

INTERNAL AUDIT DIVISION I  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Abou Moussa  
A: Deputy Special Representative of the Secretary-General  
and Officer-in-Charge, UNMIL

DATE: 8 June 2005

REFERENCE: AUD-7-5: (0337/05)

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

*PAzarias*

SUBJECT: **Audit No. AP2004/626/03: Procurement Activities in UNMIL**  
OBJET:

1. I am pleased to present herewith the final report on the above-mentioned audit, which was conducted during the period October to December 2004.
2. We note from your response to the draft report that UNMIL has generally accepted the recommendations. Based on your response, we are pleased to inform you that we have closed recommendations 2, 8, 11, 12, 14, 15, 17, 19, 24, 26, 27, 28 and 29 in the OIOS recommendations database. Recommendation 30 has been withdrawn. In order to close the remaining recommendations (1, 3, 4, 5, 6, 7, 9, 10, 13, 16, 18, 20, 21, 22, 23, 25, 31 and 32), we request that you provide us with the additional information as discussed in the text of the report and a time schedule for their implementation. OIOS is reiterating recommendation 23, and requests that you reconsider your initial response concerning this recommendation. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e. recommendations 23 and 32) 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 UNMIL for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guehenno, Under-Secretary-General for Peacekeeping Operations  
Ms. Hazel Scott, Director, ASD/DPKO  
Mr. Steinar Bjornsson, DSRSG for Operations, UNMIL  
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# Office of Internal Oversight Services

## Internal Audit Division I



### Procurement Activities in UNMIL

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**Audit no:** AP2004/626/03  
**Report date:** 8 June 2005  
**Audit team:** Juanita Villarosa, Auditor-in-Charge  
Venkata Bendapudi, Auditor  
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## **EXECUTIVE SUMMARY**

### **Procurement Activities in UNMIL (AP2004/626/03)**

OIOS conducted an audit of procurement activities in the United Nations Mission in Liberia (UNMIL) during October to December 2004. The main objective of the audit was to ascertain whether fairness, integrity and transparency were considered in the procurement process and whether vendors were selected based on effective international competition. Other objectives included whether the Mission obtained good quality products and services at competitive prices and within the time frame required, and whether pertinent UN rules and regulations and provisions of the Procurement Manual were complied with. The review covered the period August 2003 to August 2004 although verification procedures were performed beyond this period when deemed necessary.

In OIOS' opinion, there are significant risks of irregular/fraudulent procurement activities as a result of weak procedures, internal controls and failure to follow established procurement procedures. The OIOS review showed the need for systematic acquisition planning supported by a procurement plan, to be prepared by the requisitioners in coordination with the Procurement Section. Inadequate planning resulted in overstocking, unjustified emergency purchases and the raising of requisitions only before the end of the budget year, which ultimately resulted in failure to procure items in the most competitive manner. Instances of requisition splitting to circumvent the bidding process or review by the Local Committee on Contracts (LCC) and/or the Headquarters Committee on Contracts (HCC), and vague or product-specific requisitions were also found.

A review of the vendor selection process showed the need for the Mission to expand its supplier base and to evaluate the qualifications of their accredited vendors. The limited supplier base resulted in the tendency to favor certain suppliers and to order from these suppliers very disparate goods and services. A locally registered supplier of building and construction supplies was for instance selected to deliver hygiene items and blankets for the Disarmament, Demobilization, Reintegration and Rehabilitation (DDRR) projects while a telecommunications firm was selected to deliver plywood. The credibility of the bid process was reduced because faxed bids were not delivered through a dedicated fax line, and the opening of bids was attended by staff assigned by the members of the Tender Committee in lieu of themselves. Furthermore, the bid process did not allow for wider bid responses since on the average, it only took 10 days from solicitation to bid closing and in some cases only 3 days.

OIOS also found cases of purchase order splitting, resulting in the award of certain split contracts to certain local suppliers at various prices within the same period. There were instances of suppliers' failure to honor the delivery terms contained in the contract. A time lag analysis showed that items were delivered up to 114 days after the delivery date noted in the purchase order. In the case of immediate operational requirements (IOR), items were delivered up to 191 days after the scheduled delivery date.

An OIOS survey administered to the Mission's procurement assistants/buyers showed the need for a workshop/training on procurement rules and guidelines as well as on relevant financial rules and regulations on procurement.

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## I. INTRODUCTION

1. OIOS conducted an audit of procurement activities in the United Nations Mission in Liberia (UNMIL) during October to December 2004. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

2. The Procurement Section is responsible for procuring goods and services for UNMIL based on requisitions raised electronically through the Mercury system by five major requisitioners: Communication and Information Technology Section, Transport Section, Supply Section, Engineering Section and Aviation Section. As at 30 September 2004, funds allotted for procurement of various goods and services totaled \$147.8 million of which only \$21.1 million was expended.

3. The goods and services procured by the UNMIL Procurement Section can be classified as follows:

- a. Engineering and capital equipment- this includes construction, refurbishment and other civil works and engineering projects; engineering supplies such as timber and cement and capital equipment including generators, trucks, major handling equipment and spare parts.
- b. Supply and communications/information technology- this includes food rations, diesel, petrol, aircraft fuel, lubes (POL), general supplies, medical supplies, printing and publishing services and other supplies, catering and PX services, IT and communications equipment.
- c. Rental of premises and office and transportation equipment
- d. Services including audio visual services and freight forwarding, customs, postal and courier services.

4. The bidding and ordering processes are performed by the Procurement Section while the receiving and inspection of procured goods and services are done by the Receipt and Inspection (R&I) Unit which is not part of the Section to ensure independent verification and inspection. Payments to suppliers, on the other hand, are processed by the Finance Section upon receipt of the original invoices and R&I reports.

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

## II. AUDIT OBJECTIVES

6. The main objective of the audit was to ascertain whether fairness, integrity and transparency were considered in the procurement process and whether vendors were selected based on effective international competition. Other objectives included:

- Determining whether the Mission obtained good quality products and services at competitive prices, within the time frame required;
- Determining whether pertinent UN Financial Rules and Regulations and provisions of the Procurement Manual were complied with; and
- Determining extent of compliance with the procurement plan for the years 2003 and 2004 and causes for non-compliance.

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

7. The audit covered transactions for the period August 2003 to August 2004 although the verification procedures were performed beyond this period when deemed necessary.

8. Following the documentation and evaluation of the systems and procedures, a series of tests and other procedures were carried out to achieve the above-stated objectives. Discussions were held with the Chief Procurement Officer and his staff to understand how the Mercury system works and how the procurement system is implemented. In addition, procurement documents particularly requisitions, bid and purchase documents were examined and the existence and qualification of suppliers were independently verified. We also observed certain inspections done and the opening of bids; established time lags between procurement, delivery and payments done and evaluated adequacy of supporting documents submitted to the Finance Section as basis for payment. Various documents such as the annual procurement budgets of various offices, the UN Financial Regulations and Rules and the Procurement Manual were also reviewed.

### **IV. OVERALL ASSESSMENT**

9. There are significant risks of irregular/fraudulent procurement activities due to weak procedures and internal controls. The audit showed the need for more systematic acquisition planning based on a procurement plan prepared by requisitioners in coordination with the Procurement Section. Also, there is a need for improvement in the requisitioning, vendor selection, ordering, delivery and invoicing processes, as well as to institute corrective measures to prevent splitting of requisitions and the creation of favored bidders. Furthermore, training of staff is imperative to correct these weaknesses.

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

#### **A. Training of the Procurement Section Staff**

10. To date, all the procurement assistants have attended the training on the Mercury system. However, only five of 14 personnel surveyed had received formal training on procurement activities and guidelines. On the average, though, staff have been in the UN system for at least 8 years and have been exposed to procurement activities for at least 6 years.

11. OIOS was informed that the Procurement Division at Headquarters does not have specific guidelines in the training of procurement staff at different levels. It has however organized procurement and contract training in specific areas such as IT and construction for procurement staff involved in those areas. A UN system-wide common procurement training and certification programme is being developed by the UN Staff College in Turin under the auspices of the Inter-Agency Programme Working Group for implementation in 2006. The CPO also mentioned that UNMIL will eventually become responsible for organizing the training courses/workshops for the peacekeeping missions in West Africa upon the liquidation of the UNAMSIL.

12. The need for training staff on procurement related topics cannot be over-emphasized, particularly because the survey results showed that only three of 12 respondents were aware of 50%

of the selected procurement issues which were asked without reference to the Procurement Manual. Among others, the survey showed that:

- only 42% of staff was aware of why requisitioners cannot recommend vendors;
- only 33% of staff was aware that requisitioning units cannot recommend vendors and that the only thing which can be done for recommended vendors is to encourage registration for future solicitations;
- not one of the respondents was aware that the Procurement Section should participate in the procurement and spending plans of requisitioning units for the forthcoming budget period;
- only 25% of staff was aware of the minimum number of invitees who should participate in bids.

13. The staff themselves acknowledged the need to be trained on certain procurement activities. Majority of the respondents wanted to be trained on Financial Rules and Regulations, Procurement Rules and Regulations and on the Mercury software (this despite the contention that all of them have been trained on Mercury). It may be important to note that the Procurement Manual can be accessed by all the staff through the network drive.

14. Procurement courses which most of the respondents wanted to take are (based on training courses identified by the Interagency Procurement Services Office of UNDP):

- Understanding of international logistics
- Total quality management
- Developing a contract strategy
- Types of contract and supply agreement
- Risk assessment
- Legal considerations and payment conditions
- Knowledge of other parties' expectations
- Greener purchasing
- E-procurement in the future strategy
- Performance measurement and obstacles to progress

Moreover, 7 of the 12 respondents would also want further training on basic procurement issues such as:

- Understanding the procurement process
- Managing the buyer's time
- Understanding price and cost
- Contracts
- Vendor selection
- Terms of payment
- Incoterms

## Recommendations 1 and 2

OIOS recommends that:

- (i) The UNMIL Chief Procurement Officer initiate the conduct of in-house workshops on UN Financial Regulations and Rules and UN procurement guidelines to ensure compliance with established procurement rules and procedures (AP2004/626/03/001); and
- (ii) The UNMIL Training Unit coordinate with professional bodies such as the UNDP's Interagency Procurement Service Office as to the specialized training courses which can be undertaken for Procurement staff pending the development of procurement training programmes by the UN Staff College in Turin (AP2004/626/03/002).

15. *UNMIL accepted recommendation 1 and indicated that training and mentoring of junior staff by experienced senior staff in the Procurement Section is ongoing and that workshops will be undertaken by the Chief Procurement Officer for Procurement staff. Recommendation 1 remains open pending receipt of documentation showing that the training courses were undertaken.*

16. *UNMIL also accepted recommendation 2 and indicated that a UN Headquarters Procurement Service training programme was undertaken on 15 and 16 April 2005 and another was planned for in September 2005 in co-ordination with UNMIL's Integrated Mission Training Center. Based on the action taken by the Mission, recommendation 2 has been closed.*

### B. Annual Procurement Plan and Stock Management

#### Annual procurement plan

17. Section 8.1.4 of the Procurement Manual requires the requisitioning offices and the CPO to meet on an annual basis to set up spending plans, including procurement plans, for the forthcoming budget period(s). It further requires the requisitioning office to provide any proposed revisions to the plans at no more than three month intervals and the CPO to advise what proportion of these plans can be achieved within the current procurement plan period.

18. The CPO noted that his Section is made aware of the requisitioners' procurement plans through the UN Procurement website showing UNMIL's acquisition plans. However, OIOS is of the opinion that the web-based UNMIL procurement plan is too broad to be considered as an acquisition planning tool. It does not itemize the items required by requisitioning section and does not indicate when and where these are required. The Plan, for instance, showed that the Engineering Section would need the following:

	<u>Qty/ Term</u>	<u>Est. Value</u>	<u>Est. Qtr.</u>
Bridges for infrastructure	5	\$690,000	not stated
Water Treatment System	2	143,865	not stated



19. The plan for the engineering supplies cannot possibly be complete since total allotment for facilities and infrastructure amount to \$60.554 million and as of September 2004, total recorded expenditure amounted to \$4.43 million. Moreover, total estimated value of items to be procured per the web-based plan only amounts to \$18.66 million while total allotment for procurement of goods and services for the period 2004/05 is \$147.86 million.

20. The Mission's Budget Section has a detailed breakdown of items by the requisitioning sections to support the procurement budget for the ensuing year. However, these plans are only considered for budgetary purposes, not for acquisition planning – as is evident from the following table:

Items	Per Plan	As implemented	Effect
1. Lease of office premises	14 office premises for a total of \$3,449,900	21 lease contracts for \$690,210	Budgeted cost is overstated
2. Generator maintenance and repair services	\$659,050 will be spent for the maintenance and repair services of existing generators	\$617,953 was used to purchase generator spare parts. Verification showed that generators needing major repairs are not actually being repaired but are merely stored in the warehouse. The spare parts purchased are used only for routine maintenance.	Budget fund was not used for the purposes intended
3. Electric installation maintenance and repair services	\$888,745 will be used for electric installation maintenance and repair services	\$1,253,552 was used for the purchase of electric cables.	Budgeted fund was not used for the purposes intended

21. The lack of any acquisition planning and coordination between the Procurement Section and the requisitioners ultimately resulted in the Section's failure to procure goods and services on a more efficient and competitive basis, as evidenced by the following:

- a. Of the 948 requisitions for the audit period, 7% or 68 requisitions were considered as immediate operational requirements (IOR). OIOS found, however that the items in question were actually included in the Section's procurement plan as these are regularly used items (generators, water tanks, air conditioners, timber, stationary and office products, water and raincoats etc.).
- b. In some cases after the requisition was received, the bidding period was limited between 3 to 9 days because of poor planning. If the Section had anticipated the needs of the requisitioners on a period to period basis, it would have had ample time to receive more competitive offers.

#### **Recommendations 3 and 4**

OIOS recommends that the UNMIL Procurement Section:

(i) Ensure closer coordination with the Budget and requisitioning sections so that more reliable and useful annual procurement plans containing the information required in accordance with Section 8.1.4 of the Procurement Manual are prepared (AP2004/626/03/003); and

(ii) Use the annual procurement plans to develop an appropriate strategy, including the minimizing of IORs, reduction in the procurement lead time, and a more competitive bidding process for timely delivery of the required goods and services (AP2004/626/03/004).

22. UNMIL accepted recommendation 3 and indicated that coordination between UNMIL Procurement and Budget Sections is an ongoing activity which will be improved upon. The Mission also accepted recommendation 2 and indicated that the 2005-2006 plans has been completed internally and will be transmitted to UN Headquarters by end of April 2005. OIOS will keep recommendations 3 and 4 open pending receipt of the procurement plan submitted to Headquarters.

Stock management

23. Acquisition plans should logically take into account the existing quantity of items in stock to prevent overstocking and unnecessary expenditure. OIOS' verification of the management of assets and supplies by the various requisitioning units showed that a reasonable estimate of existing quantities could not possibly have been considered in the acquisition plans because existing stock management practices need to be improved:

a. The Engineering Section warehouse contains mainly expendable items such as timber, plywood, electrical cables, concertina wires and plumbing materials whose movement cannot be accounted for. A dedicated warehouse for non-expendable items such as generators, air conditioners, and water purification plants does not exist. As such these items are left scattered in various warehouses or left outdoors to the ravage of the elements. No inventory records are maintained for expendable and non-expendable items. The Head of the Material Management Unit acknowledged that it was difficult to establish the items and quantities on hand since no inventory system has as yet been set up due to lack of staff.

b. The CITS warehouse contains both communication and IT expendable and non-expendable items such as VHF radios, desktop computers, laptops and printers. The auditors' physical count and subsequent comparison with the FACS inventory database showed that the FACS is not updated. Consider:

Description	Stock as per FACS	Per count	Variance
1. Mobile radio VHF-GM 360	1183	890	293
2. Laptops	400	310	90
3. Desktops (Dell)	322	174	145
4. Solar panels	Not in system	93	93

5. Printers	298	305	(7)
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c. Supply items are stored in two warehouses: one for expendable and another for non-expendable items. High value and attractive items such as digital cameras, DVD players, and tape recorders are placed inside a locked container. The auditors' physical count and subsequent comparison with existing stock records showed variances as follows:

Description	Stock as per stock records	Per count	Variance
1. Dryer	47	47	0
2. Microwave oven	108	99	9
3. Washing machines	44	42	2
4. Video camera	42	38	4
5. Containers	190	12	178
6. Binoculars	68	68	0
7. Freezers	32	30	3
8. Projectors	39	35	4

24. The CPO acknowledged that if his Section is allowed reader access to an updated computerized inventory system this would have enabled them to prioritize the timing and extent of requisitioners' needs.

#### **Recommendations 5 and 6**

OIOS recommends that the UNMIL Administration:

- (i) Implement computerized inventory records for both expendable and non-expendable items to facilitate the preparation of reliable acquisition plans by the requisitioning units (AP2004/626/03/005); and
- (ii) Ensure that the Procurement Section is allowed reader access to the computerized inventory system (AP2004/626/03/006).

25. *UNMIL accepted recommendation 5 and indicated that the Administration has made great efforts to install, populate and operate the Galileo computerized inventory. Also, the UNMIL Property Control and Inventory Unit has been recording all incoming goods and equipment, while back loading data on those items already received in the Mission. UNMIL also accepted recommendation 6 and stated that access to Galileo computerized inventory will be implemented for UNMIL's Procurement Section by early May 2005. Recommendations 5 and 6 remain open pending confirmation by the Mission that the Procurement Section has been allowed access to the computerized inventory system.*

## C. Requisitioning of Goods and Services

### Year-end submission of requisitions

26. The Procurement Manual (Section 8.3.1.4) requires that requisitions should be based on actual need. This is to prevent overstocking and the tying up of much needed funds to items which can be procured later.

27. OIOS' selective review showed that requisitions could not have been prepared based on anticipated need. The Engineering Section, for instance, cannot present any work plans and bills of materials to support why specific quantities of timber and plywood need to be purchased for specific projects. The Communications and Information Technology Section (CITS) on the other hand do not have any detailed procurement plan of its own. According to the Chief of CITS, anticipating the needs of the Mission especially for its major programmes such as the Electoral Reform and the DDDR is difficult because of the lack of any specific plans coming from the end-users. The Field Assets Control System (FACS), which was replaced by the Galileo system, cannot be used to anticipate the quantities of assets needed since it was not updated.

### **Recommendation 7**

OIOS recommends that the UNMIL Administration establish the linkage between requisitions raised and the annual procurement plans. In the case of projects to be undertaken by the Engineering Section, requisitions should be supported by properly approved work plans showing the details of materials required (AP2004/626/03/007).

28. *UNMIL accepted recommendation 7 and stated that deviations from the procurement plan were due to unexpected ad hoc projects like the Police Academy and the need to take over the construction of the D1 and D2 camps due to failure of the contractors. Also changes in the Mission's overall plans and priorities sometimes make it difficult to adhere to procurement plans. Recommendation 7 remains open pending receipt of documentation showing that the Mission has introduced the practice of linking requisitions with the procurement plans/approved work plans.*

29. Out of 259 requisitions valued at \$52.4 million raised by the Engineering Section during the financial year 2003-2004, 159 requisitions valued at \$43.8 million were raised in April 2004, i.e. towards the end of the financial year. Similarly, out of the 242 requisitions raised by the CITS for the same year, 60 requisitions valued at \$6.7 million were raised only in April 2004. This indicates that requisitions were raised to obligate the funds before the end of the year.

30. Relative to this, in his email to all his staff the CPO noted that "The financial years end, exacerbated by a farcical level of late requisitions, has come to an end. In this year-end rush, procurement tried to do everything it could to service the mission's requirement in the limited time available. This meant, inter alia, shorter bidding periods, sometimes resulting in reduced responses and in some cases no response at all. This year, our customers have been asked to plan to requisition a little earlier than the last minute, and submit requisitions with enough lead-time. In

this regard, kindly refer to the United Nations Procurement Manual, as promulgated by the Under Secretary General for Management, which may be found in full on the S drive. Please ensure that your bid documents reflect these timelines...”

31. The late requisitions violated Section 8.1.2 (2) of the Procurement Manual which requires that last minute requisitions, especially at the end of the budget period, should be avoided to the extent possible as this may hamper the ability of the UN to ensure a transparent, open, efficient and timely procurement process.

### **Recommendation 8**

OIOS recommends that the UNMIL Administration issue formal instructions to requisitioning sections discouraging the issuance of last minute requisitions at the end of the budget period. Any last minute requisitions must be accompanied by a convincing explanation why the goods or services were not requisitioned in a timely manner (AP2004/626/03/008).

32. *UNMIL accepted recommendation 8 and indicated that the Administration had advised all Mission requisitioners that the cut off date for requisitions for the financial year 2004/2005 would be 15 March 2005. Based on the Mission’s response, OIOS has closed recommendation 8.*

### Splitting of requisitions

33. Further analysis showed that certain requisitions were split, resulting in the failure to conduct competitive bidding or to refer the selection to the Local Contracts Committee (LCC) and/or the Headquarters Contracts Committee (HCC), as shown in Annex I.

### **Recommendations 9 and 10**

OIOS recommends that the UNMIL Administration ensure that:

(i) Requisitions for similar items within the same period are consolidated by the Procurement Section. This can be achieved if buyers are assigned specific line items to procure on a rotation basis (AP2004/626/03/009); and

(ii) Requisitioning sections, particularly the Engineering Section, desist from splitting requisitions, which circumvents approval by authorized officials in contravention of the delegation of authority (AP2004/626/03/010).

34. *UNMIL accepted recommendation 9 and clarified that requisitioners should be responsible for consolidating their requirements, and that all requisitioners will be advised accordingly.*

Recommendation 9 remains open pending receipt of documentation showing that requisitioners have been advised accordingly.

35. UNMIL accepted recommendation 10 and indicated that it is being implemented. All requisitions for the same engineering material were combined and presented to LCC and HCC for approval. Requisitions of lesser value were raised to enable the local market to supply these items without waiting six to eight months for their importation. This enabled the Mission' Engineering warehouse to maintained a level of stock to raised one combined requisition in future. Recommendation 10 remains open pending results of the ongoing audit of the Engineering Section.

Use of generic specifications

36. Sections 8.2. 1 (1) and (2) of the Procurement Manual require the requisitioner to develop generic specifications which allow any prospective vendor to meet requirements. It further requires technical specifications which satisfy the essential features of procurement:

- a. Inform potential contractors of the nature of UN requirement and what is expected to fulfill them.
- b. Constitute the basis for evaluating offers to determine if they satisfy the UN requirements
- c. Bid the winning vendor to perform in accordance with the specifications and pursuant to the terms and conditions of the PO and contract.

37. OIOS found instances of either vague technical specifications, which leave room for the vendors to offer products unsuitable to the requisitioners' needs but at higher prices, or product-directed specifications which discourage vendors not carrying the subject brands from bidding as in table below:

Requisition Number	Item description	Remarks
CITS-03-0021	Toshiba B26 5000 multin 04 UNMIL less (W1F @802.11a/g) 2003/132 notebook PC including all accessories and carrying case-17.0" diagonal widescreen XGA display	Very specific brand
5ENG-86	Machine crush stone aggregate for roads	Aggregate sizes required? Feed rate and size? Crushing specification—product must be crushed to what size?
5ENG-116	Electrical cables for power supply network	Cable specification for conductors, insulation, sheath, temperature rating and voltage rating?
4ENG-204	Chain saws	Size and power specifications?
4TPT-010	Warehouse shelving	Requisition subsequently cancelled, but what is program of work and bills of materials required
4ENG-164	Iron and steel products, rolled, drawn and folded; 1 LOT	Very vague— sizes required not stated
4ENG-153	Air-conditioning equipment wall mounted split type 24,000 BTU, Carrier Air-condition or similar	Product specific
4DEN-29	Construction work and site management, civil works	What is program of work required and bill of materials required?

38. The above descriptions became the basis for selecting vendors and eventually the ordering of items as the Procurement Section did not scrutinize the specifications contained in the requisitions raised.

**Recommendation 11**

OIOS recommends that the UNMIL Procurement Section ensure that requisitioners provide generic specifications of items required to enable a vendor to offer any brand which meets the specifications at competitive prices (AP2004/626/03/011).

39. UNMIL accepted recommendation 11 and stated that unless accompanied by a valid justification, the Procurement Section does not normally accept non-generic specifications. With the implementation of Mercury 2 system scheduled for 1 July 2005, it is expected that returning of such requisitions will be effected and recorded in the system once it's operational. Based on the Mission's response, OIOS has closed recommendation 11.

**D. Vendor selection**

Limited vendor base leading to favoured vendors

40. The number of vendors used by the Mission is limited such that a supplier can be selected to deliver very disparate goods and services. For instance, Sethi Brothers, a registered vendor of building materials, was awarded 53 contracts for goods and services ranging from wool blankets, timber, and construction materials to hygiene kits consisting of toothpaste, toothbrush and face towels. Furthermore, Lonestar Communications, a mobile communications company was awarded the contract to supply plywood while Beaver Company, a registered vendor of building materials, was awarded a contract to deliver several items which were not carried in its stocks. Logically, it is unlikely that these suppliers could have offered the most competitive prices since the ordered items are not carried in its regular stocks.

41. An analysis of the supply base maintained by the Mission showed that in terms of value, the following vendors were awarded the most orders:

Contractor	Items sold	Local or international supplier	Value of purchases during the year	Number of purchases made during the year
General Petroleum	Sole distributor of petroleum products in Liberia	international	\$13,877,037	9
Mobil Oil	Sole distributor of aviation fuel in Liberia	international	8,508,883	5
Coelmo	Generators	International	5,470,872	5
Intertrade International Services	Electronic items, tractors, trucks and vehicle spare parts	international	3,683,216	5
Telecommunications Consultant	Electronic equipment	international	3,443,224	4

Corimec Italiana SPA	Prefab containers, windows, scaffolding	international	2, 474, 247	3
Global Container Lines Limited	Shipping containers, tents, soft wall hangars	international	2, 396, 593	4
All Points International	Containers for compressed or liquefied gas, prefabricated buildings	international	2, 219, 255	3
Barret Europe Limited	Communications equipment	international	1, 913, 531	4
Sethi Brothers	Timber and wood products, construction and building materials, wool blankets, overalls, rubber boots, hygiene items (towels, toothbrushes, toothpastes, sanitary napkins)	local	1, 709, 518	59
Alfred Catcher Gmbtt	Filtering equipment, publishing services, radio communications, construction services, IT and communications, building materials, athletic items	international	1,625, 734	3
Santpoort Project	Office and household equipments, electronic parts, wires, cables,	international	1, 619, 148	31
A. Bellomi	Stationery supplies (systems contract)	international	1, 311, 477	3
Cochrane Steel Products	Construction materials (galvanized wire rolls, ground locking pegs, used containers, barbed wire	international	1, 272, 140	3
Cisco System	Telecommunications facilities	international	1, 160, 380	5

As can be noted, only one local supplier featured in the list of top 15 suppliers. The fact that this company is not a sole distributor raises questions about the apparent lack of any international competitor which can offer lower prices.

42. Further analysis showed that in the local market, the following suppliers were awarded the most orders (engineering contractors were excluded from the analysis):

<b>Contractor</b>	<b>Items supplied</b>	<b>Value of purchases during the year (\$)</b>	<b>Number of purchases made during the year</b>
Sethi Brothers	Timber and wood products, construction and building materials, wool blankets, overalls, rubber boots, hygiene items (towels, toothbrushes, toothpastes, sanitary napkins)	1, 709, 518	59
Kaison General Construction Contractors	Construction work and site management, construction and building materials	1, 090, 508	8
Beever Company and Communications	Office and telecommunications equipment, electric motors, generators, chemical products.	1, 033, 592	35
Chabural Enterprises	Wood charcoal, wood products, food products	676,583	10
Cemenco	Portland cement	590, 730	4
City Builders	Construction and building materials	540, 129	22
Easy Transport	Machinery and electrical equipment, vehicle	525, 155	2



Services	maintenance and repairs		
Global Trading Center	Timber	507,760	3
Auto Spare Service	Electric motors, generators, rubber tires and tubes, electric accumulators, lubricants	407,332	19

43. The limited supply base may be attributed to lack of a wider market survey to obtain information specific to the items or services proposed to be acquired. The CPO indicated that in November 2003, the Mission informed (through local newspapers) all interested Liberian companies to apply for accreditation as UNMIL suppliers. Those that showed interest were registered as UNMIL suppliers without thoroughly evaluating their qualifications because the economic situation in Liberia and the effects of the war rendered it difficult to make any initial assessment of potential vendors in the country.

44. In OIOS' view, after one year of Mission operations and the gradual return of normalcy in Liberia, the need for a wider market survey on other local and international vendors should be done through a Vendor Database Officer who will perform responsibilities enumerated in Section 7 of the Procurement Manual. These responsibilities among others include determining:

- the frequency of requisitioning a specific product or service
- potential vendors for accreditation through a wider source-search locally and internationally
- evaluating existing vendors' performance

### **Recommendations 12 and 13**

OIOS recommends that the UNMIL Procurement Section:

- (i) Appoint a full-time Vendor Database Officer to take charge of the responsibilities defined in Section 7 of the Procurement Manual (AP2004/626/03/012); and
- (ii) Increase transparency in the procurement process by immediately adopting measures (such as broadening the geographic area for vendors) to correct the apparent tendency of favouring certain local vendors (AP2004/626/03/013).

45. *UNMIL accepted recommendation 12 and indicated that it has been implemented. A local Vendor Database Officer was assigned whose duties include vendor registration and delivery performance. Based on the Mission's response, OIOS has closed recommendation 12.*

46. *UNMIL also accepted recommendation 13 and clarified that substantial orders placed with local firms normally arise only after international competitive bidding. Efforts will continue to be made to broaden the geographic area for vendors. Recommendation 13 remains open pending receipt of documentation from UNMIL indicating the specific actions taken to broaden the geographic area for vendors.*

## Vendor Qualifications

47. The Procurement Section had not evaluated its existing vendors to determine possible misrepresentations such as false vendor qualifications, conflicts of interest, etc. before the vendors are accredited. The Vendor Application Forms filled in by the vendors omitted details pertaining to Parent Company, Business type, financial information, technical capability, information on goods/services offered, acceptance of payment terms and other discounts, tender documents preferences and performance bond details. All vendors who filled in the incomplete forms filed were automatically considered as accredited vendors of the Mission.

48. The confirmation results received from the Liberian Ministry of Commerce and Industry showed that local vendors frequently patronized by the Mission were registered suppliers. However, some vendors transacted business even before they were registered as shown in Annex II.

49. It was difficult for the Mission to evaluate the vendors' qualifications due to the lack of records, most of which were lost during the war. However, the need for a more thorough evaluation on these vendors' capacity to deliver goods at the most competitive prices when compared with other global vendors, should start with an evaluation of their qualifications, particularly their financial capacity to deliver goods and services in bulk.

### **Recommendation 14**

OIOS recommends that the UNMIL Procurement Section review and evaluate vendors applying for inclusion in the Mission's vendor roster in accordance with Section 11.3 of the Procurement Manual (AP2004/626/03/014).

50. *UNMIL accepted recommendation 14 and indicated that the Procurement Section continues to review the applications of vendors applying to do business with UNMIL and evaluates the performance of those awarded bids.* Based on the Mission's response, OIOS has closed recommendation 14.

## Extent and confidentiality of solicitations

51. Section 9.3.4 of the Procurement Manual indicates the minimum number of vendors to be invited for competitive bidding. From a sample review, OIOS noted that in most cases, the minimum number of solicitations had been exceeded. In certain cases, however, evidence of solicitations supposedly made was not attached, as shown in the following table:

Requisition number	Bid number	Amount	Number of solicitations supposedly made	Remarks
CITS/TPI-04-020	MIL/ITB/04/057/PL	\$20,757	11	Only 3 submitted bids and no proof that solicitations were sent by the other invitees

CITS/IT04/0005	MIL/ITB/040/18MS	\$223,480	17	14 bid and no proof that 3 other solicitations were received by the invitees
4ITU-67 Rev. 2	MIL/ITB/04/309	\$19,980	29	Only 8 submitted bids but no proof that 21 others were solicited
CITS-0300021	MIL/ITB/03/041/LM	\$27,750	12	Only 5 submitted bids, no proof that solicitations were received by the other 7 invitees
4TPT-81 Revised	UNMIL/ITB/04/325	\$34,230	11	Only 4 submitted, no proof that solicitations were received by the other 7 invitees
4DEN-18 Revised	MIL RFQ/04/323/RB	\$33,557	14	No proof that solicitations were received by the invitees
4 DEN-15	UNMIL/ITB/04/173/1M	\$14,562	23	No proof that bidding conducted and that solicitations were received by the invitees

### Recommendation 15

OIOS recommends that the UNMIL Procurement Section ensure strict compliance with Section 9.3.4 of the Procurement Manual and proper filing of documents to establish that the minimum numbers of solicitations are actually met (AP2004/626/03/015).

52. *UNMIL accepted recommendation 15 and indicated that the filing of documents in the Procurement Section has improved. The recent visit of a team from the Archives and Records Management Service (ARMS) earned the Section praise for the quality of its filing system. Based on the Mission's response, OIOS has closed recommendation 15.*

#### Dedicated facsimile machine

53. Section 10.1.2 of the Procurement Manual provides that:

- (i) Paragraph (1)...Facsimile submissions, where allowed by the Solicitation Documentation, shall be received at a dedicated fax number, located in a secure area, to which only designated procurement personnel have access. ....
- (ii) Paragraph (4)...Facsimile Responses shall be rejected unless such delivery method has been requested and the submission was received at the dedicated facsimile number.

54. According to the CPO, solicitation documents are faxed to the invitees through a dedicated fax located inside the Chief Finance Officer's office. Bids coming from invitees are likewise faxed through this dedicated fax line. However, due to difficulty in accessing the dedicated fax line, invitees send faxes to the Communication Centre.

55. Verification showed that other than bids delivered through courier service, most incoming bids are actually received through the Mission's Communication Centre and not through the dedicated fax line. These faxed bids are placed in sealed envelopes and delivered/forwarded to the Chief Finance Officer (who is also the Chairman of the Bid Tendering Committee) with the date and

time of receipt stamped. Vendors are required to send acknowledgment letters as stipulated in Annex D of the Procurement Manual.

56. The audit showed that if Section 10.1.2 has been complied with strictly, all faxed bids received by the Mission should have been rejected since these were not received through a dedicated facsimile machine as required in Section 10.1.2 of the Procurement Manual. The CPO noted that his Section has already been provided with a dedicated fax line although he prefers that solicitation documents still be coursed through the Chairman of the Bid Tendering Committee and not through his Section, to give the solicitation process more credibility.

### **Recommendation 16**

OIOS recommends that the UNMIL Procurement Section ensure strict compliance with Section 10.1.2 of the Procurement Manual which requires the use of a dedicated fax line for bid solicitations. Such fax machine should be installed in the Office of the Chairman of the Bid Tendering Committee or an officially designated alternate and should be used only for bid solicitations (AP2004/626/03/016).

57. *UNMIL accepted recommendation 16 and stated that a dedicated fax machine has been installed and is used exclusively for bid solicitations.* Recommendation 16 remains open since OIOS' verification showed that the fax machine installed at the Office of the Finance Officer is still not dedicated to the bid solicitations.

### Opening of Bids

58. OIOS observed two separate bid openings and noted that none of the appointed members of the Tender Opening Committee (TOC) attended these openings. Aside from the Chief, Vendor Unit who is aware of his responsibilities as the Chairman-designate, the other designates had not been briefed on their responsibility as TOC members. One of the members was asked to attend the bid opening only two hours before the scheduled opening.

59. The bid openings were conducted in accordance with the required process because the Chairman had control over the proceedings. However, during the second bid opening observed on 4 December 2004, certain Committee actions pointed to the lack of proper orientation for said bid opening:

- a. the technical bids for requests for proposals (RFP) relating to the provision of aviation fuel (RFP/05/515), ground fuel (RFP/05/512) and liquefied petroleum gas (RFP/05/516) were opened on 4 December. However the technical bids had previously been opened by the TOC on 26 November 2004. This was contrary to the procedure required in Section 11.6.6 of the Procurement Manual.

- b. for RFP/05/11 - duty free facilities: no summary sheet was provided by the Procurement Section. The Committee was requested to open the financial bid one week after the technical bid was opened.
- c. for RFP/5/408 - bid opening date was 27 November 2004; however, some qualified bids were inadvertently opened only on 4 December 2004. These bids were subsequently disqualified.
- d. ITB/05/5 - financial details for the CITS warehouse were provided to the vendors attending the openings. There were significant differences in the bids offered.
- e. ITB/5/33- The bid opening was scheduled for 4 December 2004 as stipulated in the solicitation document and covering fax. However, on the actual invitation document the date quoted was 18 December 2004.

### **Recommendations 17 and 18**

OIOS recommends that the UNMIL Administration ensure:

- (i) That alternate members of the Tender Opening Committee are officially designated and properly briefed as to their duties and responsibilities (AP2004/626/03/017); and
- (ii) Proper preparation prior to the bid opening particularly to ensure that the process is transparent and efficient in compliance with the requirements of the Procurement Manual (AP2004/626/03/018).

60. *UNMIL accepted recommendation 17 and stated that it has been implemented. All designees have been advised to ensure that designated alternates are properly briefed.* Based on the Mission's response, OIOS has closed recommendation 17.

61. *UNMIL did not accept recommendation 18, stating that the auditors have shown no evidence that rules and regulations relating to financial bid opening or relating to solicitation documents were breached.* OIOS reiterates this recommendation because the need for proper preparation for the bid opening was noticed from the auditors' actual observation of bid openings and the tendency to assign alternate members on the spot, as well as erroneous data provided by the Procurement Section to the Chairman of the Tender Opening Committee. Recommendation 18 therefore remains open in OIOS' recommendations database.

#### Lead time in procurement process

62. Section 8.2.2 (3) of the Procurement Manual also provides that: "The requisitioner shall provide adequate lead-time to the Procurement division to properly conduct the procurement process". A time-lag analysis showed that the lead-time provided to the Procurement Section was

not adequate. It was also noted that the average time lag for invitations to bid (ITBs) was shorter than that for request for quotations (RFQs), as shown below:

Examples of timelines from the Procurement Manual	Examples of usual timelines based on the Procurement Manual	Timeline as noted in the mission
RFQ - Submission time for prospective vendors from requisition date	13 to 34 days	5 to 43 days
Contract award from evaluation of submissions	9 to 31 days	8 to 9 days
ITB - Submission time for prospective vendors from requisition date	51 to 66 days	8 to 36 days
Contract award from evaluation of submissions	49 to 136 days	15 to 68 days

63. In some cases, vendors were not allowed sufficient time to formulate competitive bids. A number of bid exercises showed an average of 10 days from the date the solicitation was faxed to the vendors to the closing date of the bid. In five cases reviewed, only three days were allowed. OIOS believes that in these cases, the vendor was not given sufficient time to understand the solicitation documents and formulate a reasonable bid.

64. The short time gap may have allowed certain suppliers to win specific contracts such as in the case of Sethi Brothers which was awarded a total of 53 purchase contracts totaling \$1.6 million whereas at least 208 other suppliers were awarded only one contract each. In 20 bidding exercises where Sethi Brothers won, only an average of ten days was allowed from solicitation to bidding.

### **Recommendation 19**

OIOS recommends that the UNMIL Chief Procurement Officer formally set the lead-times for the procurement process. An adequate number of days should be allowed between requisitioning to solicitation to give the buyers time to determine the vendors who can be invited in the bids. Likewise, adequate time must be given to the vendors to submit their bids (AP2004/626/03/019).

65. *UNMIL accepted recommendation 19 and indicated that guidelines have already been issued by the Chief Procurement Officer on bidding times. Nonetheless, it is imperative that the Mission retains the necessary flexibility to meet Immediate Operational Requirement (IOR). Based on the Mission's response, OIOS has closed recommendation 19.*

### Technical evaluation by requisitioners

66. The procedures for the source selection process enumerated in Section 11.6.2 (2) of the Procurement Manual provide that: "The technical assessment shall be in writing (and is independent of the commercial evaluations), and shall be performed without prior knowledge of cost, as specified in the respective Submissions. Under no circumstance shall any cost data furnished by the Vendors be released to the requisitioner prior to the finalization of the technical evaluation."

67. In many instances, cost data furnished by the competing vendors were released by the Procurement Section to the requisitioner as the primary basis of evaluation in violation of Section 11.6.2. In one case pertaining to the procurement of generators for DDRR (ENG/04/1), the bid abstract (MIL/ITB/04/061/AA) containing the financial bids of all the bidders were forwarded to the Engineering Section.

### **Recommendation 20**

OIOS recommends that the UNMIL Chief Procurement Officer ensure that technical evaluations made by requisitioners are solely based on the bidders' capacity to perform the technical requirement. As such, cost data should not be furnished to requisitioners as basis of technical evaluation (AP2004/626/03/020).

68. *UNMIL accepted recommendation 20 and indicated that it is being implemented.* Recommendation 20 remains open pending verification by OIOS that technical evaluations are now based solely on the bidder's capacity to perform technical requirements and not on cost data.

69. Certain technical evaluations of requisitioners showed preference over items offered by specific vendors because of technical specifications or product characteristics which were not even contained in the requisitions or in the solicitation documents. For instance, 4SUP-153 Revision contains requisitions for generic items such as metal detector, sealing machines, scales, tags, nozzle tips, hoses for pumps, electromagnetic appliances, raw plugs and other aviation supplies. In some cases Procurement Section considered the technical evaluation of the requisitioner which preferred the highest bidder on the grounds that it offers the best in terms of quality, is very simple to operate, and is a reliable brand.

70. However, in many instances the Procurement Section would stand firm by the results of the bid and overrule the brand-specific technical evaluations of certain requisitioners.

### **Recommendations 21 and 22**

OIOS recommends that the UNMIL Procurement Section:

(i) Consistently apply Section 11.6.2 of the Procurement Manual which provides that technical evaluations should be conducted based on the bids' compliance with specifications/requirements (AP2004/626/03/021); and

(ii) Ensure that supporting documents are attached to requests for technical evaluations should be properly checked by the concerned Unit Head in the Procurement Section to ensure that financial data are not included (AP2004/626/03/022).

71. *UNMIL accepted recommendation 21 and indicated that it is being implemented.* OIOS will keep this recommendation open pending verification that technical evaluations are being based on the bids' compliance with specifications and requirements.

72. *UNMIL accepted recommendation 22 and indicated that the Procurement Section concurs with the view that prices shall not be furnished to requisitioner, at least until after the technical evaluation has been completed and submitted in writing. Thereafter, in accordance with the Procurement Manual, there will be instances where cost data should be shared in an evaluation committee where the overall best value is being sought.* OIOS will keep recommendation 22 open pending verification of the practice being followed by the Mission.

### **E. Ordering of Goods and Services**

73. OIOS found instances of splitting of bids, which ultimately led to higher purchase prices as shown in Annex III. As can be seen from the table, there were instances when prices availed of in later periods were higher than those for earlier periods and vice-versa. Granted that the lower of two or three prices offered by these suppliers is used for establishing the possible lowest price which could have been availed had the purchase orders and the bids not been split, and then total price savings should have been \$207,049.

#### **Recommendation 23**

OIOS recommends that the UNMIL Procurement Section does not split purchase orders. A preventive measure may be assigning specific buyers on rotation basis by specific product or item lines (AP2004/626/03/023).

74. *UNMIL did not accept recommendation 23, stating that purchase orders can be split for a valid reason and in a transparent manner, and that explanations for such splitting are documented in the respective case files. The reasons for splitting purchase orders include: inability to predict the exact requirement as in the number of ex-combatants in DDRR, need for immediate availability and limited stocks or depleted stocks of the lowest cost supplier.* OIOS reiterates recommendation 23 because the audit showed that splitting of purchase orders was uneconomical, and there was little evidence of transparency in the cases reviewed. OIOS believes that the Procurement Section should issue purchase orders after competitive bidding for the consolidated requirements envisaged in the procurement plan, in order to realize the economies of scale and ensure that internal clearances required in accordance with the delegation of authority are obtained before entering into commitments.

75. The audit showed that the delivery terms stipulated in the purchase orders were not always complied with by the vendors. A time lag analysis in Annex IV shows that deliveries were delayed from 4 to 114 days.

76. Considerable time lag ranging from 30 to 191 days was also noted in the delivery of items considered as IORs (immediate operational requirements). In one case, no delivery had been made even after 193 days (see table below).



PO Number	Supplier	Time lag range	Item	Supplier is locally based or based abroad
5 DDR 200001	Coelmo	42 days	Generator diesel 15x5 KVA	Abroad
4 MIL 200625	City Builders	73 days	Water tank/polytanks	Locally based
4 MIL 200620	City Builders	44 days	A/C split unit	Locally based
4 MIL 200185	Paul Obi eke	133 days	sandbags	Abroad
4 MIL 200165	Lonestar Communications	14 days	Plywood for construction of DDDR camps	Locally based
4 MIL 200074	Beever Company	43 to 84 days	Generators	Locally based
4 MIL 200588	Beever Company	136 days	Paint products	Locally based
5 MIL 200109	Shenny Trading	149 days	Stationery & office products	Locally based
5 MIL 200114	CICCI ASP	80 days	Other equipment	Abroad
4 MIL 200070	Some's Uniform	35 days	raincoats	Abroad
4 MIL 200258	All Points Int'l	193 days no delivery yet	Accommodation equipment	abroad
4 MIL 200497	EID Brothers	85 days	water	Locally based
4 MIL 200113	IMRES	30 days	Medical supplies	abroad

77. These purchase orders did not contain any penalty clauses for late deliveries. There was no documentation to show any effort on the part of the Procurement Section to enforce timely deliveries.

### Recommendations 24 to 27

OIOS recommends that the UNMIL Procurement Section:

- (i) Ensure compliance with Section 7.11 of the Procurement Manual on Vendor Database Maintenance and Vendor Performance Rating System taking into account vendor performance including timeliness of deliveries (AP2004/626/03/024);
- (ii) Include in the purchase order an appropriate penalty clause for vendors' failure to deliver the goods and services in a timely manner (AP2004/626/03/025);
- (iii) Consider terminating contracts with vendors who repeatedly failed to deliver the ordered items after a considerable length of time (AP2004/626/03/026); and
- (iv) Monitor the deliveries against specific orders and ensure appropriate follow-up in cases of delivery delays (AP2004/626/03/027).

78. UNMIL accepted recommendation 24 and indicated that the Local Vendor Database Officer & Vendor Evaluation committee are regularly reviewing the performance of the suppliers and updating the vendor database. Based on the Mission's response, OIOS has closed recommendation 24.

79. UNMIL accepted recommendation 25 and commented that a liquidated damages clause is included in the Purchase Order to warn the vendors that realistic delivery is a must. Specifically, in the text of the Purchase Order, there is a clear instruction to facilitate the inspection of goods, including that each box/container shall be clearly marked with the relevant Purchase Order reference and must contain a descriptive packing list of the goods delivered. Moreover a liquidated damages clause is included in all Tenders and Contracts. Recommendation 25 remains open pending receipt of documentation from the Mission showing that it has been implemented.

80. UNMIL accepted recommendation 26 and stated that a regular expediting process is in place to monitor the performance of suppliers. The Procurement Section has terminated Purchase Orders/Contracts due to poor performance. Based on the Mission's response, OIOS has closed recommendation 26.

81. UNMIL accepted recommendation 27 and indicated that it has been implemented. Based on the Mission's response, OIOS has closed recommendation 27.

#### F. Delivery and inspection of goods and services

82. OIOS found that on an average, deliveries were inspected 10 days after receipt of goods and the documents to be used as basis for Receiving and Inspection (R&I) reports were released 9 days after inspection, or a total of 19 days from delivery to R&I certification. In 16% of transactions examined, inspection was conducted only 21 to 92 days after deliveries were made and R&I certifications were issued only 14 to 82 days after inspection, adding up to a total of 35 to 174 days from delivery to R&I certification, as shown below:

PO Number	Items for Inspection	Time from delivery to inspection	Time lag from inspection to R&I	Remarks
4MIL-200439	Engineering tools, masonry and general	56	0	Local vendor- Sethi Brothers
4 MIL-200439	same	0	82	Partial deliveries
4 MIL-200439	Same	4	57	Partial deliveries
4 MIL-200439	Same	0	69	Partial deliveries
4 MIL-200439	Same	74	0	Partial deliveries
4 MIL-200439	Same	6	57	Partial deliveries
4 MIL-200439	Same	5	13	Partial deliveries
4 MIL- 200510	Painting materials	92	0	Staggered deliveries
4 MIL- 200494 Part 1	Office supplies	0	14	Sea shipment
4 UNMIL-2003/363	Water pressure pumps	51	0	Local vendor- Jetty Trading
4 UNMIL-2003/360	Aluminum sulphate	44	0	Local vendor- Capricorn Int'l
4 MIL-200370	Diesel engine/spare parts	11	6	Sea shipment
4 MIL-200/357	Polytanks	21	0	
4 MIL-200633	Prefabricated ablution units	2	14	Sea shipment

83. Inspection activities according to the R&I Unit Head were hampered due to the following reasons:

- a. Lack of staff. Presently, the Warehouse and Port Inspection Teams are composed of 1 International staff, 2 UNVs and 6 local staff and 4 daily workers. He noted that at least 2 additional staff are needed for the R&I activities
- b. Inadequate purchase order specifications which waste the inspectors' time as they have to refer the questionable orders back to Procurement Section and wait for the Section's action before R&I can be redone.
- c. Most of the bulk items ordered arrive in various shipments and R&I can only be released once all the items ordered have been inspected, particularly when the purchase orders indicate that no R&I certificates will be issued for partial deliveries.
- d. Failure by the MOVCON Section to immediately move cargo subject to inspection to Star Base due to clearance procedures and the limited storage capacity of the seaport and Star Base. Limited seaport storage facilities cause delays since UNMIL containers may have to be stored/mixed with non-UNMIL containers to maximize space. On the other hand, limited Star Base storage makes it difficult for bigger containers to be delivered to the R&I warehouse such that at times the contents would need to be offloaded first at the port.
- e. Failure by the MOVCON to arrange for the timely transport of cargo from the seaport to the R&I warehouse.
- f. Lack of packing lists and bills of lading inside the containers which make it difficult for the R&I to establish the related purchase orders of shipments.
- g. Vague delivery instructions in the purchase orders. Certain purchase orders contain instructions such as for the items to be delivered to the requisitioners and not to R&I.

84. Delayed inspections result in delayed release of items ordered, which could adversely affect the Mission's ability to achieve its objectives.

### **Recommendations 28 and 29**

OIOS recommends that:

- (i) UNMIL Procurement Section advise buyers to ensure that purchase orders contain the complete description of items required, and indicate whether partial deliveries are acceptable, so that partial R&I can be done. Procurement Section should also inform the vendors that items should not be delivered to requisitioners without prior inspection by R&I (AP2004/626/03/028); and

(ii) UNMIL Administration ensure closer coordination between R&I and MOVCON. MOVCON should inform Procurement Section and the R&I Unit of deliveries received and should arrange for items to be delivered to the R&I Warehouse by the Transport Section (AP2004/626/03/029).

85. *UNMIL accepted recommendation 28 and indicated that it has been implemented. Based on the Mission's response, OIOS has closed recommendation 28. The Mission also accepted recommendation 29 and indicated that it has been implemented. MOVCON Port Operations creates a weekly report of port activity reflecting purchase orders received, cargo delivered to R&I, cargo pending delivery, and cargo turned over to the respective Section, which is sent each Monday to Procurement, R&I, Transport, Supply, CITS and Engineering Sections. Based on the Mission's response, OIOS has closed recommendation 29.*

#### Inspection of services procured

86. OIOS found that independent inspections were not conducted for procured services such as leased premises and construction projects. The R&I Unit Head noted that an R&I certification can be issued for procured services (except construction contracts), even though no inspection has actually been done, only if the requisitioner issued a prior acceptance certification and if an R&I certification is required. While he acknowledged that this practice defeats the purpose of an independent inspection, his unit is not staffed with technical inspectors who can do the required depth of technical inspection particularly for construction projects. The lack of an independent inspection may result in premature acceptance of services which have not been actually completed, or in accepting projects as completed despite non-compliance with project specifications.

87. For instance, Invoice 0012004 dated 6 August 2004 which amounted to \$56,230.47 was issued by a contractor in support of 30% of work supposedly accomplished. The attached supports however showed that only \$50,034.71 was completed during the period. Notwithstanding this discrepancy, the Engineering Section certified that work done was accomplished and the full payment of the invoice was made on 10 September 2004. This was contrary to the contract stipulation that only 90 per cent of invoices should be settled with the remaining 10% held by UNMIL until all work is completed and certified. The overpayment was subsequently recovered through offsetting said amount from another invoice.

#### **Recommendation 30**

OIOS recommends that the UNMIL Administration consider hiring a qualified inspector for the R&I Unit who can conduct technical inspections of selected services, independent from the inspection conducted by requisitioners (AP2004/626/03/030).

88. *UNMIL did not accept recommendation 30 stating that independent inspections are not conducted for procured services such as leased premises. Instead, a service certification report is approved by the requisitioner. Based on the Mission's response, recommendation 30 has been withdrawn.*

## **G. Invoicing and payments**

89. An audit of selected payments showed that they were generally made in accordance with financial rules and regulations relating to supporting documentation and certification of goods and services received. Based on a verification of 58 payments made to 20 international and local vendors, it was noted that 52% of these payments were made within the stipulated 30 day period after receipt of invoice. However, in 48% of the cases, there were considerable delays in payment, ranging from 13 to 99 days.

### **Recommendation 31**

OIOS recommends that the UNMIL Procurement Section set deadlines for processing invoices to ensure that vendor payments are processed expeditiously (AP2004/626/03/031).

90. *UNMIL accepted recommendation 31 and indicated that the Administration will, in conjunction with the Procurement Section and self accounting units, R&I, MOVCON and Finance, establish deadlines for the processing of invoices for payments to be made promptly. Recommendation 31 remains open pending receipt of documentation from UNMIL showing that the deadlines have been established.*

## **H. Lease Contracts**

91. The total cost for leases entered into by the Mission amounted to \$1,173,600 during the period 1 October 2003 to 30 September 2004. OIOS found that 22 of the 28 existing lease contracts were entered into only after the UNMIL had already occupied the premises for some 25 to 367 days as shown in Annex V. According to the Chief Procurement Officer, delays in the preparation of contracts were either due to the difficulty in identifying the real owners, or to delays by the owners to prove ownership of the premises.

92. The lease contracts did not specify the specific addresses of most of the buildings or premises leased. Furthermore, the R&I Unit was not involved in the inspection of these premises, since these are service contracts.

93. Lease rates were arbitrarily agreed upon with the parties concerned. No prior market survey was conducted on the reasonableness of the rates and most of these were informally entered without the Procurement Section's prior intervention. The CPO even noted that the military observers (MILOBS) and civilian police (CIVPOL) assigned in the regions would make commitments for the premises they occupy without consulting Procurement Section first. This puts the Procurement Section in an unfavorable position during negotiations.

94. Furthermore, UNMIL is leasing the Hotel Africa which can be considered as government property. Section V paragraph 16 of the Status of Forces Agreement (SOFA) between Liberia and the United Nations stipulates inter alia, "The Government shall provide without cost to UNMIL and in agreement with the Special Representative such areas for headquarters, camps or other premises

as may be necessary for the conduct of the operational and administrative activities of UNMIL.”

95. According to the UNMIL Legal Officer, compliance with this provision has not been required at this point since the Liberian Government may not be financially and operationally capable of fulfilling this obligation.

### **Recommendation 32**

OIOS recommends that the UNMIL Administration review the contracts for lease of premises to determine which of the premises should now be considered as government property. Since such premises are governed by the Status of Forces Agreement, representation should be made to the Government to have them provided at no cost to UNMIL (AP2004/26/03/032).

96. *UNMIL accepted recommendation 32 and indicated that the Mission's Legal Office together with Integrated Support Services were reviewing the Mission's lease arrangements and those found to be Government property will not be paid for by UNMIL. Recommendation 32 remains open pending receipt of documentation from UNMIL indicating the outcome of the review.*

## **VI. ACKNOWLEDGEMENT**

97. 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.



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Internal Audit Division I, OIOS

ANNEX – I

**Requisitions that were split and processed without competitive bidding or review by  
LCC/HCC**

Date	Type	Description	Requisition No.	Amount	Vendor selected through	Vendor should have been selected through
2 Jun 04	IOR	Concertina wires	4DEN-26	60,000	Emergency purchase	Bidding
27 Mar 04	NOR	Electric cables	4ENG-74	168,000		LCC/HCC
27 Mar 04	NOR	Electric cables	4ENG-75	171,487		LCC/HCC
03 Apr 04	NOR	Electric cables	4ENG-141	811,400	Bidding	LCC/HCC
				<b>1,150,487</b>		
27/03/2004	NOR	Electrical materials	4ENG-76	102,665	Bidding	LCC/HCC
3/4/2004	NOR	Electrical materials	4ENG-142	93,799	Bidding	LCC/HCC
23 Apr 04	NOR	Electrical materials	4ENG-229	192,957	Bidding	LCC/HCC
				<b>389,421</b>		
26 Apr 04	NOR	Generator parts	4ENG-250	99,975	Sole source	Bidding
07 Apr 04		Air-conditioning equipment Wall mounted split type 24,000 BTU Carrier Air conditioner or similar	4ENG-153	150,000	Bidding	LCC/HCC
07 Apr 04		Air-conditioning equipment wall mounted split type 18,000 BTU Carrier air conditioner or similar	4ENG-154	127,500	Bidding	LCC/HCC
				<b>277,500</b>		
19 Apr 04	IOR	Plywood Construction of DDRR camp	4DEN-12	17,000	No bidding	Bidding
19 Apr 04	NOR	Plywood Construction of DDRR camp	4DEN-2	255,680	Bid - HCC	
13 Apr 04	NOR	Plywood sheets	4ENG-171	8,168	No bid	
				<b>924,098</b>		

**List of vendors who transacted business prior to registration**

<b>Name</b>	<b>Date Registered</b>	<b>Date of recorded first transaction with the Mission per the Mercury system database</b>	<b>Remarks</b>
1. Sethi Brothers	Feb 27,2004	February 7, 2004	Has transacted business even before registration
2. Beever Company, Inc.	Mar 23, 2004	April 2, 2004	Has transacted business only 9 days after registration
3. T. Choitram & Sons (Lib) Inc.	Jan 22,2004	February 7,2004	Has transacted business only 16 days after registration
4. Wazni Trading Corp.	Apr 6, 2004	February 6, 2004	Has transacted business 2 months before registration
5. Moinjama Coal Production, Inc.	Jul 6, 2004	August 5, 2004	Has transacted business one month after registration
6. City Builders, Inc.	Mar 31, 2004	December 2003	Has transacted business 3 months before registration
7. National Paint Industries	Mar 3, 2004	April 2004	Has transacted business a month after registration
8. Eagle Electrical Corp.	Jan 27, 2004	December 2003	Has transacted business a month before registration



## ANNEX – III

## Uneconomical splitting of bids

Item description	PO Numbers	Unit Prices(US\$) date	Supplier	Total Cost incurred	Total Cost which should have been incurred based on the lowest price	Cost difference
Female hygiene items	4 MIL200326	\$2.34/Feb. 12, 2004	Chaburral Enterprises	\$13,743		
	4DDR200011	\$1.49/ June 2004	Wazni	2,980		
	4MIL200614	\$1.49/ June 2004	Wazni	7,450		
	5DDR200002	\$1.10/ July 2004	Sethi	5,500		
	5DDR200019	\$1.10/Aug. 2004	Sethi	1,545		
				<b>31,218</b>	21,225	9,994
Male hygiene items	4MIL200461	\$ 1.00/ May 2004	Alpinter	97,730		
	5DDR20002	.80/ July 2004	Sethi	12,000		
	5DDR200019	.80/ July 2004	Sethi	6,000		
	5DDR200023	.79/ Aug. 2004	Wazni	12,877		
				<b>128,607</b>	107,859	20,748
Sleeping mats	4DDR20009	\$ 2.25/ June 2004	T. Choitram	33,750		
	5DDR20002	1.80/ July 2004	Sethi	36,000		

	5DDR200019	1.80/Aug 2004	Sethi	13,500		
	5DDR200027	2.20/Sept 2004	T. Choitram	5,9840		
				<b>143,090</b>	125,460	17,630
Sleeping blankets	4MIL200613	\$3.38/May 2004	Sethi	4,607		
	4DDR20006	4.20/May 2004	T. Choitram	52,500		
	5DDR 200002	3.35/July 2004	Sethi	50,250		
	5DDR200019	3.35/July 2004	Sethi	25,125		
	5DDR200027	4.10/Sept. 2004	T. Choitram	<b>62,730</b>	195,212	143,957
	Cost difference (subtotal)					



## ANNEX – IV

**Delays in delivery of ordered goods and services**

<b>Supplier</b>	<b>Time lag range</b>	<b>Item</b>	<b>Supplier is locally based or based abroad</b>
Beever Company	4 to 47 days	Generators	Locally based
Wazni	113 days	Tarpaulins	Locally based
Dan Office	60 days	UPS	Abroad
Global Resources	45 days	Fiberglass water tanks	Locally based
Intertrade Int'l	104 days	Electrical items	Abroad
Jeety Trading	35 days	Ceiling tiles	Locally based
Santpoort Project	114 days	Safety equipment	Abroad
Sethi Brothers	4 to 56 days	Construction materials	Locally based
Alpinter	22 days	Blankets, jerry cans	Abroad
Chang-am Corp	85 days	Shredders	Abroad

**Delays in signing lease agreements**

<b>Contract number</b>	<b>Property</b>	<b>Effective date of Lease</b>	<b>Lease signed</b>	<b>No. of Days</b>
4MIL/CON/13	Mobil Compound	1-Oct-03	12-Dec-03	72
	Mobil Compound	1-Jan-04	7-Jun-04	158
4MIL/CON/16	<b>Caldwell Road near Stockton Creek</b>	1-Oct-03	21-Jan-04	112
4MIL/CON/17	Charles Taylor residence	1-Oct-03	21-Jan-04	112
4MIL/CON/18	Amanda Villa on Caldwell road	1-Oct-03	21-Jan-04	112
4MIL/CON/19	<b>Premises in Virginia, Motzerrado county</b>	1-Oct-03	23-Jan-04	114
4MIL/CON/20	<b>Premises in Virginia, Motzerrado county</b>	1-Oct-03	22-Mar-04	173
4MIL/CON/29	Coffee Farm Caldwell	1-Oct-03	17-Feb-04	139
4MIL/CON/30	<b>Settlement, Pagos Island</b>	1-Feb-04	26-Feb-04	25
4MIL/CON/31	Mechlin Street, Monrovia	1-Oct-03	25-Feb-04	147
4MIL/CON/32	Ocean View Villa house #3	1-Oct-03	25-Feb-04	147
4MIL/CON/36	Sundial Plaza	1-Apr-04	5-Apr-04	4
4MIL/CON/41	Empty yard behind Vamoma building	3-Feb-04	23-Apr-04	80
4MIL/CON/42	Ocean View Villa House #2	1-Oct-03	6-May-04	218
4MIL/CON/43	Ocean View Villa house #1	1-Oct-03	6-May-04	218
4MIL/CON/44	Premises opposite Spriggs Payne Airfield	1-Oct-03	12-May-04	224
4MIL/CON/45	Premises on Caldwell Road	1-Oct-03	31-May-04	243
4MIL/CON/46	Premises in Brewerville	1-Oct-03	6-Jun-04	249
4MIL/CON/49	Premises on Bushrod Island	1-Oct-03	25-Jun-04	268
4MIL/CON/50	Premises on Caldwell Road	1-Oct-03	23-Jun-04	266
4MIL/CON/72	Premises on Bushrod Island	1-Oct-03	28-Jul-04	301
4MIL/CON/80	Premises on Somalia Drive	1-Oct-03	22-Oct-04	387