Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2026/028

Audit of management of discounts for selected systems contracts

Controls need to be enhanced to ensure all eligible discounts are collected

30 September 2026
Assignment No. AG2026-615-01

Audit of management of discounts for selected systems contracts

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of discounts for selected systems contracts. The objective of the audit was to assess the adequacy and effectiveness of the controls in the management of discounts for the selected systems contracts. The audit focused on the period from 1 January 2024 to 31 December 2025 but also included prior and subsequent periods for calculation of relevant discounts. The audit reviewed the management of discounts, which included prompt payment discounts (PPD) and volume discounts.

Weaknesses in identifying, tracking and monitoring eligibility for discounts resulted in some discounts not being collected. For the sample reviewed, approximately $980,000 in unrealized PPDs were identified, and $1.71 million in volume discounts remained uncollected. This was due to limited awareness of discount terms by contract management functions, absence of structured procedures, and unclear roles and responsibilities. Limitations in Umoja functionality to automatically process discounts under complex contractual arrangements further contributed to these gaps. In contrast, where structured processes and active monitoring were in place for a limited set of contracts, up to 92 per cent of the eligible PPDs were successfully collected.

OIOS made six recommendations. To address issues identified in the audit, the Department of Operational Support (DOS) needed to:

- Issue guidance to contract managers on PPD terms in relevant contracts.
- Record PPD payment terms at the Umoja contract header level, where system functionality allows.
- Take actions to identify all contracts containing PPD provisions to track and maximize the collection of available PPDs, including potential PPDs of at least $256,000 identified in this audit.
- Review and pursue recovery, to the extent feasible, of uncollected volume discounts with a total estimated amount of $1.71 million identified in this audit.
- Develop detailed guidance on the roles and responsibilities for managing volume discounts.
- Establish a procedure to periodically monitor the status of earning volume discounts.

DOS accepted the recommendations and initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of management of discounts for selected systems contracts

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of discounts for selected systems contracts.

2. Systems contracts are long-term agreements established by a United Nations entity on behalf of multiple United Nations entities, enabling them to procure commonly required goods and services under pre-negotiated terms, conditions, and pricing. For this audit, systems contracts refer specifically to long-term agreements established by the Procurement Division (PD) in support of the United Nations Secretariat, and turnkey contracts administered by PD, which are also incorporated within the definition of systems contracts. Turnkey contracts are mission-specific long-term arrangements for the provision of goods and services, such as food rations and fuel.

3. There were 360 active systems contracts, administered by PD between 1 January 2024 and 31 December 2025. Of these, 106 contracts included terms and conditions on discounts. Forty-five of the contracts included Prompt Payment Discounts (PPDs), which represent a percentage price reduction when an invoice is paid within the timeframe specified in the contract. Ninety-two contracts contained other types of discounts, referred to hereafter as volume discounts, applied on a graduated or cumulative scale based on the quantity ordered, or triggered when cumulative spend reaches a monetary threshold.

4. Earning these discounts requires tightly coordinated, time-sensitive actions involving multiple actors across Secretariat entities and organizational units, with some required steps carried out from different geographic locations, as outlined in table 1.

Table 1: Roles of entities and organizational units involved in the establishment and management of discounts for systems contracts

Entity/organizational unit	Role
PD	• Negotiate and finalize discount terms with vendors prior to contract signature. • Raise purchase orders (POs) for certain systems contracts. (e.g. vehicles).
User entities	• Initiate purchase requisitions. • Raise POs. • Confirm receipt of goods and services upon delivery by processing goods receipt and service entry sheets in Umoja. • Certifying officer certifies invoices in Umoja.
OICT, Logistics Division in OSCM and other United Nations entities such as DSS	• Develop or coordinate the development of technical requirements for technical contracts, such as engineering, vehicle, security, and information and communications technology (ICT) contracts. • Vendor performance monitoring. • Maintenance of the contract file. • Oversee compliance with contract conditions for the processing of payments (and application of discounts) during contract implementation.
Payment processing units:	

Entity/organizational unit	Role
VCU	• Receive and process vendor invoices for UNHQ user entities.
RSCE	• Receive and process vendor invoices for field missions serviced by RSCE.
Treasury, DMSPC	• Disburse payments through bank transfer to vendor after VCU or RSCE processing.

Abbreviations: OICT, Office of Information and Communications Technology; OSCM, Office of Supply Chain Management; VCU, Vendor Claims Unit, Payroll and Payments Section, Division of Administration (DOA), Department of Operational Support (DOS); RSCE, Regional Support Centre in Entebbe, DOS; DMSPC, Department of Management Strategy, Policy and Compliance; DSS, Department of Safety and Security and UNHQ, United Nations Headquarters.

5. Discounts are processed in Umoja. The PPD terms, when captured in the payment terms field of the Umoja contract header, enable calculation and recording of PPD earned or unrealized through the lost cash discount clearing account in the system and Umoja Analytics report. RSCE maintains a dashboard that, on a quarterly basis, reports PPDs earned or unrealized for the contracts it tracks. Terms for certain volume discounts can be configured through price schedules in Umoja, allowing the system to apply such discounts to POs and subsequent invoice payments. Umoja has limited functionality to automatically process volume discounts that are triggered by cumulative quantity or monetary thresholds when there are line items that are exempt from the discount, requiring such thresholds to be tracked manually outside the system. The Organization is in the planning stage of exploring enhancements and upgrades to Umoja functionality related to discount management.

6. Comments provided by DOS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of the controls in the management of discounts for selected systems contracts.

8. This audit was included in the 2026 risk-based work plan of OIOS due to the financial risk of losing discounts although the Organization has met the required conditions. Previous audits identified considerable amounts of uncollected discounts, including:

- An OIOS audit of procurement and management of ICT systems contracts in 2023 (report no. 2023/046), which identified approximately $2 million in uncollected volume discounts that were subsequently recovered.
- An OIOS audit of procurement and management of engineering systems contracts in 2024 (report no. 2024/090), which identified unrealized PPDs of $857,000.
- A 2024 Board of Auditors report (A/79/5 Vol. I) reporting $3 million in uncollected volume discounts in ICT contracts, which included approximately $2 million previously identified by an OIOS audit (report no. 2023/046), as above.

9. OIOS conducted this audit in March and June 2026. The audit focused on the period from 1 January 2024 to 31 December 2025 but also included prior and subsequent periods for calculating relevant discounts. The audit reviewed the management of discounts, which included PPDs and volume discounts.

10. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of 10 contracts offering PPDs and 14 contracts offering volume discounts, using a judgmental sampling approach. This audit did not review contracts managed by OICT, as these contracts were currently under review by the Board of Auditors.

11. To assess the reliability of data pertaining to the management of discounts in systems contracts, OIOS reviewed the data in Umoja, RSCE dashboard on PPDs, and contract documents in the electronic folder provided by PD. OIOS interviewed, collaborated and confirmed with DOS personnel knowledgeable about the data used in this audit. Based on the assessment, OIOS determined that the data was sufficiently reliable for the purpose of addressing assignment objectives.

12. The audit was conducted in accordance with the Global Internal Audit Standards.

III. AUDIT RESULTS

Prompt payment discounts

Inadequate identification and monitoring of contracts offering PPDs

13. Table 2 is a summary of the OIOS review of a sample of 10 contracts offering PPDs (PPD contracts). The review showed that approximately $980,000, representing 49 per cent of the total potential PPDs of $1.99 million, were not realized from the inception dates of the respective contracts to 31 December 2025. These unrealized PPDs are no longer recoverable because the applicable discount periods have expired.

Table 2: PPD collection status of 10 sampled contracts (amounts in United States dollars)

Commodity group	Contract number	PPD rate	PPD days	PPD terms known to RSCE/VCU?	Maximum available PPD	Collected PPD	Unrealized PPD
Engineering &	PD/C0226/16	0.20%	30	No	61,307	-	61,307
Infrastructure	PD/C0277/19	0.30%	30	No	46,377	-	46,377
Facilities & Construction	PD/C0258/18	1.00%	15	No	679,577	7,577	672,000
Food	PD/C0231/18	0.25%	30	Yes	940,848	865,581	75,268
Fuel	PD/C0004/24	0.93%	30	Yes	55,923	51,449	4,474
	PD/C0294/23	0.15%	30	Yes*	60,574	60,574	-
Healthcare	PD/C0056/21	1.00%	30	Yes	29,487	27,128	2,359
Security	PD/C0175/19	1.00%	30	No	3,272	-	3,272
Vehicles	PD/C0132/18	1.00%	10	No	91,231	-	91,231
	PD/C0141/19	3.00%	15	No	25,690	-	25,690
Total	**10**				**$1,994,286**	**$1,012,309**	**$981,987**

Source: OIOS analysis of Umoja Analytics and RSCE's PPD key performance indicator dashboard data
* Processed by the Kuwait Joint Support Office, which transferred payment function to RSCE in June 2026.

14. The unrealized PPDs were largely attributable to RSCE and VCU not being aware that 6 of these 10 contracts contained PPD terms and therefore took no active steps to timely process the invoices to earn PPDs under those contracts. The remaining four contracts were turnkey contracts involving single user entities, which were therefore less complex than systems contracts in terms of invoice processing and discount application.

15. Of the 10 contracts reviewed, the largest amount of unrealized PPDs, estimated at $672,000 as of December 2025, was identified under contract PD/C0258/18 for cleaning services at UNHQ. The contract's cumulative expenditure was $76.2 million as of December 2025, and the contract period was from 1 January 2019 to 31 December 2028. The PPD eligibility period of payment of invoices within 15 days appears achievable for this contract. The Facilities and Commercial Activities Service (FCAS) and VCU in DOA are responsible for requisitioning and managing the contract, and processing payment, respectively.

16. In addition, it was noted that the contractor had been submitting monthly invoices prematurely by a couple of weeks or more, in advance of the end date of the period covered by the invoices. The premature invoice dates were recorded in Umoja as the baseline date for determining the start of the 15-day PPD eligibility period. This practice is inconsistent with the contract terms, and if continued, will make it impossible to earn PPDs, even when invoices are processed timely.

17. DOA stated that the PPD requirement could not be met on a consistent basis due to liquidity constraints and the onset of COVID-19 pandemic in 2020. It has since implemented measures to earn PPDs for invoices from April 2026, including addressing the premature submission of invoices by the contractor. This should enable PPDs of up to approximately $256,000, which were estimated solely on the fixed cost component for the contract, to be collected for the remaining contract period.

18. Across the broader population of 45 systems contracts, 13 that included PPDs had expired at the end of 2025. Of the remaining 32 active contracts, RSCE was aware of only 8 that contained PPD terms (including one under the Kuwait Joint Support Office), while VCU was not aware of the PPD term in the one contract it was responsible to process. RSCE maintained a PPD contracts list; however, the list omitted many eligible systems contracts because it was updated only when missions informed RSCE of the existence of PPD provisions.

19. For the PPD contracts of which it was aware, RSCE collected an average of 92 per cent of the potential discount of $356,000 from January 2024 to December 2025. This was achieved through deliberate actions taken by RSCE, including setting a key performance indicator of 100 per cent collection of PPDs, determining and notifying various organizational units involved in invoice processing of target turnaround timelines for their actions, and instituting a procedure for coordinating and following up with them on required actions and documentation. Through a quarterly monitoring dashboard, RSCE reported the aggregate PPDs earned or unrealized for both systems and local contracts by mission and analyzed the causes of unrealized PPDs to identify necessary improvement actions.

20. The Organization still has an opportunity to realize PPDs for the 32 active contracts between June 2026 and their expiry dates. In addition to the approximately $256,000 that could be collected under contract PD/C0258/18, PPDs of up to approximately $635,000 may be realized across the active contracts based on the remaining contract periods and prorated NTE values.

21. DOS stated that while it would enhance the monitoring of PPD terms in systems contracts, continued compliance with PPD terms would depend on the availability of funding to promptly make the payments. Recommendation 1 below addresses the need to strengthen controls for tracking and monitoring all contracts containing PPD provisions and maximizing the collection of available PPDs.

Inadequate arrangements to facilitate discount collection

22. The Umoja contract header supports recording of eligible PPDs and monitoring their collection through system tools such as Umoja Analytics report. Capturing PPD terms in the header reduces the need for manual tracking and allows management to rely on system-generated information for efficient and accurate assessment of PPD performance.

23. Of the contracts sampled, only vehicle contracts currently have PPD terms reflected in the payment terms in Umoja, under the contract header tab. For example, the payment term “10 days 0.5%, 30 net” captured for vehicle contracts, allowed a 0.5 per cent reduction of the invoice amount for payments made within 10 days. These terms were uploaded by PD’s Vehicles Team during the initial contract setup. However, the payment terms field is not typically populated to record PPD terms, including complex contracts where PPD applies to certain contract components rather than the entire agreement.

24. Although no PPDs were realized for the two sampled vehicle contracts, as the related invoice payments were not processed within the applicable discount period, OIOS observed that approximately 20 per cent of the available PPDs under two contracts outside the sample, totaling $33,439, had been collected as shown in table 3. This was partly attributable to the payment terms being recorded in the Umoja contract headers for vehicle contracts,

Table 3: PPD collection under two additional contracts (amounts in United States dollars)

Commodity group	Contract number	PPD rate	PPD days	PPD terms known to RSCE/VCU?	Maximum available PPD	Estimated PPD collected	Estimated unrealized PPD
Vehicles	PD/C0010/19	0.50%	21	Yes	101,313	28,161	73,152
	PD/C0157/18	0.15%	15	Yes	65,620	5,278	60,342
Total	**2**				**$166,933**	**$33,439**	**$133,494**

Source: OIOS analysis of Umoja Analytics data

25. However, a substantial portion of the available discounts remained uncollected due to the absence of deliberate and structured processes. Nevertheless, these examples illustrate how Umoja can facilitate more effective identification, tracking, and monitoring of PPDs when discount terms are appropriately captured in the system.

26. PD stated that Umoja currently cannot easily accommodate multiple PPD terms within a single contract header. One of the 10 contracts reviewed included two different PPD terms for fuel requirements for the United Nations Interim Force in Lebanon and the Economic and Social Commission for Western Asia. In such a case, a workaround or alternative approach, including informing responsible staff of PPD terms in relevant contracts outside Umoja, may therefore be required, and these more complex scenarios may require further examination of the existing functionality once Umoja undergoes its major update.

27. Furthermore, current practices did not facilitate awareness and understanding of PPDs offered under systems contracts by the relevant contract management and payment processing functions responsible for ensuring that applicable discounts are considered during payment. PPD provisions are typically included in contract documents and related pricing schedules, and therefore, the relevant contract management and payment processing functions need to consult those documents to identify and confirm the applicability of PPD terms when the information is not otherwise flagged in Umoja or highlighted during contract handover. That said, most systems contracts are lengthy and may include multiple documents, amendments, and pricing schedules. As a result, identifying and confirming the applicability of PPD terms may require additional review and interpretation by contract management and payment processing personnel.

28. The complexity is further compounded when PPD terms are introduced, revised, or removed through contract amendments. In such cases, contract management functions must locate, interpret, and apply updated terms across multiple versions of the contract documentation. The absence of a standardized mechanism to prominently capture or flag PPD terms in Umoja may increase the risk that such terms are not applied consistently during payment processing to earn PPDs.

(1) DOS should issue guidance to contract managers on prompt payment discount terms in relevant contracts.

DOS accepted recommendation 1 and stated that it would develop a contract-specific handover letter to be shared with contract managers that will include key information necessary to support the effective management of each contract, including details on applicable discounts.

(2) DOS should, where system functionality allows, record prompt payment discount payment terms field at the Umoja contract header level.

DOS accepted recommendation 2 and stated that it would assess and identify the most appropriate mechanisms for recording PPD payment terms within Umoja, in close coordination with relevant technical teams and Umoja subject matter experts, while taking into account existing system constraints and operational considerations. Subject to the identification of a suitable approach, PD will develop and issue guidance on the standardized methodology and procedures for accurately recording such terms within Umoja.

(3) DOS should take action to identify all contracts containing prompt payment discount (PPD) provisions for tracking and maximizing the collection of available PPDs, including potential PPDs of at least $256,000 identified in this audit.

DOS accepted recommendation 3 and stated that it would enhance the monitoring of PPD terms in systems contracts to maximize collection of PPDs.

Short PPD eligibility period

29. Table 4 shows that 8 of the 45 PPD contracts offered very short periods to make payment and qualify for PPD, allowing an eligibility period of 5 days or less. Such short windows pose significant operational challenges because earning PPDs requires tightly coordinated, time-sensitive actions across multiple actors and sub-processes.

Table 4: Number of contracts by PPD eligibility days

PPD eligibility days	Number of contracts
1	2
3	1
5	5
10	9
14	1
15	11
20	5
21	2
30	9
Total	**45**

Source: OIOS analysis of contracts documents

30. Additionally, the PPD eligibility period was measured in calendar days, meaning that weekends and holidays reduced the number of working days available for processing. In addition, the Treasury's "T+3" requirement necessitates allowing three working days in New York to execute payments, which can extend to as many as five days for invoices processed outside New York due to time-zone differences and weekends and holidays. When these factors are combined, the practical time available to earn a PPD is significantly compressed, particularly for field-processed invoices that must pass through multiple layers of review and approval before reaching the Treasury.

31. Given these constraints, PPD eligibility periods of fewer than 10 days are unlikely to be operationally feasible in most cases to allow sufficient time to complete all required steps before the discount window closes.

32. PD acknowledged the benefit to negotiate to seek more realistic PPD eligibility periods when establishing future systems contracts, considering the number of actors and sub-processes involved in the invoice processing cycle. However, PD also stated that the specific PPD terms offered by vendors are not within the Organization's unilateral control.

B. Volume discounts

Earning of volume discounts was also not tracked and monitored

33. The audit noted that in 5 of 14 sampled contracts, volume discounts were closely managed and collected. However, tracking and monitoring were insufficient for several contracts, resulting in significant unclaimed discounts, as summarized in table 5. While approximately $775,000 in volume discounts was claimed across the 14 sampled contracts, an estimated $1,712,000 was unclaimed and required actions to recover.

Table 5. Volume discount collection status of 14 sampled contracts (amounts in United States dollars)

Commodity group	Contract number	Expiry date	Claimed	Unclaimed
Engineering & Infrastructure	PD/C0161/15	20/01/2025	Nil	1,305,000
	PD/C0008/16	28/07/2025	91,000	55,000
	PD/C0010/20	20/01/2026	9,000	Nil
Food	PD C0135/22	21/06/2026	Nil	292,000
Healthcare	PD/C0230/22	23/05/2026	2,000	28,000
Security	PD/C0119/22	16/06/2026	Nil	3,000
	PD/C0254/19	30/06/2026	Nil	13,000
	PD/C0286/19	24/10/2025	1,000	9,000
Vehicles	PD/C0009/19	30/11/2034	213,000	Nil
	PD/C0010/19	30/11/2024	171,000	Minor
	PD/C0019/20	30/06/2025	65,000	7,000
	PD/C0157/18	30/11/2024	40,000	Nil
	PD/C0344/22	31/12/2025	21,000	Nil
	PD/C0177/23	31/10/2026	*162,000	Nil
Total	**14**		**$775,000**	**$1,712,000**

Source: OIOS analysis of Umoja Analytics data
* Including $14,000 recovered from the vendor during the audit.

34. OSCM needed to review the circumstances leading to unclaimed discounts for each systems contract in detail and, where necessary, seek legal advice to assess the feasibility of recovery. The Organization's ability to fully recover these amounts may be limited in cases where contracts have expired or substantial time has elapsed since the related payments were made. For example:

- Contract PD/C0161/15, which had an estimated €1.11 million, or equivalent of $1.31 million in unclaimed discounts expired in 2024.
- Contract PD/C0008/16 included approximately $55,000 in unclaimed discounts related to payments made between 2016 and 2018.

35. DOS is in the process of consulting the Office of Legal Affairs to obtain its legal assessment on the recoverability of volume discount under the contract PD/C0161/15. Also, during the audit, the Logistics Division initiated recovery actions for three sampled contracts for food, vehicle, and security requirements.

36. OIOS noted that the procurement manual defines contract management as all actions undertaken after the award of a contract, including vendor performance monitoring, payments, contract closure, and maintenance and retention of the contract file and other records. However, there is currently no detailed operational guidance for monitoring, tracking and collection of volume discounts. This is an important gap given that technical experts in both the Logistics Division and missions, who are typically entrusted with contract management responsibilities, may not have expertise in payments/financial matters.

37. This gap is particularly significant because Umoja does not support automated alerts for cumulative quantities and expenditure thresholds for tracking of earned volume discounts. Given that systems contracts are executed in a decentralized manner across multiple user entities, obtaining up-to-date information on aggregate expenditures, applicable thresholds, and cumulative volume discounts receivable may be challenging. As a result, monitoring must be performed manually and periodically outside the system.

38. In the absence of clear guidance, defined procedures, and coordinated monitoring, some volume discounts are unclaimed, resulting in financial loss for the Organization. Delayed identification of earned discounts also reduces the Organization's leverage to recover amounts once contracts expire or substantial time has passed since payment.

(4) DOS should review and, to the extent possible, recover uncollected volume discounts under systems contracts, including those identified in this report with a total estimated amount of $1,712,000.

DOS accepted recommendation 4 and stated that it had collected volume discount for the contract PD/C0177/23 and would take steps to recover, to the extent possible, the remaining uncollected volume discounts.

(5) DOS should, to help ensure all volume discounts are traced and earned, develop detailed guidance on the roles and responsibilities for managing contractual discount terms.

DOS accepted recommendation 5 and stated that PD would expand section 13 of the procurement manual to provide more comprehensive guidance on contract management. This revision will outline the responsibilities and key activities that fall within the scope of contract management following the conclusion of the procurement process and the formal handover of the countersigned contracts. The revision will establish a clear, robust and comprehensive framework to support effective contract management practices.

(6) DOS should establish a procedure to periodically review the status of earning volume discounts for relevant systems contracts.

DOS accepted recommendation 6 and stated that it would, to address this issue, systematically explore how to better leverage the Umoja system to automate and manage volume discounts more efficiently and consistently. In coordination with relevant stakeholders, DOS will develop guidance/procedures for periodic review of volume discounts.

IV. ACKNOWLEDGEMENT

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

Internal Audit Division
Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of management of discounts for selected systems contracts

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	DOS should issue internal guidance to contract managers on prompt payment discount terms in relevant contracts.	Important	O	Receipt of promulgated internal guidance to contract managers on PPD.	30 June 2028
2	DOS should, where system functionality allows, record prompt payment discount payment terms field at the Umoja contract header level.	Important	O	Receipt of evidence that systems contracts' PPD payment terms are recorded in Umoja at contract header level.	30 June 2028
3	DOS should take action to identify all contracts containing prompt payment discount (PPD) provisions for tracking and maximizing the collection of available PPDs, including potential PPDs of at least $256,000 identified in this audit.	Important	O	Receipt of evidence that DOS has enhanced the monitoring of PPD terms in systems contracts and the collection of PPDs.	31 December 2028
4	DOS should review and, to the extent possible, recover uncollected volume discounts under systems contracts, including those identified in this report with a total estimated amount of $1,712,000.	Important	O	Receipt of evidence that appropriate actions have been taken to review and recover the uncollected volume discounts.	31 December 2027
5	DOS should, to help ensure all volume discounts are traced and earned, develop detailed guidance on the roles and responsibilities for managing contractual discount terms.	Important	O	Receipt of the guidance on the roles and responsibilities for managing contractual terms relating to volume discounts.	31 December 2028
6	DOS should establish a procedure to periodically review the status of earning volume discounts for relevant systems contracts.	Important	O	Receipt of the procedures for periodic monitoring the status of volume discounts for relevant systems contracts.	31 December 2028

[1] 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.
[2] 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.
[3] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[4] Date provided by DOS in response to recommendations.

APPENDIX I

Management Response

APPENDIX II

Management Response

Audit of management of discounts for selected systems contracts

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DOS should issue internal guidance to contract managers on prompt payment discount (PPD) terms in relevant contracts.	Important	Yes	ASG, OSCM	30/06/2028	DOS will develop a contract-specific handover letter to be shared with contract managers that will include key information necessary to support the effective management of each contract, including details on applicable discounts.
2	DOS should, where system functionality allows, record PPD payment terms field at the Umoja contract header level.	Important	Yes	ASG, OSCM	30/06/2028	DOS will assess and identify the most appropriate mechanisms for recording PPD payment terms within Umoja, in close coordination with relevant technical teams and Umoja subject matter experts, while taking into account existing system constraints and operational considerations. Subject to the identification of a suitable approach, DOS will develop and issue guidance on the standardized methodology and procedures for accurately recording such terms within Umoja.
3	DOS should take action to identify all contracts containing PPD provisions for tracking and maximizing the collection of available PPDs, including potential PPDs of at least $256,000 identified in this audit.	Important	Yes	Director, DOA & Director, RSCE	31/12/2028	DOS will enhance the monitoring of PPD terms in systems contracts to maximize collection of PPDs.

[1] 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.

[2] 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.

APPENDIX II

Management Response

Audit of management of discounts for selected systems contracts

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	DOS should review and, to the extent possible, recover uncollected volume discounts under system contracts, including those identified in this report with a total estimated amount of $1,712,000.	Important	Yes	ASG, OSCM	31/12/2027	The comments of DOS are reflected in the report.
5	DOS should, to help ensure all volume discounts are traced and earned, develop detailed guidance on the~~ir~~ roles and responsibilities for managing contractual discount terms.	Important	Yes	ASG, OSCM	31/12/2028	DOS will expand Section 13 of the Procurement Manual to provide more comprehensive guidance on contract management. This revision will outline the responsibilities and key activities that fall within the scope of contract management following the conclusion of the procurement process and the formal handover of the countersigned contract. The Section will establish a clear, robust, and comprehensive framework to support effective contract management practices.
6	DOS should, to help ensure all volume discounts are traced and earned, establish a procedure to periodically review the status of earning volume discounts for relevant system contracts.	Important	Yes	ASG, OSCM	31/12/2028	To address this issue systematically, DOS will explore how to better leverage the Umoja systems to automate and manage volume discounts more efficiently and consistently. In coordination with relevant stakeholders, DOS will develop guidance/procedures for periodic review of volume discounts.