



## INTERNAL AUDIT DIVISION

### REPORT 2017/057

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Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon

Coordination between the Mission and relevant Headquarters departments needed to improve to ensure accurate reimbursements of maritime troops and equipment

23 June 2017

Assignment No. AP2016/672/04

# **Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the implementation of letters of assist (LOAs) and memoranda of understanding (MOUs) for maritime operations in the United Nations Interim Force in Lebanon (UNIFIL). The audit covered the period from 1 July 2014 to 30 June 2016 and included review of operational planning and deployment of vessels and accuracy of reimbursements to contributing countries.

UNIFIL took action to improve its planning to meet the operational targets. However, UNIFIL did not report noncompliance by maritime contributing countries (MCCs) with LOAs to the Department of Peacekeeping Operations (DPKO) for it to take necessary action. Owing to inadequate coordination between and among UNIFIL and various Headquarters offices, there were overpayments to MCCs totaling \$5.1 million for the financial years 2014/15 and 2015/16. Reimbursable services included in LOAs also needed to be itemized to clarify what they covered. A working group of Member States had made recommendations to the General Assembly in this regard.

OIOS made six recommendations. To address issues identified in the audit, UNIFIL needed to do:

- Develop adequate internal procedures to escalate noncompliance with LOAs by MCCs to DPKO for necessary action;
- Task its Contingent Owned Equipment/Memoranda of Understanding Management Review Board to comprehensively review maritime LOAs and MOUs to ensure that their terms are properly established to support the Mission's operations and make necessary recommendations to the Department of Field Support (DFS); and
- Review, in coordination with DFS, the requirements for medical facilities on board maritime vessels and revise LOAs and MOUs accordingly.

DFS needed to:

- Review and recover excess reimbursement of approximately \$4.9 million made to MCCs while vessels were undergoing maintenance and clarify relevant provisions of maritime LOAs relating to reimbursements for vessels under maintenance; and
- Provide the Office of Programme Planning, Budgets and Accounts (OPPBA) in the Department of Management (DM) with copies of the latest MOUs to ensure accurate verification of troop strengths and reimbursements.

OPPBA needed to:

- Review and take necessary action to recover excess reimbursements of approximately \$198,000 paid to MCCs above the approved troop strengths.

DFS and UNIFIL did not accept the recommendation to review and recover excess reimbursements to MCCs, as in their view preventative maintenance periods were needed and they planned to revise the LOA accordingly. This unaccepted recommendation may be reported to the General Assembly indicating management's acceptance of the residual risk. UNIFIL, DFS and DM accepted the other recommendations and are taking actions to implement them.

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# **Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the implementation of letters of assist (LOAs) and memoranda of understanding (MOUs) for maritime operations in the United Nations Interim Force in Lebanon (UNIFIL).
2. The UNIFIL Maritime Task Force (MTF), deployed since 2006, supports Lebanon in monitoring its territorial waters and preventing unauthorized entry of arms and related materials by sea. MTF operations are guided by the UNIFIL concept of operations and various standard operating procedures. The UNIFIL Force Commander has delegated operational control of MTF to the MTF Commander.
3. The MTF currently has a fleet of seven vessels, two helicopters and 1,006 authorized troops, deployed by six maritime contributing countries (MCCs). MCCs provide and maintain troops, related major equipment and self-sustainment services to the United Nations, which reimburses MCCs at rates stipulated in their respective LOAs and MOUs.
4. The MTF Commander is supported by 21 staff officers onshore for command and control of maritime operations and liaison with UNIFIL headquarters. The MTF approved budgets and expenditures were \$50.2 million and \$52.0 million for the financial year 2014/15; and \$42.0 million and \$41.2 million for 2015/16, respectively.
5. Comments provided by UNIFIL, Department of Field Support (DFS), Department of Peacekeeping Operations (DPKO) and the Office of Programme Planning, Budgets and Accounts (OPPBA) in the Department of Management (DM) are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the implementation of LOAs and MOUs for maritime operations in UNIFIL.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the operational and financial risks relating to the implementation of the maritime LOAs and MOUs.
8. OIOS conducted this audit from September to December 2016. The audit covered the period from 1 July 2014 to 30 June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the implementation of the maritime LOAs and MOUs, which included operational planning and deployment of vessels and accuracy of reimbursements to MCCs.
9. The audit methodology included: (a) interviews of key personnel; (b) reviews of relevant documentation; (c) analytical reviews of data and sample testing of maritime tracking lists and payment records for troops and sustainment costs; and (d) visits to MTF vessels.

### III. OVERALL CONCLUSION

10. UNIFIL recently took action to improve its planning to meet the operational target of at least three vessels at sea on a 24 hours/7 days basis. However, UNIFIL needed to develop internal procedures to escalate noncompliance by MCCs with LOAs to the Office of Military Affairs (OMA) in DPKO. UNIFIL, DFS and OPPBA needed to review and recover overpayments to MCCs amounting to approximately \$5.1 million, comprising \$4.9 million reimbursed while vessels were under maintenance and \$198,000 for excess troops provided by MCCs. Further, reimbursable services included in LOAs needed to be itemized to clarify what they covered. A working group of Member States had made recommendations to the General Assembly in this regard.

### IV. AUDIT RESULTS

#### A. Operational planning and deployment of vessels

##### MTF took actions to improve operational planning and vessel performance

11. The LOAs and UNIFIL concept of operations require at least three vessels to patrol the UNIFIL area of maritime operations (AMO) on a 24/7 basis.

12. A review of monthly MTF tracking lists from July 2014 to June 2016 showed that fewer than three vessels operated in the AMO for 263 out of the 731 days reviewed (36 per cent). This was due to maintenance and rotations of vessels and port visits for 148 days, while the vessels sheltered due to bad weather for the remaining 115 days. In addition, in the 24 months reviewed, MTF did not meet the monthly on-tasking capability specified in the UNIFIL statement of unit requirements for vessels to be available in the AMO at a minimum 60 per cent of the time for corvettes/offshore patrol vessel (OPVs) and 50 per cent for fast patrol boats (FPBs). For 13 months (55 per cent), none of the vessels was available for 60 or 50 per cent of the time as required. For seven months, only one vessel met the on-tasking capability while, for four months, either two or three vessels met the requirement.

13. MTF has taken a number of corrective actions to improve vessel performance and availability at sea. Since January 2016, MTF has planned for at least three vessels to be at sea on a 24/7 basis, halving the number of days when fewer than three vessels operated. In addition, MTF issued a directive to clarify the on-tasking capability requirement. Based on actions taken, OIOS did not make a recommendation on this issue.

##### MCCs did not always comply with LOA terms

14. LOAs specify the type of vessels to be deployed (corvettes, FPBs or OPVs) to minimize the impact of weather conditions on operations. (Corvettes can endure waves of 2.5 to 4 metres compared to FPBs/OPVs, which can only endure waves 1.5 to 2 metres.) LOAs also require that vessels be rotated every six months or annually and MCCs notify UNIFIL 28 days in advance of rotations or replacements of vessels. Any changes or modifications to the terms of LOAs should be agreed in writing between the United Nations and MCCs.

15. Although their LOAs specified deployment of corvettes, three MCCs deployed FPBs from August 2015 to March 2016, May 2015 to September 2015, and May 2015, respectively. This resulted in 23 days of shelter for the FPBs, which could have been avoided if the required corvettes had been deployed. On average, FPBs needed to be sheltered in bad weather more than twice the time as compared to corvettes. UNIFIL ensured that the FPBs were reimbursed correctly at the FPB rate.

16. Two MCCs rotated their vessels every 48 days, instead of every six months resulting in 30 rotations. They notified the United Nations less than 24 hours prior to the arrival or departure of vessels for 12 of these rotations, causing difficulty for MTF to plan and task vessels to achieve operational targets. This also caused downtime totaling 12 days or 278 hours during the audit period for UNIFIL to inspect the replacements for vessels that were prematurely rotated. Reimbursements totaling \$95,000 during the 12 days of inspections were made, although no reimbursement was made during the transition time of the vessels.

17. One MCC had a policy requiring its FPBs to spend 60 hours in the AMO, 60 hours at a designated maritime port of call and 12 hours in transit. This resulted in monthly maximum operational readiness of 46 per cent, below the required minimum 50 per cent of monthly on-tasking target.

18. The above occurred because UNIFIL had not developed adequate procedures to escalate noncompliance with terms of LOAs by MCCs to OMA for necessary action. This reduced the availability of vessels for operational tasking.

**(1) UNIFIL should develop adequate internal procedures to escalate noncompliance with letters of assist by maritime contributing countries to the Office of Military Affairs in DPKO for necessary action.**

*UNIFIL accepted recommendation 1 and stated that it would conduct pre-deployment inspections of assets at MCCs' locations and share the results with all interested parties, subject to the availability of necessary naval/aviation expertise and funding. In addition, DPKO, DFS and UNIFIL would ensure COE quarterly verification reports indicate the types of ships actually deployed and include relevant MTF tracking tables. MTF would also report noncompliance of naval assets to DPKO. Recommendation 1 remains open pending receipt of evidence of implementation of these measures.*

## **B. Overpayments due to noncompliance with LOA or MOU clauses**

### Reimbursement during periods of vessel maintenance needed to be recovered

19. To be eligible for reimbursement, LOAs require that vessels are available within the UNIFIL AMO on a 24 hours/7 days basis for tasking or en route to or from a designated maritime port of call for purposes of refueling, removing waste, taking on board supplies or rotating crew.

20. A review of MTF monthly tracking tables during the audit period indicated that reimbursements were made to six MCCs totaling \$4.9 million for 426 days when vessels were under maintenance, and therefore not available within the UNIFIL AMO. This occurred because DFS applied its normal practice of paying for aircraft and other equipment under contract while they were being maintained. However, as confirmed by the Office of Legal Affairs, the maritime LOAs did not include any such provisions and MCCs were therefore not eligible to reimbursements for vessels that were not available for tasking.

**(2) DFS should, in coordination with UNIFIL: (i) review and recover excess reimbursement of approximately \$4.9 million made to maritime contributing countries while vessels were undergoing maintenance during the financial years 2014/15 and 2015/16; and (ii) review relevant clauses of maritime letters of assist to clarify provisions relating to reimbursements for vessels under maintenance.**

*DFS and UNIFIL did not accept recommendation 2 and stated that periods of preventive maintenance were aimed at ensuring continued availability of vessels and avoiding defects or breakdowns that would lead to longer periods of corrective maintenance or even a safety risk to personnel. Preventive maintenance periods of 20 days per semester of deployment were compatible with other navies, and charging MCCs for these periods, which were not unilaterally demanded by them, would certainly be disputed by the MCCs. Nevertheless, DFS, in coordination with DPKO and UNIFIL, drafted a revised LOA for MTF vessels specifying a period for preventive maintenance, and sent it to the Office of Legal Affairs for review. DFS further clarified that during self-maintenance periods, ships performed other mandated tasks such as training the Lebanese Navy and they were still available to UNIFIL, if needed. OIOS maintains that as the current LOAs do not have provisions for reimbursement of vessels during maintenance periods, payments made to MCCs during this period should be recovered. The lack of recovery will result in significant financial loss to the Organization. Nonetheless, OIOS has closed this unaccepted recommendation, which may be reported to the General Assembly indicating management's acceptance of residual risks. Part (ii) of recommendation 2 remains open pending receipt of the approved revised LOA clause on preventive maintenance.*

Reimbursement of troops above the strength approved in MOUs needed to be recovered

21. MOUs state that MCC personnel above the troop strengths authorized in MOUs, called national support elements, are not eligible to be reimbursed or supported by the United Nations. The Guidelines for MTF Units Verification Process require the Military Personnel Office to verify troop strength reports submitted by the MTF Commander. OPPBA certifies payments to MCCs based on these reports.

22. A review of troop strength reports showed that during the audit period, three MCCs deployed 179 troops above the authorized strengths in their MOUs but the UNIFIL Military Personnel Office did not identify these troops as national support elements because it was using outdated MOUs to verify deployed troops and prepare troop strength reports. As a result, \$198,000 was paid to the MCCs. (UNIFIL has since provided the Military Personnel Office with the updated MOUs.) OPPBA also certified troop strength reports using outdated MOUs as DFS, which is responsible for formulating and updating LOAs and MOUs, did not share updated MOUs with OPPBA consistently.

**(3) OPPBA should review and take necessary action to recover excess reimbursements of approximately \$198,000 paid to maritime contributing countries for troops provided to UNIFIL above the approved troop strengths during the financial years 2014/15 and 2015/16.**

*OPPBA accepted recommendation 3 and stated that it would explore the possibility of deducting the excess reimbursements from future payments but noted that recovery may be limited due to possible disputes by the related countries. OPPBA also stated that it had established control mechanisms to ensure payments to troop contributing countries do not exceed the troop levels agreed in the latest MOUs received from DFS. Recommendation 3 remains open pending receipt of evidence of actions taken to recover excess reimbursements and mechanisms implemented to ensure accurate future reimbursements.*

**(4) DFS should, in coordination with DPKO, implement procedures to ensure copies of the latest memoranda of understanding are shared with OPPBA to facilitate accurate verification of troop strengths and reimbursements to maritime contributing countries in UNIFIL.**

*DFS accepted recommendation 4 and stated that DPKO and DFS management would enforce procedures to ensure sharing of updated MOUs with all parties involved in a timely manner. DPKO and DFS would also review the possibility of granting the Peacekeeping Financing Division of DM access to the electronic COE system to retrieve signed MOUs and subsequent amendments. OPPBA confirmed the need for one central repository of all updated MOU information, which interested parties could access at all times. Recommendation 4 remains open pending receipt of evidence of measures implemented to ensure sharing of the latest copies of MOUs with OPPBA.*

Reimbursement for ineligible level 1 hospitals needed to be reviewed

23. The maritime LOAs and MOUs require MCCs to provide level 1 hospitals on board vessels. UNIFIL is required to verify eligibility of the hospitals for reimbursement, which should include a minimum of two medical doctors, six medics/nurses and medical supplies sufficient to support a battalion. The UNIFIL Chief Medical Officer is required to be present at the inspection of hospitals.

24. A review of verification reports of the Contingent Owned Equipment (COE) Unit and visits to vessels showed that FPBs only had one or two paramedics, while corvettes had one doctor and two paramedics. Although none of the MCCs met the eligibility of the level 1 hospital, UNIFIL made full reimbursements totaling \$279,304 for the financial years 2014/15 and 2015/16. Further, the COE Unit undertook inspections without a representative of the Chief Medical Officer due to an oversight. UNIFIL stated that the Chief Medical Officer would be represented in future inspections.

25. The COE Unit stated that it had requested DFS to clarify the eligibility requirements for a level 1 hospital within maritime operations in 2013 but did not get a response. Also, the Unit had developed an informal practice of assessing MCCs as being in full compliance with LOAs and MOUs when there was a doctor on board a vessel, but had not revised the LOAs and MOUs to formalize this practice. The Unit further maintained that the medical clause requirements in the current LOAs and MOUs were the same as for ground operations and were far larger than necessary. For example, the LOAs and MOUs require two medical doctors and medical supplies sufficient for a battalion (about 600 personnel), although the largest MTF vessel has a crew of about 240 personnel on board.

**(5) UNIFIL should, in coordination with DFS, review the requirements for medical facilities on board maritime vessels and propose and follow up appropriate revisions of letters of assist and memoranda of understanding with DFS.**

*UNIFIL accepted recommendation 5 and stated that it would, in coordination with DFS, review the requirements for medical facilities on board maritime vessels and propose the revision of LOAs and MOUs, as appropriate. Recommendation 5 remains open pending receipt of revised requirements for medical facilities on board maritime vessels, as approved by DFS.*

### **C. Misalignments between LOAs and MOUs**

Need to clarify reimbursements under maritime LOAs

26. The maritime LOAs provide for a daily rate of reimbursement for vessels as per their technical requirements and terms of condition of the LOA, while the MOUs cover the reimbursement of crews and the minor equipment and consumables that support them.



27. The United Nations paid \$62 million and \$35 million to MCCs under LOAs and MOUs respectively during the audit period. However, a review of verification reports for self-sustainment and payment records indicated that a number of minor equipment items that were verified as payable under LOAs also appeared to be separately verified and reimbursed as self-sustainment costs under MOUs. This included costs for accommodation, minor engineering, electrical, maintenance, communication and other operating costs, totaling about \$7 million for the financial years 2014/15 and 2015/16 paid to six MCCs.

28. This situation was largely because the daily rate payable under LOAs established in 2006 was a composite rate, which did not provide an adequate breakdown of costs to differentiate them from items that were being paid for under the MOU. Further, ineffective coordination among the responsible units<sup>1</sup> of DPKO and DFS subsequently led to inconsistencies and misalignments between the LOA and MOU clauses. OIOS noted that a recent triennial review of rates and standards for reimbursement for COE by a working group of Member States had recommended to the General Assembly that the COE Manual be revised to require itemization of the services included in the reimbursement amount in LOAs to promote greater accountability. This recommendation was under consideration by the General Assembly.

29. In light of ongoing actions to clarify reimbursements under maritime LOAs, OIOS did not make a recommendation on this issue at this time.

#### Excess troops were deployed

30. LOAs state that in the event of any inconsistency between the terms of LOAs and MOUs, the provisions of the LOA shall prevail. UNIFIL is required to task its COE/MOU Management Review Board (CMMRB) to review MOUs to ensure proper support of Mission operations and make recommendations to DFS on any necessary revisions of MOU terms and clauses.

31. In October 2014, OMA conducted a military capability study of UNIFIL to, inter alia, review the MTF and determine the required capabilities of deployed maritime vessels. Accordingly, MTF capacity was reduced from eight to seven vessels. Frigates (with daily reimbursement rate of \$22,598) were replaced with corvettes (daily reimbursement \$10,598). The maximum authorized troop strengths were set at 240 per flagship corvette, 200 for other corvettes and 70 for OPVs and FPBs.

32. LOAs, which covered provision of vessels by MCCs were revised in line with the results of the capability study; however, MOUs, which covered the provision of troops were not. Four MCCs continued to deploy larger number of troops, such as those required for frigates (up to 256 troops), resulting in the deployment of 414 excess troops and excess payment of \$551,448 during the audit period, as detailed in Table 1.

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<sup>1</sup> MOU and Claims Management Section of Field Budget and Finance Division of DFS in charge of establishing MOUs, Movement Control Section of Logistics Support Division of DFS in charge of LOA revisions and OMA in charge of force generation triggering LOA revisions.

**Table 1: Overpayments of troop costs due to misalignment of LOAs and MOUs**

Period	Vessels indicated in the MOU	Vessels indicated in LOA	Impact of misalignment	
			Excess troops	Overpayment
May 15-Jun 16	Frigate & OPV	Corvette & OPV	197	<b>\$262,404</b>
Jul 14-Jun 16	Frigate/Corvette	Corvette & Helicopter	45	<b>\$59,940</b>
Jul 14-Oct 14	Corvette + FPB	2 FPBs	49	<b>\$65,268</b>
Nov 14-Jun 16	Corvette + FPB	Corvette		
Jul 14-Sep 14	2 Corvettes	FPB	123	<b>\$163,836</b>
Oct 14-Jun 16	2 Corvettes	Corvette		
<b>Total</b>			<b>414</b>	<b>\$551,448</b>

33. The above-mentioned coordination issue between various units of DPKO and DFS contributed to the overpayments. In addition, UNIFIL incorrectly assumed that it was the responsibility of DFS to review alignment of LOAs and MOUs, instead of tasking its CMMRB to undertake such a review. DFS, DM and UNIFIL explained that UNIFIL maritime operation is the first and only maritime operation for the United Nations, with increased complexity as it is governed by both LOAs and MOUs.

**(6) UNIFIL should task its Contingent Owned Equipment/Memoranda of Understanding Management Review Board to undertake a comprehensive review of maritime letters of assist and memoranda of understanding to ensure that their terms are properly established to support the Mission’s operations, and make necessary recommendations.**

*UNIFIL accepted recommendation 6 and stated that a CMMRB Working Group met to review MTF LOAs, and its recommendations were forwarded to United Nations Headquarters for approval. Recommendation 6 remains open pending receipt of relevant LOA and MOU clauses revised and approved by DFS.*

## V. ACKNOWLEDGEMENT

34. OIOS wishes to express its appreciation to the management and staff in UNIFIL, DPKO, DFS and DM 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 implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon**

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	UNIFIL should develop adequate internal procedures to escalate noncompliance with letters of assist by maritime contributing countries to the Office of Military Affairs in DPKO for necessary action.	Important	O	Receipt of evidence of measures implemented to ensure MCCs consistently comply with the requirements of letters of assist.	31 March 2018
2	DFS should, in coordination with UNIFIL: (i) review and recover excess reimbursement of approximately \$4.9 million made to maritime contributing countries while vessels were undergoing maintenance during the financial years 2014/15 and 2015/16; and (ii) review relevant clauses of maritime letters of assist to clarify provisions relating to reimbursements for vessels under maintenance.	Important	O	For Part (ii) receipt of the revised LOA clause on preventive maintenance.  Part (i) of this recommendation has been closed without implementation and may be reported to the General Assembly indicating management's acceptance of residual risks	30 June 2017
3	OPPBA should review and take necessary action to recover excess reimbursements of approximately \$198,000 paid to maritime contributing countries for troops provided to UNIFIL above the approved troop strengths during the financial years 2014/15 and 2015/16.	Important	O	Receipt of evidence of actions taken to recover excess reimbursements and mechanisms implemented to ensure accurate future reimbursements.	30 June 2018
4	DFS should, in coordination with DPKO, implement procedures to ensure copies of the latest memoranda of understanding are shared with OPPBA to facilitate accurate verification of troop strengths and reimbursements to maritime contributing countries in UNIFIL.	Important	O	Receipt of evidence of measures implemented to ensure sharing of the latest copies of MOUs with the OPPBA.	30 June 2017
5	UNIFIL should, in coordination with DFS, review	Important	O	Receipt of revised requirements for medical	31 March 2018

<sup>3</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>4</sup> C = closed, O = open

<sup>5</sup> Date provided by DFS, DPKO, DM and UNIFIL in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

**Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the  
United Nations Interim Force in Lebanon**

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
	the requirements for medical facilities on board maritime vessels and propose and follow up appropriate revisions of letters of assist and memoranda of understanding with DFS.			facilities on board maritime vessels, as approved by DFS.	
6	UNIFIL should task its Contingent Owned Equipment/Memoranda of Understanding Management Review Board to undertake a comprehensive review of maritime letters of assist and memoranda of understanding to ensure that their terms are properly established to support the Mission's operations, and make necessary recommendations.	Important	O	Receipt of relevant LOA and MOU clauses, revised and approved by DFS.	30 June 2017

# **APPENDIX I**

## **Management Response**



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Immediate

TO: Ms. Muriette Lawrence-Hume, Chief  
A: Internal Audit Division, OIOS

DATE: MAY 19 2017

REFERENCE: UNHQ-AR-BOI-Memo-2-  
2017-10745

FROM: Lisa Buttenheim, Assistant Secretary-General  
DE: for Field Support

A handwritten signature in black ink, appearing to be 'Lisa Buttenheim', written over the printed name in the 'FROM' field.

SUBJECT: **Audit of the implementation of letters of assist and memoranda of  
OBJET: understanding for maritime operations in the United Nations Interim  
Force in Lebanon (Assignment No. AP2016/672/04)**

1. I refer to your memorandum, dated 9 May 2017, regarding the above-mentioned audit. I am pleased, following the meeting requested by the Audit Response and Boards of Inquiry Section and based on the additional information provided by my colleagues in the Departments of Peacekeeping Operations and Field Support (DPKO and DFS), that the Office of Internal Oversight Services deleted the previous recommendation 6 relating to the recovery of troop and self-sustainment costs. DPKO and DFS, however request that the "revised issue" be reworded to read:

"Reimbursement of Vessels capabilities under LOA and MOU

Reimbursement to each of the maritime contributing countries (MCCs) of the Maritime Task Force (MTF) is provided under two distinct documents, namely a memorandum of understanding (MOU) and a letter of assist (LOA). The MOU covers the reimbursement for the crew itself (i.e. personnel reimbursement under Annex A) and the minor equipment and consumables provided for direct or indirect support of the crew (i.e. self-sustainment under Annex C). The LOA for each vessel provides for a daily rate of reimbursement for the vessel as per the technical requirements and terms and conditions laid out in the LOA. The United Nations paid US\$ 62 million and \$35 million to MCCs under LOAs and MOUs respectively during the audit period.

A review of verification reports for self-sustainment and payment records

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indicated that a number of minor equipment categories that were verified and reimbursed as per the MOU were also separately verified and construed as reimbursed under the daily rate of the LOA as well. This included accommodation, minor engineering, electrical, communication, totaling about \$7 million paid to six MCCs over the course of the 2014/15 and 2015/16 financial years.

This situation largely stems from the fact that the daily rate payable under the LOA is a composite rate that is not broken down into component costs. These rates were determined and agreed by the MCCs in 2006. Ineffective coordination between DPKO and DFS subsequently led to inconsistencies in the MOUs and LOAs and in the description and enumeration of the services and capabilities reimbursable under each. The General Assembly is currently considering a recommendation of the 2017 Working Group on Contingent-Owned Equipment to itemize the reimbursement for services provided under an LOA; if adopted, the recommendation would prevent such issues in the future."

2. I would also like to offer some additional comments on recommendation 2:
  - According to the Statement of Unit Requirement (SUR) ships are to maintain a certain percentage of on-task-time (Corvette 60 per cent and OPV/FPB 50 per cent) in the Area of Maritime Operations (AMO).
  - SUR specifies Maintenance Requirement as "Routine maintenance schedule should be planned in advance in coordination with Cdr MTF so as not to adversely affect operational efficiency".
  - Daily reimbursement rates are paid in accordance with the LOA, that the vessel shall be available within the UNIFIL AMO on a 24 hours/7 days basis for tasking by UNIFIL.
  - Moreover, during the Self Maintenance Period (SMP), the ships are performing other mandated tasks (major task) like training Lebanese Armed Forces (Navy) personnel.
  - During the SMP, the ship is still available for UNIFIL, if needed.
3. Based on the above points, if a vessel is undergoing routine maintenance fulfilling its on-task time and does not adversely affect the operational efficiency then its reimbursement (at a rate as per the LOA) should be paid in full.

cc: Mr. Park  
Ms. Avena-Castillo

## Management Response

**Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNIFIL should develop adequate internal procedures to escalate noncompliance with letters of assist by maritime contributing countries to the Office of Military Affairs in DPKO for necessary action.	Important	Yes	FC, UNIFIL	First quarter of 2018	<p>As Maritime Contributing Countries (MCCs) should deploy the class of vessel indicated in the Letter of Assist (LOA), the first step for verifying such compliance is the contingent-owned equipment (COE) inspection, which is currently being conducted by the UNIFIL Maritime Operations branch. In order to avoid the situation of an asset being rejected after its arrival in the Mission, it would be helpful to conduct a pre-deployment inspection in the MCC location and share the results of the inspection with all interested parties. Such visits, however, would be subject to having the necessary naval/aviation expertise and funding approval.</p> <p>In addition, to address the recommendation, DPKO, DFS and UNIFIL will consider that the quarterly verification reports for COE for the Maritime Task Force (MTF) units:</p> <p>(a) indicate the type of ships actually deployed;</p>

<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.



## Management Response

**Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>(b) have the relevant MTF tracking tables attached; and</p> <p>(c) have the relevant troop strength reports attached, which should also include any troops in excess of the ceiling of the type of vessel deployed.</p> <p>As part of an internal procedure to escalate noncompliance issues are in effect, MTF will report noncompliances found in respect to any of its naval assets to DPKO.</p>
2	DFS should, in coordination with UNIFIL: (i) review and recover excess reimbursement of approximately \$4.9 million made to maritime contributing countries while vessels were undergoing maintenance during the financial years 2014/15 and 2015/16; and (ii) review relevant clauses of maritime letters of assist to clarify provisions relating to reimbursements for vessels under maintenance.	Important	No	Not applicable	Not applicable	UNIFIL wishes to clarify that, in accordance with the Statement of Unit Requirements, MTF and MCCs coordinate appropriate periods for the execution of preventive and routine maintenance, not to adversely affect operational efficiency. Such maintenance has the purpose of ensuring continued availability of vessels and avoiding defects or breakdowns that would lead to longer periods of corrective maintenance or even a safety risk to personnel. Preventive maintenance periods are not intended to fulfil logistical requirements by an MCC. On the contrary, they are programmed in the

Management Response

Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon

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						<p>interests of the Mission.</p> <p>Furthermore, the period assigned for preventive maintenance of MTF vessels is 20 days per semester of deployment. Such numbers are compatible with what is practiced by other navies that operate with similar deployment cycles (for example, the United States Navy uses four continuous weeks for each six-month deployment). UNFIL is of the view, therefore, that charging MCCs for the periods, which were not unilaterally demanded by them, would be certainly disputed by those countries.</p> <p>Nevertheless, DFS, in coordination with DPKO and UNIFIL, revised the LOA for MTF vessels and included a clause for preventive maintenance, specifying the period which has been agreed upon. Any unavailability caused by repairs or maintenance in excess of that period should then, and only then, be retrieved from the MCC's reimbursement. The revised LOA has been sent to the Office of Legal Affairs for its review.</p>
3	OPPBA should review and take necessary	Important	Not	Not	Not applicable	Recommendation 3 is not within the

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**Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	action to recover excess reimbursements of approximately \$198,000 paid to maritime contributing countries for troops provided to UNIFIL above the approved troop strengths during the financial years 2014/15 and 2015/16.		applicable	applicable		purview of UNIFIL. DFS trusts that the Department of Management (DM) will provide its comments on this recommendation.
4	DFS should, in coordination with DPKO, implement procedures to ensure copies of the latest memoranda of understanding are shared with OPPBA to facilitate accurate verification of troop strengths and reimbursements to maritime contributing countries in UNIFIL.	Important	Yes	USG, DFS	Implemented	<p>Memoranda of understanding (MOUs) and their amendments are forwarded on a continuing basis via email to the Peacekeeping Financing Division (PFD)/Office of Programme Planning, Budget, and Accounts of DM, peacekeeping missions, and various DPKO and DFS offices, in accordance with the standard operating procedure. Upon request, hard copies are provided. The DPKO and DFS management will enforce the internal control procedures to ensure that updated MOUs are shared with all parties involved in a timely manner.</p> <p>In addition, since the recent MOUs and their amendments are hosted in the eCOE system, DPKO and DFS will review the possibility to grant access to PFD to view and/or retrieve the available pdf copies of signed MOUs and subsequent amendments.</p>

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Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	UNIFIL should, in coordination with DFS, review the requirements for medical facilities on board maritime vessels and <del>revise</del> <b>propose the revision of</b> letters of assist and memoranda of understanding accordingly.	Important	Yes (if re- worded as to the left)	FC, UNIFIL	First quarter of 2018	UNIFIL, in coordination with the Medical Support Section of the Logistics Support Division, DFS will review the requirements for medical facilities on board maritime vessels and propose the revision of the LOA and MOU, as appropriate.
6	UNIFIL should task its Contingent Owned Equipment/Memoranda of Understanding Management Review Board to undertake a comprehensive review of maritime letters of assist and memoranda of understanding to ensure that: (i) their terms are properly established to support the Mission's operations and (ii) verification activities for reimbursements are properly conducted, and make necessary recommendations.	Important	Yes	FC, UNIFIL	Second quarter of 2017	A Contingent-Owned Equipment/Memoranda of Understanding Management Review Board (CMMRB) Working Group meeting to review the LOA of MTF was conducted on 10 August 2016. The recommendations thereof were forwarded to the United Nations Headquarters. Another CMMRB Working Group meeting will be scheduled in the second quarter of 2017.



TO: Mr. Muriette Lawrence-Hume, Chief, New York Audit Service      DATE: 11 April 2017  
A: Internal Audit Division, Office of Internal Oversight Services

THROUGH: Christian Saunders, Director  
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service  
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft Report on an audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon (Assignment No. AP2016/672/04)**  
OBJET: **Draft Report on an audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the United Nations Interim Force in Lebanon (Assignment No. AP2016/672/04)**

1. We refer to your memorandum dated 24 March 2017 regarding the above-subject draft report and provide you with comments of the Department of Management in the attached Appendix I.
2. Thank you for giving us the opportunity to provide comments on the draft report.

## Management Response

**Audit of the implementation of letters of assist and memoranda of understanding for maritime operations in the  
United Nations Interim Force in Lebanon**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	OPPBA should review and take necessary action to recover excess reimbursements of approximately \$198,000 paid to maritime contributing countries for troops provided to UNIFIL above the approved troop strengths during the financial years 2014/15 and 2015/16.	Important	Yes	Director, PFD/OPPBA	30 June 2018	OPPBA will explore the possibility to recover the excess reimbursement through deductions from future payments related to reimbursement of Maritime Task Force personnel, noting that the recovery of these payments may be limited and disputed by the related countries. OPPBA has established control mechanisms to make sure payments to troop contributing countries do not exceed the level of troops agreed in the latest Memoranda of Understanding received from DFS.
4	DFS should, in coordination with DPKO, implement procedures to ensure copies of the latest memoranda of understanding are shared with OPPBA to facilitate accurate verification of troop strengths and reimbursements to maritime contributing countries in UNIFIL.	Important				OPPBA confirms the need for one central repository of all updated Memorandum of Understanding information so that it can be accessed at all times by all parties (OPPBA, Missions and DFS).

<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.