



INTERNAL AUDIT DIVISION

REPORT 2018/066

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

The Mission needed to improve the condition
and security of its warehouses, inventory
management, and the accuracy of inventory
records in Umoja

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Assignment No. AP2017/633/05

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

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of asset management 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 controls in place over warehouse operations, accuracy and reliability of data, and write-off and disposal of assets in UNMISS. The audit covered the period from 1 July 2015 to 28 February 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in asset management in UNMISS, which included: the condition and security of warehouses; inventory management including warehousing operations and activities; physical inventory of assets and data accuracy and reliability; health and safety of warehouse staff; and write-off and disposal of assets.

UNMISS had adequately adhered to controls and procedures relating to the conduct of the annual impairment review of property items, as well as asset write-off and disposals. However, there was a need to improve the condition and security of its warehouses, inventory management, and the accuracy of inventory records in Umoja.

OIOS made five recommendations. To address issues identified in the audit, UNMISS needed to:

- Review the contracts for warehouse construction projects to determine a reasonable project completion deadline and invoke the appropriate contractual remedy to address any performance issues to expedite the construction of warehouses;
- Prioritize the updating of safety and security risk assessments of warehouses and implement appropriate risk mitigating measures;
- Strengthen supervision over the issuance of stocks from warehouses and ensure appropriate documentation is maintained when assets are issued to staff members;
- Ensure that the technical units: analyse inventory movements to identify slow-/non-moving stocks and excessive stocks and initiate appropriate action; and examine consumption history for all critical inventory items to determine their requirements for the current year and timely raise shopping carts taking into consideration the acquisition process and the logistical challenges in South Sudan; and
- Investigate the whereabouts of a missing excavator, take appropriate action and strengthen physical verification controls over assets in field offices and remote sites.

UNMISS accepted the recommendations and has initiated action to implement them.

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

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset management in the United Nations Mission in the Republic of South Sudan (UNMISS).

2. The Department of Field Support (DFS) initiated a central warehousing project as part of its Global Field Support Strategy in 2015 to align global, regional and Mission centralized warehousing processes, and improve core warehousing activities to make them more cohesive, integrated and effective. As part of that project, UNMISS reconfigured its supply chain processes and centralized all its warehouse processes.

3. The Director of Mission Support is responsible for the overall management of the Mission's fixed assets: plant, property and equipment (PPE) which included real estate, infrastructure, property and equipment (non-expendable property); financial inventory (expendable property) and non-financial strategic inventory, i.e., water, rations and fuel. The technical units (previously called self-accounting units) namely, Geospatial Information Technology and Technical Section (GITTS), Engineering, Transport, Supply and Medical Sections, and individual personnel are responsible and accountable for assets entrusted to them.

4. The UNMISS Warehouse and Commodity Management Section (WCMS) is responsible for the day-to-day management of the Mission's expendable and non-expendable assets including all core warehousing activities, timely delivery, disposal of written-off assets, storage and distribution of commodities such as fuel, rations, engineering materials and general supplies. The Section is headed by a Chief at the P-5 level who reports to the Chief, Supply Chain Management Service, who in turn reports to the Director of Mission Support (DMS). The Section has four units, i.e., Centralized Warehouse, Asset Management, Rations and Fuel Units. The Centralized Warehouse and Asset Management Units which are directly in charge of asset management had 184 staff as at February 2018 comprising 21 international staff, 101 national staff, 23 United Nations Volunteers and 39 individual contractors. The WCMS budget (excluding fuel and rations) for fiscal years 2016/17 and 2017/18 was \$9.0 and \$8.8 million respectively.

5. Other units/sections involved in management of assets are: the Property Control and Inventory Unit (PCIU), which is responsible for physically verifying the existence of all non-expendable property items, and reviewing and reporting on the completion of 100 per cent physical count of expendable items with a value of \$5,000 or more at least once a year; and the Local Property Survey Board (LPSB), which is responsible for advising the DMS in respect of loss, damage and other discrepancies regarding United Nations equipment, supplies and property, and for reviewing property write-off cases submitted by technical units.

6. Property management in UNMISS is governed mainly by the Department of Peacekeeping Operations (DPKO) Property Management Manual for United Nations Peacekeeping Missions, Financial Regulations and Rules of the United Nations, DPKO/DFS Guidelines on Warehousing Operations for Field Missions (replaced in January 2017 by the DPKO/DFS Centralized Warehousing Operations Manual for Field Missions), United Nations Policy Framework for International Public Sector Accounting Standards (IPSAS), DFS Work Plan on Property Management, DFS Standard Operating Procedures (SOPs) on Monitoring of Key Performance Indicators for Property Management and annual DFS Directives on Property Management.

7. In September 2017, peacekeeping missions, including UNMISS, decommissioned Galileo as the asset management system and migrated inventory management records to Umoja. The move to Umoja allows the Mission to conduct inventory, warehouse, logistics, property, and equipment management processes, and equipment maintenance in one system and to link these processes with existing finance and procurement models that were already in the system, enhancing transparency and efficiency.

8. As of 31 July 2017, the Mission had in Galileo 31,784 line items of non-expendable property with a net book value of \$135.4 million and 7,169,926 line items of expendable items in stock valued at \$51.7 million.

9. Comments provided by UNMISS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

10. The objective of the audit was to assess the adequacy and effectiveness of controls in place over warehouse operations, accuracy and reliability of data, and write-off and disposal of assets in UNMISS.

11. This audit was included in the 2017 risk-based work plan of OIOS due to operational and financial risks related to management of assets in UNMISS.

12. OIOS conducted this audit from October 2017 to March 2018. The audit covered the period from 1 July 2015 to 28 February 2018. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in asset management in UNMISS, which included: the condition and security of warehouses; inventory management including warehousing operations and activities; physical inventory of assets and data accuracy and reliability; health and safety of warehouse staff; and write-off and disposal of assets. The audit did not include the receiving and inspection function, fuel and rations management as these are separate and distinct functions performed by different units. These would be covered in different audit assignments.

13. The audit methodology included: interviews of key personnel; review of relevant asset management reports and documents including the periodic verification and discrepancy reconciliation reports of PCIU and asset write-off documents; analytical review of data; and physical inspection of warehouses and verification of a sample of assets in 10 warehouses in Juba, Malakal, Bentiu, Wau and Bor out of the 16 warehouses in the Mission.

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

III. AUDIT RESULTS

A. Condition and security of warehouses

Condition of warehouses needed to be improved

15. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions require UNMISS to consider environmental and Mission-specific factors such as the security burden of the operation, physical well-being of the inventory and accessibility for further distribution and customer operation in the selection of sites to establish warehouses.

16. UNMISS stored inventory in 19 Rubb Halls (large tents made of aluminum frames with steel tension wires and polyester skins) and at least 3,000 sea containers stacked outside of warehouses within Mission compounds. An inspection of the physical condition and surroundings of warehouses indicated the need to improve warehouse conditions. UNMISS initiated action to construct new warehouses, but this had been delayed as explained in the following paragraphs.

(a) Condition of existing warehouses

17. The ventilation systems in all the Rubb Halls inspected (six in Tomping compound in Juba and four in Malakal, Bentiu, Wau and Bor) were not functioning; and all the 14 Rubb Halls used in Juba, and the only Rubb Hall used in Malakal were worn out as they had exceeded their useful life and damaged by the extreme heat and rain in South Sudan resulting in leaks when it rained and allowing dust to affect inventory items.

18. Furthermore, the large Rubb Halls and sea containers in Juba, Malakal, Bor and Bentiu were located on low-lying ground susceptible to flooding and which turned muddy during the rainy season, impairing warehouse operations.

(b) Delays in constructing new warehouses

19. UNMISS initially planned to install new Rubb Halls by the end of fiscal year 2014/15 using an existing systems contract. However, the system contract for Rubb Halls had ended before UNMISS could use the issued purchase order. In a new initiative to improve the warehouse conditions, UNMISS awarded three different contracts in June 2017 for the construction of 12 formed steel structure (K-Span) warehouses at a total cost of \$3.9 million. The plan covered the warehouses in all field offices except those in Bor and Wau.

20. Although the contracts for the construction of these 12 warehouses were awarded in June 2017 and scheduled for completion after 24 weeks, none had been completed at the time of the audit partly because the rainy season in South Sudan did not allow the contractors to mobilize in July and August 2017. In addition, the Mission did not make the site available to the contractors until September 2017. The security situation also prevented the contractor from mobilizing resources in Bentiu and Yambio. As these factors were not considered, the contract completion date was not realistically established. As at 28 February 2018, the UNMISS Engineering Section estimated that the warehouse in Torit would be completed in April 2018, while those in Aweil, Bentiu, Kuajok, Rumbek and Yambio were expected to be completed in August 2018. However, because of poor performance by the contractor, UNMISS was unable to provide a definite date by which the four warehouses and one roof in Juba and one warehouse in Malakal would be completed. UNMISS had several discussions with the contractor on the unsatisfactory performance and failure to comply with contractual obligations. In the latest communication sent on 26 February 2018, UNMISS noted that the contractor: was unable to assemble adequate manpower, material and equipment to the sites; had poor project planning and management; showed very slow rate of work progress in Juba as compared to the agreed schedule; failed to visit, mobilize and commence the works at Malakal; and failed to submit adequate proof of the acquisition of a K-span machine and the roofing sheets. Hence, no assurance could be given that the construction would be completed before the rainy season begins around June 2018. These new warehouses were expected to help improve the warehousing conditions in the Mission.

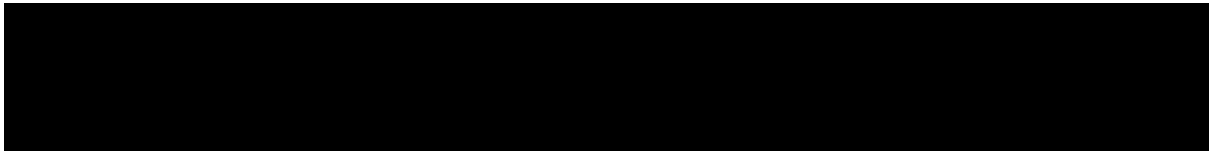
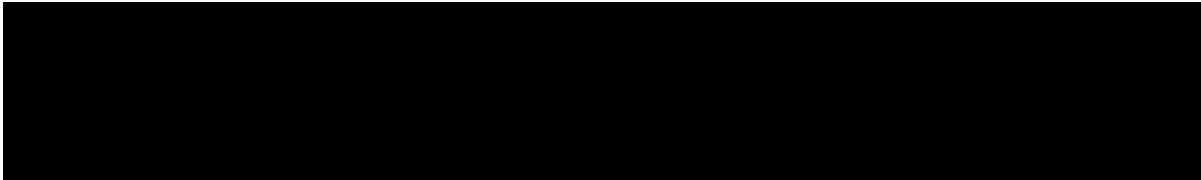
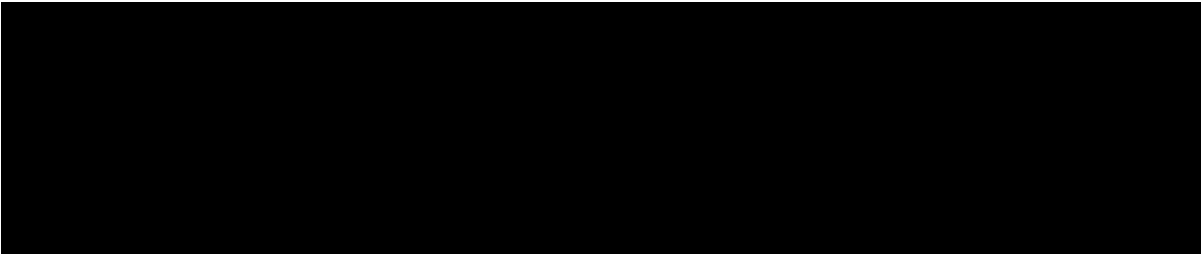
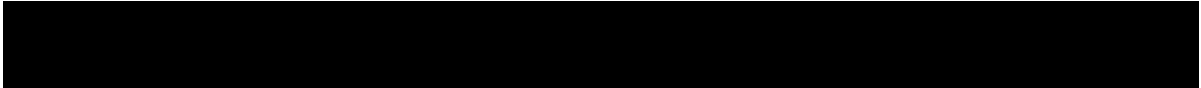
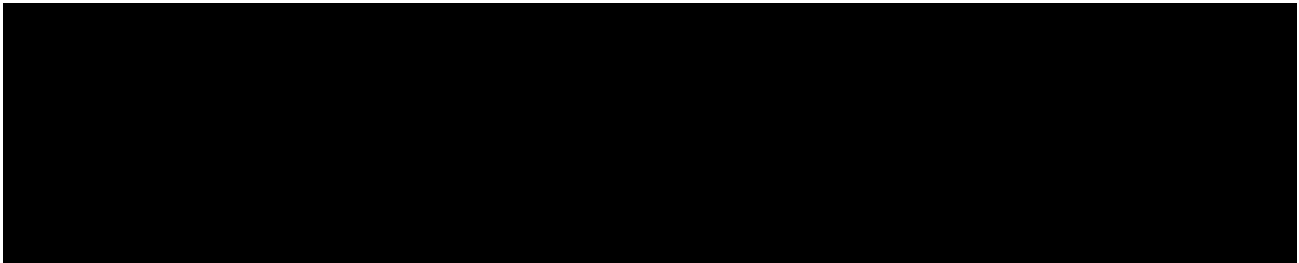
21. As a result, inventory items would continue to be exposed to damage due to the high temperatures, dust and rain water during the rainy season until the new warehouses were completed. Also, it diminished the effectiveness of warehouse operations.

(1) UNMISS should review the contracts for warehouse construction projects to determine a reasonable project completion deadline and invoke the appropriate contractual remedy to address any performance issues to expedite the construction of warehouses.

UNMISS accepted recommendation 1 and stated that the contract for Juba and Malakal warehouses expired on 15 May 2018 and would not be renewed. UNMISS had commenced work on the outsourcing of the Malakal warehouse and was reviewing the status of the work done for the Juba warehouse, with a view to rebidding the remaining works. Recommendation 1 remains open pending receipt of evidence of new project completion deadline and actions taken to hold contractors accountable.

Warehouse physical security and fire safety needed to be strengthened

22. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions require UNMISS warehouses to be: fenced off and checkpoints to be established at entry point; and adequately lit inside and in the areas surrounding the warehouse. The guidelines also recommend the installation of closed-circuit television (CCTV) cameras in and around warehouse premises, and that special and attractive items be secured against theft. UNMISS is also required to ensure that all warehouses have: a fire detection system; fire exit routes; appropriate signs prohibiting smoking; fire extinguishers; fire evacuation plans; fire wardens; and regular fire safety inspections.



24. The security risk assessments for all the UNMISS compounds in South Sudan were conducted by the Security Section. However, no specific security risk assessment for logistics base areas had been conducted except in Bentiu as all others were located within the UNMISS compounds. In Juba and Yambio, the risk assessments were not updated to address the shortcomings indicated above due to other pressing operational requirements. In Bentiu, the implementation of the mitigation measures which were presented to the Field Administrative Officer was not progressing due to manpower and logistical challenges. The lack of an up-to-date safety and security risk assessment increases the risk that UNMISS may not be aware of all security threats to its warehouses and the non-implementation of mitigating measures increase the risk that items stored in warehouses were exposed to loss and/or theft resulting in financial loss.

(2) UNMISS Security Section should prioritize the updating of safety and security risk assessments of warehouses and implement appropriate risk mitigating measures.

UNMISS accepted recommendation 2 and stated that the security risk assessment for Juba, Yambio and Bentiu had been completed and the recommended risk mitigating measures were being implemented. Recommendation 2 remains open pending receipt of a copy of the security risk assessments and evidence of implementation of all risk mitigating measures.

B. Inventory management

Controls over issuance of items from warehouses needed to be strengthened

25. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions require UNMISS to implement adequate controls over the issuance of stocks. These controls include: the use of an issue voucher, a gate pass and a transfer voucher documenting the movement of the items; use of bin location cards to easily identify and retrieve items in storage; and end users' signature or acknowledgement on issue vouchers to confirm their receipt.

26. A review of 200 issue and hand-over vouchers with a total value of \$34.0 million out of 38,578 issue and hand-over vouchers with a total value of \$127.8 million processed in five warehouses in Juba and in Malakal, Wau, Bentiu and Bor indicated that approved request forms were attached to 82 issue vouchers valued at \$7.0 million. However, there were incomplete supporting documents for the issuance of stock and items that had been issued although they were not included in the approved request forms. Missing documents included customer request forms, hand-over vouchers, issue vouchers, gate passes and confirmation of receipt by recipients. For example:

- Approved asset request forms were not attached to 118 issue vouchers valued at \$27 million making it difficult to compare the items issued against the approved request;
- Two issue vouchers had an extra line item for medical supplies and equipment which was not included in the original approved request form;
- Nine hand-over vouchers were not signed by the parties involved and copies of staff member identification cards were not attached to seven of them;
- Five hand-over vouchers included extra line items for engineering items such as a power drill, compression tester, gas welder and impact wrench that were not recorded in Galileo;

- There were no supporting documents in Galileo for 31 issue vouchers comprising 26 non-expendable assets with a total value of \$15.9 million and 5 expendable assets with a total value of \$0.5 million;
- Gate passes were not attached to 69 issue vouchers totaling \$19.4 million; and
- In 17 issue vouchers, approval in the system took place 10 days after the assets were handed over to the requisitioner.

27. The above condition was caused by inadequate supervision of warehouse staff to ensure consistent application of standard inventory management procedures in the issuance of inventory items. As a result, there was a risk that assets were issued without proper approval, resulting in financial loss.

(3) UNMISS should strengthen supervision over the issuance of stocks from warehouses and ensure appropriate documentation is maintained when assets are issued to staff members.

UNMISS accepted recommendation 3 and stated that it had implemented a new issuance hand-over process. Based on the action taken by UNMISS and OIOS review of the inventory issuance in Umoja, recommendation 3 has been closed.

Property transfer to warehouses in field offices needed to be regularly and timely monitored

28. The DPKO/DFS Centralized Warehousing Operations Manual for Field Missions requires the Mission to use transfer vouchers for internal movement of assets/goods with the necessary supporting documents from one warehouse to another. As this involves the Movement Control Section (MOVCON), the role of the centralized warehouses includes: determining the packing method and container to enforce security protocol; submitting cargo manifest requests (CMR); coordinating with MOVCON on the timing of transportation; and creating and updating deliveries based on transport orders.

29. A review of 100 out of 13,089 Transfer Voucher Out (TVO) and Transfer Voucher In (TVI) processed by the Mission from 1 July 2015 to 31 July 2017 indicated that corresponding TVIs were raised for all 100 TVOs. However:

- Forty-two TVOs and TVIs did not have the necessary supporting documents such as a CMR and printout of the vouchers and other supporting justifications for closure were not attached in Galileo; and
- Some 60 of the 100 TVIs were raised in the Galileo inventory management system within three months after the TVOs were issued; 26 TVIs were raised within three to six months after the TVOs were issued; 7 TVIs were raised six to nine months after the TVOs were issued; and 7 TVIs were raised nine months after the TVOs were issued.

30. MOVCON was conducting fortnightly CMR meetings with Mission Support Centre and Supply Chain Management staff to monitor the status of shipments to field offices. In addition, delays due to logistical challenges were beyond the Mission's control. However, the delays in updating the inventory records by warehouse staff were due to inadequate supervision at the receiving warehouses. OIOS had reviewed the minutes of the fortnightly meetings and noted that UNMISS was working with the Logistics Support Division of DFS to improve the monitoring and updating of inventory records in Umoja. Based on the actions being taken, OIOS is not making a recommendation.

Need to monitor stock holdings

31. The DFS/DPKO Centralized Warehousing Operations Manual for Field Missions and Guidelines on Warehousing Operations for Field Missions require UNMISS to: determine maximum, minimum and safety stock levels as well as reorder points for each item; and review periodically the stock levels to avoid stock-outs and excess stock holdings. There are two types of excess stock, i.e., dead stock and surplus stock. Dead stock is defined as any item for which no transactions have occurred for a year or longer.

(a) Identification of slow-moving items and taking appropriate action need to be strengthened

32. A review of UNMISS reports on the implementation of DFS Directives on Property Management for Peacekeeping Missions for 1 July 2016 to 30 June 2017 indicated that UNMISS holdings of slow-moving and obsolete items was within the permissible limits established by DFS. UNMISS had: stock ratio of 10 per cent against the DFS target of 20 per cent; ageing stock over six months of 27 per cent against the DFS target of 50 per cent; zero per cent of stocks past the expected useful life against the DFS target of zero per cent; and 100 per cent operational stock against the DFS target of 100 per cent. The DFS Inventory Optimization Project (IOP), which started in June 2016 and ended in July 2017 and whose objective was to increase the level of accuracy and completeness of property records, permitted UNMISS to identify and write off damaged or lost United Nations-owned equipment through the LPSB without all the standard information, including a security incident report. Through the IOP, UNMISS wrote off inventory items valued at over \$30 million.

33. OIOS analysed the records of all 2,967 non-expendable assets in stock as at 31 July 2017 with a total value of \$16.1 million and noted that 774 items (26 per cent) with a value of \$1.7 million had no transactions for more than one year. This was below the DFS target of 50 per cent ratio for ageing stock over six months. These items included wastewater treatment equipment, generator set, satellite phone, electric panels, pre-fabricated accommodations, sea containers, transceiver ultra-high frequency tetra radios, equipment of various kinds and computer notebooks.

34. In addition, a review of 100 sample expendable items with a value of \$10.9 million showed that 40 of them with a value of \$1.3 million did not have any transactions during 2017. Twenty-four of the 40 expendable items, with a value of \$0.4 million, had not been issued since September 2015. These items included water storage equipment, coated paper, telephone sets, chairs, pump engine parts, electrocardiogram machines, spare parts for generators, portable ventilators and security related assets.

35. OIOS inquiry of key Mission personnel and analysis of the slow-/non-moving items indicated that they were mainly operational stock, not excess stock. The Mission explained that they could not predict when they might be needed. In addition, the long lead time to get items into the Mission made it prudent to keep such items in stock regardless of their age. For example, it would not be wise to get rid of spare parts for a generator or vehicle since they could break down at any time. The Mission was aware that these items were slow-moving but did not consider them as surplus.

36. The Mission had not performed a review of slow-/non-moving inventory items since July 2017. This was due to preparations for the Galileo decommissioning project, which started in August 2017, and the diversion of resources towards the preparation and readiness for the migration of inventory information into Umoja. In addition, Umoja did not yet have a reporting tool to analyse slow-moving assets.

(b) Need to examine consumption history to more accurately forecast requirements of critical inventory items

37. An analysis of the 30,376 expendable inventory line items in the Mission as at 31 July 2017, indicated that UNMISS had established maximum and minimum stock levels for 1,279 items. Of the 1,279 items with defined maximum and minimum stock levels, 491 had balances in excess of the defined maximum stock levels while 501 items had balances below their defined minimum stock level. However, these stocks were within the 20 per cent DFS key performance indicator of stock holding.

38. UNMISS had not established reorder points and quantities for all inventory line items in the warehouses, as the decommissioned Galileo did not have a demand management tool to determine the minimum and maximum stock levels, and this was being done manually, which was time consuming and therefore not seen as a priority. UNMISS also had difficulties in accurately determining minimum and maximum stock levels because of the uncertainties of its dynamic and constantly changing operations, coupled with the complex clearance and approval processes.

39. After the implementation of the centralized warehousing concept, the Acquisition and Requisition Section centrally determined inventory requirements in coordination with the technical units and centralized warehouses.

40. Not establishing optimal stock levels and their monitoring could lead to excess stock or shortage of assets. In addition to being wasteful, excess inventory could take up space and inventory management resources impacting the effectiveness of the asset management process.

(4) UNMISS should take steps to ensure that the technical units: (a) analyse their inventory movements to identify slow-/non-moving stocks and excessive stocks and initiate appropriate action; and (b) examine their consumption history for all critical inventory items to adequately forecast their requirements and timely raise the shopping carts taking into consideration the acquisition process and the logistical challenges in South Sudan.

UNMISS accepted recommendation 4 and stated that it had started producing monthly inventory reports consisting of stock levels at all Mission locations, stock movements (to identify slow-moving items), and ad hoc reports for ageing stock and fully depreciated assets and past-estimated useful stocks for the analysis of consumption history for all critical inventory items. Based on actions taken by UNMISS and OIOS verification, recommendation 4 has been closed.

C. Accuracy and reliability of inventory data

Need for complete and accurate asset records

41. The DPKO/DFS Property Management Manual requires UNMISS to accurately reflect in inventory records the quantity, location and condition of United Nations property in order to establish responsibility for the property, verify its location and ensure proper accounting and control. The Manual also requires: proper classification of non-expendable property and expendable items based on their value as well as their expected useful life and whether they are attractive due to their size, cost or ease of removal from the premises; and physical verification of existence of property at least once per fiscal year per item against existing records in Galileo.

42. As of 30 June 2017, the Mission reported to DFS that it had physically verified the existence of 100 per cent of its non-expendable property and 99 per cent of its expendable property for 2016/17. PCIU

reported that 32 non-expendable assets valued at \$29,048 had not been located as at 30 June 2017 and the search was continuing. OIOS review of inventory records and test checks of the existence, location and recording of a randomly selected sample of expendable and non-expendable assets indicated discrepancies between physical count and recorded balances of the items, and the need to strengthen the physical verification of assets as explained in the following paragraphs.

(a) There were discrepancies between the results of physical counts of non-expendable assets and inventory records in Galileo

43. OIOS conducted a physical test check of the existence, location and recording of a sample of 435 non-expendable assets with a value of \$35.9 million. Of these, OIOS verified the locations and proper recording of 354 assets with a net book value of \$30.1 million. Twenty-eight non-expendable assets with a net book value of \$209,033 were accurately recorded as loaned to contractors after a signed contract, and the United Nations Office for the Coordination of Humanitarian Affairs after a memorandum of understanding was signed. However, the following were noted:

- Thirty non-expendable assets with a net book value of \$2.6 million were found in locations that were different from those recorded in the inventory system;
- Two of the non-expendable assets in Malakal did not match their descriptions in Galileo. One asset had an incorrect model number in Galileo and the second item was recorded as a mounting rack for communications equipment but was actually a dispatch console. One of the non-expendable assets in Juba was different from the description in Galileo. The item was described as an "X-Ray Machine" in Galileo but the item was an Optical Marker Recognition Scanner;
- Nineteen non-expendable assets were found with different users from those recorded in Galileo;
- Two non-expendable assets recorded as located in Juba could not be found. One was an air compressor with a net book value of \$116,686 and the other was a fuel storage bladder with a net book value of \$47,803; and
- One item, a diesel water pump was recorded as a sewerage pump.

44. The above occurred because non-expendable inventory records were not timely updated when Galileo was used as asset management tool.

45. Furthermore, a non-expendable asset namely an Excavator - Wheeled, Caterpillar, 320DL, Heavy (MCT-Y-01081) with a capitalized value of \$720,189, recognition date of 7 October 2009 and estimated useful life of 12 years was recorded in Galileo as issued to a staff member in Bor but could not be located and the whereabouts and status of the asset was unknown since January 2014. Also, at the time of the audit, the asset holder had not initiated a security incident report. The Transport Section in Bor was not aware of the status of the excavator until this OIOS audit. For the past four years, PCIU had recorded in Galileo that the custodian stated that the asset was in a Mangalla (between Juba and Bor). OIOS enquiries indicated that:

- The present asset holder/custodian, who assumed duty in the Bor office as the UNMISS State Engineer in August 2016, had signed a blanket asset hand-over voucher when he took over the asset but had never physically seen the asset. Also, the preceding asset holder confirmed that

the asset was transferred to him from his predecessor, but he had also not physically seen the asset. Also, the signed hand-over vouchers were not documented in Galileo; and

- The previous asset holder had left the Mission and when contacted by the current State Engineer for information about the status of the asset confirmed that the excavator was used for road repair from Bor to Mangalla before the December 2013 crisis. The UNMISS Engineering Section explained that, according to the last operator of the machinery, the excavator was parked in a military barrack close to Mangalla. In response to the audit findings, the Mission went to Mangala on 7 May 2018 but was unable to locate the excavator. It therefore plans to take further action as explained below.

46. OIOS could not verify the last time the equipment was used as CarLog trackers were not installed in such specialized equipment. However, Fuel Unit records indicated that the excavator was last fueled on 14 June 2013.

47. OIOS analysed the records of all 2016/17 inspections conducted by PCIU as of 30 June 2017 to check whether there were other high-value items that may be missing as of that date. The analysis showed that PCIU inspectors relied on user attestations to confirm the existence of 360 non-expendable assets. Of these assets with a total depreciated value of \$662,367, the highest valued item was the excavator and all the other 359 items, which included prefabricated buildings, fire-fighting equipment and metal detectors, had depreciated values ranging from \$39 to \$14,664.

48. The above occurred because the asset holders signed asset transfer vouchers without inspecting the asset and PCIU relied on verbal confirmations of the asset holder during the past four years when conducting physical verifications. In addition, the UNMISS Engineering and Transport Sections failed to physically verify the whereabouts of the equipment and take timely and appropriate action.

49. As a result, the Mission lost the opportunity to timely recover the asset and may incur financial losses. The depreciated value of the asset when it was abandoned in January 2014, based on Galileo information, was estimated as \$465,122. The depreciated value was \$165,043 as of April 2018, based on Umoja records.

(b) There were discrepancies between the results of physical counts of expendable assets and inventory records in Galileo

50. OIOS also physically counted 400 expendable inventory line items with a total quantity of 19,787 items and value of \$6.7 million and noted that 244 of the expendable assets with a total recorded quantity of 6,798 and valued at \$3.4 million were properly recorded in Galileo. However, some items: recorded in Galileo could not be found; were not recorded in Galileo; had different quantities from those recorded in the inventory system; or were wrongly classified as expendable items as follows:

- Thirty-two expendable assets with a total recorded quantity of 311 and valued at \$895,196 were recorded in Galileo but could not be physically located in the field. Of these, 31 line items were recorded as located in the Juba Engineering warehouse;
- Eight expendable assets were found in the field but were not recorded in Galileo;
- Fifty-one expendable assets with a total quantity of 878 valued at \$519,612 were in locations different from what was recorded in the inventory system;

- One item, a lathe machine for resurfacing vehicle brake discs, worth \$6,593, was found in the Malakal Transport workshop although it was recorded as being in stock. It was also misclassified as expendable though the item was easily portable and attractive. Two pile drivers, each worth \$7,122 (in stock) were also classified as expendable; and
- Forty-seven expendable assets valued at \$364,223 had different actual quantities from those recorded in the inventory system.

51. The above occurred because expendable inventory records were not timely updated when Galileo was used as the asset management tool. In addition, the decommissioning of Galileo and the transfer of inventory data into Umoja in September 2017 posed some challenges in asset management to the Mission. For example, some stock items did not transfer into Umoja while others were merged under one product number. Umoja assigned one product identification number for a filter whereas there were different types of filters in Galileo, including air filter, oil filter and the filters for various types of vehicles differentiated by model. UNMISS indicated that Umoja was in the stabilization period, with multiple challenges from the roll-out yet to be resolved by the Umoja team at United Nations Headquarters. As a result of the above, the Mission was also precluded from conducting a cycle count of assets until January 2018, which impacted the accuracy of inventory records.

52. UNMISS sent a fax on 25 January 2018 to the Logistics Support Division of DFS listing the challenges the Mission was facing, requesting further guidance. The Logistics Support Division, in its response to UNMISS on 31 January 2018, acknowledged the challenges related to the accuracy and completeness of inventory records. To address the challenges, the Material Master was being reviewed to align the serialization profiles to the operational requirement, the Umoja Office was in the process of identifying end-to-end solution for physical verification of assets and a series of initiatives were being planned to deliver refresher training sessions in missions. Hence, OIOS is not making a recommendation in regard to this issue.

(5) UNMISS should investigate the whereabouts of the excavator, take appropriate action and strengthen physical verification controls over assets in field offices and remote sites.

UNMISS accepted recommendation 5 and stated that the 2017/18 impairment review was ongoing, and the write-off of the excavator had been initiated. An incident report would be filed for further investigation. Also, the physical verification of assets in field offices and remote mission sites would be reviewed and a mission directive would be issued. Recommendation 5 remains open pending receipt of results of investigation on the missing excavator and evidence that physical verification of assets in field offices and remote sites has been strengthened.

D. Health and safety of staff

Health and safety conditions at warehouses needed improvement

53. The DPKO/DFS Centralized Warehousing Operations Manual and Guidelines on Warehousing Operations for Field Missions require UNMISS to install health and safety-related equipment in warehouses and provide staff with basic personal protective equipment. The DPKO/DFS Centralized Warehousing Operations Manual for Field Missions requires UNMISS to ensure that all material-handling equipment operators are trained and licensed to operate the machinery.

54. The Mission installed the required health and safety related equipment such as first aid kits and eyewash stations in warehouses in Juba, Malakal, Bentiu, Bor and Wau. The Mission was also conducting

monthly occupational safety awareness briefings to warehouse staff. Staff in the warehouses visited were provided with appropriate protective clothing and devices. However, warehouse staff did not always wear the necessary protective clothing. For example, none of the staff in Wau wore hard-toe boots or protective helmets. As the Mission was using sea containers stacked on top of each other to store items in all the locations visited, this meant that staff had to climb about eight feet from the ground using unanchored ladder to access items stored in the upper sea containers. This created a safety risk, particularly because there were no guard rails to protect them in the event they slipped or fell.

55. This was because UNMISS did not adequately enforce compliance with health and safety measures such as wearing appropriate protective clothing and devices when in the warehouse. In addition, the Mission did not install protective guardrails and anchored ladders or use stock (order) pickers with cages to keep staff safe when picking items stored in elevated positions.

56. Not enforcing the health and safety measures could lead to injuries and fatalities. For example, in November 2017 a warehouse staff fell while getting paint from an upper level sea container and fractured his leg in Malakal. Also, on 7 October 2015, an individual contractor operated a forklift without permission or authority and without holding an UNMISS driving permit. The security report indicated that the individual contractor was reversing the vehicle when he increased the speed and lost control hitting three staff members who were standing near a United Nations vehicle. Consequently, whereas two of the victims were taken to Level II hospital and discharged after treatment, the third staff member suffered very serious leg injuries, which led to medical evacuation outside of Mission area for more specialized medical treatment.

57. Since the audit, UNMISS had recruited an Occupational Safety Officer at the P-3 level to implement field occupational safety and health measures including inspections and risk assessment in Juba and field offices and to conduct awareness training and present monthly occupational safety awareness briefings. The integrated warehouses management had implemented monthly reporting on field occupational safety risk management for each warehouse aimed at providing briefing and training sessions to prevent incidents and accidents. Based on review of documentation and actions taken by the Mission, OIOS is not making a recommendation.

E. Write-off and disposal of assets

UNMISS had properly established a Local Property Survey Board and it was functioning effectively

58. The delegation of authority for property management from DFS and United Nations Financial Rule 105.21 require the DMS to establish an LPSB, comprising staff members from finance, legal, property control, administrative sections/units, military/police officers and an ex officio member to review cases of proposed property write-off and make recommendations to the DMS for approval.

59. OIOS review of the UNMISS property write-off process, the terms of reference and minutes of the 63 LPSB meetings held between July 2015 and June 2017 indicated that UNMISS had properly constituted the LPSB. During the audit period, the LPSB promptly convened, reviewed and made recommendations on the cases of 14,370 assets investigated by the Security Investigation Unit (SIU) that were referred to it. OIOS concluded that the LPSB had performed its functions effectively in accordance with the established terms of reference.

Procedures for the write-off and disposal of property were adhered to

60. The DPKO/DFS Property Management Manual requires technical units to: promptly initiate write-off action by reporting to the SIU the loss, damage, unserviceable, obsolete, shortage or discrepancy of United Nations property items within 12 months of identifying the discrepancy; and report the cases investigated by the SIU to the LPSB. The DFS/DPKO 2017 Directive on Property Management requires UNMISS to complete LPSB and disposal processes in 120 days. IPSAS also require UNMISS to perform annual impairment reviews to identify assets requiring write-down or write-off.

61. The Mission performed the required annual impairment reviews and adhered to the processes and procedures prior to the write-off and disposal of United Nations-owned assets. During the period from 1 June 2015 to 30 June 2017, UNMISS wrote off 14,370 asset items with a total value of \$18.9 million due to accident, damage, hostile action, normal wear and tear, obsolescence, reported loss, and theft. Based on the results of investigations and recommendations of the SIU and LPSB respectively, the DMS authorized the write-off, which was completed within the required 12 months.

62. UNMISS had also established contracts for the removal and disposal of scrap metal, plastics, used batteries, used tyres, electronic waste and oil filters. UNMISS had timely disposed of 13,512 of 14,370 written off assets during the period from 1 July 2015 to 31 July 2017. The remaining 858 items were in the process to be disposed of. Due to security situation in Malakal, the contractor was not able to timely collect the disposed assets.

63. Based on the documents reviewed, OIOS concluded that there were adequate controls, processes and procedures relating to the timely write-off and disposal of United Nations-owned property and equipment, which were adhered to in the write-off of 14,370 assets and the disposal of 13,512 of them.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNMISS should review the contracts for warehouse construction projects to determine a reasonable project completion deadline and invoke the appropriate contractual remedy to address any performance issues to expedite the construction of warehouses.	Important	O	Receipt of evidence of new project completion deadline and actions taken to hold contractors accountable.	30 June 2019
2	UNMISS Security Section should prioritize the updating of safety and security risk assessments of warehouses and implement appropriate risk mitigating measures.	Important	O	Receipt of a copy of the security risk assessments and evidence of implementation of all risk mitigating measures.	31 December 2018
3	UNMISS should strengthen supervision over the issuance of stocks from warehouses and ensure appropriate documentation is maintained when assets are issued to staff members.	Important	C	Action taken.	Implemented
4	UNMISS should take steps to ensure that the technical units: (a) analyse their inventory movements to identify slow-/non-moving stocks and excessive stocks and initiate appropriate action; and (b) examine their consumption history for all critical inventory items to adequately forecast their requirements and timely raise the shopping carts taking into consideration the acquisition process and the logistical challenges in South Sudan.	Important	C	Action taken.	Implemented
5	UNMISS should investigate the whereabouts of the excavator, take appropriate action and strengthen physical verification controls over assets in field offices and remote sites.	Important	O	Receipt of results of investigation on the missing excavator and evidence that physical verification of assets in field offices and remote sites has been strengthened.	31 December 2018

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

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

³ C = closed, O = open

⁴ Date provided by UNMISS in response to recommendations.

APPENDIX I

Management Response

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNMISS should review the contracts for warehouse construction projects to determine a reasonable project completion deadline and invoke the appropriate contractual remedy to address any performance issues to expedite the construction of warehouses.	Important	Yes	Chief, Engineering Section	30 June 2019	The contract for Juba and Malakal Warehouses expired on the 15 May 2018 and will not be renewed. UNMISS has commenced work on the outsourcing of the Malakal Warehouse. UNMISS is also reviewing the status of the work done for the Juba Warehouse, with a view to rebidding the remaining works.
2	UNMISS Security Section should prioritize the updating of safety and security risk assessments of warehouses and implement appropriate risk mitigating measures.	Important	Yes	Chief, Safety and Security Section, Chief, Engineering Section, Chief, Warehouse and Commodity Management Section	31 December 2018	

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

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

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementati on date	Client comments

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementati on date	Client comments
3	UNMISS should strengthen supervision over the issuance of stocks from warehouses and ensure appropriate documentation is maintained when assets are issued to staff members.	Important	Yes		Implemented	<p>Recommendation has been implemented</p> <p>Reference is made to the last update (DAR) provided on 10 May 2018. The new issuance handover process has been implemented, and can be verified by OIOS.</p> <p>The audit finding relates primarily to incomplete supporting documentation, a weakness that the Galileo System did not sufficiently address. With the decommissioning of Galileo, Umoja established a more controlled supervisory environment, which segregates inventory roles from warehousing roles. An inventory user creates a reservation based on approved requests (through for instance the e-request system, or iNeed). The senior inventory user will then verify and approve the reservation for issue or for transfer. The senior warehouse user will then generate the Transfer Order for put away or picking and finally the Warehouse user will put away/pick and confirm the Transfer Order is ready. All such requests must be corroborated with the appropriate supporting documentation, and if not, they should be rejected. Umoja also provides a Notification link for each of these roles. Issuances or handovers of stock cannot therefore be made without</p>

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementati on date	Client comments
						the appropriate supporting documentation being uploaded into Umoja. UNMISS requests for closure.
4	UNMISS should take steps to ensure that the technical units: (a) analyse their inventory movements to identify slow/non-moving stocks and excessive stocks and initiate appropriate action; and (b) examine their consumption history for all critical inventory items to determine their requirements for the current year and timely raise the shopping carts taking into consideration the acquisition process and the logistical challenges in South Sudan.	Important	Yes		Implemented	Recommendation implemented. UNMISS has started to produce monthly inventory reports consisting of monthly stock levels at all Mission locations, stock movements (to identify slow moving items), and ad hoc reports for ageing stock and fully depreciated assets and past-life expectancy stocks for the analysis of consumption history for all critical inventory items. UNMISS requests for closure.
5	UNMISS should (i)investigate the whereabouts of the excavator, (ii)take appropriate action and strengthen physical verification controls over assets in field offices and remote sites.	Important	Yes	Chief, PCIU	31 December 2018	(i) UNMISS Impairment Review for the 2017/18 period is ongoing, by which the write-off process of the excavator has been initiated. Also an incident report will be filed for further investigation. (ii) The physical verification of controls over assets in field offices and remote Mission sites will be reviewed and a mission directive will be issued.