



## **INTERNAL AUDIT DIVISION**

### **REPORT 2017/144**

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**Audit of the electronic security system project in the United Nations Mission in the Republic of South Sudan**

**Lapses in project planning and management, and contractual issues, resulted in the Mission not being able to effectively implement the electronic security system project**

**15 December 2017**

**Assignment No. AP2017/633/08**

# **Audit of the electronic security system project in the United Nations Mission in the Republic of South Sudan**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the electronic security system (ESS) project in the United Nations Mission in the Republic of South Sudan (UNMISS). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the ESS project in UNMISS. The audit covered the period from August 2013 to September 2017 and included: (a) project development; (b) project implementation; and (c) project progress billings and other related costs.

Despite setbacks and challenges, UNMISS continued its attempt to complete the ESS project. After the project encountered initial delays and to fill the gap created at the project initiation phase due to lack of expertise in managing the ESS project, UNMISS designated a new project manager with the required physical and electronic security experience and skills to manage the project. However, for future endeavours such as the ESS project, UNMISS needs to adequately plan them by involving technical experts and implementing project management measures.

OIOS made four recommendations. To address issues identified in the audit:

- UNMISS needed to adequately plan security projects by involving technical experts to assist in conducting feasibility studies; developing statement of requirements, bill of quantities and detailed cost estimates; and evaluating proposals;
- UNMISS needed to identify lessons learned from the implementation of the ESS project and implement project management measures including: defining the roles and responsibilities of the project manager and the project management team; and conducting project risk analysis and developing risk response plans;
- UNMISS needed to prepare disbursement schedules based on measurable deliverables and adequately review the progress report and ensure it corresponds with the bill of quantities and contract before certifying payments; and
- The Regional Procurement Office of the Department of Management needed to implement more effective measures to ensure the validity of performance bonds for the duration of the contract.

UNMISS accepted the recommendations and has initiated action to implement them. The Department of Management has implemented the recommendation addressed to it.

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# **Audit of the electronic security system project in the United Nations Mission in the Republic of South Sudan**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the electronic security system (ESS) project in the United Nations Mission in the Republic of South Sudan (UNMISS).
2. The UNMISS Safety and Security Section (SSS) recommended the installation of an ESS to enhance the security in the Mission's United Nations House and Tomping compounds in Juba. On 3 August 2012, the United Nations Procurement Division issued a request for an expression of interest for the provision of an ESS with a closing date of 27 August 2012. The Regional Procurement Office (RPO) in Entebbe was responsible for conducting procurement activities on behalf of the Mission.
3. The ESS was to be implemented as a turnkey project that would involve the design, construction, maintenance, contract coordination and supervision, and provision of labour, materials, tools, equipment and plant required to implement and complete the construction and installation of the security devices and equipment necessary to provide surveillance and activate alarms. ESS included: a perimeter intrusion detection system (PIDS), duress alarm, access control, closed-circuit television (CCTV) cameras, a security management system (SMS) and physical security elements including full-height and half-height turnstiles and light boom barriers integrated into a unified SMS that would control and display the output of all systems.
4. On 7 March 2013, the RPO commenced the solicitation process by sending out a request for proposal to 37 vendors; on 29 April 2013, the designated closing date, the RPO received six proposals. At the request of the RPO, UNMISS constituted a team of three UNMISS staff to conduct technical evaluation of the proposals. Only one bid from the six passed the technical evaluation, and the commercial submission was opened and evaluated on 27 May 2013. The Headquarters Committee on Contracts on 25 July 2013 approved the UNMISS recommendation to negotiate with and award the contract to the winning bidder. On 15 August 2013, following negotiations with the vendor, the contract price was agreed at \$6,184,535 after a discount of 2.5 per cent (\$158,566). The contract between UNMISS and the contractor was subsequently signed on 19 August 2013, with a total not-to-exceed (NTE) amount of \$6,184,535 for the establishment of a comprehensive turnkey design/build/maintenance of an ESS in the United Nations House and Tomping compounds in Juba.
5. The ESS project was initially managed by an UNMISS technical committee consisting of a project manager designated by the SSS and assisted by representatives from the Geospatial Information Technology and Technical Section (GITTS) and the Engineering Section. The Director of Mission Support (DMS) later designated the Regional Security Adviser as interim project manager on 25 June 2015 due to unsatisfactory progress of the ESS project whose completion had been delayed after two years from signing the contract. The Regional Security Adviser chaired the Project Management Team (PMT), with the Principal Security Adviser and the DMS as co-chairs. Representatives from other sections such as GITTS, Transport, Engineering and Supply Chain continued to assist the project manager in the day-to-day management of the project. The Contract Management Unit of the SSS and the PMT also worked together with the project manager.
6. UNMISS signed a contract for the provision of an ESS with one company (Company A) although the successful proposal was jointly made by two parties, i.e., the company (Company A) that signed the contract and Company B, which was a leading provider of integrated solutions for physical and cyber security. In a 25 April 2013 letter, Company B, which had the technology and experience in ESS projects,

informed the RPO that it had jointly bid with Company A for the provision of the ESS as a consortium partner. In another letter written on the same date, Company B authorized the first company to submit a proposal and to subsequently negotiate and sign a contract with UNMISS. Further, Company B undertook to provide full support to its consortium partner in implementing and maintaining the ESS.

7. At the time of the audit, the ESS contract had undergone eight amendments, the latest of which had extended the contract term from December 2016 to 31 March 2017. Two major completion tests had been conducted by the contractor and observed by UNMISS PMT members on June 2016 and February 2017 in preparation for the commissioning which were both reported as unsatisfactory for a turnkey design solution. UNMISS senior management decided not to extend the contract and requested the contractor to prepare a Termination Assistance Plan.

8. As at 31 July 2017, UNMISS had paid \$3.4 million for the project, as shown in Table 1. These are exclusive of significant costs incurred by UNMISS in terms of human resources, i.e., management time and staff resources spent on the project since August 2013. The ESS project had a project manager at the D-1 level since June 2015. In addition, there were three staff members from GITTS, Engineering Section and Security Section serving as technical committee members. In June 2016, UNMISS also recruited two staff members (at P-3 and P-2 level) through a contract with a United Nations entity whose responsibilities included assisting in the ESS project, and one physical security consultant through a contractor.

Table 1  
ESS project cost

<i>Description of work</i>	<i>Amount per bill of quantities</i>	<i>Amount paid as of 31 July 2017</i>	<i>Balance remaining</i>	<i>% paid</i>
Design	\$493 211	\$493 211	\$--	100%
Goods delivery/installation	4 744 775	2 824 470	1 920 305	60%
Training	414 273	82 855	331 418	20%
Commissioning	352 132	--	352 132	--%
Maintenance	180 144	--	180 144	--%
<b>TOTAL</b>	<b>\$6 184 535</b>	<b>\$3 400 536</b>	<b>\$2 783 999</b>	<b>55%</b>

9. Comments provided by UNMISS and the Department of Management are incorporated in italics.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

10. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the ESS project in UNMISS.

11. This audit was included in the 2017 risk-based work plan of OIOS due to a growing concern from UNMISS management and the SSS about the delayed completion of the ESS project, which was started in August 2013.

12. OIOS conducted this audit from May to September 2017. The audit covered the period from August 2013 to September 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the ESS project management, which included project development (identification of needs, raising the requisition, procuring the services); project implementation (project planning, amendment, vendor performance monitoring, evaluation and reporting, administration of contract remedies); and project progress billings and other related costs.

13. The audit methodology included: (a) assessment and testing of internal controls; (b) interviews with relevant Mission personnel; (c) review of documentation and vouchers/invoices; and (d) site visits to the United Nations House and Topping camps where ESS was being implemented.

14. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### **III. AUDIT RESULTS**

#### **A. Project initiation and development**

##### There was inadequate project planning

15. Project feasibility studies determine the viability of a project and ensure it is technically feasible and economically justifiable. The United Nations Procurement Manual requires that subject matter experts prepare or assist requisitioners in developing the statement of requirements (SOR). The United Nations Procurement Manual also states that where a procurement project is complex, the Organization may use external consultants to assist in preparing or reviewing technical specifications, statement of work, and/or to assist as a subject matter expert in an advisory capacity for the evaluation of proposals.

16. A review of ESS project documents and interview with relevant personnel identified the following control weaknesses at the project initiation and development stage:

(a) UNMISS did not conduct a technical feasibility study

17. Following identification of the need for an ESS, UNMISS did not conduct a feasibility study to determine the viability and cost-effectiveness of implementing such a system in South Sudan. Also, although UNMISS requested the United Nations Engineering Standardization and Design Centre, at the United Nations Global Service Centre, Brindisi, to assist in preparing the SOR for an ESS, the Mission did not retain their services nor engage a consultant with the required knowledge and expertise to assist in the feasibility study, preparation or review of the statement of work and, finally, in the evaluation of proposals.

18. Moreover, although it did not have the technical expertise needed in the project and despite not involving UNMISS GITTS in the review of the technical elements of the project, the SSS indicated that the project would meet its requirements based on their review of the SOR. On 13 September 2012, the United Nations Department of Safety and Security confirmed that the project met the needs of the Mission based on its security risk assessment at the time.

(b) The technical evaluation team needed adequate experience in electronic security systems

19. Following a request from the RPO, UNMISS constituted a technical evaluation team comprising three staff members from the SSS, GITTS and Engineering Section, and sent them to Entebbe to conduct the technical evaluation of the proposals; but none of them had any ESS experience.

20. The above occurred because UNMISS did not adequately plan the initiation and development of the project, which adversely affected the implementation of the project as follows:

- The SOR did not clearly indicate that the United Nations House and Topping compound security systems needed to be integrated. As a result, the contractor at the time of implementation treated the two compounds as two stand-alone projects;

- The challenge of implementing PIDS on the fences in Topping and United Nations House camps made of mesh wire was not identified because site visits were not done when the SOR was developed; it was not identified as part of the UNMISS SSS validation of the suitability of the designs; and
- The practical challenges faced by the Mission when groups of staff members entered or exited the compound in vehicles were not considered when designing the physical access control proximity card readers and the light boom barriers. Thus, the Mission was forced to introduce hand-held Motorola identity card readers and the ESS physical access control system was not used.

21. As a result, there was a risk that future projects may face similar challenges as the ESS project if issues related to project initiation, planning and development are not properly addressed.

**(1) UNMISS should adequately plan security projects by involving technical experts to assist in conducting feasibility studies; developing statement of requirements, bill of quantities and detailed cost estimates; and evaluating proposals.**

*UNMISS accepted recommendation 1 and stated that it had appointed a technical evaluation committee and integrated security system project leaders for the implementation of security projects. The project coordinator and integrated security system project leaders would take necessary actions to ensure the effective management of security projects and involvement of the technical evaluation committee in project initiation and development activities. Recommendation 1 remains open pending receipt of security project documents indicating the involvement of technical experts in the project development phase including conducting feasibility studies, developing SORs and detailed cost estimates and evaluating proposals.*

## **B. Project implementation**

The project was not completed within the originally agreed timeline and subsequently extended timeframes and did not meet the test of turnkey design and solution standards

22. The contract requires the contractor to substantially complete the ESS project within 52 weeks or 365 days from the effective date or by such other date as may be directed. In accordance with Article 6 of the ESS contract, the contractor is required to make all necessary arrangements and to ensure it substantially completes the works by the completion date stated in the contract. The contractor warrants that it is qualified, willing, able and possesses the resources required to provide the ESS under the terms of the contract. In addition, the contract requires the contractor to perform the works with due care and diligence and in accordance with the highest professional standards and recommended practices. The United Nations General Conditions of Contract state that if the contractor requires the services of subcontractors to perform any obligations under the contract, the contractor shall obtain the prior written approval of the United Nations. The United Nations Procurement Manual requires that parties forming or having a joint venture to perform the contract should sign all relevant documents including the bid or proposal and any contract with the United Nations.

(a) The contractor did not adhere to the agreed timeframes

23. The ESS project was not completed after several extensions and four years after the contract was signed. The ESS project had undergone eight amendments extending the contract term due to delayed

implementation. Thus, UNMISS senior management, decided not to extend the contract beyond 31 March 2017 and advised the RPO not to renew the contract and to initiate the contract close-out process.

(b) The project did not meet the test of turnkey design and solutions standards

24. The ESS project remained at the delivery of goods and installation phase from March 2014 until the contract expired on 31 March 2017. Although the contractor had partially delivered and installed a number of the requirements of the ESS contract, the project could not be fully implemented and become operational as a fully delivered ESS solution, as agreed.

25. The contractor had conducted two major tests in June 2016 and February 2017 in preparation for commissioning but both were reported as unsatisfactory by the UNMISS PMT. The Mission advised that it had brought the failings to the attention of the contractor who did not fix them. For example, the latest project testing by the contractor conducted on 21 to 24 February 2017 indicated the following major weaknesses:

- The contractor did not provide UNMISS with all the required documentation such as: documents on installation and configuration of the ESS, interconnectivity and interoperation diagrams of all applications/software with licenses, servers, storage and network devices. The contractor only provided partial documentation of network diagrams and, on several occasions, was not able to perform certain requests by the UNMISS team as the contractor lacked knowledge of the devices, systems or tools required after the subcontractor who owned the technology left the project site in April 2016 following reported dispute with the contractor;
- The security cameras were not functioning as required. For instance, the camera resolutions and distance covered by the fixed and Pan Tilt Zoom (PTZ) cameras do not provide clear and crisp images to enable identification of an intruder; the night vision capability of the cameras was inadequate as both the fixed and PTZ cameras could only show vague human shape crossing the perimeter; and mini-dome cameras were not installed inside United Nations House buildings;
- The PIDS installed in the fuel station area provided intrusion alerts but cameras could not show the picture related to the alert to enable appropriate response. Some barricade alarms had a delay in responding and some zones did not trigger alerts. Also, some zones did not have sufficient cameras installed while the infrared towers installed on the perimeter did not work in some zones in Tomping;
- The new grid map for UNMISS camps had not been uploaded to the SMS and devices had not been named accordingly to the grid map. The access control biometric card reader worked in Tomping but not in the United Nations House main control room;
- The backup for applications or recorded videos was inadequate as it did not provide for live migration of running virtual machines from one physical server to another with zero downtime and continuous service availability and complete transaction integrity. The SMS was unable to retrieve 24 hours of recorded video footage; and
- Due to improper placement of motion detection sensors, infrared detectors consistently gave false alarms as they were not installed in the clear isolation zone between two fences. Also, due to lack of video analytics, many false alarms popped up in the control room screens, making it difficult for security teams to use the system efficiently. In addition, the uninterrupted power supply in the United Nations House was not operational.



26. The PMT also conducted an inventory of items provided by the contractor to ensure the required equipment was delivered as per the BOQ and noted the following major issues:

- The PMT was unable to validate the licenses for the network video recorder software, the SMS command and control server software, and the SMS video workstation software because the contractor could not provide codes to the proprietary software from the subcontractor to allow redeployment to other hardware should the current hardware fail; and
- The total quantity of items such as indoor and outdoor proximity readers and cameras was less than the number indicated in the BOQ as only some of the requirements were delivered. Also, the make and models of some items such as monitors, laser network printers, half-height turnstiles and light boom barriers were different from the specifications in the BOQ and in some cases could not be found.

27. Although a further test undertaken by the PMT in July 2017 indicated that the system was not stable, the Mission was able to use the limited functionalities such as the CCTV cameras and the duress alarm. Moreover, the contractor had not trained UNMISS system administrators on the system, making internal validation of the system set-up difficult.

(c) Reported differences between joint partners awarded the ESS contract contributed to delay and non-completion of the project

28. The PMT observed in several instances during the project implementation that the consortium partners did not get along; as a result, Company B shut down the system, removed its staff and left the country twice, once from December 2015 to March 2016 and again from April 2016 to date. Following the withdrawal of Company B, the remaining consortium partner could not proceed with the project, as it did not possess adequate technical expertise, experience and knowledge of integrated solutions required for successful implementation of the ESS. In particular, it could not fix problems identified from the tests nor provide the license for the software and training to UNMISS staff as required by the contract.

29. UNMISS advised that the delay in contract implementation was mainly related to lapses on the part of Company A, more specifically the lack of manpower, lack of technical competence and complete reliance on Company B that subsequently abandoned the work before the project could be completed. In addition, the security crises in South Sudan in December 2013 and July 2016 had affected the mobilization of the project. The subsequent influx of internally displaced persons seeking shelter and protection at UNMISS compounds had also made implementation of the project difficult.

30. As a result, the project had not been fully implemented and operational as Company A was unable to fulfill the provisions of the contract in the absence of Company B. This could result in the wastage of resources as the security devices, equipment and system installations that had been paid for by UNMISS could be rendered obsolete before the system was fully implemented. In addition, the Mission may not be able to obtain another supplier whose technology was compatible with that already installed. Ineffective implementation of the project by the contractor could also result in potential loss to the organization of \$3.4 million excluding the time spent by the United Nations senior management and staff to manage the contract during the past four years.

31. As at May 2017, UNMISS and the contractor could not agree on the percentage of completion of work with the contractor claiming they had performed 98 per cent of the contract while the Mission stated that the contractor had completed only 50 per cent under the contract. The contractor continued to request for payment of the outstanding amount and its legal representative demanded a response from the Mission.

Meanwhile, UNMISS had started the process to engage an independent expert to conduct a comprehensive assessment and determine the extent of ESS project completion.

UNMISS needed to implement effective project management measures

32. Effective project management requires documentation of terms of reference and clearly defined responsibilities for the project manager, the PMT and its members so that they are fully aware of their specific roles and for ensuring accountability. The contract required the contractor to provide, within two weeks of the effective date: (a) corrected, detailed BOQ; and (b) detailed schedule of works in accordance with the SOR, which outlined the tasks to be undertaken, indicated the time required to complete such tasks and provided a baseline for progress measurement and project control. The contract required UNMISS to implement effective measures for managing and tracking progress on the project, including holding regular meetings with the contractor. The Procurement Manual requires the Contract Management Unit to report contractors' performance to the DMS regularly. The Manual also requires end users to develop specific performance measurement criteria against which contractors' performance could be monitored and measured.

(a) There were no terms of reference for the project manager and PMT

33. At the initiation of the ESS project, there was no indication that there had been adequate consideration of project management experience and skills needed to effectively manage the project. After the contract was signed, the SSS designated a staff member to be the project manager. The project manager requested the GITTS and Engineering Section to nominate staff members to assist in implementing the project. However, before implementation started, UNMISS did not specify the terms of reference of the project manager, the PMT and its members. Upon observing that the project was not properly managed and there was a delay, the DMS, in a 25 June 2015 email, designated a new project manager and reconstituted the PMT with the Principal Security Advisor and the DMS as co-chairs of the PMT. The same email tasked the PMT to develop, guide and oversee project implementation. Apart from the said email from the DMS, the project manager and the PMT members did not have formal terms of reference categorically defining their roles in the implementation and management of the ESS project.

(b) The contractor was not providing required schedule of works and progress reports

34. The contractor initially submitted work plans for the periods 8 July 2013 to 20 March 2015 (UN House), 28 January to 16 March 2016 (Tomping), 8 February to 16 May 2016 (UN House), and 30 October to 29 November 2016 (with no locations indicated). The detailed work plans outlined the tasks to be undertaken and listed the time required to complete each task. However, the contractor was not completing the tasks as planned and did not provide an updated schedule of works coinciding with the amendments. As indicated in the minutes of project management meetings, the project manager requested updated work plans and monthly progress reports, but the contractor failed to submit as required by the contract. The contractor submitted only two progress reports: (a) one for July 2015; and (b) enumeration of activities undertaken by the contractor from 19 September 2013 to 22 February 2015, which were not aligned with the BOQ.

(c) Project key risks were not identified and properly addressed

35. UNMISS did not have project risk assessment and mitigation plan. A significant risk that was therefore not foreseen and consequently not properly addressed with a contingency plan was the withdrawal of Company B, which possessed the required technical expertise for a complex project such as the ESS. The current project manager informed the auditors that the contractor did not have a solid background to

independently undertake the ESS project delivery on its own. Therefore, when Company B withdrew from the project, the contractor was unable to complete the project.

(d) UNMISS continued renewing the contract despite poor performance evaluation of the contractor

36. A review of four contractor's performance reports conducted from August 2014 to March 2017 indicated that in all instances the contractor did not deliver the service in accordance with the contract. The Mission nonetheless used the reports to extend the contract, expecting that this would enable the contractor to fulfill its obligations under the contract. In one instance, the SSS stated in its communication with the RPO that it was not possible to fully evaluate the contractor's performance due to continuing delay in its implementation of the ESS project. The continued extension of the contract despite poor performance evaluation results deprived the Mission of an opportunity to take more appropriate and timely remedial action.

37. This occurred because UNMISS did not implement adequate project management measures at the project initiation phase by, for instance, assigning a dedicated project manager and PMT with the required project management capability, technical skills and tools to effectively manage the ESS project. UNMISS explained that since the project was to be a turnkey design and solution, it did not require closer supervision and monitoring of the contractor.

**(2) UNMISS should identify lessons learned from the implementation of the electronic security system project and implement project management measures including: defining the roles and responsibilities of the project manager and the project management team; and conducting project risk analysis and developing risk response plans.**

*UNMISS accepted recommendation 2 and stated that it: had identified lessons learned from the implementation of the ESS project; and was in the process of identifying necessary steps to implement project management measures for ongoing and future security projects. Recommendation 2 remains open pending receipt of a copy of project management measures identified and steps taken to implement project management measures in future security projects.*

## C. Contract management

### Project billings were not based on measurable deliverables

38. The contract required UNMISS to make progress payments to the contractor for works after receipt of a properly executed application for payment. Each progress payment shall be for an amount equivalent to or more than 5 per cent of the NTE amount based on the progress of the works as specified in Article 21.3 and the BOQ.

39. A review of eight payments made to the contractor during the audit period amounting to \$3,400,535 (55 per cent of the contract amount of \$6,184,535) indicated that the contractor did not submit monthly progress reports and the project technical committee could not review the detailed account of the works performed during the reporting period to confirm the progress of the work against the schedule of works. The project technical committee, however, used the BOQ as a base and conducted inspection based on the invoice submitted by the contractor to determine the progress of work and the amount to be paid to the contractor.

40. Moreover, the second category of payments, i.e., those pertaining to goods delivery and installation activities, were not divided into measurable deliverables so that payment could easily be verified against

what was provided in the BOQ. The cost of the equipment and installation was presented as one unit price in the BOQ, which made it difficult to determine if payment was for delivered equipment or installation before payment could be made. Furthermore, even in cases where the equipment was delivered and installed, the configuration and integration of the system was not tested before the payments were made. As of 31 July 2017, UNMISS had made six progress payments amounting to \$2,824,470, in good faith, assuming the contractor would complete the work, which was 60 per cent of the installation phase but the contractor failed to deliver the required service as expected in the contract.

41. This resulted because after the contract was signed, the contractor did not provide UNMISS with updated, detailed schedule of works indicating measurable deliverables with completion time to enable the Mission to prepare the related disbursement schedule. This may have exposed the Mission to a potential financial loss.

**(3) UNMISS should prepare disbursement schedules based on measurable deliverables and adequately review the progress report and ensure it corresponds with the bill of quantities and contract before certifying payments.**

*UNMISS accepted recommendation 3 and stated that it would update the progress report templates to be able to check measurable deliverables. Recommendation 3 remains open pending receipt of evidence that disbursement schedules are prepared based on measurable deliverables and adequate review of progress reports are made before certifying payments in implementing future projects.*

The performance bond obtained from the contractor had expired in September 2015

42. Article 19 of the contract requires that no later than 10 days following the effective date of the contract, the contractor is to provide UNMISS with a performance bond in the amount of \$618,454 which has to remain valid until 90 days after the termination or expiration of the contract. The Procurement Manual requires the Chief Procurement Officer to ensure the validity of performance bonds for the duration of the related contracts. The contract also provided for the termination of the contract by UNMISS for failure to provide a valid performance bond.

43. A review of performance bonds obtained from the contractor indicated that UNMISS obtained a performance bond dated 17 April 2014 with an expiry date of 16 April 2015. Upon expiration of the first bond, the contractor provided a new one, which expired on 3 September 2015, which the contractor did not replace despite repeated reminders from UNMISS.

44. The above resulted because RPO did not enforce the requirement for performance bonds from the contractor despite UNMISS reminders. Consequently, UNMISS may not be able to claim indemnity for losses resulting from non-performance of contractual obligations by the contractor due to an expired performance bond. However, the Mission did not pay in full each contractor's request for payment and could apply the unpaid portion to cover its losses arising from contractor's failure to deliver an ESS.

**(4) The Regional Procurement Office should implement more effective measures to ensure the validity of performance bonds for the duration of the contract.**

*The Department of Management accepted the recommendation and stated that the Regional Procurement Office diligently followed up with the non-compliant contractor to submit an updated performance security. Considering the operational risk in the project implementation, extreme remedial measures, such as the termination of contract, were not pursued for the contractor's non-submission of an updated performance security. Rather, diligent follow-up reminding the contractor to submit updated security was undertaken and notification was also issued to the contractor that the*

*payment equivalent to the performance security amount would be withheld in lieu of the non-submission of an updated performance security. Moreover, despite the absence of the valid performance security, the RPO could not exercise the option of terminating the contract, considering UNMISS interest in having the ongoing work completed, rather than to draw the performance security and to seek an alternate contractor. With the current contract conflict situation, the performance security for this case would not be an adequate fallback remedy to address the performance issues. Thus, in line with the contract provision, and considering the circumstances outlined above, withholding of payment in lieu of performance security was still considered as an acceptable and effective measure to protect the Organization's interest while maintaining operational effectiveness. Based on the explanation and actions taken by the Department of Management, recommendation 4 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

45. OIOS wishes to express its appreciation to the management and staff of UNMISS and the Department of Management 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 electronic security system project in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNMISS should adequately plan security projects by involving technical experts to assist in conducting feasibility studies; developing statement of requirements, bill of quantities and detailed cost estimates; and evaluating proposals.	Important	O	Receipt of security project documents indicating the involvement of technical experts in the project development phase including conducting feasibility studies, developing statement of requirements and detailed cost estimates and evaluating proposals.	28 February 2018
2	UNMISS should identify lessons learned from the implementation of the electronic security system project and implement project management measures including: defining the roles and responsibilities of the project manager and the project management team; and conducting project risk analysis and developing risk response plans.	Important	O	Receipt of a copy of project management measures identified and steps taken to implement project management measures in future security projects.	30 June 2018
3	UNMISS should prepare disbursement schedules based on measurable deliverables and adequately review the progress report and ensure it corresponds with the bill of quantities and contract before certifying payments.	Important	O	Receipt of evidence that disbursement schedules are prepared based on measurable deliverables and adequate review of progress reports are made before certifying payments in implementing future projects.	30 June 2018
4	The Regional Procurement Office should implement more effective measures to ensure the validity of performance bonds for the duration of the contract.	Important	C	Action taken.	Implemented

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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

<sup>4</sup> Date provided by UNMISS and the Department of Management in response to recommendations.

# **APPENDIX I**

## **Management Response**



DATE: 6 December 2017  
REF: IAD: 17-00580

To: Mr. Arnold Valdez  
Peacekeeping Audit Service, Officer-in-Charge  
Internal Audit Division, OIOS

Through: Mr. Gizachew Asfaw  
UNMISS, IAD, OIOS, Officer-in-Charge

FROM: Stephani L. Scheer  
UNMISS, Director of Mission Support

**SUBJECT: Response to the draft report on an audit of the electronic security system project in the United Nations Mission in the Republic of South Sudan. (Assignment No. 2017/633/08)**

1. We acknowledge the receipt of the draft audit report referenced IAD: 17-00580 and dated 1 December 2017 for Audit Assignment No. 2017/633/08.
2. Please see attached comments and clarifications with regards to audit recommendations.
3. Thank you for your consideration and support.

**Attachments:**

Appendix 1

cc: Mr. Paul Egunsola, Chief of Staff, UNMISS  
Ms. Gulen Muftuoglu, Chief, Business Performance Management Section/Audit Focal Point, UNMISS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS  
Mr. Dmitri Dovgopoly, Director, Procurement Division, DM  
Mr. Christoffel Du Toit, Principal Security Advisor, UNMISS  
Mr. Balakrishnan Amirthalingam, Chief, Regional Procurement Office, RSCE  
Mr. Zachary Ikiara, Chief, Oversight and Coordination Support Unit, DM  
Ms. Jennifer Branche, Chief, Policy and Compliance Monitoring Section, Procurement Division



## Management Response

## Audit of electronic security system project in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNMISS should adequately plan security projects by involving technical experts to assist in conducting feasibility studies; developing statement of requirements, bill of quantities and detailed cost estimates; and evaluating proposals.	Important	Yes	Project Coordinator and ISS Project Leaders	28 February 2018	UNMISS has appointed a Technical Evaluation Committee (see annex A) and ISS Project Leaders (see annex B) for the implementation of security projects. The Project Coordinator and ISS Project Leaders will take necessary actions to ensure the effective management of security projects and involvement of Technical Evaluation Committee in conducting feasibility studies, developing statement of requirements, bill of quantities and detailed cost estimates, and evaluating proposals.
2	UNMISS should identify lessons learned from the implementation of the electronic security system project and implement project management measures including: defining the roles and responsibilities of the project manager and the project management team; and conducting project risk analysis and developing risk response plans.	Important	Yes	Project Coordinator	30 June 2018	UNMISS has identified lessons learned from the implementation of the electronic security system project and shared it with OIOS. UNMISS is in the process of identifying the necessary steps to implement project management measures for ongoing and future security projects.

<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.

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## Audit of electronic security system project in the United Nations Mission in the Republic of South Sudan

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3	UNMISS should prepare disbursement schedules based on measurable deliverables and adequately review the progress report and ensure it corresponds with the bill of quantities and contract before certifying payments.	Important	Yes	Security Contract Manager	30 June 2018	UNMISS will update the progress report templates to be able to check measurable deliverables.
4	The Regional Procurement Office should implement more effective measures to ensure the validity of performance bonds for the duration of the contract.	Important				Response will be provided by the Regional Procurement Office.

TO: Mr. Arnold Valdez, Officer-in-Charge  
A: Peacekeeping Audit Service  
Internal Audit Division, Office of Internal Oversight Services

DATE: 12 December 2017

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 electronic security system project in the United Nations Mission in the Republic of South Sudan (Assignment No. AP2017/633/08)**  
OBJET: **Mission in the Republic of South Sudan (Assignment No. AP2017/633/08)**

1. We refer to your memorandum dated 1 December 2017 regarding the above-subject draft audit report and provide you with comments of the Department of Management for recommendation no. 4 in the attached Appendix I.
2. Regarding recommendation no. 1, it may be useful to reiterate that engagement of consultants should be in line with Section 8.2.5 of the United Nations Procurement Manual.
3. Thank you for giving us the opportunity to provide comments on the draft audit report.

## Management Response

## Audit of electronic security system project in the United Nations Mission in the Republic of South Sudan

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3	UNMISS should prepare disbursement schedules based on measurable deliverables and adequately review the progress report and ensure it corresponds with the bill of quantities and contract before certifying payments.	Important				
4	The Regional Procurement Office should implement more effective measures to ensure the validity of performance bonds for the duration of the contract.	Important	Yes	Chief, Regional Procurement Office	Implemented	While the Department of Management (DM) accepts the recommendation that the submission of performance security should be enforced as specified in the contract, it wishes to note that this recommendation was implemented in spirit for the cited case via alternate measures as explained

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						<p>below, and therefore DM requests for the closure of the recommendation.</p> <p>For this case, the Regional Procurement Office (RPO) diligently followed up with the non-compliant contractor to submit a revised/updated performance security. Considering the operational risk in the project implementation, extreme remedial measures, such as the termination of contract, were not pursued for the contractor's non-submission of an updated performance security. Rather, diligent follow up reminding the contractor to submit updated security was undertaken and notification also was issued to the contractor that the payment equivalent to the performance security amount would be withheld in lieu of the non-submission of an updated performance security.</p> <p>The contractor's performance security was only valid until 3 September 2015. To obtain an updated performance security for the period covering the whole contract extension period until 31 March 2017, the RPO exerted all possible efforts by reaching out through official correspondence and by reiterating the matter in the contractor's performance meetings. Copies of the documents illustrating the RPO's efforts have been provided to OIOS. Despite the RPO's repeated requests to the contractor for the submission of updated performance security, the contractor failed to comply with the requirement.</p> <p>As stated above, despite the absence of the valid performance security, the RPO could not exercise the option of terminating the contract, considering the client's (UNMISS) interest in having the ongoing work completed, rather than to draw the</p>

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						<p>performance security and to seek for an alternate contractor. However, the RPO is cognizant of the fact that a sufficient sum of eligible payments, which were to be released to the Contractor, has been retained to recover any loss during the process in the event UNMISS requested the RPO to take action against any failure, loss or non-performance under the contract. Currently, there is sufficient unpaid balance from the eligible payments to the contractor that can be used to recover any damage to the Organization, in line with the terms and conditions of the contract.</p> <p>DM also wishes to note that this contract expired on 31 March 2017 and even if the contractor had submitted the performance security as per the contract provision then, the validity of the performance security would not have been beyond 30 June 2017 (i.e., 90 days validity beyond the contract expiry). With the current contract conflict situation, the performance security for this case would not be an adequate fallback remedy to address the performance issues. Thus, in line with the contract provision, and considering the circumstances outlined above, withholding of payment in lieu of performance security is still considered as an acceptable and effective measure, thereby protecting the Organization's interest while maintaining operational effectiveness.</p>