



INTERNAL AUDIT DIVISION

REPORT 2018/002

Audit of procurement and contract management in the Investment Management Division of the United Nations Joint Staff Pension Fund

There was need to improve the utilization of office space, assess the needs for investment advisors, and minimize the repeated extension of current contracts without conducting fresh solicitations

26 January 2018
Assignment No. AS2017/801/02

Audit of procurement and contract management in the Investment Management Division of the United Nations Joint Staff Pension Fund

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and contract management in the Investment Management Division (IMD) of the United Nations Joint Staff Pension Fund (UNJSPF). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over procurement and contract management in IMD/UNJSPF. The audit covered the period from January 2014 to July 2017 and included a review of risk areas in procurement which included needs assessment, vendor evaluation and selection, and contract management.

There was need to improve the utilization of office space, assess the needs for investment advisors, and minimize the repeated extension of current contracts without conducting fresh solicitations.

OIOS made four important recommendations. To address the issues identified in the audit, IMD needed to:

- Collaborate with the UNJSPF Secretariat to review the Fund's current occupancy on the various floors of the 1 Dag Hammarskjold Plaza building for appropriate rationalization and redistribution of office space to prevent unnecessary expenditures;
- Take necessary action to recover the landlord's share of the renovation cost without further delay;
- Assess the investment expertise available in-house to manage each investment portfolio and accordingly determine the need for external investment advisors; and
- Strengthen its acquisition planning and initiate timely action for solicitation of goods and services relating to expiring contracts instead of repeatedly extending them.

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

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. AUDIT RESULTS	2-8
A. Lease and renovation of additional office space	2-5
B. Investment advisors	5-6
C. Acquisition planning	6-8
IV. ACKNOWLEDGEMENT	9
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

Audit of procurement and contract management in the Investment Management Division of the United Nations Joint Staff Pension Fund

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and contract management in the Investment Management Division (IMD) of the United Nations Joint Staff Pension Fund (UNJSPF).

2. The Secretary-General has the fiduciary responsibility for the investments of UNJSPF and this responsibility is delegated to the Representative of the Secretary-General (RSG) for the investment of the assets of the UNJSPF. IMD assists the RSG in managing the investments of the Fund. IMD spent \$44.4 million on non-staff expenditures for the biennium 2014-2015 and budgeted \$55.5 million for the biennium 2016-2017 as shown in Table 1.

Table 1

Actual and budgeted non-staff expenditures of IMD for the biennia 2014-2015 and 2016-2017

Item description	Thousands of United States dollars			
	Actual expenditure 2014-2015	Percentage	Proposed budget 2016-2017	Percentage
Contractual services	33,167	74.8	43,640	78.6
Office lease	7,686	17.3	6,617	11.9
General operating expenses	1,210	2.7	734	1.3
Travel	854	1.9	2,159	3.9
Consultant	756	1.7	1,114	2.0
Furniture and equipment	586	1.3	961	1.7
Supplies and materials	81	0.2	253	0.5
Hospitality	22	0.1	27	0.1
Total	\$44,362	100.0%	\$55,505	100.0%

Source: Financial statement for the biennium 2014-2015; Proposed budget for the biennium 2016-2017

3. By resolution 51/217 of 18 December 1996, the General Assembly requested the Secretary-General to continue to make available to the Fund the United Nations machinery for contracting and procurement. Except for procurement of low value requirements which UNJSPF conducted on its own, it utilized the services of the Procurement Division of the United Nations Secretariat whose functions are governed by the United Nations Financial Regulations and Rules (UNFRR) and the Procurement Manual.

4. The cost of contractual services was the largest non-staff expenditure in the biennium 2014-2015, representing 74.8 per cent. As of April 2017, IMD had 26 active contracts, 7 of which were in the process of renewal. Also, five requisitions raised by IMD were at various stages in the procurement process.

5. Comments provided by IMD and the Department of Management (DM) are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over procurement and contract management in IMD/UNJSPF.

7. This audit was included in the 2017 OIOS risk-based work plan for IMD due to the usual risks associated with procurement of goods and services, including the risk that best value for money may not be secured.

8. OIOS conducted this audit from May to July 2017. The audit covered the period from January 2014 to July 2017, including amendments made during this period to previous contracts. Based on an activity-level risk assessment, the audit included a review of the risk areas in procurement, which included: needs assessment; vendor evaluation and selection; and contract management.

9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample review of procurement and contracts.

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

III. AUDIT RESULTS

A. Lease and renovation of additional office space

Need to rationalize and redistribute office space to prevent unnecessary expenditures

11. In September 2014, IMD leased an additional floor in the 1 Dag Hammarskjold Plaza (1 DHP) building for a period of six years with effect from 1 January 2015 at an annual cost of \$1.18 million. The need for additional workspace was justified based on the 19 new posts approved by General Assembly resolution 68/247 of 17 January 2014. The lease of the entire 5th floor of the 1 DHP building increased IMD's workspace capacity by 55 offices and workstations combined.

12. The additional posts had been requested by the then RSG to replace external advisors with in-house expertise to reduce costs. The new RSG hired in October 2014 assumed the responsibility for implementing some of the plans which were already underway, including recruitment for the new posts and acquisition of the lease for additional workspace, as well as its renovation. The lease was based on the notion that the 5th floor will require minimum renovation; accordingly, a provision of \$1 million was made in the budget. However, the actual cost of renovation was \$3.42 million as shown in Table 2.

Table 2
Actual cost of renovation: 5th floor of 1 DHP building

Thousands of United States dollars	
Actual renovation cost	Amount
Design and architecture	154
Labour and materials, renovation	2,790
Furniture and appliances	425
Others: System security, estimator	50
Total actual renovation cost (including landlord's contribution of \$923,880 less adjustment for use of elevator beyond 200 hours during the renovation)	3,419

13. The initial estimated duration of the project was 18 months from the date of the lease; the renovation was thus expected to be completed by 1 July 2016. The landlord gave a credit of five months' rent to allow for the renovation to be completed. IMD began occupying the 5th floor in February 2016 (i.e., 13 months after commencement of the lease). At the time of the audit, the completion certificate (signifying that the work was completed based on design and quality standards acceptable to both parties) was still pending.

14. OIOS noted the following with regard to the renovation project:

(a) Actual cost far exceeded the budget estimate

15. Chapter 1.2 of the Procurement Manual states that the best value for money principle is applicable throughout the acquisition process (i.e., planning, vendor identification, evaluation and source selection, risk assessment and contract management including vendor performance assessment).

16. While the budget included an estimate of \$1 million for the renovation project, the actual cost was \$3.42 million¹ (including the landlord's contribution of \$923,880 less adjustment for use of elevator beyond 200 hours during the renovation). There was no documentation to enable assessment of reasonableness of the estimate of \$1 million. It was therefore unclear whether the costs incurred were reasonable, particularly because the contract was not awarded on a competitive basis as explained below.

(b) Unit prices in the systems contract were not used

17. Chapter 13.9 of the Procurement Manual states that the intent of systems contracts is to secure competitive prices for the duration of the contract. The unit price offered by the vendors should also be lower due to the larger volumes, thereby making it possible to realize economies of scale for both parties.

18. When IMD contracted the lease of the entire 5th floor of 1 DHP, the renovation project was assigned to a project manager from the UNJSPF Executive Office, which served both the Fund Secretariat and IMD. An existing system contract was to be used that covered all works for the United Nations. This system contract provided for fixed unit prices for the on-call construction services with a general contractor ("Contractor A"). The renovation included works of one or more categories as specified in the contractor's price proposal except for the audio-visual component which was also entrusted to Contractor A. However, the unit prices in the systems contract were not used in the price proposal submitted by Contractor A.

19. *DM stated that the contract rates could not be applied because the landlord only allowed the use of union labour. This old contract did not include union rates, therefore new proposals had to be obtained from Contractor A. Although the requirement for union labour in 1 DHP building meant that majority of the unit rates were not applicable, the contract clearly permitted the Contractor to propose alternative prices subject to mandatory review by the independent cost estimator. All of the construction components of the 1 DHP 5th floor project were checked by the independent cost estimator and found to be in line with the market on this basis.*

20. IMD also raised two change orders although according to the systems contract, the related costs were to be covered by Contractor A. These were as follows:

- After approving a purchase order amounting \$2.2 million, the project manager requested an increase of the total cost by \$50,000 to cover contingent fees. There was no provision for any contingent fees in the systems contract.
- Contractor A charged IMD an amount of \$23,441 to install an additional smoke detector after failing a fire inspection. But according to the systems contract, "additional costs incurred because of fire, safety or city code violations are to be exclusively borne by the contractor." Yet, upon the request by IMD, a purchase order was issued to obligate funds for the payment of labour and materials for one smoke detector in the amount of \$23,441. The amount included three price mark-

¹ The total cost of \$3.42 million included approximately \$2.7 million paid to Contractor A. The remainder related to requirements awarded to other vendors through separate contracts.

ups from Contractor A and a sub-contractor, plus “expediting fees”. A normal smoke detector costs around \$50 and needs less than two hours work for installation and testing. At the time of the audit, the payment of \$23,441 to Contractor A was put on hold.

21. There was an uncollected amount of \$923,880 representing the landlord’s contribution towards the cost of alterations to the 5th floor, including installation of sprinklers and electrical sub-meters. This amount was subject to adjustment for freight elevator service above 200 hours at \$55 per hour from the start of renovation until IMD’s initial move into the 5th floor, which took place in February 2016. At the time of the audit, this amount was yet to be recovered from the landlord because Contractor A refused to issue the completion certificate unless the smoke detector charge of \$23,441 was resolved to his satisfaction.

(c) Lease of the 5th floor resulted in acquisition of unnecessary space at considerable cost

22. Before leasing the 5th Floor of 1 DHP building, IMD was already occupying the 20th floor and a portion of the 30th floor in the same building. The workspace on both these floors combined provided for 44 offices for Director/Professional staff and 42 work stations for General Service staff. At that time, there were 65 authorized posts (38 Director/Professional and 27 General Service) in IMD. Therefore, before the lease of the 5th floor, IMD had unoccupied workspace of 6 offices (for Director/Professional staff) and 15 workstations (for General Service staff).

23. IMD’s decision to lease the entire 5th floor resulted in provision of additional workspace for 55 staff (27 offices for Director/Professional and 28 workstations for General Service) whereas the 19 new posts required only 10 additional offices for the 16 new Director/Professional staff; the remaining 3 General Service staff could be accommodated on the 20th or 30th floors within the existing (surplus) workstations. It was clear at the time of the lease of the 5th floor that there would be excess workspace to the extent of 17 offices for Director/Professional staff and 28 workstations for General Service staff. Documentation reviewed by OIOS showed that even though the building administrator presented IMD with several other options for lease of additional workspace, including renting of partial spaces, IMD decided to lease the entire 5th floor despite knowing that the space being acquired was far in excess of what was needed at the time.

24. According to the standards for office space established by the Capital Master Plan (CMP) of the United Nations Secretariat, the 19 additional posts would have required about 4,050 square feet of workspace, including provision for non-staff requirements and shared areas. Compared to this, the 5th floor provided IMD with an additional 23,000 square feet which was more than 5 times the space required per CMP standards.

25. IMD’s decision in 2014 to lease the entire 5th floor (which had capacity for 27 offices and 28 workstations as against the 10 additional offices required to accommodate the new 16 Director/Professional posts authorized at that time) resulted in overprovisioning of workspace to the extent of 17 offices and 28 workstations at considerable cost to the Organization. As of 30 June 2017, after making an allowance for shared space and common areas, IMD had surplus workspace comprising 14 offices for Director/Professional staff and 30 workstations for General Service staff. The additional lease involving an annual expenditure of \$1.18 million and the renovation cost of \$2.5 million (net after recovery of the landlord’s contribution) could have been avoided by pursuing cost-effective options, including consolidation of the Fund’s workspace or rental of partial workspace. Injudicious and uneconomical acquisition of workspace has been causing avoidable expenditure to the Fund since 2015; this has been further aggravated by delays in recruitment for the new posts and attrition in personnel which contributed to even lower utilization of the workspace due to vacancies.

IMD needs to take immediate action to avoid additional losses to the Fund through idle, unutilized workspace it continues to pay for after having renovated it at considerable cost. The RSG stated that in April 2017, IMD initiated efforts with the Fund Secretariat to address this issue, and that the discussion was resumed in October 2017. OIOS notes that these discussions have so far not been productive due to disagreement between IMD and the UNJSPF Secretariat on the way forward. OIOS is of the view that IMD needs to work out a solution in collaboration with the UNJSPF Secretariat to ensure that the total available space invested in is productively used by the Fund through consolidation of requirements, rationalization of occupancy by both sides of the Fund on the various floors of the building, and surrender of excess space that is no longer required. Failure to do so would result in additional losses with attendant risks to the Fund's reputation.

(1) IMD should collaborate with the UNJSPF Secretariat to review the Fund's current occupancy on the various floors of the 1 DHP building for appropriate rationalization and redistribution of office space to prevent unnecessary expenditures.

IMD accepted recommendation 1 and stated that IMD and the UNJSPF Secretariat have now created a joint office space working group, reporting to the RSG and the Chief Executive Officer of the Fund Secretariat. The mandate of this working group is to present options within the next six months for rationalization and optimization of the collective office space to be used jointly by IMD and the UNJSPF Secretariat. Historically, IMD has relied on the guidance of the UNJSPF Secretariat for purposes of the administrative services provided to it, including the execution of facilities management projects. In light of the OIOS recommendation, going forward, IMD will ensure that the Executive Office of UNJSPF reports directly to and receives guidance from the RSG with respect to the services provided by the Executive Office to IMD. Recommendation 1 remains open pending receipt of evidence of action taken by IMD to prevent unnecessary expenditures arising from unproductive and uneconomical use of space on the various floors of the 1 DHP building.

(2) IMD should take necessary action to recover the landlord's share of the renovation cost without further delay.

IMD accepted recommendation 2 and stated that the mandate of the aforementioned working group includes recovery of the landlord's share of the renovation cost. Recommendation 2 remains open pending receipt of evidence that the landlord's share of the renovation cost has been recovered.

B. Investment advisors

Need to evaluate in-house investment expertise to determine the use of external advisors

26. Investment advice is necessary for the investment of pension assets in certain strategic and tactical asset allocations. Prior to 2013, IMD had been heavily relying on external advisors for these insights to grow the Fund's assets. The objective of increased diversification of investments across different markets, asset classes and currencies around the world compounded the need for expert advisors.

27. In 2013, the then RSG made a strategic shift by deciding to replace external advisors with in-house expertise and accordingly requested additional posts for IMD. The then RSG had stated that IMD would no longer require all of the non-discretionary advisory services once the 19 new posts approved in 2014 were filled. External advisors cost the Fund around \$14.5 million per biennium. This cost did not include

the fees for external managers². Even though the decision has produced a net reduction³ in operational costs, OIOS was unable to establish how the strategy of replacing external advisors would generate the expected results.

28. The 19 new posts approved for IMD for the biennium 2014-2015 included 13 posts planned to work directly on the investment of UNJSPF assets and 6 for support services. At the time of this audit, only 2 of the posts approved were vacant. Further, IMD has discontinued the services of some non-discretionary advisors. The Fund's total investment is broadly divided into three main categories (excluding cash): Public Equity, Fixed Income, Real Asset and Alternative Investments. Public Equity and Fixed Income were about 90 per cent of total Fund's assets invested in public markets around the world. The remaining investment (about 10 per cent of total assets) were in Real Assets (mostly real estate) and Alternative Investments (mostly private equity funds). Table 3 shows which portfolio terminated its non-discretionary advisors and the estimated savings from advisory fees per biennium.

Table 3
Savings resulting from termination of contracts of non-discretionary investment advisors

Thousands of United States dollars			
Non-discretionary advisers fee per portfolio	Fee per Biennium	Discontinued in 2016-17	Renewed
Public Equity			
North America Equity	1,100	0	1,100
Europe Equity	2,100	(2,100)	0
Developed Market Asia Equity	1,480	(1,480)	0
Global Emerging Market, Asia Equity	1,500	0	1,500
Global Emerging Market Ex-Asia Equity	1,600	0	1,600
Fixed Income	3,400	(3,400)	0
Alternative Assets			
Real Estate Funds	900	0	900
Private Equity Funds	2,400	(240)	2,160
Total	14,480	(7,220)	7,260
Expected Savings per Biennium		7,220	

Source: Based on budget estimates for the biennium 2016-2017, Supplementary information as submitted to the Pension Board

29. The Europe and Developed Market Asia Equity portfolio discontinued their non-discretionary advisory services even without the benefit of adding new posts. The Fixed Income portfolio discontinued its advisory services with the addition of two new posts. North America and Global Emerging Market equity portfolios and the Alternative Investment portfolios continued to use their respective non-discretionary advisory services while adding investment officers at the same time. In October 2015, the advisor for the North America equity portfolio was terminated and there was no replacement as of October 2017. This indicates that either the advisory service was not necessary in the first place or that IMD took the risk of not having adequate expertise for making investment decisions on its North America portfolio for almost two years.

30. For support services, even though two posts (part of the 19 new posts) were established for Risk Management and Compliance and the Operations and Information Systems Sections, external consultant services continued to be procured at the same time for risk assessment and target operating model, respectively.

31. There were no guidelines or documented process on how to assess the actual needs in terms of the required expertise to achieve objectives and avoid duplication with external services. Further, in the

² External managers (discretionary) are differentiated from external advisors (non-discretionary) in the sense that they hold investment authority over a portfolio of investments owned by UNJSPF. They make active investment decisions on these portfolios while external advisors do not and are limited to an advisory role. The total fee for external managers is no longer disclosed as budgeted expenditure; instead, it is subtracted directly from investment income starting in biennium 2014-15 and does not require budgetary approval.

³ Net reduction is the difference between the total savings from discontinuing external advisors and the cost of additional posts as replacement.

absence of a documented inventory of internal expertise, there is no assurance that advisory services would not duplicate the capacity available in-house. IMD needs to assess and document an inventory of internal expertise to avoid duplication or gaps in the use of external investment advisors.

(3) IMD should assess the investment expertise available in-house to manage each investment portfolio and accordingly determine the need for external investment advisors.

IMD accepted recommendation 3 and stated that it has already initiated the development of a repertory of investment and other professional skills and expertise available in-house, and will use this repertory to evaluate future need for external investment advisors. Net savings of \$3.6 million per biennium have already been achieved by reducing the use of external advisors. IMD's current investment costs are also very low compared to its global pension fund peers – a third-party study shows IMD investment costs to be 45 per cent lower than the median costs for 18 other global pension fund peers. Consequently, IMD is of the view that it would be prudent to continue the use of some of the Fund's non-discretionary advisors in order to safeguard access to additional high-quality expertise and resources. Recommendation 3 remains open pending receipt of documentation showing a needs assessment of external investment advisors taking into consideration the investment expertise available in-house.

C. Acquisition planning

There was repetitive use of extensions and amendments instead of conducting formal solicitations

32. Chapter 15.7 of the Procurement Manual states that contracts shall not be increased or extended as a means for unduly avoiding competitive solicitation for the requirement, and they shall only be amended to reflect a development in the contractual arrangement.

33. In the sample review of the contracts, all the eight contracts were extended beyond the originally agreed terms, as shown in Table 4. For example, the contract for custodian services established the term as three years with option of an additional year. However, IMD extended the contract beyond four years by issuing eight amendments.

Table 4
Contract amendments in terms and price

Contracted service	Amendments in:	
	Terms	Price
Investment custodian	8	1
Risk analysis	4	1
External manager	3	
External manager	3	
Global strategy advisor	2	
Non-discretionary advisor	2	
Non-discretionary advisor	1	
Non-discretionary advisor	1	

34. Moreover, two of the eight contracts showed amendments that increased the original price to include products or services that were not in the original statement of work. For example: (i) the contract for Master Record Keeper services was amended to include access to a software developed by a third-party; and (ii) the contractor for a system that generates daily risk reports allowing the investment officers to review the risk-adjusted performance of equity and bond portfolios in relation to the respective benchmarks increased its price for including performance attribution by more than 100 per cent. These amendments

reflected the cost of incorporating new products or software into the contracts without competitive bidding. The Headquarters Committee on Contracts approved all these amendments on the basis that they were enhancements.

35. The audit showed that extending the contract beyond the originally agreed term had become the norm in IMD rather than the exception. While the investment nature of services and time constraints may have caused the use of amendments instead of conducting formal solicitations, repeated deviation from competitive procurement may compromise the fairness and transparency of the process.

(4) IMD should strengthen its acquisition planning and initiate timely action for solicitation of goods and services relating to expiring contracts instead of repeatedly extending them.

IMD accepted recommendation 4. Recommendation 4 remains open pending receipt of evidence of action taken by IMD to strengthen its acquisition planning and initiate timely action for solicitation of goods and services relating to expiring contracts.

Need to avoid overlapping services

36. OIOS review of 12 of the 26 active contracts pertaining to the scope period showed that for some products and services, IMD had overlapping contracts as shown in Table 5.

Table 5
Contracted products and services which had more than one provider

Area of duplication	Service requirements	No. of contracts fulfilling similar requirements
Performance attribution for public equity	Periodic reporting of investment asset values for public equity	3
Performance attribution for alternatives	Periodic reporting of investment asset values for alternative investments	3
Trade Settlement	Settlement of trades after execution	2
Performance Analytics	Analysis of security performance and its impact on portfolio	3
Foreign Exchange	Execution of foreign exchange	3
Risk Analytics	Analysis of investment risks	3

37. Evidently, during needs assessment and establishment of new contracts, IMD did not recognize the availability of similar or identical services in existing contracts that could satisfy the needs of requisitioners. There was no central function to oversee the planning phase of the acquisition process to identify and avoid redundancies.

38. During the audit, IMD engaged the services of a consultant to develop a target operating model for its information and communications technology (ICT) needs which involved a review of ICT applications and infrastructure in IMD. The review should enable IMD to address its ICT needs in a more holistic manner. IMD stated that the advice provided by the consultant would be considered moving forward. In view of the action initiated in this regard by IMD, OIOS did not make a recommendation.

IV. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

**Audit of procurement and contract management in the Investment Management Division of the
United Nations Joint Staff Pension Fund**

Rec. no.	Recommendation	Critical ⁴ / Important ⁵	C/ O ⁶	Actions needed to close recommendation	Implementation date ⁷
1	IMD should collaborate with the UNJSPF Secretariat to review the Fund's current occupancy on the various floors of the 1 DHP building for appropriate rationalization and redistribution of office space to prevent unnecessary expenditures.	Important	O	Receipt of evidence of action taken by IMD to prevent unnecessary expenditures arising from unproductive and uneconomical use of space on the various floors of the 1 DHP building.	31/12/ 2018
2	IMD should take necessary action to recover the landlord's share of the renovation cost without further delay.	Important	O	Receipt of evidence that the landlord's share of the renovation cost has been recovered.	31/12/ 2018
3	IMD should assess the investment expertise available in-house to manage each investment portfolio and accordingly determine the need for external investment advisors.	Important	O	Receipt of documentation showing a needs assessment of external investment advisors taking into consideration the investment expertise available in-house.	31/12/ 2018
4	IMD should strengthen its acquisition planning and initiate timely action for solicitation of goods and services relating to expiring contracts instead of repeatedly extending them.	Important	O	Receipt of evidence of action taken by IMD to strengthen its acquisition planning and initiate timely action for solicitation of goods and services relating to expiring contracts.	31/12/ 2018

⁴ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

⁵ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁶ C = closed, O = open

⁷ Date provided by IMD in response to recommendations.

APPENDIX I

Management Response

Management Response

**Audit of procurement and contract management in the Investment Management Division of the
United Nations Joint Staff Pension Fund**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	IMD should collaborate with the UNJSPF Secretariat to review the Fund's current occupancy on the various floors of the 1 DHP building for appropriate rationalization and redistribution of office space to prevent unnecessary expenditures.	Important	Yes	IMD Director	Year End 2018	<p>IMD and the UNJSPF Secretariat have now created a joint office space working group, reporting to the RSG and the CEO of the Fund Secretariat. The mandate of this working group is to present options within the next six months for rationalization and optimization of the collective office space to be used jointly by IMD and the UNJSPF Secretariat.</p> <p>Historically, IMD has relied on the guidance of the UNJSPF Secretariat for purposes of the administrative services provided to it, including the execution of facilities management projects. In light of this OIOS recommendation, going forward, IMD will ensure that the Executive Office of the UNJSPF reports directly to and receives guidance from the RSG with respect to the services provided by the Executive Office to IMD.</p>
2	IMD should take necessary action to recover the landlord's share of the	Important	Yes	IMD Director	Year End 2018	Please refer to our response to Recommendation No. 1. This is part

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

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

Management Response

**Audit of procurement and contract management in the Investment Management Division of the
United Nations Joint Staff Pension Fund**

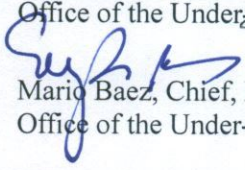
	renovation cost without further delay.					of the mandate of the office space working group.
3	IMD should assess the investment expertise available in-house to manage each investment portfolio and accordingly determine the need for external investment advisors.	Important	Yes	IMD Director	Year End 2018	<p>At the request of the RSG, IMD has already initiated the development of a repertory of investment and other professional skills and expertise available in-house, and will use this repertory to evaluate future need for external investment advisors.</p> <p>Net savings of \$3.6 million per biennium have already been achieved by reducing the use of external advisors. IMD's current investment costs are also very low compared to its global pension fund peers – a third-party study shows IMD investment costs to be 45% lower than the median costs for 18 other global pension fund peers.</p> <p>Consequently, IMD is of the view that it would be prudent to continue the use of some of the Fund's non-discretionary advisors in order to safeguard access to additional high quality expertise and resources.</p>
4	IMD should strengthen its acquisition planning and initiate timely action for solicitation of goods and services relating to expiring contracts instead of repeatedly extending them.	Important	Yes	IMD Director	Year End 2018	

United Nations  Nations Unies
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

TO: Mr. Gurpur Kumar, Deputy Director
A: Internal Audit Division, Office of Internal Oversight Services

DATE: 22 January 2018

THROUGH: Christian Saunders, Director
S/C DE: Office of the Under-Secretary-General for Management

FROM:  Mario Baez, Chief, Policy and Oversight Coordination Service
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an audit of procurement and contract management in the Investment Management Division of the United Nations Joint Staff Pension Fund (Assignment No. AS2017/801/02)**
OBJET:

1. We refer to the memorandum regarding the above-mentioned draft report dated 9 January 2018 and provide the following comments from the Department of Management (DM).
2. We note that OIOS amended paragraph 19 to include DM's comments. However, paragraph 16 still implies that the whole contract that was solicited was for \$3.42 million. As per previous comments by DM regarding construction works as set out in paragraph 16, the reference to a total award to Contractor A of \$3.42 million is erroneous since this total includes consultancy, carpet, security services and furniture requirements awarded via other contracts. The total award to Contractor A was approximately \$2.7 million.
3. OIOS further questions the reasonableness of the prices in paragraph 16. DM had previously commented on the process whereby projects procured under this systems contract were subject to checking by the independent cost estimator and it was ensured that the United Nations made awards for construction fit-out in line with market expectations.
4. With regards to concerns that best value for money was not obtained under this process, it should be noted that best value for money may only be demonstrated otherwise by individual competitive solicitations for each project and the on-call construction systems contract was set up as a means of procuring services without this time-consuming additional process.
5. DM requests OIOS to take the above comments into account in the final report.
6. Thank you for giving us the opportunity to provide comments on the draft report.

DM-2017-04010
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