



# **INTERNAL AUDIT DIVISION**

## **REPORT 2023/046**

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### **Audit of procurement and management of selected contracts**

**Actions were needed to enhance procurement  
competitiveness and management of contracts  
for information and communications  
technology professional services**

**26 September 2023**

**Assignment No. AG2022-615-01**

# **Audit of procurement and management of selected contracts**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and management of selected contracts. The objective of the audit was to assess the adequacy and effectiveness of internal controls related to the procurement and management of selected contracts for information and communications technology (ICT) professional services, which are included in the top five commodities acquired by the United Nations annually. The audit covered the period from 1 January 2020 to 31 December 2022 and focused on the procurement and contract management of four contracts for ICT professional services, with current not-to-exceed amounts totaling \$1.2 billion.

The audit concluded that several aspects of the procurement of the selected contracts were not sufficiently competitive. There were repeated extensions of two of the contracts to a single vendor for over 14 to 18 years, respectively, with large increases of contract value, which presented an appearance of vendor lock-in or monopoly. Also, some key requirements in the statement of works for a third contract awarded in 2020 appeared unnecessary and/or excessively demanding, which could result in potential entry barriers if vendors believe they do not have the capacity to meet the requirements fully. The bidding exercise ended with a low number of qualified and technically compliant vendors with limited geographical diversity. Also, the needs assessment conducted in developing the requirements for the solicitation was not driven by detailed and reliable data.

In addition, the management of the selected contracts, which were system contracts requisitioned by the Office of Information and Communications Technology (OICT) and utilized by OICT and Secretariat entities, needed to be strengthened. The roles and responsibilities for contract management within OICT and between OICT and the user entities were not well coordinated after the management reform in 2019. As a result, the contractors' performance had not been properly evaluated and there were uncollected discounts estimated at approximately \$2.5 million. Further, some missions were utilizing the contracts for functions not strictly related to ICT professional services.

OIOS made 12 recommendations. To address issues identified in the audit, OICT needed to:

- Develop a staffing sourcing/outsourcing plan, demonstrating resource gaps (beyond approved staff posts) that are needed to deliver required technologies and articulating when different resource types would be used.
- Conduct, in coordination with the Procurement Division, an exercise to analyze and develop measures to mitigate the risk of limited competitiveness in procurement exercises for ICT professional services.
- Develop a comprehensive data collection mechanism to capture and maintain reliable data on utilization of ICT professional services at a granular level to improve needs assessment during procurement planning as well as contract management.
- Clarify and document the process, roles and responsibilities for contract management within OICT; and also clarify to entities involved with global system contracts for ICT professional services their responsibility to ensure contractors' performance are properly evaluated and contract discounts are monitored and collected.
- Establish mechanisms to track contract expenditures against the projected levels set during the annual budgeting process and analyze variances.

- In coordination with the Procurement Division, inform missions and the contractor to discontinue the hiring of personnel not strictly related to ICT professional services under the contract PD/C0028/05.
- Further analyze the reasons for the underutilization of Package B of contract PD/C0101/20 and develop an action plan to address them.
- Develop, with assistance from the Procurement Division, guidance on designing task orders and conducting mini-biddings for PD/C0101/20 and upcoming replacement contracts to ensure fair, transparent, and robust competition between participating contractors.
- Conduct an exercise to identify the functions and role titles that could be suitable for offshore and remote hirings for existing and upcoming ICT professional services contracts and develop a guideline for OICT pillars to prioritize such hirings for cost savings.
- Review and modify the performance monitoring measures in its contracts for ICT professional services to ensure that they are realistic and effective in evaluating the performance of contractors and contractors' personnel.
- Review and enhance the efficiency and effectiveness of its invoice verification and contract monitoring procedures taking into consideration the related mechanisms and processes outside Umoja, use of project-based services and various funding sources.
- Follow up with the contractor, in coordination with the Procurement Division and end-user entities, to receive uncollected volume discounts estimated at \$2.5 million for PD/C0028/05.

OICT accepted the recommendations and has initiated action to implement some of them. Actions required to close the recommendations are indicated in Annex I.

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# Audit of procurement and management of selected contracts

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and management of selected contracts.

2. To carry out its mandated activities, the United Nations procures a high volume of various goods and services totaling approximately \$3 billion a year, on average. The top five commodities procured are for goods and services related to information and communications technology (ICT), fuel, air transport, building and construction, and food and catering. Over the last three years, goods and services related to ICT amounted to approximately \$1.3 billion, including \$150 million a year for ICT professional services.

3. In 2005 and 2009, the Secretariat established two system contracts PD/C0028/05 and PD/C0165/09, respectively for ICT professional services with Company A. The former was to provide staffing support mostly to field operations for an initial period of five years with a not-to-exceed (NTE) amount of \$90 million, and the latter mostly to United Nations Headquarters in New York for an initial period of three years with NTE amount of \$39.9 million. There have been several amendments to the NTE and duration of both contracts, which are still active with NTEs of \$740.8 million and \$245.5 million, respectively.

4. Previous attempts to replace the two contracts were unsuccessful. In May 2014, the Procurement Division (PD) in the Office of Supply Chain Management (OSCM) issued an expression of interest categorizing the requirements by the nature of the services (a) hardware and infrastructure services; and (b) software development and application services, and no longer by location. Both requirements consisted of a Package A, for staffing augmentation; and a Package B, for project-based services. The related request for proposal (RFP 3100001835) for hardware and infrastructure services was issued in 2017 but the result was rejected by the Assistant Secretary-General, OSCM in 2019, citing lack of clarity of the basis of the proposed award. In November 2022, RFP 434256451 to rebid the 2017 solicitation was issued and the procurement process was still ongoing (referred to as “the 2022 RFP” hereafter).

5. For the requirement for software development and application services, a bidding exercise was conducted in 2019, awarding Package A (staffing augmentation) to a consortium of Company A and Company D as the primary contractor, and Company C as the back-up contractor in case the consortium was not able to provide adequate services. For Package B (project-based services), the consortium and Company C were placed on a roster to conduct mini-biddings between the two for each task order. Table 1 is a summary of the two Company A contracts and their replacements.

**Table 1: 2005 and 2009 Company A contracts and replacements (in millions of United States dollars)**

#	Contract No.	Contractor	Active since	Initial NTE	Revised NTE	Release value*	Purpose
1	PD/C0028/05	Company A	June 2005	90.0	740.8	715.4	Mostly for field operations
2	PD/C0165/09	Company A	Nov 2009	39.9	245.5	239.5	Mostly for OICT
3	PD/C0101/20	Consortium of Company A and D**	Sept 2020	199.2	199.2	24.4	Software development and application services
	PD/C0180/20	Company C**	Sept 2020	55.7	55.7	0	
<b>Total of 1+2+3</b>				<b>384.8</b>	<b>1,241.2</b>	<b>979.3</b>	
4	2022 RFP	Procurement ongoing		NA	NA	NA	To re-bid the 2017 solicitation for Hardware/infrastructure services

\* As of 31 December 2022

\*\*For an initial period of three years with options to extend for two 2-year periods

6. OICT is responsible for assessing the requirements and developing statements of work (SOW) during the procurement planning process, and for conducting technical evaluations of the proposals received. PD is responsible for soliciting the requirements, conducting financial evaluations of the bids and submitting proposed contract awards to the Headquarters Committee on Contracts (HCC) for review. OICT and other end users of these contracts are responsible for various aspects of managing the contracts.

7. OICT is organized into five pillars: Operations Support Division (OSD), Policy, Strategy and Governance Division (PSGD), Enterprise Solutions Service (ESS), Cybersecurity Service (CSS) and Enterprise Programme Management Section (EPMS), reporting to the Office of the Chief Information and Technology Officer (OCITO). All the pillars are in New York with OSD having field presence in Entebbe, and ESS in Bangkok, Entebbe, and Valencia. EPMS is, among other duties, responsible for verifying invoices submitted by the Companies A and D to OICT.

8. Comments provided by OICT are incorporated in italics.

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

9. The objective of the audit was to assess the adequacy and effectiveness of internal controls related to the procurement and management of selected contracts for ICT professional services.

10. This audit was included in the 2022 risk-based work plan of OIOS due to financial, operational and fraud risks related to the selected contracts.

11. OIOS conducted this audit from November 2022 to April 2023. The audit covered the period from 1 January 2020 to 31 December 2022. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the of procurement and contract management.

12. The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) analytical review of data, (d) sample testing of hiring and utilization data.

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

## **III. AUDIT RESULTS**

### **A. Procurement**

#### Need to develop a staffing sourcing/outsourcing plan

14. OICT explained that the contracts for ICT professional services were necessary because the Office did not have sufficient staffing resources to deliver required technologies. In 2022, OICT had the following staffing resource types:

(a) 246 approved staff posts;

(b) About 105 personnel from the United Nations Office for Project Services (UNOPS) and an unspecified number<sup>1</sup> of personnel from the United Nations International Computing Centre (UNICC), known as second party providers;

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<sup>1</sup> The number is unspecified because UNICC provides project-based services.

- (c) Some 95 consultants and individual contractors through special service agreements;
- (d) Commercial contractors, including 314 personnel provided by Companies A and D; and
- (e) Project-based services under Package B of the consortium contract PD/C0101/20.

15. However, OICT did not have a formal staffing sourcing/outsourcing strategy and plan to: (a) explain resource gaps and demonstrate the need for outsourced ICT professional services (beyond approved staff posts by type of technology and type of service); and (b) articulate when to use the different resource types. As a result, the need for the contracts was not adequately justified. Further, there was a risk of duplication among the resource types, as they were supporting similar technologies and functions.

**(1) OICT should develop a staffing sourcing/outsourcing plan, demonstrating resource gaps beyond approved staff posts that are needed to deliver required technologies and articulating when different resource types would be used, to justify the need for outsourced contracts and minimize potential duplication risks among the resource types.**

*OICT accepted recommendation 1 and stated that the current portfolio of contractors was needed to meet the current work requirements and OICT would continue to evaluate the mix based on work and available staff. In addition, some outsourcing was dictated by the nature of work and the need to respond nimbly. From time to time, sourcing would also depend on the evolution of OICT budget in response to growth and demand for services.*

Need to analyze risks relating to limited competitiveness in procurement for ICT professional services

16. There were indications that contracting for ICT professional services was not sufficiently competitive as described below:

- (a) Unnecessary and excessively demanding SOW requirements for contract PD/C0101/20 could act as entry barriers

17. Several key SOW requirements of contract PD/C0101/20 seemed unnecessary and/or excessively demanding when compared to the utilization after the contract commenced. OICT commented that the SOW requirements were properly reflected in consultation with a panel of experts. However, these requirements could become entry barriers with vendors believing that they do not have capacity to meet those requirements fully, choosing not to participate in the bidding exercise for the contract. These requirements included the following:

- i. The SOW required 410 full time equivalent ICT specialists.<sup>2</sup> However, only 120 (29 per cent) and 154 (37 per cent) full time equivalents were utilized by Secretariat-wide users in 2021 and 2022, respectively including 95 and 109 full time equivalents used by OICT in 2021 and 2022.
- ii. Services were required at 13 locations in five regions, and it was mandatory for vendors to bid for all the 13 locations. Under Package A, a total of 286 ICT specialists were required, ranging between 47 and 69 ICT specialists for each of the five regions. However, since the contract inception in September 2020, no specialists were utilized from the Africa region, and 16 per cent was utilized from Europe. The average utilization rates for the Americas, Vendor’s Offshore Center, and Asia

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<sup>2</sup>Amendment 1 of RFP 3100001835 required 102,450 service delivery units (SDUs), where 1 SDU and 250 SDUs represented one specialist’s full time equivalent for a day and a year, respectively (102,450/250 = 410).

regions were 89, 68, and 66 per cent, respectively. Also, 90 per cent of utilization took place in 3 of the 13 locations of New York, Bangkok, and Offshore, where OICT had presence. None were utilized in seven locations. OICT commented that the United Nations had no preference from where suitable contract personnel were selected, and this could sometimes be several years after the completion of the RFP. However, according to the Office, the RFP needed include Africa as an option, as potential users of the contract were located in that region.

- iii. It was mandatory to bid for both Package A for staffing augmentation similar to the existing legacy Company A contracts, and Package B for project-based services. A vendor may not have capacity to offer two different service delivery modalities.
- iv. The SOW required a wide range of technical skills through 46 role titles such as web developers, business intelligence developers, SAP and JAVA solution architects, system testers, project managers, and business analysts, all of which a single vendor may not be able to offer. Although it was mandatory to bid for all 46 role titles, 12 of them were never used and 8 were used less than 30 per cent of the level required in the SOW. OICT stated that some of the profiles could not be used since the pay rates of the contract were much lower than the current market rates, which have profoundly changed since the COVID-19 pandemic.
- v. Each bidder was required to list a sample of 110 ICT specialists who had agreed to be deployed under Package A and submit their résumés. OICT's technical evaluation team conducted an in-depth review of a total of 770 résumés from the seven proposals submitted. The review provided an indication of the vendors' capability to meet the contract's requirements. However, providing so many résumés could be a challenge for some vendors while the utility of OICT's detailed evaluation of them seemed low. It was customary in the ICT industry that these specialists may not wait until completion of the contracting process for OICT to hire them. Only 4 of the 110 specialists whose résumés were submitted by the consortium were hired by OICT since the contract commenced in September 2020. OIOS was informed that for the 2022 RFP, 55 résumés were requested from each vendor.

18. Despite the above, there has been no adequate exercise to analyze and mitigate the risk of limited competitiveness in the procurement of ICT professional services. For example, the source selection plan (SSP) for PD/C0101/20 lacked proper risk analysis to identify potential entry barriers such as excessive SOW requirements. OICT and PD advised that the 2022 RFP allowed bidders to submit proposals separately by region, groups of technologies (called "lots"), and Packages A and B. OIOS has not been provided with the SSP and accompanying risk analysis as the procurement activities were still ongoing. There was a need for OICT and PD to undertake a lessons-learned exercise to analyze and document risks of limited competition in past contracts for ICT professional services and introduce mitigation measures to be used in future procurement activities.

(b) Needs assessment to develop SOWs was not based on detailed and reliable data

19. OICT did not have a mechanism to collect and maintain reliable contract utilization data at a sufficiently granular level to use in developing SOWs for subsequent solicitations. Absence of this data contributed to significant delays in the procurement process as discussed in paragraph 25. OICT stated that collecting quality data would be a challenge. Although OICT maintained total cost of ownership (TCO) files listing cost of individuals including contractors' personnel, the files were not properly updated, and historical data were not retained after updates. Additionally, OICT did not leverage a clause in contract PD/C0101/20 for the contractors to provide monthly reports on detailed utilization data, which could be used for needs assessment during procurement planning as well as contract management processes. During the audit, the contractors provided OIOS with detailed data on utilization of the contract by region, role title



and end-user within OICT and other Secretariat entities. OICT informed that the TCO files were being revamped.

(c) There was a low number of qualified and technically compliant vendors and limited geographical diversity in the bidding exercise for contract PD/C0101/20

20. To identify vendors interested in participating in procurement of contract PD/C0101/20, PD advertised a request for expression of interest well before the issuance of RFP 3100003161. PD also reached out to vendors providing ICT professional services to two United Nations agencies, but their services were much smaller and not commensurate with the size and complexity of the services required by RFP 3100003161. The RFP was issued to 161 vendors from 33 countries. However, these activities did not seem fully effective as only eight vendors/consortiums from three countries submitted proposals and only one of the submissions was from a developing/country in transition. Among the eight proposals received, only two (the consortium and Company C) and four (the consortium, Company C and two others) were considered technically compliant for Packages A and B, respectively.

21. The Secretariat’s category management strategy for ICT professional services was finalized in mid-2021, after contract PD/C0101/20 had commenced. While it identified opportunities to improve customer involvement in the procurement process, flexible and agile contractual arrangements, and efficient outsourcing and multi-sourcing arrangements, it did not include strategies to increase the participation of qualified vendors in future bidding exercises for the services.

22. PD commented that lessons learned from previous solicitations had been considered to reduce risks and increase international competition. This had led to some improvements in the responses to the ongoing 2022 RFP. However, OIOS noted that the participation and results to date of the ongoing solicitation exercise had not changed materially from those under the previous RFPs.

(d) Excessive procurement delays caused repeated contract extensions and appearance of vendor lock-in

23. Due to repeated procurement delays beyond contract expiration dates, there were many extensions of the legacy contracts with Company A with significant value increases. PD/C0028/05 was extended 21 times over 18 years to \$740 million from an initial contract value of \$90 million for 5 years, and PD/C0165/09 was extended 12 times over 14 years to \$245 million from an initial contract value of \$40 million for 3 years. Excessive procurement delays and contract extensions over the last 14-18 years with the same vendor created an appearance of vendor lock-in/monopoly. The last three procurement exercises took at least 2.5 years to 5.2 years, although OICT and PD had planned to complete them within 10 to 13 months, as shown in Table 2.

**Table 2: Time taken for last three procurement exercises for ICT professional services**

Procurement exercise		Planned	Actual
1	PD/CO101/20	• 13 months	• 2.5 years
2	Ongoing procurement of the 2022 RFP	<ul style="list-style-type: none"> <li>• 10 months as per OICT’s plan in August 2021</li> <li>• 13 months in the reporting to HCC in December 2021</li> </ul>	<ul style="list-style-type: none"> <li>• 4.5 years from the decision to re-bid 3 below in July 2019</li> <li>• 2.6 years from the finalized category management strategy in July 2021 to December 2023*</li> </ul>

Procurement exercise	Planned	Actual
3 2017 solicitation for hardware/infrastructure services	<ul style="list-style-type: none"> <li>Unclear</li> </ul>	<ul style="list-style-type: none"> <li>2.6 years from the RFP issuance in January 2017</li> <li>5.2 years from the request for expression of interest in May 2014</li> </ul>

Source: OIOS review of various OICT, PD and HCC records and interviews of responsible staff  
\*Assuming completion of the procurement exercise by December 2023

24. For the ongoing procurement of the 2022 RFP, OICT stated that it decided to start developing the SOW upon finalization of the category management strategy for ICT professional services, which was completed in July 2021, although planned to be finalized by October 2020. OICT managers mentioned procurement delays were mainly caused by the size and complex nature of requirements and bureaucratic procurement processes. However, some processes with long bottlenecks, such as the time taken to develop SOWs and conduct technical evaluations, were within OICT remit as shown in Table 3.

**Table 3: Time taken for SOW development and technical evaluation**

Procurement exercise	Processes	Time taken
1 PD/CO101/20	SOW development	At least 14 months
	Technical evaluation	Planned for 3 weeks but took 8 months
2 Ongoing procurement of the 2022 RFP	SOW development	At least 12 months
	Technical evaluation	Planned for 1.5-2.5 months but took 4.5 months
3 2017 solicitation for hardware/infrastructure services	SOW development	No reliable data available
	Technical evaluation	At least 10 months

Source: OIOS review of various OICT, PD and HCC records and interviews of responsible staff

25. Considerable time and resources were needed to collect and review data at the time of SOW development because OICT did not maintain utilization data for OICT and Secretariat-wide that were reliable and readily available. Further, it took eight months to evaluate 770 résumés during technical evaluation for PD/C0101/20 to assess the vendors’ capabilities, for which a team of 12 OICT staff and 8 evaluators from other departments were assigned on a part time basis. Target timelines for procurement processes had been established; however, they were not realistic as shown in Tables 2 and 3. OICT and PD needed to analyze bottlenecks in the past and set and implement realistic milestones targets to avoid contract extensions due to procurement delays in the future.

26. Timely action was also needed to avoid repeated contract extensions of PD/C0101/20 that commenced in September 2020 for a total period of seven years (initial period of three years with options to extend for two 2-year periods, known as “3+2+2”). Previous experience indicates a need to start procurement planning for the next solicitation in 2024 and an analysis of the past bottlenecks in 2023 before procurement planning commences, to ensure timely completion of procurement activities and avoid contract extensions beyond the total period of seven years for PD/C0101/20.

**(2) OICT should, in coordination with the Procurement Division, conduct an exercise to analyze and develop measures to mitigate the risk of limited competitiveness in procurement exercises for ICT professional services, including excessive requirements potentially acting as entry barriers, repeated contract extensions due to procurement delays and insufficient geographical diversity among qualified vendors.**

*OICT accepted recommendation 2 and stated that it would collaborate with the United Nations Global Service Centre and Procurement Division to identify any additional measures that could be taken to address the issues identified while not eroding the quality and costs of the services obtained or the integrity of the procurement process.*

**(3) OICT should develop and implement a comprehensive data collection mechanism to capture and maintain reliable data on the utilization of ICT professional services at a granular level, to improve needs assessment during procurement planning as well as contract management.**

*OICT accepted recommendation 3 and stated that it would implement the recommendation in coordination with the corresponding category manager.*

## **B. Contract management**

### Roles and responsibilities

27. Contract management duties for system contracts PD/C0028/05 and PD/C0165/09 initially rested with the ICT functions of the erstwhile Department of Field Support and OICT, respectively. This, however, was not well followed up and coordinated after the management reform in 2019 that established the current OICT, consolidating the ICT functions of the previous departments and increasing delegation of authority to field entities. While field entities became responsible for day-to-day activities such as hiring, tasking and managing time and attendance of the personnel hired by the entities, it has not been clarified which entity would be responsible for contractors' performance evaluation and monitoring discounts earned by the Organization. As a result, contractors' performance had not been properly evaluated and there were uncollected discounts estimated at approximately \$2.5 million as further discussed later in the report (paragraphs 57 to 61).

28. The Procurement Manual states that the requisitioner is responsible for "leading contract management duties including vendor performance evaluation where appropriate in coordination with the end user." OICT, as the requisitioner of these system contracts, needed to lead by clarifying contract management duties of the Secretariat entities to ensure efficient and effective management of ICT system contracts.

29. Also, several roles and responsibilities applicable for managing the three contracts within OICT needed either update or clarification, as below:

- (a) Contracts PD/C0028/05 and PD/C0165/09 described a centralized contract management process by designating a section within OICT to act as a single point of contact with Company A in hiring technicians and conducting their performance review. Also, PD/C0101/20 stated that OICT would designate a responsible officer having overall day-to-day responsibility. However, OICT has neither designated a section to act as a single point of contact with Company A nor a responsible officer. On the contrary, OICT has decentralized most decision-making to its pillars, which were directly contacting the vendor for hiring and managing Companies A and D personnel.
- (b) OICT's list of technology owners developed in 2020 specified a responsible OICT manager for each contract, but it was outdated and no longer accurately mapped contracts to specific OICT managers.

- (c) The approval process within OICT for hiring new personnel from contractors was clearly established in 2020, since when the Office's pillars, using the iNeed system, would raise a request for the CITO to approve new hiring of contractors' personnel. However, other approval processes, such as for overtime, changes in pay rates, job titles and terms of reference (ToRs) of contractors' personnel, and their transfer between pillars and sections, were not clear due to lack of written guidance.
- (d) There were about 12 UNOPS personnel involved in managing up to 70 contractors' personnel, including communicating with contractors to request and evaluate candidates and approving their timesheets, which were used to validate invoices for payment. However, these activities were not part of the functions UNOPS personnel were contracted to perform. This could either pose a gap in applying accountability or duplicate functions between OICT staff and UNOPS personnel in managing contractors' personnel.

30. OICT commented that some UNOPS resources have a Team Lead role under the general supervision of an OICT manager and that delegating to a UNOPS Team Lead tasks such as evaluating contractors or approving their timesheets did not break any rule. However, the financial agreements with UNOPS did not specify these functions.

**(4) OICT should: (a) clarify and document the process, roles and responsibilities for contract management within OICT; and (b) clarify to entities involved with global system contracts for ICT professional services their responsibility to ensure contractors' performance are properly evaluated and contract discounts are monitored and collected.**

*OICT accepted recommendation 4 stated that it would implement the recommendation in coordination with the corresponding category manager. The ongoing monitoring and evaluation of contractors' performance might require additional resources that were not currently available in OICT.*

#### Contract utilization and budget monitoring

31. The number of contractors' personnel assigned to OICT pillars under the different contracts grew from 240 in 2020 to 314 in 2022. The combined expenditures of contracts PD/C0165/09 and PD/C0101/20 also increased from \$26.0 million to \$32.4 million or by 25 per cent during the same period.

32. However, OICT did not have an adequate mechanism to monitor expenditures against budget to explain the increases. Although OICT commented that EPMS reported to the CITO monthly expenditures on contractual services against the OICT operating budget plan, OICT could not provide OIOS with the projected and approved budgeted figures for Company A and Company D contracts by OICT pillar and combined for the Office, stating that it did not retain such figures. According to OICT, the Office did not keep the breakdown of contractual services after presenting the combined figure for all contractual services including Company A, Company D, UNOPS, UNICC, and others to the governing bodies during the annual budget submission. In Umoja, relevant budgets and expenditures were captured at the combined level of contractual services and their detailed support was kept outside Umoja. OICT's TCO files listing cost of individuals including contractors' personnel was one of the main sources to provide detailed support for budget figures. However, because OICT did not retain previous versions of the TCO files after being updated throughout the year by its pillars, it was not able to provide reliable budget information.

33. Consequently, although OICT managers stated that they constantly tried to find ways to reduce expenditures for the contracts, OICT could not demonstrate it was not spending more than the levels anticipated in the approved annual budgets and that variances were being analyzed and justified.

**(5) OICT should enhance monitoring of utilization of Company A and Company D contracts by establishing mechanisms to track expenditures against the projected levels set during the annual budgeting process and analyze variances.**

*OICT accepted recommendation 5 and stated that it would establish mechanisms to track actual usage and expenditure against plans for contractual services within the existing budgetary frameworks.*

Use of contract to provide non-ICT professional services

34. System contract PD/C0028/05 was established to provide ICT staffing support to field entities. This contract was a long-term agreement, which according to the Procurement Manual can be used only for ordering the goods or services specified in the agreement. If other goods or services are required from the vendor, then other solicitation methods must be followed. As of 31 December 2022, there were 1,059 Company A personnel deployed in 24 Secretariat locations as summarized in Table 4.

**Table 4: Company A personnel deployed under Contract PD/C0028/05 as of 31 December 2022**

<b>Entities</b>	<b>Number of personnel</b>
United Nations Multidimensional Integrated Stabilization Mission in Mali	246
United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic	172
United Nations Mission in South Sudan	149
United Nations Support Office in Somalia	124
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo	71
United Nations Interim Security Force for Abyei	64
United Nations Logistics Base, Brindisi	56
Office of Information and Communications Technology	44
United Nations Regional Service Centre Entebbe	34
United Nations Verification Mission in Colombia	33
United Nations Support Base, Valencia	26
Others	40
<b>Total</b>	<b>1,059</b>

*Source: Company A*

35. A review of the personnel deployment in six missions that hired over 60 personnel each in 2022 showed that many were hired for non-ICT services, as below:

- (a) MINUSMA hired 101 personnel outside its Field Technology Section (FTS), in sections such as Engineering, Movement Control, Central Warehouse, and Acquisition Management. These sections hired a few technicians to work on electronic systems in areas such as engineering and fuel management. Also, the Public Information Unit hired a few broadcasting studio technicians. However, most of the contractor personnel, whose role titles included user support trainer, budget and administration assistant and business analysts, were hired for administrative and other duties not strictly related to ICT specialty services.
- (b) UNMISS and UNSOS hired 50 and 30 personnel respectively in the units other than FTS.
- (c) UNISFA hired 19 personnel to perform functions not related to ICT professional services in units other than FTS.

- (d) The total expenditure of hiring Company A personnel outside FTS was about \$7.4 million in 2022, comprising \$4.6 million for MINUSMA and \$2.8 million combined for UNMISS, UNSOS, and UNISFA.

36. Although these missions were accountable for the day-to-day management of the contract, OICT, as the requisitioner of the system contract with the responsibility to lead contract management duties in coordination with end-users, needed to take actions with the assistance of PD for missions to discontinue the practice of using contract PD/C0028/05 for functions not strictly related to ICT professional services.

37. PD commented that it had advised missions against using the contract for non-ICT-related requirements on several occasions, sometimes holding up the secondary approval of purchase orders in Umoja. Since missions have their own procurement authority, it was impossible for PD to have a complete overview of the use of these contracts in the field, and PD would continue to monitor, to the extent possible, the use of these contracts and advise missions and other clients.

**(6) OICT should, in coordination with the Procurement Division, inform missions and the contractor to discontinue the hiring of personnel not strictly related to ICT professional services under the contract PD/C0028/05, contrary to the Procurement Manual and the purpose of the contract.**

*OICT accepted recommendation 6 and stated that while it could in coordination with the Procurement Division inform missions on suitable use of the contract, it remained the responsibility of the missions to conform with the prevailing terms of all contracts.*

Use of project-based services modality

(a) Low utilization of project-based services

38. The Secretariat-wide utilization of PD/C0101/20 has been low, especially Package B for project-based services since its inception in September 2020.

**Table 5: Utilization of Packages A and B of PD/C0101/20 from 2020 to 2022 (in millions of United States dollar)**

Year	Package A			Package B			Total		
	NTE/Year	Usage	%	NTE/Year	Usage	%	NTE/Year	Usage	%
2021	24.6	12.39	50%	10.4	0.04	0.4%	35	12.43	36%
2022	24.6	10.23	42%	10.4	3.34	32%	35	13.57	39%
<b>Total</b>	<b>49.2</b>	<b>22.62</b>	<b>46%</b>	<b>20.8</b>	<b>3.38</b>	<b>16%</b>	<b>70</b>	<b>26.00</b>	<b>37%</b>

Source: Company A and Company D through PD

Note: The utilization in 2020 in the amount of \$0.1 million was included in the figure for 2021

39. Through the project-based services modality, ICT professional services would be received when needed, without the responsibilities and associated risks for OICT to hire, task, administer time and attendance, and oversee contractors' personnel individually. In addition to Package B of the contract PD/C0101/20, the 2022 RFP for hardware and infrastructure services included a package for project-based services.

40. OICT stated that the contract started only 2.5 years ago, and a lot of time was needed to mobilize resources with the right skill sets to determine which package to use, based on a variety of factors, such as

cost, stability of user requirements, internal ICT capability, accountability, status of legacy software system and sustainability. According to the Office, considering the environment and capacity internally existing in the Office, Package A was more suitable than Package B for OICT to provide application development services, whereas Package B would fit better for other offices without internal ICT capacity. OICT was mainly using Package A to strengthen its capacity to develop solutions for client offices and in the Office's view, the fact that more than 100 service agreements had been signed by client offices with OICT for application development services was evidence of the Office's efficient use of Package A.

41. OICT needed to further analyze the reasons for the underutilization of Package B and develop an action plan to address them.

(b) Mini-bidding for project-based services

42. Package B of contract PD/C0101/20 required a mini-bidding between the consortium and Company C for each task order. However, mini-bidding was undertaken only for one task order in the amount of \$46,825 out of six task orders issued by OICT under Package B. The combined value of the other five was \$1.5 million.

43. OICT explained that two of the six task orders were inter-related. For a requirement of a system upgrade Inspira, OICT intended to conduct a mini-bidding for one task order but both the consortium and Company C instead suggested to split this requirement into two task orders consisting of system discovery and system upgrade phases, to allow a realistic estimate for the work and cost of the system upgrade phase. As a result of the mini-bidding, the consortium was awarded the task order for the system discovery phase in the amount of \$46,825. OICT considered it logical for the consortium to also conduct the works for system upgrade in the amount of \$499,375 without the need for additional mini-bidding. The remaining four task orders covered the requirements for code change, bug fix and feature enhancement to Inspira, which were needed independently from the system upgrade to Inspira. OICT stated that as the consortium had been already involved with the maintenance and support of Inspira, the four task orders could not be awarded to Company C due to a potential difficulty to assign accountability either to the consortium or Company C for system issues if Company C also become involved.

44. In OIOS' view, those task orders should have been better designed and combined, or mini-bidding should have been conducted for each task order with a clear scope of work to ensure fair, transparent and robust competition between participating contractors. OICT guidance on mini-bidding did not cover situations when mini-bidding may be avoided and the documentation and approval processes for those situations needed to be developed. PD commented that it had informed various clients on several occasions on the need to conduct mini bids for project-based task orders for contracts PD/C0101/20 and PD/C0185/20 and would continue to do so.

**(7) OICT should further analyze the reasons for the underutilization of Package B of contract PD/C0101/20 and develop an action plan to address them.**

*OICT accepted recommendation 7 and stated that it would analyze the reasons for the underutilization of Package B and maintain necessary records.*

**(8) OICT should, with assistance from the Procurement Division, develop guidance on designing task orders and conducting mini-biddings for PD/C0101/20 and upcoming replacement contracts to ensure fair, transparent, and robust competition between participating contractors.**

*OICT accepted recommendation 8 and stated that improving the mini-bidding process might require additional resources, which would depend on whether budget requests are supported and approved. Additional resources would be requested in the established budgetary cycles.*

#### Hiring of contractors' personnel in OICT

45. OIOS reviewed the hiring of a sample of 33 contractor personnel to assess whether the processes were effective to provide qualified technicians in the most economical manner in accordance with applicable guidelines and contract terms.

##### (a) Long service duration of contractor personnel

46. Among 454 contractor personnel working in OICT during 2020-2022, 195 (43 percent) had worked continuously for OICT over two years, including 56 beyond 10 years. There were no guidelines to limit the service duration of personnel hired through commercial contracts. However, there was a risk that skills of the long-serving personnel may become obsolete to benefit the Organization with up-to-date technology in the ICT industry characterized by fast technology advancements. Further, functions of a continuous nature should normally be performed by staff; however, OICT had budget constraints to increase staff posts. OICT managers interviewed stated that these personnel underwent self-training and were still effective with knowledge of the United Nations environment and technologies. The upcoming replacement of legacy contracts and transition to project-based services could gradually reduce the number of personnel with a long tenure. Therefore, no recommendation was made on this issue.

##### (b) Need to increase offshore and remote hirings for cost savings

47. Contract PD/C0101/20 provided for hiring technicians at the contractors' Offshore Center, which was 53 to 79 per cent cheaper than the on-site rates in New York. Further, under the same contract, OICT and contractors agreed for contractor personnel to work remotely at a pay rate lower than the maximum on-site pay rate of the contract. For example, there were some 28 remote hirings in New York during 2022 - 2023, mostly for developers, where contractors charged on average 49 per cent and as high as 75 per cent cheaper than the maximum New York on-site rates. Company D and Company A provided 27 and 1 remote hirings, respectively.

48. Among the sample of 33 cases reviewed by OIOS, there were 6 hirings at the Offshore Center but no remote hiring. However, OIOS review of ToRs identified four additional hirings in New York by PSGD and OSD that were largely location independent and could be suitable for Offshore or remote hirings. PSGD and OSD managers stated Offshore/remote hiring for the four cases was potentially possible, but advantages of on-site interaction needed to be considered. OICT needed to review the ToRs and other factors and develop a guideline for OICT pillars to prioritize and increase offshore and remote hirings over New York on-site hirings to save costs for expenditures on contractors and office occupancy in New York, which was \$17,000 per person for a year.

**(9) OICT should conduct an exercise to identify the functions and role titles that could be suitable for offshore and remote hirings for existing and upcoming ICT professional services contracts and develop a guideline for OICT pillars to prioritize such hirings over New York on-site hirings for cost savings.**

*OICT accepted recommendation 9 and stated that the hiring modality would be informed by analysis and planning, which were already underway to determine a feasible approach for offshore and remote hirings for existing and upcoming contracts to reduce costs at New York.*



### Performance monitoring

49. As required by the Procurement Manual, the contractual terms and conditions incorporated measures for performance monitoring of the contractors, such as:

- (a) In contract PD/C0165/09, Company A was required to submit quarterly reports to the United Nations for reviewing and validating its contract performance, based on 24 key performance indicators and detailed operational data.
- (b) In contract PD/C0101/20, monthly performance evaluation meetings and bi-annual evaluations were required. The contractors were also required to provide monthly summary reports including ongoing task orders, payments and other information.

50. However, none of these measures were enforced. The contractors have not submitted the required reports and OICT has not followed up to request them. Also, OICT did not conduct the above-mentioned performance evaluation meetings. PD and OICT prepared quarterly performance reports, which the Procurement Manual required for contracts exceeding \$200,000. However, these reports simply stated that the contractors' performance was satisfactory without additional details, which was not sufficient to provide assurance that these contracts with enormous volume and complexity had been properly monitored.

51. Additionally, there was no formal performance monitoring for contractors' personnel, which according to OICT was done informally. Timesheets of these personnel were approved without detailed descriptions of tasks for the hours charged to evidence that their tasks were closely monitored. The tasks, deliverables and key performance indicators stated in ToRs or other documents of personnel reviewed by OIOS were not always adequately developed or clearly measurable, except for those working for service desk functions.

52. Some OICT managers mentioned that the performance monitoring measures in the contracts were too detailed and would drain resources to fully comply with them. As the custodian of significant financial resources for the contracts, OICT needed to formalize and evidence its monitoring of contractors and contractors' personnel with practical measures by applying the experience gained in managing these system contracts over the years.

**(10) OICT should review and modify the performance monitoring measures in its contracts for ICT professional services to ensure that they are realistic and effective in evaluating the performance of contractors and contractors' personnel.**

*OICT accepted recommendation 10.*

### Invoice verification

53. Due to a difficulty to register and maintain baseline data such as individual names, pay rates and actual work hours of contract personnel, EPMS cross-checked several disjointed mechanisms during its invoice verification, such as:

- (a) iNeed system for the request and approval of hiring, and as a depository for the evaluation matrix and ToR of contractors' personnel.
- (b) Kronos system for approving timesheets and recording pay rates of contractors' personnel.

- (c) A spreadsheet called the Master Table of Contractors, which is a main source of contract management related data such as names of contractors' personnel, their deployment to respective OICT pillars, source of funding, and purchase orders.
- (d) An invoice log to map and monitor Umoja shopping carts and purchase orders against invoices.

54. In its review of 71 paid invoices, OIOS had some challenges to reconcile them with supporting records and, when the records were not readily available, OICT pillars provided clarifications to confirm that the invoices were for the services received and the amounts were accurate with approved pay rates and timesheets. Although the contracts established specific job titles that were tied to corresponding pay rates, in some cases, contractors' personnel were hired under job titles that were not provided under the contracts. OICT explained that the need for new job titles emerged in the fast-moving ICT environment after the contracts had been established some time ago. Also, some invoices only included the job titles without the names of the contractors' personnel billed for. These invoices were eventually verified.

55. EPMS' invoice verification process had not been reviewed and updated despite the introduction of project-based services and more funding sources. OICT needed to review the invoice verification process to minimize risks of inefficiencies and errors and improve the quality of relevant contract management data.

**(11) OICT should review and enhance the efficiency and effectiveness of its invoice verification and contract monitoring procedures taking into consideration the related mechanisms and processes outside Umoja, use of project-based services and various funding sources.**

*OICT accepted recommendation 11 and stated that it would review and enhance its invoice verification process within the existing budgetary mechanisms and frameworks and reporting tools.*

### Discounts

56. The three contracts provided different avenues for the Organization to earn discounts. Volume discounts on contract PD/C0165/09 were calculated and paid by the vendor. As utilization of contract PD/C0101/20 was low, expenditures had not yet reached the threshold of \$20 million to start earning volume discounts. However, volume discount on contract PD/C0028/05 had not been collected since the 2016/17 fiscal year as described below.

57. Contract PD/C0028/05 provided prompt payment discount (PPD) in addition to volume discounts. The Regional Service Centre in Entebbe, as part of its responsibility to handle invoice payments and applicable PPD for the missions it served, ensured timely invoice payments and receipt of PPDs in the amount of \$17,493 for PD/C0028/05 during audit period. Volume discounts under PD/C0028/05 were set at the rates of 3, 4 and 5 per cent of eligible expenditures<sup>3</sup> on annual invoices between \$45 million and \$55 million, between \$55 million and \$60 million, and over \$60 million respectively in a peacekeeping financial year, starting from July 2016. However, no volume discounts had been received since then, although the eligible expenditures exceeded \$45 million every year. OIOS estimated that the uncollected volume discount was about \$2.5 million at the end of June 2023 (see Table 6), which OICT needed to take action to receive.

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<sup>3</sup> Eligible expenditure included payments for the hours of services performed by contractors' personnel but excluded other reimbursable costs such as air tickets and visa and work permit fees.

**Table 6: Uncollected volume discounts under contract PD/C0028/05**

PK financial year	Gross invoice amount	Estimated ineligible expenditure (3.5%)*	Estimated eligible expenditure	Earned discount in range			Estimated volume discount
				\$45 million - \$55 million (3%)	\$55 million - \$60 million (4%)	Above \$60 million (5%)	
	\$	\$	\$	\$	\$	\$	\$
2016/17	53,494,467	(1,872,306)	51,622,161	198,665	-	-	198,665
2017/18	52,770,590	(1,846,971)	50,923,619	177,709	-	-	177,709
2018/19	54,001,890	(1,890,066)	52,111,824	213,355	-	-	213,355
2019/20	58,221,990	(2,037,770)	56,184,220	300,000	47,369	-	347,369
2020/21	61,372,493	(2,148,037)	59,224,456	300,000	168,978	-	468,978
2021/22	62,964,583	(2,203,760)	60,760,823	300,000	200,000	38,041	538,041
2022/23	63,000,000	(2,205,000)	60,795,000	300,000	200,000	39,750	539,750
<b>Total</b>	<b>405,826,012</b>						<b>2,483,866</b>

Source: Estimated by OIOS based on Umoja records and various data provided by OICT and contractors

\*Estimate based on information provided by the vendor for 2022

58. In addition, interest income of about \$70,000, calculated based on annual average rates of return on investment by the United Nations Treasury,<sup>4</sup> would have accrued if the volume discounts had been collected in a timely manner and invested.

59. The discount was not claimed because no Secretariat entity was assigned to calculate and collect the volume discounts since the management reform. Prior to the reform, the erstwhile DFS was responsible for handling volume discount for PD/C0028/05. Recommendation 4 addressed the need to assign an entity responsible for handling discounts for system contracts for ICT professional services.

60. OICT commented that because the consumption of services under the contract PD/C0028/05 was at the field missions and the estimated 3.5 per cent of ineligible expenditure for calculating the volume discount may be inaccurate, OICT would engage with the contractor to recalculate and receive the appropriate amount of accumulated discount earned.

**(12) OICT should, in coordination with the Procurement Division and end-user entities, follow up with the contractor to receive uncollected volume discounts estimated at \$2.5 million for PD/C0028/05.**

*OICT accepted recommendation 12 and stated that it had initiated a request for applicable volume discounts for invoiced amounts for prior years. Implementation of the recommendation would be concluded through independent confirmation of the actions taken by contract managers in the user entities, who are responsible for monitoring and reporting on invoiced amounts and applicable discounts.*

<sup>4</sup> Treasury's annual rates of return from 2017 to 2022 are 1.24, 1.94, 2.33, 1.11, 0.41 and 1.57 per cent.

#### **IV. ACKNOWLEDGEMENT**

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

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of procurement and management of selected contracts

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	C/ O <sup>7</sup>	Actions needed to close recommendation	Implementation date <sup>8</sup>
1	OICT should develop a sourcing/outsourcing plan, demonstrating resource gaps beyond approved staff posts that are needed to deliver required technologies and articulating when different resource types would be used, to justify the need for outsourced contracts and minimize potential duplication risks among the resource types.	Important	O	Receipt of the staffing sourcing/outsourcing plan for ICT professional services.	31 December 2025
2	OICT should, in coordination with the Procurement Division, conduct an exercise to analyze and develop measures to mitigate the risk of limited competitiveness in procurement exercises for ICT professional services, including excessive requirements potentially acting as entry barriers, repeated contract extensions due to procurement delays and insufficient geographical diversity among qualified vendors.	Important	O	Receipt of evidence that an exercise has been conducted to analyze and develop measures to mitigate the risks of limited competitiveness in procuring ICT professional services.	31 December 2025
3	OICT should develop and implement a comprehensive data collection mechanism to capture and maintain reliable data on the utilization of ICT professional services at a granular level, to improve needs assessment during procurement planning as well as contract management.	Important	O	Receipt of evidence that a comprehensive mechanism has been established and implemented to capture granular data on the utilization of ICT professional services.	31 December 2025
4	OICT should: (a) clarify and document the process, roles and responsibilities for contract management within OICT; and (b) clarify to entities involved with global system contracts for ICT professional	Important	O	Receipt of a document clarifying the process, roles and responsibilities for contract management within OICT and of the entities involved with ICT global system contracts.	31 December 2025

<sup>5</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>6</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>7</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>8</sup> Date provided by OICT in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of procurement and management of selected contracts

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	C/ O <sup>7</sup>	Actions needed to close recommendation	Implementation date <sup>8</sup>
	services their responsibility to ensure contractors' performance evaluation are properly conducted and contract discounts are monitored and collected.				
5	OICT should enhance monitoring of utilization of Company A and Company D contracts by establishing mechanisms to track expenditures against the projected level set during the annual budgeting process and analyze variances.	Important	O	Receipt of details of the mechanisms established to track actual contract utilization against the projected levels and analyze variances.	31 December 2025
6	OICT should, in coordination with the Procurement Division, inform missions and the contractor to discontinue the hiring of personnel not strictly related to ICT professional services under the contract PD/C0028/05, contrary to the Procurement Manual and the purpose of the contract.	Important	O	Receipt of a copy of the communication informing missions and the contractor to discontinue the hiring of personnel not strictly related to ICT professional services under the contract PD/C0028/05.	31 December 2025
7	OICT should further analyze the reasons for the underutilization of Package B of contract PD/C0101/20 and develop an action plan to address them.	Important	O	Receipt of an action plan to increase utilization of Package B of contract PD/C0101/20.	31 December 2025
8	OICT should, with assistance from the Procurement Division, develop guidance on designing task orders and conducting mini-biddings for PD/C0101/20 and upcoming replacement contracts to ensure fair, transparent, and robust competition between participating contractors.	Important	O	Receipt of the guideline on designing task orders and conducting mini biddings for fair, transparent, and robust competition between participating contractors.	31 December 2025
9	OICT should conduct an exercise to identify the functions and role titles that could be suitable for offshore and remote hirings for existing and upcoming ICT professional services contracts and develop a guideline for OICT pillars to prioritize such hirings over New York on-site hirings for cost savings.	Important	O	Receipt of guidance to determine the location from which contractors' personnel provide ICT professional services.	31 December 2024
10	OICT should review and modify the performance monitoring measures in its contracts for ICT professional services to ensure that they are realistic	Important	O	Development and application of realistic and effective performance monitoring measures for ICT professional contracts by OICT.	31 December 2025

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of procurement and management of selected contracts

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	C/ O <sup>7</sup>	Actions needed to close recommendation	Implementation date <sup>8</sup>
	and effective in evaluating the performance of contractors and contractors' personnel.				
11	OICT should review and enhance the efficiency and effectiveness of its invoice verification and contract monitoring procedures taking into consideration the related mechanisms and processes outside Umoja, use of project-based services and various funding sources.	Important	O	Receipt of the results of the review and enhancement of the effectiveness and efficiency of invoice verification and contract monitoring procedures by OICT.	31 December 2025
12	OICT should, in coordination with the Procurement Division and end-user entities, follow up with the contractor to receive uncollected volume discounts estimated at \$2.5 million for PD/C0028/05.	Important	O	Receipt of confirmation of full recovery of volume discounts as agreed in contract PD/C0028/05.	31 January 2024

# **APPENDIX I**

## **Management Response**



United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

TO: Ms. Muriette Lawrence-Hume  
A: Chief, New York Audit Service  
Internal Audit Division  
Office of Internal Oversight Services

DATE: 20 September 2023

THROUGH: *CMonier*  
Christophe Monier, Director  
S/C DE: Business Transformation and Accountability Division  
Department of Management Strategy, Policy and Compliance

FROM: *Mario Baez*  
Mario Baez, Chief, Accountability Service  
DE: Business Transformation and Accountability Division  
Department of Management Strategy, Policy and Compliance

SUBJECT: **Draft report on an audit of procurement and management of selected contracts**  
OBJET: **(Assignment No. AG2022-615-01)**

1. With reference to your memorandum dated 28 August 2023 regarding the above subject, please find attached Appendix I with comments from the Office of Information and Communications Technology (OICT).
2. Thank you for giving the Administration an opportunity to provide comments on the draft report.

**Management Response**  
**OIOS audit of procurement and management of selected contracts**

Rec. no.	OIOS recommendation	Critical1/ Important2	Accepted? (Yes/No)	Title of responsible individual	Target date	Client comments
1	OICT should develop a sourcing/outsourcing plan, demonstrating resource gaps beyond approved staff posts that are needed to deliver required technologies and articulating when different resource types would be used, to justify the need for outsourced contracts and minimize potential duplication risks among the resource types.	Important	Yes	Chief of Enterprise Programme Management Section (EPMS), OICT	31 December 2025	<p>OICT is responsible for its use of contracts and therefore can analyze and mitigate risks related to its own contracts and will report as such.</p> <p>The current portfolio of contractors is needed to meet the current work requirements and OICT will continue to evaluate the mix based on work and available staff, to derive the delta for contractors/outsourcing. In addition, some outsourcing is dictated by the nature of the work and its need to respond nimbly.</p> <p>From time to time, sourcing will also depend on the evolution of OICT budget in response to growth in demand for services.</p>
2	OICT should, in coordination with the Procurement Division, conduct an exercise to analyze and develop measures to mitigate the risk of limited competitiveness in procurement exercises for ICT professional services, including excessive requirements potentially acting as entry barriers, repeated contract extensions due to procurement delays and insufficient geographical diversity among qualified vendors.	Important	Yes	Chief of EPMS, OICT in coordination with the corresponding Category Manager	31 December 2025	Given OICT's global enterprise role, OICT will work in collaboration with GSC and the Procurement Division to identify any additional measures that can be taken to mitigate the issues identified while not eroding the quality of services obtained, the cost of those services or the integrity of the procurement process.

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

**Management Response**  
**OIOS audit of procurement and management of selected contracts**

Rec. no.	OIOS recommendation	Critical1/ Important2	Accepted? (Yes/No)	Title of responsible individual	Target date	Client comments
3	OICT should develop and implement a comprehensive data collection mechanism to capture and maintain reliable data on utilization of ICT professional services at a granular level, to improve needs assessment during procurement planning as well as contract management.	Important	Yes	Chief of EPMS, OICT, in coordination with the corresponding Category Manager	31 December 2025	OICT will implement in coordination with the corresponding category manager.
4	OICT should: (a) clarify and document the process, roles and responsibilities for contract management within OICT; and (b) clarify to entities involved with global system contracts for ICT professional services their responsibility to ensure contractors' performance evaluation are properly conducted and contract discounts are monitored and collected.	Important	Yes	Chief of EPMS, OICT, also in coordination with the corresponding Category Manager	31 December 2025	OICT will implement in coordination with the corresponding category manager Ongoing monitoring of contractors' performance evaluation may require additional resources that OICT is not currently resourced for.
5	OICT should enhance monitoring of utilization of Company A and Company D contracts by establishing mechanisms to track expenditures against the projected level set during the annual budgeting process and analyze variances.	Important	Yes	Chief of EPMS, OICT	31 December 2025	OICT is responsible for its use of contracts and therefore can analyze and mitigate risks related to its own usage of these contracts and will establish mechanisms to track actual usage and expenditures against plans for contractual services, within the existing budgetary frameworks.
6	OICT should, in coordination with the Procurement Division, inform missions and the contractor to discontinue the hiring of personnel not strictly related to ICT professional services under the	Important	Yes	Chief of EPMS, OICT	31 December 2025	While OICT can, in coordination with the Procurement Division inform missions as per the recommendation, it remains the responsibility of the Missions to utilize all contract in accordance with the prevailing terms and the use of contracts

**Management Response**  
**OIOS audit of procurement and management of selected contracts**

Rec. no.	OIOS recommendation	Critical/ Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Target date	Client comments
	contract PD/C0028/05, contrary to the Procurement Manual and the purpose of the contract.					by Missions is outside the authority or responsibility of OICT.
7	OICT should further analyze the reasons for the underutilization of Package B of contract PD/C0101/20 and develop an action plan to address them.	Important	Yes	Chief of EPMS, OICT	31 December 2025	OICT is responsible for its use of contracts and therefore will analyse the reasons for utilization of Package B and maintain necessary records.
8	OICT should, with assistance from the Procurement Division, develop guidance on designing task orders and conducting mini-biddings for PD/C0101/20 and upcoming replacement contracts to ensure fair, transparent, and robust competition between participating contractors.	Important	Yes	Chief of EPMS, OICT	31 December 2025	Improving this process may require additional resources which will be dependent on whether budget requests are supported / approved. Additional resources will be requested in established budgetary cycles and pending Member State approval.
9	OICT should conduct an exercise to identify the functions and role titles that could be suitable for offshore and remote hirings for existing and upcoming ICT professional services contracts and develop a guideline for OICT pillars to prioritize such hirings over New York on-site hirings for cost savings.	Important	Yes	Chief of EPMS, OICT	31 December 2024	This will be informed by analysis and planning already underway to determine a feasible approach for offshore and remote hirings for existing and upcoming ICT professional services contracts and to reduce costs at New York.  OICT is responsible for its use of contracts and therefore can analyze and mitigate risks related to its own contracts and will report as such.
10	OICT should review and modify the performance monitoring measures in its contracts for ICT professional services to ensure that they are realistic and effective in evaluating the performance	Important	Yes	Chief of EPMS, OICT, also in coordination with the	31 December 2025	OICT is responsible for its use of contracts and therefore can analyze and mitigate risks related to its own contracts and will report as such.

**Management Response**  
**OIOS audit of procurement and management of selected contracts**

Rec. no.	OIOS recommendation	Critical1/ Important2	Accepted? (Yes/No)	Title of responsible individual	Target date	Client comments
	of contractors and contractors' personnel.			corresponding Category Manager		
11	OICT should review and enhance the efficiency and effectiveness of its invoice verification and contract monitoring procedures taking into consideration the related mechanisms and processes outside Umoja, use of project-based services and various funding sources.	Important	Yes	Chief of EPMS, OICT	31 December 2025	OICT is responsible for its use of contracts and therefore will review and enhance its invoice verification process within the existing budgetary mechanisms and frameworks and reporting tools.
12	OICT should, in coordination with the Procurement Division and end-user entities, follow up with the contractor to receive uncollected volume discounts estimated at \$2.5 million for PD/C0028/05.	Important	Yes	Chief of EPMS, OICT in coordination with contract Managers in user entities	31 January 2024	<p>OICT has initiated the request for applicable volume discounts for invoiced amounts for prior years. However, since the contract is primarily used by field missions, this recommendation may be concluded through independent confirmation of the actions taken by the Contract Managers in the user entities.</p> <p>OICT is responsible for its use of contracts and therefore can analyze and mitigate risks related to its own contracts and will report as such.</p> <p>The responsibility for monitoring and reporting on the invoiced amounts and applicable discounts rests with the Contract Managers in user entities.</p>