



## INTERNAL AUDIT DIVISION

### REPORT 2016/088

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Audit of rations management in the  
United Nations Mission in the Republic  
of South Sudan

Overall results relating to the effective  
management of rations were initially  
assessed as partially satisfactory.  
Implementation of four important  
recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY

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# AUDIT REPORT

## Audit of rations management 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 rations management 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. UNMISS provides rations (fresh, frozen, chilled, dried, canned, and bottled water) as well as composite ration packs to sustain some 13,000 military troops throughout UNMISS. During the audit period, UNMISS acquired rations through a three-year systems contract with a not-to-exceed amount of \$103.9 million established by the United Nations Procurement Division. The contract was effective from 24 September 2013, and from then until December 2015, UNMISS supplied rations valued at \$68.4 million to the military, police and international civilian staff.
4. The UNMISS Rations Unit is responsible for the day-to-day management and administration of the rations contract. The Unit is headed by a staff member at the P-4 level that reports to the Chief, Warehouse and Commodity Management Section at the P-5 level and supported by five international staff, nine military staff officers, four United Nations Volunteers, one National Professional Officer and five national general service staff. The Rations Unit is also responsible for monitoring contractor performance.
5. The Mission's 2014/15 and 2015/16 budgets for rations were \$49.7 million and \$53.8 million, respectively.
6. Comments provided by UNMISS are incorporated in italics.

### II. OBJECTIVE AND SCOPE

7. 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 rations in UNMISS**.
8. The audit was included in the 2016 risk-based work plan of OIOS because of the operational and financial risks related to UNMISS providing rations to its contingents.
9. 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 the management of rations in UNMISS; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
10. The key control was assessed for the control objectives shown in Table 1.

11. OIOS conducted the audit from 5 February to 18 April 2016. The audit covered the period from 30 April 2013 to 31 January 2016.

12. 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

13. The UNMISS governance, risk management and control processes examined were initially assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of rations in UNMISS**. OIOS made four recommendations to address issues identified.

14. UNMISS had implemented adequate procedures to ensure compliance with the requirement for the submission of final food orders to the contractor. However, UNMISS needed to implement effective: (a) accounting and reporting procedures for revenue-generating activities of cafeterias in receipt of rations; (b) monitoring procedures to ensure contingent food officers' compliance with receiving and inspection procedures; (c) monitoring procedures to ensure contingent hygiene officers conduct monthly quality surveillance and hygiene inspections of contingents' storages and submit reports to the Rations Unit; and (d) coordination procedures to ensure the participation of the Force Medical Office in the Ration Unit's quarterly inspections of the contingent food storage facilities and handling activities.

15. 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 four 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 rations in UNMISS	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

<sup>1</sup> 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.

## Regulatory framework

### UNMISS complied with the requirement to submit final food orders to the contractor

16. The rations contract requires the Mission to submit to the contractor final food orders, taking into account the actual troop strength, 14 days prior to the delivery date. The Department of Field Support (DFS) guidelines on rations management require the Rations Unit to ensure food orders comply with the applicable ceiling man-day rates for UNMISS and the maximum calorie value.

17. A review of 70 of 6,900 final orders issued by UNMISS during the audit period indicated that the final orders were based on applicable rates, accurately reflected the maximum calories, accounted for the stock on hand and, when necessary, the Rations Unit appropriately adjusted the final food orders to the actual troop strength.

18. OIOS concluded that UNMISS implemented adequate procedures to ensure compliance with the requirement for the submission of final food orders to the contractor.

### Need to ensure compliance with financial regulations by cafeterias supplied with food rations

19. The UNMISS standard operating procedures (SOP) on supply of food rations require Field Administrative Offices to fully account for and timely remit cash proceeds from cafeterias receiving food rations to the UNMISS Finance Office. United Nations financial rule 103.6(b) requires officials, other than those designated by the Under-Secretary-General for Management, to promptly deliver monies received on behalf of the United Nations to an official authorized by the Under-Secretary-General for Management to issue an official receipt.

20. A review of the cash recoveries by the Mission for rations delivered to cafeterias in Malakal, Bentiu, Wau and Yambio from January 2014 to December 2015 indicated that UNMISS recovered the cost of the rations delivered to these cafeterias and the related revenue from cafeterias' sale of food in Bentiu, Wau and Yambio. However, the Field Administrative Office in Malakal had not remitted revenue totaling \$94,052 from cafeteria sales of food.

21. The UNMISS Finance Office stated that, despite repeated reminders, the Field Administrative Office did not remit the full amount of proceeds from sales at the Malakal cafeteria. However, OIOS was advised that the Director of Mission Support (DMS) approved the Field Administrative Office to accumulate the funds due to the crisis in 2013 in order to invest the funds to improve the welfare of field staff. However, there was also no evidence of the approval by the DMS or of the Finance Office periodically checking the revenue-generating activities of cafeterias to ensure proper accounting of rations supplied and related proceeds. As a result, there was a risk of financial loss to the Organization.

**(1) UNMISS should implement effective procedures for accounting and reporting of revenue-generating activities of cafeterias in receipt of rations.**

*UNMISS accepted recommendation 1 and stated that the SOP for revenue-generating activities was at the final stage of preparation. Recommendation 1 remains open pending receipt of a copy of the finalized SOP on accounting and reporting of the revenue-generating activities by cafeterias and evidence of its implementation.*

Receiving and inspection of rations by contingent food officers needed improvement

22. The UNMISS SOP on supply of food rations and the rations contract require: (a) the Rations Unit to inspect the quantities and quality of rations and bottled water against the specifications in the rations contract; and (b) contingent food officers to verify the quantity and quality of the rations received against the delivery note, verify the seals on delivery trucks and prepare contingent receiving reports.

23. A review of the records for 50 out of 6,735 deliveries made to 64 contingent locations and review of 28 related invoices totaling \$2.3 million out of 1,644 invoices totaling \$60.6 million indicated that: (a) the Rations Unit inspected the quantities and quality of rations and bottled water against the specifications in the rations contract; and (b) contingent food officers verified the quantity and quality of the rations received against the delivery notes and prepared contingent receiving reports. However, OIOS observations of the process of receiving rations at 12 contingent locations indicated that contingent food officers did not always implement effective procedures. For example, at some contingent locations, the delivery truck was not locked and sealed as required, the seal numbers on the delivery truck did not match those on the delivery note, a contingent food officer did not indicate seal numbers on 14 delivery notes; and contingent food officers did not prepare contingent receiving reports for 11 delivery notes.

24. The above resulted because contingent food officers were lax in enforcing the established receiving and inspection procedures related to rations. As a result, there was a risk that changes in the conditions of food rations during deliveries were not detected and reflected in the relevant contingent receiving reports.

**(2) UNMISS should implement effective monitoring procedures to ensure contingent food officers comply with established receiving and inspection procedures for rations.**

*UNMISS accepted recommendation 2 and stated that it had revised its quarterly surveillance inspection report template to further strengthen the monitoring of rations receiving and inspecting activities and would strengthen its training programmes for contingent food and logistics officers. Recommendation 2 remains open pending receipt of evidence that UNMISS is monitoring contingent food officers' verification of food quality before receipt and that it has strengthened its training programmes for contingent food and logistics officers.*

Inspections of contractor's warehouses and contingent storage facilities needed improvement

25. The UNMISS SOP on supply of food rations require the Rations Unit and Force Medical Team to jointly conduct quarterly surveillance and hygiene inspections of contingents' storage facilities. The DFS Rations Management Manual requires: (a) contingent hygiene officers to conduct monthly quality surveillance and hygiene inspections of contingents' storage facilities and submit reports to the Rations Unit; and (b) the Force Medical Officer and the Rations Unit to conduct regular inspections of the contractor's warehouses.

26. A review of reports of the quarterly inspections conducted by the Rations Unit at the three contractor's warehouses and reports of the quality surveillance and hygiene inspections covering 22 out of 64 contingent locations indicated that: (a) the Force Medical Team was not participating in the Rations Unit's quarterly surveillance and hygiene inspections; and (b) contingent hygiene officers did not conduct 843 of the required 946 monthly inspections.

27. Also, OIOS inspection of 10 out of 53 contingent locations indicated that the Rations Unit's quarterly surveillance and hygiene inspections were not effective. This was because the audit identified unhygienic storage conditions for rations, bottled water and composite ration packs, including: the storage

of food on warehouse floors; inadequate pest control measures in place; lack of properly ventilated storage facilities; inadequate daily records of temperature readings for reefers and chilled containers; and insufficient stock registers recording daily receipts, issuances, consumption and a stock balance for each item.

28. The above resulted because the Rations Unit did not: (a) adequately monitor contingents' compliance with the requirement to conduct periodic inspections and maintain proper hygiene standards; and (b) effectively coordinate with the Force Medical Office to ensure its participation in inspections of the Rations Unit. As a result, there was an increased health and safety risk related to inadequate food hygienic standards.

**(3) UNMISS should implement effective monitoring procedures to ensure contingent hygiene officers comply with the requirement to conduct monthly quality surveillance and hygiene inspections of contingent storage facilities and submit reports to the Rations Unit.**

*UNMISS accepted recommendation 3 and stated that it would monitor and ensure timely receipt of the monthly hygiene reports from contingents' hygiene officers. Recommendation 3 remains open pending receipt of evidence that UNMISS Rations Unit is receiving and reviewing the required monthly quality surveillance and hygiene inspections reports.*

**(4) UNMISS should implement effective coordination procedures to ensure the participation of the Force Medical Office in the quarterly inspections of the Rations Unit.**

*UNMISS accepted recommendation 4 and stated that it would: formally address the need for the participation of the Force Medical Office in the quarterly inspections of the Rations Unit with the Force Headquarters; and review the possibility of revising its SOP to remove the requirement for the Force Medical Officer's participation in these inspections given other safeguards such as participation of contingent hygiene officers. Recommendation 4 remains open pending evidence that UNMISS has implemented measures to ensure the Force Medical Office or in their absence contingent medical officers are participating in the quarterly inspections of the Rations Unit.*

Need for sufficient operational and strategic reserves

29. The DFS Rations Management Manual requires UNMISS to implement procedures to ensure that the rations contractor: (a) maintains adequate operational and strategic reserves for 28 days and regularly report these reserves to UNMISS; (b) establishes adequate storage facilities for United Nations reserve stock, operating stock and United Nations-owned composite ration packs; and (c) implements adequate stock management practices. In addition, the rations contract requires the contractor to maintain, at all times, stock of food items required to fulfill the food orders for the forthcoming four weeks.

30. A review of 25 of the 208 weekly stock compliance reports prepared by the contractor and visits to two of the three contractor's warehouses indicated that the contractor had sufficient composite ration packs for the number of troops in the country. However, it only had on average 52 per cent of 222 of the 256 line items the required reserve stock specified in the contract.

31. The above resulted mainly because the contractor's warehouse storage facilities were not sufficient as they had been designed to accommodate operational and reserve stock for the 7,000 troops specified in the contract and not the 13,000 troops in the Mission's current mandate. UNMISS had submitted a request to the United Nations Procurement Division to amend the contract to reflect the impact on rations management related to the increase in authorized troop strength and UNMISS

confirmed that the proposed amendment was now being reviewed by the Office of Legal Affairs. Therefore, OIOS did not make a recommendation.

#### **IV. ACKNOWLEDGEMENT**

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



## STATUS OF AUDIT RECOMMENDATIONS

## Audit of rations management in the United Nations Mission in the Republic of South Sudan

Recom. 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	UNMISS should implement effective procedures for accounting and reporting of revenue-generating activities of cafeterias in receipt of rations.	Important	O	Receipt of a copy of the finalized SOP on accounting and reporting of the revenue-generating activities by cafeterias and evidence of its implementation.	31 August 2016
2	UNMISS should implement effective monitoring procedures to ensure contingent food officers comply with established receiving and inspection procedures for rations.	Important	O	Receipt of evidence that UNMISS is monitoring contingent food officers' verification of food quality before receipt and that it has strengthened its training programmes for contingent food and logistic officers.	1 August 2016
3	UNMISS should implement effective monitoring procedures to ensure contingent hygiene officers comply with the requirement to conduct monthly quality surveillance and hygiene inspections of contingent storage facilities and submit reports to the Rations Unit.	Important	O	Receipt of evidence that UNMISS Rations Unit is receiving and reviewing the required monthly quality surveillance and hygiene inspections reports.	1 October 2016
4	UNMISS should implement effective coordination procedures to ensure the participation of the Force Medical Office in the quarterly inspections of contingent storage facilities.	Important	O	Receipt of evidence that UNMISS has implemented measures to ensure the Force Medical Officer or in their absence contingent medical officers are participating in the quarterly inspections of the Rations Unit.	1 November 2016

<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 UNMISS in response to recommendations.

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of rations management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
1	UNMISS should implement effective procedures for accounting and reporting of revenue generating activities of cafeterias in receipt of rations.	Important	Yes	Chairman, UNMISS Welfare Committee	31 August 2016	<p>The provision of limited quantity of rations to staff cafeterias managed and operated by UNMISS Welfare Committees is different from the management and operation of revenue generating activities by field offices.</p> <p>UNMISS is responsible for recovering the cost of rations provided to such cafeterias. The cost recovery is done in accordance with established procedures on cost recovery and will be done in the future in line with the new Umoja Service Delivery functionalities that are being implemented. Rations Unit takes responsibility for billing the UNMISS Welfare Committee and Finance is responsible for the collection and accounting of the cost of rations provided to the cafeterias.</p> <p>On the other hand, the responsibility for revenues generated from the activities that are run by the UNMISS Welfare Committee, including proceeds from staff cafeterias, primarily rests with the Committee itself, under the auspices of</p>

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<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.

## Management Response

## Audit of rations management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
						the Director of Mission Support (DMS). Such revenues are not considered as UN funds and would not be deposited in UN bank accounts. They would be deposited in, and managed through, the bank accounts specifically opened for such purpose. A Standard Operating Procedure delineating roles and responsibilities and clarifying the procedures including the approval process of plans/funds for revenue generating activities is at the final stage of preparation. Implementation has already started in July 2016. The transition is expected to take about six months for smooth cut off from the old/phasing out procedures and practices and full replacement with the new ones would be effective in December 2016.
2	UNMISS should implement effective monitoring procedures to ensure contingent food officers comply with established receiving and inspection procedures for rations.	Important	Yes	Chief Rations Unit	1 August 2016	UNMISS will enhance its training programs for Contingent Food and Logistic Officers. The Quarterly Surveillance Inspection Report Template has been revised to further improve the monitoring of rations receiving and inspecting activities.
3	UNMISS should implement effective monitoring procedures to ensure contingent hygiene officers comply with the requirement to conduct monthly quality surveillance and hygiene	Important	Yes	Chief Rations Unit	1 October 2016	UNMISS will monitor and ensure timely receipt of the monthly hygiene reports from the contingent hygiene officers.

### Management Response

#### Audit of rations management in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
	inspections of contingent storage facilities and submit reports to the Rations Unit.					
4	UNMISS should implement effective coordination procedures to ensure the participation of the Force Medical Office in the quarterly inspections of contingent storage facilities.	Important	Yes	Chief Rations Unit	1 November 2016	The procedures related to Quarterly Inspections are addressed in the UNMISS Rations SOP, Sections 24.23; 30.16 and 30.17. UNMISS will formally address the issue with FHQ through the Force Chief of Staff. UNMISS will also review the feasibility of this requirement with the Force Medical to determine whether to maintain this requirement in its Rations SOP considering all the other safeguards concerning quarterly inspections of storage facilities.