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OFFICE OF THE CHIEF OF MISSION

TO: Ms. Eleanor T. Burns
A: Chief, Peacekeeping Audit Service
Internal Audit Division
Office of Internal Oversight Services
New York

DATE: 24 February 2012

REFERENCE: OSRSG-Audit-01/2012

FROM: Lisa Buttenheim, Special Representative
DE: of the Secretary-General and Chief of Mission,
UNFICYP

SUBJECT:
OBJET: **Assignment No. AP2011/654/01 – Audit of Procurement in UNFICYP**

1. Reference is made to the draft report on the Audit of Procurement in UNFICYP, submitted by OIOS on 9 February 2012.

2. Please find attached completed Annex I, indicating the Mission's comments and relevant evidentiary documentation.

3. Please do not hesitate to contact us, should you require any additional information on this matter.

cc: Mr. Paul Aghadjanian, Chief of Mission Support, UNFICYP
Ms. Huiming June Tan, Chief Resident Auditor, Middle East Regional Office, OIOS
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

ANNEX I

## AUDIT RECOMMENDATIONS

## Audit of procurement in UNFICYP (AP2011/654/01)

| Rec. no. | Recommendation | Critical[1]/ important[2] | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
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| 1 | UNFICYP should ensure that camp services are procured cost effectively, and where possible avoid significant management fees for delivering such services. Market surveys and appropriate research should be conducted to increase competitiveness and identify various options available and associated costs to leverage economies of scale and value for money. | Important | Yes<br><br>Subject to LPA authorization by the UN-HQ | Requisitioner-UNFICYP Supply Section;<br><br>and<br><br>Procurement Section | 28 February 2013 | The Mission accepts the recommendation as detailed below.<br><br>UNFICYP, as per the OIOS recommendation, will initiate another bidding exercise with the intention of conducting a market survey and evaluating current market prices to determine economies of scale and value for money, should the camp services be split and awarded separately. The Mission, upon obtaining the required procurement authority from the UN-HQ, will conduct the competitive bidding exercise with an intention to award the contract(s) by 28 February 2013.<br><br>The Mission's conducting of bidding exercise is conditional on obtaining Technical Clearance and Local Procurement Authority from the UN-HQ.<br><br>Upon conclusion of the bidding exercise the Mission, in conjunction with counterparts at the UN-HQ, will act in the best interests of the Organization and either award the contract to a |

[1] Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

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| | | | | | | different set of vendors or extend the existing contract for one year until 28 February 2014.<br><br>In line with the above plan, on 20 January 2012, the Mission submitted a fax to the UN-HQ/LSD requesting for Technical Clearance. A copy of the fax in reference, excluding annexes, is attached for easy reference.<br><br>**Please refer to Annex A.** |
| 2 | UNFICYP should systematically follow-up with vendors to obtain confirmation that they have received solication documents. Also, further consideration should be given to allowing an adequate timeframe of a minimum 30 days for vendors to respond to solicitations. | Important | Partially Yes | All UNFICYP procurement personnel | Implemented<br><br>The procedures are already in place. | There are two parts in this recommendation and the Mission accepts the recommendation partially as detailed below.<br><br>Part 1 – Systematic follow-up in obtaining confirmation that the invitees received solicitation documents<br><br>The Mission does not accept this part of the recommendation.<br><br>This is primarily due to the following reasons:<br>• confirmation document has to be initiated by the invitees who received the Solicitation Document and the Mission has no control over it;<br>• invitees are not obliged to submit the confirmation;<br>• systematic follow-up would not guarantee that the invitees will submit a confirmation of receipt of Solicitation Document.<br><br>Obtaining of written confirmation from the invitees would be feasible only when the invitees are willing to comply with this requirement. Our prior experience is that some |

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| | | | | | | invitees show their unhappiness in our repeated follow-up actions, especially when they are not keen to participate in the tender process. Invitees who were not successful in previous bidding processes may not be motivated to submit an acknowledgement of receipt of bidding documents for a new solicitation.<br><br>It should be noted that lack of written confirmation about the receipt of Solicitation Document does not automatically mean that the vendor never received the Solicitation Document. The Solicitation Documents are very clear with regard to the requirement of the acknowledgement and expression of their intent to participate. There is a specific blank Acknowledgement Format already included in the Solicitation Document, but not all vendors follow this instruction.<br><br>When the Mission already has a challenge of promoting vendor competition, we do not consider it prudent to impose any sanction (e.g. declaring the vendor as ineligible for future tenders), because of the vendor's failure to provide an Acknowledgment for the receipt of the Solicitation Documents.<br><br>In line with the guidelines of the Procurement Manual (Paragraph 9.46 – Issuance of Solicitation Documents), the Mission uses the most efficient and cost effective means of transmitting the Solicitation Documents with the aim that all invitees receive the Solicitation Documents simultaneously. |

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| | | | | | | Using hand-delivery, commercial courier, post, fax and telephone methods all require financial resources; therefore, the decision to choose the efficient means of transmission should be appropriately done. Considering the cost issue, Procurement Section primarily uses email and fax systems to transmit Solicitation Documents depending on the available contact details on the procurement database and the volume of the Solicitation Documents being transmitted.<br><br>Currently, for high-value cases, a close follow-up is undertaken and the invitees are contacted over phone after the transmission of Solicitation Documents. However, even in these cases, acknowledgements from all the invitees are not always received.<br><br>In view of the above, the Mission would continue to carry out the current arrangement of retaining a proof of delivery of Solicitation Documents to the invitees, e.g. fax transmission report or email Delivery or Relay Report. These documents shall be considered as sufficient proof of submission of documents by the Mission and receipt by the invitees.<br><br>As obtaining the receipt of written confirmation from the invitees is beyond the Mission's control, UNFICYP does not accept this recommendation.<br><br>Part 2 – Minimum of 30 days for solicitation response<br><br>The Mission accepts this part of the |

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| | | | | | | recommendation as detailed below.<br><br>In line with the guidelines of the Procurement Manual (Paragraph 9.29 – Closing and Opening Dates), the Mission gives sufficient time for the invitees to review the Solicitation Documents and formulate an appropriate response to the solicitation.<br><br>The Mission is fully familiar with the typical timelines specified in the Procurement Manual. The suggested vendor response time for formal methods of solicitations, ITB is 30 working days and for RFP is 30 to 60 working days.<br><br>Exceptions to the typical timelines are noted in the procurement case file.<br><br>In view of the above, the Mission as per the guidelines of the Procurement Manual would continue allowing sufficient time for vendors to respond to solicitations. |
| 3 | UNFICYP should use its existing resources or seek assistance from other Missions in the region through video conferences or WebEx to form the Evaluation Committees according to the Procurement Manual. | Important | Yes | All UNFICYP Requisitioners | Implemented | The Mission accepts the recommendation.<br><br>A Circular has been issued on 14 February 2012 to all personnel responsible for acquisition activities, requesting for immediate compliance with the audit recommendation, indicating that for all cases over USD 200,000, the Technical Evaluation Committees (TEC), shall comply with the following requirements:<br>a) In line with the Procurement Manual, a supervisor and subordinate shall not serve together in a TEC.<br>(b) In case of lack of in-house subject matter experts, the Requisitioners shall seek |

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| | | | | | | support from the neighboring Missions in the region for conducting a technical evaluation, using VTC or WebEx.<br><br>**Please refer to Annex B.** |
| 4 | UNFICYP should improve contract monitoring to identify instances of non-compliance with contract provisions, and to ensure that insurance coverage and performance bonds are obtained from contractors in accordance with the terms and conditions of contracts. | Important | Partially Yes | All UNFICYP procurement personnel | Implemented<br><br>The procedures are already in place. | There are two parts in this recommendation and the Mission accepts the recommendation partially as detailed below.<br><br>Part I - Performance Bonds<br>The Mission is in compliance with the audit recommendation. The Mission agrees that 100% Performance Bond compliance should be achieved and deviation if any should be recorded. It is the Mission's practice to obtain Performance Bonds from contractors in accordance with the terms and conditions of contracts.<br><br>Part II - Insurance Certificates<br>It should be noted that the Mission has no expertise in verifying the insurance coverage vis-à-vis the contract, therefore, the documentation as submitted by the contractors will be kept on file for future reference.<br><br>The Mission agrees that insurance certificates should be obtained for complex cases and sent to the UN-HQ Insurance Division for review. With regard to the insurance coverage, for complex, high value and sensitive contracts, the Mission has already obtained insurance documents from the contractor.<br><br>To ensure adequate monitoring of the contracts in cases where contractors are requested to provide insurance coverage |

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| | | | | | | documents, the Mission will periodically review all its current contracts and approach the respective contractors to ascertain that insurance coverage documents are provided.<br><br>The Mission's Contract Register has already been enhanced and it now includes relevant columns to enable the Mission to monitor contract compliance with both, Performance Bond and Insurance Certificate submissions. Please refer to attached copy of the first page of the current Contract Register showing monitoring of the Performance Bond under columns 17 to 20 and Insurance Certificate under columns 21 and 22. **Please refer to Annex C**.<br><br>As relevant procedures for monitoring of contract compliance have been established, this recommendation may be closed. |