



INTERNAL AUDIT DIVISION

REPORT 2015/133

Audit of local procurement in the United Nations Mission in the Republic of South Sudan

Overall results relating to the effective management of local procurement activities in the United Nations Mission in the Republic of South Sudan were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

30 October 2015
Assignment No. AP2015/633/01

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AUDIT REPORT

Audit of local procurement in the United Nations Mission in the Republic of South Sudan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement in the United Nations Mission in the Republic of South Sudan (UNMISS).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The UNMISS Procurement Section is responsible for the procurement of goods and services based on requisitions established by end users. The Section is headed by the Chief Procurement Officer at the P-5 level and has 23 approved posts.
4. From July 2013 to March 2015, UNMISS issued 544 purchase orders for the procurement of goods and services valued at \$91.6 million including: 119 purchase orders valued at \$60.2 million against locally established contracts; and (b) 425 individual/standalone purchase orders valued at \$31.4 million.
5. Comments provided by UNMISS are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNMISS governance, risk management and control processes in providing reasonable assurance regarding the **effective management of local procurement activities in UNMISS**.
7. The audit was included in the 2015 risk-based work plan of OIOS because of the operational and financial risks relating to the procurement of goods and services by UNMISS.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide local procurement activities in UNMISS; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
9. The key control was assessed for the control objectives shown in Table 1.
10. OIOS conducted the audit from April to July 2015. The audit covered the period from 1 July 2013 to 31 March 2015.
11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNMISS governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of local procurement activities in UNMISS**. OIOS made five recommendations to address the issues identified. UNMISS properly constituted a Local Committee on Contracts and a Tender Opening Committee and implemented adequate controls to ensure that these committees performed their functions effectively. All procurement staff completed and filed financial and conflict of interest disclosure statements with the Ethics Office. However, UNMISS needed to: (a) allow prospective vendors sufficient time to respond to formal solicitations; (b) provide guidance to requisitioners on the preparation of requisitions related to exigencies/immediate operational requirements and ensure these requirements are approved by the Director of Mission Support; (c) provide guidance to bid evaluation committees and implement procedures to ensure that all evaluators sign and date relevant evaluation reports; (d) enforce the reporting requirement on the procurement of core requirements and ex-post facto cases; and (e) enforce the requirement to maintain complete procurement case files.

13. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of local procurement activities in UNMISS	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

All procurement staff filed their financial and conflict of interest disclosure statements with the Ethics Office

14. The Procurement Manual and Secretary-General’s bulletin on financial disclosure and declaration of interest statements require all procurement staff with principal duties for the procurement of goods and services to file annual financial disclosure and declaration of interest statements with the Ethics Office. Discussion with the Ethics Office indicated that all staff with principal duties for the procurement of goods and services had filed their financial disclosure and declaration of interest statements with the Office for the audit period. OIOS concluded that UNMISS had implemented adequate controls to ensure the filing of financial disclosure and conflict of interest statements by all procurement staff.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Need for improved solicitation process

15. The Procurement Manual requires the Procurement Section to allow prospective vendors between 20 to 60 days to prepare and respond to formal solicitations including invitations to bid and requests for proposals.

16. A review of all 59 purchase orders related to formal solicitations out of 544 purchase orders issued in the audit period indicated that UNMISS was not consistently allowing vendors sufficient time to respond to formal solicitations. For example, the Procurement Section allowed on average: (a) 14 days for vendors to prepare and submit their bids in respect of 30 invitations to bid; and (b) 13 days for vendors to prepare and submit their bids in respect of 10 requests for proposals.

17. The above resulted as UNMISS did not implement a mechanism to ensure that vendors were given sufficient time to respond to formal solicitations, and UNMISS was waiving formal methods of solicitation for a number of procurement cases, as mentioned later in the report. As a result, vendors were not given appropriate response times, which could impact negatively on the competitiveness of the procurement process.

<p>(1) UNMISS should implement a mechanism to enforce the requirement for allowing prospective vendors sufficient time to prepare and submit their bids in response to solicitations.</p> <p><i>UNMISS accepted recommendation 1 and stated that it issued guidelines to procurement staff to ensure compliance with the requirement to allow vendors sufficient time to prepare and submit their bids in response to solicitations. Recommendation 1 remains open pending receipt of evidence that UNMISS was enforcing the requirement to allow vendors sufficient time to prepare and respond to formal solicitations.</i></p>
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Procurement actions for exigencies/immediate operational requirements needed to be justified

18. The Procurement Manual requires requisitioners to request in writing a waiver of formal methods of solicitation from the Director of Mission Support prior to initiating procurement actions related to exigencies/immediate operational requirements. The Director of Mission Support is required to certify the factual circumstances warranting a waiver. The Manual defines an exigency/immediate operational requirement as an exceptional and compelling need not resulting from poor management which, if not addressed immediately, would lead to serious damage or loss of property or injuries.

19. A review of all 13 purchase orders valued at \$5 million indicated that 10 purchase orders valued at \$2.5 million were issued without the required request from requisitioners to waive formal methods of solicitation or an approval and certification from the Director of Mission Support that the goods and services requested were appropriately classified as for exigencies/immediate operational requirements. The items procured included the supply and delivery of furniture items for staff accommodations, the rental of excavators, and construction equipment such as dump trucks and bulldozers. Nonetheless, the review of the Local Committee on Contracts of 8 of the 10 purchase orders that required their review concurred that these purchases qualified as exigencies/immediate operational requirements.

20. The above resulted because the Procurement Section overlooked the requirement to obtain approval and certification from the Director of Mission Support. The Procurement Section did not: (a) provide guidance to requisitioners on the need to prepare a waiver request; and (b) implement a mechanism to ensure that the Director's approval was obtained. As a result, there was an increased risk: of abuse of the exceptional provision of the Procurement Manual relating to exigencies/immediate

operational requirements; and that the procurement process was not competitive. Regarding the risk of abuse, one requisitioner improperly classified the procurement of furniture valued at \$445,184 for staff accommodations as an exigency/immediate operational requirement.

(2) UNMISS should provide guidance to requisitioners on the preparation of requisitions related to exigencies/immediate operational requirements and implement a mechanism to ensure that these requirements are formally approved by the Director of Mission Support.

UNMISS accepted recommendation 2 and stated that it provided guidance to self-accounting units and issued a memorandum stating that any exigencies/immediate operational requirements must be justified in writing and approved by the Director of Mission Support. The Acquisition and Requisitions Section would also monitor and ensure that each such request was supported by an approval from the Director of Mission Support. Recommendation 2 remains open pending receipt of evidence that requisitions related to exigencies/immediate operational requirements were formally approved by the Director of Mission Support.

Need for improved technical and commercial evaluations of bids

21. The Procurement Manual requires UNMISS to: establish technical and commercial evaluation committees to evaluate vendors' bids in response to formal solicitations; and prepare, sign and date the related evaluation reports.

22. A review of all 59 purchase orders indicated that UNMISS established technical and commercial evaluation committees and members of the committees evaluated all bids and prepared relevant evaluation reports. However, evaluators did not sign and date technical evaluation reports for six solicitations and commercial evaluation reports for 20 solicitations.

23. The above resulted because the Procurement Section did not provide adequate guidance to evaluators and also did not implement quality review procedures to ensure that all evaluators signed and dated the relevant evaluation reports. As a result, there was an increased risk that some vendors were awarded contracts based on an incorrect evaluation of the offers received and some of the vendors selected were not the most competitive.

(3) UNMISS should provide adequate guidance to bid evaluation committees and implement procedures to ensure that all evaluators sign and date the relevant technical and commercial evaluation reports.

UNMISS accepted recommendation 3 and stated that it had issued guidelines that all commercial and technical evaluations should be signed and dated by the evaluators. Also, the Chief of Procurement Unit was reviewing all evaluation reports to ensure that the quality was acceptable, before they were passed over to the buyers. Based on the action taken by UNMISS, recommendation 3 has been closed.

The Mission established a Tender Opening Committee that implemented adequate controls over bids

24. The Procurement Manual requires UNMISS to establish a Tender Opening Committee to receive and safeguard bids received in response to formal methods of solicitation. The Manual requires the Tender Opening Committee to stamp each bid with the time and date of receipt, maintain records of its activities as well as solicitation abstracts.

25. A review of the physical controls over bids indicated that UNMISS established a Tender Opening Committee in September 2011, which performed its mandated functions during the audit period. The Committee received and safeguarded all bids by using dedicated facilities including a room and email address for the receipt of bids and secured filing cabinets to store bids. A review of 361 bids/proposals related to 59 formal solicitations indicated that the Committee consistently stamped bids with the time and date of receipt and prepared the relevant solicitation abstracts. The Committee maintained copies of all solicitation abstracts and obtained the signature of procurement staff to indicate that it had provided copies of the abstracts as well as stamped and dated documents to the Procurement Section. OIOS concluded that UNMISS implemented adequate controls over the receipt, storage and opening of bids.

The Mission implemented adequate controls to ensure that the Local Committee on Contracts performed its functions

26. The Procurement Manual requires UNMISS to constitute a Local Committee on Contracts to review all procurement actions exceeding \$150,000 and advise the Director of Mission Support on whether procurement processes comply with established policies and procedures. The Manual also requires the Secretary of the Committee to prepare minutes of its meetings and distribute copies to all members, the Director of Mission Support, and the Chief Procurement Officer within 10 business days of completing each meeting.

27. A review of the activities of the Local Committee on Contracts indicated that it convened 44 times during the audit period, reviewed all 82 procurement cases exceeding \$150,000 and provided relevant advice to the Director of Mission Support. The Committee returned 7 of the 82 cases to the Procurement Section mainly due to the failure of technical evaluation teams to use the evaluation criteria specified in the relevant solicitation documents and source selection plans. The Procurement Section as well as the concerned requisitioners properly addressed and resubmitted the cases to the Committee, which cleared them. In addition, the Secretary prepared minutes of all Committee meetings and distributed copies to all members, the Director of Mission Support and the Chief Procurement Officer within 10 business days of each meeting.

28. OIOS concluded that UNMISS properly constituted its Local Committee on Contracts and implemented adequate controls to ensure that the Committee performed its functions effectively.

Need for improved reporting on the procurement of core requirements and ex-post facto cases

29. The UNMISS delegation of procurement authority requires the Mission to submit to DFS within 15 days of the end of each quarter a summary of: (a) the procurement of all core requirements exceeding \$500,000; and (b) ex-post facto cases and a brief narrative describing measures to avoid the reoccurrence of similar cases.

30. A review of UNMISS reports on the procurement of core requirements and ex-post facto cases and interviews of procurement officers indicated that the Mission reported all five ex-post facto cases totaling \$1.1 million processed during the audit period. However, the Mission did not provide to DFS the required narrative of measures to avoid the reoccurrence of similar ex-post facto cases for four of these cases valued at \$406,883. The Mission also did not prepare and submit to DFS the required reports on procurement of core requirements exceeding \$500,000 for 2 of the 10 quarters during the audit period.

31. The above resulted because UNMISS overlooked the requirement to report on the procurement of core requirements and ex-post facto cases. As a result, there was a risk that the Mission may process avoidable post facto cases.

(4) UNMISS should implement an effective mechanism to consistently enforce the reporting requirement on the procurement of core requirements and ex-post facto cases.

UNMISS accepted recommendation 4 and stated that the Field Procurement Liaison Team in DFS started sending reminders to all peacekeeping procurement section chiefs to submit all required reports on the procurement of core requirements and the processing of ex-post facto cases before the due date. Recommendation 4 remains open pending receipt of evidence that UNMISS has consistently enforced the quarterly reporting requirements on the procurement of core requirements and processing of ex-post facto cases.

Need for complete and organized procurement case files

32. The Procurement Manual prescribes a list of documents to be included in procurement case files and requires procurement staff to archive files for a minimum of seven years after issuance of contracts. The Procurement Section uses a checklist to guide procurement officers in the maintenance of specific documents in case files.

33. A review of the case files for 70 out of 544 procurement actions indicated that 33 did not contain one or more of the required documents such as a source selection plan, statement of award, letter of regret to unsuccessful vendors, acceptance of purchase orders by vendors, approved list of invitees, and copies of bids or proposals. The Procurement Section also did not maintain copies of solicitation abstracts and bid documents stamped and dated by the Tender Opening Committee. Additionally, the files were not properly organized and arranged as required by the Procurement Section's checklist making it difficult to retrieve documents when needed.

34. The Procurement Section started implementing a centralized archiving system for procurement files in the United Nations compound in Tomping in February 2015. However, as of July 2015, the Section had not completed the filing system.

35. The above resulted as the Procurement Section had not implemented an effective mechanism to ensure that procurement case files were organized and complete. As a result, there was an increased risk of loss of important documents to support the procurement process.

(5) UNMISS should implement an effective mechanism to enforce the requirement to maintain up-to-date and complete procurement case files.

UNMISS accepted recommendation 5 and stated that the Procurement Section was using an online archiving system and promulgated standard operating procedures to enforce the requirement to maintain up-to-date and complete procurement case files. Case file handover checklists were being used to ensure that procurement case files were complete before they were submitted for storage and archiving; case files were also being reviewed by unit chiefs. Based on the action taken by UNMISS, recommendation 5 has been closed.

IV. ACKNOWLEDGEMENT

36. OIOS wishes to express its appreciation to the management and staff of UNMISS for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General, Acting Head
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of local procurement in the United Nations Mission in the Republic of South Sudan

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNMISS should implement a mechanism to enforce the requirement for allowing prospective vendors sufficient time to prepare and submit their bids in response to solicitations.	Important	O	Receipt of evidence that UNMISS was enforcing the requirement to allow vendors sufficient time to prepare and respond to formal solicitations.	31 December 2015
2	UNMISS should provide guidance to requisitioners on the preparation of requisitions related to exigencies/immediate operational requirements and implement a mechanism to ensure that these requirements are formally approved by the Director of Mission Support.	Important	O	Receipt of evidence that requisitions related to exigencies/immediate operational requirements were formally approved by the Director of Mission Support.	31 December 2015
3	UNMISS should provide adequate guidance to bid evaluation committees and implement procedures to ensure that all evaluators sign and date the relevant technical and commercial evaluation reports.	Important	C	Action taken.	Implemented
4	UNMISS should implement an effective mechanism to consistently enforce the reporting requirement on the procurement of core requirements and ex-post facto cases.	Important	O	Receipt of evidence that UNMISS has consistently enforced the quarterly reporting requirements on the procurement of core requirements and processing of ex-post facto cases.	31 December 2015
5	UNMISS should implement an effective mechanism to enforce the requirement to maintain up-to-date and complete procurement case files.	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 UNMISS in response to recommendations.

APPENDIX I

Management Response

United Nations



Nations Unies

UNITED NATIONS MISSION IN SOUTH SUDAN
(UNMISS)

Tel: +1-917 367 5023 | Fax: +1 917 367 3523

Office of the Director of Mission Support

To: Ms. Eleanor T. Burns, Director
Internal Audit Division, OIOS Date: 29 October 2015

From: Stephani L. Scheer
Director of Mission Support
UNMISS *Stephani L. Scheer*

Subject: **Draft report on an audit of local procurement in UNMISS
(Assignment No. AP2015/633/01)**

1. Reference is made to OIOS draft report on an audit of local procurement in UNMISS dated 21 October 2015.
2. On behalf of UNMISS Special Representative of the Secretary-General, Ms. Ellen Margrethe Løj, please find attached UNMISS comments on the recommendations listed in Appendix 1 of the draft report.
3. UNMISS would like to take this opportunity to express its appreciation for the work of the auditors and for the valuable recommendations made by the auditors as a result of this audit.

Thank you and best regards.

cc: Mr. Bolton Tarleh Nyema, Chief, Peacekeeping Audit Service, IAD, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, IAD, OIOS
Ms. Ellen Margrethe Løj, Special Representative of the Secretary-General, UNMISS
Mr. Paul Egunsola, Chief of Staff, UNMISS
Ms. Stephani L. Scheer, Director Mission Support, UNMISS
Mr. Matthew Carlton, OiC Supply Chain Management, UNMISS
Mr. Charles Ngonyo, OiC Chief Procurement Officer, UNMISS
Ms. Corinne Clavé, Audit Focal Point, UNMISS

Management Response

Audit of local procurement in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNMISS should implement a mechanism to enforce the requirement to allow prospective vendors sufficient time to prepare and submit their bids in response to solicitations.	Important	Yes	OIC PS	31 December 2015	<p>1. The correct formal procurement process timelines are between 20-40 working days for Invitations to Bid (ITBs) and 30 to 60 working days for Requests for Proposals (RFPs). Therefore the range of the procurement processes for various formal solicitations is between 20 to 60 working days not 30-60 days as indicated in the Audit Report (Annex D-20 of UN Procurement Manual is attached as Appendix 1 for ease of reference).</p> <p>2. Procurement Guideline 01/2015 reminding Buyers on the procurement process timeliness and that must be complied with was issued on 10 August 2015 (copy attached as Appendix 2).</p> <p>3. The UMOJA System generated report for formal procurement processes undertaken for the first quarter of Fiscal Year (FY) 2015-2016 reports full compliance (report attached as Appendix 3).</p>
2	UNMISS should provide guidance to requisitioners on the preparation of requisitions related to exigencies/immediate operational requirements and implement a mechanism to ensure that these requirements are formally approved by the Director of Mission Support.	Important	Yes	OIC PS	31 December 2015	<p>1. The guidance was provided to the Self-Accounting Units (SAUs) in the regular meetings Procurement Section has with them.</p> <p>2. Acquisition and Requisitions Sections monitors and ensures that any exigency/IOR requests made by SAUs and Acquisition and Requisitions Section to raise Shopping Carts (SCs) are supported by approval from the Director of Mission Support (DMS)</p>

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of local procurement in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>before raising any SC. The approval is uploaded and attached to SC before submitted to Procurement.</p> <p>3. A memo reminding all SAUs was issued by Procurement on 23 October 2015 (copy attached as Appendix 4).</p> <p>4. From the report generated in UMOJA System for requirements processed by Procurement to completion mentioned on client comments on observation one (1) above in the first quarter of FY 2015-2016, only one (1) requirement (electrical cables) was received in Procurement as an Immediate Operational Requirement (IOR) with proper justification and approval (copy of DMS approval is attached as Appendix 5).</p>
3	UNMISS should provide adequate guidance to bid evaluation committees and implement procedures to ensure that all evaluators sign and date the relevant technical and commercial evaluation reports.	Important	Yes	OIC PS	Implemented	<p>1. To ensure that all commercial evaluation reports are signed and dated by the evaluators, guideline 02/2015, dated 10 August 2015, was issued to the Section Staff and all evaluators must comply with the instructions (copy of the guideline is attached as Appendix 6).</p> <p>2. For technical evaluation reports, the information was communicated to the SAUs in the regular meetings that Procurement Section has with them.</p> <p>3. The Procurement Unit Chief reviews all evaluation reports to ensure that the quality is acceptable and that they are signed and dated before passing them over to the Buyers.</p> <p>4. A memo reminding all SAUs was issued by Procurement on 23 October 2015 (copy</p>

Management Response

Audit of local procurement in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						is attached as Appendix 4 [same copy as that attached to observation 2 above]). 5. As evidenced by the sampled technical and commercial evaluation reports processed in the first quarter of FY 2015-2016, there are proves that the evaluation reports are signed and dated by the evaluators (copies attached as Appendix 7.1, 7.2, 7.3, 7.4, 7.5, 7.6)
4	UNMISS should implement an effective mechanism to consistently enforce the reporting requirement on the procurement of core requirements and ex-post facto cases.	Important	Yes	OIC PS	31 December 2015	1. To ensure that the reports are issued on timely basis, Field Procurement Liaison Team, Office of the Assistant Secretary General, Department of Field Support, started sending reminders to all Peacekeeping Procurement Section Chiefs before the due date (see copy of email attached as Appendix 8). 2. The Mission report for the first quarter of FY 2015-2016 was submitted before the deadline of Friday 09 October 2015 (copy of the report is attached as Appendix 9).
5	UNMISS should implement an effective mechanism to enforce the requirement to maintain up-to-date and complete procurement case files.	Important	Yes	OIC PS	Implemented	Case File Handover Checklist is being used to assist in ensuring that procurement case files are complete before submission for storage and archiving. A two phase approach is being used; (1) the Case Officer/Buyer attaches and checks the file to ensure that the relevant documents are placed in the case file; (2) The Case File is reviewed by the Unit Chiefs and cleared for handing over to the Proc. Admin Unit for storage and archiving. Only files cleared by Unit Chiefs are accepted in Proc. Admin Unit (copy of a duly filled Case File Handover Checklist is attached as Appendix 10)