



INTERNAL AUDIT DIVISION

REPORT 2015/060

Audit of the procurement and management of contracts for services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Overall results relating to the effectiveness of procurement and management of contracts for services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 June 2015
Assignment No. AP2014/620/03

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AUDIT REPORT

Audit of the procurement and management of contracts for services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the procurement and management of contracts for services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
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. From January 2012 to April 2014, MONUSCO procured 62 local service contracts with a total value of \$16 million and as at April 2014 had a total of 91 active local contracts with a total not-to-exceed amount of \$79 million. The Procurement Section was responsible for the local procurement of services and the Contracts Management Section and self-accounting units shared responsibility for managing contracts.
4. The Procurement Section was headed by a Chief at the P-5 level reporting to the Chief Administrative Services. The Section had 44 approved posts comprising 11 professional staff, 12 field service staff, 14 national staff and 7 United Nations volunteers. The Contracts Management Section was headed by a Chief at the P-5 level reporting to the Deputy Director of Mission Support. The Section had 28 approved posts, comprising 6 professional staff, 7 field service staff, 11 national staff and 4 United Nations volunteers.
5. Comments provided by MONUSCO are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of MONUSCO governance, risk management and control processes in providing reasonable assurance regarding the **effectiveness of procurement and management of contracts for services in MONUSCO**.
7. The audit was included in the 2014 risk-based work plan of OIOS due to operational and financial risks associated with the procurement and management of contracts for services.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that policies and procedures: (a) exist to guide the procurement and management of contracts for services; (b) are consistently complied with; and (c) 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 April 2014 to January 2015. The audit covered the period from 1 July 2012 to 30 April 2014.

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 MONUSCO governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effectiveness of procurement and management of contracts for services**. OIOS made four recommendations to address the issues identified. MONUSCO implemented effective controls to ensure compliance with the requirements for processing of tenders and delegation of procurement authority. However, MONUSCO needed to: (a) train requisitioners to prepare adequate key evaluation criteria and rating systems; (b) systematically include key performance indicators and evaluation criteria in contracts; (c) regularly evaluate the performance evaluations of contractor-provided support personnel; and (d) obtain performance security instruments and document reasons for waiving the requirement for security instruments.

13. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of four important 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
Effectiveness of procurement and management of contracts for services by MONUSCO	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Regulatory framework

MONUSCO took action to address non-compliance with the procedure for an ex-post facto case

14. The Chief Procurement Officer had delegated authority to procure goods and services up to \$150,000. Procurement above \$150,000, proposed contract amendments that would increase the original not-to-exceed amount by 20 per cent, and ex-post facto cases required the Local Committee on Contracts' review and the Director of Mission Support's approval. MONUSCO was to report all ex-post facto cases to the Under-Secretary-General, Department of Field Support (DFS) and to the Headquarters Committee on Contracts for review.

15. A review of 13 locally procured contracts and all 15 ex-post facto cases related to contract amendments processed by MONUSCO indicated that the Chief Procurement Officer acted within the delegated authority. Also, the Local Committee on Contracts reviewed and the Director of Mission Support approved all but one ex-post facto case pertaining to a contract amendment that increased the original not-to-exceed amount by 20 per cent. This resulted due to an oversight by the Procurement Section to submit the case to the Local Committee on Contracts.

16. MONUSCO subsequently reported the case to the Under-Secretary-General, DFS, and the Headquarters Committee on Contracts as required. Based on the action taken, no recommendation was made.

Adequate controls were in place over the opening of tenders

17. The Mission's terms of reference for the Tender Opening Committee required the Committee to: (a) have a quorum of at least two members for each opening; and (b) open bids within two weeks of their receipt. A review of 13 contracts indicated that the Committee opened all bids within two weeks of receipt in the presence of two Committee members. OIOS concluded that adequate controls were in place for opening tenders received.

Need for training of requisitioners in developing evaluation criteria and rating systems

18. The Procurement Manual required: technical evaluation criteria to be established prior to the solicitation process; and technical evaluation teams to prepare written reports describing the relative scores of bidders and their rankings.

19. A review of technical evaluation criteria included in 13 solicitation documents and bid evaluation reports indicated that for 12 contracts, the requisitioners developed adequate criteria and prepared detailed evaluation matrices and adequately evaluated bids against established criteria. However, for one printing services contract valued at \$241,000, the unit responsible for the contract did not: (a) establish a technical committee; (b) use the standard evaluation matrix; and (c) allocate scores or rank bidders in its bid evaluation report. This was because responsible staff members in the unit were not trained in developing statements of work and in conducting technical evaluation of bids. As a result, two vendors during the technical evaluation were disqualified for not submitting samples of their work, although the statement of work did not have this as a requirement.

(1) MONUSCO should: provide training to requisitioners involved in the procurement process to ensure that evaluation criteria and rating systems are adequately prepared and relative scores are included in technical evaluation reports; and require the Procurement Section to review solicitation documents to ensure that evaluation criteria are included in statements of work.

MONUSCO accepted recommendation 1 and stated that it was taking steps to ensure that all requisitioners and contract managers complete the mandatory online training courses in contract management. Recommendation 1 remains open pending receipt of evidence that: requisitioners have been adequately trained on preparing evaluation criteria and rating systems; and the Procurement Section is adequately reviewing solicitation documents.

Monitoring and evaluation of vendors' performance needed improvement

20. The Procurement Manual required requisitioners to develop performance measurement criteria to be included in contracts, and for requisitioners to monitor and evaluate vendors' performance against them, including preparing quarterly contractor performance evaluations and final performance evaluations before any contract extension was considered. Further, a MONUSCO administrative instruction required requisitioners to conduct monthly performance review meetings with vendors.

21. A review of 13 contracts indicated that 6 contracts for post-exchange, customs clearance and freight forwarding did not include adequate key performance indicators and other criteria for effective evaluation of contractors' performance. This was because MONUSCO did not implement procedures to ensure that the concerned requisitioners developed criteria that were tailored to these services. As a result, for these six contracts, requisitioners were not able to adequately monitor performance against appropriate criteria. For example, MONUSCO did not identify in a timely manner shortfalls in the quality of services delivered in post-exchange, customs clearance and freight forwarding contracts.

22. A review of performance evaluations for 18 contracts valued at \$51 million indicated that the responsible requisitioners did not conduct: quarterly performance evaluations for 15 contracts; and monthly performance review meetings with 13 vendors. Also, 2 of the 11 contracts that were extended did not have the required final contract evaluation report. This was because requisitioners had not been properly trained in performing contract management functions, and MONUSCO had not implemented procedures to monitor compliance with performance reporting requirements. As a result, MONUSCO was unable to identify in a timely manner poor performing contractors, and to take appropriate remedial action.

(2) MONUSCO should: implement procedures and include in contracts key performance indicators and evaluation criteria for monitoring contractors' performance; and train staff performing contract management functions to ensure performance reviews and evaluations are conducted and documented properly and in a timely manner.

MONUSCO accepted recommendation 2 and stated that it would continue to review statements of works to ensure adequate and specific key performance indicators were established and take steps to ensure requisitioners complete the mandatory online training courses in contract management. Recommendation 2 remains open pending receipt of evidence that MONUSCO has included key performance indicators and evaluation criteria in all contracts and provided training to staff responsible for managing contracts.

Individual performance evaluations of contractor personnel were not being consistently done

23. The United Nations system contract for the provision of communications and information technology support personnel required MONUSCO to evaluate the performance of the contractor on a quarterly basis and provide related reports to DFS. MONUSCO standard operating procedures required attendance sheets for contractor-provided personnel to be prepared, reviewed and approved and for the performance of such personnel to be regularly evaluated. MONUSCO had 65 contractor-provided personnel including systems administrators, web developers, radio technicians and public telephone exchange specialists.

24. A review of the minutes of eight quarterly contractor performance review meetings, and related reports submitted by MONUSCO to DFS, indicated that MONUSCO regularly evaluated contractor's performance against the three key performance indicators specified in the contract and provided the related reports to DFS. A review of 260 attendance sheets indicated that MONUSCO reviewed and approved them. However, MONUSCO had not evaluated the performance of the contractor's personnel due to the lack of mechanism to ensure that their performance was evaluated as required. As a result, MONUSCO was precluded from identifying performance issues of the contract-provided personnel and taking prompt corrective action.

(3) MONUSCO should implement procedures to ensure the conduct of regular performance evaluations of contractor-provided communications and information technology support personnel.

MONUSCO accepted recommendation 3 and stated that it requested the contractor to include in the timesheet template a field for monthly evaluation of personnel to enable MONUSCO staff to evaluate their performance. MONUSCO would also evaluate the performance of all contractor-provided personnel quarterly. Recommendation 3 remains open pending receipt of evidence that MONUSCO has evaluated the performance of contractor-provided communications and information technology support personnel.

Requirement for performance bonds and waivers from obtaining security instruments was not consistently complied with

25. The Procurement Manual required security instruments to be established after careful assessment of the facts and circumstances of the procurement being made and ramifications if the vendor failed to comply with its obligations under the contract. Any decision to exclude security instruments was to be documented and approved by the Chief Procurement Officer, and the expiration of security instruments was to be monitored to ensure that the United Nations was covered from contractor defaults or poor performance.

26. A review of 13 locally procured contracts and one system contract indicated that: 6 contracts did not include requirements for security instruments; performance bonds for 4 contracts had not been received; and the bond for 1 contract that was renewed was not updated. The Chief Procurement Officer approved a waiver for one of the six contracts; but there were no waivers for the remaining five contracts. The lack of waivers and performance bonds resulted as MONUSCO did not: implement procedures to ensure that reasons for waiving the requirement for security instruments were documented; and regularly review the register of bonds. In March 2014, the Procurement Section issued a standard operating procedure on performance bond management to emphasize the requirement to comply with the Procurement Manual. The Contracts Management Section also amended its contracts' expiration/amendment monitoring table to add a specific column to reflect the status of performance

bonds for all the contracts and inform the Procurement Section of the need to update the performance bonds.

(4) MONUSCO should implement procedures to: regularly review and follow up with contractors to obtain the required performance security instruments; and document the reasons for waiving the requirement for security instruments for contracts.

MONUSCO accepted recommendation 4 and stated that it would follow up with the concerned contractors to obtain the missing performance bonds. MONUSCO also stated that where the need for performance bonds was waived, it would document the reasons for the waiver. Recommendation 4 remains open pending receipt of evidence that MONUSCO has obtained valid performance bonds in respect of all contracts that required such instruments and documented the reasons for waiving the requirement for the instruments for other contracts.

IV. ACKNOWLEDGEMENT

27. OIOS wishes to express its appreciation to the management and staff of MONUSCO 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 the procurement and management of contracts for services in the United Nations Organization Stabilization Mission
in the Democratic Republic of the Congo**

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO should: provide training to requisitioners involved in the procurement process to ensure that evaluation criteria and rating systems are adequately prepared and relative scores are included in technical evaluation reports; and require the Procurement Section to review solicitation documents to ensure that evaluation criteria are included in statements of work.	Important	O	Receipt of evidence that: requisitioners have been adequately trained on preparing evaluation criteria and rating systems; and the Procurement Section is adequately reviewing solicitation documents.	30 October 2015
2	MONUSCO should: implement procedures to include in contracts key performance indicators and evaluation criteria for monitoring contractors' performance; and train staff performing contracts management functions to ensure performance reviews and evaluations are conducted and documented properly and in a timely manner.	Important	O	Receipt evidence that MONUSCO has included key performance indicators and evaluation criteria in all contracts and provided training to staff responsible for contracts management.	30 October 2015
3	MONUSCO should implement procedures to ensure regular performance evaluation of contractor-provided communications and information technology support personnel.	Important	O	Receipt of evidence that MONUSCO has evaluated the performance of contractor provided support communications and information technology personnel.	30 June 2015
4	MONUSCO should implement procedures to obtain the required performance security instruments and document the reasons for waiving the requirement for security instruments for other contracts.	Important	O	Receipt of evidence that MONUSCO has obtained valid performance bonds in respect of all contracts that required such instruments and documented the reasons for waiving the requirement for the instruments for other contracts.	30 October 2015

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 MONUSCO in response to recommendations.

APPENDIX I

Management Response



MONUSCO

Mission de l'Organisation des Nations Unies
pour la Stabilisation en République
démocratique du Congo

United Nations Organisation Stabilization
Mission in the Democratic Republic of Congo

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INTEROFFICE MEMORANDUM

22 May 2015
Ref. ODMS/15/OM/01707

To: Ms. Eleanor T. Burns, Director
Internal Audit Division, OIOS

From: Guy Siri
Director of Mission Support
MONUSCO

Subject: **Management comments on the draft audit report on audit of procurement and management of contracts for services in MONUSCO (AP2014/620/03)**

1. Thank you for your interoffice memorandum of 8 May 2015 reference IAD:15-7-5-7(08) forwarding the draft audit report on the audit of procurement and management of contracts for services in MONUSCO.
2. Attached please find the mission comments for your consideration. Supporting documents will be provided to the Resident Audit Team.

Kind regards.

Cc Mr. Philip Compte, Deputy Director of Mission Support, MONUSCO
Mr. Rajesh Chadha, Officer-in-Charge, ISS, MONUSCO
Mr. Pierpaolo Prati, Chief, Contracts Management Section, MONUSCO
Mr. Perry George McCarthy, Officer-in-Charge, Procurement Section, MONUSCO
Mr. Emmanuel Ngor, Chief, CITS, MONUSCO
Ms. Eleanor T. Burns, Director, IAD, OIOS
Mr. Bolton Tarleh Nyema, Chief Peacekeeping Audit Service, IAD, OIOS
Ms. Jacoba Genis, Audit Focal Point, MONUSCO
Ms. Cynthia Avena-Castillo, Professional Practices Section, IAD, OIOS
Mr. George Musiska, Officer-in-Charge, OIOS Resident Audit Office in MONUSCO

Attachment: Appendix I - Management Response

Peace it!

APPENDIX I

Management Response

Audit of the procurement and management of contracts for services in the -
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should provide training to all requisitioners involved in the procurement process to ensure that evaluation criteria and rating systems are adequately prepared and relative scores included in technical evaluation reports.	Important	Yes	Chiefs Procurement and IMTC Sections	30 October 2015	<p>MONUSCO Contracts Management Section conducted several in house trainings to requisitioners on the various stages of the procurement process including SOW writing, technical evaluation process and Contracts administration during 2012 and 2013.</p> <p>Contracts management and procurement staff attended a five day professional training in procurement management administered by the Chartered Institute of Purchasing and Supply (CIPS) through UNDP over the period 11-15 May 2015. A copy of the training programme has been provided to the audit team.</p> <p>Additionally, the Mission is following up on the status of compliance with the on-line mandatory contract management courses customized for requisitioners and contract managers with an overview of their roles and responsibilities as directed by Procurement Division through the</p>

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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.

Management Response

**Audit of the procurement and management of contracts for services in the
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						include the more elaborate evaluation of competencies. Supporting documents have been provided to the Resident Audit Team.
4	MONUSCO should implement procedures to document reasons for waiving the requirement for security instruments and to obtain valid security instruments in respect of all contracts that require such instrument.	Important	Yes	Chief Procurement Officer	30 October 2015	<p>Procurement Section will verify and follow-up on the two missing performance bonds from T&D cleaning services in Goma and Technoprint. Where the need for a performance bond has been waived, procurement section will ensure that the justification for the waiver is documented in the monitoring table.</p> <p>In addition, Contracts management sends monthly reminders to all SAU's and Procurement Section to ensure that security instruments are in place and updated for active contracts.</p>