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INTEROFFICE MEMORANDUM


MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I  
OFFICE OF INTERNAL OVERSIGHT SERVICES

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

DATE: 29 December 2004

REFERENCE: AUD-7-5:53 (098/04)

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

SUBJECT: **OIOS Audit No. AP2004/622/07: Fuel management in UNAMSIL**

OBJET:

1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted in May 2004.

2. We note from your response to the draft report that the United Nations Mission in Sierra Leone (UNAMSIL) has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 8, 9, 10, 11 and 14 in the OIOS recommendations database. In order for us to close out the remaining recommendations – recommendations 1, 2, 3, 4, 5, 6, 7, 12, and 13, we request that you provide us with additional information as indicated in the text of the report and a time schedule for implementing each of the recommendations. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status.

3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

4. I take this opportunity to thank the management and staff of UNAMSIL 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  
Ms. Hazel Scott, Director, ASD/DPKO  
Ms. Laura Londen, OIC, Division of Administration, UNAMSIL  
UN Board of Auditors  
Programme Officer, OIOS  
Tilchand Acharya, Chief Resident Auditor, UNAMSIL

# Office of Internal Oversight Services

## Internal Audit Division I



### Audit of Fuel Management in UNAMSIL

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**Audit no:** AP2004/622/07  
**Report date:** 29 December 2004  
**Audit team:** Tilchand Acharya, Chief Resident Auditor  
Elias Kedir, Auditor-in-Charge  
Judith Atiagaga, Auditing Assistant

## **EXECUTIVE SUMMARY**

### **Audit of Fuel Management in UNAMSIL**

In May 2004, OIOS conducted an audit of fuel management in the United Nations Mission in Sierra Leone (UNAMSIL). The main objectives of the audit were to: (a) establish whether adequate controls were in place over the receipt and distribution of petroleum products in UNAMSIL; (b) examine the reliability and accuracy of the system used in accumulating aviation fuel volume for the application of appropriate discounts; (c) assess the adequacy and effectiveness of fuel consumption monitoring system; and (d) review the effectiveness of contracts management process.

OIOS found that the procedures to record receipt of aviation fuel were unreliable. Aviation fuel volume discounts for the period from 1 July 2002 to 30 June 2003 were computed incorrectly. As a result, UNAMSIL Administration has to re-compute the actual receipt of fuel volume, which could result in a claim of approximately \$420,959.50 from Mobil Oil Sierra Leone on an estimated 6.8 million imperial gallons of fuel. The new Contract SIL/03/SUP/001 was entered into with Mobil Oil Sierra Leone after the old Contract SIL/01/SUP/004 expired on 30 June 2003. The new Contract discontinued the volume discounts, which were not documented and disclosed at the time of its finalization. The Mission would have saved approximately \$577,000.00 in volume discounts on 4.2 million Imperial gallons of aviation fuel supplied during the period from 1 July 2003 to 27 July 2004 had the provision for volume discounts continued in the new Contract.

Furthermore, in the absence of receiving and inspection reports, no oversight mechanism was in place for the refueling of aircraft. The Mission attributed this to the shortage of staff in the Receiving and Inspection Unit.

With regard to ground fuel, although the Mission Electronic Fuel Accounting System (MEFAS) was implemented in UNAMSIL, it was not used to monitor fuel issued to vehicles assigned to offices and international staff. OIOS believes that MEFAS should be replicated in other peacekeeping missions to strengthen internal controls in fuel management.

With regard to contract management, the audit showed that SAFECON, which provides ground fuel to UNAMSIL, failed to provide personnel in violation of the contract provisions. Three of the ten fuel contracts were not amended in a timely manner.

## TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-4
II. AUDIT OBJECTIVES	5
III. AUDIT SCOPE AND METHODOLOGY	6
IV. OVERALL ASSESSMENT	7
V. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Aviation fuel	8 - 29
B. Ground fuel	30 - 40
C. Contracts management	41 - 46
VI. ACKNOWLEDGEMENT	47
Annex 1	

## I. INTRODUCTION

1. OIOS conducted an audit of fuel management in the United Nations Mission in Sierra Leone (UNAMSIL) in May 2004. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations. Since the Mission's inception in the year 1999, UNAMSIL has entered into the following ten separate contracts for fuel totaling \$33,895,596 as shown in Table 1.

**Table 1: Fuel Contracts**

Sl. No.	Contract No.	Petroleum product	Value (\$)	Contract
				valid until
1	SIL/01/SUP/004	Aviation Fuel		30/06/2003
2	SIL/01/SUP/006	Hydraulic oil and automatic transmission fluid	136,320	13/03/2004
3	SIL/02/SUP/001	BP Super Disc.	18,000	30/04/2004
4	SIL/03/SUP/001	Aviation Fuel	16,273,200	30/06/2005
5	SIL/03/SUP/002	Diesel, Petrol, kerosene	16,859,676	30/06/2005
6	SIL/03/SUP/003	Engine Oil	461,100	30/06/2005
7	SIL/03/SUP/004	Gear Oil	73,800	30/06/2005
8	SIL/03/SUP/005	Grease	28,000	30/05/2005
9	SIL/03/SUP/006	Radiator Coolant	28,500	30/06/2004
10	SIL/03/SUP/007	Battery Electrolyte	17,000	30/06/2005
	<b>Total:</b>		<b>33,895,596</b>	

2. The contractors supplied fuel in three different units: US Gallons, Imperial Gallons, and Liters. There are 17 fuel distribution points in the Mission area. The Fuel Cell in UNAMSIL is responsible for the supply and distribution of fuel to UN- and contingent-owned vehicles and helicopters. Currently, UNAMSIL has a fleet of 2,399 vehicle fleet and 26 helicopters. In addition, the Mission provides fuel to 405 generators. The Fuel Cell has a total of 42 staff to carry out its functions.

3. As shown in Table 2 below, according to the Fuel Cell records, the Mission consumes approximately 38.3 million liters of petroleum products and 234,480 kilograms of LPG annually at a cost of \$15.9 million.

**Table 2: Annual Consumption of Fuel**

Petroleum Products	Volume		Amount (\$)
	Liters	Kilograms	
Diesel	17,513,338	-	5,779,416
Petrol	4,770,948	-	1,765,248
Aviation fuel	16,014,072	-	8,007,036
LPG	-	234,480	337,651
<b>Total:</b>	<b>38,298,358</b>	<b>234,480</b>	<b>15,889,351</b>

4. By his 29 March 2004 memorandum, the Director of Administration requested the Office of the Resident Auditor to audit the fuel volume discounts from Mobil Oil Sierra Leone over the period 13 August 2000 to June 2003. OIOS reviewed records on fuel volume discounts for the

period from 1 July 2002 to 30 June 2003 and issued an interim audit report on 17 May 2004. The comments made by the Management of UNAMSIL on the draft audit report have been included in the report as appropriate and are shown in italics.

## **II. AUDIT OBJECTIVES**

5. The objectives of the audit were to:

- (a) Establish whether adequate controls were in place over the receipt and distribution of fuel in UNAMSIL;
- (b) Examine the reliability and accuracy of the system used in accumulating aviation fuel volume for the application of appropriate discounts;
- (c) Assess the adequacy and effectiveness of fuel consumption monitoring system; and
- (d) Review the effectiveness of contracts management process.

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

6. The scope of the audit was to examine the administration of fuel contracts covering the period from 1999 to 30 June 2004. A sample of invoices from the contractors for the period July 2002 to June 2003 was reviewed to: (a) trace the fuel volume claimed in the invoices to the receiving and inspection reports and to relevant requisitions; (b) review procedures in recording statistics on the receipt of fuel volume; and (c) verify application of scales used in converting fuel received in Imperial gallons and liters into US gallons and reconverting the US gallons into Imperial Gallons. OIOS also conducted interviews with the officials of the Procurement Section, the Fuel Cell and the Finance Section.

## **IV. OVERALL ASSESSMENT**

7. The internal control procedures in fuel management have generally improved since September 2003 when the Mission instituted an effective mechanism to monitor the consumption pattern of fuel. However, there were internal control weaknesses in the administration of contracts and in the supply and distribution of fuel.

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

### **A. Aviation fuel**

#### Adjustment of approximately \$420,959.50 from Mobil Oil Sierra Leone in volume discounts

8. Following OIOS' interim report of 17 May 2004, the Finance Section re-computed the volume discounts from Mobil Oil Sierra Leone in collaboration with the Resident Audit Office on 6.8 million imperial gallons of aviation fuel that the Mission received during the period from

13 August 2001 to 30 June 2003. As shown in Table 3 below, the Mission earned approximately \$661,433.68 in volume discounts derived at 4,807,979.39 million imperial gallons of fuel in accordance with Section 8.5 of the Contract SIL/01/SUP/004.

**Table 3: Volume discounts for the period 13 August 2001 to 30 June 2003**

Target Volume (%)	Qty. in excess of 2 million Imperial gallons	Discount Per Imperial Gallon	Discount Earned (\$)	Discount Availed of (\$)	Recovery from Mobil Oil (\$)
4 - 4.99	99,800	0.02	1,996.00		
5 - 5.99	125,778	0.05	6,288.90		
6 - 10.99	233,623	0.08	18,689.84		
11 - 15.99	357,156	0.10	35,715.63		
Over 16	3,991,622.05	0.15	598,743.31	240,474.18	
<b>Total:</b>	<b>4,807,979.39</b>		<b>661,433.68</b>	<b>240,474.18</b>	<b>420,959.50</b>

9. However, the Mission availed itself of only \$240,474.18 in volume discounts, and the difference of \$420,959.50 was not deducted from the contractor's invoices due to compilation errors. The Procurement Section omitted the fuel received during 13 August 2001 to June 2002 in computing the volume discounts. Furthermore, the Section recomputed the volume discount of \$240,474.18 for the period from July 2002 to June 2003 revising it downward to \$152,677.45, and advised the Finance Section to refund the difference of \$87,796.23 to Mobil urgently. The minutes of the 19 May 2004 meeting of the Chief of Administrative Services recorded the Procurement Section's position of the interim audit report, which called for re-computing the fuel volume discounts before refunding \$87,796.23 to the contractor.

10. OIOS is concerned that the actions taken by the Procurement Section if implemented would have resulted in losses of over \$500,000 to the Organization in aviation fuel volume discounts. In order to prevent such errors in the future, there is a need to conduct a review of the administration of contracts in the Procurement Section.

### **Recommendations 1 and 2**

OIOS recommends that UNAMSIL Administration:

- (i) Review \$420,959.50 earned in volume discounts on approximately 6.8 million imperial gallons of fuel derived from payments made to Mobil Oil Sierra Leone during the period from 13 August 2001 to 30 June 2003 and claim discounts based on the actual volume received (AP2004/622/07/01); and
- (ii) Assign specific responsibilities among the concerned Sections in the administration of contracts with Mobil Oil Sierra Leone in order to ensure that the Mission does not incur avoidable losses (AP2004/622/07/02).

11. *UNAMSIL accepted recommendation 1 and stated that the total volume of fuel consumed by the Mission was tabulated to claim the relevant discounts from Mobil.* In November 2004, the Mission submitted the figures to OIOS for verification. OIOS disagrees with the Management regarding the re-computation of \$77,198.32 as the amount that Mobil owed the Mission in total discount as compared to OIOS' estimate of \$420,959.50. OIOS believes that the difference resulted from the Management's application of the threshold fuel volume of 2,000,000 imperial gallons twice: (a) for the initial contract period of 13 August 2001 to 30 June 2002; and (b) for the renewed period of 1 July 2002 to 30 June 2003. Since the renewal of the contract is silent about this provision, OIOS believes the threshold should have been applied only once during the two-year contract period. Furthermore, the Management also aggregated the minimum fuel quantity of 80,000 imperial gallons with the threshold. As a result, the Mission lost discount equivalent to \$343,761.18 on 2,160,000 imperial gallons during the contract. In this context, OIOS recommends that Management consult the Office of Legal Affairs for the correct interpretation of the provision. Recommendation 1 will remain open in OIOS' recommendation database until then.

12. *UNAMSIL accepted recommendation 2 and stated that it will ensure that the roles and responsibilities for contract administration are clearly delineated for each Section. Management acknowledged that while fuel accounting was not optimal in 2001 and 2002, it had improved from 2003 onwards. UNAMSIL also agreed that contracts must be managed effectively in order to maximize the benefit to the Mission.* OIOS will close recommendation 2 upon receipt of documentation concerning assignment of the said responsibilities among the concerned Sections in the Administration.

#### Unreliable procedures to record receipt of fuel

13. The procedures in place to record receipt of fuel until September 2003 were unreliable and the accuracy of the fuel accumulated during that period for volume discount was questionable. The fuel volume statistics for the period from 1 July 2002 to 30 June 2003 were not based on actual requisitions but on a standing order that was renewed every six months. The standing order was not accompanied by any requisitions, and therefore it was not possible to verify whether the fuel was delivered against requisitions based on the Mission's requirements.

14. Furthermore, the receipt and inspection reports were not issued at the time of fuel delivery. Instead, they were generated months later after the invoices had been received from the vendor and they were matched post-facto to the invoices. Since the receipt and inspection reports were based on vendor invoices alone, they could not be relied upon to determine the volume of fuel received. In the absence of receipted delivery notes and requisitions, the Procurement Section prepared the fuel volume statistics based on the invoices submitted by Mobil. As detailed in Annex I, there were discrepancies between (a) the quantities of fuel issued to Mobil drivers for delivery to UNAMSIL fuel points and the actual fuel received at the fuel points; (b) the recorded meter readings and the actual fuel received; and (c) the quantity recorded by the fuel attendants and the figures used in the UNAMSIL summary sheet for calculation of the amount payable to Mobil.



15. As a result, the accuracy of 4,075,254.67 US Gallons (3,393,383.06 Imperial Gallons) of aviation fuel received and \$7,161,347.12 of costs paid for during July 2002 to June 2003 was doubtful. Consequently, the accuracy in the computation of initial and revised fuel volume discounts of \$240,477.18 and \$152,677.45 respectively was questionable. Therefore, in OIOS' opinion, the Procurement Section needs to coordinate with the Fuel Cell and the Finance Section and compute aviation fuel actually accumulated during the period from 1 July 2002 to 30 June 2003 based on actual delivery notes and not based on vendor invoices alone.

### **Recommendations 3 and 4**

OIOS recommends that the UNAMSIL Procurement Section:

- (i) Re-compute August 2001 to June 2003 fuel volume statistics for the final settlement of fuel volume discounts with Mobil Oil Sierra Leone following a thorough review and reconciliation of the statistics based on delivery notes of actual fuel received by the Mission (AP2004/622/07/03); and
- (ii) Recover from Mobil Oil Sierra Leone any overpayment of fuel costs and undercharge of fuel volume discounts as a result of the final review of the actual receipt of fuel during 13 August 2001 to June 2003 (AP2004/622/07/04).

16. *UNAMSIL accepted recommendations 3 and 4 to re-compute the fuel volume discounts that Mobil Oil Sierra Leone owed the Mission on the basis of the relevant delivery notes and to recover from the vendor the amount it owed the Mission.* OIOS will close these recommendations upon receipt of documentation indicating the legal opinion from the Office of Legal Affairs, as stated below recommendation 1.

### Incorrect calculation of volume discounts

17. The contract SIL/01/SUP/004 provided for volume discounts in aviation fuel. UNAMSIL received 6.8 million imperial of aviation fuel during the period 13 August 2001 to 30 June 2003 at a cost of \$13.3 million from Mobil. UNAMSIL was, however, invoiced in US Gallons converting the fuel received in Imperial Gallons and in liters into US Gallons applying the following conversion scales: (a) 1 Imperial Gallon = 4.54596 Liters (b) 1 Imperial gallon = 1.20094 US Gallons; (c) 1 US gallon = 3.78533 liters; (d) 1 deciliter = 10 liters; (e) 1 liter = 0.219975 Imperial Gallons; and (f) 1 liter = 0.264178 US Gallons. Volume discount was accumulated in Imperial Gallons requiring another conversion of fuel received in different denominations.

18. The process of calculating fuel volume statistics and related volume discount showed arithmetical errors that should have been detected and corrected before submission to the Finance Section. For example, the fuel volume statistics showed \$34,328.27 as payment made to Mobil against invoice number 20297 whereas the actual amount paid was \$34,428.27 (\$100 more). Similarly, the statistics showed \$24,178.00 as payment made to Mobil against invoice

number 24178 whereas the actual payment made was only \$6,973.14. The amounts due and paid on invoice numbers 19667 and 19678 have apparently been inadvertently swapped.

19. The Procurement Section forwarded incorrect volume discounts in US Gallons amounting to \$240,474.18 received from Fuel Cell, without converting the volume into Imperial Gallons, purporting that the data received was already in Imperial gallons. Accordingly, the Procurement Section reflected the volume discount amount under Mobil invoices which were forwarded to the Finance Section for deduction. Later on, it was discovered that the volume discounts deducted should have been \$152,677.45 instead of \$240,478.18. The Procurement Section requested the Finance Section to reimburse the amount of \$87,796.73 as over-deductions.

20. However, there was no evidence that Mobil provided UNAMSIL with the related details and recalculations to support their claim. The verbal communication between the Procurement Section and the Mobil on the disputed amount was not documented but the Procurement Section used it to recalculate the volume discount. In this regard, OIOS noted that in February 2004, Mobil sent a letter to UNAMSIL accepting \$152,677.45 as the incremental volume discount for the contract period and requested the Mission to confirm that “no further claims relating to this issue will be made by UNAMSIL”. Although the contractor provided no details of the revised volume discount amount of \$152,677.45, the revision implicitly required UNAMSIL to reimburse \$87,796.73, representing the difference between the initial (\$240,477.18) and the revised (\$152,677.45) computations of discounts.

21. OIOS believes that there is a need to strengthen supervisory controls in the preparation of the fuel volume statistics and related values in the accumulation of aviation fuel volume. There was also no evidence that the Procurement Section and the Fuel Cell reviewed the figures on volume discount before submitting the same to Finance Section for necessary adjustment of invoices from the Mobil Oil Sierra Leone.

### **Recommendations 5 and 6**

OIOS recommends that the UNAMSIL Administration:

- (i) Strengthen supervisory controls within the Procurement Section and coordination between the Fuel Cell and the Procurement Section in the preparation and review of fuel volume statistics to assure accuracy in the calculation of volume discounts (AP2004/622/07/05); and
- (ii) Require Mobil to submit its claim for the disputed amount of \$87,796.23 supported with receipted delivery notes and receipt and inspection reports of fuel delivered to UNAMSIL covering the period July 2002 to June 2003 (AP2004/622/07/06).

22. *UNAMSIL accepted recommendations 5 and 6 and stated that effective coordination mechanisms are in place between the Procurement Section and the Supply Section, and that the*

*Fuel Cell was managing the operational aspects of the contract including computing fuel discounts submitted to the Procurement Section for recovery. OIOS will close these recommendations upon receipt of documentation showing the final settlement of dues with the contractor.*

No documented justification for discontinuing the fuel volume discount in the new contract

23. Contract SIL/01/SUP/004 was superceded by the new Contract SIL/03/SUP/001, which discontinued volume discounts on aviation fuel effective 1 July 2003. However, no analysis of the fuel prices as a result of discontinuing the discount was documented and disclosed in the finalization of the new Contract. Although the procurement process was followed in the tendering exercise, OIOS believes that the disclosure of discontinuing volume discounts in the new Contract is important to assure best value for money. Financial Rule 110.24 provides that “Each determination or decision required of an authorized purchasing officer by the provisions of these Rules shall be supported by the written findings of such officer”.

24. As shown in Table 4 below, Mobil supplied 4.2 million imperial gallons of aviation fuel during the period from 1 July 2003 to 27 July 2004. The new contract resulted in the loss of \$577,059 to the Mission if the same discount rates were to apply.

**Table 4: Potential Volume Discounts Lost**

Target Volume (%)	Qty. in excess of 2 million Imperial gallons	Discount Per Imperial Gallon	Potential Discount Lost (\$)
4 - 4.99	99,800	0.02	1,996.00
5 - 5.99	125,778	0.05	6,288.90
6 - 10.99	233,623	0.08	18,689.84
11 - 15.99	357,156	0.10	35,715.63
Over 16	3,429,124.38	0.15	514,368.66
<b>Total:</b>	<b>4,245,481.72</b>		<b>577,059.03</b>

**Recommendations 7 and 8**

OIOS recommends that UNAMSIL Administration:

- (i) Analyze the impact of discontinuing volume discounts on fuel prices in the new Contract SIL/03/SUP/001 with Mobil Oil Sierra Leone, and document and disclose the results at the appropriate level in the UNAMSIL Administration (AP2004/622/07/07); and
- (ii) Ensure that the Mission receives the best value for money from the new Contract SIL/03/SUP/001 (AP2004/622/07/08).

25. *UNAMSIL disagreed with recommendation 7, stating that each bid exercise is judged on its own merits as a separate competitive process, and that proposals cannot be linked or compared to any prior contract.* However, OIOS is of the opinion that the Mission should have

disclosed the cost implications of the change in contract terms to ensure transparency and for purposes of decision-making. OIOS will close the recommendation upon receipt of a copy of the recommended analysis of the impact of discontinuing volume discounts on the overall costs of fuel in the new Contract SIL/03/SUP/001.

26. *UNAMSIL accepted recommendation 8 and indicated that necessary control measures are in place.* Based on the Mission's response, OIOS has closed recommendation 8.

There were inadequate controls over the receipt of aviation fuel

27. Mobil delivers bulk aviation fuel to UNAMSIL storage facilities at Mammy Yoko, Kenema, and Yengema. The company also refuels UNAMSIL helicopters and fixed wing aircraft directly from its own bowsers at Lungi and Hastings. However, the Receiving and Inspection Unit (R&I Unit) does not inspect the fuel when the company directly refuels the aircraft. Hence, there was no assurance that the delivery was in accordance with the relevant order.

28. The Fuel Cell attributed the absence of the inspection to staff shortage in the R & I Unit, and further explained that the Fuel Cell and Air Operations had their presence when Mobil refueled the aircraft. Furthermore, crews tested the quality of the fuel before the aircraft were refueled. Nevertheless, OIOS believes that the role of the R & I Unit as an important internal control measure should not be totally forgone.

**Recommendation 9**

OIOS recommends that UNAMSIL Administration reassess the staff requirements of the Receiving and Inspection Unit to ensure that it performs its tasks effectively, including inspecting direct refueling of aircrafts by Mobil. In the interim, the Unit should inspect direct refueling of the aircraft on a spot check basis while Fuel Cell and Air Operations continue maintaining their presence (AP2004/622/07/09).

29. *UNAMSIL did not accept recommendation 8, stating that the Receiving and Inspecting Unit staff is assigned to inspect refueling of aircraft by Mobil on a regular basis. The Mission also argued that it was neither possible nor an effective use of resources at this stage of the Mission, to assign R & I staff solely for this contract. However, it has reassured OIOS that the Unit would conduct spot checks and the Fuel Cell and the Air Operations would jointly monitor the direct refueling process.* Based on the Mission's response, OIOS has closed this recommendation in its database.

**B. Ground fuel**

No monitoring of fuel issued to international staff-assigned vehicles

30. OIOS tested the Mission Electronic Fuel Accounting System (MEFAS) instituted by the Fuel Cell and concluded that the system is generally effective to monitor the bulk and retail fuel

issuances to chauffer driven vehicles. However, the system was not used to monitor issuance of fuel to vehicles assigned to offices and to international staff.

31. The Transport Section explained that it was not worth the effort because the risk of international staff abusing fuel was low. Notwithstanding this perception, OIOS believes that it should still be monitored, at least periodically on random basis for a reasonable assurance that abuse does not take place.

### **Recommendation 10**

OIOS recommends that UNAMSIL Administration ensure that the Transport Section and Fuel Cell monitor fuel issued to vehicles assigned to offices and international staff as a preventive measure against possible abuse of fuel (AP2004/622/07/10).

32. *UNAMSIL accepted recommendation 10 and confirmed that it has been implemented.* Based on the Mission's response, OIOS has closed recommendation 10.

### Mission Electronic Fuel Accounting System should be used in other missions

33. During 2002-2003, an OIOS audit revealed that UNAMSIL suffered a loss of ground fuel in Kenema, estimated at \$500,000. The audit identified the following as factors contributing to the loss: (a) absence of prior authorization before fuel was issued; (b) failure to use serially numbered and pre-printed issue forms; and (c) lack of effective monitoring and supervisory control of issuance at the level of the Regional Administration and the Fuel Cell. The Fuel Cell has implemented OIOS' previous recommendations and also undertook its own initiatives to strengthen controls.

34. The control system in place at UNAMSIL aims at preventing: (a) wastage of fuel during delivery; (b) irregularities in issuing bulk fuel; and (c) misappropriation of ground fuel at the fuel points. To prevent diversion of fuel during delivery, the vendor and the truck drivers are required to sign the delivery note certifying the amount of fuel downloaded into the truck to be delivered to UNAMSIL. The fuel container is sealed before leaving, to be unsealed at the destination. The truck driver hand-carried the delivery note to the destination to be signed by the receiving Fuel Cell staff and the R & I Unit staff, who inspected the delivery and certified the quality and quantity of fuel delivered. The signed transfer note is later used for cross checking against amount in the pertinent invoices for payment. This procedure ensures the safety of the fuel during delivery and ascertains the accuracy of the invoices for payment.

35. To curtail oversupply of weekly bulk ground fuel to users, the Fuel Cell required formal authorizations in writing rather than by e-mail or verbal authorization as done previously. The authorization is standing but subject to of periodic reviews. The Fuel Cell issues such an authorization based on requests from contingents through the Chief Contingent Logistics Officer (CLOGO) or Section Chiefs, who must justify the requests. The justifications given must also be investigated and verified by the relevant local Fuel Cell staff before the authorization is issued.

In addition, any issuances must reflect returns or stock balances of users. This procedure prevents issuance of ground fuel in excess of requirements.

36. To prevent oversupply of fuel at fuel points, the Fuel Cell introduced serially numbered invoicing system in duplicates, reporting of daily balances to the Fuel Cell. The information is analyzed in the Mission Electronic Fuel Accounting System (MEFAS). The MEFAS generates data on fuel issued to vehicles, contingents, and other users. This system enabled the Fuel Cell to monitor, analyze and investigate deviations from normal consumption patterns in a timely manner. OIOS believes that the control system in place has addressed relevant risks in the receipt, distribution and consumption of fuel at UNAMSIL as lessons learned. This system would be beneficial to other peacekeeping missions as well.

**Recommendation 11**

OIOS recommends that UNAMSIL Management advise DPKO to consider introducing the control system in place at the Mission for preventing wastage of ground fuel in other field missions (AP2004/622/07/11).

37. *UNAMSIL accepted the recommendation and confirmed that DPKO was in the process of introducing the Mission Exclusive Fuel Accounting System (MEFAS) in all other peacekeeping missions.* Based on the Mission’s response, OIOS has closed recommendation 11 in its database.

Unhealthy condition at the fuel point in Hastings

38. The fuel point at Hastings is located in a dusty area. The site was guarded by the Nigerian contingents. During OIOS’ visit to the site, the military guards complained that the dust was affecting their health. Hastings is among the busiest fuel points in the Mission area. As Table 5 below shows, its volume of fuel consumption in February 2004 is highest for petrol with over 100,000 liters, and for diesel between 100,000 and 150,000 liters.

**Table 5: Consumption by Fuel Points**

Fuel Points	No. of Fuel points		Volume of fuel Consumption ( in '000 of Ltrs)					
	Petrol	Diesel	Petrol			Diesel		
			Over	Between	Below	Over	Between	Below
Freetown	1	1			50	500		
Hastings	1	1	100				100 - 150	
Kenema	1	1		50 - 100			100 - 150	
Lungi	1	1		50 - 100			100 - 150	
Others	8	13			50			100
<b>Total:</b>	<b>12</b>	<b>17</b>						

39. OIOS observed the site and agrees that the condition was hazardous and should be improved to create a healthier working environment for the military contingents and the Fuel Cell staff working in the area.

## **Recommendation 12**

OIOS recommends that the UNAMSIL Administration improve the area at the Hastings fuel point to provide a healthier environment for the military contingents and the Fuel Cell staff deployed at the fuel point (AP2004/622/07/12).

40. *UNAMSIL accepted the recommendation and stated that the whole area would be paved with asphalt and the surrounding office compound be cleaned.* OIOS will close this recommendation 12 upon confirmation that these measures have been implemented.

### **C. Contracts management**

#### Contractor failed to provide personnel in violation of the contract

41. UNAMSIL entered into contracts with nine vendors for supply of fuel and lubricants for ground and aviation transport. The total value of the products for the biennium 2003-2004 was \$33.8 million. The value of the contract SIL/03/SUP/002 with SAFECON was \$16,859,676 for the supply of diesel, petrol and kerosene.

42. According to Paragraph 9 Section 6 of the contract, SAFECON was to take full operational control of all UNAMSIL's fuel distribution points by 23 October 2003. The provision required the vendor to provide two pump clerks at each of UNAMSIL's 17 fuel distribution points. However, OIOS found that the contractor met its contractual obligation in respect of only 5 locations. The contractor failed to deploy pump clerks at 12 fuel points, resulting in increased workload to the UNAMSIL staff assigned to the fuel points. The Fuel Cell manager explained that negotiations had been underway to implement the contract.

## **Recommendation 13**

OIOS recommends that UNAMSIL Administration ensure that SAFECON provides two pump clerks at each of the 17 UNAMSIL's fuel point in accordance with relevant contract provisions (AP2004/622/07/13).

43. *UNAMSIL accepted recommendation 13 and stated that it will ensure that SAFECON provides the clerks at each of its fuel points.* OIOS will close this recommendation upon receipt of documentary evidence of its implementation.

#### Contracts were not renewed

44. As shown in Table 6 below, three of the nine contracts had expired by 30 June 2004. These contracts were entered into for the supply of radiator coolant, brake fluid and lubricant in the total amount of \$182,820.

**Table 6: Contracts by Product and Effective Date**

SI.No.	Contract No.	Vendor	Products	Value (\$)	Start Date	Expiry Date	Remarks
1	SIL/03/SUP/006	Taleb Auto Spares	Radiator Cool.	28,500	25/07/2003	30/06/2004	Expired
2	SIL/02/SUP/001	Automotive supplies	Brake Fluid	18,000	01/05/2003	30/04/2004	Expired
3	SIL/01/SUP/006	Mobil Oil	Lubricant	136,320	19/03/2002	18/03/2004	Expired
		<b>Total:</b>		<b>182,820</b>			

45. The Fuel Cell explained that the contracts are being renewed and would be finalized soon. In the absence of valid contracts, the Mission may not be able to hold the vendors legally accountable if they fail to supply the fuel with expired contracts.

**Recommendation 14**

OIOS recommends that the UNAMSIL Procurement Section renew the three contracts for supply of fuel that have expired to ensure uninterrupted supply by these vendors (AP2004/622/07/14).

46. *UNAMSIL accepted recommendation 14 and acknowledged that contracts must be renewed in a timely manner so that UNAMSIL has uninterrupted supply of petroleum products. The Mission confirmed that the contract for brake/automatic transmission fluid and hydraulic oil has since been established; there was sufficient stock of coolant to last until mid-November 2004, and that a new contract for projected quantities would be established. Based on the Mission's response, OIOS has closed recommendation 14 in its database.*

**VI. ACKNOWLEDGEMENT**

47. We wish to thank the officials in the Procurement Section, the Fuel Cell and the Finance Section for their cooperation and assistance during the conduct of this audit.

  
for Patricia Azarias, Director  
Internal Audit Division I, OIOS



**ANNEX I**  
**Discrepancies in Meter Readings**

Discrepancies taken into account in the invoices									
		Meter Readings		Quantity Received and recorded					
1	2	3	4	5=(4-3)	6	7=(6x4.54596)	8=(7-5)	9	10=(5-9)
Invoice Number	Transshipment Order	Start	End	Per Meter reading (Liters)	Expected Quantity (IMGs)	Expected Quantity (Liters)	Variance in delivery (Liters)	Quantity recorded by attendants (Liters)	Variance in recording (Liters)
17479	34472	9224542	9206395	18147	4000	18184	-37	18153	-6
17479	34549	9295741	9282253	13488	3000	13638	-150	13490	-2
17479	34661	9382817	9364956	17861	4000	18184	-323	17897	-36
23373	46611	67139296	67130538	8758				8757	1
17384	32258	None	None	?	5000	22730	?	22460	-270
Discrepancies not taken into account and no meter readings recorded									
Invoice Number	Transshipment Order	Meter readings by fuel attendants		Expected Quantity (IMGs)	Expected Quantity (Liters)	Quantity recorded by attendants (Liters)	Quantity used in calculating invoice (Liters)	Additional Liters charged in invoice but not received by UNAMSIL	
1	2	3	4	5	6=(5x4.54596)	7	8	9=(8-7)	
17479	34569	None	None	4000	18184	18014	18184	170	
17479	34570	None	None	3000	13638	13516	13638	122	