



INTERNAL AUDIT DIVISION

REPORT 2016/133

Audit of fuel management in the
United Nations Organization
Stabilization Mission in the Democratic
Republic of the Congo

Effective actions were not taken to expedite the construction of fuel farms, enhance the accuracy and reliability of fuel consumption data, ensure adequate fuel emergency response planning, and expedite the collection of fuel-related receivables

10 November 2016
Assignment No. AP2016/620/03

Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The audit covered the period from 1 July 2014 to 31 March 2016 and included a review of: mobilization of the fuel contractor; fuel consumption accounting and monitoring; control of duty-privilege for fuel importation; recovery for fuel provided to third parties; invoice processing; maintenance of fuel equipment; and emergency response planning.

MONUSCO had implemented adequate and effective controls to ensure that fuel imported using its duty-free privilege was used for its operations. However, effective actions were not taken to expedite the construction of fuel farms, enhance the accuracy and reliability of fuel consumption data, ensure adequate fuel emergency response planning, and expedite the collection of fuel-related receivables.

OIOS made 12 recommendations. To address issues identified in the audit, MONUSCO needed to:

- Delineate responsibility for delays in constructing fuel farms and providing the required storage facilities and equipment beyond the agreed timelines and impose, if appropriate, liquidated damages on the contractor;
- Amend the contract for the supply of fuel to reflect the Mission's ownership of all fuel farms constructed by the contractor on land provided by the Mission;
- Correct the master data on fuel-consuming equipment to enhance the accuracy and reliability of the electronic Fuel Management System (eFMS);
- Implement a robust training programme for new contingent fuel personnel;
- Promptly update eFMS with fuel consumption reports from remote locations;
- Implement oversight and monitoring controls for fuel consumption reporting by military contingents;
- Send all cost recovery memoranda to the Regional Service Centre in Entebbe using the established communication channels and follow up their recovery;
- Enforce the requirement for the conversion of fuel as part of the invoicing process and recover any overpayments made to the contractor;
- Identify and repair faulty odometers and hour meters of fuel-consuming equipment;
- Regularly calibrate all dipsticks and flow meters of fuel infrastructure and dispensing equipment;
- Regularly inspect fuel storage and distribution points and take corrective actions to address identified deficiencies; and
- Update its fuel emergency response plan to include in-house fuel stations and contractor operations and implement a timetable and follow-up mechanism to ensure that the contractors provided their fuel emergency response plans to the Mission for review.

MONUSCO accepted the recommendations and have initiated action to implement them.

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1
III. OVERALL CONCLUSION	2
IV. AUDIT RESULTS	2-10
A. Mobilization of the fuel contractor	2-3
B. Fuel consumption accounting and monitoring	3-5
C. Control of duty-free privilege for fuel importation	5-6
D. Recovery of the cost of fuel provided to third parties	6
E. Invoice processing	7
F. Maintenance of fuel equipment	8-9
G. Emergency response planning	9-10
V. ACKNOWLEDGEMENT	10
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

Audit of fuel management 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 fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
2. During the period July 2014 to March 2016, MONUSCO had four fuel contracts with a combined not-to-exceed amount of \$261.2 million for sourcing and managing its petroleum, oil and lubricants in the Democratic Republic of the Congo, Uganda and Rwanda. The contractors were responsible for: (a) transporting, storing and dispensing fuel to MONUSCO-designated equipment; and (b) maintaining fuel operating stocks and local and strategic reserves. The contractors operated 44 fuel storage and distribution points and MONUSCO operated 9 other small fuel distribution points.
3. The Fuel Unit is responsible for: (a) managing the fuel contracts; (b) monitoring and analyzing fuel consumption and initiating investigations of suspected fuel fraud; (c) inspecting fuel facilities; and (d) operating the Mission's nine distribution points. The Unit is headed by a staff at the P-3 level who reports to the Chief, Life Support Section and has 46 authorized posts comprising: 10 international staff, 23 national staff and 13 United Nations volunteers. The 2014/15 and 2015/16 budgets for the Mission's petroleum, oil and lubricants were \$96 million and \$85 million respectively.
4. Comments provided by MONUSCO are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over fuel management in MONUSCO.
6. This audit was included in the 2016 risk-based work plan of OIOS due to operational and financial risks related to the sourcing, distribution and use of fuel.
7. OIOS conducted this audit from March to June 2016. The audit covered the period from 1 July 2014 to 31 March 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the fuel management process, which included: mobilization of the fuel contractor; accounting and monitoring of fuel consumption; control of duty-free privilege for fuel importation; recovery of the cost of fuel provided to third parties; invoice processing; maintenance of fuel equipment; and emergency response planning.
8. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of fuel transactions. The audit team visited 14 fuel storage and distribution points, 11 contingent locations and 17 generator sites in Bukavu, Bunia, Dungu, Goma, Kalemie and Kisangani to observe fuel operations, inspect fuel sites and measure fuel stocks.

III. OVERALL CONCLUSION

9. MONUSCO had implemented adequate and effective controls to ensure that fuel imported using its duty-free privilege was used for its operations. However, MONUSCO needed to take effective actions to: expedite construction of fuel farms and provision of the required storage facilities and equipment; correct the master data on fuel-consuming equipment to enhance the accuracy and reliability of fuel consumption data; ensure adequate fuel emergency response planning; and expedite the Regional Service Centre in Entebbe's (RSCE) collection of fuel-related receivables.

IV. AUDIT RESULTS

A. Mobilization of the fuel contractor

Need to expedite the construction of fuel farms and the provision of fuel storage facilities and equipment

10. The contract for the supply of fuel in the Democratic Republic of the Congo, effective on 31 July 2015, required the contractor to deploy equipment and facilities and temporarily store agreed amounts of operational fuel stocks at each location, provide land for nine distribution points and complete constructing all fuel installations including distribution points by 28 December 2015.

11. Interviews with the Fuel Unit and contractor staff and visits to the contractor's sites in Bukavu, Bunia, Goma, Kalemie and Kisangani between April and June 2016 indicated that the contractor had not: (a) provided all the required temporary storage facilities and equipment at the locations visited; and (b) completed constructing all fuel installations including distribution points.

12. The above occurred because the Mission: (a) did not take effective actions to ensure that the contractor provided the required facilities and equipment; (b) undertook to provide all required land to the contractor for all the fuel farms; (c) was delayed in obtaining land due to the protracted Government approval procedures, and only secured it on February 2016. MONUSCO advised that the construction of fuel farms on its land would result in the ownership of the farms. However, the fuel contract did not specifically provide for MONUSCO ownership of the fuel farms and therefore needed to be amended as appropriate.

13. In March 2016, the Mission and the contractor agreed on a new timetable to complete constructing all the fuel farms by 8 August 2016 and, on 26 April 2016, the United Nations Procurement Division amended the contract to extend the mobilization and related payments to 10 August 2016. However, as at 10 August 2016, the contractor had not completed the construction of the fuel farms. To avoid delays and related financial losses in constructing fuel farms and providing the required storage facilities and equipment, the contract provides for payment of liquidated damages, the recovery of which require clear delineation of responsibilities for delays. However, the Mission had not commenced the delineation of responsibilities for delays and assessing the payment of liquidated damages.

14. As the contractor delayed providing all the required temporary storage facilities and equipment and constructing fuel farms, there was inadequate operational fuel stock, which posed a risk that the Mission's operations could be affected in case of disruptions in fuel supply. For example: (a) in Kalemie, the contractor held 49,711 litres against the requirement of 120,000 litres of Jet A-1 fuel on 18 May 2016, a shortfall of 70,289 litres; (b) in Bukavu, the contractor held 50,093 litres against the requirement of 209,250 litres of diesel on 25 May 2016, a shortfall of 159,157 litres; and (c) in Bunia, the contractor held 78,727 litres of diesel and 55,868 litres of Jet A-I against the requirement for 155,000 litres of diesel and 240,000 litres of Jet A1 on 11 April 2016; a shortfall of 76,273 and 184,132 litres respectively. In

addition, the Mission had not yet established local and strategic fuel reserves, as these were dependent on the contractor completing the construction of fuel farms and their mobilization.

(1) MONUSCO, in collaboration with the Procurement Division, should delineate responsibility for delays in constructing fuel farms and provision of the required fuel storage facilities and equipment beyond the agreed timelines and impose liquidated damages on the contractor, where appropriate.

MONUSCO accepted recommendation 1 and stated that it would fully comply with Article XXXVIII of the contract and adequately assess the amount of liquidated damages and make recoveries, where appropriate, upon completion of mobilization. Recommendation 1 remains open pending receipt of evidence that MONUSCO has assessed and, where appropriate, claimed liquidated damages against the contractor for its failure to provide all the required temporary fuel storage facilities by 10 August 2016 and other delays in completing mobilization activities.

(2) MONUSCO, in coordination with the Procurement Division, should amend the contract for the supply of fuel in the Democratic Republic of the Congo to reflect the Mission's ownership of the land it obtained from the Government and all fuel farms constructed by the contractor on the land.

MONUSCO accepted recommendation 2 and stated that it had requested the Procurement Division to amend the contract to reflect the provision of United Nations-owned land. Recommendation 2 remains open pending receipt of the contract amendment reflecting the Mission's ownership of the land and all the fuel farms on the land.

B. Fuel consumption accounting and monitoring

Need to maintain accurate and complete fuel consumption data

15. The Departments of Peacekeeping Operations and Field Support Fuel Operations Manual (DPKO/DFS Fuel Manual) requires MONUSCO to maintain accurate and complete fuel consumption data.

16. Interviews with the Fuel Unit and contractors' staff; site visits to Bukavu, Bunia, Dungu, Goma, Kalemie and Kisangani; review of the electronic Fuel Management System (eFMS) report on fuel consumption of equipment for the 12 month period from April 2015 to March 2016; physical verification of the capacities of 113 of the 192 fuel-consuming equipment; analysis of 113 of 6,162 fuel-issue transactions related to 113 equipment; and review of all 22 contractors' performance evaluation reports completed during the audit period indicated that:

- The capacities of 110 of the 113 fuel-consuming equipment reviewed were inaccurately recorded in eFMS as they exceeded or were less than the actual fuel tank capacity of the equipment. For example, the actual fuel tank capacity of a light vehicle in Bukavu was 130 litres whereas the capacity recorded in eFMS was 2,000 litres. This occurred because self-accounting units, such as the Transport and Engineering Sections and the Contingent-owned Equipment (COE) Unit, did not enforce data entry related controls in Galileo and the electronic COE database, which interfaced with eFMS;
- Fuel-issue transactions related to the 113 sampled equipment were incomplete as: (a) contractors did not upload fuel transactions from scanners to eFMS in Mbandaka, Kindu, Mbuji-

Mayi, Kananga, Kikwit, Bandundu and Matadi; (b) military contingents in three of five locations in Kalemie did not record fuel transactions in eFMS; and (c) the Fuel Unit did not upload daily fuel transactions in eFMS for military contingents in some locations in Bunia, Bukavu and Kisangani but uploaded the transactions weekly or monthly. These conditions were due to: (a) logistical challenges in reaching remote locations; (b) poor Internet connectivity; and (c) inadequate monitoring by MONUSCO staff to ensure that the Fuel Unit in Goma received and uploaded in eFMS all fuel-related reports from remote locations in a timely manner; and

- In two of five locations in Kalemie where eFMS had been installed, military contingents did not upload fuel transactions in eFMS because they were not trained on the system. The Fuel Unit advised that it was challenging to train and retrain contingent personnel due to frequent rotations.

17. Due to inaccurate information regarding the fuel tank capacity of fuel-consuming equipment in eFMS, the Mission did not have reliable information to analyze fuel consumption patterns and take corrective actions on unusual trends, increasing the risk of fraud. For example, a review of 113 of 6,162 fuel-issue transactions related to the 113 equipment showed that for 57 of the transactions, the Mission issued 422,055 litres of fuel (estimated at \$503,472) more than it should have supplied to the operators of the concerned equipment.

(3) MONUSCO should take steps to correct the master data on fuel-consuming equipment to enhance the accuracy and reliability of the electronic Fuel Management System.

MONUSCO accepted recommendation 3 and stated that it took actions to correct the master data on fuel-consuming equipment to enhance the accuracy and reliability of eFMS, resulting in a reduction of the number of discrepancies from about 3,000 at the time of the audit to 392 currently. Correction of the master data on fuel-consuming equipment was an ongoing process and it would continue to closely monitor data input and make timely corrections. Recommendation 3 remains open pending receipt of evidence that MONUSCO has corrected the master data on fuel consuming-equipment recorded in eFMS.

(4) MONUSCO should implement a robust training programme for new contingent fuel personnel to ensure that they are timely and properly trained on fuel operations.

MONUSCO accepted recommendation 4 and stated that it had implemented a robust training programme for all new contingent fuel personnel to ensure timely and proper training on eFMS fuel operations. It also stated that the Director of Mission Support would send an interoffice memorandum to the Force Commander requesting that the Fuel Unit was notified of upcoming troop rotations to ensure that there were no gaps in the training and incoming military personnel were provided with appropriate training for a seamless handover of eFMS duties. Recommendation 4 remains open pending receipt of evidence that MONUSCO is providing adequate and timely training to new contingent fuel personnel on the use of eFMS.

(5) MONUSCO should implement a mechanism to ensure that the electronic Fuel Management System is promptly updated with fuel consumption reports from remote locations.

MONUSCO accepted recommendation 5 and stated that it had developed and provided a manual transaction log sheet to contingents at remote locations without Internet connectivity for weekly reporting of fuel transactions to the Fuel Unit to enable the Unit to manually update the eFMS database. MONUSCO would also incorporate these procedures in its standard operating

procedures (SOPs) on fuel accounting currently being developed. Recommendation 5 remains open pending receipt of a copy of the promulgated SOPs as well as evidence that an adequate monitoring and reporting mechanism is in place to ensure that reports from remote locations are promptly uploaded in eFMS.

Need for a mechanism to monitor and accurately report fuel consumption

18. The DPKO/DFS Fuel Operations Manual requires contingents to submit detailed and accurate fuel consumption reports to the Fuel Unit.

19. Site visits to 11 of 56 military contingent locations and review of their fuel consumption reports for three months from January to March 2016 showed that contingents did not accurately report their fuel consumption. For example: (a) in Dungu and Kalemie, the fuel consumption reports of two contingents for February and March 2016 did not show the volume of fuel consumed by each equipment but showed total volume of fuel issued to groups of generators or vehicles; (b) in Bunia, the monthly consumption reports of a contingent erroneously showed that 15 generators consumed the same total quantity of 1,680 litres daily for two consecutive months; and (c) in the Bendera Team Site at Kalemie, the report for all three months for a contingent showed the same 95 litres of fuel issued daily to its generator even though the generator was faulty and was not in use and the Mission had provided its generator to the contingent. Interviews with contingent fuel personnel confirmed that consumption reports did not consistently reflect the actual consumption of fuel.

20. The above resulted, as the Fuel Unit was not properly monitoring the levels of fuel consumed and being reported by contingents and ensuring corrective measures were implemented. As a result, the Mission lacked reliable information to analyze fuel consumption patterns to identify and take corrective actions related to abnormal fuel consumption to deter abuses. The lack of monitoring of fuel consumption also increased the risk of misappropriation and wastage of fuel.

(6) MONUSCO should implement oversight and monitoring controls for fuel consumption reporting by military contingents.

MONUSCO accepted recommendation 6 and stated that it had developed guidelines for fuel consumption reporting by contingents, which would be incorporated in the SOP on fuel accounting. Recommendation 6 remains open pending receipt of a copy of the SOP and evidence that there is uniformity and accuracy of fuel consumption reporting.

C. Control of duty-free privilege for fuel importation

The Mission complied with the tax exemption requirements

21. The Status of Forces Agreement between the United Nations and the Government of the Democratic Republic of the Congo exempts from all direct taxes and charges all articles imported by MONUSCO for its official use. Best practice requires the Mission to implement appropriate procedures such as reviewing all shipping and customs clearing documents related to tax exemption and to reconcile the quantities of fuel imported duty-free with the quantities actually issued by the contractor to MONUSCO.

22. Review of 40 of 1,880 letters of intent for importation of duty-free fuel and the contractor's records of fuel drawn from its installations for issuance to MONUSCO, and review of records maintained by the Contracts Management and Life Support Sections indicated that MONUSCO reviewed all shipping

and customs clearing documents related to tax exemption during its verification and certification of invoices and periodically reconciled the volume of fuel imported by contractors duty-free using the letters of intent with the volume of fuel issued by the contractor to MONUSCO.

23. OIOS concluded that MONUSCO had implemented adequate procedures to ensure that fuel imported duty-free using the Mission's tax exemption privileges was consumed for the Mission's operations.

D. Recovery of the cost of fuel provided to third parties

Inadequate procedures in place to recover costs related to fuel provided to third parties

24. Agreements between MONUSCO and United Nations agencies and other entities on the provision of services require the Mission to recover the cost of fuel plus a fee of 7 or 14 per cent from these agencies within 30 days of billing. The Service Level Agreement between MONUSCO and RSCE requires the Mission to send cost recovery memoranda to the RSCE to collect charges on behalf of the Mission.

25. OIOS review of 41 of 475 cost recovery memoranda related to fuel supplied to third parties during the audit period, amounting to \$1.2 million of \$7.7 million, showed that MONUSCO accurately calculated the amounts to be charged to United Nations agencies and other entities. However, an amount of \$1 million from the sample selected had not been recovered because, as of 30 April 2016, adequate action had not been taken to process 30 cost recovery memoranda for an average period of 480 days. In addition, RSCE did not take prompt action to collect amounts due, as 10 of the 40 recovery memoranda processed by RSCE had remained unpaid for over one year.

26. The above resulted as MONUSCO did not: (a) forward the 30 cost recovery memoranda to the correct RSCE e-mail account for the Centre to process them in Umoja and issue invoices to the concerned third parties; (b) implement a mechanism to follow up with RSCE to ensure all cost recovery memoranda had been processed and/or to determine reasons for delays; and (c) periodically reconcile their accounts receivable to identify long outstanding balances.

27. As a result, there was an increased risk of financial loss due to delayed issuance of invoices and non-follow-up of payment of outstanding balances. At the time of the audit, this exposure amounted to \$7.7 million.

(7) MONUSCO should implement procedures to ensure: (a) all cost recovery memoranda are addressed to the RSCE using established communication channels; and (b) fuel-related receivables are periodically reconciled and followed up with RSCE to ensure prompt recovery of the cost of fuel issued to United Nations agencies and third parties.

MONUSCO accepted recommendation 7 and stated that all cost recovery transactions were now being recorded and automated through the Umoja sales and distribution module. The Mission also stated that RSCE would regularly reconcile and follow up collection for past due transactions at the mission level and that it was reconciling transactions related to the period prior to July 2016 and submitted them to RSCE for recovery action. Recommendation 7 remains open pending receipt of evidence that MONUSCO is systematically using the established communication channels when sending cost recovery memoranda to RSCE, and that a system is in place to ensure that amounts related to the supply of fuel to third parties are being received, reconciled and timely recovered.

E. Invoice processing

Need to enforce conversion of the volume of fuel from ambient temperature to 15 degrees Celsius

28. The three current fuel contracts require MONUSCO to vet and certify invoices, ensuring that they are supported by relevant documentation such as variable price data, signed fuel vouchers, mobilization checklists, and operating and maintenance certifications. The contracts require MONUSCO to pay the contractors: (a) within 28 to 30 calendar days from the date of receipt of invoice and supporting documentation so as to obtain prompt payment discounts of 0.6 to 1.0 per cent; and (b) for the volume of fuel converted to 15 degrees Celsius based on supporting documents provided by the contractor along with invoices demonstrating that the contractor has converted the fuel from ambient temperature to 15 degrees Celsius.

29. A review of 63 invoices (for various charges, i.e., 36 for fuel deliveries, 22 for operations and maintenance, and 5 for mobilization) for \$23.4 million out of 2,825 invoices for \$124.6 million indicated that the Mission had properly vetted and certified the invoices. These invoices were supported by the required documentation, including, variable price data, signed fuel vouchers, mobilization checklists, and operating and maintenance certifications. The Mission also paid contractors within an average of 17 days from the dates of receipt of their invoices and received \$216,793 in prompt payment discounts related to the 63 invoices.

30. However, review of 36 fuel-related invoices valued at \$5.9 million showed that: (a) the contractors did not convert fuel from ambient temperature to 15 degrees Celsius; (b) MONUSCO did not obtain the required supporting documentation demonstrating the contractor's conversion of the fuel to 15 degrees Celsius; and (c) the Mission paid the contractors for volume determined at the time when the fuel was at ambient or observed air temperature. During the audit period, ambient temperatures in the Democratic Republic of the Congo averaged 23 Celsius.

31. The above resulted because MONUSCO had not taken effective actions to enforce the requirement for contractors to convert fuel from ambient temperatures to 15 degrees Celsius as part of the invoicing process. Since MONUSCO paid the contractors for the volume of fuel established while the fuel was still at ambient or observed air temperatures, there was a risk that the Mission overpaid the contractors.

(8) MONUSCO should take effective actions to enforce the requirement for the contractors to convert fuel from ambient temperatures to 15 degrees Celsius as part of the invoicing process and recover any overpayments.

MONUSCO accepted recommendation 8 and stated that it had taken actions to enforce the requirement of the contractors to convert fuel quantities invoiced from ambient temperatures to 15 degrees Celsius as part of the invoicing process and recovered all overpayments made to the contractor. Recommendation 8 remains open pending receipt of evidence that fuel is being converted from ambient temperatures to 15 degrees Celsius, and that MONUSCO has recovered all overpayments.

F. Maintenance of fuel equipment

Need to repair faulty odometers and generator hour meters

32. The DPKO/DFS Fuel Manual requires MONUSCO to issue fuel to vehicles and generators with properly functioning odometers and hour meters.

33. A review of eFMS report of fuel consumption of equipment for the 12 month period from December 2014 to November 2015 showed that the Mission issued two million litres of fuel to 909 fuel-consuming equipment (242 United Nations-owned and 667 contingent-owned) that had faulty odometers and hour meters. This occurred because self-accounting units, such as the Transport and Engineering Sections and the COE Unit, did not implement effective mechanisms to promptly identify and repair faulty odometers and hour meters. As a result, there was an unmitigated risk of fraud and financial loss from the Mission issuing more fuel than required to the respective equipment without being detected.

(9) MONUSCO should implement a mechanism that ensures faulty odometers and hour meters of fuel-consuming equipment are promptly identified and repaired.

MONUSCO accepted recommendation 9 and stated that it had been regularly providing details of equipment with faulty odometers to the equipment owners to enable them to perform the required repairs and that it would investigate and take appropriate action on any equipment with repeated faulty odometers and hour meters. Recommendation 9 remains open pending receipt of evidence that faulty odometers and hour meters are identified and repaired promptly.

Need to calibrate and test the accuracy of all dipsticks and flow meters

34. The DPKO/DFS Fuel Manual requires MONUSCO to ensure calibration of dipsticks and flow meters every six months to accurately determine the volume of issued fuel and levels in stock.

35. Site visits to Bukavu, Bunia, Dungu, Goma, Kalemie and Kisangani, interviews with Fuel Unit and contractor staff in the respective locations, and review of calibration certificates indicated that dipsticks and flow meters were not regularly calibrated as follows:

- In Bunia, Dungu, Kisangani, Goma, Kalemie and Kisangani, there were no calibration certificates to support the contractor's claim that all 21 flow meters had been regularly calibrated and that the last calibration had been done in March and April 2016;
- In Kisangani, the recent calibration certificate for the only diesel dispensing pump at the commercial fuel facility had expired in February 2015 and had not been renewed. There was no evidence that the three flow meters at the facility had been calibrated during the audit period; and
- In Bukavu and Dungu, there was no evidence that the Jet A-1 storage facilities had been calibrated and four diesel flow meters on the three diesel trucks were also not calibrated during the audit period.

36. The above resulted as a review of site inspection reports for the period July 2014 to March 2016 showed that the Fuel Unit did not inspect fuel equipment and infrastructure at 46 of 53 fuel sites. Since the Mission did not calibrate dipsticks and flow meters, there was a risk of inaccurate measurement and reporting of fuel consumption and financial loss from paying contractors for more fuel than the volume actually provided to the Mission. For example: in Dungu, OIOS measurement showed that three bladders

and one storage tank had lost 5,586 litres of Jet A-1 fuel when compared to their stock book balances. Additionally, a review of the July 2014 stock adjustment certificate attributed the calculated monthly loss allowance of 2,158 litres of Jet A-1 fuel in Dungu to the lack of calibrated Jet A-1 flow meter. Also, in Kalemie, OIOS measurement indicated that one bladder had lost 2,816 litres of diesel.

(10) MONUSCO should take adequate steps to ensure that all dipsticks and flow meters of fuel infrastructure and dispensing equipment are regularly calibrated.

MONUSCO accepted recommendation 10 and stated that it had taken steps to ensure that all dipsticks and flow meters of fuel infrastructure and dispensing equipment were regularly calibrated. Dipsticks and flow meters at fuel contractor locations were currently being calibrated and expected to be completed by 31 December 2016, and a contract was being established to calibrate flow meters at locations not supported by contractors. Recommendation 10 remains open pending receipt of evidence that MONUSCO is regularly calibrating all dipsticks and fuel meters.

(11) MONUSCO should establish and implement a timetable for regular inspection of fuel storage and distribution points and take prompt corrective actions to address identified deficiencies.

MONUSCO accepted recommendation 11 and stated that it had established and implemented a timetable for regular inspection of fuel storage and distribution points and had taken prompt corrective action to address identified deficiencies. Also, upon completion of mobilization, by the end of November 2016, it would conduct inspections as per the schedule. Recommendation 11 remains open pending receipt of a copy of the inspection timetable together with evidence that the scheduled inspections are being done.

G. Emergency response planning

Need to review and update emergency response plans for effectiveness

37. The DPKO/DFS Fuel Manual requires the Fuel Unit to develop an emergency response plan for its in-house managed fuel operations and regularly update the plan at least once every six months. The fuel contracts require the Fuel Unit to review emergency response plans prepared by the contractors for their fuel sites.

38. A review of MONUSCO fuel emergency response plan showed that the Mission had prepared a plan in January 2012. However, the plan did not cover the Mission's nine in-house managed fuel stations and the contractors' fuel operations. The Mission had not updated the plan after establishing four new fuel contracts. The Fuel Unit had not obtained, reviewed and put on file the contractors' emergency plans for their 44 fuel sites. OIOS visit to nine of the contractors' fuel sites in Bukavu, Bunia, Goma, Kalemie and Kisangani showed that: the contractors did not have plans for three sites; and the plans for the other six sites were similar and did not contain unique details such as layout, access and exit routes, and location of fire extinguishers for each sites.

39. The above resulted because the Mission did not implement effective fuel emergency planning procedures including a timetable for planning and follow-up mechanisms to ensure that contractors provided their plans for review. Without updated fuel emergency response plans, there was a risk that the Mission and contractors may be unable to effectively respond to fuel-related emergencies.

(12) MONUSCO should update its fuel emergency response plan to include the Mission's nine in-house fuel stations and all contractors operations, as well as develop and implement a timetable and follow-up mechanism to ensure that contractors provide their fuel emergency response plans for review by the Mission.

MONUSCO accepted recommendation 12 and stated that it had updated its fuel emergency response plan to include the Mission's nine in-house fuel stations and all contractor locations. In addition, the Mission developed and implemented a timetable and follow-up mechanism to ensure that contractors provided their fuel emergency response plans for timely review by the Mission. Recommendation 12 remains open pending receipt of evidence that the Fuel Unit has received and reviewed contractors' plans for all sites and updated its fuel emergency response plan to include the Mission's in-house fuel stations and all contractors operations.

V. ACKNOWLEDGEMENT

40. 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) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO, in collaboration with the Procurement Division, should delineate responsibility for delays in constructing fuel farms and provision of the required fuel storage facilities and equipment beyond the agreed timelines and impose liquidated damages on the contractor, where appropriate.	Important	O	Receipt of evidence that MONUSCO has assessed and has, where appropriate, claimed liquidated damages against the contractor for its failure to provide all the required temporary fuel storage facilities by 10 August 2016 and other delays in completing mobilization activities.	30 June 2017
2	MONUSCO, in coordination with the Procurement Division, should amend the contract for the supply of fuel in the Democratic Republic of the Congo to reflect the Mission's ownership of the land it obtained from the Government and all fuel farms constructed by the contractor on the land.	Important	O	Receipt of the contract amendment reflecting the Mission's ownership of the land and all the fuel farms on the land.	31 December 2016
3	MONUSCO should take steps to correct the master data on fuel consuming-equipment to enhance the accuracy and reliability of the electronic Fuel Management System.	Important	O	Receipt of evidence that MONUSCO has corrected the master data on fuel-consuming equipment recorded in eFMS.	31 December 2016
4	MONUSCO should implement a robust training programme for new contingent fuel personnel to ensure that they are timely and properly trained on fuel operations.	Important	O	Receipt of evidence that MONUSCO is providing adequate and timely training to new contingent fuel personnel on the use of eFMS.	30 June 2017
5	MONUSCO should implement a mechanism to ensure that the electronic Fuel Management System is promptly updated with fuel consumption reports from remote locations.	Important	O	Receipt of a copy of the promulgated SOPs as well as evidence that an adequate monitoring and reporting mechanism is in place to ensure that reports from remote locations are promptly uploaded in eFMS.	31 January 2017
6	MONUSCO should implement oversight and monitoring controls for fuel consumption reporting	Important	O	Receipt of a copy of the SOP and evidence that there is uniformity and accuracy of fuel	31 January 2017

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 MONUSCO in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	by military contingents.			consumption reporting.	
7	MONUSCO should implement procedures to ensure: (a) all cost recovery memoranda are addressed to the RSCE using established communication channels; and (b) fuel-related receivables are periodically reconciled and followed up with RSCE to ensure prompt recovery of the cost of fuel issued to United Nations agencies and third parties.	Critical	O	Receipt of evidence that MONUSCO is systematically using the established communication protocols when sending cost recovery memoranda to RSCE, and that a system is in place that ensures amounts related to the supply of fuel to third parties are being received, reconciled and recovered in a timely manner.	31 December 2017
8	MONUSCO should take effective actions to enforce the requirement for the contractors to convert fuel from ambient temperatures to 15 degrees Celsius as part of the invoicing process and recover any overpayments.	Important	O	Receipt of evidence that fuel is being converted from ambient temperatures to 15 degrees Celsius, and that MONUSCO has recovered all overpayments.	31 December 2016
9	MONUSCO should implement a mechanism that ensures faulty odometers and hour meters of fuel-consuming equipment are promptly identified and repaired.	Important	O	Receipt of evidence that faulty odometers and hour meters are identified and repaired promptly.	31 December 2016
10	MONUSCO should take adequate steps to ensure that all dipsticks and flow meters of fuel infrastructure and dispensing equipment are regularly calibrated.	Important	O	Receipt of evidence that MONUSCO is regularly calibrating all dipsticks and fuel meters.	30 June 2017
11	MONUSCO should establish and implement a timetable for regular inspection of fuel storage and distribution points and take prompt corrective actions to address identified deficiencies.	Important	O	Receipt of a copy of the SOP and the inspection timetable together with evidence that the scheduled inspections are being done.	31 March 2017
12	MONUSCO should up-date its fuel emergency response plan to include the Mission's nine in-house fuel stations and all contractors operations, as well as develop and implement a timetable and follow-up mechanism to ensure that contractors provide their fuel emergency response plans for review by the Mission.	Important	O	Receipt of evidence that the Fuel Unit has received and reviewed contractors' plans for all sites and updated its fuel emergency response plan to include the Mission's in-housed fuel stations and all contractors operations.	31 March 2017

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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PROTECT

STABILIZE

CONSOLIDATE PEACE

INTEROFFICE MEMORANDUM

31 October 2016
Ref. ODMS/16/OM/03874

To: Mr. Bolton Tarleh Nyema, Chief
Peacekeeping Audit Service
Internal Audit Division

From: Guy Siri
Director of Mission Support
MONUSCO

Subject: **Management Response to Draft Audit Report – Fuel management in MONUSCO (Assignment No. AP2016/620/03)**

1. Thank you for your interoffice memorandum reference IAD: 16-24 dated 18 October 2016, requesting the Mission to provide comments on the recommendations in the draft audit report on fuel management in MONUSCO.
2. Attached please find Appendix I - Management Response, for your consideration. Supporting documents will be provided to the Resident Audit Team.

Best regards.

Cc Mr. Maman Sambo Sidikou, Special Representative of the Secretary-General
Mr. Rajesh Chadha, Officer-in-Charge, Service Delivery, MONUSCO
Mr. Rajiv Gupta, Chief, Life Support Section, MONUSCO
Mr. Hicham Maoual, Officer-in-Charge, Contracts Management Section, MONUSCO
Mr. Cyril Plummer, Finance Officer, Finance Section, MONUSCO
Mr. Yannick Amiez, Officer-in-Charge, Budget and Finance Section, MONUSCO
Ms. Kerry Zillner, Audit Focal Point, MONUSCO
Mr. James Okwakol, Chief Resident Auditor, MONUSCO, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Attachment: Appendix I - Management Response

Peace it!

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Management Response
Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO, in collaboration with the Procurement Division, should delineate responsibility for delays in constructing fuel farms and provision of the required fuel storage facilities and equipment beyond the agreed timelines and impose liquidated damages on the contractor, where appropriate.	Important	Yes	Contracts Management Unit	30 June 2017	MONUSCO will fully comply with Article XXXVIII, Section 38.1 of its contract with the contractor. Once the mobilization is completed, MONUSCO will be able to adequately assess the amount of liquidated damages and make recoveries where appropriate.
2	MONUSCO, in coordination with the Procurement Division, should amend the contract for the supply of fuel in the Democratic Republic of the Congo to reflect the Mission's ownership of the land it obtained from the Government and all fuel farms constructed by the contractor on the land.	Important	Yes	Contracts Management Unit	31 December 2016	MONUSCO has requested that UN Procurement Division amend the contract to reflect the provision of UN Land. The Mission will provide a copy of the amendment to the Auditors once received from UNHQ.
3	MONUSCO should take steps to correct the master data on fuel consuming-equipment to enhance the accuracy and reliability of the electronic Fuel Management System.	Important	Yes	Fuel Unit/Life Support Services	31 December 2016	MONUSCO took action to correct the master data on fuel consuming equipment to enhance the accuracy and reliability of the electronic Fuel Management System and as a result, the Mission has substantially reduced the number of discrepancies from approximately 3,000 at the time of the audit to 392 to date. It should be noted that correction of the master data on fuel consuming equipment is an ongoing process and that the Mission will continue to closely monitor data input and make the necessary corrections in a timely manner.

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.

APPENDIX I

**Management Response
Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	MONUSCO should implement a robust training programme for new contingent fuel personnel to ensure that they are timely and properly trained on fuel operations.	Important	Yes	Fuel Unit/Life Support Services	30 June 2017	MONUSCO has implemented a robust training programme for all new contingent fuel personnel to ensure that they are timely and properly trained on Electronic Fuel Management System fuel operations. To ensure that there are no gaps in the training, the Director of Mission Support will send an interoffice memorandum to the Force Commander requesting that the Mission's Fuel Unit be notified of upcoming troop rotations and to ensure that incoming military personnel are provided with appropriate training and a seamless handover of Electronic Fuel Management System duties.
5	MONUSCO should implement a mechanism to ensure that the electronic Fuel Management System is promptly updated with fuel consumption reports from remote locations.	Important	Yes	Fuel Unit/Life Support Services	31 January 2017	MONUSCO is in the process of implementing a mechanism to ensure that the Electronic Fuel Management System (EFMS) is promptly updated with fuel consumption reports from remote locations. A Manual Transaction log sheet has been developed and provided to contingents at remote locations without internet connectivity for reporting fuel transactions at these locations to the Fuel Unit on a weekly basis to enable the Fuel Unit to manually update these transactions in the EFMS database. A Standard operating procedures (SOP) on fuel accounting is being developed which will incorporate these procedures.
6	MONUSCO should implement oversight and monitoring controls for fuel consumption reporting by military contingents.	Important	Yes	Fuel Unit/Life Support Services	31 January 2017	MONUSCO has developed guidelines and procedures to guide fuel consumption reporting by contingents. These guidelines and procedures are being enhanced with the development of a Standard Operating Procedures (SOP) on fuel accounting to incorporate these procedures.

Management Response
Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	MONUSCO should implement procedures to ensure: (a) all cost recovery memoranda are addressed to the RSCE using established communication channels; and (b) fuel-related receivables are periodically reconciled and followed up with RSCE to ensure prompt recovery of the cost of fuel issued to United Nations agencies and third parties.	Critical	Yes	Budget & Finance Section	31 December 2017	All cost recovery transactions are now being recorded and automated through the sales and distribution module in Umoja. MONUSCO has trained two staff as Local Process Experts on cost recovery in September 2016 and initiated its first workshop in October 2016 with relevant stakeholders. A formal training is expected to take place in November 2016. Subsequent to the Chief Budget and Finance workshop in Entebbe in October 2016, delineations of responsibility in processing cost recoveries between RSCE and the Mission have taken place. Reconciliation will be performed on a regular basis by RSCE with follow-up on collection for past due transactions at the Mission level. Transactions prior to July 2016 are being reconciled and submitted to RSCE for recovery action to take place.
8	MONUSCO should take effective actions to enforce the requirement for the contractors to convert fuel from ambient temperatures to 15 degrees Celsius as part of the invoicing process and retrospectively recover any overpayments.	Important	Yes	Fuel Unit/Life Support Services	31 December 2016	MONUSCO took effective action to enforce the requirement of the contractors to convert fuel quantities invoiced from ambient temperatures to 15 degrees Celsius as part of the invoicing process and retrospectively recover any overpayments. All volumes of fuel issued to MONUSCO by the contractor are now converted back to 15°C from observed temperatures, and indicated on the invoices and MONUSCO has recovered all overpayments made to the Contractor. As a control measure, the actual volume of the fuel issued and the observed temperature are also indicated in the "Comments/Remarks" space on the invoices.
9	MONUSCO should implement a mechanism that ensures faulty odometers and hour meters of fuel-consuming equipment are promptly identified and repaired.	Important	Yes	Fuel Unit/Life Support Services	31 December 2016	MONUSCO has implemented a mechanism that ensures faulty odometers and hour meters of fuel consuming equipment are promptly identified and repaired in a timely manner. Details of equipment with faulty odometers are provided to the

Management Response
Audit of fuel management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						equipment owners on regular basis to enable them to perform the required repairs on the faulty odometers and hour meters. Any equipment with repeated faulty odometers and hour meters are investigated and appropriate action is taken.
10	MONUSCO should take adequate steps to ensure that all dipsticks and flow meters of fuel infrastructure and dispensing equipment are regularly calibrated.	Important	Yes	Fuel Unit/Life Support Services	30 June 2017	MONUSCO has taken steps to ensure that all dipsticks and flow meters of fuel infrastructure and dispensing equipment are regularly calibrated. Dipsticks and flow meters at fuel contractor locations are currently being calibrated and expected to be completed by 31 December 2016. Further, a contract is being established for the calibration of flow meters at locations not supported by Fuel contractors.
11	MONUSCO should establish and implement a timetable for regular inspection of fuel storage and distribution points and take prompt corrective actions to address identified deficiencies.	Important	Yes	Fuel Unit/Life Support Services	31 March 2017	MONUSCO has established and implemented a timetable for regular inspection of fuel storage and distribution points and has taken prompt corrective action to address identified deficiencies. Full mobilization of the contractor is still ongoing and expected to be completed by the end of November 2016. Once completed, inspections will take place as per the schedule.
12	MONUSCO should up-date its fuel emergency response plan to include the Mission's nine in-housed fuel stations and all contractors operations, as well as develop and implement a timetable and follow-up mechanism to ensure that contractors provide their fuel emergency response plans for review by the Mission.	Important	Yes	Fuel Unit/Life Support Services	31 March 2017	MONUSCO up-dated its fuel emergency response plan to include the Mission's nine in-house fuel stations and all contractor operational locations. In addition, the Mission developed and implemented a timetable and follow-up mechanism to ensure that contractors provide their fuel emergency response plans for review by the Mission in a timely manner.