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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION • DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES • BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Ms. Ellen Margrethe Løj
A: Special Representative of the Secretary-General
United Nations Mission in Liberia

DATE: 3 June 2008

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



REFERENCE: IAD: 08- 01379

SUBJECT: **Assignment No. AP2007/626/15 - Audit of the execution of the delegation of authority to UNMIL to procure core requirements**

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Based on your comments, we are pleased to inform you that we will close the recommendation in the OIOS recommendations database as indicated in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations in its annual report to the General Assembly and semi-annual report to the Secretary-General.

I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit of the delegation of authority to the United Nations Mission in Liberia (UNMIL) to procure core requirements from November 2007 to March 2008.
5. The audit was conducted at the request of the United Nations Controller to obtain assurance that there were adequate and effective internal controls in place over the delegated authority to procure core requirements. At present, peacekeeping operations have a delegated authority to procure core requirements locally up to \$1 million.
6. Core requirements are defined as “essential goods and services which by their nature lend themselves to local procurement and are not available on United Nations headquarters contracts”. The list of “core requirements” was established to enhance operational efficiency in field missions by identifying examples of items that might qualify as core requirements and also by giving specific guidelines on the core requirements procurement process.
7. In the fiscal year 2006/07, UNMIL’s total local procurement was valued at over \$93 million. Of this amount, \$48 million (52 per cent) was for core requirements. There were eleven core requirements cases with a value of \$200,000 or greater with an aggregate value of almost \$4 million during the period. In comparison, in fiscal year 2005/06 there were only

three core requirements cases with a value of \$200,000 or greater, with total value of \$2 million.

8. Comments made by UNMIL are shown in *italics*.

II. AUDIT OBJECTIVES

9. The objective of the audit was to determine whether adequate and effective controls are established at the Mission to execute the delegation of authority to procure core requirements up to \$1,000,000.

III. AUDIT SCOPE AND METHODOLOGY

10. The audit covered transactions relating to procurement of core requirements processed in the fiscal year 2006/07. It included detailed examination of 25 procurement case files, interviews with relevant Mission personnel; review of minutes of the Local Committee on Contracts (LCC) and Headquarters Committee on Contracts (HCC) meetings; and such other audit procedures the auditors deemed appropriate.

IV. OVERALL ASSESSMENT

11. OIOS found that UNMIL has implemented some controls over the execution of the delegation of authority to procure core requirements up to \$1 million locally. However, there is a need to ensure greater compliance with the delegation of authority requirement and ensure core requirements are not available through United Nations Headquarters contracts. OIOS also found that it was not possible to identify and classify core requirements in the Mercury system.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Identification and classification of core requirements

12. The Mercury System used to record procurement activities contains details of procurement cases in the Mission. However, core requirements purchases were not always classified or easily identifiable in Mercury, and purchase orders (PO) for core requirements were not uniquely identified. As a result, the Procurement Section had to manually identify core requirement cases, which was a very time consuming exercise. Such *post-facto* determination and classification of core requirements may not produce reliable and objective results which can be prone to error as several hundred transactions have to be reviewed and classified in a relatively short period. Furthermore, interpreting what constitutes a core requirement is left to the judgement of the individual performing the classification.

13. The delegation of authority given to the Chief of Mission Support (CMS), later DMS, by the Assistant Secretary-General for Peacekeeping Operations (ASG-OMS/DPKO – (now DFS), requires the CMS to submit a written report to the ASG/DFS and to the Chief, Procurement Division (PD), Department of Management within 30 days after the procurement of a core requirements that exceeds \$200,000.

14. The failure to ensure goods and services procured locally as core requirements are not already available under Headquarters contracts may result in inefficiencies and non compliance with the delegation of authority on core requirements.

15. UNMIL presented the shortcomings of the Mercury system at the March 2008 Mercury conference at the UN Logistics Base. OIOS was informed that there was general agreement on the need to address the issue concerning the identification of core requirements. Such improvements in the Mercury system will be undertaken by the Mercury Change Management Board upon receipt of a written request from the Mission.

16. As Mercury is a UN-wide system, OIOS will discuss further improvements to the system in its consolidated report on the procurement of core requirements.

B. Determining the availability of requested items in the HQ Systems contracts

17. The 23 February 2007 revision of the ASG for Peacekeeping Operations' delegation of authority on core requirements states that if goods or services requested are available through already established United Nations Headquarters (UNHQ) contracts, these contracts should be used. Prior to deliberations, the LCC, as adviser to the DMS,(previously CMS) or his/her Delegate should ensure non-availability of such goods and services. OIOS did not see any evidence that the LCC had confirmed the availability of goods or services requested through UNHQ contracts. This was confirmed by the Officer-in-Charge of Procurement, who explained that the determination was made prior to approving procurement cases but there was no written evidence to support this

18. The absence of a system for identifying and classifying core requirements at the point of raising the PO may lead to incorrect recording and result in non compliance with the delegated authority including reporting requirements.

Recommendation 1

(1) The UNMIL Office of Mission Support should ensure that the Local Committee on Contracts, prior to approving the award of a contract, confirms that goods and services requested under core requirements are not available on United Nations Headquarters systems contracts.

19. *The UNMIL Office of Mission Support accepted recommendation 1 and stated that UNMIL Procurement Section (PS) has implemented a standard practice concerning all LCC presentations, whereby PS must clearly report whether there is a systems contract for this requirement or not. Recommendation 1 remains open pending confirmation by UNMIL that this practice has been established and is being consistently implemented.*

VI. ACKNOWLEDGEMENT

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

cc: Mr. Stephen Lieberman, Director of Mission Support, UNMIL
Ms. Stephanie Scheer, Chief, Administrative Services, UNMIL
Mr. Christopher Fathers, Chief Procurement Officer, UNMIL
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
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STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	Receipt of confirmation that that the practice of confirming the availability/lack of availability of goods and services in United Nations Headquarters systems contracts for all procurement actions sought under core requirements is in place.	With immediate effect

1. C = closed, O = open

2. Date provided by UNMIL in response to recommendations.