



INTERNAL AUDIT DIVISION

AUDIT REPORT

Management of fuel and food rations in UNDOF

The Mission needs to improve compliance with established procedures regarding the management of fuel and food rations

30 August 2011

Assignment No. AP2011/670/02

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: Major General Natalio C. Ecarma
A: Force Commander and Head of Mission
United Nations Disengagement Observer Force (UNDOF)

DATE: 30 August 2011

REFERENCE: IAD: 11- 00546

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

Fatoumata

SUBJECT: **Assignment No. AP2011/670/02 - Audit of the management of fuel and food rations in UNDOF**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. In order to close the recommendations, we request you to provide us with additional information as discussed in the text of the report and summarized in Annex I.
3. We wish to express our appreciation to the Management and staff of UNDOF for the assistance and cooperation extended to the auditors during this assignment.

cc: Mr. Bernard Lee, Chief, Mission Support
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Seth Adza, Chief, Audit Response Team, Department of Field Support
Mr. Moses Bamuwamye, Executive Secretary, IAAC
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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 the management of fuel and food rations in UNDOF

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of fuel and food rations in United Nations Disengagement Observer Force (UNDOF). The objective of the audit was to assess the adequacy and effectiveness of internal controls established by UNDOF over its management of fuel and food rations.

UNDOF needs to ensure compliance with established United Nations procedures in the management of fuel and food rations.

For fuel management, UNDOF had not clarified responsibilities regarding analyzing of data on fuel consumption. As a result, no analysis and thus monitoring of fuel consumed by contingents were done. Also, UNDOF did not establish a contingency plan for fuel, determine its strategic fuel reserves, and conduct periodic physical inventory of fuel stocks.

For rations management, contingents were not aware of the requirement to conduct physical inventories of rations and deduct the stock on hand from their respective orders. This has led to the issuance of and the holding of excess rations. Also, UNDOF did not ensure timely consumption of composite rations packs (CRPs) leading to the destruction of at least 1,460 CRPs costing \$28,112 in September 2010.

OIOS made five recommendations to address the issues identified during the audit and to further improve the management of fuel and food rations in UNDOF. Action was being taken by UNDOF to strengthen controls.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of fuel and food rations in United Nations Disengagement Observer Force (UNDOF). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors.
2. The Mission had five contracts valued at about \$1.9 million for the supply of petrol, oils and lubricants, liquefied petroleum gas, diesel, benzene, and kerosene, and had eight contracts valued at about \$2.6 million for the supply of food rations and water.
3. The Mission has a Fuel Unit and a Rations Unit within the Supply Section of the Integrated Support Services. The Fuel Unit had three staff including two military personnel and one national staff. The Mission's fuel consuming equipment included 394 vehicles and 73 generators, and on average consumed 4.1 million liters of diesel per year. The Rations Unit had four staff, who were military personnel.
4. Comments made by UNDOF are shown in *italics*.

II. AUDIT OBJECTIVES

5. The objective of the audit was to assess the adequacy and effectiveness of internal controls established by UNDOF over its management of fuel and food rations.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered the period from 1 July 2009 to 31 January 2011, and included receipt, storage, issuance, re-ordering, vendor payment processing, and contracts management of activities related to fuel and rations.
 7. The audit methodology included interviews and discussions with UNDOF staff involved in the management of fuel and rations, as well as a review of available records and reports available. The management of fuel and rations is governed by the policies promulgated by the Departments of Peacekeeping Operations and Field Support (DPKO/DFS), as well as Mission-specific standard operating procedures (SOPs). Physical inspections were also conducted of fuel storage locations and food rations warehouses and kitchens.
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IV. AUDIT RESULTS

A. Fuel management

Fuel consumption

8. Paragraph 6.8.9 of the DPKO/DFS Fuel Operations Manual requires the Mission to capture the current and historical data about its fuel usage to correctly estimate reorder levels. In 2010, the Mission acquired a Fuel Log system to supplement its existing Carlog system. These systems allow the Mission to capture data on the issuance and consumption of fuel by its vehicles and generators. The Mission had not monitored, analyzed and reconciled data mainly because the responsibility for this task was not clearly assigned. As a result, the Mission placed orders for fuel based on requests from the various military contingents without adequately monitoring its use.

Recommendation 1

(1) UNDOF should ensure that responsibilities for monitoring, analyzing and reconciling fuel consumption are clarified in the standard operating procedures and that they include adequate procedures to ensure the data is used in monitoring fuel consumption.

9. *UNDOF accepted recommendation 1 and stated that it is updating its SOPs to clearly define the responsibilities of the various sections for monitoring, analyzing and reconciling fuel consumption. Recommendation 1 remains open pending receipt of a copy the approved SOPs which define the responsibilities of various sections in fuel management.*

Strategic fuel reserves

10. The Mission had not established the appropriate levels of strategic fuel reserves (SFR) and did not have a fuel contingency plan. In addition, the Mission had not conducted periodic inventory of its fuel and therefore was not aware of the actual level of fuel in the Mission. This was because the Mission's fuel tanks were enclosed in concrete walls that did not permit the use of dip sticks/or other measuring tools to measure the quantities of fuel in storage. *Since the audit, the Mission stated that it had installed visible indicators and a calibrated scale on all tanks to facilitate periodic inventory checks.*

11. With regards to the SFR and the contingency plan, the Mission acknowledged that it did not establish fuel reserves but was of the view that a contingency plan would not be necessary since there were no alternative suppliers of fuel, other than the Government-owned Company for Storing and Distribution of Petroleum Products (SADCOP).

12. Although SADCOP is the sole provider of fuel in Syria, it is important for the Mission to establish a contingency plan in order to identify alternatives

sources of fuel from the region and to prioritize its fuel usage in the event of crisis when there may be no deliveries from SADCOP.

Recommendation 2

(2) UNDOF should establish: (i) its strategic fuel reserve; and (ii) a contingency plan in order to be prepared in the event of crisis.

13. *The UNDOF accepted recommendation 2 and stated that the Mission had determined its SFR to be 223,500 liters which is adequate to support the Mission for a period of 17.5 days. Recommendation 2 remains open pending the receipt of a contingency plan as required by the Fuel Manual.*

Fuel contract

14. SADCOP had been the sole provider of fuel to the Mission since 1974 without a contract. The Headquarters Committees on Contracts in its January 2010 meeting recommended a three-year contract valued at \$10.7 million with SADCOP. However, in April 2010, the Mission signed an Memorandum of Understanding (MoU) with SADCOP. OIOS was informed that SADCOP refused to enter into a contract with UNDOF.

15. The MoU did not contain the contractual standard terms and conditions required by the United Nations Procurement Manual. Therefore, the interest of UNDOF may not be adequately safeguarded. OIOS was informed that at the time the MoU was established, the Mission did not have a legal advisor and therefore no formal legal review was done.

Recommendation 3

(3) UNDOF should initiate a legal review of the Memorandum of Understanding with the Syrian Company for Storing and Distribution of Petroleum Products to ensure the interests of UNDOF are adequately safeguarded.

16. *UNDOF accepted recommendation 3 and stated that notwithstanding the company's refusal to enter into a contractual agreement with UNDOF, the legal officer was asked to review the MoU with a view toward offering an opinion as to whether the terms and conditions adequately protect the interests of the Mission. Recommendation 3 remains open pending the receipt of the opinion of the Legal Officer and the actions taken by UNDOF to ensure its interests are adequately protected.*

B. Rations management

Rations inventory control

17. Military contingents did not submit stock balance reports to the Rations Unit, which is a standard requirement of the Rations Manual. Furthermore, the Unit did not conduct periodic inventory checks on the rations held at various military contingents' locations. The contingents requested rations without taking into account the stock on hand and the Unit issued the rations accordingly which led to contingents holding excess stock, as mentioned in paragraph 20 below.

Recommendation 4

(4) UNDOF should issue guidelines to contingents and a standard template for preparing requisitions. Also, a physical inventory of rations should be conducted to identify excess supplies.

18. *UNDOF accepted recommendation 4 and stated that the Rations Unit had since implemented procedures to monitor, control and account for stock holding. UNDOF is still to conduct a physical inventory.* Recommendation 4 remains open pending confirmation that a physical inventory of rations stocks has been conducted to identify excess rations.

Rations reserves

19. According to the Rations Manual, the Mission is required to maintain ration reserves for 14 days and consumption of composite rations packs (CRPs) for 14 days. As of February 2011, the Mission had ration reserves for 30 days and CRPs for 15 days. The Mission was aware that it was holding excess rations reserves and stated that it was evaluating options to have contractors rather than the Mission to maintain their reserves. The Mission had not completed its evaluation of options, and had not taken interim measures to ensure that reserves were maintained in accordance with the requirements of the Rations Manual.

20. UNDOF did not ensure the timely consumption of CRPs. As a result, at least 1,460 CRPs had to be destroyed in September 2010, costing \$28,112. As of March 2011, the stock of 13,488 CRPs was due to expire in August 2012 and that of 16,638 CRPs was due to expire in December 2012. Based on the Mission's CRP consumption plan, approximately 11,000 CRPs will not be consumed before their expiry dates leading to potential waste. This was because the Mission did not require its military contingents to consume CRPs at least two days per ration cycle in accordance with the Rations Manual.

Recommendation 5

(5) UNDOF should: (i) establish the Mission's rations reserves in accordance with the reserves requirements per the Rations Manual; and (ii) re-evaluate its composite ration packs consumption plans in order to prevent waste.

21. *UNDOF accepted recommendation 5, and stated that it was of the view that it had the prerogative to determine the level of ration reserves considering its operational environment. Therefore, the Mission pursued a policy of maintaining a 30-day reserve of dry and frozen rations, and a 15-day reserve of CRPs. For the compliance with the consumption of CRPs, UNDOF indicated that on the basis of their expiry dates, the Mission will start to consume the CRPs from July 2011 in order prevent waste. Recommendation 5 remains open pending receipt of a copy of the plan for consumption of CRPs that ensures all CRPs are consumed prior to their expiry date to avoid wastage.*

Rations contract

22. *The Mission was procuring rations totaling about \$65,000 from a vendor without signing a contract. The draft contract dated June 2009 remained unsigned by the contractor as at March 2011. UNDOF stated that although the vendor had consistently refused to sign a contract, deliveries had been satisfactory, and performance conformed to the standard United Nations contract. The Mission however indicated that correspondence with the vendor on 12 April 2011 may ultimately lead to a signed contract.*

V. ACKNOWLEDGEMENT

23. *We wish to express our appreciation to the Management and staff of UNDOF 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	UNDOF should ensure that responsibilities for monitoring, analyzing and reconciling fuel consumption are clarified in the standard operating procedures and that they include adequate procedures to ensure the data is used in monitoring fuel consumption.	Operational	Important (Medium)	O	Receipt of a copy the approved SOPs which define the responsibilities of various sections in fuel management.	May 2011
2	UNDOF should establish: (i) its strategic fuel reserve; and (ii) a contingency plan in order to be prepared in the event of crisis.	Strategy	Important (Medium)	O	Receipt of the contingency plan as required by the Fuel Manual.	May 2011
3	UNDOF should initiate a legal review of the Memorandum of Understanding with the Syrian Company for Storing and Distribution of Petroleum Products to ensure the interests of UNDOF are adequately safeguarded.	Compliance	Important (Medium)	O	Receipt of the opinion of the Legal Officer and the actions taken by UNDOF to ensure its interests are adequately protected.	31 May 2011
4	UNDOF should issue guidelines to contingents and a standard template for preparing requisitions. Also, a physical inventory of rations should be conducted to identify excess supplies.	Compliance	Important (Medium)	O	Confirmation that a physical inventory of rations stocks has been conducted to identify excess rations.	May 2011
5	UNDOF should: (i) establish the Mission's rations reserves in accordance with the reserves requirements per the Rations Manual; and (ii) re-evaluate its composite ration packs consumption plans in order to prevent waste.	Compliance	Important (Medium)	O	Receipt of a copy of the plan for consumption of CRPs that ensures all CRP are consumed prior to their expiry date to avoid wastage.	May 2011

1. C = closed, O = open².

2. Date provided by UNDOF in response to recommendations.

