



INTERNAL AUDIT DIVISION

REPORT 2024/031

Audit of the seismic mitigation retrofit and life-cycle replacements project in the Economic and Social Commission for Asia and the Pacific

There was a risk that measures implemented to address the causes of significant delays experienced during phase 1 of the project may not be adequate to reduce further schedule slippages in phase 2

28 June 2024

Assignment No. AN2024-740-01

Audit of the seismic mitigation retrofit and life-cycle replacements project in the Economic and Social Commission for Asia and the Pacific

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the seismic mitigation retrofit and life-cycle replacements project (SMP) in the Economic and Social Commission for Asia and the Pacific (ESCAP). The objective of the audit was to determine whether ESCAP internal controls over the project were implemented effectively to ensure its timely completion within the scope and budget approved by the General Assembly. The audit covered the period from March 2023 to April 2024 and included: (a) project management and oversight mechanisms; and (b) management of contracts and construction activities.

Phase 1 construction works, comprising block B of the secretariat building and partial central core, were substantially complete while the rectification of defects and testing and commissioning of building systems and services were still ongoing. The works experienced significant delays, finishing nearly 18 months behind schedule due to poor quality control and contractor supervision primarily by the general contractor and the construction administration firm. As the full impact of these factors on the schedule had not been adequately quantified, the mitigating measures implemented by ESCAP may not be sufficient to result in substantial completion of phase 2 of the project by the revised target date of 31 December 2024. To meet this target, ESCAP should collaborate closely with key contractors to eliminate inefficiencies.

OIOS made two recommendations. To address issues identified in the audit, ESCAP needed to:

- Formally assess, in consultation with the Global Asset Management Policy Service and members of the Stakeholders Committee, the Committee's role for the remaining phase of the project and make appropriate adjustments to the project governance documents; and
- Engage further with key vendors and stakeholders to identify, quantify and eliminate sources of inefficiency during phase 1 construction with a view to improving timeliness, quality, and overall performance during phase 2 construction.

ESCAP accepted the recommendations and has initiated actions to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of the seismic mitigation retrofit and life-cycle replacements project in the Economic and Social Commission for Asia and the Pacific

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the seismic mitigation retrofit and life-cycle replacements project (SMP) in the Economic and Social Commission for Asia and the Pacific (ESCAP).

2. SMP is a large and complex project that was approved by the General Assembly in December 2016 through its resolution 71/272. The overarching objective of the project is to ensure the health and safety of staff, delegates and visitors at the Commission’s premises in Bangkok through: (a) retrofitting the ESCAP secretariat and service buildings to mitigate against seismic risks; (b) updating building life-safety systems in the secretariat building to meet current standards; and (c) replacing building systems in the secretariat building that have reached the end of their useful lives. The project is also expected to improve energy and space efficiency, as well as accessibility. The construction works started in November 2021 with the expectation that all construction works would be concluded by November 2023, with each phase lasting for 12 months. However, the project suffered several delays and construction works were approximately 50 per cent complete as of April 2024, with a revised estimated completion date of 31 December 2024.

3. ESCAP sought and received approval from the General Assembly for additional funding of \$1,241,400, bringing the approved project budget to \$41,260,400. The additional funds were to cover the ground floor fit-out (\$500,000), extension of the project team by seven months to 31 July 2024 (\$253,600), extension of consultants and construction administration firm by seven months to 31 July 2024 (\$451,800), and an additional contingency reserve of \$36,100. Expenditure in 2023 amounted to \$7.1 million, covering construction activities, professional services including construction administration services, and the dedicated SMP team. Cumulative project expenditure was \$23.4 million as of December 2023, leaving approximately \$17.8 million available for the remaining phases of the project. Most of this remaining budget is committed to the general contractor for phase 2 construction, including block A and the ground floor of the secretariat building. The budget for the project is detailed in table 1.

Table 1: Revised cost plan – 2017-2024 (in thousands of United States dollars)

<i>Year</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>Total</i>
Section 33									
Construction costs			1,536	1,000	448	5,053	5,654	16,428	30,119
Professional services	462	1,431	296	350	254	727	848	577	4,945
Contingency			23					245	268
Subtotal	462	1,431	1,855	1,350	702	5,780	6,502	17,250	35,332
Section 19									
Project management	514	750	930	1,009	876	638	619	593	5,929
Grand Total	976	2,181	2,785	2,359	1,578	6,418	7,121	17,843	41,261

4. Phase 1 construction works, comprising block B of the secretariat building and partial central core, were substantially complete, with handover from the general contractor to ESCAP starting in April 2024. The general contractor was actively working with a testing and commissioning agent to test building systems and confirm their proper functioning in line with applicable local and international standards. While independent, the testing and commissioning agent was contracted by the general contractor.

5. Phase 2 construction works will consist of block A of the secretariat building and its part of the central core, and the ground floor, and are expected to be completed in December 2024 as shown in table 2. Some seismic mitigation works will be carried out in the service building concurrently.

Table 2: Evolution of key milestone dates for the construction and close-out phases of the project as reported by the Secretary-General to the General Assembly since the main contract was signed

Year and report reference	2022 A/76/313	2023 A/77/330	2024 A/78/3/46	Projected as of May 2024
Section 33				
Pre-construction and mobilization	Dec 2021	Mar 2022	Mar 2022	Mar 2022
Phase 1: Block B construction	Dec 2022	Dec 2022	Oct 2023	Jun 2024
Phase 2: Block A construction and demobilization	Dec 2023	Dec 2023	Sep 2024	Dec 2024
Close-out	Dec 2023	Feb 2024	Jul 2026	Dec 2026

6. The Executive Secretary of ESCAP is the Project Owner with overall accountability for the project. The ESCAP Director of Administration is the Project Executive designated to oversee all strategic and operational issues related to the project, with support from a Stakeholders Committee. The SMP had a dedicated project management team with five encumbered posts as of May 2024, including the Project Manager at the P-5 level.

7. The Global Asset Management Policy Service (GAMPS) in the Department of Management Strategy, Policy and Compliance (DMSPC) continued to provide risk management support and share lessons learned from other Secretariat construction projects. The independent risk management firm (IRMF) that supported GAMPS by providing construction-related, independent risk management services, including Monte-Carlo analysis of project risks, to this and other Secretariat construction projects was being phased out as their contract was coming to an end by November 2024.

8. Comments provided by ESCAP are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

9. The objective of the audit was to determine whether ESCAP internal controls over the seismic mitigation retrofit and life-cycle replacements project were implemented effectively to ensure timely completion of the project within the scope and budget approved by the General Assembly.

10. This audit was included in the 2024 risk-based work plan of OIOS at the General Assembly's request for OIOS to provide oversight of the project and include information on its key findings in its annual report to the General Assembly (A/RES/71/272). The Office has carried out six¹ annual audits of the SMP since 2017.

11. OIOS conducted this audit in April and May 2024. The audit covered the period from March 2023 to April 2024. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the seismic mitigation retrofit and life-cycle replacements project, which included: (a) project management and oversight mechanisms; and (b) management of contracts and construction activities.

¹ Report reference numbers: 2017/049; 2018/054; 2019/044; 2021/022; 2022/022; 2023/017

12. The audit methodology included: (a) interviews with key project personnel; (b) review of relevant documentation, processes and information management systems; (c) analytical review of project financial data; (d) sample testing of selected transactions, including progress payments to the general contractor; (e) site visits to selected floors in block B; and (f) follow-up of related recommendations in the previous audits.

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

III. AUDIT RESULTS

A. Project management and oversight mechanisms

ESCAP was implementing a strategy to address transition risks

14. Anticipating substantial completion of phase 1 construction of the project, ESCAP developed and, with effect from 23 January 2024, implemented a transition strategy whose goals were to: (a) move phase 1 construction works to operation and maintenance phase for block B; and (b) prepare for phase 2 construction comprising block A and the ground floor of the secretariat building. The strategy was developed to address the transition risks identified by ESCAP, including delays in the project "beyond a point when the SMP team is no longer on board," which is expected to materialize as of 31 July 2024 when funding for the dedicated SMP team expires. Other key risks included in the transition risk register were: (a) contractor failure to deliver the works as required; (b) ineffective oversight by the construction administration firm;² (c) insufficient review of work and documentation of general contractor and construction administration firm; (d) poor coordination of handover; and (e) insufficient capacity at ESCAP to take over operation and maintenance.

15. Under the transitional project governance structure, a Project Monitoring Group (PMG) was established as the decision-making body, led by the Project Executive. PMG's membership includes the Technical Project Lead, Chief Financial Officer, and Chief Procurement Officer. A Technical Management Team (TMT) led by the Chief of Facilities Management Unit (FMU) in his role as the Technical Project Lead, was also established to manage the daily administrative and technical matters related to the project. TMT responsibilities include stakeholder coordination, scope control, schedule control, quality control and certifying completed works, including approving progress payments, and records management. TMT reports to PMG, and its membership consists primarily of the FMU engineer, FMU technical personnel, and SMP technical personnel, with the Security and Safety Section and Information Management, Communications and Technology Section participating in meetings as needed. Representatives of the general contractor and the construction administration firm also participate in TMT meetings as needed.

16. Based on interviews with key staff in the transition team and review of relevant documentation, OIOS noted that the transition strategy was being implemented as designed. Due to significant delays in project completion and depletion of funding for the dedicated SMP team, the Technical Project Lead was designated as the de-facto project manager with effect from 3 June 2024. ESCAP continued to update its transition strategy in response to key risks, including identifying the post-transition project management team.

² The construction administration firm is responsible for providing: (a) construction administration services, including day-to-day supervision of the construction works, reviewing contractor submittals, and performing site surveys (billed at a fixed monthly price initially estimated at THB 30,130,000 (approximately \$819,000)); (b) design services for specific items such as floorplans (billed at a total fixed fee of THB 18,060,000 (approximately \$491,000)); and (c) on-call design and technical services (billed at specified service rates). It performs these services under a contract established in September 2021 for an initial three-year term.

17. In addition to the changes affecting the dedicated SMP team, the contract with the IRMF was also expiring in November 2024 with no expectation of renewal. All the risk management support ESCAP previously received from the IRMF would be provided directly by GAMPS, except for the Monte Carlo simulation that would not be undertaken after 2024 as the project is approaching its target completion date. GAMPS, meanwhile, will continue to provide advisory services, including elements of risk management by reviewing the validity and completeness of risks identified. However, no biannual progress report (BPR) had been issued since BPR 10 in February 2023, as BPR 11 and 12 were overdue and remained pending as of May 2024, indicating a resurgence of the delayed transmittal of the reports, as noted in OIOS report 2022/022 issued in 2022. This occurred due to the capacity constraints within GAMPS, as highlighted in the OIOS report 2023/017 on the SMP issued in 2023. The report recommended that DMSPC take steps to enhance GAMPS's in-house capacity to support capital construction projects in Secretariat entities throughout the duration of the remaining construction projects. GAMPS recently took positive steps towards bridging the capacity gaps, including through the recruitment of the Chief of Service. In addition, GAMPS indicated that both reports BPR 11 and 12 would be submitted in June 2024.

The Stakeholders Committee did not effectively discharge its oversight role

18. The Stakeholders Committee was established to provide advice and guidance to the Project Owner and Project Executive on operational aspects of the SMP. It is composed of 33 entities encompassing ESCAP divisions, other Secretariat entities and United Nations agencies, funds and programmes (AFPs) that rent space from ESCAP. Its terms of reference require quarterly meetings to be scheduled at the beginning of each calendar year and coordinated by the Project Executive. These meetings aim to steer the project, monitor progress against plans, resolve conflicts promptly, set work priorities, manage changes, and receive progress updates. Additionally, ad hoc meetings and working groups are convened as needed to address specific issues.

19. In 2023, two meetings of the Stakeholders Committee were convened instead of the minimum four required in its terms of reference. The meeting attendance was low with 45 per cent and 28 per cent of the member entities attending the meetings held on 4 May and 7 December, respectively. Nine entities did not attend any of the meetings. OIOS interviewed some members of the Committee, who expressed that the meetings could be better planned and be more engaging to encourage participation. ESCAP stated that the role of the Committee had evolved since the design phase of the project, and meetings were increasingly being used as a forum to share updates on progress. Also, most of the senior members of the Committee had largely delegated responsibility to attend the meetings to individuals who were not well positioned to provide advice and guidance to the Project Owner.

20. OIOS had commented on the role of the Committee in previous audit reports, but all recommendations were closed after being addressed, including recommendations on the frequency of meetings and on the expansion of the Committee to include representatives of AFPs who rent space from ESCAP and are affected by the project. The frequency of Stakeholders Committee meetings, however, was reduced again in 2023.

21. Given the challenges that the project was experiencing especially in maintaining the schedule, ESCAP needed to critically review, in consultation GAMPS, the composition and positioning of the Committee to assess and determine how it could effectively support the Project Owner and Project Executive during the remaining phases of the project. Any lessons learned, including the Committee's evolving role during the project life cycle, should be used to update lessons learned that GAMPS should consider when updating guidelines for the management of construction projects in the Secretariat.

(1) ESCAP should, in consultation with the Global Asset Management Policy Service and the members of the Stakeholders Committee, assess the Committee’s role for the remaining phases of the project and make appropriate adjustments to the project governance documents.

ESCAP accepted recommendation 1 and stated that it was, in consultation with GAMPS and members of the Stakeholders Committee, formally assessing the Committee’s role with a view to reinvigorating it for the remaining phases of the project, and would adjust the relevant project governance document accordingly.

ESCAP received voluntary contributions for the project

22. In its resolutions on the SMP,³ the General Assembly has continued to request the Secretary-General to be proactive in seeking both voluntary and in-kind contributions from Member States. ESCAP had little success on this in the past but during the audit period additional contributions were received, as summarized in table 3. In addition, ESCAP received pledges from two United Nations organizations totaling \$15,000 for a nursing and wellness room that will be located on the first floor in the central core of the secretariat building.

Table 3: Contributions received in 2023 – 2024

Country	Contribution \$	Purpose
China	18,835	For proposed bilateral meeting room on the ground floor of the secretariat building
Kazakhstan	57,000	For technology hub on the ground floor of the secretariat building
Thailand	40,000	For the Asia-Pacific lounge on the ground floor of the secretariat Building
Total	115,835	

B. Management of contracts and construction activities

ESCAP faced significant challenges that led to delay in phase 1

23. Phase 1 construction works were substantially complete. The rectification of defects and the testing and commissioning process were ongoing at the time of fieldwork. OIOS conducted site visits in and around block B and observed that some tenants had moved into some of the completed floors. Areas under construction were segregated to ensure the safety of staff and avoid disruptions to tenants and staff.⁴ The handover of prescribed documents and user training on new systems were scheduled to be completed progressively over the next few months. Nevertheless, ESCAP faced significant challenges that led to delays in completion.

24. Phase 1 construction works are forecast to be completed in 30 months instead of the planned 12 months. The delays were a continuation of the challenges encountered at earlier phases of the project, including design, swing space construction, and procurement of general contractor services. Root causes of the delays during phase 1 construction included contractor performance issues such as not maintaining an

³ Annually since resolution 71/272 on special subjects relating to the programme budget for the biennium 2016–2017.

⁴ See Annex II for pictures of project status as of May 2024.

effective schedule and using unauthorized sub-contractors that performed substandard work resulting in failed inspections and rework.

25. Schedule 15 of the contract between ESCAP and the general contractor includes a schedule of pre-approved sub-contractors, and any changes are required to be approved by ESCAP. However, the general contractor used several sub-contractors that had not been pre-approved when some pre-approved contractors had withdrawn from the project. The services that were contracted to sub-contractors that were not pre-approved included supply and installation of building management systems and fire systems. Other contributing factors included shortage of suitably qualified mechanical, electrical and plumbing engineers to meet international standards, poor oversight from the construction administration firm and inadequate quality assurance for electrical fittings, heating, ventilation and air conditioning systems and fire and life safety systems. The SMP team raised these issues with the general contractor and the construction administration firm and worked with them to implement corrective actions, including increased supervision and agreements on personnel changes where warranted. Changes to designs to address unforeseen site conditions also contributed to time delays but did not result in material increases in costs.

26. Interviews with key personnel indicated that while there were no major casualties resulting from occupational health and safety incidents during phase 1 construction, there were some near misses that resulted in stop work orders and caused some time delays. OIOS reviewed two incident reports dated 7 March 2023 (water leak in the electrical shaft) and 19 June 2023 (electrical near miss incident). In the latter incident, a stop work order was issued on 13 June pending investigations, and final corrective actions that resulted in two sub-contractors being removed and replaced due to their role in the incident. The incidents could have led to injuries to personnel. Both the stoppage and replacement of the sub-contractors further delayed the progress of works.

27. As a result of the delays, ESCAP initially withheld a total of \$936,000 from the general contractor's interim payment certificates at a rate of \$3,000 per day as specified in the contract. However, ESCAP settled the delay damages through contract amendment 2 for \$531,000, thus the balance of withholdings (\$405,000) was released back to the general contractor. ESCAP indicated that the delay damages received would be reinvested in the project. Under the terms of amendment 2, delay damages for the project could start being levied again on 1 August 2024.

ESCAP needed to conduct a detailed assessment of sources of inefficiency during phase 1 construction to improve performance and prevent further delays during phase 2

28. To ensure contract compliance, the United Nations procurement manual requires responsible contract management staff to monitor the performance of vendors on an ongoing basis through reports, meetings, and, if applicable, inspections, considering topics such as timely delivery, quality of goods or services provided, responsiveness, compliance with contractual terms and conditions and warranty provisions.

29. ESCAP conducted formal progress performance evaluations for both the general contractor and the construction administration firm, which reflected that ESCAP was generally dissatisfied with their services. For the general contractor, as of October 2023, only 4 out of 17 applicable performance indicators were rated as satisfactory, with schedule delays, which resulted in delay damages stated above, chief among the contributing factors to the assessment. Similarly, for the construction administration firm, only 4 out of 18 applicable indicators were rated as satisfactory. The reasons cited for these ratings included delays in conducting required inspections and poor-quality work identified by the SMP Project Engineer, which led to the need for rework. For example, the completion certificate for static test of busduct conducted on 7 October 2023 was retracted and redone after the wrong equipment was used to run the test. The performance evaluation reports for both contractors covered a period of two years, thus the assessments were not

conducted annually as required in the procurement manual. However, ESCAP met regularly with vendors to review performance and conduct inspections; and the performance ratings were consistent with the minutes of meetings and correspondence with the vendors.

30. The current vendors will continue through phase 2 of the project, under increased supervision by ESCAP engineers and with changes to key general contractor personnel that may result in a reduced complement of inspectors from the construction administration firm in light of reduced funding for consultancy services. ESCAP opted to rely on its engineers within the FMU to fill anticipated gaps in the services received from the construction administration firm as a result of these changes. Despite past challenges with vendor performance, the estimated date of completion for phase 2 works was December 2024, approximately seven months after issuing the notice to the general contractor to proceed with the works in June 2024. OIOS could not provide assurance on the reasonability of the estimated date of completion as the impact on the schedule of factors contributing to phase 1 delays had not been adequately quantified, meaning that the mitigating measures being implemented in collaboration with key vendors may not be sufficient to reduce completion time from the 30 months experienced in phase 1 to 7 months in phase 2 of the project.

31. In its previous audit report 2023/017, OIOS highlighted that phase 1 construction works were already 4 months behind schedule as of March 2023, and early delays were attributed to low headcount of construction staff and supply chain disruptions caused by the COVID-19 pandemic. Despite mitigating actions taken by the general contractor, including increasing the headcount of construction staff, supplementing their project management team with additional skilled staff, and increasing the frequency of meetings with ESCAP, there was no estimate with certainty as to when construction would be substantially completed. New mitigating measures included increased supervision of vendors by ESCAP engineers and implementation of enhanced alternative working arrangements for ESCAP personnel from 15 May to 5 August so that larger sections of block A could be vacated and handed over to the general contractor to expedite works. However, in interviews, several key stakeholders also expressed that based on their past experiences, they had low confidence that the project could be completed before the end of the year. Any further delays to the project could exacerbate impacts on operations and morale of staff who had been moved to the swing space.

32. In view of the anticipated changes in personnel for phase 2 within SMP, the general contractor and the construction administration firm, ESCAP should conduct a detailed qualitative and quantitative diagnosis of the time impact of past inefficiencies. The quantification of the impact of the root causes of the phase 1 delays could ensure that a more reasonable schedule for phase 2 can be developed and stakeholder confidence in the adequacy of mitigation measures can be increased. Such an exercise could be conducted before the effective date of the anticipated personnel changes of 31 July 2024, but could also include the new project team members from ESCAP, the general contractor and the construction administration firm. New project personnel should also be fully trained on the new processes during their onboarding and any points of weakness addressed immediately.

(2) ESCAP should engage further with key vendors and stakeholders to identify, quantify and eliminate sources of inefficiency during phase 1 construction with a view to improving timeliness, quality, and overall performance during phase 2 construction.

ESCAP accepted recommendation 2 and stated that, to ensure phase 2 construction is delivered within the agreed schedule and budget, it was conducting an analysis of lessons learned during phase 1. Accordingly, it had engaged with the general contractor and the construction administration firm to gather further inputs on the reasons and circumstances leading to the current delays and performance issues.

Progress payments to the general contractor were adequately processed but ESCAP could record contract variations in Umoja

33. As of May 2024, the general contractor had completed works (including variation orders⁵) amounting to THB 395.8 million (\$10.8 million), approximately 45 per cent of the adjusted contract value, and a 5 per cent retention was withheld from all payments of progress billings. OIOS reviewed three progress billings, including the latest payment certificate dated 4 April 2024 and noted that they were all supported by progress certificates prepared by the construction administration firm and endorsed by the dedicated SMP team before payment.

34. At the beginning of the project, ESCAP advanced THB 83.5 million (\$2.5 million) to the general contractor, which was recovered from each invoice at a rate of 10 per cent of work certified. As of May 2024, a total of THB 39.6 million (\$1.2 million) of the advance had therefore been recovered. Including the outstanding advance, the cumulative payments to the general contractor amounted to THB 401.6 million (\$11.9 million).

35. Progress billings also reflected all adjustments and variation orders processed on the contract to date. As of April 2024, ESCAP had signed 53 variation orders amounting to a net increase in contract value of THB 43,136,961 (approximately \$1.2 million). Variations can be initiated by ESCAP tenants or personnel using change requests, which are approved by the Project Executive if they are expected to result in cost increases or are approved by the Project Manager in the case of cost reductions.

36. A total of nine change requests with an estimated net impact of THB 15.4 million (\$419,000) were approved during the audit period. Of these, OIOS selected three change requests with an estimated net impact of THB 14 million (\$381,000) for further review. As of May 2024, the three selected change requests had translated into 21 approved variation orders with a net impact of THB 8.5 million (\$232,000). Change requests resulting in cost increments that were reviewed by OIOS were approved by the Project Executive, while the resulting variation orders were approved by the Project Manager. However, the variation orders were not processed in Umoja when executed to adjust the contract amount. Instead, they were tracked on an excel spreadsheet and processed in Umoja only to the extent that the related work had been completed, certified, and billed by the general contractor. For example, variation 1 that included façade value engineering resulted in the contract value reducing by THB 44.9 million from a baseline of THB 884.9 million (\$26.1 million) to THB 840 million (\$24.8 million), which was the available budget at the time. However, this and subsequent variations were not processed through Umoja upon formal agreement with the general contractor.

37. In view of ongoing staff changes and potential loss of institutional memory, ESCAP could consider mechanisms to record variation orders and all other binding agreements on the SMP in a standardized manner in Umoja, to increase the visibility of the variation order process, ensure transparency of all commitments, and minimize the risk of lost, misfiled or incomplete documents.

ESCAP settled a long outstanding dispute with the original lead consulting firm

38. A long outstanding contract disagreement between ESCAP and the original lead consulting firm (LCF) was settled amicably through a settlement and release agreement dated 4 October 2023, with support from the Procurement Division and Office of Legal Affairs throughout the settlement negotiations. ESCAP agreed to release the LCF from performing any construction administration activities under the original

⁵ Variation orders are the tools used by ESCAP to instruct the general contractor to implement changes to the scope, timing, quality and other attributes of the project as defined in clause 13 of the contract.

contract and related amendments (which are now being conducted by a different construction administration firm), and to return the performance bond to the contractor within 10 days of receiving a nominal settlement amount of \$20,000. The parties released each other from all current or future claims. All legal obligations were satisfied, and the contract was closed.

IV. ACKNOWLEDGEMENT

39. OIOS wishes to express its appreciation to the management and staff of ESCAP 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 the seismic mitigation retrofit and life-cycle replacements project in the
Economic and Social Commission for Asia and the Pacific**

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	C/ O ⁸	Actions needed to close recommendation	Implementation date ⁹
1	ESCAP should, in consultation with the Global Asset Management Policy Service and the members of the Stakeholders Committee, formally assess the Committee's role for the remaining phases of the project and make appropriate adjustments to the project governance documents.	Important	O	Receipt of the results of the formal assessment of the Stakeholders Committee's role for the remaining phases of the project and the updated project governance document.	31 March 2025
2	ESCAP should engage further with key vendors and stakeholders to identify, quantify and eliminate sources of inefficiency during phase 1 construction with a view to improving timeliness, quality, and overall performance during phase 2 construction.	Important	O	Receipt of an updated lessons learned document addressing key root causes for delays and inefficiencies during phase 1 and a plan of action to prevent recurrence.	31 December 2024

⁶ 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.

⁷ 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.

⁸ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁹ Date provided by ESCAP in response to recommendations.

Pictures of project status as of May 2024

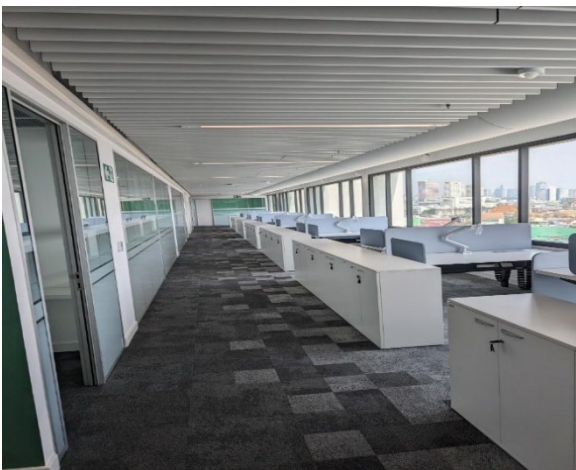
Audit of the seismic mitigation retrofit and life-cycle replacements project in the Economic and Social Commission for Asia and the Pacific



Picture 1 Middle section with focus rooms



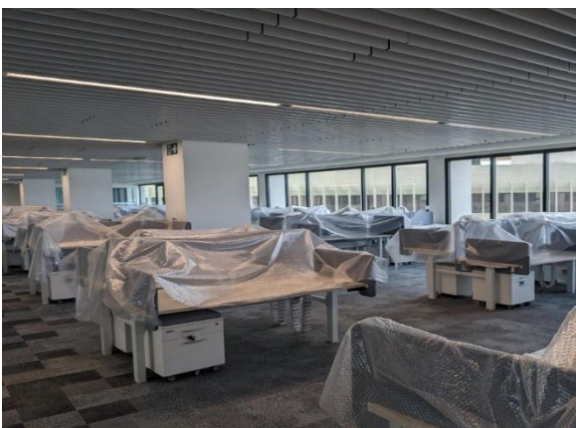
Picture 2 Storage lockers



Picture 3 Standard desks in an open office



Picture 4 Ceiling on completed floor



Picture 5 Standard desks in a different floor plan



Picture 6 Barricades blocking the construction zone

APPENDIX I

Management Response

Management Response

**Audit of the seismic mitigation retrofit and life-cycle replacements project in the
Economic and Social Commission for Asia and the Pacific**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ESCAP should, in consultation with the Global Asset Management Policy Service and the members of the Stakeholders Committee, formally assess the Committee's role for the remaining phases of the project and make appropriate adjustments to the project governance documents.	Important	Yes	Chief, Facilities Management Unit	Q1 2025	ESCAP, in consultation with GAMPS and members of the Stakeholders Committee, are formally assessing the Committee's role for the remaining phases of the project and will adjust the relevant project governance document accordingly. The aim is to reinvigorate the Stakeholders Committee for the remainder of the project, including inviting GAMPS as an ex-officio member to formal meetings.
2	ESCAP should engage further with key vendors and stakeholders to identify, quantify and eliminate sources of inefficiency during phase 1 construction with a view to improving timeliness, quality, and overall performance during phase 2 construction.	Important	Yes	Chief, Facilities Management Unit	Q4 2024	To improve the timelines and efficiencies for Phase 2 and ensure the project is delivered within the agreed schedule and budget, ESCAP is in the process of conducting a Phase 1 lessons-learned analysis from the project perspective. Additionally, ESCAP engaged with the general contractor and the construction administration firm to gather input on the reasons and circumstances leading to the current delays and performance issues. Once the contractors provide their feedback, ESCAP will share a summary with the OIOS.

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.