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INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Tom Koenigs  
A: Special Representative of Secretary-General  
UNAMA

DATE: 16 January 2007

REFERENCE: AUD-7-5:9 (07- 00011 )

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



SUBJECT: **OIOS Audit No.AP2006/630/06: Fuel management at UNAMA**  
OBJET:

1. I am pleased to present herewith our final report on the above-mentioned audit, which was conducted during July and August 2006.
2. We note from your response to the draft report that UNOCI has accepted all the recommendations. Based on your response, I am pleased to inform you that we have closed recommendations 6, 12 and 15 in the OIOS recommendations database. In order for us to close out the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e. recommendations 1, 2, 4, 5, 7 to 10, 12 to 14, 18, 20 and 23) 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 UNAMA 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  
Mr. Philip Cooper, Director, ASD/DPKO  
Mr. Terry Popowych, Chief Administrative Officer, UNAMA  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
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Office of Internal Oversight Services  
Internal Audit Division



**Fuel management at UNAMA**

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**Audit no:** AP2006/630/06  
**Report date:** 16 January 2007  
**Audit team:** Iswari Bhattarai, Auditor-in-Charge  
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**EXECUTIVE SUMMARY**  
**Fuel management at UNAMA (Assignment No. AP2006/630/06)**

OIOS conducted an audit of fuel management at the United Nations Assistance Mission in Afghanistan (UNAMA) in July and August 2006. The main objective of the audit was to obtain reasonable assurance on the adequacy and effectiveness of controls over fuel management.

OIOS found several deficiencies that the Mission needs to address to improve the management and control of fuel:

- UNAMA does not have a single responsible unit to monitor and control the receipt, storage, distribution and consumption of fuel;
- There were instances of non-compliance with (i) the UN Procurement Manual in the procurement of fuel and (ii) the contract terms, such as the non-submission of performance bonds by the vendors and delivering fuel inferior to the contract specifications;
- Invoices were not verified against the relevant fuel price indices;
- There was no mechanism in place to review and monitor the consumption of fuel by vehicles and generators;
- Some generators and fuel tanks were not properly protected to ensure adequate safety and security.

OIOS made a number of recommendations to address the above weaknesses and the other findings noted in the report. *UNAMA accepted all the recommendations and has initiated action to implement many of them.*

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## I. INTRODUCTION

1. OIOS conducted an audit of fuel management at the United Nations Assistance Mission in Afghanistan (UNAMA) in July and August 2006. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNAMA has four fixed-wing aircraft, 260 vehicles and 70 generators in use, including 43 generators located in different regional offices. The consumption of ground fuel by UNAMA's vehicles and generators and Jet A-1 fuel by fixed-wing aircraft from 2004 through June 2006 is presented in table 1.

**Table 1: Fuel consumption from January 2004 to June 2006**

Type and use of fuels	Consumption (in liters)					
	2004	% to total	2005	% to total	Jan-June 2006	% to total
Jet A-1 fuel for fixed wing aircraft	2,095,163	41	3,021,529	52	680,176	31
Diesel fuel for Generators	2,039,287	40	2,152,124	37	1,136,354	53
Diesel & petrol for vehicles	961,597	19	647,343	11	345,033	16
<b>Total</b>	<b>5,096,047</b>	<b>100</b>	<b>5,820,996</b>	<b>100</b>	<b>2,161,563</b>	<b>100</b>

3. UNAMA procures ground and aviation fuel from different suppliers. The Chief Transport Officer, the Chief Engineer and the Chief of Air Operations or their representatives liaises directly with the contractor as the focal point for all technical matters relating to the performance of those contracts in their respective fields. The Engineering Section is primarily responsible for the management of fuel for generators, whereas the Transport and Airops/Movcon Sections are responsible for vehicle and aviation fuel, respectively. Authority for all contractual matters, including all contract amendments, remained with the Chief Procurement Officer or his/her designated representative.

4. UNAMA has limited capacity for storing fuel (i.e., two fuel bowsers with a capacity of 5,600 liters each in Kabul and some small fuel tanks in some of the regional offices, which were used only for ground fuel). Hence, about 99 percent of ground fuel issues are made directly from the contractor's fuel stations to the equipment. Issuance of fuel to vehicles/generators is made based on Fuel Issue Orders (FIO) generally known as Fuel Coupons (FC), which are signed by the responsible official of Transport/Engineer Section and provided to a fuel attendant. Once the fuel coupons are issued, the fuel attendant observes the fuel dispensed to a particular vehicle in the fuel station at Kabul and records the quantity in a FIO and Fuel Coupon Control Sheet (FCCS). Generator fuel is issued to a fuel tanker operated by UNAMA, which supplies fuel to generators located in Kabul.

5. There was no uniform practice for the provision of ground fuel in the regional offices. In most instances, the fuel stations deliver fuel to the regional offices; only a few regional offices send their vehicles to fill up in fuel stations. The issuance of aviation fuel is based on an email message sent by the Airops/Movcon Section (AMS) to the concerned vendor. An air crew member signs the Fuel Issue Voucher (FIV) to acknowledge receipt of fuel uplifted to the aircraft. Before paying vendor invoices, they are reconciled with the FIO, FCCS, FIV, etc., depending upon the fuel delivered.

6. UNAMA uses an MS Excel worksheet to record fuel received and consumed based on information derived from fuel coupons, issue vouchers, etc. The Engineering, Transport and Air Operations Sections produce periodic reports on fuel consumption.

7. The comments made by the management of UNAMA on the draft report have been included in the report as appropriate and are shown in italics.

## **II. AUDIT OBJECTIVES**

8. The major objectives of the audit were to:

- (a) Assess the adequacy of controls over fuel management;
- (b) Verify compliance with established rules, regulations, policies and procedures on fuel management;
- (c) Assess the contractor's compliance with the fuel contract terms and provisions;
- (d) Ascertain whether there is adequate documentation supporting the ordering of fuel products, their receipt, distribution and utilization, and fuel balances on hand to obtain reasonable assurance that there is no loss to the Organization through mismanagement, abuse, theft or other undesirable practices;
- (e) Ascertain whether the Mission's health, safety and environmental practices as regards fuel operations are in compliance with established UN and country rules; and
- (f) Determine whether there is a plan that ensures continuity of fuel supply to the Mission in case of contingencies.

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

9. The audit covered the management of petrol, oil and lubricants (POL) for ground, transportation and generators, and involved file reviews, site visits and interviews with key Mission personnel. Physical verification and reconciliation of POL inventories and tests of transactions were performed on a sample basis. OIOS also analyzed the distribution and consumption of POL at the Mission.

## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Standard operating procedures and guidelines on fuel management**

#### Absence of SOPs and single responsible unit on fuel management

10. The Mission does not have a copy of the Department of Peacekeeping Operations (DPKO) draft Standard Operating Procedures (SOP) on fuel management or a mission-specific

SOP on fuel management. Moreover, UNAMA does not have a single responsible unit to monitor and control the receipt, storage, distribution and consumption of fuel. The Engineering, Transport and Air Operations Sections have assumed the responsibility over these activities.

11. In the absence of SOPs and without a single unit assigned to oversee the fuel management functions, there is no assurance that the Mission is following the procedures required by DPKO to plan and handle fuel, prevent/mitigate the potential for hazards and ensure a systematic approach to the management of fuel. For example, OIOS noted the following shortcomings in its visit to the UNAMA Regional Office in Mazar-e-Sharif and the Maimana Sub-regional Office:

- The Mission's regional and sub-regional offices do not have a system to check the quality of fuel received for vehicles and generators. For example, the quality of diesel fuel is not being tested by the Mazar-e-Sharif office; the Mission relies on the supplier's statement about the quality of fuel;
- There were no dedicated fuel officers in the Mazar-e-Sharif and Maimana offices;
- The process of receiving fuel is not uniform. Most of the regional offices use fuel coupons whereas small paper slips are being used by the Maimana office to receive generator fuels.

12. OIOS provided the Mission with a copy of the draft DPKO Standard Operating Procedures to guide all personnel involved in the management of fuel in their day-to-day operations.

### **Recommendations 1 and 2**

The UNAMA Administration should:

- (i) Implement the DPKO Standard Operating Procedures on fuel management and, where necessary, customize it to suit the Mission's operational activities, to ensure that the risks associated with the management of fuel are adequately controlled (AP2006/812/08/01); and
- (ii) Establish a Fuel Unit/Cell, under the Supply Section, that would be responsible for the overall monitoring and control of the receipt, storage, distribution and consumption of fuel (AP2006/630/06/02).

13. *The UNAMA Administration accepted recommendation 1 and explained that DPKO SOPs will be followed and developed into UNAMA-specific SOPs.* Recommendation 1 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

14. *The UNAMA Administration accepted recommendation 2 but explained that it will determine the most suitable responsibility center for the Fuel Unit/Cell. UNAMA added that it hired a full-time Fuel Manager in August 2006. Recommendation 2 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.*

## **B. Contract management**

15. UNAMA has different contracts, including one Memorandum of Understanding (MOU) with the United Nations Humanitarian Air Services (UNHAS), with different vendors for the provision of ground fuel and Jet A-1 fuel. Tryco International, Inc. and the United Nations Office for Project Services (UNOPS) provide fuel to UNAMA for its vehicles and generators at Kabul region. Tryco International Inc. and UNHAS provide aviation fuel to UNAMA's aircraft within Afghanistan, while ENOC International Sales, LLC refuels UNAMA's aircraft at the Dubai International Airport. There are no contracts for the refueling of aircraft in Pakistan and Iran, as the quantity of fuel consumed in these locations is minimal. Fuel for vehicles and generators in regional offices is supplied by local vendors, which are selected periodically, normally for three months at a time by obtaining open quotations from them.

### Non-compliance with the requirement on the minimum number of invitees to participate in a bidding exercise

16. OIOS reviewed the bidding process and bid documents covering the period from 2003 to June 2006, and observed that the number of vendors invited to bid was not in accordance with the procurement manual. For example, only between 3 and 7 vendors were invited to bid on three fuel contracts (AMA/CON/03/018, AMA/CON/06/02 and AMA/CON/04/10), each valuing at least \$200,000. Paragraph 9.3.4 (c) of the Procurement Manual requires that, for acquisitions between \$200,000 and \$1,000,000, 15 prospective vendors should be invited to bid.

17. The Mission explained that, due to the lack of reliable suppliers who could provide fuel to the Mission, an effort had been made to include those possible suppliers who seemed capable of meeting UNAMA's requirements based on market survey. However, OIOS could not find any documentation to substantiate this assertion and to explain why the minimum number of invitees was not complied with.

### **Recommendation 3**

The UNAMA Administration should ensure that a reasonable number of vendors are invited to bid, and that reasons for the inability to fully comply with the provisions of the Procurement Manual are documented and approved by the Chief Procurement Officer (AP2006/630/06/03).

18. *The UNAMA Administration accepted recommendation 3 and explained that it will, to the extent the local fuel market situation in Afghanistan will allow, comply with the Procurement Manual and that it will not deal with dubious vendors who do not have the capacity and capability to deliver quality, safe and uncontaminated fuel to the Mission on time.*



Recommendation 3 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

#### Bid and performance bonds not obtained

19. The Mission did not require the bidders to submit bid bonds. Also, it did not obtain the required performance bonds from the winning bidder. These bonds would ensure that the potential vendors have sufficient financial strength to complete the project on time and at the agreed cost, in the case of bid bonds, and to guarantee satisfactory performance in accordance with the terms and conditions of the contract, in the case of performance bonds.

20. UNAMA explained that it was difficult for the vendors in Afghanistan to obtain guarantees from banks because of the security situation in the country. Because of this, only a very few suppliers are interested to compete. However, OIOS could not find any evidence indicating that the Mission sought Headquarters' approval to waive the requirement for bid bonds and performance bonds because of the security situation in Afghanistan that is affecting the vendors' ability to comply with the UN's procurement requirements.

#### **Recommendation 4**

The UNAMA Administration should ensure that performance bonds are obtained from all existing vendors, unless appropriate waiver is obtained from the Procurement Service at Headquarters (AP2006/630/06/04).

21. *The UNAMA Administration accepted recommendation 4 and explained that, where applicable, it will seek the UN Headquarters' approval to waive the requirement for bid and performance bonds.* Recommendation 4 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

#### Procurement of lubricants

22. Although the requirements for diesel and petrol are estimated in advance for budget and procurement purposes, the requirements for lubricants are not. Hence, since 2005, there has not been a contract for the provision of lubricants. The general practice was to buy these items as and when needed. Historically, the value of lubricant purchases is equivalent to 10 percent of the total value of ground fuel.

#### **Recommendation 5**

The UNAMA Administration should ensure that the annual requirement for lubricants is estimated in advance based on historical data and the procurement of this item is made in accordance with established procurement procedures (AP2006/630/06/05).

23. *The UNAMA Administration accepted recommendation 5 and explained that it is already in practice. Recommendation 5 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.*

Post facto approval for the procurement of Jet A-1 fuel from UNHAS

24. UNAMA signed an MOU with UNHAS for the provision of Jet A-1 fuel, without the Headquarters Committee on Contracts' (HCC) review and the Controller's approval. On the basis of this MOU, UNHAS provides the Mission with aviation fuel at different locations in Afghanistan.

25. Because of some problems encountered by UNAMA aircraft caused by the possible contamination of aviation fuel provided by Tryco International, Inc. (Tryco), a private contractor, the Mission recommended that an MOU be entered into with UNHAS for the provision of Jet A-1 fuel. The MOU is financed from the funds that had been set aside for an ongoing contract, AMA/CON/04/009, entered into with Tryco covering the period from 1 June 2003 to 31 December 2007, in the total not-to-exceed (NTE) amount of \$3,882,700.

26. The Mission's Local Committee on Contracts (LCC) recommended that the contract, in the cumulative amount of \$2,763,403, be awarded to UNHAS on a partial *post facto* basis, noting that UNHAS: (a) provides quality aviation fuel at \$0.71 per liter, which is competitive to Tryco's; (b) has not caused any problem to the aircraft to date; and (c) can provide two-thirds of UNAMA's fuel requirements. This recommendation was forwarded to the HCC on 20 December 2005 for approval.

27. However, the UN Procurement Service in New York stated that the HCC does not recommend a transfer of some funds from a previously considered awardee, Tryco, to a new entity, UNHAS, and suggested that, should UNAMA still wish to proceed with adding a new vendor to the existing supplier, it should present the case as a separate *ex post facto* exercise for consideration by the Procurement Service and the HCC. The Procurement Service also suggested that the changes required in the Tryco award should also be furnished. However, although UNHAS continues to supply UNAMA with aviation fuel, the Mission has not yet provided the *ex post facto* presentation of the case to the HCC.

**Recommendation 6**

The UNAMA Administration should seek the Controller's approval, *ex post facto*, to procure Jet A-1 fuel from the United Nations Humanitarian Air Services (AP2006/630/06/06).

28. *The UNAMA Administration accepted recommendation 6 and explained that this specific ex post facto procurement case was sent to the United Nations Controller in November 2006. Based on the Mission's response, recommendation 6 has been closed.*

### Supply of contaminated fuel

29. Except for a letter stating that strong action will be taken if Tryco delivers contaminated fuel in the future, UNAMA did not take any other action against the vendor for supplying contaminated fuel. The Mission still procures some quantity of aviation fuel from Tryco even though alternative arrangement with UNHAS had already been made. Apparently, UNHAS does not have the capacity to fully meet UNAMA's requirements, especially in regional airports.

30. OIOS visited UNHAS facilities to verify its capacity to meet the Mission's requirements for aviation fuel. UNHAS has a fuel storage capacity of approximately 228,000 liters and is planning to increase this capacity to 230,000 liters by expanding services in the Bamian region. UNHAS confirmed that, if requested and the Mission provides UNHAS with the estimated fuel requirements in advance, it could meet fully the Mission's fuel requirements. Also, to date, there have not been any complaints on the quality of fuel provided by UNHAS, which also provides fuel to UNOPS and ICRC.

### **Recommendation 7**

The UNAMA Administration should formally confirm with the United Nations Humanitarian Air Services (UNHAS) that it has the capacity to fully meet the Mission's aviation fuel requirements, procure all aviation fuel from UNHAS, and terminate the contract with Tryco International, Inc. (AP2006/630/06/07).

31. *The UNAMA Administration partially accepted recommendation 7 but explained that the contract with Tryco must be maintained for emergency, even though it may never require fuel from Tryco.* Recommendation 7 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

### Receipt of fuel inferior to the quality specified in the contract

32. The letter of intent pertaining to the contract (AMA/04/010) with Tryco International, Inc., specified the quality of lead free gasoline for vehicles at the 86 octane rating, whereas the Statement of Requirement approved by the HCC required that unleaded gasoline be at the 95 octane rating. Tryco is supplying 86 or 87 octane rating lead free gasoline at the price contracted for 95 octane rating. There was no explanation given on why the Mission allowed the delivery of unleaded gasoline that was not of the grade specified in the HCC-approved contract.

### **Recommendations 8 and 9**

The UNAMA Administration should:

- (i) Recover from Tryco International, Inc. the price differential for the unleaded gasoline it delivered that was inferior to the

quality specified in the contract but was charged at the rate for the higher grade (AP2006/630/06/08); and

(ii) Review the specification of the quality (i.e., octane rating) of unleaded gasoline for vehicles, with the view to adjusting the requisition in accordance with the vehicle manufacturers' recommended octane rating (AP2006/630/06/09).

33. *The UNAMA Administration accepted recommendation 8 and explained that it will investigate whether the fuel pumped into the Mission's vehicles was lower than the octane 95 rating required in the contract.* Recommendation 8 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

34. *The UNAMA Administration accepted recommendation 9 and stated that it will be implemented immediately.* Recommendation 9 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

#### Contract provision for quality inspection of fuel delivery

35. A contract provision, in various fuel contracts, for quality inspection states that UNAMA is entitled, at such reasonable times and upon giving not less than two days prior notice, to inspect equipment, materials and supplies provided by the contractor... and to reject any or all items that do not conform to the specifications and standards of quality reasonably acceptable to UNAMA. In OIOS' opinion, this provision, to be more effective, should be amended to eliminate the requirement for advance notice before conducting quality inspections. The Mission's right for quality inspection should be unfettered and the timing left entirely to the discretion of the Mission.

#### **Recommendation 10**

The UNAMA Administration should ensure that its right to inspect the quality of fuel deliveries in an unfettered manner is protected and not limited in all fuel contracts. Fuel contracts with provisions limiting this right should be amended (AP2006/630/06/10).

36. *The UNAMA Administration accepted recommendation 10 and explained that the Transport Section performs unscheduled and periodic testing of fuel samples.* Recommendation 10 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

#### Contract awarded to a party other than those who submitted quotations

37. OIOS' review of documentation relating to the provision of vehicle and generator fuel in different regions in the country for November and December 2005 showed that the contract was awarded to a vendor who did not submit a quotation. There were two quotations on file, one

from Shesham Bagh Fuelling Station with a bid of AFN35.5/liter and another from Speen Ghar Fuel Station at AFN37/liter. However, the purchase order was issued to Shirkat Mansoor Bilal at the rate of AFN35.5 per liter. OIOS could not find any valid justification and documentation thereof to award the contract to a party who had not submitted a quotation.

### **Recommendation 11**

The UNAMA Administration should ensure that the results of vendor evaluation, and relevant supporting files such as vendor quotations, are adequately documented, to ensure transparency and integrity of the procurement exercise (AP2006/630/06/11).

38. *The UNAMA Administration accepted recommendation 11 and stated that it will be implemented immediately.* Recommendation 11 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

### **C. Payment to vendors**

#### Retroactive approval of HCC needed

39. The UNAMA Administration approved and paid the winterized diesel surcharge of \$0.0704 per gallon imposed by one of the fuel contractors, Tryco (contract number AMA/CON/04/010), for the period from 15 November 2005 to 31 March 2006. During that period, the Mission procured 641,919 liters of diesel fuel from Tryco, with a winterized diesel surcharge amounting to a total of \$45,191. No approval for this additional payment was obtained from the HCC.

### **Recommendation 12**

The UNAMA Administration should seek the Controller's approval, *ex post facto*, for the winterized diesel surcharge imposed by Tryco International, Inc. on fuel delivered from 15 November 2005 to 31 March 2006. In the future, the Mission should also ensure that any additional charges made by contractors that are not originally approved in the award are allowed only with the prior approval of the Controller (AP2006/630/06/12).

40. *The UNAMA Administration accepted recommendation 12 and explained that, in this particular case, the ex post facto approval was not required because the price differential was within the authority of the Administration.* Based on the Mission's response, recommendation 12 has been closed.

Invoices were not verified against the relevant price index

41. OIOS' examination of invoices indicated the following:

- One of the fuel contractors, ENOC International Sales LLC (contract number AMA/CON/03/018), did not comply with the contract provision to submit a copy of the Mean of Platt's Arabian Gulf (MOPAG) Index every fortnight to support price fluctuations. The Mission relied on and did not verify the price (with the MOPAG index) charged by ENOC in its invoices the Mission paid during the period from November 2005 to July 2006;
- The Mission did not have the Oil Companies Advisory Committee (OCAC) price index for the periods 1-15 April 2006, 16-30 May 2006 and 16-31 June 2006 to support the payment of invoices of the Pakistan State Oil Company, Ltd. pertaining to purchase order number AMA7-32 dated 16 February 2006. The OCAC price records covering the months of November 2005 to January 2006 were also not on file, to support the prices charged by the Hussain Gas Station (Islamabad) in its invoices pertaining to purchase order number AMA5-439 (Rev. 4).

42. The above price indices are necessary to validate the price the contractors are billing the Mission.

**Recommendation 13**

The UNAMA Administration should ensure that fuel contractors provide the Mission with the required price indices, such as the Mean of Platt's Arabian Gulf Index and the Oil Companies Advisory Committee price index, to ensure that fuel prices being charged by the contractors can be validated by the Mission. For invoices already paid, the Mission should obtain the relevant price index for the applicable period, re-compute the charges made by the contractor, and recover any overpayments (AP2006/630/06/13).

43. *The UNAMA Administration accepted recommendation 13 and explained that it will review the prices charged during the period specified above and initiate recovery action, where necessary.* Recommendation 13 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

Clear and verifiable price structure needed

44. According to the terms of the Mission's MOU with UNHAS for the provision of Jet A-1 fuel, fuel shall be delivered to UNAMA at the prevailing landed price at the location where UNAMA requires the fuel, which shall include transportation and handling, but free from UNHAS administrative charges. OIOS' review of UNHAS charges, however, indicated the following:

- UNHAS unilaterally decided to charge the Mission an additional \$0.03 per liter of fuel delivered as demurrage cost effective 1 January 2006;
- UNHAS had added the proportionate loss which it sustained due to the difference between the actual quantity of fuel received and the quantity delivered by its supplier because of temperature and humidity difference between the fuel depot and delivery site;
- The Mission did not obtain copies of invoices of UNHAS' vendors to verify the base/unit price and ensure that the charges made by UNHAS do not include administrative charges or overhead.

45. In OIOS' opinion, price changes and other charges should not be decided unilaterally by UNHAS. A mechanism should be in place whereby UNHAS: (a) advises the Mission of any price changes or additional charges; and (b) provides the Mission with a copy of UNHAS vendors' invoices and other relevant documents supporting or justifying a proposed price increase.

#### **Recommendation 14**

The UNAMA Administration should revise the terms of payment in the Mission's Memorandum of Understanding with the United Nations Humanitarian Air Services to provide for a clear and specific mechanism for any price changes and additional charges (AP2006/630/06/14).

46. *The UNAMA Administration accepted recommendation 14 and stated that it will be implemented immediately.* Recommendation 14 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

#### **D. Continuity of supply of fuel**

##### Alternate arrangement for ground fuel needed

47. In addition to other commercial contracts for the procurement of ground fuel, UNAMA also procures from the United Nations Office for Project Services (UNOPS) approximately 90,000 liters of diesel for generators and vehicles on a monthly basis since April 2006 under UNOCA common services. UNOPS sources the fuel it supplies the Mission and other UN agencies under the UNOCA common services under a contract with Atok Petroleum, Ltd. (Pakistan).

48. However, UNAMA did not have an MOU with UNOPS for the above arrangement. On 21 August 2006, the agreement between UNOPS and Atok Petroleum, Ltd. was terminated. This situation puts the Mission's operations at risk as they rely heavily on the continued supply of fuel.

## **Recommendation 15**

The UNAMA Administration should formalize its arrangements with the United Nations Office for Project Services for the supply of vehicle and generator fuel, to ensure that the Mission's fuel requirements are met through the enforcement of a legally-binding contract, especially in cases where the risk of disruption to the continuity of fuel supply becomes more apparent (AP2006/630/06/15).

49. *The UNAMA Administration explained that UNOPS is no longer involved in the supply of fuel for vehicles and generators at UNOCA and that this service is now under the aegis of common services managed by UNAMA.* In light of this development, which renders this issue moot, OIOS withdraws recommendation 15.

### **E. Monitoring of fuel distribution and consumption**

#### **1. Ground transportation**

##### Fuel Issue Orders not properly filled out

50. OIOS' review of Fuel Issue Orders (FIOs), along with the Fuel Coupon Control Sheet (FCCS) and the related invoices and trip tickets, for the months of November 2005 to January 2006 showed the following:

- The FIOs are not serially numbered. Control numbers were stamped on the form and were not given sequentially. For example, FIO number 24601 was used between 1 and 15 January 2006, while the lower series 23651 to 24600 was issued and used later, between 16 to 31 January 2006;
- Some of the quantities written in figures were not legible and in some cases were written with marks indicating that they were altered, such as the use of correcting fluid. In many cases, the quantity was not written in words in the space provided in the form, as required to be filled out to make tampering with the form more difficult.
- There were several instances where the vehicle number was written in the space provided for the coupon number.

## **Recommendation 16**

The UNAMA Administration should ensure that the Fuel Issue Order forms are pre-printed with serial numbers, issued sequentially, and filled out completely and legibly (AP2006/630/06/16).



51. *The UNAMA Administration accepted recommendation 16 and stated that it will be implemented immediately.* Recommendation 16 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

Trip tickets not properly filled out

52. OIOS reviewed 34 trip tickets in three UNAMA offices, including Kabul, and found the following lapses and discrepancies:

**Table 3: Trip tickets not properly filled out and with discrepancies**

S.N.	Vehicle	Period	Remarks
1	284	Nov. & Dec. 2005	KM reading at the end of November and start of December 2005 differed by 69 KM
2	54004	Dec.2005 & Jan.2006	KM reading at the end of December 2005 and start of January 2006 differed by 88 KM
3	232	Dec. 2005 & Jan. 2006	KM reading at the end of December 2005 and start of January 2006 differed by 147 KM
4	280	Dec.2005	Name of passenger and destination of travel were not written in the trip ticket.
5	833	Dec. 2005	Fuel coupon #23335, pertaining to the issuance of 58 liters of diesel, was written in the trip ticket as 23337.
6	284	Dec.2005	Fuel coupon #23389, pertaining to the issuance of 30 liters of diesel, was written in the trip ticket as 23399.
7	284	Nov. 2005	Fuel coupon number for the issuance of 46 liters of diesel on 2/11/2005 was not written in the trip ticket.
8	281	Jan. 2006	116 liters of diesel issued on 29/1/2006 through coupon # 23209 was not recorded in the trip ticket.
9	211	Jan. 2006	24 liters of petrol issued on 2/1/2006 through coupon #5855 was not recorded in the trip ticket.
10	54005	Jan. 2006	34 liters of diesel issued on 26/1/2006 through coupon # 23857 was not recorded in the trip ticket.
11	236	Dec.2006	39 liters of diesel issued on 21/12/05 through coupon #23353 was not recorded in the trip ticket.
12	285	Nov. 2005	Date of travel was not properly recorded in the trip ticket.
13	843	Jan. 2006	Particulars that needed to be certified were not certified by the responsible official in Maimana.

**Recommendation 17**

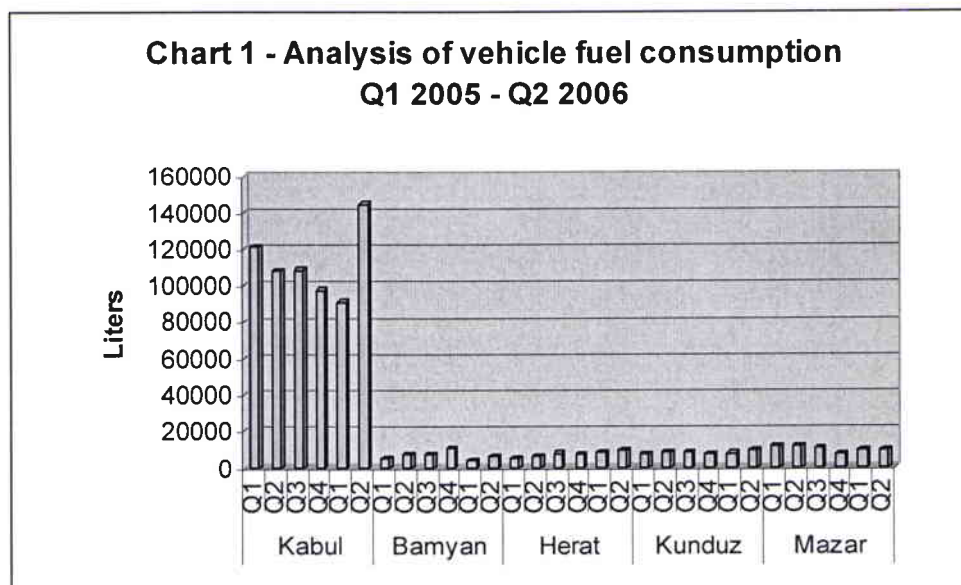
The UNAMA Administration should remind all drivers to properly fill out trip tickets and instruct the Transport Section to reject trip tickets with missing or inconsistent information (AP2006/630/06/17).

53. *The UNAMA Administration accepted recommendation 17 and stated that it will be implemented immediately.* Recommendation 17 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

### Consumption of vehicle fuel not properly monitored

54. Chart 1 shows OIOS' analysis of the consumption of vehicle fuel in five different regions in Afghanistan where UNAMA operates. The Transport Section explained that the fluctuations in fuel consumption were related to several factors such as, the weather and road conditions in the country, vehicle type, etc. The lack of systematic monitoring and analysis of fuel consumption increases the risk of fraudulent activities. For example:

- In Kabul, the recorded fuel consumption in January 2005 was 52,994 liters, whereas it was only 30,469 liters in the same month in 2006; for June 2005, the recorded fuel consumption was 36,816 liters, but it rose to 81,921 liters in the same month in 2006;
- The fourth quarter consumption of fuel in 2005 in Bamyan was approximately double the first quarter consumption;
- Kabul's first quarter fuel consumption in 2005 was higher by approximately 23,000 liters than the recorded consumption in the fourth quarter of the same year. The second quarter consumption in 2006 increased by almost 60 per cent of the fuel consumption in the first quarter of 2006; compared with the same quarter in 2005, the second quarter consumption in 2006, increased by approximately 35 per cent.



55. There was also no analysis of each vehicle's actual fuel consumption per kilometer against the manufacturer's estimated average fuel consumption per kilometer or against vehicles of the same type, make or model, with reasonable allowance for differences caused by factors such as the age of the car and the terrain the car is normally used in. For example, OIOS' analysis of select vehicles' fuel consumption with comparable type, make or model during the period from November 2005 to January 2006 showed:

- Vehicle number UNAMA 284 registered an average fuel consumption of 6.56 kilometers per liter while vehicle number UNAMA 284 registered an average of 4.25 kilometers per liter (Land Cruiser type/make/model);
- Vehicle number UNAMA 209 registered an average fuel consumption of 5 kilometers per liter while vehicle number UNAMA 54004 registered an average of 7.56 kilometers per liter (4Runner type/make/model);
- In the case of vehicle number UNAMA 833, it registered an average fuel consumption of 11.61 kilometers per liter while it registered only 6.55 and 6.87 kilometers per liter in December 2005 and January 2006, respectively. Similarly, vehicle number UNAMA 236 registered an average consumption of 7.33 kilometers per liter in December 2005 and 12.21 kilometers per liter in November 2005.

### **Recommendation 18**

The UNAMA Administration should establish a mechanism to monitor vehicle fuel consumption, both at the aggregate monthly or quarterly level and individual vehicle consumption/performance level, to ensure that unusual trends in the consumption of fuel are identified and investigated (AP2006/630/06/18).

56. *The UNAMA Administration accepted recommendation 18 and explained that a fuel log system will be included in the 2008 budget and installed in the same year. In the meantime, the existing CarLog system will be used to monitor fuel consumption trends. The Mission Administration added that it conducts a monthly analysis of vehicle fuel consumption and that there are a number of variables affecting a vehicle manufacturer's average fuel consumption, such as the weather, road condition, load, number of passengers, etc. Recommendation 18 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.*

## **2. Air transportation**

### Fuel Issue Vouchers supporting invoices not completely filled out

57. Vendors supplying Jet A-1 fuel to the Mission use their own Fuel Issue Voucher (FIV) form to record the quantity of fuel dispensed into an aircraft. The air crew member who witnesses the re-fuelling of an aircraft, signs the form to acknowledge receipt of the fuel. The FIVs are then attached to the vendor invoices when claiming payment for fuel delivered.

58. OIOS' examination of FIVs and related invoices for the period from November 2005 to January 2006 indicated the following:

- FIVs issued by Tryco had the same reference number. In some cases, the form does not even have a reference number. Reference numbers are necessary to facilitate cross-checking of invoices against FIVs;
- Both Tryco and UNHAS had never filled out the Counter End and Counter Start figures in the FIVs, to allow re-computation and validation of the quantity dispensed into an aircraft.

### **Recommendation 19**

The UNAMA Administration should advise all Jet A-1 fuel vendors to use pre-printed Fuel Issue Vouchers, fill out the Counter Start and End figures, and cross reference the Fuel Issue Voucher number in the invoice when claiming payments (AP2006/630/06/19).

59. *The UNAMA Administration accepted recommendation 19 and stated that it will be implemented immediately.* Recommendation 19 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

## **3. Generators**

### Consumption of generator fuel not monitored

60. OIOS' analysis of the consumption of generator fuel in different regions in Afghanistan where UNAMA operates showed fluctuations in fuel consumption, which were not analyzed and explained. This increases the risk of fraudulent activities. For example:

- The consumption of generator fuel in February 2005 was 172,128 liters as against 78,400 liters in April of the same year in Kabul. The February 2005 consumption exceeded the average monthly consumption of 123,291 liters during the year by 48,737 liters;
- The Gardez Regional Office consumed 19,667 liters of diesel in January 2005 as against 4,840 liters in July of the same year;
- The Mission has not recorded the running hours of each generator, including load capacity, to determine the quantity of fuel consumed by each generator.

61. The Engineering Section explained that as the seasons change, so does the demand for power. Hence, the fluctuation in the consumption of generator fuel. However, the Mission has not yet established the reasonable or average quantity of generator fuel consumption during each season of the year for each generator type, make, model or capacity. This would facilitate the analysis of generator fuel consumption per season and against the comparable generator type, make, model or capacity.

## **Recommendation 20**

The UNAMA Administration should establish a mechanism to monitor generator fuel consumption, both at the aggregate seasonal level and individual generator level, to ensure that unusual trends in the consumption of fuel are identified and investigated. To facilitate this, the Mission should also establish the reasonable or average quantity of generator fuel consumption during each season of the year for each generator type, make, model or capacity (AP2006/630/06/20).

62. *The UNAMA Administration accepted recommendation 20 and stated that it will be implemented immediately.* Recommendation 20 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

### Deployment of generators to regional and sub-regional offices

63. Generators were deployed in the regional offices without determining the power requirements in a location. In some cases, used generators were re-deployed without any inspection or maintenance. For example, OIOS noted the following:

- Two large generators were re-deployed to the Maimana Sub-regional Office. These generators did not function according to their expected capacity and the output they produced were far less than what was expected from the amount of fuel consumed;
- Two large generators were recently sent out to Mazar without a proper needs-assessment for such big generators. Consequently, the Mazar office was consuming more fuel than required.

## **Recommendation 21**

The UNAMA Administration should deploy generators to regional and sub-regional offices based on an assessment of the offices' power requirements and inspect used generators before re-deployment, to ensure that the generators operate optimally and consume fuel efficiently (AP2006/630/06/21).

64. *The UNAMA Administration accepted recommendation 21 and stated that it will be implemented immediately.* Recommendation 21 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

### Unsupported fuel balances in Galileo

65. The Galileo inventory management system shows 19,770 liters of diesel under the Engineering Self-Accounting Unit (SAU) and 111,416 liters of diesel under the Transport SAU. The Engineering Section explained that these balances pertain to the period 2002 to 2004 when

no issue vouchers were prepared and recorded to reflect the issuance and consumption of fuel. The Transport Section added that since the fuel has already been consumed, an issue voucher could not be re-created and issued. Hence, the consumption of the above quantity of fuel could not be and was not recorded. OIOS was not provided with any documentation showing the consumption of the fuel under question. In OIOS' opinion, write-off action should be initiated to establish whether or not the fuel has been consumed and to expunge the record from the system.

### **Recommendation 22**

The UNAMA Administration should initiate a Board of Survey to establish the circumstances concerning the unsupported balances of petrol and diesel in the Galileo inventory management system and, accordingly, expunge the records from the system (AP2006/630/06/22).

66. *The UNAMA Administration accepted recommendation 22 and stated that it will be implemented immediately.* Recommendation 22 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

## **F. Safety, security and environmental practices**

### Safety and security of generators

67. OIOS' inspection visit to generators houses located in the Kabul, Mazar-e-Sharif and Maimana offices of the Mission indicated the following:

- Physical access to the main generator houses in the UNOCA compound and Complex B is not controlled. Some generator fuel tanks did not have locks;
- There were no fire extinguishers in place near the generator fuel tanks located in Palace 7 and the UNOCA complex;
- A 16-KVA generator in the TV Hill is kept in an open area. The generators and fuel tanks in the Mazar-e-Sharif office are installed in an unprotected area where vehicular and pedestrian traffic is high;
- None of the generator houses OIOS visited had "No Smoking" and other fire hazard and warning signs.


### **Recommendation 23**

The UNAMA Administration should ensure that the generators and fuel tanks are installed in safe and secure areas, and that fire fighting equipment and fire hazard and warning signs are placed in all generator houses (AP2006/630/06/23).

68. *The UNAMA Administration accepted recommendation 23 and stated that it will be implemented immediately.* Recommendation 23 remains open pending receipt of documentation from UNAMA showing that it has been fully implemented.

## V. ACKNOWLEDGEMENT

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



Dagfinn Knutsen, Acting Director  
Internal Audit Division, OIOS

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Fuel management at UNAMA

(AP2006/630/06)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Your overall satisfaction with the conduct of the audit and its results.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

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*Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:  
 Director, Internal Audit Division-1, OIOS  
 By mail: Room DC2-518, 2 UN Plaza, New York, NY 10017 USA  
 By fax : (212) 963-3388  
 By E-mail: iad1support@un.org*