



# **INTERNAL AUDIT DIVISION**

## **REPORT 2022/03**

---

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

**There was need to strengthen procurement and contract management in consultation with the Procurement Division**

**8 August 2022**

**Assignment No. AS2022-801-01**

# **Audit of procurement and contract management in the Office of Investment Management 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 Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund). The objective of the audit was to assess the adequacy and effectiveness of internal controls over procurement and contract management in OIM. The audit covered the period from 1 January 2019 to 31 December 2021 and included a review of: (i) delegation of authority; (ii) acquisition planning; (iii) solicitation and selection; and (iv) contract management.

The audit indicated the need for OIM to strengthen procurement and contract administration in consultation with the Procurement Division.

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

- Take steps, in consultation with the Procurement Division, to minimize the requests for waiver of competitive bidding;
- Review, in consultation with the Procurement Division, the current definition and interpretation of transactional costs for investment-related services to ensure operational effectiveness and efficiency of the procurement process;
- Strengthen contract management by: (i) including KPIs in contracts to improve the effectiveness of vendor performance evaluation; (ii) reviewing the continued needs for existing services; and (iii) initiating the contract renewal/extension process well in advance to avoid ex post facto approvals; and
- Clarify the relative roles of the Programme and Administration Section and the Programme and Vendor Management Unit to improve the effectiveness of the “Enterprise Vendor Management Office”.

OIM accepted the recommendations and has initiated action to implement them. Actions needed to close the recommendations are indicated in Annex I.

# CONTENTS

I. BACKGROUND	1-2
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. AUDIT RESULTS	2-9
A. Delegation of authority	2-3
B. Acquisition planning	3-4
C. Solicitation and selection	4-7
D. Contract management	7-9
IV. ACKNOWLEDGEMENT	9
ANNEX I	Status of audit recommendations
APPENDIX I	Management response

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

## I. BACKGROUND

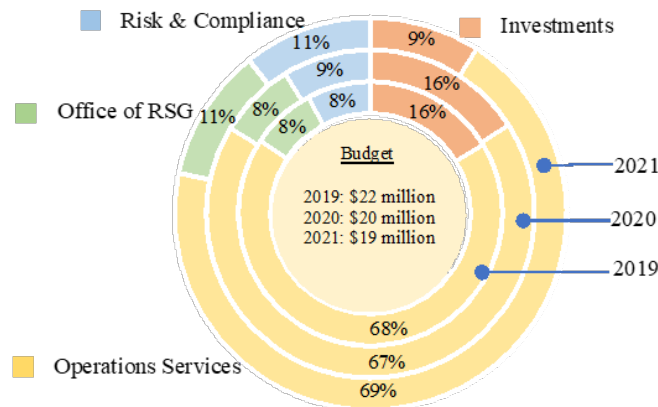
1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement and contract management in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (UNJSPF or the Fund).

2. In its resolution 248 (III) of December 1948, the General Assembly established UNJSPF and accorded the responsibility and authority for investment of the Fund's assets to the Secretary-General. In practice, the Secretary-General delegated his responsibility and authority to the Representative of the Secretary-General (RSG), who acts on his behalf in all matters involving investment of the Fund's assets. With the 118 approved posts, OIM assists the RSG in the day-to-day management of the Fund's investments which were valued at \$90 billion as of 31 December 2021.

3. Based on the memorandum of understanding between the United Nations and UNJSPF, the United Nations Procurement Division (PD) provides procurement services to OIM on a cost-recovery basis. According to the related service level agreement (SLA), OIM is to reimburse PD 100 per cent of the salary cost of a P-4 staff and 50 per cent of the salary cost of a P-3 and a General Service staff, which was estimated at \$326,450 for 2021. The United Nations Financial Regulations and Rules (FRRs) and the Procurement Manual govern the procurement of goods and services.

4. OIM incurred \$34 million per annum towards operational and administrative expenditures (excluding staff costs) from 2019 to 2021. The cost of contractual services was the largest item of expenditure and accounted for 59 per cent of non-staff costs. OIM budgeted \$22 million, \$20 million, and \$19 million for contractual services for 2019, 2020 and 2021, respectively. The largest requisitioner of contractual services was the Operations, Information Systems, and Programme and Administration Services (hereinafter referred to as "the Operations Services"), as its requirements accounted for 67-69 per cent of the total budget for contractual services for 2019-2021 as shown in Figure 1.

**Figure 1: Budget for contractual services by function for 2019-2021**



5. As of 31 December 2021, OIM had 74 active contracts. During the period from January 2019 to December 2021, OIM issued 641 purchase orders in the amount of \$55.4 million (see Table 1 below), out of which 245 were low-value acquisitions (LVA) of up to \$10,000 in each case, and 43 purchase orders

related to purchases under a United Nations system contract. The remaining 353 purchase orders were issued for acquisitions through request for proposal (RFP), request for quotation (RFQ), or exceptional sourcing under Financial Rule 105.16 ("Exception to the use of formal methods of solicitation").

**Table 1: Purchase orders by the method of acquisition for 2019-2021**

Method	2019		2020		2021		2019-2021	
	Number	Value	Number	Value	Number	Value	Number	Value
LVA	85	207,893	76	142,161	84	183,593	245	533,648
United Nations systems contract	24	17,844	12	3,441	7	4,310	43	25,595
RFP/RFQ/other	115	18,130,617	109	16,413,498	129	20,296,522	353	54,840,637
Total	224	18,356,354	197	16,559,100	220	20,484,425	641	55,399,879

Source: Umoja reports

6. In coordination with PD, OIM's Programme and Administration Section (within the Operations Service) facilitates the procurement and contract management process. The Section was composed of five staff reporting to the Chief Operating Officer (COO), who headed the Operations Service.

7. Comments provided by OIM are incorporated in italics.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of internal controls over procurement and contract management in OIM.

9. This audit was included in the 2022 risk-based work plan of OIOS due to the high risks associated with procurement and contract management.

10. OIOS conducted this audit from January to April 2022. The audit covered the period from 1 January 2019 to 31 December 2021. Based on an activity-level risk assessment, the audit covered risks areas in procurement and contract management, which included: (i) delegation of authority; (ii) acquisition planning; (iii) solicitation and selection; and (iv) contract management.

11. The audit methodology included: (a) interviews with key personnel; (b) analytical review of data in Umoja; and (c) review of relevant documentation on a sample basis, including 5 of 15 procurement case files (30 per cent) and 15 of 49 active contracts (30 per cent).

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

## III. AUDIT RESULTS

### A. Delegation of authority

#### Action was taken to appoint certifying officers under the new delegation of authority

13. For the purposes of decentralizing decision-making, aligning authorities with responsibilities, strengthening accountability and enabling effective mandate delivery, on 1 January 2019, the Secretary-General introduced a new framework for delegating increased authority directly to heads of entities in areas of human resources, budget and finance, procurement and property management. Heads of entities were

issued with a new delegation of authority under the new framework and all previous delegations and sub-delegations of authority were rescinded at the same time.

14. Under the new delegation of authority framework, heads of entities should formally sub-delegate certifying authority and appoint certifying officers, including officers that were exercising such authority prior to the new framework. The two certifying officers in the Programme and Administration Section had not been reappointed under the new delegation of authority and continued to perform their roles without formal delegation of authority. During the audit, this anomaly was corrected, and the RSG appointed the certifying officers under his delegated authority.

## **B. Acquisition planning**

### Acquisition planning was adequate

15. Acquisition planning is an essential phase in the overall procurement process. It seeks to effectively and systemically forecast the entity's requirements based on demand plans generated by the end-users. The Programme and Administration Section facilitates OIM's acquisition planning in conjunction with the preparation of the annual budget. OIOS' review indicated that acquisition planning was generally effective, as 94, 95 and 88 per cent of purchase orders in 2019, 2020 and 2021, respectively, were supported by the corresponding acquisition plans, as shown in Table 2.

**Table 2: Planned purchases versus ad hoc purchases from 2019 to 2021**

Planned/ad hoc purchases	2019		2020		2021	
	Value	%	Value	%	Value	%
Purchases based on acquisition plan	17,008,955	94%	15,643,145	95%	17,836,283	88%
Ad hoc purchases	1,139,506	6%	773,794	5%	2,464,549	12%
Total purchase order issued (excl. LVA)	18,148,461	100%	16,416,938	100%	20,300,832	100%

Source: OIM acquisition plans, Umoja reports

16. In 2021, ad hoc purchases increased to 12 per cent of total purchases, principally due to the renovation work for the office space (\$1.8 million) and the implementation of the culture transformation programme (\$0.4 million). The renovation work was not budgeted because it was contingent on lease renewal, which was formalized six months after the budget submission for 2021. Similarly, the requirement of the culture transformation programme was also initiated after the budget submission. Considering that: (i) OIM had established the annual process to consult with each function to identify requirements and develop the acquisition plans; (ii) ad hoc purchases were kept relatively low at 5-6 per cent in 2019 and 2020; and (iii) ad hoc purchases during 2021 were isolated cases rather than a trend, OIOS concluded that OIM's acquisition planning was adequate.

### Need to strengthen the source selection planning process

17. OIM prepared source selection plans (SSP) for the goods and services reflected in the acquisition plan. OIOS' review of all 13 acquisitions under RFPs which were issued from 2019 to 2021 showed that seven cases (64 per cent) were considered complex, and their SSPs were prepared about six months before the goods and services were required. However, only one of these cases resulted in receipt of the required services before the target date in the SSP. The remaining six exceeded the target date by an average of 13 months due to a prolonged acquisition process explained later in the report. The review further showed that duplication or changes in the scope of work in three cases led to the cancellation of the procurement exercise after the RFP was issued. In another case, OIM could not reach an agreement with the vendor in

the contract negotiation stage, which also led to the cancellation of the procurement exercise. These cancellations represented a wasted effort for OIM and PD.

18. The issues noted above occurred due to: (i) inadequacies in preparation of specifications/statement of work; and (ii) gaps in understanding the requirements during the planning stage. Since then, based on a recommendation made in OIOS Report 2020/056, OIM has implemented corrective measures by conducting mandatory training for requisitioners, developing guidelines on requisitioning, and establishing workflows for RFPs and RFQs. In view of these actions taken by OIM, OIOS did not make a recommendation in the present report.

## C. Solicitation and selection

### Need to minimize requests for a waiver of competitive bidding

19. The procurement procedures encourage the minimum use of exceptions to formal methods of solicitation except for acquisitions below the threshold (i.e., \$10,000 for LVAs and \$150,000 for RFQs). A procurement official should conduct a thorough supply market analysis before approving a waiver to competitive bidding.

20. After approval by PD, OIM had exercised a waiver for competitive bidding for 40, 58, and 45 per cent of its total procurement (in terms of value) in 2019, 2020 and 2021, respectively, as shown in Table 3.

**Table 3: Use of waivers for competitive bidding from 2019 to 2021**

Year	2019		2020		2021	
Method	Value	%	Value	%	Value	%
RFP/ITB	10,789,997	59%	6,826,790	42%	11,195,632	55%
RFQ	90,171	1%	17,271	0%	59,478	0%
Waiver for competitive bidding	7,268,293	40%	9,572,877	58%	9,045,722	45%
Total	18,148,461	100%	16,416,938	100%	20,300,832	100%

Source: Umoja reports

21. OIM's use of waivers was significantly higher than other entities that use the procurement services of the United Nations Secretariat; according to OIOS Report 2019/111, about 21 per cent of the total value of contracts and purchase orders in the United Nations Secretariat were exceptions to formal methods of solicitation in 2017 and 2018. While all such waivers were approved by PD, OIM needs to review the underlying causes for its high percentage of waivers. For example, in November 2021, OIM requested a waiver for competitive bidding to select a new contractor for investment transactions and reporting services on the grounds that there was no competitive marketplace for the requirement. However, OIOS noted that suppliers of similar size existed in the marketplace, including one that had previously provided similar services to OIM satisfactorily.

22. Further, OIOS reviewed 7 of the 22 contracts (30 per cent) which were entered with a waiver for competitive bidding to determine whether a thorough supply market analysis was done before requesting a waiver. In six of the seven cases, OIOS could not confirm that such analysis took place. There were at least three cases where the vendor that was selected on a sole-sourcing basis was re-selected through a subsequent competitive bidding, which implied that a competitive marketplace did exist. The initial contract may also have unintendedly given these vendors an advantage in the subsequent competition due to the knowledge gained of OIM's business and requirements. OIM needs to intensify its efforts to ensure that the percentage of procurement based on waiver of competitive bidding is minimized.

**(1) OIM, in consultation with the Procurement Division, should take steps to minimize the requests for waiver of competitive bidding.**

*OIM accepted recommendation 1 and stated that it will coordinate with PD on this recommendation.*

Need to reassess the definition and interpretation of transactional costs

23. According to the UNJSPF financial rules, "fees, commissions, or other similar amounts paid by the Fund on the authorization of the RSG to brokers or dealers in securities, to discretionary investment advisers or managers, or otherwise incurred on the authorization of the RSG in connection with a transaction carried out for the investment of the assets of the Fund shall be regarded as constituting transactional costs relating to the Fund's investments." Transactional costs are managed by different rules and procedures from those of procurement.

24. OIM first applied the concept of transactional cost in 2011 and treated only the cost of discretionary investment managers for Small Cap investments as transactional cost. OIM has since applied the same interpretation to distinguish transactional costs from administrative costs as the former follows a different process than the procurement process.

25. However, certain types of services required by OIM, while being outside the current interpretation of transactional costs, are, in fact, inseparable from investment transactions, and they may thus be unsuited for the procurement process. For instance, OIM uses the three major credit rating agencies for the management of the Fixed Income portfolio. There is a continuous need for their services. As credit rating is a highly concentrated market, the three companies hold a collective global market share of more than 95 per cent. Also, they have been the only nationally recognized statistical rating organizations in the United States for decades. Due to their establishment and market concentration, replacing them with other vendors would be unrealistic. Based on the current interpretation, OIM followed the procurement process to establish contracts with these agencies by obtaining a waiver of competitive bidding and extending the contracts every 1-2 years by issuing contract amendments. PD issued seven amendments to extend these contracts in the past three years. In addition, the prices of services were regularly adjusted for inflation, which also resulted in the issuance of multiple amendments to the contracts.

26. Further, there were the services that are also considered administrative costs but inseparable from OIM's investment strategies. For example, OIM uses the rating services for Environmental, Social and Governance (ESG) investments. Based on the database provided by the vendor, OIM set the ESG targets, developed the strategies, computed the ESG scores of the Fund's portfolio and reported the progress against the targets. Changing the vendor would entail re-performing such steps, which could likely result in an adjustment to the targets, scores and reported progress. Therefore, if OIM decides to replace the vendor, it should be the investment strategy that drives the decision rather than the procurement requirement.

27. Given the growth of the Fund's portfolio since 2011 and the increased number and complexity of services required to manage it, it would be beneficial to reassess the definition and interpretation of transactional costs from the standpoint of operational effectiveness and efficiency while ensuring internal controls over the management of such costs.

**(2) OIM, in consultation with the Procurement Division, should review the current definition and interpretation of transactional costs for investment-related services to ensure operational effectiveness and efficiency of the procurement process.**



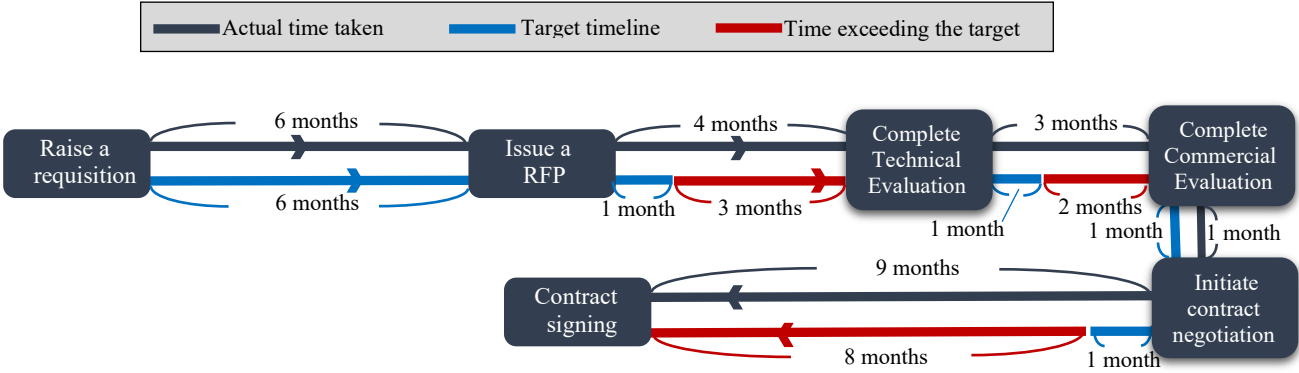
*OIM accepted recommendation 2 and stated that it will coordinate with PD on this recommendation.*

Action was initiated to address the delays in the contract negotiation phase

28. Timely delivery of required goods and services is essential to the fulfilment of business objectives. Delays in delivery often result in postponement of projects, extensions of existing contracts and failure to meet the operational needs in a timely manner.

29. There was an average of 13-month delay in acquiring services through RFPs in comparison to the target dates in SSPs. Figure 2 shows the average time taken in the major phases of the procurement process in comparison to the target timeline. The bottleneck is in the contract negotiation phase as the process took nine months on average, exceeding the target by eight months. Significant delays were observed for three complex and high-value contracts, which took 1-2 years in the contract negotiation phase. The prolonged procurement process resulted in multiple extensions of the existing contract.

**Figure 2: Average time taken by phase in comparison to the target**



30. The contract negotiation phase involves the assistance of the Office of Legal Affairs (OLA). OIM introduced the new arrangement in 2022, whereby the Senior Legal Officer of OLA, whose post is funded by OIM, directly works with the legal team in OIM. This arrangement is expected to improve coordination and collaboration with OLA, thereby facilitating the contract negotiation process. OIOS will review the impact of the current arrangement on the procurement process in future audits.

OIM generally complied with the procurement procedures with some exceptions

31. The purpose of the procurement procedures is to ensure that requisitioning offices achieve the best value for money through a fair, competitive and transparent acquisition process. It is therefore important to follow the established procedures and minimize exceptions.

32. OIM generally complied with the procurement procedures in the solicitation and selection process, with some exceptions. Such exceptions include the following instances: (i) a RFP was kept open only for 17 days against the required 21 days in one acquisition without documented justification; (ii) OIM used an expert service that cost \$150,000 a year for three years without establishing a contract; and (iii) the services of three LVA vendors were recurring requirements within the same year and should have been aggregated for a bidding exercise. OIM needs to intensify its efforts to minimize such exceptions in close collaboration with PD.

### Post-employment restrictions were incorporated into compliance policies

33. A conflict of interest in relation to procurement may compromise the integrity of the solicitation and selection process. The OIM policy requires staff to disclose prior relationships with any person or entity that wishes to do business with the Office. It is important to ensure that the staff have no role in any stage of the procurement process involving the vendors with whom they had a prior relationship.

34. OIOS noted an instance where a staff member, prior to his resignation from OIM, accepted employment with a vendor who previously sought to do business with OIM. The same staff member had taken a leading role in introducing the vendor's services to OIM on a trial basis before his resignation. OIM did not enter into contract with the vendor after the trial, but the staff member's action was not in compliance with post-employment restrictions which prohibit acceptance of employment from any vendor who conducts or seeks to conduct business with the United Nations, or with whom the staff has been personally involved in the procurement process in the last three years of service with the United Nations. The staff member did not consult with his supervisor or the Risk and Compliance Service about his potential employment with the vendor prior to his resignation.

35. Subsequently, OIM developed a Conflict of Interest and Recusal Policy and Procedure which included references to post-employment restrictions. OIM also launched the web-based compliance tool and implemented an annual process of declaring conflicts of interest for the year ended 31 December 2021 for the first time. As of 28 January 2022, 125 of the 126 OIM staff (99 per cent), including those on the temporary assignment, submitted their declaration for 2021. Four staff declared that they had direct/indirect and current/prior relationships with vendors with whom OIM had contracts. OIOS' review confirmed that those individuals took no part in the procurement exercise involving the respective vendors, including the vendors' performance evaluation.

## **D. Contract management**

### Need to strengthen controls over contract management

36. Effective contract management maximizes the operational and financial performance of contracted services while reducing the risk of unmet needs and disputes. In the review of OIM's contract management, OIOS observed the following.

#### (a) Vendor performance evaluation

37. Key performance indicators (KPIs) are essential tools to express and measure performance against agreed targets. The procurement procedures require that vendor performance is evaluated before processing any extension to an existing contract, or annually for contracts exceeding \$200,000.

38. OIOS' review of 15 long-term contracts of value exceeding \$200,000 indicated that the contracts did not include KPIs. OIM evaluated vendors' performance using the United Nations standard evaluation form. However, services provided under these contracts were complex and specialized. As a result, evaluating vendor performance using United Nations standard evaluation has limited effectiveness in gauging the actual performance of vendors. For instance, OIM had encountered issues with a vendor in its contract execution, but the vendor was rated as satisfactory because of limitations of the standard evaluation form. In another instance, more than half of the evaluation criteria were irrelevant to the specific service provided by the vendor. In the absence of KPIs in the contracts, there was no assurance that vendors had fulfilled their contractual obligations.

(b) Extension/renewal for continued needs

39. All contract extensions and renewals should be based on the actual needs for the services. OIOS noted that the need for contract extensions and renewals was not always supported. For instance, OIM has used one ICT advisory services since 2019. The service was priced by the number of users and the level of access privilege for each user. Although the service usage was limited during 2021, OIM continued to request the same level of service in 2022. In another instance, OIM purchased a strategic risk management tool in 2018 to facilitate discussions in its external committees and to use it as a strategic compass to achieve its long-term funding objectives. However, there has been minimal use of the tool in the committee discussions. The effectiveness of the tool in achieving the long-term funding objectives was largely limited, as previously observed in OIOS Report 2021/080. OIM stated that it would analyze the reasons for the underutilization of these two contracts and make appropriate amendments.

40. There was also an instance where OIM's needs exceeded the level agreed in the contract. Despite the increased usage of the service, the contract terms were not amended to reflect the actual usage and the corresponding pricing, resulting in a retroactive payment of £74,935 for the service, which was not covered by the contract. OIM needs to monitor its service needs and reflect them appropriately in the contracts at the time of contract renewal/extension.

(c) Ex post facto approval

41. Any contractual amendments should be requested, reviewed and approved prior to the expiration date of the original contract. The Procurement Manual states that ex post facto approval should be rare exceptions. There were multiple ex post facto cases in renewing contracts. OIOS reviewed 24 of the 49 active contracts as of 31 December 2021 and noted that 11 contracts (46 per cent) showed at least one ex post facto approval. Although ex post facto approvals did not disrupt OIM's operations since many of the contracts had auto-renewal features, such features should not be the reason for not initiating the renewal process with PD.

**(3) OIM should strengthen contract management by: (i) including KPIs in contracts to improve the effectiveness of vendor performance evaluation; (ii) reviewing the continued needs for existing services; and (iii) initiating the contract renewal/extension process well in advance to avoid ex post facto approvals.**

*OIM accepted recommendation 3 and stated that it will be reviewing vendor management practices and will work to strengthen their oversight around the recommendations that have been made.*

Coordinated efforts are required to ensure effectiveness of the “Enterprise Vendor Management Office”

42. In OIM, there were two functions under the Operations Service that had contract management responsibilities: (i) the Programme and Administration Section (PAS) which is functionally responsible for initiating and monitoring OIM's procurement and contract management; and (ii) the Programme and Vendor Management Unit (PVMU) created in 2021 in the Information Systems Section which was responsible for monitoring vendors relating to information and communications technology (ICT) goods and services.

43. PVMU was tasked with a project of establishing a “Enterprise Vendor Management Office” (EVMO) to: (i) review existing processes for vendor management; (ii) formalize the process for monitoring vendors throughout the vendor lifecycle; and (iii) strengthen vendor management. OIM explained that the scope of EVMO was originally limited to ICT goods and services, but it would eventually be extended to other types of contracts. Due to lack of clarity of roles, PVMU did not actively involve PAS in the project

to develop the terms of reference for EVMO. Considering the strategic role envisaged for EVMO, there is a need for a more coordinated effort by PVMU and PAS to avoid overlapping and duplication of work.

**(4) OIM should clarify the relative roles of the Programme and Administration Section and the Programme and Vendor Management Unit to improve the effectiveness of the “Enterprise Vendor Management Office”.**

*OIM accepted recommendation 4 and stated that it will review the roles of the respective teams as part of the development of an organizational manual for OIM.*

Action was taken to restrict access to the procurement repository

44. For efficient contract management and to manage its contracts, OIM stored documents related to each contract in a centralized repository. However, instead of limiting access to the folder to only those staff who were responsible for contract management functions, the repository was accessible to all staff. Once this was brought to the attention of OIM, action was taken to restrict the access rights to those requiring the information to carry out their official duties.

#### **IV. ACKNOWLEDGEMENT**

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

(Signed) Fatoumata Ndiaye  
Under-Secretary-General  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	OIM, in consultation with the Procurement Division, should take steps to minimize the requests for waiver of competitive bidding.	Important	O	Receipt of evidence showing actions taken to minimize the waiver of competitive bidding.	30 June 2023
2	OIM, in consultation with the Procurement Division, should review the current definition and interpretation of transactional costs for investment-related services to ensure operational effectiveness and efficiency of the procurement process.	Important	O	Receipt of evidence showing the outcome of review of the current definition and interpretation of transactional costs for investment-related services.	30 June 2023
3	OIM should strengthen contract management by: (i) including KPIs in contracts to improve the effectiveness of vendor performance evaluation; (ii) reviewing the continued needs for existing services; and (iii) initiating the contract renewal/extension process well in advance to avoid ex post facto approvals.	Important	O	Receipt of evidence showing actions to strengthen contract management process.	30 June 2023
4	OIM should clarify the relative roles of the Programme and Administration Section and the Programme and Vendor Management Unit to improve the effectiveness of the “Enterprise Vendor Management Office”.	Important	O	Receipt of evidence that the roles of the Programme and Administration Section and the Programme and Vendor Management Unit have been clarified.	30 June 2023

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

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

<sup>3</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>4</sup> Date provided by OIM in response to recommendations.

# **APPENDIX I**


## **Management Response**



DATE: July 25, 2022

TO: Mr. Venkata Bendapudi  
Chief, Pension Fund Audit Section  
Internal Audit Division, OIOS

Reference: OIOS-2022-00852

FROM: Mr. Pedro Guazo   
Representative of the Secretary-General  
for the investment of UNJSPF assets

Ms. Isabela Perle Munch *Isabela Munch*  
Chief Risk and Compliance Officer  
Office of Investment Management

Mr. Bill Wilkinson *William J Wilkinson*  
William J Wilkinson (Jul 26, 2022 08:36 GMT+2)  
Chief Operating Officer  
Office of Investment Management

SUBJECT: Draft report of an of audit of procurement and contract management in the Office of Investment Management of the United Nations Joint Staff Pension Fund (Assignment No. AS2022/801/01)

1. OIM acknowledges receipt of the draft report of an audit of procurement and contract management in the Office of Investment Management of the United Nations Joint Staff Pension Fund (Assignment No. AS2022/801/01).
2. OIM would like to take this opportunity to thank the Office of Internal Oversight Services and staff for their comprehensive effort including the on-going collaboration during the thorough review and analysis, and the detailed findings, observations and recommendations.
3. OIM has attached the completed form provided (APPENDIX I -Audit recommendations) including detailed responses and comments to the recommendations related to OIM.

c.c. Sandhya Peerthum, Senior Programme Officer

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OIM, in consultation with the Procurement Division, should take steps to minimize the requests for waiver of competitive bidding.	Important	YES	COO	Q2 2023	Will coordinate with PD on the this recommendation
2	OIM, in consultation with the Procurement Division, should review the current definition and interpretation of transactional costs for investment-related services to ensure operational effectiveness and efficiency of the procurement process.	Important	YES	COO	Q2 2023	Will coordinate with PD on the this recommendation. This will help OIM streamline its process, however need to understand how to pay the vendor.
3	OIM should strengthen contract management by: (i) including KPIs in contracts to improve the effectiveness of vendor performance evaluation; (ii) reviewing the continued needs for existing services; and (iii) initiating the contract renewal/extension process well in advance to avoid ex post facto approvals.	Important	YES	COO	Q2 2023	We will be reviewing vendor management practices and will work to strengthen our oversight around the recommendations that have been made.
4	OIM should clarify the relative roles of the Programme and Administration Section and the Programme and Vendor Management Unit to improve the effectiveness of the “Enterprise Vendor Management Office”.	Important	YES	COO	Q2 2023	We will review the roles of the respective teams as part of the development of an organizational manual for OIM.

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

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