



INTERNAL AUDIT DIVISION

REPORT 2017/066

Audit of local procurement in the
United Nations Support Office in
Somalia

Mechanisms to monitor local procurement
activities need to be improved to ensure
compliance with established procurement
guidelines

6 July 2017

Assignment No. AP2016/638/06

Audit of local procurement in the United Nations Support Office in Somalia

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over local procurement activities in the United Nations Support Office in Somalia (UNSOS). The audit covered the period from 1 January 2015 to 30 June 2016 and included: governance; acquisition planning; requisitioning; solicitation and source selection; bidding process and evaluation; activities of the Local Committee on Contracts (LCC); contract award; and maintenance of procurement information.

UNSOS established adequate mechanisms to ensure that contracts with vendors contained all required elements. The LCC was appropriately established and functioned in compliance with United Nations procurement guidelines. However, UNSOS was not monitoring local procurement activities to ensure: compliance with its delegated procurement authority and financial disclosure requirements; efficient acquisition and source selection planning processes; increased competition in its vendor solicitation process; and that procurement records were adequately and properly managed.

OIOS made nine recommendations. To address issues identified in the audit, UNSOS needed to:

- Monitor implementation of its delegated procurement authority to ensure compliance;
- Obtain ex-post facto review for all procurement actions that exceeded its delegated procurement authority;
- Monitor compliance with financial disclosure requirements for procurement staff;
- Train requisitioners on the preparation of acquisition plans;
- Timely review, track and approve source selection plans for procurement activities;
- Implement effective supervision and review mechanisms to ensure compliance with the requirements on the use of formal and informal solicitation methods;
- Ensure adequate supervision and monitoring of the procedures in place to adequately safeguard the authenticity and confidentiality of submissions to informal methods;
- Implement procedures to enhance diversity and independence of evaluation teams; and
- Ensure consistent maintenance of procurement case files.

UNSOS accepted the recommendations, implemented five recommendations and initiated action to implement the remaining ones.

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Audit of local procurement in the United Nations Support Office in Somalia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement in the United Nations Support Office in Somalia (UNSOS).
2. The UNSOS Procurement Section is responsible for procuring goods, services and other requirements for the United Nations Assistance Mission in Somalia (UNSOM), the African Union Mission in Somalia (AMISOM) and UNSOS. Self-accounting units are responsible for identifying their respective needs and developing specifications and terms of reference. Goods and services locally procured for the operations of UNSOS, UNSOM and AMISOM included air passenger and cargo movement services, medical evacuation services, communications and technology assets and services, and general supplies.
3. The Procurement Section is headed by a staff at the P-5 level who reports to the UNSOS Director through the Chief of Supply Chain Management Services. As of July 2016, the Section had 26 approved posts made up of 16 international staff, 4 national professional officers and 6 national general service staff.
4. From 1 January 2015 to 30 June 2016, UNSOS conducted 717 procurement actions totaling \$88.4 million by establishing 36 contracts valued at \$33.5 million and issuing 681 stand-alone purchase orders valued at \$54.9 million. The United Nations Financial Regulations and Rules and the Procurement Manual govern the procurement activities in UNSOS.
5. Comments provided by UNSOS 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 local procurement in UNSOS.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the operational and financial risks related to the local procurement of goods and services in UNSOS.
8. OIOS conducted this audit from September 2016 to March 2017. The audit covered the period from January 2015 to June 2016. Based on an activity-level risk assessment, the audit covered higher and medium-risk areas in local procurement activities, which included: governance; acquisition planning; requisitioning; solicitation and source selection; bidding process and evaluation; activities of the Local Committee on Contracts (LCC); contract award; and maintenance of procurement information.
9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data; and (d) review of case files related to 10 contracts valued at \$21.7 million and 41 purchase orders valued at \$11.6 million. The audit also reviewed the procurement process related to 81 low-value acquisitions (i.e., goods and services with values up to \$4,000).

III. OVERALL CONCLUSION

10. UNSOS established adequate mechanisms to ensure that contracts with vendors contained all required elements. The LCC was appropriately established and functioned in compliance with United Nations procurement guidelines. However, UNSOS needed to: (a) monitor implementation of its delegated procurement authority to ensure compliance; (b) monitor compliance with financial disclosure requirements for procurement staff; (c) improve the acquisition and source selection planning processes for efficient procurement activities; (d) improve the vendor solicitation process to enhance competition; (e) better manage receipt and evaluation of vendor submissions to protect fairness and transparency of the procurement process; and (f) ensure consistent maintenance of procurement case files.

IV. AUDIT RESULTS

A. Governance

Delegation of procurement authority needs to be complied with

11. The UNSOS Director has the delegated authority to procure goods and services of up to \$1 million for core requirements and \$0.5 million for non-core requirements. The Procurement Manual permits the UNSOS Director to sub delegate to staff on an individual basis the procurement authority for certain amounts as specified in the Manual, but does not allow such staff to further sub delegate the same authority to others. UNSOS is required to submit to the Headquarters Committee on Contracts (HCC) for review, procurement actions exceeding the thresholds for core and non-core requirements, which requires the Assistant Secretary-General, Office of Central Support Services' (ASG/OCSS) approval prior to entering into a contractual commitment. These procurement actions may include proposed awards to a single contractor in respect of a series of related requisitions for which the total estimated contracted amount exceeds prescribed thresholds. The Manual requires the Director to report to the Under-Secretary-General for Field Support (USG/DFS) and the Director of the Procurement Division within 30 days after procuring a core requirement exceeding \$500,000.

12. The UNSOS Director appropriately delegated procurement authority to staff on an individual basis and such staff did not further sub delegate the same authority to others. OIOS review of 51 procurement actions valued at \$33.3 million indicated that UNSOS complied with the Mission's delegated procurement authority for most procurement actions except as detailed below.

13. For two procurement actions, UNSOS exceeded its \$1 million authority for each of two purchase orders for camp management services totaling \$2.4 million and did not seek the approval of the ASG/OCSS because the use of these services were not adequately monitored. Additionally, UNSOS avoided the HCC review and ASG/OCSS approval process by repeatedly issuing individual purchase orders valued at \$1 million or less, but which in total exceeded the delegated threshold, to seven vendors to procure services that were required on a recurrent basis. The seven vendors were paid \$23 million or 26 per cent of the \$88.4 million paid to all vendors during the audit period. Examples of such procurement included: (a) accommodation services in Kismayo for \$4.6 million on 44 purchase orders; (b) accommodation services in Mogadishu for \$3.0 million on 20 purchase orders; and (c) camp management services in Mogadishu for \$10.7 million on 11 purchase orders. Further, UNSOS did not report to the USG/DFS and the Director of the Procurement Division after procuring core requirements exceeding \$500,000.

14. The above resulted because UNSOS: did not have a mechanism for monitoring compliance with its delegated authority; and did not conduct a realistic assessment of its requirements and related value

estimates to obtain the appropriate authorization from the ASG/OCSS for procurement actions exceeding its delegated threshold. As a result, the Organization might not have received best value for money.

- (1) UNSOS should establish mechanisms to: (a) monitor compliance with its delegated procurement authority; (b) assess and make realistic estimates of its core requirements and obtain appropriate approval for procurement actions; and (c) report to the Under-Secretary-General for Field Support and the Director of the Procurement Division within 30 days after procuring core requirements exceeding \$500,000.**

UNSOS accepted recommendation 1 and stated that it will ensure that mechanisms are included in the Supply Chain Management Work Flow Processes Manual which is under development and expected to be completed by mid-July 2017. Recommendation 1 remains open pending receipt of evidence of mechanisms in place to ensure compliance with delegated procurement authority and realistic assessment of core requirements.

- (2) UNSOS should obtain ex post facto review by the Headquarters Committee on Contracts and approval of the Assistant-Secretary-General, Office of Central Support Services for all procurement actions that exceeded its delegated procurement authority.**

UNSOS accepted recommendation 2 and stated that all procurement actions that exceeded its delegated procurement authority will be submitted to the HCC and ASG/OCSS for review by June 2018. OIOS is of the view that UNSOS should not delay its submissions to the HCC and ASG/OCSS until June 2018. Recommendation 2 remains open pending receipt of evidence that UNSOS has submitted all procurement actions that exceeded its delegated procurement authority to the HCC and the ASG/OCSS for review and approval respectively.

Organization and functions of the LCC complied with procurement policies

15. The Procurement Manual requires the Director to establish a LCC to review and provide advice to the Director on whether proposed procurement actions are in accordance with the United Nations procurement policies. Members of the LCC should not be end users or requisitioners. The Director is required to communicate the names of the Committee members to the USG/DFS.

16. The Director appropriately established the LCC with the required personnel and clear terms of reference, and communicated the names of Committee members to the USG/DFS. The LCC convened whenever presented with cases for review by the Chief Procurement Officer and made recommendations to the Director on proposed procurement actions. OIOS concluded that the organization and functions of the LCC complied with the United Nations procurement policies.

Financial disclosure requirements for procurement staff needed to be adhered to

17. The Secretary-General's bulletin on financial disclosure and declaration of interest statements (ST/SGB/2006/6) and the Procurement Manual require all procurement officers and staff members with principal duties to procure goods and services to annually file financial disclosure and declaration of interest statements with the Ethics Office.

18. Confirmation from the Ethics Office for calendar years 2015 and 2016 and discussion with staff in the Office of the UNSOS Director indicated that 3 of the 22 staff involved in procuring goods and services did not file the required annual financial disclosure and declaration of interest statements for at least one of the two years. Two of the three individuals were temporary staff that had since left UNSOS. Non-compliance with disclosure requirements diminishes the ability of UNSOS to remind staff of the

requirement to avoid conflict of interest when performing procurement activities and protect the integrity, fairness and transparency of the procurement process.

19. The above resulted because the UNSOS Director did not take effective steps to ensure that all procurement officers and staff members file financial disclosure and declaration of interest statements with the Ethics Office.

(3) UNSOS should take action to ensure that all procurement officers and staff members with principal duties to procure goods and services file their financial disclosure and declaration of interest statements with the Ethics Office.

UNSOS accepted recommendation 3 and stated that appropriate measures have been taken to ensure that all required staff file their annual financial disclosure statements with the Ethics Office. Based on OIOS review of communications between UNSOS and the Ethics Office on efforts to ensure compliance with disclosure requirements, recommendation 3 has been closed.

B. Acquisition planning

The acquisition planning process needs improvement

20. The Procurement Manual requires requisitioners to develop acquisition plans no later than six months before the intended receipt of goods, services or works. Requisitioners need to: (a) provide adequate lead time for the procurement process to ensure optimal use of funds and obtain high quality goods, services and works at competitive prices; (b) include estimated quantities, value and delivery dates in the plans; and (c) review the plans on three- or six-month intervals.

21. Requisitioners regularly prepared their annual acquisition plans and reviewed them on a quarterly basis. However, the plans did not include realistic estimates of requirements and expected delivery dates for goods, services and works. Quarterly reviews only entailed a comparison of expenditure against budget and did not assess the achievability of the plans. As a result, UNSOS conducted some exigency and expedited procurements especially at the end of the budget period. This reduced the efficiency and timeliness of the procurement process and the ability of the Organization to achieve best value for money. For example, 14 procurement actions valued at \$10.5 million, mainly relating to accommodation and camp management services, were processed without appropriate authorization as UNSOS treated them as exigencies.

22. The above resulted because the Procurement Section did not ensure proper acquisition planning for recurrent requirements such as accommodation and camp services. The Section did not appropriately train requisitioners in developing acquisition plans and did not provide prompt feedback to requisitioners that failed to provide all the required information in their plans. UNSOS indicated that, as part of the implementation of supply chain management operations, it had embarked on a restructuring process to: establish an acquisition planning unit; finalize mission-specific standard operating procedures; and increase awareness among requisitioners.

(4) UNSOS should expedite action to complete the restructuring of its supply chain management operations and provide adequate training and timely feedback to requisitioners on the preparation and completeness of their acquisition plans.

UNSOS accepted recommendation 4 and stated that specific standard operating procedures have been developed and relevant staff have completed the necessary Umoja training on acquisitions. Based on

OIOS review of evidence submitted, recommendation 4 has been closed.

Source selection planning needs improvement

23. The Procurement Manual requires UNSOS to develop source selection plans which include assumptions, solicitation method, risk assessment, evaluation teams and criteria, rating and scoring system, market conditions, description of requirements, and level of expertise required to fulfill the established need.

24. Thirty-two (including 19 formal and 13 informal solicitations) of the 51 procurement actions reviewed required source selection plans. UNSOS developed detailed source selection plans before issuing solicitation documents for 15 formal procurement actions valued at \$12.8 million. However, UNSOS did not prepare source selection plans for the 13 informal (sole-source) procurement actions valued at \$12.7 million and the plans for the remaining four formal procurement actions valued at \$6.2 million were inadequate as they lacked realistic estimate of requirements, were issued late in the process, or proposed the wrong procurement method to be used. This was because the UNSOS Chief Procurement Officer had not established procedures to ensure timely review, tracking and approval of source selection plans.

25. Inadequate source selection planning impacted on the integrity and transparency of the procurement process as important elements such as evaluation criteria, scoring methodology, and evaluation teams should have been defined during the planning stage and included in the source selection plan prior to the issuance of solicitation documents. This also resulted in UNSOS wrongly estimating requirements and subsequently leading to: revision of three contracts; change of procurement method for one procurement action after initiating the process; and rejection of previously submitted expressions of interests for another contract.

(5) UNSOS should establish and implement procedures to timely review, track and approve source selection plans for procurement activities to improve efficiency, integrity and transparency of the procurement process.

UNSOS accepted recommendation 5 and stated that under the new structure, source selection plans will be developed jointly between the client, category managers and buyers to ensure realistic estimate of requirements and correct procurement methods. Based on the evidence submitted and action taken by UNSOS, recommendation 5 has been closed.

Solicitation and source selection

The solicitation process needs improvement

26. The Procurement Manual requires UNSOS to use informal method of solicitation (request for quotation) to procure goods, services or works with a total estimated value of up to \$40,000 and formal methods like invitation to bid or request for proposal for requirements in excess of \$40,000. The approval of the ASG/OCSS is required for the use of informal methods of solicitation to procure goods and services in excess of \$40,000. The Manual: (a) specifies the minimum number of vendors to be invited based on the estimated value of the procurement action; (b) requires requisitioners that recommend potential vendors to declare in writing that no potential conflict of interest exists with the proposed vendors; and (c) prohibits use of brand names and encourages the use of generic terms to specify requirements.

27. UNSOS invited the required minimum number of vendors to participate in the bidding process for 26 of the 27 procurement actions that required a minimum number of vendors for competitiveness. However, the average vendor response rate for 16 of the 27 solicitations was only 33 per cent. In addition UNSOS:

- Did not obtain the approval of the ASG/OCSS to use informal solicitation methods for 12 procurement cases in excess of \$40,000. These cases related to six vendors and totaled \$9.5 million for camp maintenance operations and accommodation services. At the time of the audit, UNSOS was in the process of presenting the cases to the HCC and ASG/OCSS for ex post facto review and approval;
- Invited 5 vendors as opposed to 20 in one case with a value of \$4.6 million due to an exigency which was unjustified as the solicitation process was delayed. Of the five vendors invited, only two responded to the solicitation;
- Used brand names in defining the requirements for the procurement of electronic fittings valued at \$365,000;
- In a procurement case with a value of \$550,000, issued work/task orders to the current vendor before the completion of the solicitation process and three months prior to issuance of the contract/purchase order by the Procurement Section. UNSOS committed the current vendor to provide services during the solicitation process to ensure continuity of services. This was subsequently reviewed by the HCC and approved by the ASG/OCSS; and
- Did not obtain written declaration that there was no potential conflict of interest from a requisitioner who proposed two vendors to be included in the solicitation process in the procurement of camp maintenance services valued at \$4.6 million. The Chief Procurement Officer was aware but took no action at the time to rectify. One of the two proposed vendors was awarded the contract having submitted the most competitive proposal.

28. The above resulted because UNSOS had not implemented effective supervision and review mechanisms to ensure compliance with procurement guidelines. This diminished effective competition and impacted on the transparency and fairness of the procurement process and the ability of UNSOS to always achieve best value for money.

(6) UNSOS should implement effective supervision and review mechanisms to ensure compliance with requirements on the use of formal and informal solicitation methods for procurement.

UNSOS accepted recommendation 6 and stated that it will implement an effective supervision and review mechanism to ensure compliance with requirements on the use of formal and informal solicitation by reviewing the solicitation package for all requirements that require procurement action in compliance with the Financial Regulations and Rules of the United Nations and the Procurement Manual. UNSOS also reminded procurement staff on 29 May 2017 on the need to adhere to the procurement requirements agreed in source selection plans. Recommendation 6 remains open pending receipt of evidence that the procedures implemented are ensuring compliance with the requirements on the use of formal and informal solicitation methods.

Receiving, safeguarding and opening of bids need improvement

29. The Procurement Manual requires UNSOS to establish a Tender Opening Committee for the receipt of vendor submissions in response to formal methods of solicitation. Electronic/facsimile submissions should be received at a dedicated number/machine/terminal located in a secured area that is only accessible by designated Committee members.

30. The Tender Opening Committee appropriately received, verified and secured submissions to formal solicitation methods. There was a dedicated number/machine/terminal located in a secured area that was only accessible by designated Committee members. However, some bids in response to requests for quotations were not submitted to the designated number/terminal. For example, bids in response to 11 requests for quotations valued at \$356,000 were electronically transmitted by vendors directly to procurement officers or to a shared email account. Further review of access controls over the shared email account indicated that staff that had left UNSOS still had access to the email account. This increased the exposure of the account to access by unauthorized individuals.

31. UNSOS indicated that it had not implemented controls to safeguard submissions to informal solicitations because the value of goods and services procured were not significant. However, OIOS noted that \$30.4 million was spent on goods and services acquired through informal solicitations during the audit period. This included \$25 million on third party transportation, warehousing, clearing and forwarding services from five pre-selected vendors. Given the high value of goods and services procured through informal methods, OIOS is of the opinion that vendor responses to such solicitations should be properly safeguarded to reduce the risk of collusion between procurement officers and vendors.

32. Procurement officers' access to request for quotation submissions prior to set deadlines may not preserve the security, authenticity and confidentiality of the quotes and may compromise the fairness and integrity of the procurement process.

33. The above resulted because UNSOS had not ensured effective supervision and monitoring of procedures in place to receive and safeguard request for quotations.

(7) UNSOS should ensure there are adequate supervision and monitoring of procedures in place to safeguard the authenticity and confidentiality of submissions to informal solicitation methods.

UNSOS accepted recommendation 7 and stated that the Chief Procurement Officer issued a directive to all procurement staff on 14 March 2017. There has also been reshuffling of staffing resources to monitor the email account used for informal solicitations. OIOS reviewed access rights to the designated email account as of 28 June 2017 and noted that various procurement and supply chain services staff, including two staff that had left the Mission still had access to the email account. Recommendation 7 remains open pending receipt of evidence of measures taken to ensure that responses to informal solicitations are safeguarded.

Need to improve the evaluation process

34. The Procurement Manual requires UNSOS to establish technical and commercial evaluation teams for the evaluation of vendors' bids/proposals for the provision of goods or services with an estimated value of \$200,000 or more. Each committee should comprise at least two members, with at least one member from the requisitioner's office and the other a qualified United Nations staff member or consultant. A superior and subordinate may not serve together on the same team.

35. UNSOS evaluated bids/proposals using pre-established criteria and scoring methodologies as reflected in the solicitation documents issued to vendors. Technical and commercial evaluation teams were established for all procurement actions above \$200,000. However, the technical evaluation teams for all 17 procurement actions exceeding \$200,000 and totaling \$18.6 million was comprised entirely of staff from the requisitioning sections and did not include staff members from other offices. This was because UNSOS had not implemented procedures to ensure technical evaluation teams were always properly constituted.

36. The absence of diversity of technical evaluation teams impedes the fairness, integrity and transparency of the evaluation process.

(8) UNSOS should implement procedures to ensure evaluation teams are adequately constituted to enhance diversity and independence and ensure fairness, transparency and integrity of the evaluation process.

UNSOS accepted recommendation 8 and stated that a Standing Technical Evaluation Group was established in February 2017 and has been operating for several months. Based on OIOS review of evidence submitted and action taken by UNSOS, recommendation 8 has been closed.

D. Contractual instruments

UNSOS had established adequate mechanisms for contracting vendors

37. The Procurement Manual requires UNSOS: (a) procurement officers to file a written record in the form of a statement of award for contract awards exceeding \$4,000, and to include the basis for the award and the main evaluation criteria for awards exceeding \$40,000 in respect of a single contract; (b) Chief Procurement Officer to review and clear contracts, purchase orders and statements of award prior to notifying successful and unsuccessful vendors; (c) to ensure satisfactory performance of vendors prior to amending or extending contracts; and (d) Chief Procurement Officer to assign a contract number and maintain a register of contracts executed by UNSOS.

38. UNSOS filed statements of awards for all the 51 procurement actions and appropriately recorded the basis for award and the main evaluation criteria for the 36 awards exceeding \$40,000. The Chief Procurement Officer reviewed and cleared contracts, purchase orders and statements of awards prior to notifying successful and unsuccessful vendors. UNSOS also assigned contract numbers and maintained a register of contracts. In addition, UNSOS ensured satisfactory vendor performance reports were in place prior to extending five contracts valued \$18.8 million.

39. OIOS concluded that UNSOS established and implemented adequate contracting mechanisms.

E. Record-keeping

Maintenance of procurement case files needs improvement

40. The Procurement Manual specifies minimum documents to be included in procurement case files. All case files are required to be archived up to a minimum of seven years after the date the contract is closed.

41. UNSOS had a centralized filing archive and had issued a directive to staff on the maintenance of procurement case files. However, the Procurement Section did not maintain complete files for 11 of the

51 cases reviewed. The case files were not indexed and did not contain relevant information including: (a) submission of opening attendance register, notice of award, vendors' signed acceptance of award and LCC clearance for two formal solicitations; and (b) regret communications and signed purchase orders for nine informal solicitations. In the absence of complete case files, OIOS reviewed other information including tender opening log sheets, signed contracts and minutes of HCC meetings to validate that established procedures were complied with.

42. Incomplete and inconsistent filing of procurement and contract information was due to inadequate supervision, monitoring and lack of enforcement of filing guidance and directives in place. This may impede adequate monitoring of the procurement process.

(9) UNSOS should continuously monitor the implementation of the filing guidance and directives in place.

UNSOS accepted recommendation 9 and stated that it had reminded staff of the importance of following relevant filing guidance and directives and requested that all files have a check-list of documents included in the file. Based on the evidence submitted to OIOS and action taken by UNSOS, recommendation 9 has been closed.

V. ACKNOWLEDGEMENT

43. OIOS wishes to express its appreciation to the management and staff of UNSOS 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 local procurement in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNSOS should establish mechanisms to: (a) monitor compliance with its delegated procurement authority; (b) assess and make realistic estimates of its core requirements and obtain appropriate approval for procurement actions; and (c) report to the Under-Secretary-General for Field Support and the Director of the Procurement Division within 30 days after procuring core requirements exceeding \$500,000.	Important	O	Receipt of evidence of measures to monitor and ensure compliance with delegated procurement authority and realistic assessment of core requirements.	31 August 2017
2	UNSOS should obtain ex post facto review by the Headquarters Committee on Contracts and approval of the Assistant-Secretary-General, Office of Central Support Services for all procurement actions that exceeded its delegated procurement authority.	Important	O	Receipt of evidence that UNSOS has submitted all procurement actions that exceeded its delegated procurement authority to the HCC and the ASG/OCSS for review and approval respectively.	30 June 2018
3	UNSOS should take action to ensure that all procurement officers and staff members with principal duties to procure goods and services file their financial disclosure and declaration of interest statements with the Ethics Office.	Important	C	Action taken.	Implemented
4	UNSOS should expedite action to complete the restructuring of its supply chain management operations and provide adequate training and timely feedback to requisitioners on the preparation and completeness of their acquisition plans.	Important	C	Action taken.	Implemented
5	UNSOS should establish and implement procedures	Important	C	Action taken.	Implemented

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 UNSOS in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	to timely review, track and approve source selection plans for procurement activities to improve efficiency, integrity and transparency of the procurement process.				
6	UNSOS should implement effective supervision and review mechanisms to ensure compliance with requirements on the use of formal and informal solicitation methods for procurement.	Important	O	Receipt of evidence that the procedures implemented are ensuring compliance with the requirements on the use of formal and informal solicitation methods.	31 October 2017
7	UNSOS should ensure there are adequate supervision and monitoring of the procedures in place to safeguard the authenticity and confidentiality of submissions to informal solicitation methods.	Important	O	Receipt of evidence of effective measures taken to ensure that responses to informal solicitations are safeguarded.	30 June 2017
8	UNSOS should implement procedures to ensure evaluation teams are adequately constituted to enhance diversity and independence and ensure fairness, transparency and integrity of the evaluation process.	Important	C	Action taken.	Implemented
9	UNSOS should continuously monitor the implementation of the filing guidance and directives in place.	Important	C	Action taken.	Implemented

APPENDIX I

Management Response



Interoffice Memorandum

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

Ref: UNSOS/0617/M.010

From: Hubert Price, Director
UNSO

Date: 20 June 2017

Subject: UNSO Response – Draft report on an audit of local procurement in UNSO
(Assignment No. AP2016/638/06)

1. Further to your memorandum of 01 June 2017, please find attached UNSO response and supporting documents to the above mentioned subject.
2. We thank you for your continued support to the work of UNSO.

Best regards.

cc: Mr. Amadu Kamara, Director, UNSO
Mr. Harjit Dhindsa, Deputy Director, UNSO
Mr. Clark Toes, Chief Service Delivery, UNSO
Mr. Herbert Pechek, Chief, Supply Chain Management Service, UNSO
Ms. Helen Dodd, Chief Procurement Officer, UNSO
Mr. Dolapo Kuteyi, Senior Administrative Officer, UNSO
Mr. James Suglo, Chief Resident Auditor, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOS should establish mechanisms to: (a) monitor compliance with its delegated procurement authority; and (b) assess its core requirements, make realistic estimates and obtain the appropriate approval for its procurement actions.	Important	Yes	(a) Chief Procurement Officer (b) Chief Planning Section, Chief Sourcing Section, Chief Procurement Section	31 Aug. 2017	Management will ensure that mechanisms will be captured in the End-to-End Supply Chain Management Work Flow Processes Manual which is currently under development. The Manual consists of 4 parts (Plan, Source, Deliver and Return). Part I – Plan Processes was approved by the Director on 22 March 2017. The draft of Part II on Source Processes is expected to be completed by mid-July 2017.
2	UNSOS should obtain ex post facto review by the Headquarters Committee on Contracts and approval of the Assistant-Secretary-General, Office of Central Support Services for all procurement actions that exceeded its delegated procurement authority.	Important	Yes	Chief Procurement Officer	June 2018	Management wishes to inform the Auditors that all procurement actions that exceeded its delegated procurement authority will be submitted to HCC and ASG/OCSS for review by June 2018.
3	UNSOS should take action to ensure that all procurement officers and staff members with principal duties to procure goods and services file their financial disclosure and declaration of interest statements with the Ethics Office.	Important	Yes	UNSOS Focal Point, Financial Disclosure	Already implemented	Management wishes to inform the Auditors that UNSOS has taken appropriate measures to ensure that all staff who are obliged to file annual financial disclosure statements, including all procurement officers and staff members with principal duties to

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.

AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						procure goods and services, file their statements with the Ethics office. <i>(Annex I)</i> Based on the above, we kindly request the Auditors to withdraw this recommendation.
4	UNSOS should expedite action to complete the restructuring of its supply chain management operations and provide adequate training and timely feedback to requisitioners on the preparation and completeness of their acquisition plans.	Important	Yes	Chief Planning Section	Already implemented	Management wishes to inform the Auditors that UNSOS already has specific standard operating procedures in place. The Plan Processes are incorporated in the End-to-End Supply Chain Management Work Flow Processes Manual to be completed in 4 parts. The Manual will cover all work procedures and work aids for all functions and roles in Supply Chain Management Service. Part 1 Plan Processes was approved by the Director on 22 March 2017. <i>(Annex II)</i> A review session of the flow chart was conducted with Supply Chain Management staff, including all Planning Section staff over a period of three weeks (1 hour each day). The participants went through and discussed the processes of the manual. <i>(Annex III)</i> In addition, the Planning Section staff

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						(requisitioners) had completed necessary Umoja acquisitions /requisitions trainings in Inspira. (<i>Annex IV</i>) Based on the above, we believe that the recommendation has been addressed and request the Auditors to withdraw this recommendation.
5	UNSOS should establish and implement procedures to timely review, track and approve source selection plans for procurement activities to improve efficiency, integrity and transparency of the procurement process.	Important	Yes	Chief Sourcing Section	Already Implemented	Management wishes to inform the Auditors that under the new structure the Source Selection Plan (SSP) is developed jointly between client, category managers, and buyers. This will ensure realistic estimates of requirements and correct procurement methods. (<i>Annex IX</i>). Management therefore requests the auditors to withdraw this recommendation.
6	UNSOS should implement effective supervision and review mechanisms to ensure compliance with requirements on the use of formal and informal solicitation methods for procurement.	Important	Yes	Chief Procurement Officer	Already Implemented	UNSOS will reinforce procedures as outlined in FRR and UN Procurement Manual for effective supervision and review mechanism to ensure compliance with requirements on the use of formal and informal solicitation methods for procurement. This will be achieved through reviewing the solicitation package which includes the

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						<p>review of case file check-list and SSP for all informal and formal solicitation methods of procurement prior to sending the solicitations to the market. A reminder on the proper use of the case file check-list and SSP for all cases was again raised with all Procurement staff on 29 May 2017. (<i>Annex X</i>).</p> <p>However, we would again like to clarify some of the observations made in paragraph 30 of the report as follows:</p> <ul style="list-style-type: none"> - Concerning the invitation of five vendors as opposed to 20 for contract UNSOS/CON/15/006, UNSOS requested for, and PD provided UNSOS with a Local Procurement Authority limiting the number of invitees to five vendors. The reasons for delays in the solicitation process are documented in the HCC minutes (HCC15/84), already provide to the auditors. - Concerning the observation on a case related to an issuance of work orders with a value of USD550,000 to a vendor three months prior to the issuance of the contract, this

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						<p>was an ex-post facto Purchase Order issued to pay the contractor for services rendered against a different contract UNSOA/CON/13/026.</p> <p>Accordingly, we request the Auditors to withdraw this recommendation.</p>
7	UNSOA should ensure adequate supervision and monitoring of the procedures in place to adequately safeguard the authenticity and confidentiality of submissions to informal solicitation methods.	Important	Yes	Chief Procurement Officer	Already Implemented	<p>Management wishes to inform the Auditors that the monitoring of the Procurement email box of goods and services with a value of less than USD 40,000 has been addressed, through reshuffling staff resources and issuance of a directive from Chief Procurement Officer to all Procurement Staff on the subject dated 14 March 2017. (<i>Annex VI</i>)</p> <p>This is now being adhered to and we believe that the recommendation has been addressed. Based on the above, we request the Auditors to withdraw this recommendation.</p>

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8	UNSOS should implement procedures to ensure evaluation teams are adequately constituted to enhance diversity and independence and ensure fairness, transparency and integrity of the evaluation process.	Important	Yes	Project Manager, STEG	Already Implemented	<p>As indicated earlier, this recommendation has been addressed through the advent of the standing technical evaluation group (STEG).</p> <p>The SOP for the technical evaluation process and the Terms of Reference of STEG have been issued on 1 February 2017 and the STEG has been operating now for several months in accordance with the STEG SOP, whereby Technical Evaluation Team (TET) is composed of minimum two staff members but three members are recommended for complex and high value solicitation, of which at least one of whom belong to the Requestor and the other(s) will be qualified UN SM(s). A supervisor and subordinate staff may not serve together on the TET (Para 7.2). (<i>Annex V</i>).</p> <p>Based on the above, we believe that the recommendation has been addressed and request the Auditors to withdraw this recommendation.</p>
9	UNSOS should continuously monitor the implementation of the filing guidance and directives in place.	Important	Yes	Chief Procurement Officer	Already Implemented	UNSOS management would like the auditors to note that Chief Procurement Officer has instructed all Procurement staff in the Section meeting on 12 April that all case files should include check-list of documents

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						<p>to be included in the case files (<i>Annex VII</i>). This was reminded to all Procurement staff again on 29 May. Staff are now 100% compliant in making sure all documents required are in each case file for all new cases.</p> <p>Based on the above, we believe that the recommendation has already been addressed and request the Auditors to withdraw this recommendation.</p>