



## **INTERNAL AUDIT DIVISION**

### **REPORT 2016/089**

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#### **Audit of contingent-owned equipment in the United Nations Multidimensional Stabilization Mission in the Central African Republic**

**Overall results relating to the effective management of contingent-owned equipment were initially assessed as partially satisfactory. Implementation of one important recommendation remains in progress**

**FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY**

**23 August 2016  
Assignment No. AP2015/637/07**

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# AUDIT REPORT

## Audit of contingent-owned equipment in the United Nations Multidimensional Stabilization Mission in the Central African Republic

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment (COE) in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA).
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. MINUSCA had 11 formed police units, 11 military infantry battalions and 15 support units from 21 countries. The United Nations reimburses troop-/police-contributing countries (T/PCCs) for COE and self-sustainment based on quarterly verification reports prepared by the Mission. Reimbursements to T/PCCs are limited to those items of serviceable major equipment (including associated minor equipment and consumables) agreed to by the United Nations and the T/PCC.
4. The Departments of Peacekeeping Operations and Field Support (DPKO/DFS) are responsible for ensuring the establishment and amendment of the memorandums of understanding (MoUs) between the United Nations and T/PCCs to govern the contribution of personnel, equipment, supplies and services. The MINUSCA COE/MoU Management Review Board (CMMRB) is responsible for overseeing the management of COE, reviewing the major and minor equipment and self-sustainment capabilities, and making recommendations to the Mission and DPKO/DFS on corrective actions required. The MINUSCA COE Unit is responsible for the day-to-day management of MoUs including verification and reporting related to COE and self-sustainment. The Unit is headed by a P-4 who is supported by one professional staff and six field service staff. The Unit had eight authorized posts.
5. MINUSCA COE budgets for 2014/15 and 2015/16 were \$94.7 million and \$103.2 million, respectively.
6. Comments provided by MINUSCA are incorporated in italics.

### II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of MINUSCA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of COE in MINUSCA**.
8. The audit was included in the 2015 risk-based work plan of OIOS because of the risk that potential weaknesses in the management of COE could adversely affect MINUSCA operations.
9. 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:

(i) exist to guide the management of COE in MINUSCA; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 1.

11. OIOS conducted the audit in February and March 2016. The audit covered the period from September 2014 to March 2016. The audit team visited nine contingent locations to observe inspections of COE and self-sustainment capabilities.

12. 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

13. The MINUSCA governance, risk management and control processes examined were initially assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of COE in MINUSCA**. OIOS made three recommendations to address the issues identified.

14. MINUSCA conducted arrival inspections and adequately planned and prepared inspection schedules on a quarterly basis in collaboration with the relevant military units. However, MINUSCA needed to: (i) establish the CMMRB to oversee the COE programme and address the critical issues under its terms of reference; (ii) ensure the deployment of specialists from the technical sections to relevant COE inspection teams; and (iii) allow contingents at the UCATEX facility to be self-sustained without supervision by a contractor and discontinue the contract for the supervision of contingents in the kitchen and dining areas.

15. 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 one important recommendation remains in progress. MINUSCA has not accepted two important recommendations. OIOS has closed these recommendations indicating management’s acceptance of residual risks arising from not implementing them and that they may be reported to the Secretary-General and the General Assembly accordingly.

**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 COE in MINUSCA	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

<sup>1</sup> 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

### Inspections of COE and self-sustainment capabilities needed to improve

16. The Guidelines for Field Verification and Control of COE require the COE Unit to prepare inspection schedules in collaboration with concerned contingents and formed police units and establish inspection teams (for operational readiness inspections) comprising staff from the COE Unit, specialists from technical sections such as Engineering, Transport, and Communications and Information Technology Sections, and qualified personnel from the Police or Force Headquarters.

17. OIOS review of 67 of the 142 inspection reports indicated that the COE Unit adequately planned and prepared inspection schedules on a quarterly basis in collaboration with the concerned police or military units. However, the COE Unit did not include representatives from other relevant technical sections in all 15 operational readiness inspections conducted between October 2015 and March 2016.

18. While the COE Unit expressed the need for specialists from other technical sections such as engineering to effectively inspect water treatment plants, MINUSCA Mission Support management advised that the Unit had the required expertise and did not need specialists from the technical sections. Since inspection teams did not include the required specialists, there was a risk that: inspections did not accurately identify and report the conditions of the COE; and MINUSCA did not have the necessary information to effectively manage and ensure the cost-effectiveness of its COE operations.

**(1) MINUSCA should implement effective procedures to ensure the deployment of specialists from the technical sections to the relevant contingent-owned equipment inspection teams.**

*MINUSCA did not accept recommendation 1 stating that with the exception of medical and water treatment plant, the COE Unit has qualified staff with technical expertise to conduct operational readiness inspections and there was no value to include staff from the technical sections in these inspection teams. In the case of medical equipment and water treatment plant, the COE Unit obtained the support and assistance of the Force Medical Office and the Engineering Section. OIOS notes that the Guidelines for Field Verification and Control of COE and MINUSCA standard operating procedures on COE inspections require the COE Unit to establish inspection teams consisting of specialists from technical sections. Additionally, the COE Manual requires the Chief Transportation Officer to review vehicle safety and make recommendations to the Director of Mission Support, Force Commander and Police Commissioner. Based on the response received, recommendation 1 has been closed; but OIOS may report this unaccepted recommendation to the Secretary-General and the General Assembly, indicating management's acceptance of residual risks arising from not implementing it.*

### There was a need to establish the CMMRB

19. The COE Manual requires the Mission to ensure that COE and self-sustainment services provided by T/PCCs are provided in accordance with the relevant MoUs including the types and quantities of COE and their operational readiness and serviceability.

20. OIOS interviews with staff and a review of quarterly COE status reports indicated that the following critical issues remained unresolved as of March 2016:

- T/PCCs had not deployed all the major equipment as required by the relevant MoUs. For example, the T/PCCs for 10 contingents had deployed on average 69 per cent of the required

equipment. As a result, the contingents were already in the Mission for more than 16 months without a large number of the required major equipment to perform their assigned functions.

- For three contingents, between 34 and 43 per cent of deployed vehicles were not serviceable and the self-sustainment capability for six other contingents was less than 50 per cent of the requirement.
- 22 of 31 contingents had 30 fuel storage tanks, 44 fuel trailers and one aircraft refueling truck even though the Mission had outsourced fuel distribution for these contingents. The Mission continued to reimburse the concerned T/PCCs approximately \$388,000 a year for the equipment.

21. The above resulted because MINUSCA: (a) re-hatted contingents from the African Union Mission that did not have the required COE and self-sustainment capabilities; and (b) had not conducted utility analyses to ensure that contingents had effectively deployed the COE. Additionally, the Mission had not established the CMMRB, which is required by the COE Manual to: (a) oversee the implementation of the COE programme; (b) recommend amendments to MoUs as a result of changes in operational requirements and contingents' performance; (c) ensure optimal utilization of resources in support of the Mission; (d) review and recommend cost-effective support solutions; and (e) ensure compliance with MoU and COE verification and reporting procedures. As a result, MINUSCA lacked an adequate and effective mechanism to oversee its COE programme and recommend corrective actions to address valid causes of low deployment and serviceability rates as well as the need for some equipment. This posed the additional risk that the MINUSCA COE programme may not be effective and efficient.

**(2) MINUSCA should establish the Contingent-owned Equipment and Memoranda of Understanding Management Review Board.**

*MINUSCA accepted recommendation 2 and established its CMMRB on 17 June 2016. Recommendation 2 remains open pending OIOS verification of the functioning of the CMMRB.*

Need to transfer self-sustainment responsibilities to contingents

22. The MoUs pertaining to three contingents based at the UCATEX facility required the T/PCCs to be self-sustained in the following areas: catering, cleaning and laundry. Self-sustainment is defined as logistic support for contingents in a peacekeeping mission area whereby the T/PCC provides some or all categories of logistics support to the contingent on a reimbursable basis.

23. OIOS interviews with COE staff and representatives from the three contingents located in the UCATEX facility, review of contractor's invoices and verification reports, and site visits to the UCATEX facility indicated that MINUSCA entered into a contract to provide catering, cleaning and laundry services to 3 of the 11 contingents. The contract was established in March 2015 at an annual cost of \$5.9 million. An analysis of the costs related to the contract noted that it was 10 times more than the estimated reimbursement of \$561,000 that the Organization would have made to the concerned T/PCCs if the contingents had provided these services as per the relevant MoUs.

24. Additionally, as part of this contract, MINUSCA paid \$527,000 from April to September 2015 to the contractor for catering services which were not provided, as the concerned contingents cooked their own meals during this period. The contractor's invoices were certified for payment without performing the necessary verifications.

25. MINUSCA had established the above-mentioned contract on a temporary basis due to delays in the arrival of some COE by contingents. However, instead of discontinuing the contract upon arrival of the COE, the Mission renegotiated and amended the contract for six months with effect from 15 September 2015, reducing the monthly rate by 62 per cent and changing the terms of the contract to include only the supervision of the contingents in the kitchen and dining areas. Since MINUSCA established a contract for supervisory services that should have been provided by contingents under self-sustainment arrangements and paid \$527,000 to the contractor for services not provided, funds estimated at more than \$5 million were not efficiently spent by the Organization. This does not take into consideration that the contract for supervisory services was extended to 30 September 2016. MINUSCA advised that it would relocate all contingents out of the UCATEX facility to their designated camps and thereafter discontinue the contract related to the supervision of contingents.

**(3) MINUSCA should allow contingents at the UCATEX facility to be self-sustained without supervision by a contractor and discontinue the contract for the supervision of contingents in the kitchen and dining areas without further delay.**

*MINUSCA did not accept recommendation 3 stating that the remaining contingents at the UCATEX facility did not have a self-sustainment capability and it needed to provide catering support until the last contingents joined their parent units in the field. OIOS site visit to the UCATEX compound and discussions with the contingent personnel indicated that the remaining contingents had the self-sustainment capability and they did not require the supervision of a contractor in the kitchen and dining areas. Based on the response received, recommendation 3 has been closed; but OIOS may report this unaccepted recommendation to the Secretary-General and the General Assembly, indicating management's acceptance of residual risks arising from not implementing it.*

The monthly equipment serviceability reports submitted by contingents were not accurate and complete

26. The COE Field Implementation Guidelines on Contingent Self-Reporting requires contingents and formed police units to submit accurate monthly equipment serviceability reports (MESRs) to the COE Unit for use in the continuous monitoring of the status of COE and for updating the COE database (eCOE). The COE Unit is responsible for implementing procedures to ensure the accuracy and timeliness of MESRs and eCOE.

27. OIOS review of the eCOE and monthly serviceability reporting by contingents and formed police units indicated that from 15 September 2014 to 31 January 2016, these units submitted only 94 of the required 460 MESRs, representing a short fall of 366 MESRs or 80 per cent. Moreover, OIOS review of 55 MESRs submitted to the COE Unit by contingents and formed police units between November 2015 and January 2016 showed that:

- Two contingents did not indicate serviceability status of all major equipment in their MESRs;
- One contingent failed to declare as unserviceable seven items of major equipment comprising water treatment plant, bulldozer, dump truck, two crane trucks, recovery truck and armored personnel carrier;
- Four contingents did not include the generator capacity and odometer readings;

- Although one contingent reported a truck as unserviceable and another contingent declared armaments, teargas and crew-served machine gun as not serviceable, these items were reported as serviceable in eCOE;
- Even though a contingent indicated that two fuel trailers and two water trailers had failed brake systems, these items were reported as serviceable in eCOE; and
- Eleven contingents did not include any remarks to explain their inability to provide one or more of the self-sustainment capabilities negotiated in the MoU.

28. The COE Unit was already addressing the identified issues and taking actions such as: following up with the contingents and formed police units when the MESRs were due; ensuring that contingents and formed police units consistently and promptly submitted accurate MESRs to the COE Unit; and cross-checking and validating the MESRs received from the contingents against discrepancies noted during inspections. From November 2015, the COE Unit had implemented a mechanism to track the status of submission of MESRs by contingents. Also, in January 2016, the Chief of COE Unit issued a directive to all COE inspectors to remind them about their responsibility related to the submission of MESRs. Since the COE Unit recently implemented additional monitoring and follow-up procedures, OIOS does not make a recommendation.

#### The COE Unit conducted the required arrival inspections

29. The Guidelines for Field Verification and Control of COE require the COE Unit to conduct an arrival inspection within one month of the arrival of newly deployed contingents for major equipment and within six months of arrival for self-sustainment.

30. OIOS review of the arrival inspection reporting process; observation of one arrival inspection in Bouar (Sector West) in the month of March 2016 and review of related worksheets; review of 14 of the 32 arrival inspection reports and the corresponding verification reports indicated that the COE Unit had completed the required 32 arrival inspections. While there were delays in conducting arrival inspections, the audit results also indicated that there were compensating controls such as periodic operational readiness inspections that were adequate to detect any anomalies related to COE that arrived in the Mission with defects. The COE Unit properly recorded the results of the inspection in the eCOE and submitted the verification reports to the Field Budget and Finance Division of DFS for the processing of reimbursements to the T/PCCs.

31. OIOS therefore concluded that MINUSCA has established adequate controls over the arrival inspections for major equipment and self-sustainment.

## **IV. ACKNOWLEDGEMENT**

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

*(Signed)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of contingent-owned equipment in the United Nations Multidimensional Stabilization Mission in the Central African Republic

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	MINUSCA should implement effective procedures to ensure the deployment of specialists from the technical sections to the relevant contingent-owned equipment inspection teams.	Important	C	Closed without implementation. OIOS will report this matter to the Secretary-General and the General Assembly, indicating management's acceptance of residual risks arising from not implementing the recommendation.	Not applicable
2	MINUSCA should establish the Contingent-owned Equipment and Memoranda of Understanding Management Review Board.	Important	O	Verification by OIOS of the functioning of the CMMRB.	17 June 2016
3	MINUSCA should allow contingents at the UCATEX facility to be self-sustained without supervision by a contractor and discontinue the contract for the supervision of contingents in the kitchen and dining areas without further delay.	Important	C	Closed without implementation. OIOS will report this matter to the Secretary-General and the General Assembly, indicating management's acceptance of residual risks arising from not implementing the recommendation.	Not applicable

<sup>1</sup> 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.

<sup>2</sup> 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.

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

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

# **APPENDIX I**

## **Management Response**

**United Nations**

United Nations Multidimensional Integrated  
Stabilization Mission in the Central African Republic



**MINUSCA**

**Nations Unies**

Mission Multidimensionnelle Intégrée des Nations Unies  
pour la Stabilisation en République centrafricaine

**INTEROFFICE MEMORANDUM**

**MEMORANDUM INTERIEUR**

TO: Mr. Bolton Nyema, Peacekeeping Audit Service  
A: Internal Audit Division, OIOS

DATE: 27 July 2016

REFERENCE: OSRSG/028/2016

FROM: Parfait Onanga-Anyanga  
DE: Special Representative of the Secretary General

SUBJECT: **Draft report on an audit of contingent-owned equipment in the United Nations**  
OBJET: **Multidimensional Integrated Stabilization Mission in the Central African Republic**  
**(Assignment No. AP2015/637/07)**

1. With reference to your memorandum dated 15 July 2016, on the captioned-subject matter, please find MINUSCA's response (Annex I) to the Draft Report for your consideration and records.
2. Please take note that out of three recommendations, the Mission accepts only one, the necessary justifications have been provided in our response.
3. All related annexes as mentioned in the response will be sent via email.

Attachments: 2

cc: Mr. Milan Trojanović, Director of Mission Support, MINUSCA  
Mr. Gerard Buckley, Chief of Supply Chain, MINUSCA  
Mr. Dirk Lewyllie, Chief of Property Management Section, MINUSCA  
Mr. Robert Forson, Chief of Contingent-Owned Equipment Unit, MINUSCA  
Mr. Daniel Liviu Curea, Audit Focal Point, MINUSCA  
Ms. Eleanor Burns, Director, Internal Audit Division, OIOS  
Mr. Ibrahim Bah, Chief Resident Auditor, Internal Audit Division, OIOS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

## Management Response

## Audit of contingent-owned equipment in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MINUSCA should implement effective procedures to ensure the deployment of specialists from the technical sections to the relevant contingent-owned equipment inspection teams.	Important	No	Chief COE	Implemented	With the exception of Medical and Water Treatment Plant (WTP) specialist, the COE Unit is staffed with qualified experts who have the required technical expertise to conduct the COE inspections. There is thus no value added, and no requirement to include staff of other Technical Sections in the COE inspection teams. In the case of the Medical and WTP specialties, the COE Unit obtains support and assistance of the office of the Force Medical Officer and the Engineering Section to conduct the relevant Medical and WTP inspections as required. Effective procedures are therefore in place.
2	MINUSCA should establish the Contingent-owned Equipment and Memoranda of Understanding Management Review Board.	Important	Yes	Chief COE	17/06/2016	The Mission has established a functional MINUSCA CMMRB via DMS IC No. 28/2016 dated 17 June 2016 (see attached Annex II).

<sup>1</sup> 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.

<sup>2</sup> 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.

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	MINUSCA should allow contingents at the UCATEX facility to be self-sustained without supervision by a contractor and discontinue the contract for the supervision of contingents in the kitchen and dining areas without further delay.	Important	No		Implemented	The remaining Contingent elements at the UCATEX Compound do not have a self-sustainment capability because the main body of these Units are deployed in the Field - Pakistan Aviation in Kaga Bando and Senegal PSU in Camp Fidel. As such, and until the remaining elements join their parent Units (i.e. depart from UCATEX) catering support will need to be provided. The mission has constructed facilities/premises in those locations and these remaining detachments are in the process of redeployment already.