

INTERNAL AUDIT DIVISION
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Joachim Rücker
A: Special Representative of the Secretary-General
UNMIK

DATE: 4 January 2007

REFERENCE: AUD-7-5:70 (07-*0001*)

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

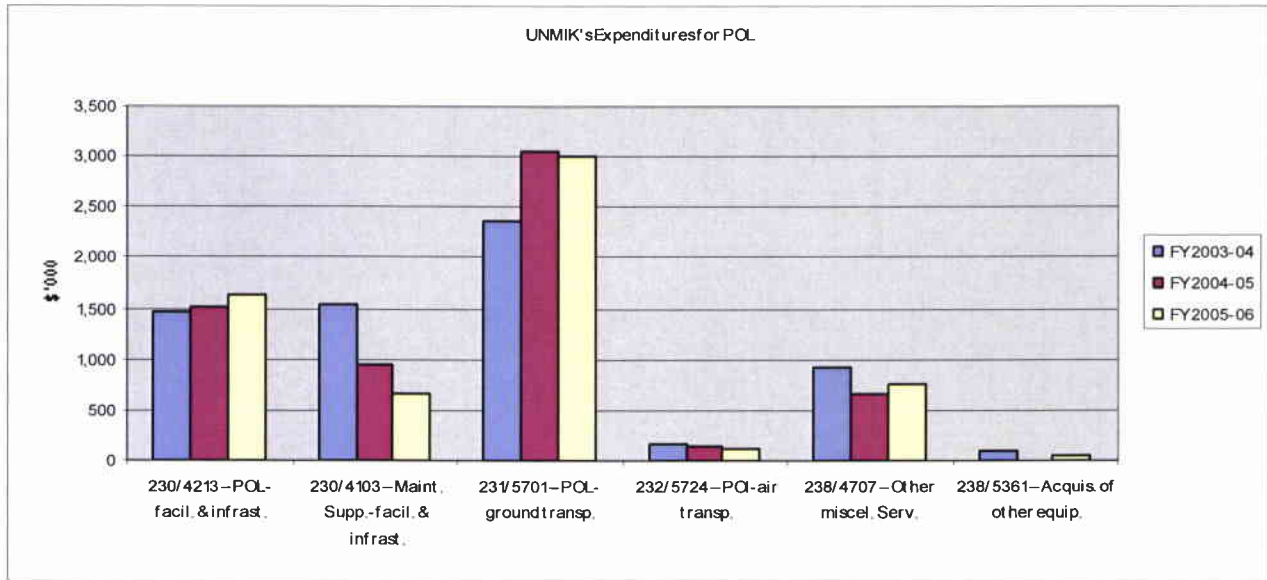
SUBJECT: **OIOS Audit No. AP2006/650/04: Fuel management at UNMIK**
OBJET:

1. I am pleased to present herewith the final report on the above-mentioned audit, which was conducted in July and August 2006. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. We note from your response to the draft report that UNMIK has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 2, 3, 4 and 5 in the OIOS recommendations database. In order for us to close out the remaining recommendations, i.e., 1 and 6, 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 to implement its recommendations, particularly those designated as critical (i.e., recommendations 1, 4 and 6), 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.

I. INTRODUCTION

4. Figure 1 shows UNMIK expenditures for petrol, oil and lubricants for the financial years 2003-04, 2004-05 and 2005-06:

Figure 1



5. The Contracts Management Unit is responsible for the management of contracts with fuel vendors. The Supply Section is responsible for the receipt, distribution, storage and issuance of fuel, and the related controls and record-keeping; while the Engineering and Transport Units, as end-users, are responsible for the receipt, distribution, storage and issuance of oil and lubricants to be used for generators and vehicles.

6. The Fuel Cell has four posts, all filled – one International Field Staff and three National Staff.

7. The requirement for oil and lubricants for the financial year 2005-2006 was 87,300 liters and 540 kg for grease, with a total value of \$90,000. Table 1 shows the monthly fuel requirement in each Mission location and the local and strategic fuel reserve in days of supply (DOS).

Table 1

Locations, Monthly Fuel Requirement, Local and Strategic Fuel Reserve					
Location	Monthly Requirement in ltr (30 DOS)			Local Reserve in DOS	Strategic Reserve in DOS
	Diesel	Petrol	Jet A1	Diesel	Diesel
Pristina	209,177	3,172		31	25
Mitrovica	44,348	30		17	
Peja	28,999	0		8	
Prizren	26,109	0		29	

Gilani	22,743	9,146		22	
Belgrade Airport, Serbia			953		
Total Monthly Requirement	331,376	12,348	953		
	AVERAGE LOCAL FUEL RESERVE IN DOS			21	25

8. As of June 2006, UNMIK has one rotary wing aircraft. Table 2 shows the number of vehicles and generators in the Mission.

Table 2

Number of vehicles/generators in the Mission		
	Vehicles	Generators/ Heating system
UN	2,100	127
Contingent	86	5
Total	2,186	132

9. The supply of fuel at UNMIK is governed mainly by contract number MIK/CO058/00, signed with BIS OIL Team for the provision of fuel and support services with the total not-to-exceed amount of \$6,225,953.05 per year for a period of four years.

10. The comments made by the Management of UNMIK on the draft report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES

11. The objectives of the audit were to:

- (a) Assess the adequacy of controls over fuel management;
- (b) Verify compliance with the established rules, regulations, policies and procedures on fuel management;
- (c) Assess the contractor's compliance with the fuel contract terms and provisions;
- (d) Ascertain whether there was adequate documentation supporting the ordering of fuel products, their receipt, distribution and utilization, and fuel balances on hand to obtain reasonable assurance that there was no loss to the Organization through mismanagement, abuse, theft or other undesirable practices;

(e) Ascertain whether the Mission's safety, security and environmental practices as regards fuel operations were in compliance with the established UN and country rules; and

(f) Determine whether there was a plan to ensure the continuity of fuel supply to the Mission in case of contingencies.

III. AUDIT SCOPE AND METHODOLOGY

12. On 28 June 2006, OIOS issued the final report on the audit of UNMIK's fuel contract with BIS Oil Team (AP2005/650/05), which covered most of the audit objectives stated in paragraph 10, particularly audit objective (a), (b), (c) and (d). Therefore, this audit focused mostly on the management controls over oil and lubricants, safety, security and environmental practices; and continuity of fuel supply. This audit involved file reviews, site visits and interviews with key Mission personnel. Physical verification and reconciliation of oil and lubricants inventory was performed on a sample basis.

IV. OVERALL ASSESSMENT

13. OIOS found control weaknesses in the monitoring of vehicle fuel consumption. Also, there were deficiencies relating to fuel density, water level in fuel tanks, calibration of fuel tanks and fire safety found at the Prizren and Gjakova fuel stations that need to be corrected by the fuel contractor.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Stocktaking of oil and lubricants

14. OIOS' verification of the physical inventory of sample oil and lubricant products at the Logistics Base in Pristina, Supply Warehouses in Pristina and Prizren Fuel Station, showed the following:

Logistics Base in Pristina

- There was a shortage of 51 litres of engine oil and eight litres of antifreeze coolant against the recorded quantity;
- The Engineering Technical Support Unit does not have the proper tools, e.g., dipstick, meter, or calibrated measuring jug, to measure the oil and fuel in containers and tank during the receipt and issuance of fuel, and stock taking; and
- The fuel tank in the base does not have a fuel log device as is the case in other fuel tanks, in order to control the issuance of fuel.

Supply Warehouses

- There was an excess of 40 litres of transmission fluid (Hydrolic Oil Dextro), against the recorded quantity.

Prizren Fuel Station

- There was a shortage of 648 litres of fuel stored in the fuel tank against the recorded quantity.

Recommendations 1 to 3

The UNMIK Administration should ensure that:

- (i) The Engineering Technical Support, Supply and Fuel Units account for and adjust the discrepancies between the physical and recorded quantity of oil and lubricants tested by OIOS (AP2006/650/04/01);
- (ii) The Engineering Technical Support Unit obtains the necessary tools, e.g., dipstick, meter, or calibrated measuring jug, to measure oil and fuel in containers and in tanks (AP2006/650/04/02); and,
- (iii) The Engineering Technical Support Unit installs a fuel metering device, similar to the devices found in fuel tanks in other fuel stations within the Mission, in the fuel tank in the Logistics Base in Pristina (AP2006/650/04/03).

15. *The UNMIK Administration accepted recommendation 1 and stated that the necessary reconciliation and inventory adjustment has been made. Recommendation 1 remains open pending receipt of documentation from UNMIK showing that the discrepancies between the physical and recorded quantity of oil and lubricants have been reconciled.*

16. *The UNMIK Administration accepted recommendation 2 and stated that calibrated 25 litre fluid containers have been purchased, which will be used to measure and transfer accurate volumes of oil and anti-freeze as required for the maintenance and operation of generating equipment. An accurate documentary log book is being maintained for the consumption of these types of fluids. Based on the Mission's response, recommendation 2 has been closed.*

17. *The UNMIK Administration also accepted recommendation 3 and stated that the Engineering and Transport Sections have installed a fuel log unit and meter to the tank at the Engineering Logistics Base. Based on the Mission's response, recommendation 3 has been closed.*

B. Safety and environmental issues at fuel stations

18. OIOS' review of the safety and environmental practices at the Prizren and Gjakova fuel stations indicated the following:

Prizren

- The acceptable range of fuel density after correction to 15°C (an international benchmark as noted by the Fuel Cell Officer) is from 0.820 to 0.835. However, the Fuel density measured during the visit was 0.8148, which is below the acceptable range. The reason for the discrepancy relates to the mix between winter fuel, which contains 60 per cent kerosene, and summer fuel. It is the fuel contractor's responsibility to replace all the remaining winter fuel with summer fuel, and vice-versa without mixing them;
- The acceptable water level in a fuel tank should be 1 cm; however, the water level in two tanks sampled by OIOS was found to be 3 cm;
- Scraps, such as, wooden material and iron pieces, were found at the back of the fuel station. These scrap materials pose a fire hazard;
- The "NO SMOKING" sign was laying on the ground, instead of being properly hung on the wall to be visible; and
- The fuel station does not have a funnel to return sampled fuel used for quality checks back to the tank.

Gjakova

- The acceptable range of fuel calibration is $\pm 0.5\%$. However, it was -2.5% when it was measured during the audit visit;
- Tall grass and bushes were very close to the fuel tank, which increases the risk of fire; and
- The fire extinguisher did not have an inspection card attached to it, in order to monitor dates of inspection.

Recommendations 4 and 5

The UNMIK Administration should ensure that:

- (i) The fuel contractor corrects the deficiencies relating to fuel density, water level in fuel tanks, and calibration of fuel tanks found at the Prizren and Gjakova fuel stations (AP2006/650/04/04); and

- (ii) The fuel contractor addresses the weaknesses relating to fire safety of the Prizren and Gjakova fuel stations (AP2006/650/04/05).

19. *The UNMIK Administration accepted recommendation 4 and stated that the vendor has met all requirements set forth in the contract. Periodic checks of tanks are conducted and condensation residue removal requirements are complied with. The Contract Management Unit continually monitors and inspects pumps and meters. The fuel flow meter has been replaced at Gjakova and the pump calibrated. Density checks are ongoing, and the contractor is advised as required prior to distribution of fuel.* Based on the Mission's response, recommendation 4 has been closed.

20. *The UNMIK Administration accepted recommendation 5 and stated that the contractor has been notified and is in compliance. Furthermore, regular and periodic quality control inspection schedules are in place and the contractor presently meets all requirements with regard to ground works and fire appliance serviceability.* Based on the Mission's response, recommendation 5 has been closed.

C. Monitoring of vehicle fuel consumption

21. The average consumption of fuel for vehicles at UNMIK for the period under review was 15 liters per 100 km. OIOS' analysis of the consumption of fuel by vehicles, using data obtained from the Car Log Unit (CLU) for the period January to June 2006, indicated that in 202 out of 1,679 four-wheel (4x4) general purpose vehicles, the consumption was above 20 litres per 100 km (allowing for additional 5 liters in consumption taking into consideration several factors, e.g., driving inside the city as opposed to driving in the highway, the age of the vehicle, etc). For 34 of these vehicles, the consumption during the first six months of 2006 ranged between 50 and 65 litres per 100 km. CLU does not have a process to monitor regularly the fuel consumption by individual vehicle or type/make/model of vehicles, in order to detect abnormal fuel consumption.

Recommendation 6

The UNMIK Administration should ensure that the Car Log Unit implements a process to regularly monitor the consumption of fuel, to ensure that unusual consumption patterns are identified and investigated (AP2006/650/ 04/06).

22. *The UNMIK Administration accepted recommendation 6 and stated that the Communication and Information Technology Section (CITS) is presently in the process of integrating Car Log and Fuel Log into the UNMIK network in order to improve the integrity of the system. In doing so, the enhanced Car log/Fuel Log system will be incorporated in the Mission's ICT Disaster Recovery and Business Continuity plan which includes procedures for data replication, daily backups, replication to offsite locations as well as quarterly restoration exercises. Concurrently an application is being developed which will enable the Transport Section to monitor fuel/mileage ratios. Indications are that the system will be operational by the end of January 2007. Presently, computations are being done manually as required.*

Recommendation 6 remains open pending receipt of documentation from UNMIK showing that the Car Log Unit has implemented a process to regularly monitor the consumption of fuel, to ensure that unusual consumption patterns are identified and investigated.

D. Continuity of fuel supply

23. The Mission has an alternate fuel supplier in case the current contractor fails to deliver on its contractual obligations. OIOS found the agreement with the alternate provider to be satisfactory.

VI. ACKNOWLEDGEMENT

24. We wish to express our appreciation to the Management and staff of UNMIK for the assistance and cooperation extended to the auditors during this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations
Mr. Philip Cooper, Director, ASD/DPKO
Mr. Lucien Chaker, OIC Administration, UNMIK
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
Mr. Fakhri Dajani, Resident Auditor, UNMIK

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Fuel management at UNMIK

(AP2006/650/04)

	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:
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