



INTERNAL AUDIT DIVISION

REPORT 2015/113

Audit of local procurement in the United Nations Interim Security Force for Abyei

Overall results relating to the effective management of local procurement activities in the United Nations Interim Security Force for Abyei were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

30 September 2015
Assignment No. AP2015/635/01

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AUDIT REPORT

Audit of local procurement in the United Nations Interim Security Force for Abyei

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement activities in the United Nations Interim Security Force for Abyei (UNISFA).
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 UNISFA Procurement Section is located in Entebbe, Uganda and is responsible for procuring goods and services for the Mission. The Section is headed by a staff at the P-4 level, who is supported by one international staff, two national staff and two individual contractors. The 2014/15 budgeted staff cost for the Section was \$467,892.
4. From July 2013 to February 2015, UNISFA issued 204 purchase orders for the procurement of goods and services valued at \$26.6 million including: (a) 27 purchase orders valued at \$10.8 million against 21 locally established contracts; and (b) 177 individual/standalone purchase orders valued at \$15.8 million.
5. Comments provided by UNISFA are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The was conducted to assess the adequacy and effectiveness of UNISFA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of local procurement activities in UNISFA**.
7. The audit was included in the 2015 risk-based work plan of OIOS because of the operational and financial risks related to the procurement of goods and services by UNISFA. The audit did not include the procurement activities conducted by the Regional Procurement Office in Entebbe for UNISFA. OIOS conducted an audit of the Regional Procurement Office in Entebbe in 2013.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of procurement activities in UNISFA; (b) are implemented consistently; 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 this audit from March to June 2015. The audit covered the period from 1 July 2013 to 28 February 2015.

11. 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

12. The UNISFA governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of local procurement activities in UNISFA**. OIOS made three recommendations to address the issues identified. UNISFA properly established a Local Committee on Contracts and a Tender Opening Committee, which were functioning effectively. UNISFA implemented effective procedures over identification and selection of vendors to invite, selection of solicitation methods, source selection planning, technical and commercial evaluation of bids, and award of contracts. However, UNISFA needed to: (a) comply with the requirement to send a one-page synopsis with the request for expression of interest to potential vendors for each solicitation exceeding \$40,000; (b) ensure requisitioners include realistic timelines in their requisitions for goods and services; and (c) comply with procedures for direct method of purchasing.

13. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of two 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
Effective management of local procurement activities in UNISFA	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

The solicitation process needed to improve

14. The Procurement Manual requires UNISFA to identify vendors who will be sent solicitation documents in a way that safeguards the fairness, integrity and transparency of the solicitation process and protects the interest of the Organization. The Manual also requires UNISFA to request for an expression of interest from all applicable registered vendors and publish a synopsis of the expression of interest on the Procurement Division’s website when the procurement in a single award exceeds \$40,000.

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.

15. A review of the solicitation process and related documents for all 21 locally established contracts valued at \$10.8 million indicated that UNISFA complied with the requirements for the preparation of solicitation documents, identification and selection of vendors, and selection of solicitation methods. However, for 27 of the 177 individual/standalone purchase orders for goods valued at \$1.2 million, UNISFA:

- Did not prepare synopses of expression of interest for 11 solicitations exceeding \$40,000; and
- Used an informal solicitation method, i.e., request for quotation, instead of invitation to bid for the procurement of engineering equipment valued at \$100,000.

16. The above resulted because the Procurement Section had a practice of requesting expression of interests from vendors that submitted bids in response to previous solicitations for similar goods and services. Therefore, the Chief, Procurement Section did not always require procurement staff to prepare synopses for new solicitation exercises. As a result, there was an increased risk that UNISFA did not attract a sufficient number of qualified vendors for the related goods and services.

(1) UNISFA should implement a mechanism to ensure that the Procurement Section sends a one-page synopsis with the request for expression of interest to potential vendors in respect of each solicitation exceeding \$40,000.

UNISFA accepted recommendation 1 and stated that it instructed procurement staff to comply with the Procurement Manual requirement for the publication of expression of interest and that it would ensure the use of appropriate solicitation methods in all future solicitations. Recommendation 1 remains open pending receipt of evidence that UNISFA has consistently complied with the requirement to publish a one-page synopsis for each request for expression of interest on the Procurement Division's website.

Controls over bid handling were adequate

17. The Procurement Manual requires UNISFA to establish a Tender Opening Committee to publicly open and ensure all submissions in response to formal methods of solicitation are delivered as specified in the relevant solicitation documents. The Tender Opening Committee is required to time and date stamp each submission immediately upon receiving it, and maintain records of its activities.

18. UNISFA established three successive Tender Opening Committees since August 2012 in accordance with the provisions of the Procurement Manual. A review of controls implemented indicated that: UNISFA designated a room with a facsimile machine to receive bids; and had a certified perforating machine to date and time stamp bids. Additionally, physical observation of the Tender Opening Committee's proceedings indicated that UNISFA was complying with established procedures. OIOS concluded that UNISFA implemented adequate internal controls over bid handling.

The Mission implemented effective internal controls over the source selection process

19. The Procurement Manual requires UNISFA to adhere to the principles of best value for money, fairness, integrity and transparency, and ensure effective competition in the source selection process including proper source selection planning and fair and transparent technical and commercial evaluation of bids.

20. A review of the source selection process and related documentation (such as source selection plans, composition of evaluation committees, and evaluation summaries) for 6 of the 21 locally established contracts and 27 of the 177 standalone purchase orders indicated that:

- The Procurement Section and concerned requisitioners jointly prepared the required source selection plans;
- UNISFA properly established technical and commercial evaluation teams that vetted all bids;
- Evaluation teams fairly and consistently applied the rating criteria in the relevant solicitation documents; and
- UNISFA awarded contracts using the results of technical and commercial evaluations.

21. OIOS concluded that UNISFA implemented effective controls over source selection planning, technical and commercial evaluation of bids, and award of contracts.

Local Committees on Contracts were duly constituted and functioned effectively

22. The United Nations Financial Rules require UNISFA to establish a Local Committee on Contracts (LCC) comprising at least four voting members including a finance officer, a legal officer, and representatives of General Services and Programme Management Sections. A supervisor and a subordinate, or two officers with the same functions that serve together, shall not be members of Committee meetings. The LCC is required to review all contractual agreements involving commitments to a single supplier, in respect of a single requisition or series of related requisitions that exceeds \$150,000 and advise the Chief of Mission Support on whether these comply with the United Nations Financial Regulations and Rules. The Procurement Manual requires the Chief Procurement Officer to submit all cases that meet this threshold to the LCC for review.

23. UNISFA constituted two successive LCCs in August 2012 and January 2014 in accordance with the Financial Rules. The LCC reviewed all 18 contractual agreements involving commitments related to requisitions that exceeded \$150,000 and advised the Chief of Mission Support on the compliance of these with the United Nations Financial Regulations and Rules. A review of minutes of meetings indicated that the LCC adequately reviewed these cases and advised the Chief of Mission Support as appropriate. The LCC also prepared and submitted five cases of procurement of core requirements for consideration by the Headquarters Committee on Contracts, as these exceeded the Mission's delegation of \$1 million. OIOS concluded that UNISFA implemented adequate controls to ensure the LCC functioned effectively.

The procurement process needed to be expedited

24. The Procurement Manual requires requisitioners to establish the time at which an identified need is to be fulfilled, after taking into account procurement lead times, to enable the Procurement Section to properly complete the procurement process.

25. A review of reports extracted from Umoja indicated that requisitioners did not adequately plan and therefore communicate to the Procurement Section the time when they needed the related goods and services. For example, from a review of 24 requisitions valued at \$4.2 million, no indication was given as to when the goods or services were required.

26. The above resulted because the Procurement Section did not implement a mechanism to enforce the requirement for requisitioners to establish realistic timelines for the procurement of goods and services. Additionally, requisitioners and the Procurement Section did not regularly review pending requisitions and take prompt corrective actions. As a result, there was an increased risk that goods and services were not available when required. For instance, four requisitions had been pending with the Procurement Section for an average of 18 months.

(2) UNISFA should implement a mechanism to enforce the requirement for requisitioners to include realistic timelines in their requisitions for the procurement of goods and services, regularly review pending requisitions and take prompt corrective actions.

UNISFA accepted recommendation 2 and stated that it developed a new acquisition plan template where requisitioners would indicate timelines for procurement of goods and services. Recommendation 2 remains open pending receipt of evidence that UNISFA has established realistic timelines and complied with such timelines for the procurement of goods and services.

Controls over low value acquisitions needed improvement

27. The Procurement Manual and the Field Finance Procedure Guidelines require self-accounting units such as the Engineering and Medical Services Sections to use the direct method of purchasing only: for goods or services valued up to \$4,000; when there is no systems contract to address the requirement; due to exigency of service; and when materials are not in stock. The Field Finance Procedure Guidelines also require self-accounting units to obtain three pro-forma invoices for each purchase to decide on which vendor to purchase from.

28. A review of the 135 direct purchases made by self-accounting units during the audit period indicated that the units did not always follow the requirement to obtain three pro-forma invoices prior to purchasing, as follows:

- No pro-forma invoice was obtained in four cases by the Engineering Section, three cases by the Supply Section, one case by the Medical Section, four cases by the Communication and Information Technology Section and three cases by the Movement and Control Section; and
- A single pro-forma invoice was obtained in one case by the Communication and Information Technology Section, two cases by the Engineering Section and in two cases by the Supply Section.

29. The above resulted because UNISFA did not implement effective controls over direct purchases. As a result, there was an increased risk that UNISFA was not purchasing goods and services competitively as well as providing scope for fraud and abuse of these activities

(3) UNISFA should implement a mechanism to enforce controls over the use of the direct method of purchasing goods and services.

UNISFA accepted recommendation 3 and stated that self-accounting units had been reminded to strictly adhere to existing procedures on the use of the direct method of purchasing goods and services. Recommendation 3 remains open pending receipt of evidence of the mechanism put in place to control the use of the direct method of purchasing.

IV. ACKNOWLEDGEMENT

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

(Signed) David Kanja
Assistant Secretary-General, Acting Head
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Interim Security Force for Abyei

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNISFA should implement a mechanism to ensure that the Procurement Section send a one-page synopsis with the request for expression of interest to potential vendors in respect of each solicitation exceeding \$40,000.	Important	O	Receipt of evidence that UNISFA has consistently complied with the requirement to publish a one-page synopsis for each request for expression of interest on the Procurement Division's website	September 2015
2	UNISFA should implement a mechanism to enforce the requirement for requisitioners to include realistic timelines in their requisitions for the procurement of goods and services, regularly review pending requisitions and take prompt corrective actions.	Important	O	Receipt of evidence that UNISFA has established realistic timelines and complied with such timelines for the procurement of goods and services.	September 2015
3	UNISFA should implement a mechanism to enforce controls over the use of the direct method of purchasing goods and services.	Important	O	Receipt of evidence of the mechanism put in place to control the use of the direct method of purchasing.	September 2015

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNISFA in response to recommendations.

APPENDIX I

Management Response

NATIONS UNIES



UNITED NATIONS

UNISFA

United Nations Interim Security Force for Abyei

قوة الأمم المتحدة المؤقتة فى ابىي

INTER-OFFICE MEMORANDUM

20 September 2015
Ref: CMS/IOM/15/077

TO: Ms. Eleanor T. Burns, Director
Internal Audit Division
Office of Internal Oversight Services

FROM: Emmanuel K. Agawu
Chief of Mission Support
UNISFA

SUBJECT: Draft report on an audit of local procurement activities in the United Nations Interim Security Force for Abyei (Assignment No. AP2015/635/01)

1. Further to your memorandum of 8 September 2015 forwarding the subject draft report on an audit of local procurement activities in UNISFA, please find attached Mission response to the recommendations contained in the report.
2. Thank you and best regards.

cc: Lt Gen Birhanu Jula Gelalcha, Force Commander & OiC Head of Mission, UNISFA
Mr. Bolton Tarleh, Chief Peacekeeping Audit Service, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, IAD/OIOS
Mr. Md Abdul Wahab, Deputy Chief of Mission Support, UNISFA
Mr. Bard Starnes, Chief Procurement Officer

Management Response

Audit of local procurement activities in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNISFA should implement a mechanism to ensure that the Procurement Section send a one-page synopsis with the request for expression of interest to potential vendors in respect of each solicitation exceeding \$40,000.	Important	Yes	Chief Procurement Officer (CPO)	Immediate	UNISFA Chief Procurement Officer has instructed his staff to comply with the requirements as recommended. If the CPO within his delegated discretion waives this requirement, it will be duly noted with an explanation in the SSP or a Note to file. A copy of IOM dated 17 September 2015 is attached for reference.
2	UNISFA should implement a mechanism to enforce the requirement for requisitioners to include realistic timelines in their requisitions for the procurement of goods and services, regularly review pending requisitions and take prompt corrective actions.	Important	Yes	Chief Procurement Officer / SAUs	Implemented	Implemented. In the new Acquisition Plan template, an additional column has been included for the requisitioners to indicate the timelines. Procurement Section regularly reviews the pending requisitions with frequent communication and coordination with SAUs apart from sending weekly reports (Excel Spreadsheet) to resolve any pending issues combined with CMS directive dated 30 January 2015 attached herewith for reference.
3	UNISFA should implement a mechanism to enforce controls over the use of the direct method of purchasing goods and services.	Important	YES	CPO/SAUs	Immediate	All SAUs have been reminded to strictly adhere to the existing procedures on low value acquisitions with immediate effect.

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses 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.