agencies (hereafter referred to as "Agency A" and "Agency B") to the erstwhile Department of Field Support (DFS).

2.   The audit was conducted prior to the management reform of the United Nations Secretariat. At that time, DFS provided administrative and logistical support services to the Departments of Peacekeeping Operations (DPKO) and Political Affairs, which includes services in the areas of human resources, finance and budget, conduct and discipline, logistics, and ICT. The former Information and Communications Technology Division (ICTD) within DFS was primarily responsible for: (i) providing ICT operational, logistics and administrative support to field operations; and (ii) managing the Secretariat's global telecommunications infrastructure. As part of the management reform, ICTD merged with the Office of Information and Communications Technology (OICT) on 1 January 2019.

3.   The audited ICT services are now managed by OICT and the Logistics Division in the Department of Operational Support (DOS). For context and clarity, references are still made to the erstwhile DFS and ICTD/DFS in the present report. However, the recommendations in the report are addressed to OICT.

4.   In accordance with the global field support strategy, the logistics bases at Brindisi, Italy and Valencia, Spain have been re-profiled as the United Nations Global Service Centre (UNGSC). The Service for Geospatial, Information and Telecommunication Technologies (SGITT) at UNGSC provides connectivity and hosting services to field missions and staff, including email services and the related infrastructure.

5.   Agency A provides services to OICT at Headquarters in New York as well as the UNGSC hubs in Brindisi and Valencia based on a Memorandum of Understanding (MOU). The provision of these services is regulated by service delivery agreements (SDA) detailing the modalities and costs. Agency A currently has six SDAs that mainly cover infrastructure, applications, and service desk types of services. The total value of ICT services provided to the erstwhile DFS by Agency A since 2013 was $90.2 million.

6.   Agency B provides ICT services such as field applications, project management, training, videoconferencing services, help desk support, and assistance with Umoja – the Organization's enterprise resource planning solution. The contracts between Agency B and the erstwhile DFS, which are known as financial agreements (FAs), are based on a 'managed services model' whereby Agency B manages services and charges on a 'cost-plus management fees' basis. Agency B currently has 19 FAs, including some for Umoja support. The total value of ICT services provided to the erstwhile DFS by Agency B since 2013 was $163.4 million.

7.   Comments provided by OICT are incorporated in italics.

II.   AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8.   The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring the efficient and effective provision of ICT services to the erstwhile DFS.

9.   This audit was included in the 2018 risk-based work plan of OIOS due to the risk that potential weaknesses in provision of ICT services to the erstwhile DFS may adversely affect the Department's operations.

10.   OIOS conducted this audit from March to July 2018. The audit covered the period from January 2010 to April 2018. Based on an activity-level risk assessment, the audit focused on risk areas relating to the ICT regulatory framework and ICT service management.

11.   The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of performance documents, invoices, and charge-back mechanisms relating to the various services provided per the SDAs, MOUs and FAs.

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

III.   AUDIT RESULTS

A.   Regulatory framework

<u>Need to define a strategic approach to utilizing second and third parties for ICT service delivery</u>

13.   The purpose of establishing an ICT strategy is to ensure that the ICT function understands the organization's goals and objectives and identifies ICT solutions that enable achievement of these goals and objectives. The strategy also needs to define how ICT services will be best delivered, and where they will come from (i.e., internal or external sources).

14.   The existing United Nations ICT strategy (A/69/517) does not adequately define an ICT service delivery model that includes the roles of second-party (i.e., United Nations agencies) and third-party providers (commercial providers) in the delivery of ICT services to the United Nations Secretariat.

15.   Although, the Procurement Manual provides some policy directions regarding the rules of engagement with third-party ICT service providers, there was no policy direction on the rules of engagement with second-party ICT service providers. Further:

(a)   In 2014, the Office of Legal Affairs (OLA) clarified that any arrangement between Agency B and the Secretariat constituted an internal arrangement between two United Nations organs and was not a procurement action within the meaning of the United Nations financial regulations. OLA further stated that the Controller may wish to clarify or establish clear policy directives for the Secretariat's appropriate engagement with Agency B. Subsequently, the Office of the Controller issued supplementary guidance to the 2014 MOU with Agency B as well as a checklist for self-certification. However, this guidance was implemented to a limited extent with regard to the FAs with Agency B, as explained later in the present report.

(b)   With regard to Agency A, General Assembly resolution 63/269 had requested the Secretary-General to ensure compliance with all regulations and rules regarding procurement in order to guarantee the cost-effectiveness of the services provided by Agency A when utilizing their services. However, there was no evidence that this request from the General Assembly was implemented.

16.   There is need for an integrated service delivery model and related policies to govern the Secretariat's engagement with second-party ICT service providers to strengthen oversight and maximize the value derived from using these providers.

> **(1)   OICT should: (a) establish an ICT service delivery model defining the role of second and third-party ICT service providers within the context of an ICT service delivery model; and (b) document appropriate policy directives for engaging with second-party ICT service providers.**
>
> *OICT accepted recommendation 1 and stated that an ICT service delivery model defining the roles of ICT second-party service delivery providers will be established.* Recommendation 1 remains open pending receipt of evidence that an ICT service delivery model and the related policies have been established.

Need to strengthen mechanisms over ICT services entrusted to second-party service providers

17.   The United Nations Secretariat has a regulatory framework (consisting of General Assembly resolutions, Secretary-General's Bulletins, Administrative Instructions, and policies and procedures) to govern its ICT projects and initiatives. The Secretariat's project management governance framework (ST/SGB/2003/17) describes the policies and procedures governing ICT projects and initiatives and also mandates the ICT Board to ensure coherent and coordinated global usage of ICT across departments and duty stations by reviewing departmental ICT projects and initiatives to ensure alignment with the overall goals and priorities of the Secretariat and its ICT strategy.

18.   The audit showed that some of the established policies and procedures governing ICT projects and initiatives were not consistently applied. For example, ST/AI/2005/10 on ICT initiatives states that to ensure coherent and coordinated global management of ICT across departments and duty stations, the responsible officer should document a high-level business case supporting an ICT initiative prior to its commencement, in accordance with relevant ICT standards and guidance. The erstwhile ICTD/DFS did not provide evidence of any due diligence performed to demonstrate value for money prior to engagement with Agency A and B. There was no evidence of any needs assessment for using second-party providers, nor was there any justification (based on cost-benefit analysis or market research) for preferring Agency A or Agency B for delivering the services. Even though, the General Assembly in its resolution 63/29, had requested the Secretary-General to ensure compliance with all regulations and rules regarding procurement in order to guarantee the cost-effectiveness of the services provided by Agency A when utilizing their services. Furthermore, no business case was prepared to ensure uniformity in application of ICT standards and prevent duplication of services. The ICT resources deployed by Agency B were sometimes more expensive than the Secretariat's in-house resources.

19.   In its resolution 69/307, the General Assembly had requested the Secretary-General to develop scalability models to identify the resource requirements for the support account for peacekeeping operations, the United Nations Logistics Base at Brindisi and the Regional Service Centre in Entebbe (RSCE). DFS stated that it used the services of Agency A and Agency B to respond to rapidly changing ICT demands and scalability requirements. However, OIOS noted that there was inadequate scalability factored into the current agreements with Agency A and Agency B, as explained below:

(a)   There was a decrease in ICT resources in the support account for peacekeeping operations, budgets of peacekeeping missions, and for Umoja implementation by 10 per cent between the years 2014-15 and 2016-17, and by 13 per cent between 2016-17 and 2018-19. Analysis conducted by OIOS indicated there was no corresponding or more than proportionate decrease in the outsourced ICT services to Agency A and Agency B. Instead, the value of outsourced services increased by three per cent between 2014-15 and 2016-

17 and then rose to eight per cent for 2018-19, despite the decrease in the budgeted ICT resources due to downsizing, streamlining, and closing of some missions.

(b)   DFS paid Agency B to perform activities for which the Department already had in-house resources. For example, DFS paid Agency B for 12 additional posts in 2017-18 for remote mission support services even though it had 23 established posts for this service in the Remote Mission Support Section. In the proposed budget of 2018-19, DFS proposed the reassignment of three posts to the Geospatial Information Systems Section even though the Department was paying Agency B for these services.

20.   These deficiencies indicated the need for OICT to strengthen its mechanisms with regard to engagement of second-party providers of ICT services.

> **(2)   OICT should strengthen its mechanisms for engagement of second-party providers of ICT services by: (a) conducting due diligence to ensure the cost-effectiveness of services procured by the Organization; and (b) ensuring that scalability is built into the contractual arrangements with second-party service providers.**
>
> *OICT accepted recommendation 2.* Recommendation 2 remains open pending receipt of evidence that OICT has ensured that: (a) due diligence is conducted to assure cost-effectiveness of the services procured; and (b) scalability is built into contractual arrangements with second-party providers.

B.   Service management

Terms and conditions in the MOUs, SDAs, and FAs needed to be improved

21.   Best practices require that outsourcing agreements and MOUs should provide clear terms and contain clearly defined levels of services as well as key performance indicators (KPIs) which can be measured for effective service delivery.

22.   The MOU for services provided by Agency A was signed by DPKO in 2003 (prior to the establishment of DFS) and no longer reflected the functional structures currently in place. All SDAs for services provided by Agency A derived their authority from the MOU of 2003, including the latest SDA signed in 2013. The MOU needed to be strengthened in view of the following:

(a)   The mechanisms (i.e., performance reports, penalty clauses, change management and dispute resolution) in place for monitoring, evaluating and enforcing non-performance were not defined in the MOU and SDA with Agency A. ICTD/DFS had no mechanism to address non-performance.

(b)   The structure of the payment schedules for SDAs with Agency A were not tied to measurable deliverables for services that Agency A should deliver prior to being paid, which exposed ICTD/DFS to the risk of overpayment.

(c)   The SDAs with Agency A had termination clauses that did not serve the best interests of ICTD/DFS (for example, the requirement to pay early termination fees for the remainder of staffing contracts and the requirement to pay all termination fees within 30 days).

23.   OIOS review of the MOU and FAs relating to Agency B indicated the following:

(a)   All FAs were for a peacekeeping financial year (1 July to 30 June), paid in four instalments. However, all of the final payments for FAs were paid in April of the financial year, which left ICTD/DFS

exposed in case of non-fulfilment of delivery as Agency B required final payment before the completion of agreements in June, and before the final reconciliation could be completed.

(b)   According to the MOU, ICTD/DFS did not receive the certified financial report and final substantive report from Agency B until after the agreement's end date had passed, by which time funds in the budget for the previous year could not be utilized to pay for any additional cost that may arise from the delay in reconciliation. To ensure accountability, the MOU should be revised to mitigate the delay in reconciliation and require Agency B to provide timely information so that the final payment could be made within the budget period and ensure that payments are only made for services that have been delivered.

(c)   The structure of the payment schedules for FAs with Agency B were not tied to measurable deliverables for the projects or services that Agency B delivered prior to being paid, which exposed ICTD/DFS to the risk of overpayment.

(d)   All FAs with Agency B included an unexplained line item for $12,000 that was imposed on all FAs signed after 2015. However, there was no explanation in the FAs or MOU detailing what cost this line item pertained to. ICTD/DFS stated that this was a cost imposed by Agency B and was applicable to every FA.

(e)   All FAs with Agency B included a line item called "miscellaneous". The amount was different for each FA, however there were no details of what type of costs would fall under the miscellaneous category in any of the FAs. Furthermore, there was no breakdown or line item in the financial reports specifying what miscellaneous expenses were incurred.

(f)   There were two FAs relating to Umoja with Agency B for which ICTD/DFS was not able to fulfil its obligation to pay, due to an 8.5 per cent budget cut across the board required by Member States. Agency B agreed to take a lower payment. However, the agreements were not amended to reflect the change; the schedule of payments showed a lesser amount due for the last payment whereas the amount in the agreements remained the same.

24.   ICTD/DFS had a FA with Agency B for the provision of technical support for field applications, business intelligence and data management at RSCE.   The following issues were noted in the implementation of the FA:

(a)   The reporting relationship between ICTD/DFS, Agency B and a third-party vendor (Vendor C) was not clearly defined. Clarity was required to ensure that both Agency B and Vendor C were not paid for the same tasks. For instance, the FA stated that the project would be undertaken by a team of Agency B's personnel. However, Vendor C's personnel reported to Agency B's personnel for tasks associated with the project, even though Vendor C had a separate contract with ICTD/DFS, and it was unclear as to why Vendor C performed the tasks assigned in the FAs with Agency B. DFS stated that the FA does not mention the use of third-party vendors and agreed to incorporate such arrangements at the next renewal of the FAs. Also, service requests related to business intelligence in Umoja and the Field Support Suite (FSS) system were received by Agency B and forwarded to Vendor C for completion of tasks, who completed the tasks and handed them back to Agency B. ICTD/DFS stated that there were several tasks which were only performed by Agency B personnel, such as project management, resource management and coordination, and that Vendor C performs supplemental technical and development activities in coordination with Agency B. However, these arrangements were not defined in the related FAs.

(b)   There was an amendment to the FA with Agency B for services located in RSCE that were unrelated to those provided for in the original FA. This indicated that services were being added to the original FA as a matter of convenience to avoid establishing additional FAs. There was no linkage between these

additional services to the scope of work as presented in the original FA and the additions appeared to be separate activities. These were: (i) an increase of $100,000 in the budget for the FA to support strengthening of capacity for integrated analysis and situational awareness; and (ii) a provision for integration of the Strategic Planning and Monitoring Unit's activities for training and tools for peacekeeping analysis and planning.

25.   ICTD/DFS had six agreements with Agency A, all of which were automatically renewed annually, without review or change since 2013. Likewise, ICTD/DFS had 19 agreements with Agency B, of which one had not been reviewed/changed since 2005 and four had not been changed since 2015. Agency A's service catalog was updated annually with current prices, however its agreements with ICTD/DFS had not been updated for many years. Therefore, it was not possible to match the services currently listed in Agency A's service catalog to the SDAs with ICTD/DFS. Some agreements with Agency A and Agency B still included support services for applications that have been retired (e.g. the Mercury system, PT8 and F10 applications).

26.   With regard to billing for services, there were inconsistencies in the description of services in the MOUs which made it difficult to monitor the services provided and verify their costs. For instance, unlike Agency B which clearly defined the cost of its services in accordance with the MOU, Agency A did not. This caused delays in reconciliation and payment for services. In addition, the management fees charged by Agency A were built into the total cost of services, whereas Agency B clearly indicated the management fees and the percentage charged. The following additional gaps were noted regarding billing of services:

(a)   Agency A's cost estimates in SDAs were broad-based with large lump-sum amounts that did not provide adequate details. Therefore, it was not possible to ascertain the reasonableness of what was being charged. OIOS' comparison with some SDAs signed by Agency A with other United Nations entities showed that those SDAs were more transparent, provided more detail and were aligned to Agency A's service catalogue.

(b)   ICTD/DFS had withheld approximately $5 million from Agency A for services dating back to 2009 due to difficulties in identifying and reconciling the services provided with reference to the invoices submitted by Agency A.

(c)   Agency A's invoice of 15 February 2018 showed a service usage adjustment in 2018 for $6,925 per month for the months January to March 2018 without any details as to what the credit related to.

(d)   In its financial report to ICTD/DFS, Agency B charged for foreign exchange gain or loss and operating expenses which were not stipulated in the FAs.

27.   The absence of well-defined MOUs and agreements could lead to disputes, financial loss to the Organization, and sub-optimal service delivery.

> **(3)   OICT should: (a) renegotiate the current memorandum of understanding, service delivery agreements and billing methodologies with Agency A and Agency B to mitigate the observed gaps; (b) require from Agency A detailed description and breakdown of service costs in alignment with its service catalogues; and (c) resolve the outstanding invoices of $5 million under dispute with Agency A and recover any additional overpayments.**
>
> *OICT accepted recommendation 3 and stated that it is reviewing the SDAs with Agency A for the description and breakdown of services in the service catalogue. The Office has also written to the Office of the Controller requesting the review of the financial reporting in the MOU with Agency B, in line with 2019 renewal, to allow for more timely information for financial reconciliation. OICT*

> *will continue to engage with Agency A to resolve the outstanding invoices and overpayments.* Recommendation 3 remains open pending receipt of evidence that OICT has: (a) sought renegotiation of the current memorandum of understanding, service delivery agreements, and billing methodologies with Agency A and Agency B to mitigate the gaps observed in the audit; (b) required from Agency A detailed description and breakdown of service costs in alignment with its service catalogues; and (c) resolved the outstanding invoices of $5 million under dispute and has recovered any additional overpayments.

Need to enhance controls over budget requests and chargebacks to missions

28.   Section 6 of the administrative instruction ST/AI/2005/10 on ICT initiatives requires departments and offices to submit approved high-level business cases for ICT initiatives in support of the relevant portions of their proposed budget requests. Guidance issued by ICTD/DFS stated that offices should not outsource mandated activities which have already been provided for in the budget of the mission, division or office, but the potential outsourcing should be identified in the budget as contractual services.

29.   There was no transparency over the cost of ICT services provided by Agency A and Agency B that were charged back to field missions. ICT services were included in the generic description "central support costs" which were charged back against one budget line (central support services). ICTD/DFS did not provide information on the methodology it had used and how much it had charged back to missions for ICT services provided by Agency A and Agency B.

30.   The lack of transparency over the sizeable disbursements made to second-party service providers by ICTD/DFS and the manner in which costs are charged back to missions needs to be addressed to assure that the costs are reasonable and justified based on actual services outsourced to these agencies and the services provided in return.

> **(4)   OICT should define a methodology for calculating charge backs and develop mechanisms for visibility of charge backs allocated to each field mission.**
>
> *OICT accepted recommendation 4 and stated that it is working on identifying fixed and variable ICT costs to aid in the development of the revised ICT rate cards. This process will be done in collaboration with DOS and the Office of Programme Planning, Finance and Budget (OPPFB).* Recommendation 4 remains open pending receipt of evidence that OICT has defined a methodology for calculating charge backs and developed mechanisms for visibility of charge backs allocated to each field mission.

Need to resolve discrepancies between standard salary rates and rates charged by Agency B

31.   OPPFB used standard staff salary costs as published by the International Civil Service Commission (ICSC) of the United Nations. This included standard staff costs for all United Nations staff in the common system, including Agency B and ICTD/DFS.

32.   As the services provided by Agency B to ICTD/DFS were based on a managed services model (i.e. staffing costs, administrative costs plus management fees), there was a separate line item in Agency B's bills for the staff it used to execute ICTD/DFS assignments. As a United Nations entity, Agency B also used the ICSC standard salary costs.

33.   OIOS compared the 2017 salary costs for various positions (i.e. P-2, P-3, P-4) charged by Agency B against the defined standard costs and noted discrepancies ranging between 10 to 46 per cent for Agency

B's personnel assigned to ICTD/DFS (see Table 1). For instance, Agency B charged $300,430 for a P-4 Innovation and Technology Officer whereas the standard salary cost for a P-4 was $220,880.

34. ICTD/DFS stated that salary discrepancies were due to onboarding costs which were first year liabilities and that the salary cost of $300,430 referred to above related to a new hire for a P-4 Innovation and Technology Officer. However, OIOS noted that the standard salary costs published by ICSC considers onboarding costs. ICTD/DFS further stated that the figures in the FAs were estimates for budget provision; the breakdown of the proforma cost was available; and that an analysis of actual salaries paid to Agency B for the new and existing staff based in New York for the 2017-18 period indicated that all actual monthly and yearly salaries were below the OPPFB standard salary cost, except for minor differences for P-2/level 13 and P-4 level 10.

Table 1: Staff salary costs for sampled posts for the period 2017-18

FA	Post title/level	Duty station	Salary cost charged by Agency B	Standard salary cost per OPPBA	Overcharge per post ($)	Overcharge per post (per cent)
Technical support for ICT Technical Compliance	Innovation and Technology Officer (P-4)	New York	300,430	220,800	79,630	36%
Technical support for ICT Technical Compliance	Enterprise Architect (P-3)	New York	205,846	183,200	22,646	12%
Technical support for ICT Technical Compliance	Associate GIS Officer (P-2)	New York	222,288	152,100	70,188	46%
Technical support for video conferencing	Video Conference Coordinator (P-3)	New York	205,846	183,200	22,646	12%
Technical support for Field Applications, Business Intelligence and data management services	Strategic Reporting and BI Project Manager (P-4)	New York	242,712	220,800	21,912	10%
Technical support for Field Applications, Business Intelligence and data management services	Data and Analytics Specialist (P-3)	New York	260,616	183,200	77,416	42%
Technical support for Umoja support services – Implementation and project management	Project Manager (P-3)	New York	205,846	183,200	22,646	12%
Technical support for Umoja support services – Implementation and project management	Project and Change Management Coordinator (P-4)	New York	242,712	220,800	21,912	10%

35. In addition, OIOS noted that: (a) there was no reference or indication in the FAs regarding costs related to onboarding; (b) it was not clear as to why onboarding was associated with some posts but not to others; and (c) the evidence provided by ICTD/DFS did not indicate that anyone was onboarded during the period specified. OIOS' comparison of the annual standard salary costs for all FAs in force for 2017-18 for all professional positions at various duty stations showed discrepancies of approximately $1.4 million to the disadvantage of ICTD/DFS.

> **(5) OICT should: (a) assess and update the financial agreements with Agency B to prevent potential risks of overcharging such as salary costs, project management and administrative fees; and (b) ensure in future financial agreements with Agency B that the standard staff costs are aligned with those published by ICSC.**
>
> *OICT accepted recommendation 5 and stated that it will engage with Agency B and update the FAs and will also formally advise Agency B on the requirement to adhere to standard staff costs.* Recommendation 5 remains open pending receipt of evidence showing that it has been implemented.

ICT service performance monitoring needs to be strengthened

36.   A performance management monitoring process should be put in place to ensure that service levels meet the targets and indicators that are established in the SDAs and FAs. ICTD/DFS had service performance management processes in place. However, the following gaps were noted:

(a)   The KPIs/benchmarks for Agency B's data centre infrastructure agreement appeared low (e.g., 90 per cent successful completion of work orders; and 90 per cent successful completion of request for service) as compared to the KPIs in the other Agency B agreements which had KPIs of 95 per cent.

(b)   Agency A's service report template reported only limited information, vis-à-vis the expectations in the SDAs. There was no mention of how Agency A had performed its responsibilities and played its roles as outlined in the SDAs. Also, the reporting on service delivery did not include all categories of major services agreed upon in the SDA (e.g. infrastructure services: network management and hardware were excluded from the reporting). In addition, Agency A included and reported on additional items that were not in the original agreement and showed it in a category called 'services not covered by SDA' (e.g. checkpoint firewalls and connectivity).

(c)   Agency A's service reports reviewed on sample basis for platform and infrastructure services (December 2017 and March 2018) showed that: (i) they did not include directory services, volumes and messaging services which were supposed to be the measurement for billing purposes; (ii) some services were included in the platform services and infrastructure services performance reports that were not in the SDAs which inflated the performance for the period; and (iii) there were differences in the calculation of 'elements' as defined in the SDA for December 2017 and March 2018 due to the exclusion of directory services and the webhosting server. This caused Agency A's performance on the platform services to be inflated. Any significant changes to services should have had a change request to update the SDAs, which was not done.

37.   OICT needs to address these gaps in monitoring the performance of ICT services provided by Agency A and Agency B to assure the achievement of the service metrics and performance targets.

> **(6) OICT should strengthen its performance management monitoring processes for ICT services outsourced to Agency A and Agency B.**
>
> *OICT accepted recommendation 6 and stated that it has developed and implemented a programme oversight framework with Agency B, which was provided to OIOS under a separate cover. OICT will develop a similar framework for Agency A.* Recommendation 6 remains open pending receipt of evidence that OICT has implemented and enforced a performance management framework for monitoring the delivery of ICT services outsourced to Agency A and Agency B.

IV.   ACKNOWLEDGEMENT

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

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

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STATUS OF AUDIT RECOMMENDATIONS

Audit of information and communications technology services provided by
United Nations agencies to the erstwhile Department of Field Support

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	OICT should: (a) establish an ICT service delivery model defining the role of second and third-party ICT service providers within the context of an ICT service delivery model; and (b) document appropriate policy directives for engaging with second-party ICT service providers.	Important	O	Receipt of evidence that an ICT service delivery model and the related policies have been established.	30 June 2020
2	OICT should strengthen its mechanisms for engagement of second-party providers of ICT services by: (a) conducting due diligence to ensure the cost-effectiveness of services procured by the Organization; and (b) ensuring that scalability is built into the contractual arrangements with second-party service providers.	Important	O	Receipt of evidence of that OICT has ensured that: (a) due diligence is conducted to assure cost-effectiveness of the services procured; and (b) scalability is built into contractual arrangements with second-party providers.	31 March 2020
3	OICT should: (a) renegotiate the current memorandum of understanding, service delivery agreements and billing methodologies with Agency A and Agency B to mitigate the observed gaps; (b) require from Agency A detailed description and breakdown of service costs in alignment with its service catalogues; and (c) resolve the outstanding invoices of $5 million under dispute with Agency A and recover any additional overpayments.	Important	O	Receipt of evidence that OICT has: (a) sought renegotiation of the current memorandum of understanding, service delivery agreements, and billing methodologies with Agency A and Agency B to mitigate the gaps observed in the audit; (b) required from Agency A detailed description and breakdown of service costs in alignment with its service catalogues; and (c) resolved the outstanding invoices of $5 million under dispute and has recovered any additional overpayments.	31 March 2020
4	OICT should define a methodology for calculating charge backs and develop mechanisms for visibility of charge backs allocated to each field mission.	Important	O	Receipt of evidence that OICT has defined a methodology for calculating charge backs and developed mechanisms for visibility of charge backs allocated to each field mission.	30 June 2020

[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 OICT in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of information and communications technology services provided by
United Nations agencies to the erstwhile Department of Field Support**

5	OICT should: (a) assess and update the financial agreements with Agency B to prevent potential risks of overcharging such as salary costs, project management and administrative fees; and (b) ensure in future financial agreements with Agency B that the standard staff costs are aligned with those published by ICSC.	Important	O	Receipt of evidence showing that it has been implemented.	30 June 2020
6	OICT should strengthen its performance management monitoring processes for ICT services outsourced to Agency A and Agency B.	Important	O	Receipt of evidence that OICT has implemented and enforced a performance management framework for monitoring the delivery of ICT services outsourced to Agency A and Agency B.	31 December 2019

APPENDIX I

Management Response

United Nations 🇺🇳 Nations Unies

INTEROFFICE MEMORANDUM   MEMORANDUM INTERIEUR

TO: Mr. Gurpur Kumar
A: Deputy Director, Internal Audit Division
Office of Internal Oversight Services

DATE: 21 May 2019

REFERENCE: DOS-2019-03501

THROUGH:
S/C DE:

FROM: Atefeh Riazi
DE: Assistant Secretary-General for Information and
Communications Technology, Chief Information Technology
Officer

SUBJECT: **Report on audit of information and communications technology services**
OBJET: **provided by United Nations agencies to the erstwhile Department of Field**
Support (Assignment No. AT2018/615/01)

1.   I refer to your memorandum dated 8 April 2019 regarding the above-mentioned report and provide you with comments on the recommendations in the attached Appendix I.

2.   Thank you for giving us the opportunity to provide comments on the report.

Management Response

Audit of information and communications technology services provided by United Nations agencies to the erstwhile Department of Field Support

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OICT should: (a) establish an ICT service delivery model defining the role of second and third-party ICT service providers within the context of an ICT service delivery model; and (b) document appropriate policy directives for engaging with second-party ICT service providers.	Important	Yes	Chief, Enterprise Portfolio Management Section / Chief, Contracts Management Section, OICT	30 June 2020	An ICT service delivery model defining the roles of second- and third-party ICT service providers will be established.
2	OICT should strengthen its mechanisms for engagement of second-party providers of ICT services by: (a) adhering to the applicable policies and procedures on information technology initiatives; (b) conducting due diligence to ensure the cost-effectiveness of services procured by the Organization; and (c) ensuring that scalability is built into the contractual arrangements with second-party service providers.	Important	No for 2(a) Yes for 2(b) and 2(c)	Director, Operations Support Division, OICT	31 March 2020	With regard to part (a) of the recommendation, OICT wishes to clarify that it follows the existing ICT governance framework, policies and standards. It should be noted that the services provided by Agency A and Agency B are for ongoing ICT technical support. These second-party engagements have not been considered information technology initiatives governed by the ICT governance regime of OICT. Accordingly, there is no requirement to follow the project management framework or present a high-level business case. Parts (b) and (c) are accepted and they will be implemented accordingly.

[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	OICT should: (a) renegotiate the current memorandum of understanding, service delivery agreements and billing methodologies with Agency A and Agency B to mitigate the observed gaps; (b) require from Agency A detailed description and breakdown of service costs in alignment with its service catalogues; and (c) resolve the outstanding invoices of $5 million under dispute with Agency A and recover any additional overpayments.	Important	Yes	Director, Operations Support Division, OICT	31 March 2020	OICT comments are reflected in the report.
4	OICT should define a methodology for calculating charge backs and develop mechanisms for visibility of charge backs allocated to each field mission.	Important	Yes	Chief, Enterprise Portfolio Management Section and Chief, Contracts Management Section, OICT	30 June 2020	OICT is working on identifying fixed and variable ICT costs to aid in the development of the revised ICT rate cards. This process will be done in collaboration with DOS and OPPFB.
5	OICT should: (a) assess and update the financial agreements with Agency B to prevent potential risks of overcharging such as salary costs, project management and administrative fees; and (b) ensure in future financial agreements with Agency B that the standard staff costs are aligned with those published by ICSC.	Important	Yes	Director, Operations Support Division, OICT	30 June 2020	OICT will engage with Agency B and update the financial agreements and will also formally advise Agency B on the requirement to adhere to standard staff costs.
6	OICT should strengthen its performance management monitoring processes for ICT services outsourced to Agency A and Agency B.	Important	Yes	Director, Operations Support Division, OICT	31 December 2019	OICT has developed and implemented a programme oversight framework with Agency B, which was provided to OIOS under a separate cover. OICT will develop a similar framework for Agency A.