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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

TO: Mr. Hédi Annabi
A: Special Representative of the Secretary-General
MINUSTAH

DATE: 23 April 2008

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

REFERENCE: IAD: 08- 01266

SUBJECT: **Assignment No. AP2007/683/11 - Audit of the execution of the delegation of authority to**
OBJET: **MINUSTAH to procure core requirements**

1. I am pleased to present the report on the above-mentioned audit, which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Based on your comments, we are pleased to inform you that we will close recommendation 1 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendation, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

I. INTRODUCTION

3. The Office of Internal Oversight Services (OIOS) conducted an audit of the execution of the delegation of authority to the United Nations Stabilization Mission in Haiti (MINUSTAH) to procure core requirements in November 2007.

4. The audit was conducted at the request of the UN Controller to obtain assurance that there were adequate and effective internal controls in place over the delegated authority to procure core requirements. At present, peacekeeping operations have a delegated authority to procure core requirements locally up to \$1 million.

5. Core requirements are defined as “essential goods and services which by their nature lend themselves to local procurement and are not available on Headquarters (HQ) contracts”. The list of core requirements was established to enhance operational efficiency in field missions by identifying examples of items that might qualify as core requirements and also by giving specific guidelines on the core requirements procurement process.

Table 1: Number and amount of procurement cases for core requirements* – fiscal years 2005/06 and 2006/07

	Total procurement cases reviewed by LCC		Procurement cases labeled as core requirements*		% of core requirement to total procurement cases	
	#	Amount (\$)**	#	Amount (\$)	#	Amount
FY 2005/06	132	89,407,047	10	4,596,975	7.5	5.1
FY 2006/07	83	43,865,511	4	802,069	4.7	1.8
% increase	(36%)	(51%)	(60%)	(83%)		

* Core requirement cases greater than \$200,000 and less than \$1,000,000

**Amounts reflect only cases that have been approved by the Local Committee on Contracts (LCC)

7. During fiscal year 2006/07, four procurement cases with values ranging from \$200,000 to \$1,000,000 were procured and classified as core requirements. Two per cent of the total procurement cases reviewed by the LCC for fiscal year 2006/07 related to core requirements. As shown above, for fiscal year 2006/07, despite the Controller’s 31 January 2007 expanded list of goods and services that qualify to be procured as core requirements, the total amount of core requirements cases decreased comparatively with fiscal year 2005/06. This decrease was mainly attributable to the decrease in construction projects.

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

II. AUDIT OBJECTIVES

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

III. AUDIT SCOPE AND METHODOLOGY

10. The audit covered transactions relating to the procurement of core requirements processed in fiscal year 2006/07. The audit included file reviews, analytical tests and interviews with relevant Mission personnel. Core requirement cases were identified based on the list provided in the core requirements definition of the delegation of authority for procurement activities of MINUSTAH. Only cases ranging from \$200,000 to \$1,000,000 were selected for review.

IV. OVERALL ASSESSMENT

11. OIOS found that MINUSTAH has implemented effective controls over the execution of the delegation of authority to procure core requirements up to \$1 million locally and was generally compliant with the requirements of the delegated authority. However, reports for core requirements that exceed \$200,000 were not submitted to the Chief, United Nations Procurement Division, Department of Management, and to the Assistant Secretary-General, Department of Field Support (ASG-DFS) as required by the

delegation of authority. Also, the case presentations made to the LCC were not always adequately supported.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Non-compliance with reporting instructions on core requirement purchases exceeding \$200,000

12. According to the delegation of authority given to the Chief of Mission Support by the Assistant Secretary-General for Peacekeeping Operations (ASG-OMS/DPKO), now Department of Field Support (DFS), the CMS is required to submit a written report to the ASG-OMS/DPKO and to the Chief, United Nations Procurement Division, Department (UNPD) of Management of core requirement procurement cases exceeding \$200,000 within 30 days of their approval. OIOS noted that the submission of the report to UNPD and DFS relating to four sample core requirements cases which were over the \$200,000 threshold were not submitted on time. Delays in reporting the procurement of core requirements in accordance with the requirements of the delegation of authority may hinder the efficient monitoring of core requirements.

Recommendation 1

(1) The MINUSTAH Mission Support should ensure that reports on procurement of core requirements exceeding \$200,000 are prepared and submitted to the Assistant Secretary-General for Field Support and the Chief of the United Nations Procurement Division, within the stipulated time frame in the delegation of procurement authority.

13. *The MINUSTAH Mission Support accepted recommendation 1 and stated that all procurement officials with delegated authority have again been reminded (by memorandum CMS/08/OM/159 dated 26 March 2008) to ensure the reporting of core requirements within the time frame stipulated in the delegation of procurement authority and, this would be closely monitored at each LCC meeting. Based on the action taken by the Mission, recommendation 1 has been closed.*

B. Inadequate documentation of procurement case presentations

14. An OIOS' audit of the MINUSTAH Local Committee on Contracts (AP2007/683/10) identified that some procurement cases submitted to the HCC for their review were rejected on the ground of lack of transparency and clarity in the awarding process. Although the LCC was generally satisfied with and considered the documents provided satisfactory for its deliberations, OIOS noted that in two of the four cases the information provided was insufficient. In one case (MIN/2007/043), the Committee deferred its decision to allow the Procurement Section and the requisitioner to submit all required justifications. As regards the second case (MIN/2007/070), also a core requirements case, OIOS noted that the weighting system for technical evaluation had not been established before the opening of the proposals.

15. The documentation provided to the LCC deliberations to support the case presentations was not always consistent (e.g., technical and financial evaluation was in

some occasion deemed to be weak by the Committee members). There was no checklist of documents to be provided by the Procurement Section and the requisitioners to the LCC.

Recommendation 2

(2) The MINUSTAH Mission Support should establish a system to ensure that case presentations submitted to the Local Committee on Contracts contain all pertinent information needed for the members to arrive at informed decisions, such as a checklist of documents supporting case presentations.

16. *The MINUSTAH Mission Support accepted recommendation 2 and stated that the Mission, in coordination with HCC Secretariat and the LCC, will develop a master checklist to guide both the LCC and the Procurement Section on the required documentation supporting case presentations. The Mission also indicated that, to ensure uniformity and to make a concise case preparation, UNHQ has introduced the Electronic Contracts Committee System in the Mission. With regard to the improvement in the preparation of technical evaluations, the Mission has organized training from 24 March to 4 April 2008 for Procurement staff, LCC members and requisitioners with a view to improving all aspects of requisitioning and case presentations. Recommendation 2 remains open pending the receipt of a copy of the checklist to be used to verify the completeness of documentation supporting case presentations.*

VI. ACKNOWLEDGEMENT

17. 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.

cc: Mr. Luiz Carlos Da Costa, PD/SRSG, MINUSTAH
Mr. Paul B. Aghadjanian, CMS, MINUSTAH
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Malick Diop, Chief Resident Auditor, MINUSTAH

CONTACT INFORMATION:

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:

Ms. Eleanor Burns: Tel: 1.917.367.2792, Fax: +1.212.963.3388,
e-mail: burnse@un.org

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/ O¹	Actions needed to close recommendation	Implementation date²
1	C	Action completed	Implemented
2	O	Submission to OIOS of a copy of the checklist to be used to verify the completeness of documentation supporting case presentations	30 June 2008

¹ C = closed, O = open

² Date provided by MINUSTAH in response to recommendations