



## **INTERNAL AUDIT DIVISION**

### **REPORT 2021/026**

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#### **Audit of procurement in the field operations of the United Nations High Commissioner for Refugees during the Covid-19 emergency**

**There was a need to further strengthen the procurement process for enhanced efficiency, effectiveness, transparency, and achievement of value for money during emergencies**

**21 June 2021**

**Assignment No. AR2020-167-02**

# **Audit of procurement in the field operations of the United Nations High Commissioner for Refugees during the Covid-19 emergency**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of procurement in the field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) during the Covid-19 emergency. The objective of the audit was to assess the efficiency, effectiveness, transparency, and achievement of value for money of procurement in selected field operations during the Covid-19 emergency, compliance with procurement policies, and adequacy of those policies in the response to a global and unprecedented emergency. The audit covered the period from 1 March to 31 July 2020 and included a review of: (a) risk management and planning; and (b) sourcing.

In general, UNHCR field operations adapted swiftly to the new working arrangements entailed by the pandemic. There were some good practices in terms of coordination with other United Nations agencies and in addressing organizational gaps related to the identification of suppliers and definition of specifications for Covid-19 items procured. However, further improvement was needed in the areas of: (a) procurement risk management, planning and performance management; (b) use and documentation of market researches; (c) procurement policies and tools; (d) suitable systems to receive vendors offers; and (e) functioning and reporting of Committees on Contracts

OIOS made five recommendations. To address issues identified in the audit, UNHCR needed to:

- Develop and roll out adequate procurement planning guidance and tools that consolidate procurement needs/plans at the country and regional levels and verify whether supply risks are identified, reflected in risk registers, and managed by country operations;
- Ensure that key information pertaining to the procurement process is captured in the new enterprise resource planning system or other tool, and define and implement standard procurement performance indicators and reports;
- Provide guidance to country operations on how to conduct market research, as required and commensurate with the value/risk of procurement, including procedures for operations to systematically document and endorse their outcomes;
- Address gaps and inconsistencies in procurement policies and disseminate information about the eTenderBox or other suitable system to receive vendors' offers to enable its broader use in the Organization; and
- Assess the feasibility of enhancing the Committees on Contracts' reporting process in terms of automation, frequency and completeness of reports and ensure adequate data analysis, establish a process to monitor whether the committees' chairpersons, secretaries, members and alternates undertake relevant training, and assess the feasibility of establishing a central repository of the committees' documentation and decisions.

UNHCR accepted the recommendations, took action to implement two and initiated action to implement the remaining three.

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# **Audit of procurement in the field operations of the United Nations High Commissioner for Refugees during the Covid-19 emergency**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement in the field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) during the Covid-19 emergency.

2. On 25 March 2020, the High Commissioner declared a global UNHCR level 2 emergency for the Covid-19 situation and highlighted the need to provide maximum flexibility for operations to work, given the constraints faced by the global supply chain and logistics. Such flexibility included the activation of procedures defined for procurement during emergencies<sup>1</sup>. On 16 June 2020, the High Commissioner extended the emergency declaration until 24 September 2020 and on 25 September extended it further until 31 December 2020.

3. The global pandemic challenged the reliability of the supply chain world-wide, with procurement facing a shortage of raw materials, depletion of inventories, fast fluctuation in prices and availability of items changing quickly requiring fast purchasing decisions, unreliability of deliveries, high risk of single-source supplier situations, and fierce competition among states and organizations to purchase valuable commodities like items for the response to the global emergency. Flexibility, whilst ensuring transparency of procurement processes, effective risk management and adjustment to new ways of working in scenarios of lockdowns and restrictions of movement were essential for the successful delivery of mandates and to safeguard the lives of persons of concern, staff and populations in general.

4. From 1 March to 31 July 2020, UNHCR country operations procured goods and services worth \$209.3 million and comprising of 6,216 purchase orders (POs), that were awarded to 3,330 vendors. This included \$34.4 million of Covid-19 specific procurement (1,005 POs awarded to 647 vendors, representing 16 per cent of the total amount of procurement)<sup>2</sup>.

5. The Supply Management Service (SMS) within the Division of Emergency, Security and Supply (DESS) is accountable to support the UNHCR mandate through the procurement of goods and services both for headquarters entities and the field in accordance with the United Nations procurement principles of cost effectiveness, timely delivery, speed and appropriate quality. SMS, in coordination with regional bureaux, is also responsible to provide relevant support, guidance and oversight to country operations in their local procurement activities.

6. Comments provided by UNHCR are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

7. The objective of the audit was to assess the efficiency, effectiveness, transparency and achievement of value for money of procurement in selected field operations during the Covid-19 emergency, overall compliance with procurement policies, and the adequacy of those policies in the response to a global and unprecedented emergency.

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<sup>1</sup> Including the use of increased thresholds for Local Committees on Contracts and for Requests for Quotation.

<sup>2</sup> OIOS estimated that the volume of Covid-19 POs organization-wide could be understated by approximately 30 per cent. This would raise the total amount of Covid-19 procurement in field locations during the period under review to \$44.7 million. This issue was reported to UNHCR.

8. This audit was included in the OIOS 2020 risk-based work plan as procurement is instrumental in the delivery of UNHCR’s mandate, and it is a high-risk area further heightened in the context of disrupted supply chains worldwide, remote working arrangements, and strained resources.

9. OIOS conducted this audit from September 2020 to February 2021 and covered six UNHCR operations: Bangladesh, Ethiopia, Greece, Lebanon, Mexico and Uganda. These countries issued POs worth \$59 million (28 per cent of the total amount of procurement carried out organization-wide by field operations). This included \$17.6 million worth of Covid-19 POs (51 per cent of the total amount of Covid-19 procurement). The audit covered the period from 1 March to 31 July 2020, and both Covid-19 and other procurement. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in procurement including: (a) risk management and planning; and (b) sourcing.

10. The audit was done remotely and the methodology included: (a) interviews with key personnel at headquarters; (b) analytical reviews of data, systems and tools<sup>3</sup>; (c) delivery of an audit questionnaire to selected operations; (d) sample testing and documentary review of 58 POs worth \$19.4 million. This included 29 Covid-19 POs worth \$8.3 million (33 and 47 per cent of the POs raised by the selected operations). OIOS selected POs using stratified random sampling, considering POs issued to vendors with higher volumes of procurement, PO amounts and type of items; and (e) review of other documentation such as risk registers, management and oversight reports, procurement plans, delegation of authority plans, tracking tables, memberships of Local Committees on Contracts (LCC), and minutes of the meetings of LCCs, Regional and Headquarters Committees on Contracts (RCC and HCC).

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

### **III. AUDIT RESULTS**

#### **A. Risk management and planning**

##### Need to enhance procurement risk management, planning and monitoring and reporting

12. For effective procurement management, country operations must conduct annual risk assessments and planning, and keep plans updated with new requirements. Regional Bureaux and SMS should provide expert advice and support in the planning process.

13. According to feedback provided to the audit questionnaire, all six country operations confirmed, to a greater or lesser extent, that they had re-planned procurement at the onset of the Covid-19 emergency. This was based on: (a) needs assessments and gap analysis for identification of essential goods and services required; (b) prioritization of pre-existing procurement plans and newly identified needs; (c) evaluation of market conditions concurrently with identification and assessment of supply risks; (d) definition of sourcing strategies considering local, regional and/or international options and available frame agreements; (e) setup of multi-functional teams with a greater involvement of supply and health functions in each operation; (f) participation in interagency forums and coordination with host government authorities, partners and donors; and (g) coordination with regional bureaux, SMS and the Public Health Section (PHS) within the Division of Resilience and Solutions.

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<sup>3</sup> Including the Managing for Systems, Resources and People or MSRP (UNHCR’s enterprise resource planning system covering inter-alia Finance and Supply Chain Management), Microsoft Power BI, UNHCR Intranet, and eSafe (UNHCR’s electronic records management system).

14. Bureaux conducted needs assessments for items that could be sourced regionally or globally by SMS (e.g., Regional Bureau for the Americas) and cleared country needs assessments. PHS and SMS provided guidance for the procurement of medicines, medical supplies, water, sanitation and hygiene and logistical items, along with reference lists with quantities recommended for a population of 10,000, which were updated frequently with additional details.

15. Representations implemented some good practices, for example: (a) the Representation in Bangladesh jointly with a United Nations agency responsible for health engaged with a university to develop a model for the Covid-19 outbreak at Cox's Bazar to support the planning; (b) the Representation in Lebanon contributed to the Infection and Prevention Control (IPC) Supply Core Group and to its Core Procurement Cell, which inter alia created a tracking tool that recorded all procurement carried out by participating organizations (mainly United Nations entities) aimed at avoiding duplication of efforts; and (c) the Representations in Lebanon and Mexico had initiated or were about to initiate joint procurement processes for identifying Covid-19 suppliers and acquisition of common support services, to improve efficiency and synergies between United Nations agencies.

16. Nonetheless, OIOS observed gaps in risk management and planning, as described below.

(a) Procurement plans

17. Procurement plans were present in different formats and with varying levels of detail but were not always dated or showing evidence of endorsement. This was due to: (a) lack of standardization of templates, since they were defined locally by country operations or regional bureaux; and (b) lack of integration with the headquarters planning process.

18. The outputs of the procurement planning process varied in the country operations reviewed. Some incorporated identified needs in pre-existing procurement plans (Representations in Greece, Lebanon and Uganda) while others adopted lists of items provided by relevant technical sectors as their "Covid-19 shopping lists" without establishing effective plans (Representations in Mexico and Bangladesh). The Representation in Mexico updated its procurement plan with Covid-19 requirements later, when it carried out the mid-term review of the plan (June 2020). The Representation in Bangladesh did not update its plan, although it had identified in its risk register the need to monitor and review the plan on a quarterly basis. The Representation in Ethiopia stated that it had reviewed its 2020 procurement plan at the onset of the emergency to incorporate the Covid-19 needs, but it did not provide the revised plan. Additionally, procurement plans were not always updated (Representations in Greece and Uganda). This was due to frequently emerging and changing needs.

(b) Risk assessments

19. Even though all country operations indicated that they had reviewed the risks arising from the pandemic related to supply and procurement, the Representations in Lebanon, Mexico, and Uganda did not reflect them in their respective risk registers.

(c) Monitoring and reporting

20. OIOS reviewed monitoring and reporting activities in Bangladesh, Greece, Lebanon, and Mexico. The Representations in Bangladesh and Lebanon maintained Excel tracking sheets for Covid-19 procurement, which showed the quantities requested, quantities ordered, estimated times of arrival, and status of delivery per item. The Representation in Greece prepared weekly reports with information of the status of orders and deliveries, as well as stocks of items. The Representation in Mexico was more comprehensive and developed dashboards on the progress of the procurement plan including Covid-19

related purchases for the health and shelter sectors. It also disseminated a bi-weekly report on supply activities which included information on the status of procurement, and lessons learned.

21. Monitoring and reporting varied widely between operations, reports generally lacked overviews on the status of procurement against targets and other performance data (e.g., lead times of procurement, lead times for delivery, level of implementation of procurement plans). The periodicity and recipients of the reports differed (they did not consistently include senior management). These shortcomings occurred due to: (a) SMS not having defined key performance indicators (KPIs) and standard reports for procurement for the field; and (b) MSRP (or other system or tool) not capturing key information/milestones of the procurement process, i.e., from issuance of tenders to decision of award.

- (1) The UNHCR Division of Emergency, Security and Supply, in coordination with regional bureaux, should enhance procurement planning by: (a) developing and rolling out adequate procurement planning guidance and tools that consolidate procurement needs/plans at the country and, where appropriate, regional levels; and (b) verifying whether supply risks are identified, reflected in country risk registers and managed by country operations.**

*UNHCR accepted recommendation 1 and stated that: (a) it had issued a new Administrative Instruction on Procurement on 25 May 2021 (AI), which provides more comprehensive and clearer guidance on procurement planning; and (b) the operational risk register was not intended to be a comprehensive list of all risks in an operation, but when an operation faces critical supply risks, these should be reflected. The Enterprise Risk Management Service would coordinate with DESS to include data on supply risk levels in the guidance for the annual quality assurance exercise led by Regional Risk Advisers. Based on the action taken by UNHCR, part (a) of recommendation 1 is closed. Recommendation 1 remains open pending receipt of examples of reviews conducted to verify that critical supply risks are identified and reflected in country risk registers.*

- (2) The UNHCR Division of Emergency, Security and Supply should: (a) ensure that key information pertaining to the procurement process (from issuance of tenders to decision of award) is captured in the new enterprise resource planning system or other tool; and (b) define and implement standard procurement performance indicators and reports.**

*UNHCR accepted recommendation 2 and stated that it: (a) was currently defining the requirements for the new enterprise resource planning system and had included key information pertaining to the procurement process as one of the requirements; and (b) had identified key supply performance indicators and was in the process of implementing them through Business Intelligence reports. In the following weeks, UNHCR would review the current list and assess the possibility to include additional ones. Recommendation 2 remains open pending receipt of evidence: (a) that key information pertaining to the procurement process is captured in relevant UNHCR systems; and (b) of the definition and implementation of relevant and overarching standard procurement performance indicators and reports.*

## **B. Sourcing**

### Need to issue guidance on market research

22. Market research would support the identification of relevant suppliers and products that could meet the needs of the Organization. This includes advertisement of tenders, launch of Requests for Information (RFI) or Expressions of Interest (EOI) and/or research of various sources (e.g., vendor databases,

consultation with other organizations, United Nations Global Marketplace website, and business search engines).

23. The Representations in Greece, Lebanon and Mexico published formal tenders consistently for the samples reviewed, even though the platforms for publication varied between local newspapers/websites, the UNHCR website and the United Nations Global Marketplace. Given the increased challenges in identifying vendors and goods during the pandemic, most operations liaised with other United Nations organizations to inquire about existing frame agreements and for recommendations of suppliers. The Representation in Lebanon stated that Supply Officers in the region shared information on frame agreements and market surveys periodically, which fed into a common database of suppliers for Covid-19 procurement. The Representation in Mexico promoted the compilation of frame agreements established by agencies participating in the Country Team's Working Group on Procurement.

24. Nonetheless, market research was not well documented for the procurement cases reviewed. Operations subsequently provided lists of vendors invited for specific closed tenders, but this information, along with information of the sources used for identification, should have been consistently available and approved by the Procurement Officer for transparency. The Representations in Ethiopia and Uganda did not provide supporting documentation on any market research for their samples. Information on vendors identified/invited, and occasionally the sources used to identify them, were summarized in the financial evaluation reports and/or submission memorandums for procurement, even though not systematically.

25. The Representation in Lebanon resorted to RFI to conduct market research to identify not only suitable vendors, but also available products, specifications, and prices. The information collected was the basis of technical and financial evaluations and was followed by contract awards based on non-formal methods of solicitation (NFMS). Even though not compliant with UNHCR procurement policies, it provided a good basis for the documentation of market research.

**(3) The UNHCR Division of Emergency, Security and Supply should provide guidance to country operations on how to conduct market research, as relevant and commensurate with the value/risk of the procurement action, including procedures for operations to systematically document and endorse their outcomes.**

*UNHCR accepted recommendation 3 and stated that the new AI on Procurement issued on 25 May 2021 provides more comprehensive guidance on market research, including on how to conduct it and in which situations. Its dissemination would be accompanied by training. Based on the action taken, recommendation 3 has been closed.*

Need to address gaps and inconsistencies in procurement and disseminate information on eTenderBox

(a) Advertisement period

26. The six country operations reviewed issued 11 Requests for Quotation (RFQ), 8 of which were Covid-19 procurement, with deadlines of response of between 2 and 9 days. The UNHCR Manual, Chapter 8, Section 2.6, recommends deadlines of 10 to 14 calendar days, but if in the opinion of the Supply Officer a shorter period is justifiable, then this should be documented. However, according to the UNHCR AI on thresholds for RFQs in non-emergency and emergency situations and on procurement through non-PO vouchers,<sup>4</sup> there is no established deadline for response to an RFQ. Therefore, there were inconsistencies between the two regulatory documents that need to be rectified.

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<sup>4</sup> UNHCR/AI/2017/2, 1 January 2017



(b) Solicitation documents, specifications and evaluation criteria

27. Operations need to provide relevant information in the solicitation documents, including clear and neutral specifications, terms of reference (ToR) or statements of work (SoW), and objective evaluation criteria for suppliers. This ensures that vendors can respond to the requirements and supports transparency and effective competition. There were gaps regarding the completeness of solicitation documents, as follows:

- Representation in Ethiopia: In one RFQ for the supply of storage services for imported vehicles, it did not specify the intended duration of services and the specifications (e.g., minimum space requirements and safety and security conditions). In another case for the supply of solar batteries, the Representation procured a specific brand without explaining the reason (e.g., compatibility with pre-existing equipment) and did not define the evaluation criteria. OIOS could not verify whether the Representation defined specifications and evaluation criteria for three POs (total value: \$140,956) for the supply of personal protection equipment (PPE) and medical equipment due to inadequate documentation made available.
- Representation in Bangladesh: For four POs reviewed, the documents did not state the need for vendors to comply with the UNHCR General Conditions of Contract and the Suppliers Code of Conduct, and for vendors to complete vendor registration forms and provide business registration certificates/other relevant documentation. This was important due to the volume of procurement involved (\$3.2 million) and relevant risks pertaining to fraudulent companies and counterfeit goods. For three solicitation exercises (six POs), the Representation did not define specifications and/or evaluation criteria. It still carried out a lengthy technical evaluation, even though not based on predefined criteria that informed both potential vendors and the Technical Evaluation Committee (TEC).
- Representation in Mexico: In two RFQs issued for the purchase of medical supplies for the Covid-19 response, it did not inform vendors of UNHCR's payment terms and that its acceptance was mandatory, otherwise offers would be rejected.

28. Several operations liaised with the United Nations agency responsible for health, other agencies, local Ministries of Public Health, hospitals, universities, and experts to define specifications for Covid-19 items being procured for the first time and for which specifications were not initially available. After May 2020, PHS and SMS compiled and disseminated specifications for several PPE, medical equipment, and supplies. Further, SMS stated that its Quality Assessment Unit was working to support operations in inspection activities through the delivery of the following activities during 2021: (a) developing standard operating procedures explaining how offices could make use of an existing frame agreement for inspection services (b) supporting local inspection processes upon request; (c) developing quality assurance training, including on how to draft specifications in a way they could be consistently checked; and (d) contributing to the update of Chapter 8 of UNHCR Manual in aspects related with quality assurance.

(c) Receipt and opening of offers

29. For two formal tenders issued by the Representation in Lebanon (four POs), adequate procedures were in place for the receipt and opening of vendors' offers. This included providing suitable information to vendors on how to submit the offers, the establishment of a Bid Opening Committee (BOC) composed of staff independent from the process, and issuance of bid opening records. As for other POs reviewed, most tenders that fell under the audit period were NFMS or RFQ and did not require formal procedures for the receipt and opening of offers. Nonetheless, in one NFMS case in Bangladesh for the relocation of non-critical staff accommodation and office facilities from Cox's Bazar to Dhaka, there was inadequate

involvement of the requesting unit and TEC in contacting directly with hotels and obtaining financial and technical information. Supply and BOC were not involved. In this case the need developed very quickly, and the Representation informed that there was no other staff available onsite to conduct the survey/assessment. Nonetheless, efforts should have been made to ensure an adequate level of segregation of duties through remote means and oversight by BOC.

30. For RFQ, the UNHCR Manual, Chapter 8, section 2.6 states that there is no need for formal procedures for the submission of offers by suppliers or opening of offers. For other NFMS and for RFI and Expressions of Interest (EOI), the Manual is silent. Furthermore, for formal methods of solicitation, i.e., Invitation to Bid (ITB) and Request for Proposal (RFP), the Manual requires the use of a two-envelope system for receiving technical and financial offers separately. This terminology no longer reflects the growing use of digital technologies, i.e., emails and electronic platforms to receive offers from vendors, which was highly utilized during the Covid-19 pandemic. All operations reviewed had implemented generic email boxes to receive offers, developed an SOP for electronic tender handling (the Representation in Uganda), and had adapted procedures for BOC to open offers through online meetings during the pandemic. SMS issued in November 2020 an SOP for Electronic Tender Handling that guides the use of generic email boxes, but some of these gaps remained unaddressed. In OIOS' opinion, such inconsistencies and gaps compromise the integrity of the process.

31. An eTenderBox, which is an online platform for vendors to submit offers that allows recording and record keeping of offers received and automatic generation of Bid Opening Reports, was available but not used broadly in UNHCR. It was used by the Representations in Mexico and Ethiopia, in the Asia and the Pacific region and at headquarters. The system was not widely known and was being rolled out mainly at the request of regional bureaux or operations.

(d) Evaluation of offers

32. Technical evaluation of offers needs to be carried out by a TEC with the required expertise against the specifications, ToR or SoW defined in the solicitation documents, and inspections of samples of products or facilities when required. The results should be recorded in a technical evaluation report and signed off by TEC members. Supply staff should carry out the financial evaluation of offers that passed the technical evaluation and record it in a financial evaluation report. The recommendation for procurement combines the results of both evaluations and is instrumental for the decision of award.

33. There were several issues relating to the evaluation of offers, which could have lowered UNHCR's ability to obtain value for money and in meeting the interests of the population it serves. These included inter alia:

- (i) Representation in Bangladesh: In one case for the provision of goods and services for the response to Covid-19 (four POs), it excluded from the evaluation offers that were received within the response deadline but included offers received after the deadline without documenting the justification. Even though flexibility was allowed under NFMS, principles of fairness and integrity should still prevail, especially for high-value procurement.
- (ii) Representation in Greece: In an RFQ for the lease and maintenance of portable hand washing stations, it could have saved \$60,970 if it had done a more realistic needs assessment and selected the lowest of the two qualified offers received. The Representation justified the selection of the highest offer based on its preference for a more flexible contract, which ended up outweighed by the higher demand for washing stations.

- (iii) Representation in Lebanon: In a case for the supply of sanitizer gel, it could have saved \$40,250 if it had opted for a split award between the two vendors with the lowest offers, since the difference in the lead time for delivery was only four days. Through two tenders, the Representation purchased 60 + 20 + 20 ICU (intensive care unit) ventilators at a cost of \$38,499, \$19,964, and \$21,000 per unit, respectively. At the same time, SMS also procured ICU ventilators at a much lower cost of \$11,700 and \$13,400 per unit. Despite differences in the specifications and associated services and the need to secure scarce items, the Representation could have still benefited from prior consultation with SMS.
- (iv) Representation in Mexico: In an RFQ for the procurement of medical equipment, TEC members (protection and programme staff) did not seem to have the expertise to conduct the technical evaluation. In another RFQ for the purchase of medical supplies, incorrect information of the offers was reflected in the financial evaluation report. There were also errors in calculations and inconsistencies in quantities.

(e) Documentation

34. There were several gaps in the documentation of procurement cases, as noted throughout this report, which prevented further analysis. There were also inconsistent standards for uploading PO documentation in MSRP. This was due to lack of guidance for documentation of procurement cases, including on the repositories (systems) where the documentation should be kept. Such guidance should have contributed to adequate documentation of procurement processes, effective use of archiving systems (paper and/or electronic), and rational use of staff resources.

**(4) The UNHCR Division of Emergency, Security and Supply should: (a) review and update the procurement policies, aiming at addressing the gaps and inconsistencies reported (i.e., deadlines for advertising formal and informal tenders, harmonization of procedures for receipt and opening of bids, definition of specifications and evaluation criteria, evaluation of offers, and documentation standards and respective repositories); and (b) disseminate information about the eTenderBox or other suitable system to receive vendors offers to enable its broader use in the Organization.**

*UNHCR accepted recommendation 4 and stated that: (a) the new Policy and AI on Procurement issued on 25 May 2021 provide clarification and enhanced guidance on all phases of the procurement process, including on deadlines for advertising, procedures for receiving and opening bids, definition of specifications and evaluation criteria and documentation requirements. Training on the new guidance was also being delivered; and (b) all Regional Supply Coordinators were informed of the eTenderBox and offered access to it. Nonetheless, in the mid-term, it expected to replace the eTenderBox by the vendor portal of the new enterprise resource planning system. Therefore, and because the eTenderBox might not be suitable for all operations, it had not been enforced. Based on the action taken, recommendation 4 has been closed.*

Need to enhance the functioning of and reporting on Committees on Contracts

(a) Decision of contract award/contract amendment

35. Contract awards/amendments need to be reviewed and approved by a relevant procurement review authority, based on thresholds defined in the UNHCR AI on the Rules and Procedures of UNHCR Committees on Contracts at Headquarters and in the Field<sup>5</sup>, and supported by a well-documented submission.

<sup>5</sup> UNHCR/AI/2018/5/Rev.1, 1 January 2020

All country operations reviewed, except for the Representation in Ethiopia, requested and were granted approval to increase their LCC threshold limit from \$250,000 to \$750,000, as per emergency procedures defined. OIOS observed several instances where decisions for contract awards/amendments were not adequately pursued or documented. For example:

- Representation in Bangladesh: There were discrepancies noted in one case of contract award for the provision of PPE, medical equipment, furniture and logistics, items for the response to the Covid-19 emergency (four POs). This was due to an oversight in the communication between SMS and HCC, where the latter approved the aggregated amount of \$3 million initially requested instead of a corrected amount of \$3.5 million presented subsequently by the Representation. Without checking the HCC meeting minutes, the Representation issued one of the POs with a significantly higher amount than the one approved by HCC (\$1.2 million instead of \$0.6 million). The Representation also issued all POs on 5 May 2020, earlier than the HCC approval, since it had incorrectly received the go ahead from SMS.
- Representation in Ethiopia: A contract award for the establishment of a frame agreement for the supply of jerry cans worth \$250,000 based on a formal method of solicitation (ITB) was conditionally approved by LCC on 15 April 2020, subject to receipt of a comparison of prices with another case for the supply of the same items submitted to LCC in the same meeting (an RFQ for the total amount of \$99,881). The meeting minutes did not mention whether the requested analysis was provided, even though they recorded the transition from a conditional approval to a final approval. Also, the ITB and RFQ were cases of splitting of procurement actions. The justification provided was the urgency of the requirement, while another submission was being prepared for RCC, which demonstrated inefficient use of the Representation's resources. Further, a contract award for the provision of telecommunications services for \$1.2 million for five years was erroneously approved by the LCC under the assumption that it could approve an amount of up to \$250,000 per year of contract. As the previous contract had been approved by HCC, the subsequent contracts should have also been submitted to the HCC.
- Furthermore, as at 15 April 2020, the LCC in the Representation of Ethiopia had met only twice. In its meeting of 15 April 2020, LCC reviewed 12 cases plus 5 ex-post facto notifications, which indicated that the level of review was inadequate. For example, the approval of an extension of a contract for the provision of broadcast satellite services for a period of two years should have been submitted to RCC. In addition, several submissions (some nearly one month old, despite being marked as urgent requirements) had to be amended to reflect the date of the LCC approval, resulting in delayed awards and signature of contracts, ex-post facto notifications, and additional administrative burden for supply staff.
- Representation in Uganda: In a case for the procurement of vehicle maintenance, repair and supply of spare parts for UNHCR vehicles, the evaluation and award was done based on a survey report that did not identify the team conducting the survey. It was also not signed. The purpose of the survey was unclear, since there were no criteria to rank the different garages assessed and there was no price comparison. There was also lack of clarity on how the contract amounts were calculated.

36. There was no central repository of documentation and decisions of Committees on Contracts (CoC), except for HCC, to enable easy tracking of decisions and monitoring of the quality and timeliness of decisions. UNHCR was in the process of rolling out an electronic submission tool, which was expected to address this gap. The HCC Secretariat, in collaboration with the Global Learning and Development Center, launched in December 2019 a new e-learning training on CoC, which was made mandatory for Committee chairpersons, members, secretaries and alternates in all duty stations. However, it did not

monitor the level of compliance with the requirement. Such monitoring is particularly important considering the increased thresholds for RCC and LCC during emergencies.

(b) Solicitation methods

37. Some of the operations reviewed resorted extensively to NFMS (details in Table 1)<sup>6</sup>, justified as required under the exceptions allowed by Rule 105.16 of the Financial Regulations and Rules of the United Nations<sup>7</sup>. Nonetheless, in one case reviewed from the Representation in Bangladesh for the provision of healthcare services for staff, the need had already been identified in 2019 after staff complaints regarding low standards of the existing clinic. NFMS was justified on grounds of exigency of the requirement, whereas this seemed attributable to lack of planning by the Representation. In a case from the Representation in Ethiopia for the supply of solar batteries worth \$165,000, the Supply Unit issued an RFQ but after realizing that the amount of the goods was significantly higher than the RFQ threshold (\$40,000), it submitted the case to the LCC based on NFMS. Extensive use of NFMS could indicate possible misuse of such exceptions and would therefore require enhanced monitoring.

**Table 1. Submissions to LCC per country operation (March – July 2020)**

Country	Number of submissions to LCC	Number of submissions based on NFMS	Percentage	Amount of submissions to LCC (million \$)	Amount of submissions based on NFMS (million \$)	Percentage
Bangladesh	25	12	48%	4.20	2.10	50%
Greece	26	6	23%	26.60	0.90	3%
Lebanon	10	5	50%	3.20	1.40	44%
Mexico	48	10	21%	8.20	0.70	9%
Uganda	85	15	18%	9.30	2.70	29%

Source: Country operations' tracking tables of submissions to LCC

38. According to the UNHCR AI on the Rules and Procedures of UNHCR Committees on Contracts at Headquarters and in the Field, Chairpersons of LCC are required to report annually to the Chairperson of HCC on statistics of LCC activities. These statistics are compiled by the HCC Secretariat and incorporated in the annual HCC report. The statistics for 2020 were not available at the time of the audit. Nonetheless, OIOS noted the following gaps in relation to the 2019 report: (a) the compilation of results by HCC did not segregate between activities of LCCs, sub-LCCs and RCCs and the data collected was not analyzed, e.g., in relation to unusual trends in the use of NFMS and ex-post facto submissions, similar to the analysis carried out for the submissions to HCC; (b) it did not include performance information of CoC, e.g., lead times for decision and availability of meeting minutes, since this information was also not collected for any of the CoC except HCC; (c) lacked information on the challenges reported by country operations on the functioning of CoC and how they were addressed; and (d) the reporting process was manual and therefore long and prone to error.

**(5) The Chairperson of the UNHCR Headquarters Committee on Contracts should: (a) assess the feasibility of enhancing the Committees on Contracts (CoC) reporting process in terms of automation, frequency and completeness of reports and ensure adequate data analysis; (b) establish a process to monitor whether chairpersons, secretaries, members and alternates of CoC undertake relevant training; and (c) assess the feasibility of establishing a central repository of documentation and decisions of CoC.**

<sup>6</sup> Only the five countries listed in the table submitted their LCC tracking tables for analysis.

<sup>7</sup> Secretary-General's Bulletin ST/SGB/2013/4 dated 1 July 2013

*UNHCR accepted recommendation 5 and stated that the Division of Financial and Administrative Management and DESS had jointly been working on the development and deployment of the e-submission tool, which was expected to facilitate implementation of parts (a) and (c) of the recommendation. The Chairperson of HCC would engage with the Global Learning and Development Centre to put in place a mechanism to systematically monitor the status of completion of e-training available to address part (b) of the recommendation. Recommendation 5 remains open pending receipt of evidence of implementation of: (a) enhanced reporting on the functioning of CoC; (b) monitoring of training delivered to all members of CoC; and (c) a central repository of documentation and decisions of CoC.*

#### **IV. ACKNOWLEDGEMENT**

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

(Signed) Eleanor T. Burns  
Director, Internal Audit Division  
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## STATUS OF AUDIT RECOMMENDATIONS

## Audit of procurement in the field operations of the United Nations High Commissioner for Refugees during the Covid-19 emergency

Rec. no.	Recommendation	Critical <sup>8</sup> / Important <sup>9</sup>	C/ O <sup>10</sup>	Actions needed to close recommendation	Implementation date <sup>11</sup>
1	The UNHCR Division of Emergency, Security and Supply, in coordination with regional bureaux, should enhance procurement planning by: (a) developing and rolling out adequate procurement planning guidance and tools that consolidate procurement needs/plans at the country and, where appropriate, regional levels; and (b) verifying whether supply risks are identified, reflected in country risk registers and managed by country operations.	Important	O	Receipt of examples of reviews conducted to verify that critical supply risks are identified and reflected in country risk registers	30 March 2022
2	The UNHCR Division of Emergency, Security and Supply should: (a) ensure that key information pertaining to the procurement process (from issuance of tenders to decision of award) is captured in the new enterprise resource planning system or other tool; and (b) define and implement standard procurement performance indicators and reports.	Important	O	Receipt of evidence: (a) that key information pertaining to the procurement process is captured in relevant UNHCR systems; and (b) of the definition and implementation of relevant and overarching standard procurement performance indicators and reports.	31 December 2022
3	The UNHCR Division of Emergency, Security and Supply should provide guidance to country operations on how to conduct market research, as relevant and commensurate with the value/risk of the procurement action, including procedures for operations to systematically document and endorse their outcomes.	Important	C	Action completed.	Implemented
4	The UNHCR Division of Emergency, Security and Supply should: (a) review and update the procurement policies, aiming at addressing the gaps and inconsistencies reported (i.e., deadlines for	Important	C	Action completed.	Implemented

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>11</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of procurement in the field operations of the United Nations High Commissioner for Refugees during the Covid-19 emergency

Rec. no.	Recommendation	Critical <sup>8</sup> / Important <sup>9</sup>	C/ O <sup>10</sup>	Actions needed to close recommendation	Implementation date <sup>11</sup>
	advertising formal and informal tenders, harmonization of procedures for receipt and opening of bids, definition of specifications and evaluation criteria, evaluation of offers, and documentation standards and respective repositories); and (b) disseminate information about the eTenderBox or other suitable system to receive vendors offers to enable its broader use in the Organization.				
5	The Chairperson of the UNHCR Headquarters Committee on Contracts should: (a) assess the feasibility of enhancing the Committees on Contracts (CoC) reporting process in terms of automation, frequency and completeness of reports and ensure adequate data analysis; (b) establish a process to monitor whether chairpersons, secretaries, members and alternates of CoC undertake relevant training; and (c) assess the feasibility of establishing a central repository of documentation and decisions of CoC.	Important	O	Receipt of evidence of implementation of: (a) enhanced reporting on the functioning of CoC; (b) monitoring of training delivered to all members of CoC; and (c) a central repository of documentation and decisions of CoC.	31 March 2022



# **APPENDIX I**

## **Management Response**

Management Response

Audit of procurement in the field operations of the United Nations High Commissioner for Refugees during the Covid-19 emergency

Rec. no.	Recommendation	Critical <sup>12</sup> / Important <sup>13</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Division of Emergency, Security and Supply, in coordination with regional bureaux, should enhance procurement planning by: (a) developing and rolling out adequate procurement planning guidance and tools that consolidate procurement needs/plans at the country and, where appropriate, regional levels; and (b) verifying whether supply risks are identified, reflected in country risk registers and managed by country operations.	Important	Yes	(a) Head of SMS  (b) Principle/Snr Regional Risk Advisers in coordination with Senior Supply Coordinators in Regional Bureaux	(a) Implemented  (b) 31 March 22	(a) UNHCR has issued a new Administrative Instruction on Procurement (UNHCR-AI-2021-05) on 25 May 2021, which provides more comprehensive and clearer guidance on procurement planning. The dissemination of this new guidance will be accompanied by training and information events across all operations and regions. Training sessions on the new Administrative Instruction have started and by end of August 2021 all regions and operations will have been trained.  b) UNHCR wishes to stress that the Operational Risk Registers should capture a prioritized set of risks that require active senior management attention. The average number of risks in risk registers in the field is 10 -15. UNHCR would not want this number to be much higher, otherwise the Operational Risk Register's use as a management tool will be diminished. The Operational

<sup>12</sup> 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.

<sup>13</sup> 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.

Rec. no.	Recommendation	Critical <sup>12</sup> / Important <sup>13</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>Risk Register is not intended to be a comprehensive list of all risks in an operation and the absence of a risk from the Operational Risk Register does not necessarily indicate that the risk is not being managed. That noted, where an operation does face critical supply risks, these should of course be reflected in their risk register.</p> <p>UNHCR also wishes to note that a global COVID-19 risk register was developed and rolled out to the field through the Regional Bureaux. This risk register included multiple supply related risks and recommended treatments. To date over 330 COVID-19 related risks are identified in the operational risk registers. Amongst these, there are risks linked to supply and procurement.</p> <p>There is an annual quality assurance exercise of all country operation risk registers led by the Regional Risk Advisers. The ERM Service will coordinate with DESS to include data on supply risk levels in the guidance document for this review which will be shared with the Regional Risk Advisers. The Regional Risk Advisers will further be requested to coordinate their feedback with Senior Supply Coordinators in their respective regional bureau so that the</p>

Rec. no.	Recommendation	Critical <sup>12</sup> / Important <sup>13</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						quality assurance process reviews whether supply risks are appropriately identified in country operation risk registers.
2	The UNHCR Division of Emergency, Security and Supply should: (a) ensure that key information pertaining to the procurement process (from issuance of tenders to decision of award) is captured in the new enterprise resource planning system or other tool; and (b) define and implement standard procurement performance indicators and reports.	Important	Yes	(a) DESS Business Coordinator BTP  (b) Snr Supply Chain Planning Advisor	(a) Implemented          (b) Implemented	(a) UNHCR is currently defining the requirements for the new enterprise resource planning system and has included key information pertaining to the procurement process as one of these requirements. UNHCR has defined the process definitions for level 1, 2 and 3 with OIOS as evidence.  (b) UNHCR has identified key supply performance indicators and is in the process of implementing them through BI reports. In the following weeks, UNHCR will review the current list and assess the possibility to include additional supply performance indicators.
3	The UNHCR Division of Emergency, Security and Supply should provide guidance to country operations on how to conduct market research, as relevant and commensurate with the value/risk of the procurement action, including procedures for operations to systematically document and endorse their outcomes.	Important	Yes	Head of SMS	Implemented	UNHCR has disseminated a new Administrative Instruction on Procurement (UNHCR-AI-2021-05) on 25 May 2021 which provides more comprehensive guidance on market research, including on how to conduct it and in which situations. The dissemination of the guidance will be accompanied by extensive training and information events across the operations and regions.
4	The UNHCR Division of Emergency, Security and Supply should: (a) review and update the procurement policies, aiming at addressing the gaps and inconsistencies	Important	Yes	Head of SMS	(a) Implemented	(a) UNHCR has issued a new Policy on Procurement (UNHCR-HCP-2021-01) and a new Administrative Instruction on Procurement

Rec. no.	Recommendation	Critical <sup>12</sup> / Important <sup>13</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	reported (i.e., deadlines for advertising formal and informal tenders, harmonization of procedures for receipt and opening of bids, definition of specifications and evaluation criteria, evaluation of offers, and documentation standards and respective repositories); and (b) disseminate information about the eTenderBox or other suitable system to receive vendors offers to enable its broader use in the Organization.				(b) Implemented	(UNHCR-AI-2021-05) on 25 May 2021, which provide clarification and enhanced guidance on all phases of the procurement process, including on deadlines for advertising, procedures for receiving and opening bids, definition of specifications and evaluation criteria and documentation requirements. The dissemination of this new guidance will be accompanied by extensive training and information events across the country operations and regions.  (b) All Regional Supply Coordinators have been informed about the eTenderBox and offered access to it. The tool is currently used in the Asia Region and by the Country Operation Ethiopia while it is tested in the MENA Region. In the mid-term we expect it to be replaced by the vendor portal of the new ERP system. For this reason and because it might not be suitable for each operation the use of the eTenderBox has not been made compulsory.
5	The Chairperson of the UNHCR Headquarters Committee on Contracts should: (a) assess the feasibility of enhancing the Committees on Contracts (CoC) reporting process in terms of automation, frequency and completeness of reports and ensure adequate data analysis; (b) establish a process to monitor whether chairpersons, secretaries, members and	Important	Yes	Chairperson of Headquarters Committee on Contracts	31 March 2022	a) and (c) DFAM and DESS have jointly been working on the development and deployment of an “e-Submission tool” which is expected to facilitate the implementation of parts (a) and (c) of the recommendation by the Chairperson of the HCC.

Rec. no.	Recommendation	Critical <sup>12</sup> / Important <sup>13</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	alternates of CoC undertake relevant training; and (c) assess the feasibility of establishing a central repository of documentation and decisions of CoC.					(b) The Chairperson of the HCC will engage with GLDC to put in place a mechanism to systematically monitor the status of completion by relevant staff of the eLearning course.  The target date for implementation is 31 March 2022.