



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/062

Audit of fuel management in the United Nations Operation in Cote d'Ivoire

**Overall results relating to the effective
management of fuel in UNOCI were initially
assessed as partially satisfactory.
Implementation of four important
recommendations remains in progress**

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

**31 July 2013
AP2012/640/05**

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AUDIT REPORT

Audit of fuel management in the United Nations Operation in Cote d'Ivoire

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in the United Nations Operation in Cote d'Ivoire (UNOCI).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The fuel for UNOCI was sourced and managed under a turnkey contract that was signed on 1 February 2013 for a Not-To-Exceed (NTE) amount of \$54.53 million. This contract replaced two contracts; one for aviation fuel and the other for petrol, oil and lubricants (POL) that were entered into in 2005. Under these contracts, the contractors were responsible for providing, transporting, storing and dispensing fuel to UNOCI-designated equipment. On a monthly basis, UNOCI paid the contractor the invoiced amount of fuel dispensed, as well as fixed operational and maintenance fees.
4. The Fuel Unit was headed by a Chief at the P-3 level and was supported by 21 staff. UNOCI expenditure for fuel for fiscal years 2010/11 and 2011/12 were \$20.9 million and \$22.2 million, respectively.
5. Comments provided by UNOCI are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNOCI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of fuel in UNOCI**.
7. The audit was included in the 2012 OIOS risk-based work plan because of the operational risks associated with the lack of timely and uninterrupted provision of fuel, as well as financial risks due to the cost of fuel consumed by the Mission.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as one that provides reasonable assurance that policies and procedures: (i) exist to guide fuel operations; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.
9. The key control was assessed for the control objectives shown in Table 1.
10. OIOS conducted the audit from September to December 2012. The audit covered the period from 1 July 2010 to 31 October 2012. The audit team visited fuel sites in Abidjan, Daloa, Man, Duekoue, Bouake, Yamoussoukro and Bondoukou.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNOCI governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of fuel in UNOCI**. OIOS made six recommendations to address issues identified. UNOCI had developed and disseminated standard operating procedures (SOPs) to govern and manage fuel operations. The Fuel Unit held quarterly meetings with fuel contractors; but needed to be more systematic in following up on actions to be implemented. UNOCI needed to improve monitoring of fuel drawn in locations without fuel logs and those records maintained by contingents. There was also a need to establish correct load capacities for generators and introduce log books for monitoring fuel consumed and to adequately identify operating inefficiencies and misuse of fuel. Investigation of cases of possible misuse of fuel needed to be completed on a timely basis.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of fuel in UNOCI	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

There were adequate standard operating procedures to guide staff

14. UNOCI had developed and disseminated adequate SOPs to govern and manage fuel activities. These SOPs were developed within the framework of the DPKO/DFS Fuel Operations Manual, and were generally sufficient to guide staff responsible for managing fuel.

There were irregularities in vehicle fuel consumption in Sector East

15. A review of 72 fuel issue reports from January to August 2012 for Sectors East and West, including eight contingents, showed that fuel drawn by 32 vehicles in Sector West were within the established standards. However, for Sector East, the amount of fuel drawn exceeded established standards, and did not correlate reasonably with the mileage driven. For example, 15 out of a sample of 60 vehicles drew a total of 69,800 liters of fuel against the standard of 44,870 liters. A more in-depth

review of 746 fuel issue vouchers related to these vehicles showed that 187 (25 per cent) of the reported transactions recorded abnormal and incorrect odometer readings.

16. This situation occurred because the fuel pumps used by UNOCI in this region were not fitted with fuel logs, a device used to capture fuel data including the driver's identity, quantity drawn and vehicle registration.

(1) UNOCI should install fuel log systems in stations dispensing fuel to Mission-designated vehicles and equipment to monitor fuel drawn and to mitigate the loss of fuel through misuse or theft.

UNOCI accepted recommendation 1 and stated that fuel logs had been installed in all fuel stations operating in the UNOCI compound and that installation of fuel logs in six commercial stations would be completed by 31 July 2013. Recommendation 1 remains open pending receipt of evidence that fuel logs have been installed in the remaining six stations, and are being used to monitor fuel drawn.

Investigation of cases of suspected misuse and/or theft of fuel needed to be completed on a timely basis

17. UNOCI had established a Fuel Fraud Cell, which was responsible for monitoring vehicle fuel consumption against standard consumption rates. The Fuel Fraud Cell explained that their effectiveness was affected by delays in receiving fuel consumption data from field locations due to unreliable internet service and the related manual input of data into the Cell's system, which was time consuming. The planned implementation of the new electronic fuel management system (EFMS-II) in July 2013 was expected to address this issue. Therefore, no recommendation was made.

18. Part of the responsibilities of the Fuel Fraud Cell was to identify cases of excess use of fuel that could not be explained adequately by the responsible unit or section and to report them to the Security Investigation Unit (SIU) for investigation. During the audit period, the Fuel Fraud Cell identified and reported 14 cases of possible misuse; however, only one case had been concluded as of October 2012. Two of the other cases had been pending for over two years with the remaining 11 cases pending for more than one year. These delays were significantly longer than the two week period allocated in the relevant SOPs for completing such investigations. The SIU attributed the delays to the failure of staff and potential witnesses to cooperate in investigations.

(2) UNOCI should implement measures to ensure that cases of suspected misuse of fuel are investigated by the Security Investigation Unit on a timely basis.

UNOCI accepted recommendation 2 and stated that investigation cases had been taken over by the Investigation Division, OIOS. New cases would continue to be submitted for investigation. Recommendation 2 remains open pending receipt of evidence that a mechanism has been established to ensure that cases of suspected misuse of fuel are reviewed in a timely manner and forwarded to the correct unit for investigation.

The standards used for monitoring fuel consumed by generators were incorrect

19. UNOCI operated 109 high-powered generators in Sectors East and West, and a further 34 in Abidjan. The Fuel Unit was monitoring fuel consumption of these generators on the basis that they were operating at 70 per cent load capacity; a factor provided by the Engineering Section. However, from a sample of 15 generators, it was noted that they were operating at between 35 and 50 per cent load

capacity. For example, a 750 KVA generator operating at 50 per cent load capacity consumed a standard of 75 liters of diesel per hour; but the Fuel Unit monitored it as though it was operating at 70 per cent load and using 100 litres per hour. Therefore, technical problems causing inefficiencies and/or misuse of fuel would not be readily identified. The Chief Engineer advised that the 70 per cent load factor was for budgeting purposes only, and should not have been used as the factor for monitoring fuel use efficiency by generators. The Engineering Section had not effectively communicated this information to the Fuel Unit. The Fuel Unit also did not provide log books for recording fuel supplied to generators and those staff members responsible for generators were not recording the hours each generator was operating. Overall fuel consumption monitoring by generators was ineffective.

(3) UNOCI should determine operational capacities of generators and establish appropriate load factors for monitoring fuel consumption. Fuel log books and records of the hours that generators are operating should be maintained to allow for effective monitoring of fuel consumption.

UNOCI accepted recommendation 3 and stated that the Engineering Section had assigned a staff member to be responsible for monitoring and reporting on fuel consumed by generators. Reports would be sent to the Fuel Unit for review and action. Recommendation 3 remains open pending receipt of evidence that appropriate load factors for generators have been established and adequate records are in place for monitoring fuel consumption.

Contingents did not have adequate records to account for bulk fuel provided

20. The fuel contractor provided fuel to contingents in bulk for redistribution to their fuel-consuming equipment and for storage as emergency reserves. A review of eight contingents' fuel accounting records from January to October 2012 showed that:

- For 80 vehicles, 44 had either faulty odometers or had recorded incorrect readings;
- Of the remaining 36 vehicles, 17 vehicles' consumption rates, based on distance travelled, were inaccurate as the fuel consumed was 6,561 liters instead of the expected 5,382 liters [based on average fuel consumption rate per 100 km]; and
- The amount of fuel drawn in some cases exceeded the capacity of the relevant vehicle tanks. For example, two vehicles with tank capacities of 70 liters drew 85 litres and 89 liters, exceeding tank capacities by 15 and 19 liters, respectively.

21. UNOCI had SOPs for accounting of fuel by contingents; however, due to the discrepancies noted, further training and guidance was needed to ensure that contingents' fuel records were adequate to support fuel received and consumed. For example, contingents located in Man and Duekoue in Sector West, Bondoukou and Yamoussoukro in Sector East and one contingent based in Abidjan had made errors in their fuel records and there were unexplained anomalies in daily fuel withdrawal reports and monthly fuel accounting sheets. The Fuel Unit needed to systematically review and provide direction to contingents on record keeping as part of their inspection visits to contingent sites.

(4) UNOCI should provide additional guidance to contingents and conduct periodic inspections of their fuel records to ensure that contingents keep reliable fuel records to facilitate effective monitoring of fuel consumption.

UNOCI accepted recommendation 4 and stated that additional training of contingent logistics officers had been conducted, as well as routine inspections to contingent sites. Based on the action taken by UNOCI, recommendation 4 has been closed.

Contracts Management Unit needed to monitor the performance of the fuel contractor

22. The Chief of Mission Support designated the Contracts Management Unit (CMU) to provide independent oversight of contracts over \$1 million. However, the CMU was not monitoring the performance of fuel contractors, citing that they had insufficient resources to perform this function. Instead, fuel contract performance monitoring was done by the Fuel Unit, and as a result, there was no independent oversight of fuel contracts amounting to over \$22 million in the year 2011/12.

23. The Fuel Unit assessed the performance of the Jet A-1 contractor as satisfactory. The Unit also indicated that the performance of the contractor providing POL needed to be improved because of the significant delays (8 to 12 months) in replacing fuel dispensing pumps in some locations. This impacted on UNOCI's ability to effectively record and monitor fuel usage.

(5) UNOCI should review the capacity of the Contracts Management Unit to monitor contracts and implement procedures to ensure that the fuel contract is independently and effectively monitored in accordance with the UNOCI standard operating procedures.

UNOCI accepted recommendation 5 and stated that CMU now attended the Fuel Unit's meetings with the contractor as part of its monitoring responsibilities. Recommendation 5 remains open pending receipt of evidence that CMU are activity involved in monitoring the performance of the fuel contractor.

Tax exemption franchises were not monitored and reconciled

24. For duty free fuel, UNOCI applied for tax exemption franchises from the Ministry of Foreign Affairs. When fuel was dispensed directly into its UN-designated equipment, the contractor claimed a refund from the Government based on the UNOCI franchises and quantities supplied. The franchise lapsed after three months or when the quantity of fuel specified in the franchise had been supplied.

25. UNOCI made several franchise applications in a short period. For example, between March and July 2012, UNOCI made 32 franchise applications for 10.9 million litres of fuel costing \$12.5 million, against an estimated consumption of 6.9 million litres of fuel costing \$7.6 million for the same period, leaving a remaining franchise balance of 4 million litres costing \$4.8 million. While UNOCI had established adequate controls over the withdrawal of tax-exempted POL by the contractor, the contractor was also supplying other entities with taxable fuel from the same source. Therefore, there was an unmitigated risk that the contractor may use the UNOCI franchise to draw tax-exempted petroleum products for its commercial fuel stations if UNOCI did not track and reconcile the fuel consumed against the franchise balance. Moreover, a review of completed customs declaration forms for diesel and Jet A-1 fuel for this period showed that the contractor did not indicate the specific franchise from which the fuel was supplied. Additionally, the Fuel Unit did not maintain records of the quantities consumed against the tax exemption franchises to determine when to apply for a new franchise. Such a procedure would have reduced the number of franchises necessary.

(6) UNOCI should implement a system to monitor tax-exempt petroleum products and reconcile franchise with consumption records before making a new franchise application.

UNOCI accepted recommendation 6 and stated that a monitoring tool was developed in April 2013 which included a tracking spreadsheet to reconcile the use of the previous franchise before authorizing new ones. Based on the action taken by UNOCI, recommendation 6 has been closed.

IV. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the Management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of fuel management in the United Nations Operation in Cote d'Ivoire

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOCI should install fuel log systems in stations dispensing fuel to Mission-designated vehicles and equipment to monitor fuel drawn and to mitigate the loss of fuel through misuse or theft.	Important	O	Receipt of evidence that fuel logs have been installed in the remaining six stations, and are being used to monitor fuel drawn.	31 July 2013
2	UNOCI should implement measures to ensure that cases of suspected misuse of fuel are investigated by the Security Investigation Unit on a timely basis.	Important	O	Receipt of evidence that a mechanism has been established to ensure that cases of suspected misuse of fuel are reviewed in a timely manner and forwarded to the correct unit for investigation.	June 2013
3	UNOCI should determine operational capacities of generators and establish appropriate load factors for monitoring fuel consumption. Fuel log books and records of the hours that generators are operating should be maintained to allow for effective monitoring of fuel consumption.	Important	O	Receipt of evidence that appropriate load factors for generators have been established and adequate records are in place for monitoring fuel consumption.	31 July 2013
4	UNOCI should provide additional guidance to contingents and conduct periodic inspections of their fuel records to ensure that contingents keep reliable fuel records to facilitate effective monitoring of fuel consumption.	Important	C	Action taken.	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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 UNOCI

STATUS OF AUDIT RECOMMENDATIONS

Audit of fuel management in the United Nations Operation in Cote d'Ivoire

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5	UNOCI should review the capacity of the Contracts Management Unit to monitor contracts and implement procedures to ensure that the fuel contract is independently and effectively monitored in accordance with the UNOCI standard operating procedures.	Important	O	Receipt of evidence that CMU are activity involved in monitoring the performance of the fuel contractor.	June 2013
6	UNOCI should implement a system to monitor tax-exempt petroleum products and reconcile franchise with consumption records before making a new franchise application.	Important	C	Action taken.	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

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⁴ Date provided by UNOCI

APPENDIX I

Management Response

AUDIT RECOMMENDATIONS

Audit of fuel management in UNOCI

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments ³
1	UNOCI should install fuel log systems in stations dispensing fuel to Mission-designated vehicles and equipment to monitor fuel drawn and to mitigate the loss of fuel through misuse or theft.	Important	Yes	Chief Fuel Unit, Supply	Done in year 2010 for all 17 fuel stations inside UN Compound. Installation on the 6 commercial stations to be completed by 31.07.2013	All the Fuel stations inside ONUCI compound were already installed with Fuellog 3 years ago, in 2010. Fuellog also exists on 2 out of the 8 commercial stations.
2	UNOCI should implement measures to ensure that cases of suspected misuse of fuel are investigated by the Security investigation Unit on a timely basis	Important	Yes	OIOS	The cases have been taken over by OIOS	The old cases were taken over by the Office of internal oversight investigation division. New cases will continue to be submitted for investigation.

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments ³
3	UNOCI should determine operational capacities of generators and establish appropriate load factors for monitoring fuel consumption. Fuel log books and records of the hours that generators are operating should be maintained to allow for effective monitoring of fuel consumption.	Important	Yes	Chief Electrical & Mechanical Unit Engineering	July 2013	Engineering Section has assigned a specific staff for handling all the Generator reporting and monitoring, and sending the reports to Fuel Unit. Reports on Standby Generators have started to be made, and the running Generators are being worked on.
4	UNOCI should provide additional guidance to contingents and conduct periodic inspections of their fuel records to ensure that contingents keep reliable fuel records to facilitate effective monitoring of fuel consumption.	Important	Yes	Chief Fuel Unit Supply	Done, April 2013.	Additional training of logistics officers of the contingent is done, and routine inspections are being conducted.
5	UNOCI should ensure that the fuel contract is independently and effectively monitored by the contracts Management Unit in accordance with its standard operating procedures.	Important	Yes	Chief Contract Mgt Unit	Done, February 2013.	Contract Management attends Fuel Unit Meetings for the implementation of the new contract.
6.	UNOCI should implement a system to monitor tax-exempt petroleum products and reconcile franchise with consumption records before making a new franchise application	Important	Yes	Chief, Fuel Unit Supply	Done, April 2013	A monitoring tool has since been put in place which includes a tracking spread sheet reconciling the previous franchise before new ones are authorized.