



## INTERNAL AUDIT DIVISION

# REPORT 2014/141

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Audit of local procurement in the United Nations Support Office for the African Union Mission in Somalia

Overall results relating to the effective management of local procurement in the United Nations Support Office for the African Union Mission in Somalia were initially assessed as unsatisfactory. Implementation of two important and two critical recommendations remains in progress

**FINAL OVERALL RATING: UNSATISFACTORY**

16 December 2014

Assignment No. AP2013/638/02

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1
III. AUDIT RESULTS	
Regulatory framework	2-5
IV. ACKNOWLEDGEMENT	5
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# AUDIT REPORT

## Audit of local procurement in the United Nations Support Office for the African Union Mission in Somalia

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement in the United Nations Support Office for the African Union Mission in Somalia (UNSOA).
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 Procurement Section was responsible for the local procurement of goods, services and other requirements, and was governed by the United Nations Financial Regulations and Rules and the United Nations Procurement Manual. The Section was headed by a Chief Procurement Officer at the P-5 level and had 15 authorized posts comprising: 5 professional, 5 field service and 4 general service staff; and 1 national officer. The Section also had 4 individual contractors. For fiscal years 2011/12, 2012/13 and 2013/14, the UNSOA budgets for local procurement were \$184.6 million, \$268.3 million and \$336.6 million, respectively.
4. Comments provided by UNSOA are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

5. The audit of local procurement in UNSOA was conducted to assess the adequacy and effectiveness of UNSOA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNSOA**.
6. The audit was included in the 2013 risk-based work plan of OIOS because of the operational and financial risks related to the procurement of goods and services.
7. The key control tested for the audit was regulatory framework. For purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide local procurement activities; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from October 2013 to March 2014. The audit covered the period from 1 July 2011 to 30 June 2013.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

11. The UNSOA governance, risk management and control processes examined were initially assessed as **unsatisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNSOA**. OIOS made four recommendations in the report to address issues identified in the audit. UNSOA had established a Tender Opening Committee that was functioning as intended and had initiated action to improve acquisition planning. However, UNSOA needed to: (a) only procure goods and services within its delegated procurement authority; (b) submit several ex post facto cases to the Headquarters Committee on Contracts and the Assistant Secretary-General of the Office of Central Support Services; (c) expedite the recruitment of staff to increase the capacity of the Procurement Section; and (d) maintain adequately completed procurement case files.

12. The initial overall rating was based on the assessment of key control presented in Table 1 below. The final overall rating is **unsatisfactory** as implementation of two important and two critical recommendations remains in progress.

**Table 1: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Effective management of local procurement of goods and services in UNSOA</b>	Regulatory framework	Unsatisfactory	Partially Satisfactory	Partially Satisfactory	Unsatisfactory
<b>FINAL OVERALL RATING: UNSATISFACTORY</b>					

#### Regulatory framework

##### The assigned delegation of authority was exceeded

13. The Director of UNSOA had delegated procurement authority of up to \$1 million for core requirements. Above that level, UNSOA was required to obtain approval to procure locally from the Procurement Division. Also, irrespective of value, UNSOA was required to obtain approval from the Procurement Division to procure aircraft chartering services, a special requirement. UNSOA was required to submit all intended and ex post facto procurement for core requirements exceeding \$1 million to the Headquarters Committee on Contracts for review and approval by the Assistant Secretary-General of the Office of Central Support Services (ASG/OCSS). The approval of ASG/OCSS was also required to waive competitive bidding and to source directly from a vendor or to award a contract based on direct negotiations with a qualified vendor.

14. In March 2011, UNSOA requested approval from the Procurement Division to conduct a formal solicitation exercise for the procurement of air charter services. The Procurement Division did not approve the request based on a recommendation from the Department of Field Support that procurement of aircraft services needed to be conducted at Headquarters. However, due to immediate operational needs, UNSOA continued its practice, which was started in 2009, of procuring air charter services locally.

<sup>1</sup> A rating of “**unsatisfactory**” means that one or more critical and/or pervasive important deficiencies exist 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.

Therefore, from November 2009 to December 2013, UNSOA procured air services costing \$22.3 million without authority and without a long-term aviation contract. Additionally, the UNSOA Aviation Section directly procured these services without involving the UNSOA Procurement Section.

15. In 2013 and 2014, the Procurement Division established long-term contracts for UNSOA, which included three fixed-wing and nine rotary wing aircraft under long-term contracts. However, this did not fully meet the new operational requirements of UNSOA due to the additional support provided to the African Union Mission in Somalia (AMISOM) as a result of its increased troop strength and the establishment of the United Nations Mission of Somalia. As a result, UNSOA continued to procure aviation services locally. At the time of the audit, UNSOA had communicated its additional requirements to the Procurement Division, which was in the process of establishing other long-term contracts for UNSOA. However, UNSOA had not presented its previous local procurement of air services as an ex post facto case for review by the Headquarters Committee on Contracts and approval by ASG/OCSS.

16. A review of the remaining 29 procurements totaling \$57.6 million indicated the following:

- In February 2012, ASG/OCSS approved a request from UNSOA to waive competitive bidding for the procurement of logistics, camp and security services estimated at \$1.1 million. UNSOA was to piggyback on an existing contract with a not-to exceed amount of \$727,655 that was established for the United Nations Mine Action Services. As of December 2013, UNSOA had procured logistics, camp and security services totaling \$5.8 million, which included using the not-to-exceed amount of \$727,655 established for the United Nations Mine Action Services and issued purchase orders totaling \$5.1 million. UNSOA had not obtained a local procurement authority from the Procurement Division or sought another waiver to continue to procure these services in excess of the \$1.1 million approved by ASG/OCSS;
- UNSOA sole-sourced an accommodation facility in Mogadishu to house staff and consultants. The Headquarters Committee on Contracts reviewed the case and ASG/OCSS approved the procurement action, ex post facto, for an amount up to \$1.2 million for the period 1 January 2011 to 30 June 2012. UNSOA continued to source this accommodation facility beyond 30 June 2012, and had made payments to the vendor totaling \$2.4 million from 2011 to 30 June 2013. UNSOA had not resubmitted the case to the Headquarters Committee on Contracts regarding the additional expenses of \$1.2 million; and
- In the absence of a long-term contract, UNSOA locally procured medical services totaling \$21.8 million and issued short-term contracts to four hospitals for the period September 2011 to August 2013. UNSOA entered into these procurements on an informal basis and after direct negotiation with the four hospitals. However, UNSOA had not: (a) obtained the required approval from ASG/OCSS to conduct an informal method of solicitation or to waive competitive bidding; and (b) submitted an ex-post facto case for review and approval of the related expenditure which had exceeded its delegation of procurement authority.

17. The above non-compliance instances resulted as UNSOA had not adequately planned for its operational requirements, and had not implemented a mechanism to track procurement actions to ensure its delegation of authority was not exceeded. As a result, the UNSOA method of procurement did not assure best value of money. Subsequent to the audit, UNSOA took action to improve its acquisition planning process.

**(1) UNSOA should implement procedures to ensure compliance with its delegation of procurement authority.**

*UNSOA accepted recommendation 1 and stated that it will ensure compliance with its delegation of procurement authority, including the establishment of long-term contracts and regular monitoring of all contracts. Recommendation 1 remains open pending receipt of evidence of compliance with the delegation of procurement authority and the establishment of long-term contracts.*

**(2) UNSOA should submit procurement actions taken that were not within its delegated procurement authority to the Headquarters Committee on Contracts and Assistant Secretary-General of the Office of Central Support Services for ex post facto review and approval.**

*UNSOA accepted recommendation 2 and stated that it was in the process of preparing ex-post facto presentations to UNHQ for approval, which will be finalized by January 2015. Recommendation 2 remains open pending receipt of evidence that all procurement actions that were done outside the delegated procurement authority of UNSOA have been reviewed by the Headquarters Committee on Contracts and approved by ASG/OCSS.*

Delays in the procurement process

18. The Procurement Manual prescribed timelines for consideration by requisitioners and procurement officers during the procurement process to ensure that goods and services were received when needed, and to avoid procuring on an exigency basis. The Manual required requisitioners to develop acquisition plans, generally no later than six months before the need for goods or services, in cooperation with the Procurement Section.

19. UNSOA had developed acquisition plans for fiscal years 2011/12 and 2012/13, and had requisitioned goods and services totaling \$436.7 million. However, the Procurement Section was not using the plans to drive procurement activities; but initiated procurement actions on a case-by-case basis upon receipt of requisitions. Also, self-accounting units did not always submit requisitions within established lead times, resulting in delays in the procurement process and goods and services being procured on an exigency basis to meet immediate operational requirements. For example, a review of 30 procurement cases indicated that: (a) 15 cases were delayed by an average of 15 months, exceeding the prescribed maximum timeline of 6 months; and (b) 13 cases were processed as exigencies due to time constraints. Also, for 42 requisitions totaling \$34.7 million, the purchase orders were approved one year after the requisitions were raised.

20. These delays resulted partly due to an increase in the workload of the Procurement Section because of the increased troop strength of AMISOM and the establishment of the United Nations Assistance Mission in Somalia for which UNSOA conducted its procurement activities. To address this, the approved number of posts in the Procurement Section had increased from 12 to 15 in 2013, and four additional procurement posts were approved for the United Nations Assistance Mission in Somalia. At the time of the audit, these seven posts had not yet been filled.

**(3) UNSOA should expedite the recruitment of staff to increase the capacity of the Procurement Section.**

*UNSOA accepted recommendation 3 and stated that Management had initiated the recruitment of all approved procurement posts. Recommendation 3 remains open pending receipt of evidence that all approved posts have been filled.*

Procedures for receiving and opening of bids were complied with

21. The Procurement Manual required the establishment of a Tender Opening Committee to receive and open vendors' submissions to formal solicitations. The Committee could accept late submissions when justified and approved by the Chief Procurement Officer. A review of 19 procurements that required formal solicitations indicated that established procedures were complied with. OIOS concluded that adequate controls were in place over the receipt and opening of bids.

Procurement case files were not completely maintained

22. The Procurement Manual required procurement staff to archive procurement case files after issuance of contracts. In January 2013, the Chief Procurement Officer issued guidelines on case file maintenance that required procurement officers to maintain complete case files.

23. Fifteen of the 30 procurement case files reviewed did not have complete procurement records, such as source selection plans, statement of requirements, solicitation documents, technical and financial evaluation reports, and presentations to the committees on contracts. Eight of the 15 files were for procurement activities conducted during 2013, after the issuance of the January 2013 guidelines. Procurement files were not adequately safeguarded as staff members generally kept files on their desks. The Procurement Section had not established a centralized archiving system for maintaining procurement files and there was inadequate supervisory review of the files. As a result, pertinent information was not always readily available for review and to inform future procurement activities.

**(4) UNSOA should: (a) implement a procurement case file maintenance system to ensure that all documents and records are filed and subsequently archived; and (b) conduct a review of all procurement files and take appropriate action to ensure their completeness.**

*UNSOA accepted recommendation 4 and stated that a filing room had been secure; case files were being checked for completeness and soft copies saved on the Procurement shared drive; and a register had been established to track file movements. Recommendation 4 remains open pending full implementation of the steps being taken for effective case file management.*

#### IV. ACKNOWLEDGEMENT

24. OIOS wishes to express its appreciation to the Management and staff of UNSOA 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 local procurement in the United Nations Support Office for the African Union Mission in Somalia

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNSOA should implement procedures to ensure compliance with its delegation of procurement authority.	Critical	O	Receipt of evidence of compliance with the delegation of procurement authority and the establishment of long-term contracts.	March 2015
2	UNSOA should submit procurement actions taken that were not within its delegated procurement authority for ex post facto review and approval by the Headquarters Committee on Contracts and Assistant Secretary-General of the Office of Central Support Services.	Critical	O	Receipt of evidence that all procurement actions that were done outside the delegated procurement authority of UNSOA have been reviewed by the Headquarters Committee on Contracts and approved by ASG/OCSS.	January 2015
3	UNSOA should expedite the recruitment of staff to increase the capacity of the Procurement Section.	Important	O	Receipt of evidence that all approved posts have been filled.	February 2015
4	UNSOA should: (a) implement a procurement case file maintenance system to ensure that all documents and records are filed and subsequently archived; and (b) conduct a review of all procurement files and take appropriate action to ensure their completeness.	Important	O	Receipt of evidence of full implementation of the steps being taken for effective case file management, including confirmation of complete review of all procurement files.	January 2015

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNSOA in response to recommendations.

# **APPENDIX I**

## **Management Response**



**United Nations Support Office for AMISOM (UNSOA)**  
Interoffice Memorandum

To: Ms. Eleanor T. Burns, Chief  
Peacekeeping Audit Service  
Internal Audit Division,  
OIOS Date: 8 December 2014

From: Wolfgang Weiszegger, Acting Director *W. Weiszegger* Ref: UNSOA/1214/M.026

Subject: **Assignment No. AP2013/638/02 – Draft report on an audit of local procurement in UNSOA.**

Further to your memorandum of 21 November 2014 on the above subject, please find attached the UNSOA response to the subject audit exercise.

cc: Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS  
Mr. Robert Kirkwood, Head of Somalia Support, UNSOA  
Ms. Andrea Charles-Browne, Chief Resident Auditor, UNSOA  
Mr. Harjit Dhindsa, Deputy Director, UNSOA  
Mr. Joseph Twine, Chief Procurement Officer, UNSOA  
Mr. Dolapo Kuteyi, Senior Administrative Officer, UNSOA

## Management Response

## Audit of local procurement in the United Nations Support Office for the African Union Mission in Somalia

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOA should implement procedures to ensure compliance with its delegation of procurement authority.	Critical	Yes	Chief Procurement Officer (CPO)	March 2015	Management accepts the recommendation, and will ensure compliance with the Mission's delegation of procurement authority.  The affected cases are being submitted to UNHQ for review, and UNSOA is in the process of establishing further long-term contracts.  Contracts are also being monitored regularly to ensure that the Mission delegation of authority is not exceeded.
2	UNSOA should submit procurement actions taken that were not within its delegated procurement authority for ex post facto review and approval by the Headquarters Committee on Contracts and Assistant Secretary-General of the Office of Central Support Services.	Critical	YES	CPO	January 2015	Management accepts the recommendation. Ex-post-facto submissions are being prepared in accordance with established procedures. All cases will be finalized by January 2015 and submitted to UNHQ.
3	UNSOA should expedite the recruitment of staff to increase the capacity of the Procurement Section.	Important	YES	CPO/CCPO	February 2015	The recruitment process for the vacant posts has been initiated and is expected to be completed by February 2015.
4	UNSOA should: (a) implement a procurement case file maintenance system to ensure that all documents and	Important	YES	CPO	January 2015	Management seeks to advise the auditors that the implementation of this recommendation is at an

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<sup>2</sup> 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.

## Management Response

## Audit of local procurement in the United Nations Support Office for the African Union Mission in Somalia

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	records are filed and subsequently archived; and (b) conduct a review of all procurement files and take appropriate action to ensure their completeness.					advanced stage. A filing room has been secured, case files are being checked for completeness and soft copies are saved on the Procurement shared drive. A register has also been established to track file movements.