



INTERNAL AUDIT DIVISION

REPORT 2017/043

Audit of the Regional Procurement Office at Entebbe

There was a need to strengthen governance arrangements and management of the Regional Procurement Office to ensure effective identification and consolidation of regional requirements and improved utilization of the related contracts

6 June 2017

Assignment No. AP2016/616/03

Audit of the Regional Procurement Office at Entebbe

EXECUTIVE SUMMARY

The objective of the audit was to assess whether the procurement activities undertaken by the Regional Procurement Office (RPO) at Entebbe were carried out in an efficient and effective manner. The audit covered the period from July 2013 to June 2016 and included regional acquisition planning, solicitation processes and award of contracts, and monitoring and reporting.

The RPO had implemented adequate controls over source selection planning and evaluation of bids. However, there was a need to strengthen the governance arrangements and management of the RPO to ensure effective identification and consolidation of regional requirements and improved utilization of the related contracts to achieve economies of scale.

OIOS made seven recommendations. To address issues identified in the audit, the Procurement Division of the Department of Management needed to:

- In collaboration with the Department of Field Support and the Chiefs/Directors of Mission Support of client missions, review the governance arrangements, activities and staffing of the RPO taking into consideration the enhanced measures referred to in the Secretary-General's report A/71/681 to strengthen the Regional Procurement Steering Group and management of the RPO;
- In collaboration with the Chiefs/Directors of Mission Support of client missions, take effective measures to ensure timely preparation of regional acquisition plans that accurately reflect the requirements of client missions in sufficient detail to achieve economies of scale;
- In collaboration with the Chiefs/Directors of Mission Support of client missions, take effective measures to improve the utilization of contracts established by the RPO;
- In collaboration with the Umoja team, develop and implement an appropriate monitoring and reporting tool for activities of the RPO;
- Take steps to operationalize the RPO mandate to implement appropriate vendor outreach activities to increase business opportunities for developing countries and to allocate resources for this aspect of the mandate;
- Take steps to ensure that the reasons for low vendor response are identified and an action plan is prepared to improve vendor response rate; and
- Ensure that its filing guidelines are complied with by the RPO.

The Department of Management accepted the recommendations and initiated action to implement them.

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Audit of the Regional Procurement Office at Entebbe

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Regional Procurement Office (RPO) at Entebbe.
2. The RPO was established in July 2010 in Entebbe, Uganda as a pilot project to streamline the procurement of non-location specific goods and services for peacekeeping and special political missions and offices in East and Central Africa. The main objective of the RPO is to achieve economies of scale through joint acquisition planning and establishment of the regional systems and mission-specific contracts. By its resolution 69/273 of 2 April 2015, the General Assembly endorsed recommendations to establish the RPO as a regular office within the Procurement Division of the Department of Management.
3. The RPO is headed by a staff at the P-5 level who reports to the Director of the Procurement Division through the Chief of the Field Procurement Service at Headquarters in New York. The RPO has 23 approved posts including 9 out of 11 international posts from RPO-assisted missions.
4. From July 2013 to June 2016, the RPO established 199 contracts including 35 regional systems and 164 mission-specific contracts for not-to-exceed (NTE) amounts of \$276.6 million and \$502.6 million, respectively.
5. Comments provided by the Department of Management are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The main objective of the audit was to assess whether the procurement activities undertaken by RPO resulted in economies of scale and its activities were carried out in an efficient and effective manner.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the operational and financial risks associated with the activities undertaken by the RPO.
8. OIOS conducted this audit from September 2016 to March 2017. The audit covered the period from July 2013 to June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the regional acquisition planning, solicitation processes and award of contracts, and monitoring and reporting.
9. The audit methodology included: (a) interviews with key RPO personnel and the Chiefs /Directors of Mission Support (C/DMS) of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, the African Union-United Nations Hybrid Operation in Darfur, the United Nations Mission in South Sudan, the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic and the United Nations Interim Security Force for Abyei; (b) review of relevant documentation; (c) analytical reviews of data; and (d) review of a judgmental sample of 34 contracts and related documentation.

III. OVERALL CONCLUSION

10. RPO had implemented adequate controls over source selection, bids and evaluation of bids. However, there was a need to strengthen the Regional Procurement Steering Group (RPSG) and management of the RPO to ensure effective identification and consolidation of regional requirements and improved utilization of related contracts to achieve economies of scale and to implement more vendor outreach activities.

IV. AUDIT RESULTS

A. Regional acquisition planning and utilization of contracts

Need to effectively combine the procurement requirements of missions to achieve economies of scale

11. The Procurement Manual requires the RPO to annually obtain the acquisition plans of its client missions in the format contained in Annex D-7B. The plan should contain: (a) item numbers; (b) the United Nations Common Codification System (UNCCS) codes for the required goods, services and works; (c) estimated quantities; (d) estimated value in United States dollars, funding sources and budget reference; (e) expected delivery dates of goods; and (f) expected commencement and completion dates of services. The Framework Policy for the RPO (the Framework Policy) requires it to obtain missions' acquisition plans by January, combine them into a Regional Acquisition Plan (RAP) by July every year and establish contracts to be used by the client missions with the objective of achieving economies of scale.

12. OIOS review of the regional acquisition planning process for 2013/14 to 2016/17 indicated that the RPO used the acquisition plans for its client missions when preparing RAPs for 2013/14 and 2015/16. However, the RPO did not:

- Use the acquisition plans for its client missions to prepare the 2014/15 RAP. The Procurement Division advised that the 2014/15 RAP was prepared in consultation with missions' chief procurement officers and self-accounting units and only after reviewing the Global Acquisition Plan prepared by the United Nations Global Service Centre in Brindisi. However, there was insufficient evidence of the consultations leading to the preparation of the RAP. OIOS also noted that the use of a Global Acquisition Plan in the preparation of the RAP was not consistent with the requirement of the Framework Policy;
- Timely complete the RAPs for 2014/15 and 2015/16 as these were delayed by six and four months, respectively; and
- Provide all required information in the RAPs. For example, the RPO did not: (a) codify all 20 line items in the RAPs for 2013/14, all 35 for 2014/15, all 54 for 2015/16 and all 36 for 2016/17 using the UNCCS; (b) provide realistic estimated quantities for 20 out of 54 line items such as electrical wire, cables and lighting accessories in the 2015/16 RAP but instead, the estimated quantity for each of these items was shown as "ONE" in the RAP; (c) identify the goods/services to be procured from RPO-established contracts; and (d) indicate priorities and target dates for the initiation and completion of procurement action in the 2013/14 RAP.

13. Moreover, interviews with the C/DMS of client missions indicated that they required an effective regional procurement function; however, they were of the view that the RPO was not achieving this mainly because it had been unable to effectively identify and consolidate the requirements of missions

and establish contracts to address them in an effective and efficient manner. C/DMS seemed to agree that the RAPs do not accurately reflect the requirements of their missions. They indicated that the RPO routinely failed to take into consideration factors such as freight costs and availability of the goods/services to the missions at more competitive terms.

14. Due to ineffective acquisition planning, there was an increased risk that the Organization was not achieving economies of scale through the activities of the RPO because the missions had: (a) lost confidence in the RPO; (b) begun to withdraw posts deployed in support of the RPO; and (c) routinely refused to use contracts established by the RPO. For example, two missions withdrew all four of their posts from the RPO and the DMS of one of these missions advised that he had stopped requesting the RPO to procure on the mission's behalf. Another mission decided not to withdraw any of its posts; however, the DMS advised that the mission would significantly reduce its reliance on the RPO. Moreover, as indicated in the audit results below, some RPO-established contracts were largely underutilized resulting in waste of resources on the related procurement activities. There was a risk of duplication of procurement activities as missions may establish their own contracts to procure the goods/services that could be procured through RPO-established regional systems contracts. OIOS analysis of procurement data in Umoja indicated that missions had established their own contracts to procure 54 items of goods/services with a total cost of \$666,442 for which contracts had been established by the RPO.

15. The above occurred because the RPO had been unable to take effective actions to timely obtain acquisition plans that accurately reflect missions' requirements in the prescribed formats. The Procurement Division advised that despite its best efforts through periodic meetings with client missions' personnel and numerous requests, missions failed to timely provide their acquisition plans. The Procurement Division advised that the main reason for late receipt or non-receipt of the acquisition plans was because the Division had limited authority to apply any additional measures and due to the voluntary nature of utilizing the RPO. Even though the RPO did not fully deploy its authorized resources (6 of 12 key posts of international staff including team leaders were vacant for over 18 months; and two missions withdrew all four of their posts which were vacant for extended periods of time), the Procurement Division advised that regional acquisition planning was not impacted by the vacancy rate.

16. The RPSG comprising the C/DMS of client missions was the appropriate body that should assess and provide clear guidance on the areas that should be covered by the RPO and ensure that challenges related to the implementation of the RPO mandate were addressed. However, the RPSG had been largely ineffective in ensuring that the RPO effectively carried out its mandate. The RPSG had convened only once a year and there was no evidence that they identified and took corrective actions to improve regional acquisition planning, starting with the preparation of mission-specific acquisition plans.

17. The Secretary-General's report A/71/681 of 12 December 2016 on procurement activities in the United Nations Secretariat noted that while the majority of the Secretariat's procurement expenditure was being generated through contracts established by the Procurement Division and the RPO, the majority of procurement staff (57 per cent) were attached to field missions which indicated an imbalance of resources and inefficiencies that necessitate consideration of structural changes. Accordingly, the Office of Central Support Services, in consultation with stakeholders, was looking into enhanced measures, including but not limited to structural composition, to further streamline procurement services rendered by the RPO in Central and East Africa.

<p>(1) The Procurement Division, in collaboration with the Department of Field Support and the Chiefs/Directors of Mission Support of client missions, should review the governance arrangements, activities and staffing of the Regional Procurement Office (RPO) taking into</p>

consideration the enhanced measures referred to in the Secretary-General's report A/71/681 to strengthen the Regional Procurement Steering Group and management of the RPO.

The Procurement Division accepted recommendation 1 and stated that, in consultation with RPSG, it would identify enhanced measures, including but not limited to structural composition, to further streamline procurement services rendered by the RPO. The Procurement Division also stated that it would consult with the RPSG concerning strengthening of the RPSG and management of the RPO. Recommendation 1 remains open pending receipt of evidence that the RPSG and management of the RPO have been strengthened.

(2) The Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, should take effective measures to ensure timely preparation of regional acquisition plans that accurately reflect the requirements of client missions in sufficient detail to achieve economies of scale.

The Procurement Division accepted recommendation 2 and stated that it would work closely with the United Nations Global Service Centre and the Logistics Support Division of the Department of Field Support to analyze the consolidated missions' demands and subsequently develop a global acquisition plan and to align the regional acquisition plan concurrently. Recommendation 2 remains open pending receipt of evidence that the RAP has been prepared in a timely manner and accurately reflects the requirements of client missions in sufficient detail in accordance with Annex D-7B of the Procurement Manual to achieve economies of scale.

Need to improve utilization of contracts by the field missions

18. The Framework Policy requires the RPO to establish contracts to be used by client missions with the objective of achieving economies of scale.

19. Only 21 per cent of the combined NTE amount of \$276.6 million for all 17 RPO-established contracts that expired during the audit period (July 2013 to June 2016) was utilized. OIOS review of the utilization of a sample of 7 of the 17 contracts with a combined NTE amount of \$98.2 million indicated that: (a) only 3 were fully utilized; (b) another 3 contracts including the contracts for the supply and delivery of modular office furniture for NTE amount of \$17.4 million, the supply of electrical materials for NTE amount of \$30.3 million and travel management services for NTE amount of \$1.7 million were not used at all; and (c) only 5 per cent of the contract for the supply of electrical goods for NTE amount of \$32.2 million was utilized. One DMS cancelled five procurement actions which had been initiated by a previous DMS and processed by the RPO through a competitive process, just before the RPO could award contracts to successful bidders, stating that the prices were unreasonably high compared to prices achieved through the mission's procurement activities. Regarding the five cancelled procurement actions, the Procurement Division advised that it was normal for prices to differ depending upon the time, availability of goods and the suppliers' financial or technical situation during the bidding exercise.

20. The low utilization of RPO-established contracts may be attributed to: ineffective identification of the common requirements of client missions; the fact that missions were not obliged to use these contracts; and lack of adequate and effective performance management.

(3) The Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, should take effective measures to improve the utilization of contracts established by the Regional Procurement Office.

The Procurement Division accepted recommendation 3 and stated that the RPO, in collaboration with the Department of Field Support, would: examine the reasons why missions delay the initiation of regional system contracts and why they use them only to a limited extent; and develop an action plan to improve the situation. The Procurement Division also stated that the RPO had already taken a number of measures for improved utilization of regional system contracts, including conducting a detailed analysis of the individual missions' utilization of regional system contracts; the results of which had been shared with its client missions. Additionally, the Procurement Division would explore with the Department of Field Support policy and procedural measures to further improve the utilization levels. Recommendation 3 remains open pending receipt of evidence that the Procurement Division, in collaboration with the C/DMS of client missions, has taken adequate measures to improve the utilization of RPO-established regional system contracts.

Need to strengthen performance management system

21. The Framework Policy requires the RPO to report to the Procurement Division on a monthly basis and to the RPSG annually on the status of procurement activities, utilization of contracts and vendor registration. The key performance indicators (KPI) prescribed in the service-level agreement (SLA) between the RPO and the respective missions require the RPO to complete all 20 stages of the procurement process (from the receipt of statements of works to establishment of the contract) within 125 to 145 days for invitations to bid (ITB) and 140 to 190 days for requests for proposal (RFP).

22. OIOS interviews with staff, review of the performance reporting system and activities including the Excel tracking tool implemented since July 2015, and review of a sample of 34 out of 199 solicitations that resulted in award of contracts showed that the RPO was sending monthly status reports to the Procurement Division and client missions and providing annual status reports to the RPSG. However, the reporting was generally incomplete and inadequate to ensure effective monitoring of RPO activities by the Procurement Division and the C/DMS, as explained below:

- The RPO did not report on its performance related to the 20 stages of the procurement process for 29 out of 34 solicitations that resulted in award of contracts.
- The RPO's performance reporting focused mainly on utilization rates of the aggregate NTE amount by contract; it did not provide utilization rates of the contract by individual mission. There was no mechanism in place to inform the missions promptly about the low/non-utilization of RPO-established contracts.
- According to the Framework Policy, to ensure maximum utilization of contracts, missions are required to certify in shopping carts that the items are not: (a) available from the United Nations Logistics Base or surplus stock; (b) on global systems contracts; and (c) on regional systems contracts. However, there was no mechanism in place at the RPO to monitor and report on these activities.

23. The RPO attributed the inadequate performance monitoring and reporting to: (a) inadequate staffing capacity referred to above; and (b) its inability to fully use Umoja or deploy an effective tool for tracking, monitoring and reporting on its procurement activities.

24. As a result, non-achievement of KPIs were not systematically identified and addressed. For example, all 4 ITBs and 13 out of 21 RFPs tracked by the Excel tracking tool did not meet the prescribed KPI timelines. The performance statistics of the 8 other cases in the tracking tool were incomplete as the relevant dates were not recorded. The average time taken to complete the sample 10 ITBs and 24 RFPs

was 354 and 304 days, respectively. The lack of effective corrective action by the RPSG and the Procurement Division contributed to duplication of procurement activities. For example, during the audit period, the RPO and client missions established procurement contracts for 135 similar goods/services. Fifty-four of the 135 goods and services valued at \$666,442 featured in missions' individual contracts as well as in RPO-established contracts, which indicated duplication of solicitation efforts.

(4) The Procurement Division, in collaboration with the Umoja team, should develop and implement an appropriate monitoring and reporting tool for activities of the Regional Procurement Office.

The Procurement Division accepted recommendation 4 and stated that in addition to the existing in-house monitoring and reporting tools, the RPO would explore the use of Umoja Business Intelligence tool to capture data with, to put in place an appropriate monitoring mechanisms and to generate up-to-date reports for the use of all its stakeholders. Recommendation 4 remains open pending receipt of evidence that the Procurement Division has developed and implemented a tool to facilitate monitoring and reporting of RPO activities.

B. Vendor outreach

Need to increase business opportunities for developing countries through vendor outreach activities

25. The governance model requires the RPO to implement appropriate vendor outreach activities in order to increase business opportunities for developing countries.

26. OIOS interviews with staff and review of vendor outreach activities from 2013 to 2016 indicated that the RPO had organized and conducted 16 business seminars in Africa and one in Asia with 2,219 participants (see Table 1) and assisted, through activities such as responding to queries from prospective vendors, and in registering 2,940 new vendors from 42 developing countries. Of the 2,940 vendors registered with the assistance of the RPO, 41 had successfully secured contract awards.

Table 1: Vendor outreach activities during the period 2013-2016

Country	2013 Participants	2014 Participants	2015 Participants	2016 Participants	Total
Mali	890				890
Uganda	146	116	130	23	415
Kenya		250			250
Central African Republic		192			192
Democratic Republic of Congo		242			242
Cote D'Ivoire	109				109
Senegal	51				51
Indonesia		40			40
Cameroon		30			30
Total	1,196	870	130	23	2,219

27. There was, however, inadequate evidence that the RPO outreach activities were adequate to increase business opportunities for developing countries. For example, the RPO did not maintain criteria for how it determined the number/types of outreach activities, the locations of the activities and the entities to invite. As indicated in Table 1, all but one of the 16 outreach activities implemented during the audit period were in Africa. Moreover, the RPO had conducted one-third of its outreach activities solely

in Uganda with 153 participating in 2015 and 2016 and no outreach in East and Central Africa. There were no outreach activities at all in the two largest economies in Africa (Nigeria and South Africa).

28. The above occurred because: (a) the RPO had no budget of its own and was depending on the budgets of field missions and the Procurement Division to cover all its related expenses; and (b) the Procurement Division had not taken steps to operationalize the RPO mandate to implement appropriate vendor outreach activities. While the RPO is mandated to support the procurement activities of missions in East and Central Africa on a cost-neutral basis, it is also required to reach out to business in developing countries throughout the world. The RPO did not have a separate work plan and the 2015/16 work plan of the Procurement Division was silent on RPO vendor outreach activities. The Procurement Division advised that since it was already conducting business seminars in several countries in Africa (e.g., South Africa), the RPO did not need to conduct business seminars in those areas. Nevertheless, there was a need for a detailed action plan for RPO outreach activities taking into consideration available resources and the Procurement Division's ongoing outreach activities in certain countries under the purview of the RPO.

(5) The Procurement Division should take steps to operationalize the Regional Procurement Office's mandate to implement appropriate vendor outreach activities to increase business opportunities for developing countries and to allocate resources for this aspect of the mandate.

The Procurement Division accepted recommendation 5 and stated that it had implemented the recommendation by conducting vendor outreach activities such as business seminars, workshops and training in several East and Central African locations and covered many other locations in the past six years. The RPO had registered several new vendors as a result of these activities. In countries where there were no sponsoring missions, the Procurement Division funded the travel costs for these business seminars. Starting from 2017/18 and subject to the approval of the RPO budget, further efforts would be made to implement extended vendor outreach activities and thereby increase business opportunities for developing countries. Further, the Procurement Division, as the central secretariat for business seminars had included the RPO in its annual plan for vendor outreach activities. OIOS acknowledges that the Procurement Division has included RPO in its annual plan, but it had not provided an action plan for outreach activities within the RPO by taking into consideration of available resources. Recommendation 5 remains open pending receipt of evidence that the Procurement Division has fully operationalized the RPO's mandate for vendor outreach by preparing and implementing an action plan for outreach activities.

C. Solicitation process and award of contracts

There was adequate source selection planning

29. The Procurement Manual and standard operating procedures (SOP) on joint acquisition planning requires the RPO to develop a source selection plan (SSP) for each procurement action with: (a) detailed description of requirements; (b) identification of potential vendors; (c) indication of the type of solicitation method to be used; (d) basis of award; (e) type of contract instrument to be used; (f) procurement activity schedule; (g) evaluation committee; (h) evaluation method (technical and commercial), criteria and weighting scale to be used; (i) risk factors; and (j) performance indicators. SSPs must be reviewed by the RPO Team Leader, cleared by the requisitioner of the lead Mission and approved by the RPO Section Chief.

30. OIOS review of a sample of 34 contracts and related SSPs indicated that the RPO had prepared SSPs with all required details for all the 34 cases. Each SSP was reviewed by the RPO Team Leader,

cleared by the requisitioner of the lead Mission and approved by the RPO Section Chief. OIOS concluded that source selection planning by the RPO was adequate.

Market survey approach needed to be more effective for improved vendor response

31. The Procurement Manual requires the RPO to invite a minimum number of vendors for each solicitation. The Manual further requires the RPO to conduct market surveys to identify vendors capable of fulfilling the requirements.

32. OIOS review of 34 solicitations indicated that the RPO had invited all eligible vendors from the United Nations Global Marketplace, always achieving the minimum number of vendors for each solicitation. However, the response rates were low, as indicated below:

- Overall, the average response rate for the 34 sample solicitations was 14 per cent;
- For 29 out of 34 solicitations the average response rate was less than 20 per cent;
- In a solicitation for buses valued at \$2.5 million, only 4 out of the 55 invited vendors responded;
- In another solicitation for civil hardware materials for \$2.1 million, only 4 out of 60 invited vendors responded; and
- For a solicitation for environmental services valued at \$16.1 million, only 7 out of 157 invited vendors responded.

33. The above occurred because the RPO had not analyzed the reasons for the low vendor response rate and implemented a plan to improve it. The RPO stated that there were factors such as security concerns and vendors' individual preferences such as doing business in a particular location that may have influenced their response rate. In the view of OIOS, the RPO needed to confirm these factors and identify any other reasons such as the need to improve responses from qualified vendors through market surveys.

34. Due to the low vendor response rate, there was an increased risk that the Organization was not achieving best value for money.

(6) The Procurement Division should take steps to ensure that the reasons for low vendor response are identified and an action plan is prepared to improve vendor response rate.

The Procurement Division accepted recommendation 6 and stated that the RPO had begun requesting vendors to provide reasons for not responding to solicitations. After collecting sufficient data, the Procurement Division would assess possible options to improve the vendor response rate. Recommendation 6 remains open pending receipt of evidence that the Procurement Division has identified the reasons for low vendor response rate and taken appropriate action to improve it.

Bid safety procedures were adequate

35. The Procurement Manual requires the RPO to properly safeguard bid submissions in a secure area until the stated submission opening date and time, with access restricted to authorized personnel only.

36. OIOS review of bids received, the RPO bid receipt procedures and a visit to the room designated for receipt of bids in Entebbe indicated that the RPO had implemented adequate access controls to the room and equipped it with a certified perforating machine to date- and time-stamp the bids received. OIOS concluded that the RPO had implemented adequate bid safety procedures.

Technical and commercial evaluations were adequate

37. The Procurement Manual and SOP on RAP require that the RPO and missions jointly establish evaluation committees for all procurements in excess of \$40,000. The SSP should specify a technical and commercial evaluation team on a case-by-case basis. The Technical Evaluation Committee (TEC) should be appointed by the requisitioning/lead mission consisting of two subject matter experts and the Commercial Evaluation Committees (CEC) are appointed by the Director of the Procurement Division, comprising at least two RPO staff. A superior and subordinate may not serve together on the same evaluation team and procurement officers cannot serve as members of a TEC. The evaluation committees are responsible for assessing the ability of potential vendors to meet the United Nations' minimum requirements and provide a basis for determining the relative merits of competing bids and proposals based on predetermined evaluation criteria.

38. OIOS review of the minutes of the technical and commercial evaluation committee meetings for 34 solicitations conducted during the audit period indicated that for all 34 solicitations, the RPO and the lead/requisitioning missions had jointly established the TECs and the RPO had established the CECs. All TECs were authorized by the concerned missions and possessed the requisite expertise. Similarly, all CEC members were appointed by the Director of the Procurement Division from the list of designated RPO staff. No conflict in reporting relationships were noted. Additionally, in all 34 solicitations, the evaluation committees had consistently applied the pre-defined technical and commercial evaluation criteria and weighting schemes in the relevant SSP.

39. OIOS concluded that the RPO had implemented adequate controls over technical and commercial evaluations.

Basis of contract award was adequately documented

40. The Procurement Manual requires the RPO to prepare for each solicitation a statement of award containing the main evaluation criteria and the basis of award. For award of contracts that exceed the delegation of authority of the RPO and the Procurement Division (i.e., \$500,000 for the RPO and up to \$1 million for the Procurement Division), the RPO is required to make case presentations to the Headquarters Committee on Contracts (HCC) and document the recommendations, the meeting number and date.

41. OIOS review of case files and HCC minutes relating to 34 contract awards, including 30 that required HCC review, indicated that the RPO prepared for each solicitation the required statement of award containing the relevant details such as main evaluation criteria, weighting, the basis of award and documented the HCC recommendation, meeting number and date.

42. OIOS therefore concluded that the RPO had implemented adequate controls over documentation related to award of contracts.

Filing system needed improvement

43. The Procurement Manual requires the RPO to maintain a properly indexed case file for each solicitation. Such file should contain all relevant documents related to each phase of the procurement process, including: (a) pre-solicitation; (b) solicitation; (c) vendor responses; (d) evaluation; and (e) award of contract. These were reiterated by the Procurement Division's instructions regarding orderly maintenance of case files.

44. OIOS review of the case files related to 34 procurement solicitations indicated that the RPO did not fully apply the prescribed case file checklist as only 17 of the 34 files were properly indexed. Since the RPO did not fully enforce the filing guidelines prescribed by the Procurement Division, procurement staff adopted divergent filing procedures.

45. Consequently, it was difficult to retrieve documents in a sequential manner as the files were not systematically indexed. Due to the dynamic nature of the procurement process and mobility of procurement staff, there was a risk of loss of important contract documents.

(7) The Procurement Division should take steps to ensure that its filing guidelines are complied with by the Regional Procurement Office.

The Procurement Division accepted recommendation 7 and stated that a strict monitoring mechanism would be put in place to make sure that the RPO staff fully complied with the filing guidelines that were already in place. Recommendation 7 remains open pending receipt of evidence that the RPO has complied with the Procurement Division's filing guidelines.

V. ACKNOWLEDGEMENT

46. OIOS wishes to express its appreciation to the management and staff of the Procurement Division at Headquarters and the RPO at Entebbe 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 the Regional Procurement Office at Entebbe

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The Procurement Division, in collaboration with the Department of Field Support and the Chiefs/Directors of Mission Support of client missions, should review the governance arrangements, activities and staffing of the Regional Procurement Office (RPO) taking into consideration the enhanced measures referred to in the Secretary-General's report A/71/681 to strengthen the Regional Procurement Steering Group and management of the RPO.	Important	O	Receipt of evidence of actions taken to strengthen the RPSG and management of RPO.	31 December 2017
2	The Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, should take effective measures to ensure timely preparation of regional acquisition plans that accurately reflect the requirements of client missions in sufficient detail to achieve economies of scale.	Important	O	Receipt of evidence that the RAP: has been timely prepared; and accurately reflects the requirements of client missions in sufficient details as per Annex D-7B of the Procurement Manual to achieve economies of scale.	31 December 2017
3	The Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, should take effective measures to improve the utilization of contracts established by the Regional Procurement Office.	Important	O	Receipt of evidence that the Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, has taken adequate measures to improve the utilization of RPO-established regional system contracts.	30 June 2018
4	The Procurement Division, in collaboration with the Umoja team, should develop and implement an appropriate monitoring and reporting tool for activities of the Regional Procurement Office.	Important	O	Receipt of evidence that the Procurement Division/RPO has developed and implemented the proposed monitoring and reporting tool.	30 June 2018

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 DM in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Regional Procurement Office at Entebbe

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5	The Procurement Division should take steps to operationalize the Regional Procurement Office's mandate to implement appropriate vendor outreach activities to increase business opportunities for developing countries and to allocate resources for this aspect of the mandate.	Important	O	Receipt of evidence that the Procurement Division has operationalized RPO's mandate for vendor outreach; for example, by preparing and implementing a detailed action plan for outreach activities.	31 July 2017
6	The Procurement Division should take steps to ensure that the reasons for low vendor response are identified and an action plan is prepared to improve vendor response rate.	Important	O	Receipt of evidence that the Procurement Division has identified the reasons for low vendors' response rate and taken appropriate to improve it.	31 December 2018
7	The Procurement Division should take steps to ensure that its filing guidelines are complied with by the Regional Procurement Office.	Important	O	Receipt of evidence that the RPO has complied with the Procurement Division's filing guidelines.	31 December 2017

APPENDIX I

Management Response

Management Response

Audit of the Regional Procurement Office at Entebbe

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Procurement Division, in collaboration with the Department of Field Support and the Chiefs/Directors of Mission Support of client missions, should review the governance arrangements, activities and staffing of the Regional Procurement Office (RPO) taking into consideration the enhanced measures referred to in the Secretary-General's report A/71/681 to strengthen the Regional Procurement Steering Group and management of the RPO.	Important	Yes	Director, Procurement Division	31 December 2017	The Procurement Division (PD), in consultation with the Regional Procurement Steering Group (RPSG), will look into enhanced measures, including but not limited to structural composition, in order to further strengthen procurement services rendered by the Regional Procurement Office in Central and Eastern Africa in accordance with Secretary-General's report A/71/681. PD will also consult with the RPSG concerning strengthening of the management of the RPO.
2	The Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, should take effective measures to ensure timely preparation of regional acquisition plans that accurately reflect the requirements of client missions in sufficient detail to achieve economies of scale.	Important	Yes	Chief, Regional Procurement Office	31 July 2017	PD envisages to implement the recommendation through short-term and long-term plans, as detailed below: <u>Short-term plan:</u> To address immediate regional requirements against the expiring regional system contracts for the fiscal year 2017-18, the RPO will examine the contract register and in close consultation with the Logistics Support Division, it will capture those potential replacement contracts in the Regional Acquisition Plan.

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.

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
				Chief Field Procurement Service	31 December 2017	<p><u>Long-term plan:</u></p> <p>PD understands that the Global Service Centre (GSC) is in the process of developing a consolidated Draft Acquisition Plan 2017/18 for Peacekeeping missions, and the GSC's Global Acquisition Planning team is currently working on the review and report preparation.</p> <p>In view of the above, PD will work closely with GSC and Logistics Support Division to analyze the consolidated missions' demands and subsequently develop the regional acquisition plan to align with the global acquisition plan. Successful implementation is dependent on close coordination and consultation with the stakeholders, i.e. Logistics Support Division and the GSC, as well as Chiefs/Directors of Mission Support in the RPSG, the end-users and beneficiaries.</p>
3	The Procurement Division, in collaboration with the Chiefs/Directors of Mission Support of client missions, should take effective measures to improve the utilization of contracts established by the Regional Procurement Office.	Important	Yes	Chief, Regional Procurement Office	30 June 2018	<p>The RPO, in collaboration with DFS, will examine the reasons why missions delay the initiation of regional system contracts and why they use them only to a limited extent. An action plan for improvement will then be developed.</p> <p>It should be noted that utilization of Regional Systems Contracts is not under PD/RPO's direct control. However, as part of ongoing efforts, the RPO has taken a number of measures to improve contracts utilization. The RPO has recently concluded a detailed analysis of regional system contracts utilization in individual missions and has</p>

Management Response

Audit of the Regional Procurement Office at Entebbe

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						<p>shared this analysis report with the client missions with an aim to improve regional contracts utilization.</p> <p>Further, given that the General Assembly has formalized the RPO, PD will explore with DFS, policy and procedural measures to further improve the utilization of regional system contracts, in addition to the ongoing efforts.</p>
4	The Procurement Division, in collaboration with the Umoja team, should develop and implement an appropriate monitoring and reporting tool for activities of the Regional Procurement Office.	Important	Yes	Chief, Procurement Management Section, Procurement Division and Chief, Regional Procurement Office	30 June 2018	<p>The RPO, in addition to in-house monitoring and reporting tools, will explore the use of existing Business Intelligence tools to capture data, to put in place appropriate monitoring mechanisms and to generate up-to-date reports to all stakeholders.</p> <p>When needed, PD will undertake a review of requirements and submit them through the established formal channels for Business Intelligence Reports.</p>
5	The Procurement Division should take steps to operationalize the Regional Procurement Office's mandate to implement appropriate vendor outreach activities to increase business opportunities for developing countries and to allocate resources for this aspect of the mandate.	Important	Yes	Chief, Regional Procurement Office	Implemented	<p>PD considers this recommendation implemented with the efforts already undertaken as summarized below:</p> <ul style="list-style-type: none"> The PD/RPO has conducted extensive vendor outreach activities such as Business seminars, workshops, Trainings, etc.) in several East and Central Africa countries. In addition, many other West and South African locations have been covered during the past six years in collaboration with PD in New York. A total of 16 business seminars, covering eight African countries have been conducted in the region

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						<p>during the years 2013-2016. Several new vendors have been registered through the above outreach exercises, of which many have participated in RPO solicitations with a good number of them securing awards following competitive bidding exercises. The RPO has liaised with peacekeeping missions and PD to conduct the above activities and has secured adequate results.</p> <ul style="list-style-type: none"> • To conduct the above activities, nominal costs such as travel (Business Seminars, Mission Assistance in terms of training, Requisitioners and UNGM trainings) have been funded by the host peacekeeping or political missions. • In scenarios where RPO does not have peacekeeping missions such as Botswana and Comoros, the Procurement Division funds the travel for the business seminars. • Beginning with the financial year 2017/18 and subject to the approval of RPO's budget, it is expected that further efforts will be made to implement extended vendor outreach activities in order to increase business opportunities for developing countries. <p>PD, as the central secretariat for Business Seminars, has included RPO in its annual plan for vendor outreach activities, taking into consideration of the RPO's location and the vendor communities in the region.</p>

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						<ul style="list-style-type: none"> As noted above, the RPO has been rendering adequate outreach support, and PD considers this recommendation implemented and requests for its closure.
6	The Procurement Division should take steps to ensure that the reasons for low vendor response are identified and an action plan is prepared to improve vendor response rate.	Important	Yes	Chief, Regional Procurement Office	31 December 2018	The RPO has applied mechanisms to identify the reasons for the low vendor responses and to seek alternative options. The RPO regularly invites all eligible vendors but has no control over the responses of the vendors. In an effort to address the issue, the RPO requests vendors that do not submit responses to provide reasons for their reluctance to submit responses on a regular basis. After collecting sufficient data, PD and the RPO will assess possible options to improve the vendor response rate.
7	The Procurement Division should take steps to ensure that its filing guidelines are complied with by the Regional Procurement Office.	Important	Yes	Chief, Regional Procurement Office	31 December 2017	A strict monitoring mechanism will be put in place to make sure that RPO staff fully comply with the filing guidelines that are already in place.