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INTEROFFICE MEMORANDUM


MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Daudi L. Mwakawago, SRSG  
A: UNAMSIL

DATE: 29 December 2004

REFERENCE: AUD-7-5:53 (DP/04)

FROM:  Patricia Azarias, Director  
DE: Internal Audit Division I  
OIOS



SUBJECT: **OIOS Audit No. AP2004/622/06: UNAMSIL Rations Contract**

OBJET:

1. I am pleased to present our final report on the subject audit, which was conducted by the Office of the Chief Resident Auditor in the United Nations Mission in Sierra Leone (UNAMSIL).
2. We note from your response to the draft report that UNAMSIL has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 1, 2, 3, 4, 5, 6, 11, 12, 13, 14, 16, 17, 18, 22 and 23 in the OIOS recommendations database. Recommendations 20 and 21 have been withdrawn. In order for us to close out the remaining recommendations (7, 8, 9, 10, 15, 19, 23 and 24), we request that you provide us with additional information as indicated in the text of the report and a time schedule for implementing each of the recommendations. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status.
3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
4. I would like to take this opportunity to thank you and your staff for the cooperation and assistance extended to the auditors on this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations  
Ms. Hazel Scott, Director, ASD/DPKO  
Ms. Laura Londen, OIC, Division of Administration, UNAMSIL  
UN Board of Auditors  
Programme Officer, OIOS  
Tilchand Acharya, Chief Resident Auditor, UNAMSIL

# Office of Internal Oversight Services

## Internal Audit Division I



### Audit of UNAMSIL Rations Contract

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**Audit no:** AP2004/622/06  
**Report date:** 29 December 2004  
**Audit team:** Tilchand Acharya, Auditor-in-Charge  
Judith Atiagaga, Auditing Assistant

**EXECUTIVE SUMMARY**  
**Audit of UNAMSIL Rations Contract (AP2004/622/06)**

During April-May 2004, OIOS conducted an audit of the administration of food rations Contract PD/CO054/00 with ES-KO International, Inc. at the United Nations Mission in Sierra Leone (UNAMSIL). The primary objective of the audit was to examine whether the processes exercised in requisitioning, receipt, warehouse management, distribution, and the pricing of food rations complied with the provisions of the Contract and with the UN regulations, rules and procedures. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

The food rations contract is a requirement contract and the maximum amount payable by the UN to the Contractor amounted to \$113,667,776.99 in accordance with the latest amendment of the Contract on 19 March 2004. As of 31 March 2004, UNAMSIL paid a total of \$101,340,913 to ES-KO International, Inc. for services rendered and rations delivered under the Contract.

The Contract provisions were complex and required multiple control measures to ensure compliance with them. Since the year 1999, there have been three turnovers of the head of Food Cell, which administered the Contract at UNAMSIL. The present head of the Food Cell took over his functions in May 2004. OIOS found that the Mission needed to align the Contract to the troop strength as a consequence of the Security Council resolution 1537 (2004). We also observed that the contingents lacked proper inventory records at their food stores and that their mess facilities required improvements. The effectiveness of the quality control and quality assurance function was hampered by the turnover of officials responsible for the function. The function is carried out by military staff officers, who are assigned to UNAMSIL usually for a one-year period by the troop contributing countries.

The contingents also needed awareness of the possibility to substitute and alternate food items within the Contract provisions. The contingents required more food during the period of troop rotations. Due to invoicing restrictions, the Contractor was unable to deliver food shortfalls pertaining to the past consumption cycles in the next cycle.

The Mission lost approximately \$535,996.96 in discounts from the Contractor for not raising requisitions 60 days in advance. We also noted that the Contract is complex and paper-intensive. Therefore, an effective administration of the Contract required electronic software to monitor proper compliance with the Contract provisions.

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## I. INTRODUCTION

1. OIOS conducted an audit of the rations contract in the United Nations Mission in Sierra Leone (UNAMSIL). The audit was conducted in accordance with the general and specific standards for the professional practice of internal auditing in United Nations organizations.

2. The United Nations has entered into a Contract with ES-KO International, Inc. for the provision of food rations to UNAMSIL. Contract No. PD/CO054/00 spells out the terms and conditions for the provision of food rations and covered a two-year initial period from 1 April 2000 to 31 March 2002 and has since been extended through 31 December 2004. This is a requirements contract and the maximum amount payable by the UN to the Contractor was \$45,156,704 for the initial two-year period, and this amount has been revised to \$113,667,776.99 in the latest amendment of the Contract on 19 March 2004.

3. The purpose of the Contract relates to the supply, storage, delivery and distribution of food rations by the Contractor to the military contingent units. The basis of provision (BOP) of food rations is: (a) the UN Ration Scale; and (b) the Ceiling Man-Day Rate (CMR). The UN Ration Scale Rate provided the maximum allowable entitlement for specific food items for each contingent member whereas the Ceiling Man-Day Rate set out the maximum cost of food entitlement per day for each contingent member. The Contract provided for the following CMRs during the initial Contract period:

**Table 1: Ceiling man-day rates**

| Ceiling Man-Day Rate per day per contingent member (US\$) |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Non-Western   |          |          | Western  |          |          |
| Sector 1  | Sector 2 | Sector 3 | Sector 1 | Sector 2 | Sector 3 |
| 5.138   | 5.16     | 5.257    | 5.339    | 5.36     | 5.457    |
| Revised as  |          |          |          |          |          |
| 5.002   |          |          | 5.202    |          |          |

4. The value of the Contract was based on an estimated number of 10,758 troops. The Contract provided for adjustment to the unit prices of food and the CMRs when the actual troop strength fluctuated from the estimated number of 10,758 troops. Contractor's invoices were discounted at rates from 0.85% to 1.45% when the actual troop strength increased from the estimated number of 10,758 troops. Similarly, invoices were adjusted upwards at rates from 1.25% to 2.49% when the actual troop strengths decreased from 10,758 troops. Further, the Contractor would also allow for early requisition discounts of 0.5% and 0.65% on CMR and unit prices of food.

5. The Contractor supplied and delivered food rations to UNAMSIL based on Requisition for Rations, which specified the quantity of rations and price, the delivery points, dates of delivery, the number of Man-Days for the period covered by the Requisitions for Rations and other instructions relating to the food rations. Upon receipt of the rations, the General Services Section inspected the food rations. Invoices are paid within 30 days following their receipt at UNAMSIL or within 30 days following their inspection and acceptance of the goods to which the invoices relate, whichever was later. As of 31 March 2004, UNAMSIL paid a total of \$101,340,913 to ES-KO International,

Inc. for services rendered and rations delivered under the contract during the forty-five month period. The comments made by the Management of UNAMSIL on the draft audit report have been included in the report as appropriate and are shown in italics.

## **II. AUDIT OBJECTIVES**

6. The objectives of the audit were to:

(a) examine whether the processes exercised in requisitioning, receipt, warehouse management, distribution, and the pricing of food rations complied with the provisions of the contract and with the UN regulations, rules and procedures; and

(b) determine the adequacy and effectiveness of controls used in the administration of the contract.

## **III. AUDIT SCOPE AND METHODOLOGY**

7. The audit focused on the supply, storage and delivery of food rations in accordance with the provisions of the contract, and included the review of stock and records at contingent food stores. Further, procedures exercised in the processing and payment of invoices were also examined. The audit also included visits to five military units and to the Contractor's central warehouse.

## **IV. OVERALL ASSESSMENT**

8. The internal control procedures exercised in the administration of food rations contract PD/CO054/00 were generally adequate given the complexity of contract provisions, which required multiple control measures to ensure compliance with them. Nevertheless, our audit disclosed areas for improvements relating to the Contract amendments, consumption facilities and inventory records in the contingent units, quality control and quality assurance of food rations, facilitation of Contractor-Contingents cooperation, and monitoring the execution of the Contract.

## **V. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Alignment of the contract to mission drawdown**

Contract needs an amendment to align with the Mission drawdown

9. In its resolution 1537 (2004) dated 30 March 2004, the Security Council extended the mandate of UNAMSIL till 30 September 2004. Further, between June and December 2004, the UNAMSIL troop strength will be gradually reduced from 11,500 to 5,000, a 54% reduction. By 28 February 2005, the troop strength will be 3,250, reflecting a 70% reduction. The Contract is based on troop strength of 10,758 and UNAMSIL enjoys a discount whenever there is an increase above this level. In paragraph 15.5, the Contract also stipulates that the Contractor is allowed to increase unit prices and CMRs when the troop strength goes below the 10,758 level. However, when the troop strength is reduced by over 41%, the Contractor and UNAMSIL shall increase the unit prices and CMR by mutual agreement.

10. There was no evidence that the Mission had advised the Contractor on the imminent reduction of troop strength. Timely advice to the Contractor on the imminent reduction of troops will enable him to make necessary adjustments in his inventory holdings, purchasing plans and human resources. The management explained that the Mission has notified the Department of Peacekeeping Operations (DPKO) on the reduction in troop strengths as envisaged in the Security Council resolution 1537 (2004).

### **Recommendations 1 and 2**

OIOS recommends that UNAMSIL Administration:

- (i) Advise the Contractor on the drawdown of the Mission and its effect on the imminent reduction of troop strength (AP2004/622/06/01); and
- (ii) Request the UN Procurement Division to consider amending the Contract to align the provisions with the reduced troop strength (AP2004/622/06/02).

11. *UNAMSIL accepted recommendations 1 and 2 and confirmed that the contractor has been advised about the drawdown of troops, and the request for amending the contract has been sent to DPKO.* Based on the action taken by UNAMSIL, OIOS has closed these recommendations.

### **B. Consumption and inventory at Contingents**

#### Lack of inventory records at contingents food stores

12. As outlined in the Standard Operating Procedures (SOP), the duties of the Staff Officer for Food (SO Food) for all contingents included maintaining rations inventory records showing receipts, issuances and balances, and keeping these records up to date at all times. Further, the SO Food are also required to ensure issuance of stock on the first in first out (FIFO) basis so that the food items were not spoiled before consumption. On a weekly basis the SO Food for each contingent were required to submit stock balance reports to the SO Food at UNAMSIL Headquarters.

13. The SO Food are also responsible for raising requisitions in accordance with the provisions of the Contract and in line with the actual level of troop strength. In addition, they are required to monitor consumption patterns of food by each contingent unit and maintain stock holdings at contingent stores. Contingent units are allowed to accumulate a reserve stock of seven days to provide for contingencies and special events. All stock balances in each contingent unit must be considered while raising requisitions.

14. Our visits to the contingent units disclosed that majority of the units did not maintain inventory records in their food stores. The food inventory of units which maintained some records were unreliable as they were not kept up to date. We also observed that the SO Food received food rations at the contingent central stores and immediately distributed them to various COYs. Some

contingent companies (COYs) received food rations directly against requisitions they separately raised but did not maintain inventory records.

15. The COYs receiving direct supply of food rations against their requisitions were responsible for maintaining inventory records in their food stores. However, the SO Food was still responsible for maintaining records of food items held by COYs which received food items from the contingent central food stores. We observed that the SO Food had no knowledge of such COYs accumulating rations in excess of seven days. As a result, when raising requisitions the SO Food were not able to take into account any excess stock holdings with these COYs due to lack of a mechanism to monitor food stocks at the COYs stores. Our physical verification of stock at the following contingents is shown in Table 2:

**Table 2: Discrepancies in food stocks**

| Item Code   | Item description | Inventory Records | Unit       | Physical Count | Unit   | Difference | Unit   |
|---|------------------|-------------------|------------|----------------|--------|------------|--------|
| <b>German Generator Team : Strength = 14</b>      |                  |                   |            |                |        |            |        |
| 11.01   | sugar            | None              | kg         | 38             | kg     | 38         | kg     |
| 17.06   | rice             | None              | kg         | 100            | kg     | 100        | kg     |
| 19.46   | salt             | None              | kg         | 15             | kg     | 15         | kg     |
| 5.02  | Milk, long life  | None              | litres     | 96             | litres | 96         | litres |
|   | Spices (various) | None              |            |                |        |            |        |
| <b>Ukranian Maintenance Batt : strength = 417</b> |                  |                   | <b>417</b> |                |        |            |        |
| 10...   | Jam (various)    | 202               | kg         | 202            | kg     | 0          | kg     |
| <b>Kenbatt Alfa Company : Strength = 143</b>      |                  |                   |            |                |        |            |        |
| 19.46   | salt             | None              | kg         | 170            | kg     | 170        | kg     |
| <b>Kenbatt HQ Company : Strength = 208</b>        |                  |                   |            |                |        |            |        |
| 10.09   | Peanut butter    | None              | kg         | 37.4           | kg     | 37.4       | kg     |
| 13.38   | Beans canned     | None              | kg         | 81.6           | kg     | 81.6       | kg     |
| 19.46   | salt             | None              | kg         | 61             | kg     | 61         | kg     |
| <b>Nibat 18 : strength 408</b>                    |                  |                   |            |                |        |            |        |
| 10.09   | Peanut butter    | 60                | tins       | 60             | tins   | 0          | tins   |
| 19.46   | salt             | 360               | kg         | 109            | kg     | -251       | kg     |
| <b>Pakbat Kenema :</b>                            |                  |                   |            |                |        |            |        |
| 7.03  | coffee           | 39.9              | tins       | 37             | tins   | -2.9       | tins   |

16. We observed that the German Generator Team had accumulated an excess stock of spices. The management explained that the excess was because the Contractor cannot supply them in smaller packages. We also noted that a member of the German Generator Team wanted full cream milk, which was not within the rations scale and could not be supplied.



17. During our visit to the Nigerian Battalion, we found that the refrigerator for the storage of frozen foods was not working and the food was beginning to spoil. We also noted that although there was enough room for rations storage, the battalion chose to keep the rations in a very small non-ventilated room. Furthermore, the food stores did not follow the concept of issuing stock items on first in first out basis in order to ensure that the food items in stock were safe to consume.

18. It became clear from our visit to the contingent units that the SO Food in all contingents needed assistance from Food Cell to establish and maintain stock records in their food stores. The Food Cell, on the other hand, indicated that its responsibility ceased immediately upon delivery of rations at the delivery points where the contingent SO Food received the consignment against delivery notes endorsed by the receiving and inspection officials.

19. Management explained that the Food Cell has progressively put in place several mechanisms to assure closer cooperation among the Food Cell, the SO Food at UNAMSIL Headquarters and the contingent SO Food. This cooperation has been further reinforced in the food conferences and seminars. We have also been informed that the Food Cell conducts regular inspection visits to the contingent units and guides them to establish rations inventory cards and to ensure the proper functioning of food storage equipment at the contingent stores.

### **Recommendations 3 - 6**

OIOS recommends that the UNAMSIL Administration and the Office of the Force Commander:

(i) Assist the contingent Staff Officers for Food in establishing and maintaining standard stock records of food rations at their stores showing receipts, issuances and balances at all times (AP2004/622/06/03);

(ii) Ensure that Staff Officers for Food have an established mechanism to monitor the daily stock balances of food supplied to Companies from their central stores, and that their requisitions reflect any excess stock available with those Companies (AP2004/622/06/04);

(iii) Ensure that the contingents and their Companies, where applicable, conduct physical verification of their stock on a regular basis to analyze the stock levels before monthly requisitions are raised (AP2004/622/06/05); and

(iv) Strengthen periodic inspection visits to the contingent units to verify maintenance of food inventory records at the contingent stores and to ensure that food storage equipment are operational (AP2004/622/06/06).

20. *UNAMSIL Administration accepted recommendations 3, 4, 5 and 6 and stated that although the responsibility for implementing these recommendations falls on the respective*

*contingents, the Food Cell will continue to work towards their implementation. The Mission provided documentation supporting the actions taken to implement these recommendations. Based on the actions taken by UNAMSIL, OIOS has closed recommendations 3, 4, 5 and 6 in its database.*

#### Conditions in messes were not always adequate

21. During our field visits to the contingents we examined the rations storage facilities, kitchens, and dining halls. Our inspection of the kitchen facilities revealed that most of them had menus outlining a diet of three meals a day, with tea breaks in between. We also noted that the Kenyan Headquarter COY and the Pakistani Battalion in Kenema had constructed a wire mesh for the prevention of rodents that are a common source of Lassa fever.

22. However, except for one contingent, the others had different menus at the staff officers' and other rank messes. OIOS reiterates that the UN rations scale provides for an equal basis of provision for all members of the contingent troops. The CMR sets out the maximum cost of food entitlement per day for each contingent member. The military has an established hierarchy setting different entitlements to officers and other rank members. However, the contingents are expected to minimize significant disparities between the officers and other rank in provisioning food rations to them.

23. We also noted differences in dining hall conditions between the officers and other rank messes. The staff officers had chairs and tables to use in the dining hall while other ranks had to sit on benches and had no tables. We observed that the BANENG at Hastings had the social room next to the other ranks kitchen and dining room. The room was dusty and unkempt, while there was food already cooked for the dinner lying in the kitchen. Such conditions can easily contribute to poor hygiene and diseases. In the Kenyan contingent, we noted that meals for lunch and supper are all prepared together, just before lunch. At the time of our inspection, the meals waiting for supper time were not covered.

#### **Recommendations 7 - 9**

OIOS recommends that UNAMSIL Administration and the Office of the Force Commander ensure that:

- (i) Contingents minimize variations in the food menus between the officers and other rank messes (AP2004/622/06/07);
- (ii) The dining areas are equipped with chairs and tables for use by the troops of all ranks (AP2004/622/06/08); and
- (iii) The contingent units observe minimum hygienic conditions in their kitchens and dining halls (AP2004/622/06/09).

24. *UNAMSIL accepted recommendations 7, 8 and 9 and stated that they have been addressed to the Force Headquarters for action. These recommendations will remain open until OIOS*

receives documentation showing steps taken to: (a) minimize variations in the food menus between the officers and other rank messes at contingents; (b) equip dining areas with chairs and tables for use by troops of all ranks; and (c) maintain minimum hygienic conditions in the contingents' kitchens and dining halls.

### **C. Quality control and quality assurance**

#### Lack of continuity in quality control and quality assurance functions

25. The Standard Operating Procedures (SOP) provided for the inspection of Contractor warehouse facilities and contingent stores to ensure hygiene, proper storage and preservation of food rations. The Quality Control/Quality Assurance Administrator (QC/QAA) carried out such inspections. As staff officer from a troop contributing country, the QC/QAA is a military staff at the rank of Major. This official occupied office space in the Food Cell, and as part of his responsibilities conducted regular visits to the Contractor Warehouses and contingent storage facilities.

26. During the audit, the QC/QAA provided the schedule of his planned inspection visits to the contingent units, and we noted that some inspection visits had already been undertaken. We noted that the QC/QAA reported on his inspection visits to the Contractor warehouses and made recommendations on his observations on the food quality and storage facilities. Nevertheless, such visits did not appear to be fully effective in improving conditions in the contingent dining halls.

27. The effectiveness of such visits was constrained, however, by the turnover of QC/QAA every 12 months. The QC/QAA was appointed from one of the troop contributing countries and he held his contract with his government concerned. We noted that since October 1999 there were five changes in the QC/QAAs. In OIOS' view, it is preferable that the position of QC/QAA be under the payroll of the Mission and that the incumbent holds a UN contract. This would bring relative stability of the QC/QAA and assure continuity of his services.

28. Given the high value of the food rations Contract and the size of troops in the Mission, the QC/QAA plays an important role in assuring food quality and hygienic conditions. During his inspection visits to the Contractor central warehouse and the contingent unit food stores, the QC/QAA issued recommendations for remedial actions. For example, the inspection report of 8 April 2004 raised concerns regarding the expiry dates of almonds (May 2004) and the poor quality of garri. The Contractor responded by replacing these food items and that there were no more complaints from the contingents regarding these products.

29. There was, however, no comprehensive trail on the monitoring of all QC/QAA recommendations. It is OIOS' view that additional steps were necessary to follow up on the implementation of observations made in inspection visits. In our discussions, the management informed us that the QC/QAA will document periodic inspection visits to the Contractor central warehouse and the contingent unit food stores with details of observations made, recommendations issued, follow up actions taken and the implementation status of each recommendation.

#### **Recommendations 10 and 11**

OIOS recommends that the UNAMSIL Administration:

- (i) Consider appointing a Quality Control/Quality Assurance Administrator under the Mission payroll to ensure continuity in the inspections of rations warehouses of the Contractor and of the contingent units (AP2004/622/06/10); and
- (ii) Ensure implementation of all inspection recommendations at the contingent and Contractor warehouses (AP2004/622/06/11).

30. *UNAMSIL accepted recommendations 10 and 11 and indicated that recommendation 11 had already been implemented.* Based on the action taken by UNAMSIL, OIOS has closed recommendation 11. Recommendation 10 will remain open until OIOS receives a copy of the request to DPKO for appointing a Quality Control/Quality Assurance Administrator.

#### **D. Facilitating contingents-contractor cooperation**

##### Contingents were not aware of substitute and alternate food items

31. When the Contractor is unable to deliver the requisitioned item, substitutions are usually authorized upon notification to the Contractor of the shortage or non-delivery of such items. The contingent SO Food is required to provide such notifications immediately to the Food Cell, and this should be followed within 48 hours with an Inability Pro Forma Quantity/Quality Report.

32. Most of the contingents however were not aware that the Contractor sometimes delivered substitute items in replacement of the food items originally requisitioned. As a result, the contingents continued to raise Inability Pro Forma for undelivered item, without realizing that the Contractor delivered substitute items. For example, the BANSHQ raised Inability Pro Forma every week over a period of 12 weeks, each time citing the non-delivery of several items, although the Contractor had long replaced them with substitute items.

33. In the Ukrainian Maintenance Battalion store, we noted 364 kilograms of apple pie filler and 96 kilograms of lemon pie filler in stock lying unused as the troops did not like these food items. Furthermore, the German Generator Team expressed concern that their stores carried excess quantities of some food items. No efforts were made to retrieve and redistribute these items to other contingents.

34. The Food Cell could help avoid any misunderstandings by reviewing the Inability Pro Forma and regularly communicating with the contingents on the Contract provisions for food substitution. Such interaction could include regular visits by Food Cell officials to the Contractor's warehouse and to the contingent food stores. The management explained that efforts have been made for closer cooperation among the contingent units, the Contractor and the Food Cell through regular food conferences and seminars, and from periodic inspection visits of the QC/QAA. Of late, efforts are also underway in guiding the contingent units to establish inventory records of food.

35. During the audit we noted that the Food Cell held a Food Conference on 7 April 2004 participated by all Staff Officers for Food at the Mission Headquarters and by the Contractor. We were also informed that the Food Cell is organizing food seminars later in all Sectors. This is an excellent forum for the Food Cell, SO Food of contingents and the Contractor to foster an understanding of each other's concerns in the administration of the Contract.

### **Recommendations 12 - 15**

OIOS recommends that the UNAMSIL Administration:

- (i) Review and determine the validity of the Inability Proforma on a regular basis and provide written advice to the contingents accordingly (AP2004/622/06/12);
- (ii) Guide contingents in the selection of substitutes and alternative food items within the 19 item range (AP2004/622/06/13);
- (iii) Ensure that the Food Cell pays regular visits to the Contractor's warehouse and to the contingents food stores (AP2004/622/06/14); and
- (iv) Identify ways to redistribute the excess food items to other contingents to avoid wastage of food rations (AP2004/622/06/15).

36. *UNAMSIL accepted recommendations 12 and 14 and indicated that they had been implemented.* Based on the action taken by the Mission, OIOS has closed recommendations 12 and 14 in its database.

37. *UNAMSIL did not accept recommendations 13 and 15. With regard to recommendation 13, the Mission clarified that sufficient guidelines have already been given to Contingent SOs and the onus is on the contingents to exercise their entitlements.* OIOS has closed recommendation 13 based on the Mission's response. *Regarding recommendation 15, UNAMSIL nevertheless indicated that it will review this recommendation to see if improvements can be made.* Recommendation 15 will remain open until the Mission provides documentation of the measures identified to redistribute the excess food items to other contingents to avoid wastage of food rations.

### Requirement for more rations during contingents rotations

38. We noted that the contingents in UNAMSIL rotated in annual or six-month cycles. The SO Food in contingents are required to requisition their food based on the actual strength of their troops. However, the rotation of troops at times temporarily increased the troop strength when the replacement troops had already arrived at the Mission while the departing troops were still waiting to leave. During such periods, food rations requisitioned for the rotating contingent was insufficient to provision the temporary hike in its troop strength.

39. The Food Cell was aware of such situations and it allowed contingents to requisition extra food when the rotation schedule was known and communicated in advance. It is important for the

Food Cell to inform all SO Food contingents about this arrangement. It is also important for all SO Food to provide Food cell with the rotation schedules of their troops enabling the Food Cell to support their higher requisitions to cover the time that the units will have to cater for more troops than the established strength. The management explained that the issue would be taken up at the upcoming food conference to explain to the contingent units the procedures in requisitioning more food during confirmed troop overlaps during rotation periods.

### **Recommendations 16 and 17**

OIOS recommends that the UNAMSIL Administration and the Office of the Force Commander:

- (i) Require all SO Food contingents to provide their confirmed troop rotation schedules in advance for justifying higher food requisitions during the time of rotation (AP2004/622/06/16); and
- (ii) Ensure that the departing and arriving contingents exercise proper handing and taking over during troop rotations (AP2004/622/06/17).

40. *UNAMSIL accepted recommendations 16 and 17 and indicated that they had already been implemented.* Based on the Mission's response, OIOS has closed these recommendations.

### Undeliverable shortfalls in food items after the end of consumption cycle

41. In accordance with the provisions of the Contract, the Contractor delivered rations to most units on a seven day cycle. The SO Food raised requisitions to cover a 28-day consumption cycle. Under the existing procedures the Contractor does not deliver for any shortfall in food supply once the consumption cycle had changed. Thus, if the consumption cycle ended in a given week and there was a shortfall in food items, the shortfall cannot be delivered in the following week even if an Inability Pro Forma was raised because the delivery against the shortfall would be under a different consumption cycle.

42. This was because the Contractor was required to submit invoices in 28-day consumption cycles in the first week of the next consumption cycle. However, the current practice is a cause for concern if the shortfalls disrupt the daily consumption entitlements of individual troops. Therefore, it is OIOS' view that the current procedures should be consciously applied to ensure that the contingents are able to sustain without significant hardship in their well being. The Contract could be amended to insert a provision extending time for the Contractor for the submission of invoices enabling the contingents to receive the delivery of shortfalls in the next consumption cycle. The management explained that the Food Cell has made arrangement with the Contractor to supply short-delivery of food items in the current consumption period if the Inability Pro Forma Quantity/Quality Report is submitted to the Contractor and redeliveries completed within 7-10 days of previous consumption cycle.

### **Recommendation 18**

OIOS recommends that UNAMSIL Administration consider extending the monthly invoicing period to the Contractor enabling him to include costs of supplies made against the shortfall relating to the previous consumption cycle (AP2004/622/06/18).

43. *UNAMSIL accepted recommendation 18 and stated that since the 51<sup>st</sup> consumption period (26 March – 22 April 2004), the contractor has been given 7 to 10 days after the end of each consumption period to submit the invoices to UNAMSIL.* Based on the action taken by the Mission, OIOS has closed this recommendation.

#### **E. Invoice payments**

##### Loss of approximately one-half million dollars in savings from early requisition discounts

44. In accordance with paragraph 15.6 of the Contract the “Ceiling Man-day Rates and the unit prices shall decrease by -0.50% and -0.65% respectively, when the requisition for rations is forwarded at least 60 or 90 days prior to delivery ...”. Our audit disclosed that the Mission was not taking advantage of this provision as the contingents were advised to submit their requisitions to the Food Cell only 55 days in advance. The Food Cell required 10 days to consolidate and process the requisitions, which were then submitted to the Contractor 45 days in advance. As a result, the Mission lost approximately \$535,996.90 to \$696,795.97 in discounts taking into account \$107,199,380.35 as cumulative expenditures as at 31 May 2004.

45. In order for the Food Cell to be able to send requisitions to the Contractor 60 or 90 days prior to delivery, contingents had to submit their requisitions 70 or 100 days in advance. We noted that the contingents expressed no concern if they were to submit their requisitions 70 or 100 days in advance.

46. We appreciate the fact that it would be difficult for contingents to submit requisitions 70 or 100 days in advance if their rotation cycle is less than 6 months. However, for the troops that rotate on a 12-month cycle, the Mission could have been able to avail of these discounts. We have also been advised that when the troop strength is below the 10,000 level, the Food Cell will require only 5 days consolidating and processing requisitions. With the impending troop reduction from 11,500 to 5,000 between June and December 2004, the Mission could take advantage of the discounts if the contingents are required to submit their requisitions 70 and 100 days prior to delivery.

47. The management explained that it was not practical to expect that all contingent units could raise their requisitions three months in advance when some of them rotated every six months. It further elaborated that the provision for early requisition discount could be viewed as resulting in savings if the Mission is able to take advantage of the discount. However, given the limited practicality of the provision, the UN Procurement Division may negotiate with the Contractor for other more practical provisions aimed at reducing costs.

#### **Recommendation 19**

OIOS recommends that, in future, UNAMSIL Administration take advantage of the early requisition discounts by submitting

requisitions to the Contractor 60 or 90 days in advance as provided for in the Contract (AP2004/622/06/19).

48. *UNAMSIL did not accept recommendation 19. The Mission explained that in view of the ongoing downsizing of the Mission, submitting requisitions 100 days in advance is considered impractical. Management suggests that 45 days is more realistic and will give sufficient time for the contractor to requisition and arrange shipment, and that if DPKO agrees, the contract could be amended accordingly.* OIOS accepts the Mission's explanation regarding the practical difficulty in raising requisitions 100 days in advance for all contingents. Recommendation 19 will remain open until UNAMSIL provides a copy of its proposal to DPKO indicating a practical requisition timeline in the best interests of the Mission.

### F. Monitoring Contract Execution

#### Ceiling Man-Day Rates need monitoring with food consumptions

49. The Contract No. PD/CO054/00 was drawn using an estimated military strength of 10,758 troops with the initial value of \$45,156,704 up to 31 March 2002. In accordance with the Contract, the basis of provision (BOP) of food rations is the UN Ration Scale and the Ceiling Man-Day Rate (CMR). In paragraph 15.5, the Contract provides that the Ceiling Man-Day Rate and the unit prices shall fluctuate (Table 3) based on the increase or decrease in troop strength.

**Table 3: Discounts on ceiling man-day rates and unit prices**

| Troop strength<br>Fluctuation | Ceiling Man-Day Rate per day per contingent member<br>(US\$) |             |             |               |             |             | Unit prices<br>(Appendix "B") |
|-------------------------------|--|-------------|-------------|---------------|-------------|-------------|-------------------------------|
|                               | Non-Western (CMR)  |             |             | Western (CMR) |             |             |                               |
|                               | Sector<br>1  | Sector<br>2 | Sector<br>3 | Sector<br>1   | Sector<br>2 | Sector<br>3 |                               |
|                               | 5.138  | 5.16        | 5.257       | 5.339         | 5.36        | 5.457       |                               |
|                               | <b>Revised</b>   |             |             |               |             |             |                               |
|                               | <b>5.002</b>   |             |             | <b>5.202</b>  |             |             |                               |
| -41% and below                | By mutual agreement  |             |             |               |             |             | By mutual agrmnt.             |
| -31% to -41%                  | 2.49%  |             |             |               |             |             | 2.49%                         |
| -21% to -30%                  | 1.62%  |             |             |               |             |             | 1.62%                         |
| -10% to -20%                  | 1.25%  |             |             |               |             |             | 1.25%                         |
| Present strength<br>(10,758)  | No change  |             |             |               |             |             | No change                     |
| +10% to +20%                  | -0.85%   |             |             |               |             |             | -0.85%                        |
| +21% to +30%                  | -1.15%   |             |             |               |             |             | -1.15%                        |
| +31% to +40%                  | -1.45%   |             |             |               |             |             | -1.45%                        |
| +41% to +75%                  | -1.75%   |             |             |               |             |             | -1.75%                        |
| +75% to +125%                 | -2.10%   |             |             |               |             |             | -2.10%                        |
| +125% to +175%                | -2.50%   |             |             |               |             |             | -2.50%                        |

50. As shown in Table 4, the troop strength increased gradually over the period reaching peak strength of 17,138 in September 2002:

**Table 4: Fluctuation in troop strengths**



| SG's report      | Date      | Actual | Base Troop | Variation | Percent   | Applicable   |
|------------------|-----------|--------|------------|-----------|-----------|--------------|
|                  |           | Troops | Strength   |           | Variation | Discount (%) |
| S/2000/455       | 19-May-00 | 9,235  | 10,758     | (1,523)   | (14)      | 2.49         |
| S/2000/751       | 31-Jul-00 | 12,180 | 10,758     | 1,422     | 13        | (0.85)       |
| S/2000/832       | 24-Aug-00 | 12,183 | 10,758     | 1,425     | 13        | (0.85)       |
| S/2000/1055      | 31-Oct-00 | 12,262 | 10,758     | 1,504     | 14        | (0.85)       |
| S/2000/1199      | 15-Dec-00 | 12,206 | 10,758     | 1,448     | 13        | (0.85)       |
| S/2001/228       | 14-Mar-01 | 10,107 | 10,758     | (651)     | (6)       | 2.49         |
| S/2001/627       | 25-Jun-01 | 12,469 | 10,758     | 1,711     | 16        | (0.85)       |
| S/2001/857/Add.1 | 10-Sep-01 | 16,404 | 10,758     | 5,646     | 52        | (1.45)       |
| S/2001/1195      | 13-Dec-01 | 17,094 | 10,758     | 6,336     | 59        | (1.45)       |
| S/2002/267       | 14-Mar-02 | 17,111 | 10,758     | 6,353     | 59        | (1.45)       |
| S/2002/987       | 05-Sep-02 | 17,138 | 10,758     | 6,380     | 59        | (1.45)       |
| S/2002/1417      | 24-Dec-02 | 15,788 | 10,758     | 5,030     | 47        | (1.45)       |
| S/2003/321       | 17-Mar-03 | 14,465 | 10,758     | 3,707     | 34        | (1.45)       |
| S/2003/663       | 23-Jun-03 | 12,828 | 10,758     | 2,070     | 19        | (0.85)       |
| S/2003/863       | 05-Sep-03 | 11,500 | 10,758     | 742       | 7         | -            |
| S/2003/1201      | 23-Dec-03 | 11,275 | 10,758     | 517       | 5         | -            |

51. Our review of the Contractor's invoices showed that only unit prices were discounted for the increase in troop strength while the CMRs were left unadjusted. However, as shown in the Table 5 below, although the maximum allowable CMRs continued to be reflected in the invoices, the actual provisions were much lower than the discounted CMRs:

**Table 5: Comparison of discounted and actual ceiling man-day rates**

| Invoice #   | Dated     | Amt. paid  | Contract CMR | Discounted CMR | Total mandays | Actual CMR | Variance | Value      | JV         |
|-------------|-----------|------------|--------------|----------------|---------------|------------|----------|------------|------------|
| 0016SL/2002 | 14-Jan-02 | 170,987.74 | 5.002        | 4.914          | 35,980        | 4.752      | (0.162)  | (5,834.71) | 2-45-02127 |
| 0014SL/2002 | 14-Jan-02 | 120,358.13 | 5.002        | 4.914          | 25,228        | 4.771      | (0.144)  | (3,623.99) | 2-45-02125 |
| 0013SL/2002 | 14-Jan-02 | 53,755.98  | 5.002        | 4.914          | 11,284        | 4.764      | (0.151)  | (1,698.84) | 2-45-02124 |
| 0012SL/2002 | 14-Jan-02 | 108,714.68 | 5.002        | 4.914          | 22,904        | 4.747      | (0.168)  | (3,846.23) | 2-45-02123 |
| 0009SL/2002 | 14-Jan-02 | 26,601.87  | 5.202        | 5.114          | 5,600         | 4.75       | (0.364)  | (2,039.14) | 2-45-02120 |
| 0008SL/2002 | 14-Jan-02 | 14,254.50  | 5.202        | 5.114          | 3,024         | 4.714      | (0.401)  | (1,211.64) | 2-45-02119 |

52. Despite the actual basis of provision being below the discounted CMRs, we did not hear any reports of dissatisfaction from the contingents during our inspection visits to them. Even at the lower basis of provisions, we noted that the contingents were able to accumulate seven-day reserves within the 28-day cycle supplies. We also noted cases of excess stocks being held by various contingents, albeit without stock records. This implies that the CMR established in the original contract far exceeds the daily food requirements of troops.

53. Within the Contract provisions, the Contractor could supply more food so long as the CMRs are not breached potentially increasing the quantity of food supply and associated costs. With more provision of food supply and inadequate food records at the contingent stores, there is the risk of food pilferage and potential for abuse of the excess stock of rations. OIOS believes that

there is a need for the ration scale to be revised in order to prevent wastage and pilferage. It is also important to monitor the consumption patterns of the troops as well as stock holdings in contingent stores through periodic visits to the contingent food stores.

### **Recommendations 20 and 21**

OIOS recommends that the UNAMSIL Administration:

- (i) Monitor the consumption pattern of food rations and compare with the Ceiling Man-day Rates for their validity and reasonableness (AP2004/622/06/20); and
- (ii) In case of wide variations between the consumption pattern and the Ceiling Man-Day Rates, advise the UN Procurement Division to amend the Ceiling Man-Day Rates in the Contract (AP2004/622/06/21).

54. *UNAMSIL did not accept recommendations 20 and 21, stating that it has no authority in the matter of rations scaling, which is a sensitive issue involving Member States.* Based on the clarifications provided by the Mission, OIOS has withdrawn recommendations 20 and 21.

#### Delays in amending the Contract to reconcile the maximum Contract amount with cumulative expenditures

55. PD/CO054/00 is a requirements-based Contract. In paragraph 15.1, it sets out the maximum amount of \$45,156,704, which should not be exceeded within the contract period from 1 April 2000 to 31 March 2002. The Contract further stated that the contractor shall immediately notify UNAMSIL when a requisition for rations is received that would cause the maximum Contract amount to be exceeded requiring consultation within seven days to amend the Contract.

56. In October 2001, the not-to-exceed (NTE) amount was amended upward to \$89,491,069.00. In April 2003, another amendment was raised to extend the validity of the contract through 31 March 2004 but the NTE amount was not adjusted although the cumulative expenditures at this time stood at \$101,340,913. The Food Cell maintained a spreadsheet to compare the NTE amount and the expenditures under the Contract. We, however, noted discrepancies in total expenditures between the Food Cell records and the records with the Finance Section. This indicated inherent weaknesses in the established procedures to monitor expenditures against the NTE amount enabling the Food Cell to initiate amendment of the maximum amount.

57. As a result, a total of \$101,340,913 had been expended as at 31 March 2004 on this Contract while the NTE amount stood at \$89,491,069.00. Consequently, the expenditures exceeded the maximum Contract or the NTE amount for the period by \$11,849,844 or 13%. In September 2003 the Mission requested DPKO to amend the Contract increasing the NTE amount and that this request was verbally granted to UNAMSIL. However, there was no response from DPKO until February 2004. It was only on 19 March 2004 that the Contract was eventually amended to extend its validity through 31 December 2004 and to raise the NTE amount to \$113,667,776.99.

### **Recommendations 22 and 23**

OIOS recommends that the UNAMSIL Administration:

- (i) Request DPKO for amendment of NTE amounts in a timely manner so that the level of expenditures remain within the NTE amount (AP2004/622/06/22); and
- (ii) Ensure that the Food Cell reconciles its records on food rations expenditures with those of the Finance Section (AP2004/622/06/23).

58. *UNAMSIL accepted these recommendations and indicated the actions taken to implement them.* Based on the actions taken by the Mission, OIOS has closed recommendations 22 and 23 in its database.

#### Need for a software to administer the Contract

59. The UN rations scale has 19 food groups that are further subdivided into different food items. The requisitioning process begins with the SO Food of each contingent unit raising a requisition on the basis of actual troop strength and on the 28-day consumption cycle. The total value of rations must not exceed the basis of provision, which sets out daily ceiling for each troop member in a 28-day cycle. Further, the requisition of food items is not interchangeable between the food groups.

60. After the requisitions are received from each contingent unit, the Food Cell prepares a requisition summary showing the food value for each sector for each consumption period ensuring that the value conforms to the troop strength of each contingent unit. The Food Cell adjusts the requisition to reflect any stocks available in excess of seven days. The Force Headquarter SO Food also reviews this requisition summary to verify the correctness of troop strength and locations of each contingent unit before it is approved by the Food Cell for submission to the Contractor.

61. The Contract also requires a number of control mechanisms such as the requirement to monitor troop levels and requisitioning cycle in order to avail of the discounts. Further, the cumulative expenditures must be monitored in order not to exceed the maximum Contract amount. The monetary value of \$100 million itself warrants strengthened internal controls in the administration of the Contract. However, we noted that currently only manual procedures are in place. These procedures are exhaustive with voluminous paperwork and are susceptible to errors.

62. OIOS believes that off-the-shelf or internally developed software would be helpful in the administration of the Contract. This will reduce the time line for consolidation and submission of requisitions to the Contractor and thus result in savings.

### **Recommendations 24 and 25**

OIOS recommends that the UNAMSIL Administration:


(i) Consider acquiring or internally developing a software to administer the Contract more effectively (AP2004/622/06/24); and

(ii) Advise the UN Procurement Division of the need for a software, which could also be used in other Missions in the administration of contracts for food rations (AP2004/622/06/25).

63. *UNAMSIL accepted these recommendations and stated that such software would be useful for most missions, and in the interests of standardization and cost effectiveness, its development should be pursued at Headquarters level. Recommendations 24 and 25 will remain open until the Mission provides documentation to show that the request for developing the software has been made to DPKO.*

#### V. ACKNOWLEDGEMENT

64. We wish to express our appreciation for the assistance and cooperation extended to the auditors in the conduct of this audit.

  
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