



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Fuel Management in MONUC

Internal controls over the management of fuel
need improvement

3 June 2010

Assignment No. AP2009/620/03

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. Alan Doss
A: Special Representative to the Secretary General
MONUC

DATE: 3 June 2010

REFERENCE: IAD: 10- 00449

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS

Fatoumata

SUBJECT: **Assignment No. AP2009/620/03 – Audit of Fuel Management in MONUC**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 5, 11, 12, 13, 15, and 17 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 6 and 16) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Amadu Kamara, Acting Director of Mission Support, MONUC
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Seth Adza, Chief, Audit Response Team, DFS
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of Fuel Management in MONUC

OIOS conducted an audit of Fuel Management in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over fuel. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Internal controls over fuel need improvement as noted below:

- The six fuel contracts valued at approximately \$120 million, which were used by the Mission, were not reviewed by a Legal Affairs Officer and the Fuel Unit before they were signed increasing the risk that the United Nations was not properly safeguarded in the contracts.
- Inadequate security arrangements around fuel points increased the possibilities of theft of petroleum, oil and lubricants (POL). There have already been several cases of theft of POL at fuel farms and generator sites.
- The Fuel Unit did not consult the Security Unit when planning and establishing fuel farms. As a result, appropriate security arrangements were not made, exposing fuel to increase theft and other irregularities.
- Fuel staff in sectors were not provided with appropriate training regarding safety, management, handling, and disposal of fuel in the field.
- Lubricants and other fuel products in the sectors visited were not adequately safeguarded against direct sunlight thus increasing risk of loss through damage. Moreover, fuel farms were located near offices and residential areas unnecessarily exposing UN staff to increased safety risks.

OIOS made a number of recommendations to address the issues identified during the audit and to improve internal controls in fuel management.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in United Nations Organization Mission in Democratic Republic of Congo (MONUC). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Mission operates fleets of aircraft, vehicles, naval vessels and generators and accordingly consumes approximately 42 million litres of Jet A-1 and 24 million litres of diesel valued at approximately \$120 million per year. The approved budget for fuel in 2007/2008 and 2008/2009 is 97.2 and 88.8 million litres costing \$94.3 million and \$79 million, respectively.
3. The Mission contracted six fuel vendors from the Democratic Republic of Congo (DRC), Burundi and Uganda to supply petroleum, oil and lubricants (POL).
4. The Fuel Unit in Kinshasa, with a staffing strength of seven, coordinate fuel operations in the Mission and provides technical assistance to 87 field staff deployed in the sectors.
5. Comments made by MONUC are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over fuel and more specifically to verify:
 - (a) Compliance of the Mission and fuel vendors with the terms and conditions of fuel contracts; and
 - (b) Business continuity and disaster recovery planning for fuel management.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered the period from 1 July 2008 to 30 June 2009 and was conducted in Kinshasa, Kisangani, Bunia, Bukavu, Goma and Entebbe. The audit did not cover the new turnkey fuel contract, which became effective from 1 January 2010.
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IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Compliance with the contract terms

Lack of adequate review of fuel contracts

8. The Department of Field Support (DFS) Fuel Operations Manual (the Manual) provides that the Procurement Section should ensure the terms and conditions of proposed contracts are reviewed by legal affairs personnel and prior to entering into a contract, the technical staff of the Supply Fuel Unit/Cell are consulted.

9. The six fuel contracts valued at over \$120 million entered into by the Mission were prepared by the Procurement Section and signed on behalf of the Mission by the Chief Procurement Officer. The contracts were neither reviewed by the Legal Affairs Division nor technically cleared by the Fuel Unit before the contracts were signed by the Mission and the respective contractors.

10. The Procurement Section explained that the contracts were not reviewed by Legal Affairs because they were standard contracts. In OIOS' view, this is not an acceptable answer, considering the significant financial commitment being made by MONUC and the noncompliance with the requirement of the Manual. Inadequate review of contracts increases the risk that the United Nations interests are not adequately safeguarded, which may result in financial losses.

Recommendation 1

(1) The MONUC Office of Mission Support should ensure the ex-post facto review of fuel contracts by Legal Affairs and the Fuel Unit and renegotiate the terms of the contracts, if necessary, to properly safeguard the interest of the United Nations.

11. *The MONUC Office of Mission Support accepted recommendation 1 and stated that five of the six fuel contracts are being amended, and will be reviewed by MONUC Legal and Fuel Unit. The sixth contractor has been replaced by a DFS/Procurement Division (PD) sponsored turnkey contract. Recommendation 1 remains open pending evidence that amendments to the five existing contracts have been reviewed by Legal Affairs and the Fuel Unit and that controls are implemented to ensure that future fuel contracts are properly reviewed in compliance with the Manual.*

Use of non calibrated measuring equipment led to significant loss

12. The fuel contracts provide that the method of measuring the quantities of petroleum products delivered by the vendors shall conform to international standards and practices and the contractors shall furnish equipment for such measurement.

13. The contractors in Bunia did not comply with the requirement for calibrating metering equipment and dipsticks. It has been identified that the use of non calibrated dipsticks and metering devices has resulted in a loss of 80,203 litres of diesel and 27,715 litres of Jet A-1 fuel between October 2008 and February 2009 at Bunia. At other sectors, calibrated measuring equipment was also not used by the contractors meaning that further losses may have occurred.

14. The Fuel Unit explained that they relied on non calibrated flow meters and dipsticks provided by the contractors for measurement since the contracts state that MONUC shall rely on the contractor's equipment. OIOS is unable to accept this misinterpretation as the contracts clearly state that measurement shall conform to international standards. Those international standards require the use of calibrated measuring equipment and contractors are thus obliged to provide such equipment.

15. In absence of calibrated equipment, the Mission may make full payments for short deliveries of fuel and this could result in financial losses.

Recommendation 2

(2) The MONUC Office of Mission Support should ensure that all fuel vendors calibrate their metering equipment and dipsticks to conform to international standards to ensure compliance with the contracts.

16. *The MONUC Office of Mission Support accepted recommendation 2 and stated that the implementation of the meter calibration requirement has been hindered by the lack of regulatory agencies in the DRC to enforce this requirement and delays by vendors in calibrating their equipment. To meet the requirement, MONUC will spot check and use industrial "proving cans" as per DPKO Operations Manual and provide training on measuring equipment. In addition, MONUC has also implemented a full receipt and inspection (R&I) programme for bulk and POL products. Recommendation 2 remains open pending evidence of contractors' compliance with the requirement to provide calibrated measuring equipment.*

Lack of insurance by the contractors

17. The United Nations General Conditions of Contract, which are a part of every fuel contract entered into by the Mission, state that the contractor shall provide and thereafter maintain insurance against all risks in respect of its property and any equipment used for the execution of the contract. The insurance policy shall name the United Nations as the insured.

18. For all six fuel contracts covered by the audit, the Procurement Unit did not provide OIOS with the requested copies of the insurance policies maintained by the contractors. In the absence of the required insurance coverage, the Mission may incur financial losses in the event an insurable event occurs.

Recommendation 3

(3) The MONUC Office of Mission Support should ensure that contractors provide insurance policies for all ongoing contracts to cover the property and any equipment used by the contractors in compliance with the relevant contracts.

19. *The MONUC Office of Mission Support accepted recommendation 3 and stated that MONUC will request the contractors to provide evidence of insurance coverage. Recommendation 3 remains open pending receipt of copies of the insurance policies procured by contractors in compliance with their contracts.*

Nonsubmission of performance bond by the Contractors

20. The Procurement Manual requires that contractors provide performance bonds for contracts over \$100,000. The standard contract term also requires vendors to furnish performance bonds to the Mission within five days of signing the agreements.

21. All existing contracts were extended beyond the original contract period. However, performance bonds for the extended period were not furnished by the vendors within five days of signing the extension of the contract. OIOS notes that the bonds for four contracts were submitted late, between 36 to 184 days and the bonds for two other contracts were not renewed.

22. The Procurement Section did not implemented appropriate controls to ensure that bonds are obtained in a timely manner. The absence of valid performance bonds exposes the Mission to the risk of loss resulting from defaults attributed to contractors.

Recommendation 4

(4) The MONUC Office of Mission Support should ensure that contractors submit the required performance bonds in compliance with the terms and conditions of the contracts.

23. *The MONUC Office of Mission Support accepted recommendation 4 and stated that it will ensure that valid bonds are furnished by all contractors in compliance with the relevant contracts. Recommendation 4 remains open pending receipt of evidence showing that valid bonds have been furnished by the contractors.*

B. Operational efficiency and payment for fuel

Processing of vendor invoices without supporting documents

24. The Field Finance Procedure Guidelines provides that it is the responsibility of the Finance Unit to review all invoices to ensure that the requisite supporting documents are attached prior to payment.

25. Invoices for fuel supply were processed by the Finance Unit without obtaining all requisite supporting documents from vendors such as task orders, delivery certificates, original bills of lading and price index. Presently, the Finance Section does not obtain these documents and verify them before approving payments. Rather, the Section relies on the certification of the Supply Section.

26. Failure to obtain supporting documents for invoices may result in overpayments or irregularities not being detected and prevented.

Recommendation 5

(5) The MONUC Office of Mission Support should ensure that the Finance Section independently checks vendor invoices and related original supporting documents in compliance with the Field Finance Procedure Guidelines.

27. *The MONUC Office of Mission Support accepted recommendation 5 and stated that it has established measures to ensure that all fuel vendor invoices are independently verified with the requisite supporting documents from vendors prior to payment. A new checklist has been created for the processing of fuel invoices that includes verification of task orders, delivery notes, original bills of lading and price index. Based on the action taken, recommendation 5 has been closed.*

Nonrecovery of outstanding funds from other United Nations entities

28. A total of \$268,169 is owed to the Mission by various United Nations entities including the WFP, UNHCR and other peacekeeping missions for fuel provided to them. This amount had been outstanding since September 2008 and, as at the date of the audit, the Finance Section was yet to recover the outstanding amounts. The Fuel Unit continues to issue fuel to these entities without a proper procedure in place to ensure timely recovery of amounts due.

Recommendation 6

(6) The MONUC Office of Mission Support should recover \$268,169 from the United Nations entities for fuel supplied to them.

29. *The MONUC Office of Mission Support accepted recommendation 6 and stated that it will follow up on the recovery of outstanding amounts. Recommendation 6 remains open pending receipt of evidence that procedures have been established to ensure the timely recovery of costs relating to the supply of fuel to third parties.*

Lack of independent verification of price claimed by contractor

30. Articles 7 and 8 of the fuel contracts provide that the rate per unit payable by the Mission shall be based on the Platts price index, which must be submitted along with its invoice by the Contractor.

31. The Mission does not independently procure Platts price index to ensure that correct rates have been applied by the Contractor as per the relevant index. Instead, it places reliance on the Platts price index provided by the contractors. OIOS is of the opinion that the Mission should independently obtain and use the Platts price index to verify the correctness and accuracy of the price claimed by the Contractor.

Recommendation 7

(7) The MONUC Office of Mission Support should subscribe to the Platts price index for verification of fuel prices charged by vendors.

32. *The MONUC Office of Mission Support accepted recommendation 7 and stated that it has already raised a requisition for subscription to the “Platt European Marketscan.” Recommendation 7 remains open pending submission of evidence of subscription to Platt European Marketscan for independent verification of fuel prices.*

Lack of proper recordkeeping

33. Best practices require that recorded transactions should be supported by proper and complete documentation to ensure that the recorded information is reliable. Proper recordkeeping ensures an audit trail that facilitates reconciliation of recorded transactions.

34. The Fuel Unit in Kinshasa uses a standard daily matrix to record and monitor the receipts and issuances of fuel. This matrix is completed manually using documents such as vendors’ invoices (for diesel), fuel issue sheets for vehicles, approved fuel request forms for bulk withdrawal, oil and fuel consumption (for generators), aviation delivery receipts for refueling of aircrafts by vendors and aircraft issue sheets, etc. The accuracy of the data in the matrix could not be verified as the source documents were not maintained in most regions except for Bukavu and Bunia.

35. Fuel officers keep the record of transactions and related documents, but the recordkeeping was not standardized and organized. There is a wide disparity in the quality, reliability and usefulness of records from one office to another.

36. The lack of a system for maintaining records increases the risk of incorrect reporting of consumption of fuel and irregularities not being detected.

Recommendation 8

(8) The MONUC Office of Mission Support should ensure that a system of recordkeeping for fuel receipts, distribution, consumption and balances is implemented in all sectors to ensure an adequate audit trail of recorded transactions and to improve the quality of information in the matrix.

37. *The MONUC Office of Mission Support accepted recommendation 8 and stated that it has amended SOPs for the Fuel Unit and implemented a standard system of record keeping. A pilot system was tested at the Entebbe Fuel Conference in February 2010 and new instructions were issued to comply with the system. Recommendation 8 remains open pending submission of a copy of the approved SOPs issued to all concerned offices for its implementation.*

Fuel staff at the sectors not aware of vendor contracts and task orders

38. Sector fuel supervisors who are responsible for receiving, storing, issuing and accounting for fuel in the field depots and fuel cells have no access to the contracts and task orders to ensure compliance of contractors with POL delivery requirements. Meanwhile, staff members of the Fuel Unit do not regularly visit or inspect the field fuel cells. There was thus a risk of noncompliance with contracts, and this noncompliance not being detected in a timely manner.

Recommendation 9

(9) The MONUC Office of Mission Support should provide a summarized version of the pertinent sections of fuel contracts to sector fuel supervisors to ensure compliance of vendors with critical terms and conditions of the contract particularly regarding delivery and quality.

39. *The MONUC Office of Mission Support accepted recommendation 9 and stated that guidelines have already been sent to section chiefs, regional administrative officers and field staff for coordination and to ensure compliance with the contracts. In addition, Contract Management Services has prepared, for each contract, the “contract data requirement list” covering the critical clauses of the contracts. Recommendation 9 remains open pending evidence that the contract data requirement list have been provided to fuel supervisors at fuel depots.*

Insufficient training of sector fuel supervisors and assistants

40. The Manual provided that the Mission must ensure that all personnel whose primary or secondary duties are associated with POL are adequately

trained to ensure safe, cost effective, management, distribution, handling, use and disposal of POL products.

41. OIOS' survey and interview with key personnel in the field revealed that sector fuel supervisors and assistants who are responsible for technical functions had not been provided with appropriate training regarding safety, management, handling, use and disposal of POL in the field. Only fuel officers who are mostly concerned with administrative functions have attended these trainings.

42. Failure to provide training to fuel staff may result in mismanagement of POL and possible financial losses.

Recommendation 10

(10) The MONUC Office of Mission Support should provide relevant training to sector fuel supervisors and assistants to improve fuel management practices.

43. *The MONUC Office of Mission Support accepted recommendation 10 and stated that it will ensure that adequate training is provided to all personnel, whose primary and secondary duties are associated with POL. Recommendation 10 remains open pending submission of evidence of attendance of sector fuel supervisors and assistants in training courses on POL management.*

Improper storage of lubricant products

44. The Manual provides that lubricants stored outdoors must be sheltered from rain and other adverse conditions and consumption should be monitored to minimize exposure to such conditions. It also states that drums stored upright must be covered with drum covers and tilted to drain gathered moisture.

45. In Entebbe, Bunia, Bukavu, and Goma, the lubricants and other fuel products including diesel were not warehoused and thus exposed to direct sunlight. In Bunia and Kisangani, the First-In-First-out (FIFO) inventory system was not being practiced and lubricants which had been in stock since 2003 had not been used.

Recommendation 11

(11) The MONUC Office of Mission Support should ensure the timely storage of petroleum, oil and lubricants products in line with DFS Fuel Operations Manual.

46. *The MONUC Office of Mission Support accepted recommendation 11 and stated that it has strengthened procedures over the storage of POL products in accordance with DFS Fuel Operations Manual. Checklists for drum products are completed monthly to show conditions of drums at fuel storage sites. Bukavu and Goma have specific policies for storage of lubricants in sea containers for full protection. For Entebbe Log Base, a work order has been submitted for the*

construction of a shelter for lubricants. Based on the action taken, recommendation 11 has been closed.

Weak oversight and lack of direct supervision led to unauthorized withdrawal of fuel

47. Entebbe Support Base (ESB) draws fuel for all of its vehicles from the supplier's fuel stations. For this purpose, the Fuel Unit, ESB issued fuel credit cards to the staff to refuel Mission vehicles. In addition, emergency cards are issued to draw fuel for Aru and Mahagi. However, no guidelines were issued by the Fuel Unit to establish control over the use of emergency fuel cards and to prevent their misuse. This lack of guidance resulted in emergency fuel being issued without authorization, and the subsequent use of this fuel not properly reported.

Recommendation 12

(12) The MONUC Office of Mission Support should issue guidelines on the issuance and use of emergency fuel cards to ensure the issuance and use of fuel is properly accounted for, and to prevent its misuse.

48. *The MONUC Office of Mission Support accepted recommendation 12 and stated that it has strengthened controls over emergency fuel cards to prevent misuse. The only emergency card that is currently issued is for Aru sub-unit office and is only used with prior written approval from Mission HQ.* Based on the action taken, recommendation 12 has been closed.

Use of IT system in fuel monitoring

49. The Mission uses the Mission Electronic Fuel Accounting System (MEFAS) to monitor the use of its fuel. MEFAS was developed primarily for fuel accounting and as a planning tool for the Fuel Unit. In addition, MEFAS enables the Mission to have an overall view of fuel usage and to improve the management of fuel. The system is currently used by 28 fuel cells in the Mission.

50. The MEFAS system relies on manual data entry from fuel cells which increases the risk of data error. In addition, the slow speed of IT connection in some sectors delays the recording of fuel usage and issuances. There was no data migration from the CarLog system to MEFAS because there is no interface between the two systems. Hence, reconciliation of data from the two systems is done manually, which increases the risk of inputting inaccurate and delayed information from one system to the other.

Recommendation 13

(13) The MONUC Office of Mission Support should ensure that manually input data for Mission Electronic Accounting System is rigorously checked to ensure quality of data.

51. *The MONUC Office of Mission Support accepted recommendation 13 and stated that it has established the following measures to improve quality of data input: (a) a dedicated national staff member was assigned to verify manual fuel records against MEFAS entries; and (b) all fuel supervisors are required to check Daily Abnormality Reports that flag data problems and maybe used to make corrections.* Based on the action taken, recommendation 13 has been closed.

C. Business continuity and disaster recovery

Lack of emergency response plan weakens disaster management capability

52. The Manual provides that the Chief of Fuel Unit should identify potential emergencies and prepare written pre-planned procedures to meet such emergencies. This is referred to as the Emergency Response Plan of the Fuel Unit. The plan must be maintained and formally reviewed once every six months or following any change that may impact on effectiveness of the emergency response arrangements described within the plan.

53. There was no Emergency Response Plan in the Mission to deal with exigencies of large-scale spillages, fire or injuries to staff. OIOS noted that spillages and contaminated soil at Bunia and Goma fuel farms were not adequately treated as per standard practices. The Fuel Unit explained that an emergency plan is being prepared and a final survey had been completed.

Recommendations 14 and 15

The MONUC Administration should:

(14) Develop and implement an Emergency Response Plan and train the concerned staff in the response procedures at all fuel farms and generator sites; and

(15) Ensure that the fuel spillages and soil contamination in Bunia and Goma fuel farms are treated in accordance with DFS Fuel Management Guidelines.

54. *The MONUC Office of Mission Support accepted recommendation 14 and stated that it has already started to implement the draft Emergency Response Plan that will be completed by mid-year. In addition, standardization of SOPs is now in progress.* Recommendation 14 remains open pending receipt of the final approved Emergency Response Plan and evidence of the participation of concerned staffs in the training on response procedures.

55. *The MONUC Office of Mission Support accepted recommendation 15 and stated that the recommendation has been already implemented by including in the 2009/2010 acquisition plan of Fuel Unit the procurement of extra large kits of spill clean-up materials for wider distribution in the Mission specifically*

for Bunia and Goma. Based on the action taken, recommendation 15 has been closed.

D. Security and safety of fuel and related assets managed by MONUC

Inappropriate location of fuel farms may lead to disaster

56. The Manual provides that the minimum safety distance from fuel farms for airport flight traffic surveillance should be 90 meters while for office buildings it should be 30 meters.

57. In Goma, Bukavu, Bunia and Entebbe, fuel farms were not established in accordance with the Fuel Manual. In these places, fuel farms were located within close proximity of residential and office buildings. In Bunia and Entebbe, the fuel farm was located right inside the Log Base with the offices situated just about 15 meters away while in Goma and Bukavu, the farm was located about 15 to 20 meters from the airport with antennas for flight traffic surveillance and a military camp very close by. There is thus an increased risk to the safety of life and property of UN and host community.

58. The Fuel Unit explained that the continued growth in the Mission was responsible for this situation.

Recommendation 16

(16) The MONUC Office of Mission Support should relocate fuel farms to a safe distance from residential and commercial areas in compliance with the Fuel Manual.

59. *The MONUC Office of Mission Support accepted recommendation 16 and stated that encroachment on sites originally dedicated to fuel operations is now being addressed in the fuel farm works.* Recommendation 16 remains open pending evidence that fuel farms are located at a safe distance from residential and commercial areas.

Inadequate security

60. Fuel facilities must be properly safeguarded to prevent theft and other irregularities.

61. In view of the shortage of security personnel, casual daily workers (CDWs) were engaged as security personnel although they have not been provided with the necessary training in security of fuel installations. In Bukavu, Goma, Kinsangani, Kinshasa and Bunia, there were several thefts of POL at fuel farms and generator sites.

62. The Fuel Unit does not consult the Security Unit when planning and establishing fuel farms. As a result, the relevant security arrangements are not always considered. At the Bunia fuel farm, perimeter fencing is yet to be

completed while in Goma and Bukavu, the fence is not strong and high enough to discourage entry by unauthorized persons. Records of entry and exit of all visitors to the farm were not maintained.

63. In 2008/2009, 11 cases of fuel theft were investigated by the Security Investigation Unit out of which nine cases were concluded. While CDWs found guilty were dismissed from the Mission, no disciplinary action has yet been taken against the national staffs that were also found guilty. OIOS was informed that the cases were pending with UN Headquarters.

Recommendation 17

(17) The MONUC Office of Mission Support should take steps to strengthen security around fuel farms in the Mission to properly safeguard fuel and mitigate the risks of loss through theft.

64. *The MONUC Office of Mission Support accepted recommendation 17 and stated that operational developments led to fuel sites outside the security boundaries and provided details of measures being taken to enhance security. Recommendation 17 remains open pending confirmation that enhanced security measures have been established, and that proper administrative procedures have been taken against the perpetrators' of the theft.*

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The MONUC Office of Mission Support should ensure the ex-post facto review of fuel contracts by Legal Affairs and the Fuel Unit and renegotiate the terms of the contracts, if necessary, to properly safeguard the interest of the United Nations.	Compliance	High	O	Evidence that contracts have been reviewed by Legal Affairs and Fuel Units and that controls are implemented to ensure that future fuel contracts are properly reviewed in compliance with the DFS' Fuel Operations Manual.	30 June 2010
2	The MONUC Office of Mission Support should ensure that all fuel vendors calibrate their metering equipment and dipsticks to conform to international standards to ensure compliance with the contracts.	Compliance	Medium	O	Evidence of contractors' compliance with the requirement to provide calibrated measuring equipment.	30 June 2010
3	The MONUC Office of Mission Support should ensure that contractors provide insurance policies for all ongoing contracts to cover the property and any equipment used by the contractors in compliance with the relevant contracts.	Financial	Medium	O	Receipt of copies of the insurance policies procured by contractors in compliance with their contracts.	June 2010
4	The MONUC Office of Mission Support should ensure that contractors submit the required performance bonds in compliance with the terms and conditions of the contracts.	Financial	Medium	O	Receipt of evidence showing that valid bonds have been furnished by the contractors.	30 June 2010
5	The MONUC Office of Mission Support should ensure that the Finance Section independently checks vendor invoices and related original supporting documents in compliance with the Field Finance Procedure Guidelines.	Financial	Medium	C	Action taken.	Implemented.

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
6	The MONUC Office of Mission Support should recover \$268,169 from the United Nations entities for fuel supplied to them.	Financial	High	O	Pending receipt of evidence relating to the recovery of outstanding amount from the UN entities.	30 June 2010
7	The MONUC Office of Mission Support should subscribe to the Platts price index for verification of fuel prices charged by vendors.	Operational	Medium	O	Copy of established procedures to ensure the timely recovery of costs relating to the supply of fuel to third parties.	Not provided
8	The MONUC Office of Mission Support should ensure that a system of recordkeeping for fuel receipts, distribution, consumption and balances is implemented in all sectors to ensure an adequate audit trail of recorded transactions and to improve the quality of information in the matrix.	Operational	Medium	O	Copy of the approved SOP issued to all offices concerned for its implementation.	9 Feb 2010
9	The MONUC Office of Mission Support should provide a summarized version of the pertinent sections of fuel contracts to sector fuel supervisors to ensure compliance of vendors with critical terms and conditions of the contract particularly regarding delivery and quality.	Operational	Medium	O	Evidence that the contract data requirement list have been provided to the fuel supervisors at the fuel depots.	1 Feb 2010
10	The MONUC Office of Mission Support should provide relevant training to sector fuel supervisors and assistants to improve fuel management practices.	Human Resources	Medium	O	Pending submission of evidence of attendance of sector fuel supervisors and assistants in training courses on POL management.	Not provided
11	The MONUC Office of Mission Support should ensure the timely storage of petroleum, oil and lubricants products in line with DFS Fuel Operations Manual.	Operational	High	C	Action taken.	Implemented
12	The MONUC Office of Mission Support should issue guidelines on the issuance and use of emergency fuel cards to ensure the issuance and use of fuel is properly accounted for, and to prevent its misuse.	Operational	Medium	C	Action taken.	Implemented
13	The MONUC Office of Mission Support	Operational	Medium	C	Action taken.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	should ensure that manually input data for Mission Electronic Accounting System is rigorously checked to ensure quality of data.					
14	Develop and implement an Emergency Response Plan and train the concerned staff in the response procedures at all fuel farms and generator sites; and	Operational	Moderate	O	Receipt of approved Emergency Response Plan and evidence of participation of concerned staffs in the training of response procedures.	30 June 2010
15	Ensure that the fuel spillages and soil contamination in Bunia and Goma fuel farms are treated in accordance with DFS Fuel Management Guidelines.	Operational	High	C	Action taken.	Implemented
16	The MONUC Office of Mission Support should relocate fuel farms to a safe distance from residential and commercial areas in compliance with the Fuel Manual.	Operational	High	O	Pending evidence that fuel farms are located at a safe distance from residential and commercial areas.	1 Aug 2010
17	The MONUC Office of Mission Support should take steps to strengthen security around fuel farms in the Mission to properly safeguard fuel and mitigate the risks of loss through theft.	Operational	Medium	O	Confirmation that enhanced security measures have been established and proper administrative procedures have been taken against perpetrators of theft.	Implemented.

1. C = closed, O = open

2. Date provided by MONUC in response to recommendations.

