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INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Juan Gabriel Valdes
A: Special Representative of the Secretary-General
MINUSTAH

DATE: 11 August 2005

REFERENCE: AUD-7-5:10 (/05) ⁰⁰⁰⁵¹

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

SUBJECT: **OIOS Audit No. AP2004/683/02: Procurement Activities in MINUSTAH**
OBJET:

1. I am pleased to present herewith our final report on the above-mentioned audit, which was conducted during January and February 2005.
2. Based on your response, we have closed recommendations 1, 4, 5, 6, 7, 8, 9 and 10 in the OIOS recommendations database. In order to close recommendations 2, 3, 11, 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 its implementation. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical, i.e., recommendations 1, 2, 3, 8 and 9, 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 MINUSTAH 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
UN Board of Auditors
Programme Officer, OIOS
Mr. Dagfinn Knutsen, Chief, Peacekeeping Audit Service, IAD-I/OIOS
Mr. Roland Bill, Chief Resident Auditor, MINUSTAH

Office of Internal Oversight Services

Internal Audit Division I



Procurement Activities in MINUSTAH

Audit no: AP2004/683/02
Report date: 11 August 2005
Audit team: Daeyoung Park, Resident Auditor
Velinda Saint Jean, Assistant

EXECUTIVE SUMMARY
Procurement Activities in MINUSTAH (AP2004/683/02)

OIOS conducted an audit of procurement activities in MINUSTAH. The main objective of the audit was to assess the Mission's compliance with the United Nations procurement procedures and Financial Regulations and Rules and the effectiveness and efficiency of procurement operations.

OIOS found a number of exceptions to delegation of authority for procurement and competitive bidding. During the first three months of Mission operations, requisitioning units made purchases without involving the Procurement Section and without competitive bidding. OIOS identified 12 such instances, which represented \$9.1 million in aggregate value. It appeared that most of the officers involved in this procurement have since left the Mission. In five cases, the Mission was unable to find the names of the persons responsible for the purchases. There was a possibility that not all cases of direct procurement by requisitioning units had been brought to the attention of the Procurement Section.

The Procurement Section was understaffed, especially during the Mission inception phase when only four of the 28 approved posts were filled. There was no Chief of Section for the most part of the period from August to October 2004. Five of the six P-3 posts were consistently occupied by General Service staff and the staff, in general, did not have proper experience in peacekeeping operations.

In one case of procurement carried out by the Procurement Section, which was submitted to the Local Committee on Contracts (LCC) after the purchase took place (ex post facto case), OIOS noted insufficient monitoring of the requirements and contract by the requisitioning unit and the Procurement Section, respectively, and inaccuracies in case presentation by the Procurement Section. Other ex post facto submissions reviewed by OIOS were justified by administrative delays and factors beyond the control of the Mission.

Concerning lease agreements, there was a need to ensure full involvement of the Procurement Section to avoid further cases of ex post facto submissions to the LCC and ensure best value for money. Title searches were not conducted before entering into lease agreements, and some of the agreements contained terms unfavorable to the Mission.

OIOS acknowledges the Mission's efforts at documenting cases of procurement in breach of UN rules and procedures and at procurement planning to avoid piece meal procurement. The Mission has also established a vendor approval committee and has begun preparing vendor performance reports. It should however expand its vendor base to adjacent countries and the international market to ensure sufficient competition in procurement.

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I. INTRODUCTION

1. OIOS carried out an audit of MINUSTAH procurement activities in January and February 2005. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.
2. MINUSTAH was established on 1 June 2004 to provide a secure and stable environment for the constitutional and political process in Haiti to take place. The approved budget for the period from July 2004 to June 2005 is \$379 million, and covers the deployment of 6,700 military contingents, 1,622 Civilian Police, 482 international civilian staff, 549 national staff and 153 UN Volunteers.
3. MINUSTAH is delegated procurement authority up to \$200,000. The Chief Procurement Officer approves procurement cases up to \$50,000; cases valued above \$50,000 and up to \$200,000 should be submitted to the Local Committee on Contracts (LCC) for review before approval decision is made by the Chief Administrative Officer. Cases above \$200,000 are to be submitted to the Headquarters Committee on Contracts (HCC) and require the approval of the Assistant Secretary-General, Office of Central Support Services, in New York.
4. The total procurement as of February 2005 was estimated at around \$27 million. Cases submitted to the LCC represented \$12 million in aggregate value.
5. Comments made by MINUSTAH Management on the draft audit report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES

6. The primary objective of the audit was to evaluate the Mission's compliance with the United Nations procurement procedures and Financial Regulations and Rules, which are based on the principles of best value for money, fairness, integrity and transparency, effective international competition and the interest of the United Nations. As part of this objective, the audit evaluated the process by which accountability for procurement actions is ensured. The audit also evaluated the effectiveness and efficiency of procurement operations.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit focused on significant procurement actions (cases submitted to the LCC), and covered activities from June 2004 to February 2005. Based on the results of the risk assessment, the audit reviewed the totality of cases submitted to the LCC on an ex post facto basis, which represented about half of the number of LCC cases and half the aggregate value of procurement for the period under review. The audit included review of files, analysis of data and interviews with the personnel responsible for the procurement activities.

IV. OVERALL ASSESSMENT

8. Overall, OIOS found that UN procurement rules and procedures were not followed during the first months of Mission operation. Requisitioning officers performed purchasing activities without involving the Procurement Section, in breach of the delegation of authority for procurement which is based on segregation of the requisitioning and procurement functions. These cases were

also characterized by the lack of competition, which is another violation of UN procurement rules. Although goods and services procured were needed for the Mission's operations, the risks that the selection of some vendors may not have been objective and the procurement may not have been economical were high. Because of the high staff turnover since the beginning of the Mission, the responsibility for these irregularities was not fully ascertained by the audit. OIOS recommends specific follow-up action for that purpose. On the positive side, OIOS noted the MINUSTAH Administration's efforts at documenting procurement activities ex post facto, procurement planning and strengthening accountability for procurement actions.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Exceptions to delegation of authority and competitive bidding

9. The audit found 12 instances where purchases were made directly by the units requisitioning the goods and services, where Procurement Section was not involved. Purchases made under this condition totaled about \$9.1 million (see Table 1 below). This was in breach of the delegation of authority for procurement which is based on the principle of segregation of duties between the requisitioning and procurement functions. The matter of some procurement actions not reviewed by the LCC as they should have been was identified by both management and OIOS in July 2004. Management proceeded to identify the cases, among which were purchasing activities undertaken by requisitioning units.

Table 1: Procurement by requisitioning units in breach of delegation of authority

LCC Case Number	Description	Procurement value (US \$)
MIN/2004/01	Rental of Brazilian Brigade Headquarters in Port-au-Prince, Haïti	\$63,333
MIN/2004/02 (deferred to MIN/2004/21)	Rental of Warehouse Compound in Port-au-Prince	1,775,570
MIN/2004/05	Maintenance & Repair Services for Vehicle Fleet	60,000
MIN/2004/06	Lease of Premises for Temporary Office Space for the SRSG	70,645
MIN/2004/09 (deferred to MIN/2004/26)	CIVPOL Office Space at St Louis Hotel	3,822,000
MIN/2004/15 (deferred to MIN/2004/27)	Lease of Portable Toilets and Showers for the period June 22 through November 30, 2004	1,146,299
MIN/2004/24	Lease of Camp Antoine for the Chilean Contingent in Cap Haitien (partially ex post-facto)	663,616
MIN/2004/25	Rental of Conference Room with Video Projection and Sound Facilities for Induction Training to Civilian Police	51,000
MIN/2004/28	Lease of Premises for Accommodation of the Jordanian Battalion for a six months period	180,000
MIN/2004/32	Provision for Bulk, Garbage Removal, Septic Tanks and Portable Toilets for the Military Contingents	1,173,777
Not submitted to the LCC	Purchase of radio spots and t-shirts	56,000

Not submitted to the LCC	Provision of security dogs and dog masters	65,000
	Total	\$9,127,240
	Number of Cases	12

10. OIOS noted that the Mission was unable to identify the officers responsible for the procurement for cases MIN/2004/01, 02&21, 03, 24 and 28. The Procurement Section also advised that most officers involved in this procurement have since left the Mission and that it is possible that not all cases have been brought to its attention.

11. OIOS noted that there was no competitive bidding for any of the procurement actions carried out by requisitioning units. This was a breach of United Nations Financial Rule 105.14 (Competition).

Recommendation 1

MINUSTAH Administration should take necessary measures to obtain from all requisitioning units cases of procurement made without the involvement of the Procurement Section. These cases should be transmitted to the Procurement Section for recording and documentation, regularization of contract and other follow-up actions (AP2004/683/02/001).

12. *MINUSTAH accepted this recommendation and commented that it has in the past few months made and continued to make a concerted and fairly successful effort in documenting and regularizing outside the normal procurement process. The regularization process has included the drafting of contracts, making presentations to the various committees of contracts, re-negotiating more favorable terms and conditions for the organization where possible, and obtaining discounts in some cases. The Administration also stated that a significant number of the cases cited in the audit report did include some Procurement Section's involvement, although however, the influence of this involvement is mitigated by the lack of adequate staffing in the section during the early stages of the Mission.* Based on the response, OIOS will close recommendation 1 from its database.

Lease of Portable Toilets and Showers (MIN/2004/15&27)

13. Officials of MINUSTAH Integrated Support Services and Engineering Section rented over 100 units of portable toilets and showers for use in various contingent sites (value \$1.1 million). No bidding exercise was conducted, and there was no written agreement or contract with the supplier. For some locations, the Mission continued to use portable toilets and showers provided under a contract between the former International Military Forces (IMF)¹ and two vendors. The Procurement Section stated that it had been aware of this condition only after the vendors submitted their invoices for payment. The Section indicated that it had itself procured only 22 units and that it was seeking the LCC's review of the case on an ex post facto basis. MINUSTAH Administration further stated that this requirement was urgent and necessary because about 1,200 contingents were already deployed in June 2004 although no adequate facilities in terms of hygiene and protection of environment were available at most of the contingent camps. The Administration however acknowledged that the requirements could have been anticipated after July 2004, and a normal

¹ IMF had been deployed in Haiti until June 2004 when it was replaced by MINUSTAH.

procurement exercise could have been conducted. OIOS also noted the Procurement Section's efforts to obtain sizable discounts from the vendors retroactively.

Purchase of radio spots and t-shirts

14. The Public Information Office, without involving the Procurement Section, hired a vendor on two occasions without a contract or a written agreement, for a total obligation of \$56,000. The Office stated that its direct purchasing of radio spots and t-shirts was due to the urgent need to explain the mandate of the Mission to the local population. The normal procurement process would have taken too long. OIOS noted that the Office submitted its justification in writing to the Procurement Section, which reminded the Office of the need to comply with procurement rules. OIOS recommends that the procurement be documented by the Procurement Section and the case submitted to the LCC for review, in accordance with recommendation 1 above.

Security dogs and dog master services

15. The Security Section hired a company which provided security dogs and dog masters since September 2004 at a monthly cost of \$13,000. The aggregated amount of this procurement as of 28 February was \$65,000. The Procurement Section was not involved and no evidence of competitive bid was found. OIOS recommends that the procurement be documented by the Procurement Section and the case submitted to the LCC for review in accordance with recommendation 1 above.

16. The procurement by requisitioning units took place during the critical first three months since the inception of the Mission in June 2004, when the Procurement Section was seriously understaffed. Out of the initial 28 approved posts (later reduced to 17), only four were filled. Furthermore, there was no Chief of the Section for the most part of the period from August to October 2004. Although the staffing situation has gradually improved to 13 as of February 2005, the staff members in general did not have proper experience in peacekeeping operations. Up until the time of the audit, five of the six P-3 posts were consistently occupied by General Service staff members (at level four and six).

Recommendation 2

MINUSTAH Administration should increase its efforts at filling posts in the Procurement Section in accordance with the approved staffing table. Priority should be given to the five P-3 posts temporarily occupied by General Service staff members (AP2004/683/02/002).

17. *MINUSTAH accepted recommendation 2 and stated that, in addition to making a concerted effort to fill the vacant posts in the Procurement Section, it also intended to request the downgrading of two P-3 posts in the Procurement Section as part of the Mission's response to the Fifth Committee's request for the review of the Mission's structure to make it less top heavy. This action would better align the ratio of support staff to supervisors in the Procurement Section.* OIOS will close the recommendation when the posts have been filled.

18. In response to the audit observations, the Administration stated that, in addition to the poor staffing situation at the Mission start-up phase, the requisitioning offices were not properly trained on their role in the United Nations procurement. In coordination with DPKO New York, the

Administration was planning to remedy to the lack of training of procurement staff and requisitioning officers. OIOS resident auditors will monitor that sufficient and timely action is taken in that respect.

19. In general, OIOS acknowledges that the goods and services procured were needed for the Mission to operate smoothly. In that context, the inadequate staffing of the Procurement Section at Mission inception phase may have been seen by Mission officials as an impediment to following normal procurement procedures. However, in OIOS' view, these factors do not fully justify the systematic lack of compliance with the United Nations procurement rules.

Recommendation 3

MINUSTAH Administration should investigate fully the contracts entered into without the involvement of the Procurement Section, including identifying the officers directly responsible for entering into the contracts as well as those officers who authorized such actions formally or informally. The report should be transmitted to the Controller for appropriate follow-up action, as necessary (AP2004/683/02/003).

20. *MINUSTAH accepted recommendation 3 in principle and stated that it remained questionable as to whether such an investigation could or should be conducted by Administration. With the recent provision of an OIOS investigator position in all new missions, including MINUSTAH, Administration would extend its fullest cooperation and support to the better qualified OIOS officials in the identification of officers responsible for contracting outside the normal procurement process.* OIOS will continue to discuss with the Administration as to how this recommendation should be implemented. Recommendation 3 will remain open in the OIOS database until detailed action plans are prepared.

21. The Procurement Section already submitted 11 cases of purchasing by requisitioning units to the LCC (and when applicable, the HCC) for review ex post facto. New competitive bidding exercises have been conducted in some cases. The Procurement Section stated that it would complete the submissions to the LCC and other efforts to regularize the cases by the end of March 2005. OIOS however noted that payments due to vendors were held pending the completion of this process.

Recommendation 4

MINUSTAH Administration should continue to meet its payment obligations for the contracts entered into without the involvement of the Procurement Section, in order not to jeopardize its operations and suffer from litigations. Due care should be taken to base payments on existing contracts and appropriate receiving and inspection of goods and services (AP2004/683/02/004).

22. *MINUSTAH accepted recommendation 4 and stated that it has been implementing a policy of payment to vendors for verified obligations.* Based on the response, OIOS will close recommendation 4 in its database.

B. Ex post facto submissions to the Local Committee on Contracts

23. OIOS noted that 15 out of the 31 cases reviewed by the LCC during the review period were submitted by the Procurement Section after the procurement had taken place or on an ex post facto basis. Eleven of these cases were apparently for purchases made by requisitioning units without the Procurement Section's involvement (see Table 1 for summary of those cases). The procurement related to the other four ex post facto cases reviewed by OIOS was performed by the Procurement Section (see Table 2 below). In one case, OIOS noted insufficient monitoring of requirements and contract by the requisitioning units and the Procurement Section respectively, and inaccuracies in case presentation by the Procurement Section. Other late submissions were justified by administrative delays and factors beyond the control of the Mission.

Table 2: Ex post facto cases of procurement by the Procurement Section

LCC Case Number	Description	Procurement value (US \$)
MIN/2004/07	Provision of potable bottled water for MINUSTAH Formed Units	\$164,136
MIN/2004/23	Provision of potable bottled water in Cap Haitien, Gonaives and Les Cayes	322,865
MIN/2004/34	Provision of building materials on as and when required basis	190,333
MIN/2004/17 (deferred to MIN/2004/29)	Partial post facto request for the extension of a contract for the supply and delivery of jet A-1 aviation fuel	2,356,320
	Total	\$3,033,654
	Number of Cases	4

Potable water (MIN/2004/23)

24. The Supply Section (the requisitioning office in this case) did not properly monitor the level of requisitions. A requisition was raised in June 2004 to cover 30 days of potable water supply. Until August 2004, no additional requisitions were raised for the months from July to September 2004, but potable water for Gonaives and Les Cayes amounting in total to \$111,298 continued to be delivered for that period.

25. In June 2004, the Procurement Section selected a local vendor for the provision of potable water at the Mission, although a UN global systems contract is in place for this requirement. Further, OIOS noted that no competitive bidding took place and the LCC presentation was delayed and contained serious inaccuracies. The Procurement Section officials stated that they were unaware that a global systems contract existed, which the Section should have known as the list of global systems contracts was available on the DPKO database. The Section officials stated that this was due to lack of adequate experience of the staff. They had conducted a local bidding exercise resulting in a split award between two vendors, but these vendors notified subsequently that they could not deliver the water to the regions. Due to the critical need, this prompted the Section to identify and select another company which had not participated in the initial bid.

26. OIOS found that the price charged by the vendor was 78 percent higher than the price offered by the vendors who had participated in the initial bid. The Procurement Section pointed out

that the higher price included the delivery cost to the regions, but OIOS did not find evidence of that cost. In OIOS' opinion, the Section should systematically conduct competitive bidding.

27. The Section submitted the case to the LCC four months after the purchase. The case presentation omitted the fact that the Section awarded the contract to a company which had not participated in the initial bid and without a competitive bidding exercise. This was a material misrepresentation of the conditions in which the vendor had been selected, in breach of the required transparency in procurement. OIOS noted that following queries by the LCC, the Procurement Section corrected the case presentation resubmitted to the LCC on 15 December 2004.

Recommendations 5 and 6

MINUSTAH Administration should:

- (i) Ensure that normal procurement procedures are systematically complied with and exceptions should be fully documented (AP2004/683/02/005); and
- (ii) Determine accountability for inaccuracies in LCC case MIN/2004/23 presentation for appropriate action (AP2004/683/02/006).

28. *MINUSTAH accepted recommendation 5 and stated that it has been engaged in an ongoing effort that focuses on ensuring compliance with normal procurement procedures. This effort has included the establishment of procurement training and a requirement for the documentation of irregular cases identified.* Based on the response, OIOS will close recommendation 5 in its database.

29. *MINUSTAH accepted recommendation 6 and commented that the regularization of procurement cases, particularly those made in the first few months of the Mission's inception, such as the cited MIN/2004/23 have been mostly difficult, as some of the individuals involved are no longer in the Mission. Moreover, it should be noted that the inaccuracy, which was better described as an omission, related to Case No MIN/04/2004. The omission was discovered by the procurement official after the LCC presentation and promptly brought it to the attention of the Committee. Administration also remedied the situation by subsequently presenting the full story to the Committee in LCC No MIN/2004/233. It was thus considered that the issues have been adequately addressed.* Based on the response, OIOS will close recommendation 6 in its database.

C. Lease agreements

30. The Mission occupied some premises before the Procurement Section had negotiated the price and other terms with the landlords. OIOS noted that sufficient market survey and competition for this procurement were not documented. Mission officials explained that market availability was limited and the requirements had to be met without delay. OIOS believes that the requisitioning offices need to ensure the full involvement of the Procurement Section to avoid further cases of ex post facto review/approval and ensure best value for money.

31. In general, OIOS noted that the Mission did not conduct title searches before entering into lease agreements. There was uncertainty about the owners of the premises, which presented the risk

that the Mission may face legal disputes and incur excessive payments. For Camp Antoine in Cap Haitian (rented since June 2004 for a monthly rent of \$10,000), there is only a verbal agreement between MINUSTAH and the supposed owner. The latter could not provide the title to the premise. The Mission was awaiting the result of the title search and had not released any payments.

32. OIOS also found that some lease agreements, which were entered into from June to August 2004 contained unfavorable terms which the Procurement Section should re-negotiate. Under those lease agreements, the landlord could evict the Mission with a seven-day notice whereas the Mission has paid a three-month advance lease.

33. The Administration commented that the Mission is spread in 110 locations countrywide and the need for suitable premises was paramount. The Mission had to commercially lease premises in an annual total amount of \$3.8 million because premises suggested by the Host Government, for occupation by the Mission free of charge in application of the Status of Force Agreement (SOFA), were unsuitable for various reasons. The Administration stated that DPKO had instructed the Mission to file a formal complaint to the Host Government, which was still pending as of the date of the audit. OIOS however acknowledges that MINUSTAH is actively requesting the Government to identify suitable premises. Notwithstanding, the Mission should increase its efforts at ensuring that commercial lease contracts exist and protect the interests of MINUSTAH.

Recommendations 7 to 9

MINUSTAH Administration should:

- (i) Ensure that proper lease agreements are in place when entering into new leases and before the Mission occupies the leased premises (AP2004/683/02/007);
- (ii) Verify, as a prerequisite in leasing properties, the ownership of the premises, including performing title searches (AP2004/623/02/008); and
- (iii) Ensure that commercial lease contracts exist for currently leased premises and that the terms of the contracts protect the interests of the Mission. The Mission should review and re-negotiate the lease terms concerning the three-month advance payment associated with the seven-day eviction notice (AP2004/683/02/009).

34. *MINUSTAH accepted recommendation 7 and stated that the deployment of the military and other uniformed personnel into the mission was accelerated in response to the fragility of the security situation in the host nation at the time. In this respect, the accelerated deployment schedule was not always compatible with the requisite procurement lead times for securing premises in accordance with all procurement procedures. This was due in part to the rather lengthy process required for the verification of title documents, which was further complicated by the limitations of the host nation judicial system. Nonetheless, Administration has regularized all such cases with the single exception of one disputed case of a piece of property made available to MINUSTAH by the Government, but claimed to be under lease by a private citizen. Based on the response, OIOS will close recommendation 7 in its database.*

35. *MINUSTAH accepted recommendation 8 and stated that it was aware of the requirement to perform title searches before leasing properties, and has made this step a requirement in the procurement process, as property ownership in the host nation can be contentious with no easily discernible legal verification system in place. Since the timely deployment of troops was crucial for fulfillment of the Mission's mandate, it has sometimes been necessary to balance the risk of occupying premises without all the necessary protocols in place, against the risk of delaying crucial mandated activities. In this respect, for low value properties that were urgently required, Administration has sometimes made the decision to occupy the premises prior to full verification of title documents. However in such cases, Administration has mitigated some of the risks by preparing leases that stipulate that the validity of the agreement is dependent upon verification of title documents within a stated period of time, usually three months. In a further attempt to address the issue in the long term, Administration intends to employ or contract the services of local legal experts to assist in expediting the verification of title documents. Based on the response, OIOS will close recommendation 8 in its database.*

36. *MINUSTAH accepted recommendation 9 and stated that this recommendation has already been fully implemented, with the legal affairs office and procurement having re-negotiated the terms and conditions of leases made in the early inception of the Mission to secure the interest of the Organization, including getting rid of the three months advance payment clauses. The Administration stated that it was ensuring that all subsequent lease agreements contained the standard clauses and safeguards for the Organization's interest. Based on the response, OIOS will close recommendation 9 in its database.*

D. Need for an effective Mission procurement plan

37. The Mission began to formulate its procurement plan in March 2005. The Administration issued a directive to all requisitioning offices stating that "whereas it is acknowledged that some of the procurement cases were unforeseeable and represented true exigencies particularly in the start-up phase of the Mission, a significant number of cases were however for predictable requirements that could have been planned ahead of time. Also, there were numerous repeated requirements that were requisitioned piece meal or grossly underestimated." OIOS acknowledges the Mission's efforts at undertaking procurement planning and makes recommendations for further improvement based on the observation below.

38. According to plans, the Mission should provide in-house capability for garbage removal, sewage, portable toilets and septic tanks cleaning services. While the required equipment was to be purchased and installed by November 2004, no budget was allocated for this purpose until December 2004. At the time of the audit, implementation of the project was expected to be in May 2005, six months after the initial planned completion date. Each month of delay represents a cost of \$250,000 according to the terms of the current lease of equipment and their servicing by the contractor.

Recommendations 10 and 11

MINUSTAH Administration should:

- (i) Finalize the requisition plan for the Mission with adequate budget allocations, as necessary (AP2004/683/02/010); and

- (ii) Ensure that the requisition plan, especially for complex projects, include expected completion dates, which the Mission Administration should monitor periodically (AP2004/683/02/011).

39. *MINUSTAH accepted these recommendations and commented that Administration has implemented a procurement plan with the assistance of Procurement Service, UNHQ. It was also Administration's intention to review the procurement plan on a quarterly basis, and to report on any variances, while monitoring expected completion dates and ensuring adequate budgetary allocations for projects.* Based on the response, OIOS will close recommendation 10 and leave recommendation 11 open until the quarterly review of the procurement activities in the Mission takes place.

E. Establishing and monitoring a vendor database

Limited vendor base

40. OIOS noted that the Mission's contracts were awarded to a limited number of local vendors, in some instances repeatedly. According to Mission officials, this was because only a few local vendors enjoying quasi-monopoly status could provide the quality required.

Vendor approval committee and vendor performance report

41. The Mission has established the vendor approval committee and begun preparing vendor performance reports, as prescribed by procurement procedures. In order to avoid duplications, this should be coordinated with the Procurement Service which is planning to implement a shared internet-based United Nations Global Marketplace for peacekeeping missions in May 2005².

Recommendations 12 and 13

MINUSTAH Administration should:

- (i) Expand its vendor base to adjacent countries and international market, in order to ensure sufficient competition (AP2004/683/02/012); and
- (ii) Coordinate with the Procurement Service, New York in implementing the Mission vendor approval committee and vendor performance report (AP2004/683/02/013).

42. *MINUSTAH accepted recommendation 12 and stated that the recommendation has already been implemented, with the incorporation of the UNHQ Procurement Services vendor database into the MINUSTAH vendor roster, and by undertaking several market survey in the adjacent Dominican Republic with a view to expanding its database. Administration also stated that, although the volatile security conditions in the host nation still represented a disincentive for active participation in the procurement process by some international vendors, it remained committed in the effort to*


² A/59/722 Report of the ACABQ – Procurement and contract management for peacekeeping operations

encourage maximum participation by all vendors. OIOS will leave this recommendation open until it can be confirmed that it has been fully implemented.

43. *MINUSTAH accepted recommendation 13 and stated that it would share its most recent vendor performance report with the Procurement Services, New York. As a result of this OIOS report, it would seek further coordination with Procurement Service, to include the activities of the MINUSTAH vendor Review Committee. OIOS will leave this recommendation open until it can be confirmed that it has been fully implemented.*

VI. ACKNOWLEDGEMENT

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


Patricia Azarias, Director
Internal Audit Division - I, OIOS



OIOS/IAD-1 Client Satisfaction Survey

The Internal Audit Division-1 is assessing the overall quality of its audit process. A key element of this assessment involves determining how our clients rate the quality and value added by the audits. As such, I am requesting that you consult with your managers who dealt directly with the auditors, and complete the survey below. I assure you that the information you provide will remain strictly confidential.

Audit Title & Assignment No.: Procurement Activities in MINUSTAH (AP2004/683/02)

By checking the appropriate circle please rate:

1. The extent to which the audit addressed your concerns as a programme manager.
2. The audit staff's understanding of your operations and objectives.
3. The professionalism of the audit staff (communications, integrity, professional knowledge and responsiveness)
4. The quality of the audit report in terms of:
 - accuracy and validity of findings and conclusions
 - clarity and conciseness
 - balance and objectivity
 - timeliness
5. The extent to which the audit recommendations were appropriate and helpful.
6. The extent to which your comments were considered by the auditors
7. Your overall satisfaction with the conduct of the audit and its results.

	1 (poor)	2	3	4(excellent)
1.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.				
-- accuracy and validity of findings and conclusions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-- clarity and conciseness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-- balance and objectivity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
-- timeliness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please comment on any areas in which you have rated the audit team's performance as below your expectations. Also, please feel free to provide any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Date: _____

Title: _____

Organization: _____

Thank you for taking the time to fill out this survey. Please send the completed survey form as soon as possible to:

- by mail: Ms. Patricia Azarias, Director, Internal Audit Division-1, OIOS
Room DC2-518, 2 UN Plaza, New York, NY 10017 U.S.A.*
- by fax: 212-963-3388*
- by email: iad1support@un.org.*