



INTERNAL AUDIT DIVISION

REPORT 2016/143

Audit of rations management in the
United Nations Interim Force in
Lebanon

The Mission needed to develop and
implement procedures to strengthen
controls over delivery of rations to
contingents' locations and monitoring
of their stock balances

5 December 2016
Assignment No. AP2016/672/03

Audit of rations management in the United Nations Interim Force in Lebanon

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over rations management in the United Nations Interim Force in Lebanon (UNIFIL). The audit covered the period from 1 July 2014 to 30 June 2016 and reviewed: importation and storage of rations; delivery, receipt and monitoring of rations at contingents' locations; consumption and reporting of combat rations packs; and contractor performance management and payments.

UNIFIL implemented adequate controls to ensure that rations imported by the contractor were only for the use of the Mission, that the contractor maintained adequate stock levels to meet Mission demands and distributed rations to contingents timely. However, the Mission needed to develop and implement procedures to strengthen controls over delivery of rations to contingents' locations and monitoring of their stock balances.

The Office of Internal Oversight Services made four recommendations. To address issues identified in the audit, UNIFIL needed to:

- Strengthen controls over delivery and receipt of rations at contingents' locations;
- Fill vacancies in the Rations Unit and strengthen monitoring of rations at contingents' locations;
- Amend standard operating procedures on recording consumption of combat ration packs; and
- Expedite developing the basis of assessing the contractor's quality control plan for handling food operations.

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Audit of rations management in the United Nations Interim Force in Lebanon

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of rations management in the United Nations Interim Force in Lebanon (UNIFIL).
2. General Assembly resolution 65/289 requires missions to provide rations to their military contingents. Accordingly, United Nations Headquarters entered into two turnkey contracts for: (i) rations and bottled water; and (ii) combat rations packs (CRPs) with not-to-exceed amounts of \$59.6 million and \$92 million, respectively. CRPs are covered under a systems contract, and the supplier for rations and bottled water is responsible for storing and distributing CRPs once they are delivered to the Mission.
3. As at 31 March 2016, UNIFIL supplied rations to an average of 9,000 military personnel per cycle at 21 delivery points. Table 1 outlines the approved budgets and expenditure for rations.

Table 1: Approved rations budgets and expenditure (including commitments) (in \$'000)

Description	Financial year 2014/15		Financial year 2015/16	
	Approved budget	Expenditure	Approved budget	Expenditure (as at 31/3/2016)
Rations	20,800	15,820	19,640	18,150

4. Management of rations is governed by the United Nations Rations Standards and various UNIFIL standard operating procedures (SOPs) on rations management. The Rations Unit under the Supply and Property Management Section is responsible for the management of rations and related contracts. The Unit is headed by an international staff at the P-4 level, who is assisted by four international and seven national staff and two military staff officers, with total annual staffing cost of \$1.45 million.
5. Comments provided by UNIFIL are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the management of rations in UNIFIL.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the risk that potential weaknesses in the management of rations could lead to misuse and adversely affect the operation and reputation of the organization as well as lead to financial loss.
8. OIOS conducted this audit from April to June 2016. The audit covered the period from 1 July 2014 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of rations in UNIFIL, which included: importation and storage of rations, delivery, receipt and monitoring of rations at contingents' locations; consumption and reporting of CRPs; and contractor performance management and payments.
9. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, (d) testing of randomly selected transactions on import shipments, deliveries, stock balances, issue vouchers and invoice payments.

III. OVERALL CONCLUSION

10. UNIFIL implemented controls to ensure that: (i) rations imported by the contractor were only for use by the Mission and were properly stored; (ii) the contractor maintained adequate stock levels to meet Mission demands and distributed rations to contingents timely; and (iii) the contractor's performance was adequately managed and payments were made in a timely manner. However the Mission needed to fill vacancies in the Rations Unit and develop and implement procedures to: (i) reduce risk of collusion in delivery of rations at contingents' locations and monitor their rations stock balances; (ii) improve controls over recording and reporting consumption of CRPs; and (iii) expedite developing the basis of assessing the contractor's quality control plan for handling food operations.

IV. AUDIT RESULTS

A. Importation and storage of rations

The contractor only imported items required by the Mission and stored rations in accordance with required procedures

11. The rations contract requires the contractor to provide the Mission with shipping documents including the packing list of imports at least 21 calendar days prior to the arrival of goods at the ports of entry. UNIFIL SOPs require Rations Unit staff to be present when the contractor receives the shipment at their stores to ensure that shipment remained sealed, quantity and description of rations delivered agreed with the packing list, and the seal numbers on the containers agreed with those in the bill of lading. The SOPs also specified conditions for storing rations and the documentation to be provided.

12. OIOS review of records for 91 out of 395 incoming shipments during the audit period, against packing lists of the rations contractor, bills of lading of shipping companies, clearance records of local authorities and the Mission's inspection reports showed that quantity and description of rations on these documents were in agreement. An OIOS physical observation of two incoming shipments on 24 June 2016 showed that the Mission received shipping documents in advance as required, and Rations Unit staff was present to inspect the items and conduct the necessary checks in accordance with established procedures. A reconciliation of imports with deliveries to contingents of three frequently ordered items during a six month period from March to August 2016 showed only minor variances, which the Rations Unit explained were mostly due to packing adjustments. OIOS concluded that controls to ensure the contractor imported only items required by the Mission were satisfactory.

13. A review of the contractor's records showed that the contractor had provided the Mission with the required documentations and established appropriate measures at the warehouse. OIOS concluded that controls over the importation and storage of rations were working as intended.

B. Delivery and receipt of rations at contingents' locations

Controls over calculation of rations entitlement, maintenance of food reserves and timeliness of delivery were adequate

14. The Department of Field Support (DFS) Rations Scale stipulates rations entitlements for military contingents based on the established rates of the lower of 4,500 calories intake or the ceiling man-day rate of \$4.45 per person per day. These entitlements should take into account the requirement to consume CRPs for at least one day in a 28-day cycle. The UNIFIL Support Plan also establishes the need to maintain 28 days' supply of rations for contingency purposes. Accordingly, the contractor is required to

maintain the stipulated rations reserve stocks and provide evidence of compliance to the Mission. The contractor is also required to deliver rations as per agreed schedules.

15. A review of food orders by military contingents at 2 out of 21 locations over two cycles (56 days) showed that orders were in accordance with entitlements and the contractor made deliveries within stipulated timelines. In addition, OIOS count of 24 out of 361 items in the warehouse indicated that the contractor maintained reserve stocks as required by the Mission. OIOS concluded that controls were adequate to ensure timely distribution of rations in accordance with stipulated entitlements and maintenance of the required food reserves.

Need to strengthen controls over receipt of rations at contingent's locations

16. UNIFIL SOPs on management of rations state that upon receipt of food orders from military contingents, the contractor is required to pack and deliver the requested food items. UNIFIL staff should be present at the contractor's warehouse during packing, loading of food items and sealing of delivery vehicles with tamper-proof numeric sequential seals. The contractor should indicate the seal numbers on the delivery notes. Contingent food officers are required to sign for items received at their locations and report any discrepancies to the Receiving and Inspection Unit.

17. OIOS observation of two consignments due for delivery showed that established procedures for packing, loading of food items, sealing of delivery vehicles and receiving of rations by contingent food officers were fully complied with.

18. However, due to media reports in May 2016 alleging that United Nations contingent food officers at five locations colluded with the contractor's drivers to retain rations in vehicles and later sell them on the local market, as well as previous reports and photographs of United Nations rations found at local markets, OIOS considered potential control vulnerabilities that could have allowed such a situation to occur.

19. OIOS determined that although there were established procedures for delivery and receipt of rations, there remained a risk of collusion between the parties involved in the process. In OIOS view, the risk could be mitigated by establishing a receiving committee of more than one person present when rations are delivered at contingents' locations. At one of the three locations visited by OIOS for example, rations were received by a receiving committee comprising the food officer, a logistics officer and a military policeman. Also, there was a need for contingent commanders to communicate to staff their responsibilities, as well as disciplinary measures related to misappropriation of rations.

(1) UNIFIL should implement measures to strengthen controls over delivery and receipt of rations at contingents' locations. This should include: (i) calling for constitution of receiving committees at contingents' locations to receive rations and confirm that seals on delivery vehicles are in place and correct quantities of rations are delivered; and (ii) requesting contingent commanders to communicate to staff their responsibilities, as well as disciplinary measures related to misappropriation of rations.

UNIFIL accepted recommendation 1 and stated that it developed and issued a guidance document to contingents to improve delivery, receipt and monitoring of rations. The Rations Unit is coordinating with contingents to create receiving committees. Also, the Head of Mission emphasized the importance of accountability and disciplinary measures in the management of rations at a conference with contingent commanders on 29 September 2016. Recommendation 1 remains open pending receipt of evidence that the Mission is ensuring contingents' compliance with its guidance on

delivery, receipt and monitoring of rations, including receipt of rations by duly constituted receiving committees.

C. Monitoring of rations at contingents' locations

Controls over monitoring of rations at contingents' locations needed improvement

20. UNIFIL SOPs require contingent food officers to conduct a 100 per cent inventory count of rations at their locations and provide weekly inventory reports to the Rations Unit. Based on the inventory reports, the Rations Unit is required to analyze and identify excess or shortage of rations and take necessary actions such as recalling excess items, or seeking clarification in case of shortages. The Rations Unit is also required to conduct random and scheduled inventory counts to verify the accuracy of submitted inventory reports. The Joint Logistics and Operations Center (JLOC) should also conduct a 100 per cent count of rations during its strategic reserve inspections.

21. OIOS physical verification of rations stocks conducted in 3 out of 21 locations showed that the rations inventory reports were inaccurate. For example, at one location, a sample count of 6 out of 58 items showed that the quantities for 5 items did not agree with inventory records. In another location, the contingent submitted stock reports monthly instead of weekly; however the Rations Unit did not note this.

22. The above occurred because the Rations Unit conducted scheduled and random inventory counts only for CRPs and bottled water; they did not verify whether all contingents complied with other reporting requirements and did not analyze inventory reports as required. The Rations Unit attributed this oversight to high vacancies in the Unit. Four posts were vacant as at 30 March 2016 including the post of Chief Rations Officer, which has been vacant for two years. Also, during the audit period, JLOC staff did not conduct any inventory counts of rations because they were not aware of this responsibility. Lack of compliance with procedures increases the risk of loss of rations not being detected and excess rations held by contingent not being recalled, or taken into account in future food orders.

23. Additionally, the risk of having excess food increases when contingents directly import food from their home countries. OIOS review of Mission records showed that six contingents regularly imported food at their own cost with administrative assistance from the Mission. A review of records on imported food by two contingents during the audit period indicated that both contingents imported a large quantity of food items. For example, contingent A imported 700 tons of food items, while contingent B imported 1,000 tons. This represented 78 per cent and 146 per cent respectively of the rations provided by the Mission, and included some of the same items that the Mission supplied to the contingents such as sugar, rice, milk and cooking oil. This created an opportunity and rationalization to dispose of excess items inappropriately.

24. OIOS is of the view that establishment of conditions by UNIFIL on the types of food items contingents can import and obtaining and reviewing reports on their consumption would address this risk. UNIFIL requested guidance from DFS in this regard; therefore, OIOS did not make a recommendation on this issue.

(2) UNIFIL should: (i) take action to fill vacancies in the Rations Unit; and (ii) develop and implement measures to strengthen monitoring of rations at contingents' locations including (a) conducting scheduled and random inventory counts; and (b) following up receipt of weekly rations stock reports and taking necessary action on excess items indicated therein.

UNIFIL accepted recommendation 2 and stated that it was in the process of recruiting staff for the Rations Unit. It had established a roster of military and civilian staff who would conduct random and scheduled inventory counts at contingent locations on a regular basis. Weekly stock balances were being monitored and surplus items recovered for redistribution. Recommendation 2 remains open pending notification that vacancies in the Rations Unit have been filled and receipt of evidence of random and scheduled inventory counts at contingents' locations and of monitoring of weekly rations stock reports.

D. Consumption and reporting of combat ration packs

Controls over consumption and reporting of CRPs needed improvement

25. UNIFIL SOPs require contingents to consume CRPs issued to them prior to expiry. On issuance of CRPs, the Mission provides contingents with an authorization letter and issue voucher detailing the quantity, type and expiry date of the packs. Contingent food officers are responsible to ensure CRPs are consumed during the designated 28-day cycle and submit consumption certificates to the Rations Unit. The Rations Unit is required to determine the reasons for any discrepancies in the certificates or for damaged or expired CRPs and adjust stock records in Galileo accordingly.

26. OIOS interviews with food officers of two contingents showed that even though consumption certificates indicated full consumption of CRPs, military personnel did not always consume all the packs issued to them. Unconsumed CRPs were left to expire, and a security investigation report in April 2015 showed that expired CRPs were given away as dog food. Due to absence of reliable records kept by contingents, OIOS could not quantify the number of CRPs not consumed by them during the audit period. However, considering CRPs are issued to individual military personnel, the possibility of a large quantity of CRPs being diverted for unauthorized purposes was assessed as low.

27. Also, a review of 60 out of 413 issue vouchers for 24,500 CRP packs between 1 July 2015 and 31 May 2016 indicated the following: (a) 37 issue vouchers were created and approved by the same person, thus weakening segregation of duties; and (b) 21 issue vouchers inaccurately indicated the Rations Unit as the receiving unit instead of the contingents. The Unit incorrectly used eight of these issue vouchers to correct duplications in Galileo, instead of using inventory cycle vouchers.

28. The above occurred because of: the low priority given to monitoring CRPs once they are issued to contingents; incorrect instruction in the SOPs to generate issue vouchers when contingents are authorized to consume CRPs, instead of when consumption is confirmed; and inadequate supervision by the Rations Unit on recording and reporting of CRP inventory as well as on segregation of duties. The relatively short shelf life of CRPs (18 months), which necessitated frequent issuances of those nearing expiration to contingents to consume, also contributed to the condition noted during the audit. For example, CRPs due to expire were issued 23 times during the financial years 2014/15 and 2015/16 at a cost of \$3.2 million. The Logistics Support Division of DFS informed OIOS that future contracts would require CRPs with a shelf life of 30 months; OIOS thus did not make a recommendation on procuring CRPs with a longer shelf life. Also, as a result of the audit, the Mission put measures in place to ensure proper supervision and segregation of duties in the management of CRPs.

(3) UNIFIL should amend the standard operating procedures on management of combat ration packs to ensure they are only recorded as issued after confirmation of their consumption.

UNIFIL accepted recommendation 3 and stated that it had implemented a new system whereby

issue vouchers were only generated after consumption reports were received from contingents. UNIFIL would issue an addendum to the current SOP accordingly. Recommendation 3 remains open pending receipt of the amended standard operating procedures on management of CRPs.

E. Contractor performance and payments

Contractor performance management and payments were generally in accordance with procedures

29. The rations contract stipulated requirements regarding the supply of items ordered and application of penalties for underperformance, performance monitoring, invoicing and granting of discounts, and disposal of spoiled or rejected food rations. It also requires the contractor to maintain a quality control plan for food handling operations including procurement, storage and distribution, for the Mission to assess the effectiveness.

30. A review of four minutes of performance meetings showed that the Mission held performance meetings monthly, reviewed performance matters and followed up with necessary action points. UNIFIL imposed penalties totaling \$95,000, during nine delivery cycles between July 2015 to May 2016, for performance below required levels, and liquidated damages totaling \$483,000 for late achievement of milestones. A review of payments of 75 invoices totaling \$15.7 million indicated that all were accurately processed and the Mission earned prompt payment discounts totaling about \$20,000. The Mission due to an oversight did not detect that the contractor did not issue credit notes for the overpayment totaling \$16,000. Since this was an isolated incidence, OIOS did not make a recommendation on this issue. The contractor also generally complied with the required procedures on disposal of spoiled or rejected food rations.

31. However, the Rations Unit did not carry out the required assessment of the contractor's quality control plan, which was due in December 2014. This was because although the Rations Unit had proposed the processes and methodology to assess the contractor's performance in this area, the contractor had not agreed with them. Absence of assessment of the contractor's quality control plan could result in the Mission failing to detect shortcomings in the contractor's operations that could affect food supply.

(4) UNIFIL should take appropriate action to expedite the basis of assessing the contractor's quality control plan for handling food operations.

UNIFIL accepted recommendation 4 and stated that it had received the amended quality control plan and was reviewing the methodology for evaluating the contractor. Recommendation 4 remains open pending confirmation that the Mission has agreed the methodology for assessing the contractor's quality control plan.

V. ACKNOWLEDGEMENT

32. OIOS wishes to express its appreciation to the management and staff of UNIFIL 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 rations management in United Nations Interim Force In Lebanon

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNIFIL should develop and implement measures to strengthen controls over delivery and receipt of rations at contingents' locations. This should include: (i) calling for constitution of receiving committees at contingents' locations to receive rations and confirm that seals on delivery vehicles are in place and correct quantities of rations are delivered; and (ii) requesting contingent commanders to communicate to staff their responsibilities, as well as disciplinary measures related to misappropriation of rations.	Important	O	Submission of evidence that the Mission is ensuring contingents' compliance with its guidance on delivery, receipt and monitoring of rations, including receipt of rations by duly constituted receiving committees.	31 January 2017
2	UNIFIL should: (i) take action to fill vacancies in the Rations Unit; and (ii) develop and implement measures to strengthen monitoring of rations at contingents' locations including (a) conducting scheduled and random inventory counts of rations at contingents' locations; and (b) following up receipt of weekly rations stock reports and taking necessary action on excess items indicated therein.	Important	O	Notification that vacancies in the Rations Unit have been filled and submission of evidence of random and scheduled inventory counts at contingents' locations and monitoring of weekly rations stock reports.	31 January 2017
3	UNIFIL should amend the standard operating procedures on management of combat ration packs to ensure they are only recorded as issued after confirmation of their consumption.	Important	O	Submission of the amended standard operating procedures.	31 January 2017
4	UNIFIL should take appropriate action to expedite the basis of assessing the contractor's quality control plan for handling food operations.	Important	O	Confirmation that the Mission has agreed the methodology for assessing the contractor's quality control plan.	31 March 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 UNIFIL in response to recommendations.

APPENDIX I

Management Response

UNITED NATIONS
INTERIM FORCE IN LEBANON



NATIONS UNIES
FORCE INTERIMAIRE AU LIBAN

Office of the Director of Mission Support

CONFIDENTIAL

11 November 2016

To: Ms. Muriette Lawrence-Hume, Chief, New York Audit Service
Internal Audit Division, OIOS

From: Major General Michael Beary
Head of Mission and Force Commander, UNIFIL



Subject: **Draft report on an Audit of Rations in UNIFIL (Assignment No. AP2016/672/03)**

1. I refer to your memorandum on the above subject, reference No. IAD: 16-MO1001 dated 27 October 2016. Please find attached, UNIFIL's response to the recommendations contained in the subject Draft Report.

2. In following the usual procedure, copies of supporting documents will only be provided to MERAO based at UNIFIL HQ and will not be transmitted to you with this Mission's response.

Thank you and best regards.

Cc: Mr. Effendi Syukur, Chief Audit Response, Risk Management and BOI Unit, UNIFIL
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of rations in the United Nations Interim Force in Lebanon

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	UNIFIL should develop and implement measures to strengthen controls over delivery and receipt of rations at contingents' locations. This should include: (i) calling for constitution of receiving committees at contingents' locations to receive rations and confirm that seals on delivery vehicles are in place and correct quantities of rations are delivered; and (ii) requesting contingent commanders to communicate to staff their responsibilities, as well as disciplinary measures related to misappropriation of rations.	Important	YES	(i) Contingent Commanders (ii) Contingent Commanders	14 September 2016 29 September 2016	(i) UNIFIL has issued and submitted a guidance document to Contingents on how to improve delivery, receipt and advising areas that require close monitoring (Annex A). Additionally the Rations Unit is coordinating with the contingents to create receiving committees that will carry out regular inspections to ensure proper procedures are being followed. Implemented. (ii) UNIFIL HOM/FC has addressed this issue with the Contingents Commanders on 29 September 2016 during a conference and emphasized the importance of accountability requirements and disciplinary measures in cases of gross negligence or misconduct in the management of rations. Implemented.
2.	UNIFIL should: (i) take action to fill vacancies in the Rations Unit; and (ii) develop and implement measures to strengthen monitoring of rations at contingents' locations including (a) conducting scheduled and random inventory counts of rations at contingents'	Important	YES	(i) CSCMS & CHRMS	31 January 2017	(i) Following the selection and withdrawal of candidates for both positions, UNIFIL has now selected new candidates for both the FS-6 and P-4 positions. Recruitment is underway. Under Implementation

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.

