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INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Ashraf Jehangir Qazi
A: Special Representative of the Secretary-General
United Nations Assistance Mission for Iraq (UNAMI)

DATE: 3 January 2007

REFERENCE: AUD-7-5:40 (07-00694)

for *William Petersen*
FROM: Dagfinn Knutsen, Acting Director
DE: Internal Audit Division, OIOS

SUBJECT: **OIOS Audit No. AP2006/812/01 : Procurement management at UNAMI**
OBJET:

1. I am pleased to present herewith the final report on the above-mentioned audit, which was conducted between April and June 2006.
2. We note from your response to the draft report that UNAMI has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 3, 4, 7, 12, and 15 in the OIOS recommendations database, and recommendation 6 has been withdrawn. In order for us to close out the remaining recommendations (i.e., 1, 2, 5, 8 to 11, 13, 14, 16, 17 and 18), we request that you provide us with additional information as indicated in the text of the report. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e. recommendations 4, 8, 9, 12, 13, 15, 16 and 18) in its annual report to the General Assembly and semi-annual report to the Secretary-General.
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 take this opportunity to thank the management and staff of UNAMI for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations
Mr. Philip Cooper, Director, ASD/DPKO
Mr. John Griffith, Chief Administrative Officer, UNAMI
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Mika Tapio, Programme Officer, OIOS
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Office of Internal Oversight Services

Internal Audit Division



Procurement management at UNAMI

Audit no: AP2006/812/01
Report date: 3 January 2007
Audit team: Manohar Ragibommanahally
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EXECUTIVE SUMMARY

Procurement management at UNAMI (Assignment No. AP2006/812/01)

OIOS conducted an audit of procurement management at the United Nations Assistance Mission for Iraq (UNAMI) between April and June 2006. The objectives of the audit were to (i) assess whether the needs identification and procurement planning were done in a timely manner to initiate the procurement action; (ii) examine the process for registration of vendors and determine whether the list was updated on a regular basis; (iii) assess whether the bidding process was done in a competitive manner to achieve economy and in compliance with United Nations Financial Regulations and Rules; and (iv) evaluate the efficiency of contract administration in extending and modifying contracts, and monitoring and evaluating contractor's performance. The audit covered procurement activities for the period January 2005 to 30 June 2006.

The Procurement Section should be commended for its ability to procure goods and services under difficult circumstances. However, OIOS identified the following areas for improvement:

- Specifications were not developed and formulated in a clear and sufficiently detailed manner;
- Offers were evaluated without due regard to the instructions contained in the solicitation document and established procurement procedures;
- OIOS found four cases of unauthorized additional works. In three out of the four cases, no action was taken by UNAMI management to investigate the cases and determine accountability;
- Lack of coordination between the Procurement Section, Receiving and Inspection Unit, and requisitioning units led to the acceptance of goods that do not conform with specifications;
- An oversight by DPKO led to the delivery of five caravan trailers for which the Mission had no requirement at all. The five caravan trailers are now lying idle in Kuwait and have resulted in an unnecessary expenditure of \$234,790; and
- Personnel in the Procurement Section lacked professional training.

UNAMI generally accepted the audit recommendations and has initiated appropriate action to implement most of them.

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I. INTRODUCTION

1. OIOS conducted an audit of procurement management at the United Nations Assistance Mission for Iraq (UNAMI) between April and June 2006. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. UNAMI started operations in August 2003. The Mission operates on a biennial budget period and for the biennium 2004-2005, the Mission's allotments totaled \$129,891,700 while the allotment for the period 1 January to 30 April 2006 was \$37,432,800. UNAMI has an authorized staff strength of 1,150 which includes 334 military and 816 civilian personnel. As at 28 February 2006, 60 per cent of personnel were on board. The Mission's resources are to be used to assist the efforts of the Iraqi people and Government in developing institutions for a representative government, and in promoting national dialogue and unity.
3. The Procurement Section headed by the Chief Procurement Officer (CPO) is responsible for the procurement function in UNAMI. These responsibilities include the local and international procurement of goods and services for the Mission; development of procurement sources; maintenance of a roster of vendors; conduct of market surveys and bidding exercises, and management of contracts. The Procurement Section has 27 authorized posts, of which 20 were filled at the time of the audit.
4. The audit covered procurement transactions initiated between 1 January 2005 and 30 June 2006. During the period under review, 630 purchase orders with a total value of \$25,327,611 were raised and approved. The distribution of the purchase orders by cost center is shown in Table 1.

Table 1: Purchase orders by cost centre

	Cost Centre*	Jan-Dec 2005		Jan-Jun 2006		TOTAL	
		No. POs	PO Value	No. POs	PO Value	No. POs	PO Value
1	CIT	167	\$6,855,251.94	37	\$796,861.80	204	\$7,652,113.74
2	ENG	97	5,227,681.52	26	884,767.07	123	6,112,448.59
3	GSS	158	3,982,370.04	8	144,459.24	166	4,126,829.28
4	TPT	39	436,237.52	27	383,374.85	66	819,612.37
5	PIO	4	28,834.68	-	-	4	28,834.68
6	SEC	-	-	15	1,753,530.89	15	1,753,530.89
7	LOG	-	-	49	2,709,043.37	49	2,709,043.37
8	Other	3	2,125,198.35	-	-	3	2,125,198.35
	TOTAL	468	\$18,655,574.05	162	\$6,672,037.22	630	\$25,327,611.27

***Legend:** CIT – Communications and Information Technology Section; ENG – Engineering Section; GSS – General Services Section; TPT – Transport Section; PIO – Public Information Office; SEC – Security Section; LOG – Logistics Section; Other – multiple accounts.

5. The comments made by the Management of UNAMI 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) Assess whether the needs identification and procurement planning were done in a timely manner to initiate the procurement action;
 - (b) Examine the process for registration of vendors and determine whether the list was updated on a regular basis;
 - (c) Assess whether the bidding process was done in a competitive manner to achieve economy and in compliance with the UN Financial Regulations and Rules; and
 - (d) Evaluate the efficiency of contract administration in extending and modifying contracts, and monitoring and evaluating contractor's performance.

III. AUDIT SCOPE AND METHODOLOGY

7. The scope of the audit was limited to the registration of vendors, acquisition planning, solicitation documents, submission and evaluation of bids, contract management and the review of the procurement staffing resources. The audit involved an assessment of procedures established by UNAMI to provide fair and transparent evaluation processes with regard to procurement of goods and services. Specifically, the audit covered the Procurement Section's activities from January 2005 to June 2006. The scope does not include the disposal of assets through sale. Also excluded from this audit was the review of aspects of the bidding process covered in the snap shot audit of compliance with bid opening procedures, a horizontal audit conducted by OIOS throughout all the peacekeeping missions. The audit activities involved interviewing staff and management, reviewing available documentation and conducting inspections at UNAMI - Kuwait.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Procurement planning

8. Procurement planning is essential for the effective and timely solicitation of bids, award of contracts and delivery of goods and services. Although the UNAMI Administration had drawn up its procurement plan for the year 2006, the Mission was not in a position to submit its procurement plan to the Department of Peacekeeping Operations (DPKO) before the start of the year as the Mission had not received its approved budget. UNAMI's budget was approved on 12 April 2006. Prior to April 2006, the Mission was compelled to acquire goods and services to the extent of allotments received. For the year 2007, an exercise was conducted in late July 2006 to identify the requirements for the Mission.

9. OIOS did not come across any instances of management override to procure items that were not within the procurement plan. The Procurement Section discouraged the requisitioners from raising requisitions based on "immediate operational requirements" (IOR). In cases where

IORs were raised, the Procurement Section ensured that there was adequate justification for such requisitions before taking further action.

B. Vendor registration

Registration of vendors in the database

10. Section 7.1 (3) of the Procurement Manual requires the evaluation of information provided by potential vendors in the Vendor Registration Application (VRA). Under section 7.6.2, factors such as the relevance of products or services offered to the UN, financial stability of the company, payment terms, business experience and capacity, and technical competence of the applicant are to be taken into account in evaluating the VRA. Until the complete information is received, the applicant's name is placed on a provisional register and removed if the registration has not been completed within three months from the date of the provisional registration.

11. The Procurement Section has two vendor databases, i.e., the Active Vendor Database with 394 vendors and the Provisional Vendor Database with 756 vendors. In addition, the Procurement Section maintains a list of suspended vendors currently containing 21 names. OIOS reviewed a sample of 39 vendor information files (representing 10 per cent of the active vendors) from the Active Vendor Database to determine the extent to which the Procurement Section evaluates or verifies the information provided by vendors on the VRA. Based on the samples reviewed, OIOS found that vendors currently on the active database have not provided full information to complete their registration and even though they are doing business with UNAMI, their registration is incomplete. Our analysis of the information in the vendor information files is shown in the following table:

Table 2: Analysis of information provided by vendors

	Particulars by vendors	Number	% to total sample (39)
1	Vendors with System Contracts and no vendor registration particulars	4	10%
2	Vendors that did not submit financial statements	14	36%
3	Vendors with no approval form on file	30	77%
4	Vendors that provided company registration certificate numbers, but no certificate copies	6	15%
5	Vendors with no Vendor Registration Application forms on file, but on active vendor database	8	21%

Source: Procurement Section, Vendor information files

12. Analysis of the information above suggests that although four vendors received system contracts, and despite the Local Vendor Database Officer (LVDO) having access to the UNPD vendor database, no action had been taken to verify the profiles of the vendors. The six vendors who provided company registration certificate numbers did not provide copies of the certificates, thus it was difficult to determine the authenticity of their registration. Eight vendors had not completed the VRA but were included on the active vendor database and were already doing

business with UNAMI. Of the 30 vendors with no approval forms on file, 18 already had POs issued to them and were doing business with UNAMI.

13. The LVDO informed OIOS that the Mercury 2 System allows buyers to create temporary vendors, who are automatically added to the provisional vendor database. The vendors are then asked to complete the VRA but some of them do not submit all the documentation required, but are nonetheless registered, with the expectation that they will submit the remaining documents. The LVDO further stated that there had been no regular review of the vendor databases to update the vendor information and fully register in the active register or remove vendors from the provisional register.

14. OIOS believes that the lack of follow-up and regular review of the vendor database exposes the Mission to financial risks by allowing it to do business with vendors whose capability and competence have not been fully evaluated and documented. Such reviews should include assessing the financial stability of the vendor, confirming the registration of the company, determining the relevance of goods and services to UNAMI, determining if suspended vendors are reapplying under a different name, etc. Regular reviews would also enable the LVDO to know about any changes in the information originally provided by the vendors. The LVDO attributed the lack of review of the vendor databases to inadequate staffing resources at the start-up phase of the Mission. She was hopeful that with the establishment of the Local Vendor Review Committee (LVRC) the upkeep of the vendor database would improve.

Recommendation 1

The UNAMI Administration should ensure that the Chief Procurement Officer implements procedures for the proper documentation of the vendor registration exercise and mechanisms for the evaluation at reasonable intervals of vendor profiles and information originally provided, to ensure that the information is still valid, and when required, request for updated information, as provided for in section 7 of the Procurement Manual (AP2006/812/01/01).

15. *The UNAMI Administration accepted recommendation 1 and stated that the Procurement Section had taken immediate steps to rectify the situation. A LVRC was convened and the process of reviewing all registered vendors' files had begun. Vendors have been requested to supply any missing information, and non-complying vendors are being considered for possible suspension. Recommendation 1 remains open pending confirmation by UNAMI that it has been fully implemented.*

Creation of temporary vendors

16. OIOS learned from the LVDO that the database allows buyers to add temporary vendors when making solicitations. This is done without clarifying with the LVDO whether the goods sought could be provided by any of the existing vendors. As a result, OIOS' review found that of the 756 provisional vendors, 66 per cent are temporary vendors created by buyers. Likewise, OIOS

reviewed information files of 11 vendors who had POs issued to them but whose status as listed by the Procurement Section was either provisionally registered or not registered at all. Upon review and subsequent inquiry with the LVDO, it was established that although nine vendors had already been approved, their status was still reflected as either not registered or provisionally registered. The failure to update the vendor register could be misleading as it would appear that POs are issued to non-active vendors, in violation of established rules.

Table 3: Vendor status not reviewed and updated in the database

	Vendor ID	Vendor Name	PO Number	PO Amount	Vendor status as of 30 April 2006	Current vendor status
1	DEN0003	Johs.Gram-Hansen Products Ltd.	5POK-200535	\$70,490.00	Provisional register	Approved on 14/12/05
2	IRE0001	Mimi Group Ltd	5POK-200108	3,747.71	Not registered	Suspended on 22/02/05
3	IRQ0049	The Eastern Company	5POK-200200	3,000.00	Not registered	Name and ID of vendor changed
4	IRQ0108	Al Pasha Company	5POK-200477	1,156,808.50	Provisional register	Approved since 26/12/05
5	IRQ0108	Al Pasha Company	5POK-200515	114,198.50	Provisional register	Approved since 26/12/05
6	IRQ0108	Al Pasha Company	5POK-200518	191,581.56	Provisional register	Approved since 26/12/05
7	IRQ0108	Al Pasha Company	5POK-200531	6,950.00	Provisional register	Approved since 26/12/05
8	IRQ0116	Ariabaa Company for Internet; Comm and Computers Service Co. Ltd	5POK-200514	90,135.79	Provisional register	Approved since 27/11/05
9	IRQ0216	EASA Husain Al-Yousifi Est	5POK-200542	71,305.82	Not registered	Error - should be KUW0216 (Approved)
10	JOR0033	Central Trade Gas Station	5POK-200027	13,161.91	Not registered	Suspended date???
11	JOR0076	IOM	5POK-200412	91,704.01	Provisional database	Approved 6/9/05- Mercury 1, April 06 - Mercury 2
12	JOR0078	Al-Ta'oun for Contracting Co.	5POK-200449	33,554.00	Not registered	Approved in Mercury 1
13	KUW0194	SATCO Engineering	5POK-200566	2,903.78	Provisional register	Approved since 22/12/05
14	11269	Traditional Casket Corp	5POK-200229	22,487.80	Not registered	Ref. ID USA0048 - approved
	TOTAL			\$1,872,029.38		

Source: Procurement Section, Vendor information files

17. The LVDO explained that the information in the vendor database was inaccurate because the Procurement Section was not notified during the migration of vendor data from Mercury 1 to Mercury 2 by Brindisi in November 2005. Thus, the Procurement Section continued to update their vendor data in Mercury 1 instead of Mercury 2 until January 2006 when it was discovered. The list provided to OIOS in April still included active vendors on the provisional database. However, at the time of reporting, the LVDO had embarked on the task of updating the entire database. The LVDO stated that there was a lack of experienced staff to hasten the exercise and also indicated that verification of information provided by companies in Iraq would be difficult. However, OIOS is of the opinion that the vendor database can be updated and data reconciled with the current staffing levels.

18. Section 5 of the Procurement Manual indicates the United Nations' policy to encourage vendors to participate in the Global Compact. To this end, procurement officers are required to

include the statement of the Secretary-General to world business leaders to embrace and enact the Global Compact both in their individual corporate practices and by supporting appropriate public policies. OIOS' review revealed that the Procurement Section has not disseminated the Global Compact to potential and existing vendors.

Recommendations 2 and 3

The UNAMI Administration should ensure that:

- (i) Any addition of temporary vendors to the database is approved by the Local Vendor Database Officer (AP2006/812/01/02); and
- (ii) The Procurement Section disseminates to active and prospective vendors the Secretary-General's Global Compact that aims to promote individual corporate practices and supporting public policies, by displaying the Global Compact web link in all communications sent out to vendors (AP2006/812/01/03).

19. *The UNAMI Administration did not accept recommendation 2, stating that paragraph 8.2.4(7) of the Procurement Manual allows provisionally registered vendors to be added to a list of invitees. This is done principally to increase competition, especially when the requirement is of a specialized nature and/or when the current database of fully registered vendors is either not applicable or insufficient to ensure full competition. Given the rapid response missions often require in the face of changing circumstances, it would not be appropriate to have to wait for the VDO to confirm that all recipients of a solicitation can in fact be registered. As per the Procurement Manual, no award can be made to a provisionally registered vendor until they have completed the full registration process. This requirement is explicit in UNAMI's solicitation documents. Currently vendors provisionally registered are concurrently requested to comply with the registration process. OIOS does not question the provisional registration of vendors but reiterates its observation that buyers in the Procurement Section were creating provisional vendors without the LVDO's knowledge. As a result, 66 per cent of vendors in the database were only provisionally registered. It is the responsibility of the LVDO to provisionally register vendors and subsequently follow through the process by ensuring that registration is completed within three months, failing which the vendor is removed from the database. The creation of new vendors in the database should be done by the appointed LVDO in accordance with the provisions of the Procurement Manual. OIOS has revised recommendation 2 for clarity, and this recommendation remains open pending confirmation by UNAMI that it has been fully implemented.*

20. *The UNAMI Administration accepted recommendation 3 and stated that implementation is immediate and ongoing. The UN Global Compact has now been added to the vendor registration form, along with a two page letter outlining the principles of the programme. Vendors who are not already aware of this programme will be advised during the review and biannual update of their registration. Based on the Mission's response, recommendation 3 has been closed.*

C. Bidding

Specifications

21. A major weakness in the UNAMI procurement process is the drawing up of specifications. Section 8.3.1 (4) of the Procurement Manual requires that specifications or descriptions are developed and attached to the requisition for each item. Such specifications should be clear and sufficiently detailed to enable vendors to compete fairly. The specifications are required to be comprehensive, unambiguous and generic. The following cases show the extent of inadequacy and vagueness in the Mission's drawing up of specifications:

- In requisition no. 6TPK-60049, the specifications mentioned “‘Gasoline engine oil’, ‘Diesel Engine oil’, and ‘Brake fluid oil’” without indicating the grade of oil to be procured. Furthermore, the unit of measurement was stated as “drum” and did not indicate the quantity in “liters”;
- “Rechargeable Mag Lite” was mentioned in requisition no. (5GSK-50144) even though specifications should not refer to brand names, in accordance with section 8.3.1 (b) of the Procurement Manual;
- The Engineering Section raised a requisition (5ENK-50075) as an “open ended contract for maintenance and fixing the canvas at UNAMI HQ Kuwait” without attaching the Statement of Works (SOW). Ambiguous specifications were given in the SOW (UNAMI AMI/SOW05-0003) for the development of UNAMI Regional HQ, Basrah, Iraq. The SOW refers to “sufficient pressure” (Paragraph 2.3.9.1) and “high quality” (Paragraph 2.3.10.1(b)) without amplifying the required degree of pressure and the conformance expected to specific quality standards;
- Based on a request from the Safety and Security Unit (SSU), the General Services Section (GSS) raised a requisition (5GSK-50153) for ballistic body armour without identifying the quantity and the sizes required;
- In requisition no. 5GSK-50159, the initial SOW for the maintenance of photocopiers did not indicate the available brands/make of photocopying machines in the various locations of the Mission. The SOW indicated that UNAMI will pay for the consumable parts without identifying the consumables. OIOS also noticed that the requisitioning section had recommended the names of vendors to the Procurement Section in contravention of section 7.8 (1) of the Procurement Manual.

22. The CPO informed OIOS that staff members lacked adequate knowledge in drawing up specifications. He added that requisitioners from two out of five sections turned up at the recent workshop he conducted on 20 July 2006 on drawing up specifications. The poor response to the workshop was an indication of the low priority given to developing specifications by the remaining requisitioners in Kuwait. Vague and inadequate specifications could lead to delays in the supply of goods and services due to clarifications sought from the suppliers apart from the Mission running the risk of purchasing substandard goods.

Recommendation 4

The UNAMI Administration should instruct requisitioners to draw up comprehensive and unambiguous technical specifications for each item in the requisition to enable the procurement of the correct goods and services in a timely manner (AP2006/812/01/04).

23. *The UNAMI Administration accepted recommendation 4 and stated that a reminder has been issued to all requisitioners asking them to provide adequate specifications and SOWs for all procurement requirements.* Based on the Mission's response, recommendation 4 has been closed.

Evaluation of offers

24. Section 11 of the Procurement Manual provides guidance on the evaluation of vendors' tenders to ensure that the procurement is fair, objective and transparent. OIOS' review revealed that evaluation criteria were pre-determined and established before the issue of solicitation documents. However, major flaws were noticed in the evaluation of offers as evidenced by the following cases:

- The Procurement Section requested the Technical Evaluation Committee (TEC) to conduct the technical evaluation of offers received in response to RFP 5BIK-500080. The TEC technically cleared the three bidders but made a recommendation in favour of the existing contractor who was one of the three bidders. The evaluation was conducted on the basis of adherence to the completion and technical compliance review matrix that ensured all documents/information were provided (paragraph 11.7 of the SOW). The TEC, however, did not rate the bidders as per the points established for each criteria (paragraph 11.6 of the SOW). Instead of rejecting the TEC's recommendation because the criteria was not followed, the Procurement Section processed the case. The bid was not pursued later on for other reasons.
- In response to RFQ 5 BIK-500199 dated 3 July 2005, for an open ended contract for the maintenance of and fixing the canvas at UNAMI HQ, Kuwait, the Procurement Section forwarded two bids to the requisitioner from the Engineering Section to conduct the technical evaluation. The requisitioner, on 14 July 2005, informed the Procurement Section that both bids were technically acceptable but requested additional terms from the vendor, as follows: (i) defect liability period to be extended to one year; (ii) the vendor should come and rectify the defects within 48 hours of call; and (iii) sample to be approved for the materials to be used. The buyer in the Procurement Section incorporated the additional terms in the PO 5POK-200320 dated 17 July 2005 and awarded the contract to Raith Engineering, the lowest bidder, although none of these terms and conditions were incorporated in the requisition 5ENK-50075 and in the RFQ 5BIK-500199.
- The Engineering Section, after discussions with the recommended vendor, reiterated to the Procurement Section, by e-mail dated 3 August 2005, that they will not accept any vendor to execute the works without a warranty covering the full period of the blanket purchase agreement, i.e., until 31 December 2005. On 9 August 2005, Raith Engineering

pointed out the discrepancies in the PO 5POK-200320 and requested UNAMI to adhere to the original terms and conditions mentioned in the RFQ. The Head of the Procurement Support Unit, UNAMI cancelled the PO 5 POK-200320, incorporated the additional conditions and called for best and final offer (BAFO) from both the technically accepted bidders, Raith Engineering and Q-Tech Co. Both bidders were technically re-assessed and found acceptable. However, there was an increase in the price quoted by both bidders in response to the BAFO, compared to their original offer.

Table 4: BAFO for the maintenance of and fixing the canvas at UNAMI HQ, Kuwait

	Bidder	Original offer Unit Price (\$)	BAFO Unit Price (\$)	Remarks
1	Raith Engineering	31.27	189	
2	Q-Tech Trading	53.91	175	Contract awarded vide new PO 5POK-200441 at BAFO price

- Section 11.6.8 (5) of the Procurement Manual states that requests for BAFOs shall only allow the proposers to lower their price, prolong warranties, give additional discount, and offer other benefits to the organization. By accepting a higher price, the Procurement Section had contravened section 11.6.8 (5) of the Procurement Manual.

- It should be noted that UNAMI, on 26 September 2004, had awarded a contract (PO No. AMI4-200071-Kheitan) to Raith Engineering for the supply and installation of canvas in UNAMI, Kheitan. Raith Engineering had successfully completed the work in May 2005 and was paid an amount of \$28,162 or \$68 per unit of canvas supplied and installed. Thus, it is apparent that the cost of repair and maintenance of the canvas was abnormally high. UNAMI could have instead replaced the canvas with brand new material for less than 50 per cent of the cost of the maintenance. The buyer informed OIOS that she was not aware of the earlier procurement action for the supply and installation of canvas.

25. The contract relating to the maintenance and repair of the canvas at UNAMI HQ shows that there were serious lapses in the procurement process. Firstly, the requisitioner had prevailed on the Procurement Section to incorporate additional terms after the solicitation document was issued. Secondly, instead of securing benefits to the organization, the BAFO negotiations resulted in a higher price. Lastly, no effort was made by the buyer to correlate and compare the price paid to the contractor for the supply and installation of canvas in spite of a search feature available in the Mercury procurement system. The CPO acknowledged that it was indeed a mistake on the part of the buyer, but stated that this case was not brought to his attention.

Recommendation 5

The UNAMI Administration should review the procurement action relating to the contract for repair and maintenance of the canvas at the UNAMI HQ in Kuwait and establish accountability for

the lapses resulting in the uneconomical purchase (AP2006/812/01/05).

26. *The UNAMI Administration accepted recommendation 5 and stated that the Security and Safety Unit has been asked to investigate the matter, and a response is awaited.* Recommendation 5 remains open pending receipt of documentation from UNAMI concerning the results of the investigation.

Failure of prospective vendor to furnish information

27. Paragraph 11.2 of the instruction for submitting proposals (Annex A of the SOW forming part of the RFP 5BIK-500125) stipulated that, in conducting the technical evaluation, all proposals should be reviewed for completeness, and if complete, will then be assessed against the technical criteria detailed in paragraph 11.7 of Annex A to the SOW. OIOS noted that the TEC did not check any of the five offers for completeness as provided under the "Completion and technical compliance review matrix" (See paragraph 11.6 of Annex A to SOW). The offer submitted by ESS, and Men-Has were incomplete as they had not incorporated the mobilization plan, a major requirement of the SOW, and therefore the TEC should have excluded these two bidders as the bids were technically non-compliant in terms of paragraph 11.6 of Annex A to the SOW.

28. The TEC in their first meeting of 15 August 2005, evaluated ESS' and Men-Has' offer against the pre-established technical criteria and assigned "zero" score against the criteria of mobilization plan to both ESS and Men-Has. Men-Has' proposal was not recommended for not attaining the minimum score of 45 out of a possible 60. ESS' proposal, despite scoring "zero" under mobilization, was recommended for obtaining the minimum score of 45. The TEC's report dated 15 August 2005 addressed to the Chief Procurement Officer (CPO) was returned to the Chairperson of the TEC with the remarks, "This is not sufficient", as detailed analysis was lacking. The TEC in its report of 16 August 2005 provided a detailed analysis of the criteria evaluated of all the five offers received. However, the CPO vide his e-mail dated 18 August 2005 did not accept the scoring. In the CPO's opinion companies that have not supplied information, i.e., scored "0", should have the opportunity to clarify their response.

29. The Chairperson, TEC in his e-mail, did not agree with the views of the CPO, but the CPO overruled the objections and, on 18 August 2005, asked ESS and Men-Has to provide the missing documents/information. ESS was asked to provide information on mobilization plan and provide proof of documentation if ESS was ISO certified. Men-Has was asked to provide documentation on all the eight pre-established criteria. Based on the responses received from Men Has and ESS, the TEC revised the scoring for both companies. As per the TEC report of 24 August 2005, Men-Has scored 16 points, and ESS scored 58 points, an increase of 14 and 13 points respectively over their previous score. After consolidating the technical and financial scores and ranking of the "qualified invitees", the Procurement Section determined that ESS scored the highest points, i.e., 98 out of a possible 100 points as the financial proposal submitted by ESS at \$6.83 million was the lowest. The LCC recommended the case on 19 September 2005 and on the same day the case was submitted to HCC for consideration. Before the HCC could deliberate on the case, the bid was cancelled.

30. The submissions of ESS and Men-Has should have been rejected on grounds of failure of probable vendor to furnish data/information, in accordance with Section 10.3.3 (c) (i) of the Procurement Manual, as the integrity of the bidding process was compromised.

Recommendation 6

The UNAMI Administration should ensure that, in the future, incomplete submissions of data/information provided by a prospective vendor are rejected, to protect the integrity of the bidding process and to comply with Section 10.3.3 (c) (i) of the Procurement Manual (AP2006/812/01/06).

31. *The UNAMI Administration did not accept recommendation 6, stating that paragraph 10.3.3 (c) of the Procurement Manual (“failure of prospective vendor to furnish data/information”) clearly envisioned instances where vendors did not include information that was requested in the solicitation documents. Paragraph 10.3.3 (c) (i) states that this failure “shall not require immediate rejection of the submission...”. According to paragraph 10.3.3 (c) (ii), it is the responsibility of procurement to “request from the prospective vendor, the missing information.” The request in this instance did not affect the price or the specification of the solicitation. Therefore the action of the CPO was appropriate and in accordance with the Procurement Manual. Based on the Mission’s response, recommendation 6 has been withdrawn.*

D. Contract management

1. Contractor’s performance report

32. Section 15.1 (3) of the Procurement Manual provides for a Satisfactory Vendor Performance Report to be placed on file before a Procurement Officer amends a contract. OIOS’ review of ten Contractor’s Performance Reports revealed that in three cases, the requisitioner recommended the discontinuation of services of vendors citing unsatisfactory performance. However, the same requisitioner recommended extension of contracts to the same vendors. The recommendations for extension did not provide any justification seeking the need for extension of the contracts. Despite the contradictory recommendations made by the requisitioners, the Procurement Officers processed the extension of contracts. Upon inquiry, OIOS was informed by the Logistics Officer that the extensions were recommended in order to ensure that the supply of goods/services was not disrupted.

Recommendation 7

The UNAMI Administration should ensure that a requisitioner’s recommendation to extend or terminate a vendor’s contract is documented and justified by the concerned requisitioner and reviewed by the Procurement Section before any action is taken on the extension or termination of a contract (AP2006/812/01/07).

33. *The UNAMI Administration accepted recommendation 7 and stated that it has been implemented. The Mission will ensure that no extension is granted to a vendor whose performance has been reported as unsatisfactory, and that such reports are substantiated with supporting evidence.* Based on the Mission's response, recommendation 7 has been closed.

2. Unauthorized execution of work

34. Any staff member who contravenes the UN Financial Regulations and Rules or corresponding administrative instructions may be held personally accountable and financially liable for his or her actions (UN Financial Rule 101.2). The following cases revealed the unauthorized procurement of goods/services by UNAMI staff members, thereby committing the Mission to financial liabilities in clear violation of the UN Financial Rule 101.2 and Section 12.1.8 (4) of the Procurement Manual:

(a) In November 2004, Missan Engineering was awarded a contract in the amount of \$20,225 for the supply and installation of aluminum partitions and doors in Baghdad, Iraq. The Engineering Section asked the contractor to take up additional works in the amount of \$4,091.40 without following established procurement procedures. The Local Committee on Contracts (LCC), in its meeting on 4 July 2005 (LCC minutes number AMI 5/05/012), recommended the *post facto* award and took note of the Chief Engineer's explanation that the mistake was committed by a junior staff in the absence of senior staff and that such mistakes shall not happen again.

(b) In June 2005, the Communication Section dispatched a faulty Sat Modem from Amman to L.TEQ LTD. UK for repair at a cost of \$1,352.77 without the approval of the Procurement Section. The LCC, in its meeting (number AMI 5/05/17) held on 14 September 2005, took into account the need to repair critical items and recommended the *post facto* award.

(c) The Procurement Section awarded purchase order 5POK-200441 in the amount of \$2,600 on 25 September 2005 to Q-Tech Trading and Services Co. for the repair and maintenance of canvas. During the execution of the contract, the actual cost exceeded the award amount by \$18,500. The Engineering Section had authorized the additional work without the approval of the Procurement Section and without allocation of funds. The LCC, in its meeting (Number AMI 5/05/026) held on 8 December 2005, recommended that the Chief Engineer investigate and furnish to the LCC the results of his findings in order to determine accountability or otherwise. Upon follow-up by OIOS, the Chief Engineer submitted his report to the LCC in July 2006. The LCC has yet to deliberate on the matters discussed in the report in its next meeting. The late submission of the report on investigations indicates lack of follow-up by the LCC of its own recommendation.

(d) UNAMI entered into a contract with Al-Pasha Company on 6 October 2005 for "the development of the UNAMI Regional HQ compound, Basrah, Iraq". The PO (5POK-200477) was issued on 26 October 2005 in the amount of \$1.25 million for executing four different works in the UNAMI compound in Basrah. On 13 November 2005, Al-Pasha Company informed the UNAMI Regional Administrative Officer that apart from the four

works, they had executed additional works by installing 1,500 meters of fence and a gate in the amount of \$36,090. The CPO, on 12 December 2005, pointed out to the contractor that the additional works carried out was unauthorized and requested evidence from the contractor as to the persons who had authorized the additional work. The contractor evaded indicating the names of the persons involved in authorizing them to do the additional work.

(e) After several reminders, the contractor, on 9 March 2006, indicated the names of three UNAMI staff members and one Security Officer belonging to the Department of Safety and Security, who had instructed the contractor to start the additional work for security reasons. None of the staff members were authorized to provide instruction to the contractor to carry out any additional work. After negotiations between the Procurement Section and the contractor, the contractor on 15 July 2006 took partial responsibility and agreed to provide a ten per cent discount amounting to \$13,659 on the entire fencing component including the additional works carried out by them. The CPO informed OIOS that he had obtained an explanation from all the staff members who had instructed the contractor and forwarded the explanation to the CAO for further action in March 2006. As of the date of this report, no action was taken by the CAO to assign responsibility to any of the staff members for this lapse.

35. By accepting the explanations provided by the requisitioners in cases (a) and (b) above, it appears that the LCC condoned the unauthorized execution of works when it recommended the approval of the *post facto* award to the Chief Administrative Officer (CAO), without any recommendation addressing the lapses committed by the staff members, which led to the *post facto* situations.

36. The recurrence of unauthorized works is a cause for concern as it exposes the Mission to the risks of unanticipated financial liabilities and potential litigation.

Recommendations 8 and 9

The UNAMI Administration should:

(i) Ensure that circumstances leading to *ex post facto* procurement cases are investigated and any accountability addressed in case of lapses or failure to comply with established rules (AP2006/812/01/08); and

(ii) Take action to fix responsibility for the unauthorized works relating to purchase orders 5POK-200441 and 5POK-200477, and hold accountable staff members found culpable for improperly committing the Mission to financial liabilities (AP2006/812/01/09).

37. *The UNAMI Administration accepted recommendation 8 and stated that it had been immediately implemented.* Recommendation 8 remains open pending receipt of documentation from UNAMI showing that it has been implemented.

38. *The UNAMI Administration also accepted recommendation 9 and stated that although efforts had been made to ascertain responsibility as soon as the case was discovered, the results were inconclusive. The Mission will compile a report to determine responsibility. Recommendation 9 remains open pending receipt of documentation from UNAMI showing that it has been fully implemented.*

3. Sole-source selection of vendor

Concession agreement

39. UNAMI entered into a concession agreement (contract number AMI/CON/2005/0001) on 10 January 2005 with the International Center Group Company for the provision of cafeteria services at UNAMI Headquarters, Kheitan, Kuwait without a bidding process. As per the concession agreement (article 2.09) UNAMI was to provide space, electricity, water, tables and chairs. The caterer was to provide his own equipment, manpower, supplies and janitorial services within the cafeteria premises, and could sell food and beverage items at the prices listed in the item description as per Annex B attached to the concession agreement. There was no indication on file about validating the contractor's claims of registration details with the Government of Kuwait's hygiene standards, and accreditation of the grade of the cafeteria services, or of a comparison made of the cost for similar levels of standards/fare provided.

40. Ideally, the cafeteria services should have been put to bid and UNAMI should have insisted on cost recovery of electricity, water, and other utilities provided to the contractor. The Kuwait concession agreement was extended for a further period of one year in February 2006 on the basis of the contractor's performance report drawn up by the Chief Administrative Services (CAS) on 26 January 2006. The performance report was based on one person's assessment and was not reflective of the customer's needs or feedback as no input was obtained from staff members about the quality of food, reasonableness of the prices of items of menu, ambience, hygiene, etc. The Chief Administrative Services (CAS) clarified that the contractor, on learning about the need for setting up catering services in UNAMI premises, approached the CAS with their offer to provide catering services and a concession agreement was drawn up between UNAMI and the contractor. The CAS informed that no bidding process was resorted to and the need for setting up cafeteria services was done by word of mouth.

41. In the absence of any comparative parameters of grade or standard of the caterer, and assessment by the customers, the quality and reasonableness of the cost of the catering services provided would be difficult to assess.

Recommendations 10 and 11

The UNAMI Administration should:

- (i) In the interest of transparency, call for a fresh and formal solicitation of tenders for the cafeteria services to replace the current concession agreement. Furthermore, the new agreement should be

drawn up on cost recovery basis for utilities provided by UNAMI (AP2006/812/01/ 10); and

(ii) Seek the views of staff members when evaluating the performance of the contractor in terms of quality of food and services provided, reasonableness of the prices, menu preferences, adherence to hygiene standards, etc., before considering extension of the catering contract (AP2006/812/01/11).

42. The UNAMI Administration accepted recommendation 10 and stated that upon receipt of a revised SOW for the services, the Procurement Section will initiate a solicitation for a new concession agreement. The requisitioner will ensure that the cost of utilities is fully provided for in the SOW. The UNAMI Administration also accepted recommendation 11 and stated that staff members' opinion on the quality of food and services will be taken into consideration during the evaluation of bids. Recommendations 10 and 11 remain open pending receipt of documentation from UNAMI showing that they have been fully implemented.

Provision of life support services to the SRSG's villa

43. The Senior Administrative Officer, Baghdad (SAO) issued RFP (Ref: BAG/AO/04/0012 dated 3 October 2004) for providing catering, cleaning and laundry services (collectively called "life support services") at the residence of the Special Representative of the Secretary-General (SRSG), on a sole-source basis, to Tamimi Global Company. According to the SAO, the RFP was issued pursuant to a discussion between the Operations Manager of Tamimi and the CAO. Tamimi submitted their proposal on 5 October 2004 based on the scope of work and agreed to provide: (a) manpower of six personnel at a lump-sum monthly price; (b) laundry services; (c) food and cleaning services on a cost plus basis; and (d) garbage disposal services. Apart from a prior discussion of the RFP between the CAO and the Tamimi Operations Manager, no other reason/justification was provided by the SAO to procure the service on a sole-source basis (section 9.3.6 of the Procurement Manual).

44. Based on the *ex post facto* requisition Number 4GSK-40024 dated 13 December 2004, an internal PO (4POK-400143 dated 27 December 2004) was issued in the amount of \$24,612.90 for Tamimi to provide catering, cleaning and laundry services in SRSG's villa covering the period 24 October 2004 to 31 December 2004. The three contracts viz catering, cleaning, laundry services; rations; and cleaning materials and consumables, were renewed on three different occasions for the periods 1 January to 31 March 2005; 1 April to May 2005; and July to December 2005. Table 5 lists the *ex post facto* requisitions raised and *ex post facto* POs issued to Tamimi without bid for providing "life support services to the SRSG's villa".

Table 5: *Ex post facto* requisitions and purchase orders issued to Tamimi

	Description	Coverage	Requisition #	PO. #	PO Amount	PO Liquidated value
1	Catering, cleaning, laundry services	24 October – 31 December 2004	13/12/2004: 4GSK-40024	27/12/2004: 4POK-400143	\$24,612.90	\$24,612.90
2	Rations	24 October – 31	15/03/2005:	15/03/2005:	9,682.51	

		December 2004	5GSK-50044	5POK-200160		9,683.51
3	Cleaning materials & consumables	24 October – 31 December 2004	13/03/2005: 5GSK-50072	15/03/2005: 5POK-200162	2,289.68	2,289.68
4	Catering, cleaning, laundry services	1 January - 31 March 2005	17/03/2005: 5GSK-50037	17/03/2005: 5POK-200163	32,700.00	32,700.00
5	Cleaning materials & consumables	1 January - 31 March 2005	13/03/2005: 5GSK-50073	22/03/2005: 5POK-200164	3,000.00	1,044.34
6	Rations	1 January - 31 March 2005	18/05/2005: 5GSK-50075	18/05/2005: 5POK-200208	8,657.58	8,405.99
7	Rations	1 April - 31 May 2005	17/05/2005: 5GSK-50091	17/05/2005: 5POK-200236	3,500.00	5,383.40
8	Catering, cleaning, laundry services	1 April - 31 May 2005	17/05/2005: 5 GSK-50092	17/05/2005: 5POK-200237	21,800.00	21,800.00
9	Consumables for the SRSG Villa	1 April - 31 May 2005	17/05/2005: 5GSK-50093	17/05/2005: 5POK-200238	2,000.00	287.15
10	Cleaning materials & consumables	15 July - 31 December 2005	28/12/2005: 5GSK-50211	29/12/2005: 5POK-200604	8,000.00	2,929.72
11	Rations	1 July -- 31 December 2005	28/12/2005: 5GSK50212, Rev.1 Urgent Requirement	29/12/2005: 5POK-200605	36,000.00	27,930.24
12	Tradesman's services (Rations)	1 June - 31 December 2005	29/12/2005: 5GSK-50246	29/12/2005: 5POK-200612	77,000.00	76,300.00
	TOTAL				\$229,242.67	\$213,366.93

45. The Procurement Section in its presentation to the LCC (meeting number AMI/OS/06 held on 9 May 2005), recommended the *ex post facto* award of a contract to Tamimi for the provision of rations and other life support services to the SRSG's villa during the period 1 January 2005 to 31 March 2005, in the amount of \$56,330.77 on grounds of exigency (Financial Rule 105.16 (a) (vii)). The LCC did not deliberate on the reasons for awarding the contract on a sole-source basis without going through the bidding process. Furthermore, the LCC did not question if the special guidance on exigency provided under Section 9.5.2 of the Procurement Manual and the conditions under Section 12.1.8 of the Procurement Manual were met as the case was fully *ex post facto*. The LCC instead went a step further and, without any request from the Procurement Section, recommended that PO contracts for the provision of life support services, consumables and rations for the months of April and May 2005 be awarded to Tamimi. By extending and awarding the contract to Tamimi, the LCC had overstepped its function that is limited to reviewing and providing advice to the CAO on procurement matters, as stipulated in Section 2.5.1 (1) of the Procurement Manual.

46. UNAMI continued with the services of Tamimi to provide life support services to the SRSG's villa until the end of December 2005. The Procurement Section recommended the partial *post facto* award of contract to Tamimi for the period 1 June 2005 to 31 December 2005 in the total not-to-exceed (NTE) amount of \$121,000 in accordance with FR 105.7 (a) – *ex post facto*. The LCC, in its meeting (number AMI5/05/030 dated 28 December 2005), recommended the award of the contract to Tamimi and stated that they will not approve any *ex post facto* awards for this particular case beyond February 2006. At this point, the total requisitions raised in 2005 on the Tamimi contract were in excess of \$200,000 and should have been referred to the Headquarters Committee on Contracts (HCC), in accordance with Section 12.1.1 (1) (a) of the Procurement Manual.

47. While the initial award of the contract to Tamimi to provide life support services for the period 24 October - 31 December 2004 could perhaps be attributed to the start-up phase of the Mission in Baghdad, it took more than five months for the Procurement Section to go in for a bid to provide life support services to the SRSG's villa. It was only on 7 March 2005 when a requisition (5GSK-50043) was raised for the provision of catering, cleaning and laundry services at the SRSG's villa and the RFP 5BIK-500080 was issued on 13 March 2005. On receipt of offers from bidders and several rounds of clarification that stretched up to October 2005, the Procurement Section was able to analyze the price and realized that the existing arrangement with Tamimi was cheaper compared to the latest offer (Tamimi's offer was lowest among all bidders) made in response to the RFP of March 2005. According to the CPO, the CAO had opined that in the interest of economy, it would be feasible to continue with the existing arrangement. The Procurement Section therefore informed all the bidders on 24 October 2005 of UNAMI's decision not to pursue the requirement projected in RFP 5BIK-500080.

48. The CPO explained that the raising of POs was delayed because the requisitions were also raised late by the requisitioners leading to *ex post facto* POs. Besides, it was anticipated that the bidding exercise conducted in March 2005 would lead to a contract award. The CPO, further stated that developing the specifications took time as the Mission had no prior experience in the area of providing life support services. He added that the Mission also contemplated extending the scope of the contract awarded to another contractor in another facility of UNAMI in Baghdad to provide the life support services to the SRSG's villa. To a further query by OIOS about the need to refer Tamimi's case to the HCC, the CPO opined that since the liquidated value of all the POs issued to Tamimi were below the threshold of \$200,000 he had felt that there was no need to refer the case to the HCC. OIOS is, however, of the view that Section 12.1.1 (1) (a) of the Procurement Manual lays emphasis on the "proposed award" and not to the "liquidated value" and therefore this case should be referred to the HCC.

Recommendations 12 and 13

The UNAMI Administration should:

- (i) Advise the Local Committee on Contracts to desist from awarding contracts *suo motu* and limit itself to the assigned role of reviewing and providing advice to the Chief Administrative Officer as per Section 2.5.1 (1) of the Procurement Manual (AP2006/812/01/12); and
- (ii) Refer the contract awarded to Tamimi to the Headquarters Committee on Contracts, in accordance with Section 12.1.1 (1) (a) of the Procurement Manual (AP2006/812/01/13).

49. *The UNAMI Administration accepted recommendation 12 and indicated that it had been immediately implemented. The Mission provided a copy of the 18 December 2006 memorandum issued to the Chair of the LCC in this regard. Based on the Mission's response, recommendation 12 has been closed.*

50. *The UNAMI Administration also accepted recommendation 13 stating that the case will be referred to the HCC on an ex post facto basis in January 2007. Recommendation 13 remains open pending receipt of documentation from UNAMI showing that it has been fully implemented.*

4. Supply not according to specifications

Ballistic vests

51. In response to a request made by the Safety and Security Unit, the Supply Unit in its capacity as a self accounting unit (SAU) raised requisitions to procure ballistic vests. The Procurement Action acted on the requisitions and issued two POs (5POK-200439 and 5POK-200443), both dated 8 October 2005, to Armor Products International (API) under the systems contract number PD/CO170/03 for the supply of 190 ballistic vests. The Receiving and Inspection Unit, UNAMI (R&I) Amman accepted the first consignment of 70 ballistic vests on 5 February 2006. R&I, Kuwait accepted the second consignment of 120 ballistic vests on 6 February 2006. A third PO (5POK-200511 dated 3 December 2005), was also issued to API for the supply of 200 ballistic vests under the systems contract number PD/CO170/03. The total value of 390 vests against the three POs was \$293,000.

52. Based on complaints made by staff members to the Supply Section about the incorrect size of ballistic vests issued to them, the CPO, on 7 March 2006, immediately brought to the attention of API the discrepancy in size of the ballistic vests supplied in response to POs 5POK-200439 and 5POK-200443. It is not clear from the file as to why API went ahead and dispatched the last consignment of 200 ballistic vests of sizes incompatible with the dimensions specified by UNAMI in PO 5POK-200511 after the CPO had raised the discrepancy with API. The R&I, Kuwait rejected the entire consignment of 200 ballistic vests (Report # R&I - 500506) on 19 March 2006.

53. The CPO consulted the Legal Advisor who, on 5 June 2006, opined that UNAMI had a right to reject the goods supplied under PO 5POK-200511 as the vests did not correspond to the required specifications. The Legal Advisor added that it would be unlikely that UNAMI could successfully rely on its right to reject the vests supplied against POs 200439 and 200443. The Mission stands to lose \$139,650 (PO value of 190 ballistic vests) as it has lost its right to reject the vests supplied against POs 200439 and 200443. OIOS disagrees with the Legal Advisor's opinion as regards POs 200439 and 200443, and believes that the UN can and should still return the ballistic vests delivered which were not in accordance with the specifications. Section 5.2 of the United Nations General Conditions for Contracts for Purchase of Goods in Annex D-11 of the Procurement Manual states, in part, "If...the goods...are found by the United Nations to be defective or not to conform with the contract documents, upon written notification to the vendor by the United Nations, the vendor shall, promptly and at its own expense correct all such defects and non-conformities."

54. A perusal of the files relating to the procurement action of the ballistic vests under the three POs and the discrepancy report by R&I unit revealed that the receipt and inspection of the first two consignments under POs 200439 and 200443 were made by representatives of the R&I unit assisted by a representative of the Supply Section. On inquiry, the Chief of Supply Unit informed OIOS that the discrepancy was not discovered for the first two consignments, and the vests were inspected for

the physical quantity only. To a further query by OIOS if a representative of the SSU was associated with the inspection of the goods received, the Chief of Supply Unit informed OIOS that he was not aware if a SSU representative was present at the inspection. The R&I Officer, Kuwait confirmed that no representative from the SSU was present at the time of receipt of consignments in Kuwait. As per section 14.1 (1) of the PM, the requisitioning offices are directly responsible for performing the corresponding receiving, inspection and certifying procedures. Section 1.1 of the receiving and inspection guidelines of DPKO states that a technical expert from the SAU shall assist in completing the inspection. In this case, the Supply Unit, by virtue of its role as the SAU, should be held responsible although it acted on behalf of SSU to conduct the inspection of ballistic vests. This anomaly brings into focus the gap prevailing in the existing arrangement by not involving a representative from the SSU, the original requestor in the receipt and inspection of deliveries. The Mission therefore runs the risk of accepting goods/services not compatible with its specified requirements and bears the consequence of wasted resources.

Recommendations 14 and 15

The UNAMI Administration should ensure that:

- (i) The vendor replaces or reimburses the Mission for the 190 ballistic vests delivered to the Mission which are not in accordance with the specifications in purchase number 200439 and 200443 (AP2006/812/ 01/14); and
- (ii) A representative of the requisitioning office, in coordination with the Procurement Section and the Receiving and Inspection Unit, is present during the receipt and inspection of goods it requisitioned, in compliance with Section 14.1 (1) of the Procurement Manual, to ascertain whether goods being delivered conform with specifications and identify any discrepancies early on (AP2006/812/ 01/15).

55. *The UNAMI Administration accepted recommendation 14 and stated that it had been implemented. An agreement has been reached with the vendor and the 190 vests have been returned for replacement. Delivery is due in January 2007. Recommendation 14 remains open pending receipt of documentation from UNAMI showing that the defective vests have been replaced with vests of acceptable quality.*

56. *The UNAMI Administration also accepted recommendation 15 and stated that with immediate effect, the requisitioning office's representative will be present during the receipt and inspection of goods. The Mission provided documentation showing that this procedure had been established. Based on UNAMI's response, recommendation 15 has been closed.*

Wer'wolf trailers

57. The OIC Administration sent a facsimile on 16 November 2005 to the Officer-in-Charge, Logistics Supply Division, DPKO Headquarters requesting the supply of five wer'wolf Mine Protected Vehicles (MPV) from the Strategic Deployment Stock. The technical specifications for

the wer'wolf MPV was annexed to the facsimile. UNAMI also requested for the direct shipment of the vehicles from the manufacturer's works to UNAMI, Kuwait.

58. The procurement of the wer'wolf vehicles was done through the United Nations' systems contract number PD/CO/73/04 and PO number P_G 16255, and the vehicles were shipped directly from the manufacturer to UNAMI, Kuwait in December 2005. R&I Kuwait accepted the vehicles on 5 March 2006. However, OIOS noticed that the five wer'wolf vehicles were dispatched along with five trailers (Safari/Oryx caravans) and additional equipment. UNAMI was charged \$234,790 for the five trailers although no requisition was made for them.

59. The Chief of Technical Services (CTS) explained that the trailers were an integral part of the DPKO purchase and added that the five wer'wolves were required for convoy duty/emergency evacuation of personnel in Iraq for which the justification appears to be acceptable. However, having the wer'wolves operate with caravan trailers in Iraq poses more of a security hazard than it is intended to mitigate. All the trailers have been grounded in Kuwait and are lying idle. It is not clear as to how DPKO overlooked UNAMI's specific request for MPVs and ordered trailers that were not needed at all. By accepting the trailers and additional equipment that was not according to the Mission's requirement, UNAMI had incurred an extra expenditure of \$234,790 that could have been avoided.

Recommendation 16

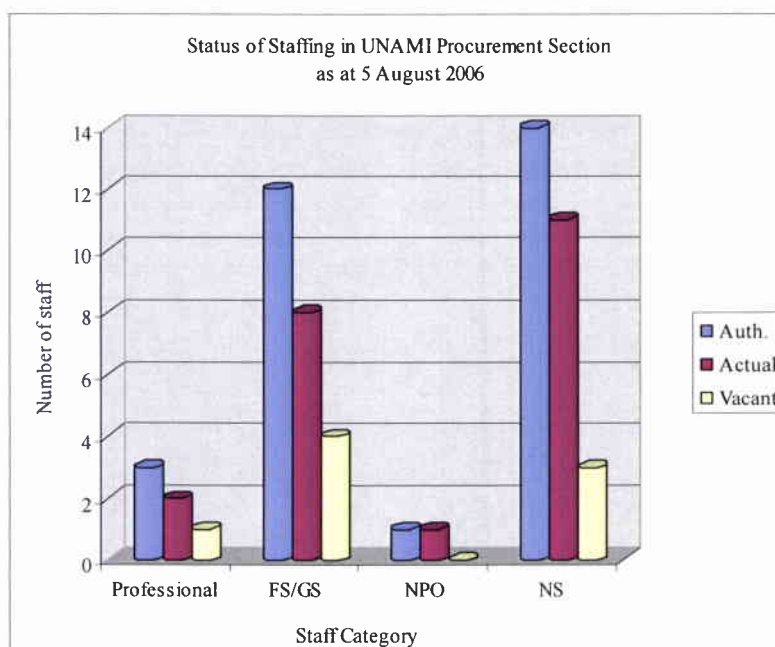
The UNAMI Administration should, in coordination with the Department of Peacekeeping Operations, make efforts to relocate the idle wer'wolf trailers to other missions that may need them or the United Nations Logistics Base in Brindisi (AP2006/812/01/16).

60. *The UNAMI Administration accepted recommendation 16 and stated that DPKO has been requested to advise whether other missions need the items, or whether they should be shipped to UNLB. Recommendation 16 remains open pending receipt of documentation from UNAMI showing that the idle equipment has been shipped out of the Mission.*

E. Staffing

Status of Procurement Section staffing

61. As per the approved budget for 2006 for UNAMI, the Procurement Section has an authorized staffing strength of 27 staff members, as follows: one P-4; two 2 P-3s; nine Field Service (FS) staff; one National Professional Officer (NPO); and 14 National Staff (NS). At the time of audit reporting, the Section had a vacancy rate of 26 per cent. The vacancies comprised four international posts (one P-3 and three FS) and three national posts.



62. At the end of August 2006, two more procurement staff are scheduled to return to their duty stations (UNHQ) and this will push the vacancy rate up to 33 per cent. The UNAMI Administration will need to expedite the recruitment process in order to fill the vacant posts so that the Mission's procurement functions are not adversely affected by staff shortage.

63. OIOS' review of the procurement staff profiles revealed that apart from the mission-level provided Mercury 2 training, staff had not undertaken any formal training to enhance/update their skills in the recent past. In addition, OIOS conducted a survey of the procurement staff to determine the level of training that staff members have engaged in, either individually or through the organization, to enhance the performance of their duties. It was noted that half of the staff that participated in the survey have not undertaken any training in the last one year as at the time of the survey. The remaining half attended mainly the UN provided training on the use of Mercury 2. Half of those who participated in the survey have worked in other units within procurement, mainly in other missions. All staff indicated a desire to be provided with training opportunities and also indicated a desire to learn what is done in other units within the Procurement Section.

Recommendations 17 and 18

The UNAMI Administration should:

- (i) Expedite the recruitment of procurement staff in order to fill the seven current vacant posts (AP2006/812/01/17); and
- (ii) In coordination with the Procurement Service at Headquarters, establish a continuing training programme to ensure that the skills and knowledge of all procurement staff are updated (AP2006/812/01/18).

64. *The UNAMI Administration accepted recommendation 17 and stated that recruitment is being expedited, but staff are reluctant to accept deployment to Iraq. DPKO is in the process of recruiting 12 external procurement officers at the P-3 level for field missions, and the candidate selected for UNAMI has not yet been recruited. Recommendation 17 remains open pending confirmation by UNAMI that the vacant posts have been filled.*

65. *The UNAMI Administration also accepted recommendation 18 and stated that it is expected that at the forthcoming CPO conference in January 2007, the Procurement Service will outline the training programme envisioned for field procurement staff. A significant amount of training funds has been requested in the UNAMI 2007 budget submission to cover expected costs of travel for staff. In the event that the Procurement Service does not provide a comprehensive plan, UNAMI will propose a plan for the training of Mission staff in 2007. Recommendation 18 remains open pending receipt of documentation from UNAMI showing that it has been implemented.*

F. Filing of financial disclosure

66. The Secretary-General's Bulletin ST/SGB/2006/6 (10 April 2006) requires procurement staff to file disclosure or declaration of interest statements regarding their financial standing as well as that of their spouses and children, where applicable. The information in the bulletins was promptly relayed to the UNAMI procurement staff. As the information is personal and confidential, each staff member is to send it directly or through UNAMI Administration to the Secretary-General. The CPO confirmed to OIOS that all staff at the time of the audit had complied, except one new staff member who had just joined UNAMI.

V. ACKNOWLEDGEMENT

67. We wish to express our appreciation to the Management and staff of Procurement and Supply Sections for the assistance and cooperation extended to the auditors during this assignment.

William Peters

for
Dagfinn Knutsen, Acting Director
Internal Audit Division, OIOS

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Procurement management at UNAMI

(AP2006/812/01)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:
 Director, Internal Audit Division-1, OIOS
 By mail: Room DC2-518, 2 UN Plaza, New York, NY 10017 USA
 By fax: (212) 963-3388
 By E-mail: iad1support@un.org