



## INTERNAL AUDIT DIVISION

### REPORT 2017/026

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Audit of outsourced services in the  
United Nations Organization  
Stabilization Mission in the Democratic  
Republic of the Congo

There was a need to better manage all  
contracts to ensure cost savings, and for  
payments to contractors to always be  
adequately supported

25 April 2017  
Assignment No. AP2016/620/06

# **Audit of outsourced services 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 outsourced services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The audit covered the period from January 2015 to September 2016 and included a review of business cases prepared for outsourcing services, statements of works and solicitation documents, and management of the related contracts.

MONUSCO had prepared a business case for each outsourced service and awarded related contracts only for non-core activities to acquire technical skills not readily available within the Organization, provide a source more effectively, efficiently or expeditiously, and those not needed on a long-term basis. However, payments to contractors were not always adequately supported and there was a need to use lessons learned from the pilot project on the daily operation and maintenance of generators in establishing similar contracts throughout the Mission.

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

- Review the pilot project on the maintenance and operation of generators in Kinshasa and use lessons learned in establishing similar contracts for all locations across the country;
- Review and identify all contracts requiring performance bonds and implement follow-up mechanisms to obtain performance bonds;
- Develop and implement an occupational health and safety plan and quality control programme for food handling and catering contractors; and
- Consistently enforce invoice vetting and payment procedures related to the rental of heavy-duty construction equipment and overhaul of generators.

MONUSCO accepted the recommendations, implemented one and has initiated the necessary action to implement the remaining three.

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# **Audit of outsourced services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of outsourced services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
2. General Assembly resolution 59/289 (2005) and ST/IC/2005/30 require MONUSCO to use outsourcing only for non-core activities, which according to the United Nations Global Market Place include activities such as accounting, archiving, medical, training, maintenance and cleaning, and not for core activities such as protection of civilians, child protection and human rights. The resolution requires the Mission to use outsourcing to: effectively, efficiently or expeditiously acquire technical skills not available within the Organization or not needed on a long-term basis; and achieve cost savings. The United Nations Procurement Manual requires the Mission to properly monitor and manage vendors' performance and obligations to ensure best value for money.
3. As of 30 August 2016, MONUSCO had 113 contracts for outsourced services with a not-to-exceed amount of \$137 million. These services included mainly: (a) the operation, maintenance and overhaul of generators; (b) security services; (c) airfield ground handling; (d) land transportation for contingents; (e) fiber optic internet services; (f) waste disposal; (g) medical; and (h) air navigation.
4. The MONUSCO Procurement Section is responsible for the local procurement of outsourced services and the Contracts Management Section, in collaboration with requisitioning sections (end users) of the services, is responsible for managing the respective contracts. The Procurement Section is headed by an officer at the P-5 level who reports to the Chief, Supply Chain Management, and has 37 approved posts. The Contracts Management Section is headed by an officer at the P-5 level who reports to the Deputy Director of Mission Support and has 28 approved posts.
5. Comments provided by MONUSCO 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 outsourced services in MONUSCO.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the financial and operational risks related to the outsourcing of services.
8. OIOS conducted this audit from September to November 2016. The audit covered the period from January 2015 to September 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks relating to outsourcing services such as business cases, statements of works and solicitation documents, and management of the related contracts. The audit did not review the entire procurement process but focused on the preparation of business cases and solicitation documents to justify the need for outsourcing. The audit was conducted in Goma, Bukavu and Kinshasa.
9. The audit methodology included: (a) interviews with staff of the Procurement, Engineering, Medical, Movement Control, Aviation, Finance and Contracts Management Sections; (b) review of

relevant documents such as contracts, purchase orders and invoices; (c) review of all 113 outsourced services contracts against the list of outsourceable services in the United Nations Standard Products and Services Code on the United Nations Global Marketplace; (d) detailed review of business cases, statements of works and solicitation documents for a judgmental sample of 26 contracts for outsourced services with a combined not-to-exceed amount of \$66 million; and (e) review of a random sample of 60 invoices.

### **III. OVERALL CONCLUSION**

10. MONUSCO had prepared a business case for each of its outsourced services and awarded related contracts only for non-core activities to acquire technical skills not readily available within the organization, provide a source more effectively, efficiently or expeditiously, and those not needed on a long-term basis. However, the Mission needed to: (a) use lessons learned from the pilot project on the daily operation and maintenance of generators in establishing similar contracts throughout the Mission; (b) obtain the required performance bonds; (c) develop and implement an occupational health and safety plan and quality control programme for food handling and catering services; and (d) consistently enforce invoice vetting and payment procedures related to the rental of heavy-duty construction equipment and maintenance and overhaul of generators.

### **IV. AUDIT RESULTS**

#### **A. Preparation of business cases, statements of works and solicitation documents of non-core activities**

Outsourcing was used only for non-core activities, but there was a need to use lessons learned from the pilot project on the operation and maintenance of generators

11. General Assembly resolution 59/289 and ST/IC/2005/30 require MONUSCO to use outsourcing only for non-core activities, which according to the United Nations Global Market Place include services/activities such as medical, training, accounting, archiving, maintenance and cleaning, and not for core activities such as protection of civilians, child protection and human rights. It also requires the Mission to outsource services only to: (a) acquire technical skills not readily available within the organization; (b) achieve cost savings; (c) provide a source more effectively, efficiently or expeditiously; and (d) provide a service not needed on a long-term basis. As part of the procurement process, MONUSCO is required to prepare a business case to justify the need for outsourcing.

12. The audit results indicated that the Mission had prepared a business case for all the 113 contracts and awarded: 36 contracts to acquire technical skills not available within the organization; 30 contracts to achieve cost savings; 43 contracts to provide a source more effectively, efficiently or expeditiously; and 4 contracts to provide a service not needed on a long-term basis. The activities included: fiber optic, web hosting, calibration, medical, air navigation and aircraft tracking services to acquire technical skills not readily available within the organization; unarmed security services, waste disposal services to achieve cost savings; freight forwarding and customs clearing, janitorial and ground maintenance, and cargo and passenger handling services to provide a more effective, efficient or expeditious source; and rental of equipment and aircraft, technical inspection and transportation of contingents from Rwanda to provide services not needed on a long-term basis. OIOS concluded that MONUSCO was only outsourcing those services that met the established criteria.

13. However, as part of the procurement and award of the pilot project for the daily operation and maintenance of generators in Kinshasa with a not-to-exceed amount of \$0.9 million, the Mission did not

clearly delineate the roles and responsibilities of the staff retained by MONUSCO and the personnel provided by the contractor following the award of the contract. As a result, MONUSCO staff continued to perform the daily maintenance aspect of the contract instead of the contractor's personnel as required by the contract. The contract ended in November 2016 and the Mission in December 2016 initiated a procurement action for the operation and maintenance of its generators throughout the country.

**(1) MONUSCO should review the pilot project on the operation and maintenance of generators in Kinshasa and use lessons learned in establishing similar contracts for the operation and maintenance of its generators throughout the country.**

*MONUSCO accepted recommendation 1 and stated that the statement of works being prepared in collaboration with the Engineering Standard Design Centre (Brindisi) includes the lessons learned and delineates the roles and responsibilities of the contractor's and the national staff that will be retained in a supervisory capacity and to perform other tasks such as processing transactions in Galileo, refueling and visits to team sites. Recommendation 1 remains open pending receipt of evidence that the Mission has clearly delineated the roles and responsibilities of the MONUSCO national staff and the contractor provided personnel following contract award.*

## **B. Management of outsourced services contracts**

### The performance of outsourced services contractors were regularly monitored and evaluated

14. The Procurement Manual requires MONUSCO to: (a) carry out ongoing monitoring and management of vendors' performance, through regular performance evaluations and review meetings with them and to take appropriate remedial action when a contractor fails to provide contracted services with regard to quality, delivery, timeliness and all other relevant conditions and performance indicators; and (b) prepare a performance evaluation for each vendor based on service delivery reports prepared by end-users of services provided by the vendor.

15. A review of 26 outsourced services contracts showed that 20 required monthly or quarterly performance evaluations and 6 did not require regular performance evaluations due to their nature as they related to services such as rental of space, equipment, vehicles and courier services. Review of the performance evaluations, service delivery reports and notes of performance review meetings indicated that MONUSCO regularly conducted the required monthly/quarterly performance reviews for all 20 contracts that required such reviews. The performances of all 20 contractors were rated as satisfactory or better throughout the audit period.

16. However, during the performance review meetings, the Mission did not evaluate the daily maintenance aspect that was to be performed by the above-mentioned contractor for the pilot project on the operation and maintenance of generators in Kinshasa. Nonetheless, as the contract ended in November 2016 and the Mission initiated a procurement action in December 2016 for the operation and maintenance of its generators throughout the country, OIOS did not make a recommendation.

### Need to promptly obtain required performance bonds

17. The Procurement Manual requires MONUSCO to establish security instruments after careful assessment of the facts and circumstances of a vendor's ability to comply with its obligations and include in relevant contracts the requirement for vendors to provide performance bonds, when deemed necessary. The Field Financial Procedures requires the MONUSCO Finance Section to safely store performance bonds until the expiry of the contract.

18. A review of the performance bonds maintained by the Finance Section indicated that whereas the Mission had required performance bonds for 12 of the 26 sampled contracts, it obtained performance bonds for only 3 of them. This occurred because MONUSCO had not implemented adequate follow-up steps to obtain the required bonds. As a result, there was a risk of financial loss should a vendor fail to deliver the required services.

**(2) MONUSCO should review and identify all contracts requiring performance bonds and implement adequate and effective follow-up mechanisms to obtain performance bonds, obtain these bonds, and ensure they are current for the duration of the relevant contracts.**

*MONUSCO accepted recommendation 2 and stated that it will review all contracts that require performance bonds, follow up to obtain outstanding bonds, and ensure that all bonds are current for the duration of the contract. Recommendation 2 remains open pending receipt of evidence that MONUSCO has implemented effective follow-up mechanisms to obtain required performance bonds and that these bonds cover the duration of the respective contracts.*

#### Need for occupational health and safety plan and quality programme

19. The contracts for outsourced catering services require MONUSCO to assist contractors to develop and implement quality control programmes for food handling facilities based on the Food and Agriculture Organization and World Health Organization Hazard Analysis and Critical Control Point. In its budget performance report for 2015/16, MONUSCO planned to implement an occupational health and safety programme throughout the Mission.

20. Interviews with the Goma Welfare Club Committee members and staff of the Contracts Management Section and Occupational Health and Safety Unit, and review of all 12 Occupational Health and Safety Unit inspection reports for the audit period indicated that the: (a) catering services contractor at the three locations in Goma did not prepare a quality control programme; and (b) Occupational Health and Safety Unit did not develop and implement an adequate plan that includes regular inspection of all food handling facilities. As a result, there was no assurance that the Mission implemented adequate and effective activities to ensure good quality of food handling facilities. For example, only one inspection was conducted for the Post Exchange facilities, and each of the cafeterias in Goma, Kinshasa, Bukavu and Uvira from October 2015, when the Occupational Health and Safety Unit commenced operations, to September 2016.

21. The above resulted because MONUSCO had not taken action to effectively plan for occupational health and safety inspections of food handling facilities.

**(3) MONUSCO should take effective steps to develop and implement an occupational health and safety plan and quality control programme for food handling and catering contractors.**

*MONUSCO accepted recommendation 3 and stated that (a) the contractor has developed the Quality Control Plan; and (b) the Mission has developed a schedule for regular inspections of all catering facilities for the upcoming year, and random checks would also be undertaken as appropriate. Recommendation 3 remains open pending receipt of evidence and verification that MONUSCO has implemented its regular inspection schedule for all catering facilities.*

Need for adequate vetting of invoices

22. The United Nations Financial Regulations and Rules require self-accounting units to confirm receipt of services before the Finance Section pays the related invoices. The MONUSCO standard operating procedures on the management of United Nations-owned generators and the guidelines for the Galileo system requires the Mission to itemize in Galileo the cost of spare parts and labour in the relevant work orders.

23. A review of 60 invoices relating to the 26 sampled contracts indicated that contractors had invoiced the Mission in accordance with the contracts' terms and conditions and the Mission properly certified the receipt of services and made related payments for 45 invoices. However, there was inadequate evidence for the receipt of services related to the other 15 invoices as the Mission was unable to provide:

- Evidence of verification and certification of the number of hours the contractors operated their heavy-duty construction equipment to support the payment of seven invoices totaling \$453,000; and
- Unit prices of the spare parts and labour for eight invoices relating to generator maintenance and overhaul in eastern Democratic Republic of the Congo and Kinshasa totaling \$92,000. The Mission also did not itemize in Galileo the cost of spare parts and labour in its work orders. Instead, the Mission had only recorded the vendor's total invoice amounts.

24. This resulted because the Engineering and Finance Sections did not take action to consistently enforce invoice vetting and payment procedures. As a result, there was a risk of financial loss arising from fraud or errors in vendors' invoices.

**(4) MONUSCO should take action to consistently enforce invoice vetting and payment procedures related to the rental of heavy-duty construction equipment and maintenance and overhaul of generators in eastern Democratic Republic of the Congo and Kinshasa.**

*MONUSCO accepted recommendation 4 and stated that it has enhanced its mechanisms to consistently enforce invoice vetting of supporting documents such as daily use statements and itemized lists of spare parts and other charges, particularly those related to heavy-duty construction equipment and the maintenance and overhaul of generators in eastern Democratic Republic of Congo. Based on action taken by MONUSCO, recommendation 4 has been closed.*

## V. ACKNOWLEDGEMENT

25. 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 outsourced services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. 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	MONUSCO should review the pilot project on the operation and maintenance of generators in Kinshasa and use lessons learned in establishing similar contracts for the operation and maintenance of its generators throughout the country.	Important	O	Receipt of evidence that the Mission has clearly delineated the roles and responsibilities of the MONUSCO national staff and the contractor provided personnel following contract award.	30 November 2017
2	MONUSCO should review and identify all contracts requiring performance bonds and implement adequate and effective follow-up mechanisms to obtain performance bonds, obtain these bonds, and ensure they are current for the duration of the relevant contracts.	Important	O	Receipt of evidence that MONUSCO has implemented effective follow-up mechanisms to obtain required performance bonds and obtained bonds that cover the duration of the respective contracts.	30 June 2017
3	MONUSCO should take effective steps to develop and implement an occupational health and safety plan and quality control programme for food handling and catering contractors.	Important	O	Receipt of evidence and verification that MONUSCO has implemented its regular inspection schedule for all catering facilities.	30 June 2017
4	MONUSCO should take action to consistently enforce invoice vetting and payment procedures related to the rental of heavy-duty construction equipment and maintenance and overhaul of generators in eastern Democratic Republic of the Congo and Kinshasa.	Important	C	Action taken.	Implemented

<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 MONUSCO in response to recommendations.

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of outsourced services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should review the pilot project on the operation and maintenance of generators in Kinshasa and use lessons learnt in establishing similar contracts for the operation and maintenance of its generators throughout the country.	Important	Yes	Engineering Section	30 November 2017	MONUSCO and the Engineering Standard Design Centre (ESDC) in Brindisi are working on the final version of the scope of work (SOW) for the new mission wide contract based on lessons learnt from the current contract. The new contract will come into effect as soon as the bidding exercise is completed. The SOW now clearly delineates the roles of the national staff and the Contractor's technicians to avoid a duplication of work. The national staff identified by the Auditors as having duplicated roles will be retained in a supervisory capacity and to perform tasks that the contractors are not authorized to perform such as Galileo updates, creating work orders, receiving fuel and refuelling of generators, travelling to team sites and antenna offices for routine maintenance and troubleshooting etc.
2	MONUSCO should review and identify all contracts requiring performance bonds and implement adequate and effective follow-	Important	Yes	Procurement Section	30 June 2017	MONUSCO is implementing monitoring and control mechanisms to ensure that the required

<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 <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	up mechanisms to obtain performance bonds, obtain these bonds, and ensure they are current for the duration of the relevant contracts.					performance bonds are obtained and cover the duration of each relevant contract.
3	MONUSCO should take effective steps to ensure development and implementation of an occupational health and safety plan and quality control program.	Important	Yes	CMS, Medical Section Occupational Health and Safety Officer (OHSO)	30 June 2017	The OHSO conducts random checks and provides recommendations on the findings of each inspection. The OHSO has also established an inspection plan for the up-coming year for all cafeterias in the mission area which forms the basis of the Occupational Health and Safety Plan. The Contractor has established a Quality Control Plan as per the Contract's requirements. Random and frequent inspections of the three cafeterias under the contract are conducted to verify the Contractor's compliance to their Quality Control plan and of the cleanliness standards. The inspection's findings and recommendations are discussed with the Contractor during the monthly Performance review meeting to ensure full compliance.
4	MONUSCO should take action to consistently enforce invoice vetting and payment procedures related to the rental of heavy-duty construction equipment and maintenance and overhaul of generators in eastern Democratic Republic of the Congo and Kinshasa.	Important	Yes	Engineering Section	30 June 2017	MONUSCO is ensuring that invoices are properly vetted prior to payment. The invoices for the rental of heavy duty equipment are submitted along with Daily Use Statements and are duly signed by designated staff members and the vendor. A summary sheet is prepared to work out the quantity of use and payment. With the implementation of COSMOS all certified invoices are verified and then uploaded into the system prior to

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>payment. Any invoices without proper certification are returned to the respective Self Accounting Unit for certification. MONUSCO is also ensuring that itemized price lists with a breakdown of services are included on the generator maintenance work orders prior to being uploaded into UMOJA for each service.</p>