



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the UNOV contract for travel services

Overall results relating to management of the contract for travel services were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

16 August 2012

Assignment No. AE2011/321/02

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AUDIT REPORT

Audit of the UNOV contract for travel services

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Office at Vienna (UNOV) contract for travel services.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNOV, together with two other organizations located in the Vienna International Centre, the United Nations Industrial Development Organization (UNIDO) and the Preparatory Commission for the Comprehensive Nuclear-Test Ban Treaty Organization (CTBTO), signed a joint contract for travel services with Contractor A for the period from 1 October 2008 to 31 March 2010 with the possibility of two extensions until 30 September 2013. CTBTO led the bidding process, while the UNOV and UNIDO representatives validated and approved the evaluation and the final decision. Together the three organizations are henceforth referred to as “participating organizations”. Contractor A was also UNOV’s previous travel service provider, from 1 July 2003 to 30 September 2008. Travel services represent one of the largest contracts managed by UNOV, amounting to €8.4 million (\$11.4 million) over the biennium 2008-2009.
4. The UNOV General Support Section is responsible for managing the contract for travel services, assisting in arranging mission travel for staff members and looking after all their travel related issues, including the issuance of United Nations travel documents and certificates. The United Nations Office on Drugs and Crime (UNODC) is also covered under the same arrangements.
5. Comments provided by UNOV are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNOV’s governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the contract for travel services**.
7. The audit was included in the 2011 internal audit work plan for UNOV as contract management was identified as high risk and the contract for travel services is one of the largest contracts that UNOV manages and had not been previously audited.
8. The key controls tested for the audit were: (a) coordinated management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Coordinated management** - controls that provide reasonable assurance that potential overlaps and gaps in the performance of functions are mitigated and that issues affecting other UN partners are identified, discussed and resolved in a timely manner and at the appropriate forum, so that the functions are performed efficiently for the achievement of established business objectives.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide the operations of UNOV in the procurement and management of the contract for travel services.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from May to October 2011. The audit covered the period from 1 January 2005 to 30 April 2011 to facilitate a comparison of contracts in terms of cost and contract terms over two contract periods. Over this period only two contracts were awarded, both to the same contractor.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. UNOV's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of the contract for travel services**. OIOS made three recommendations to address the issues identified in the audit.

13. Absence of clearly defined roles and responsibilities for the joint procurement process for the travel services contract between the participating organizations resulted in non-compliance of UNOV with the UN Procurement Manual procedures for solicitation. Also, its involvement in the definition of needs and establishment of evaluation criteria could not be demonstrated. Weaknesses in monitoring the contractor's performance and compliance with contractual obligations resulted in financial losses to UNOV. *UNOV indicated that it had collected in August 2011 the volume discounts and early payment rebates amounting to \$221,000 for 2008-2010.*

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of two important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the contract for travel services	(a) Coordinated management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Coordinated management

UNOV's role and involvement in the joint procurement activities need to be documented

15. UN organizations conduct joint procurements to enhance the efficiency and effectiveness of the process, achieve economies of scale and/or gain time as a result of the division of roles and responsibilities. However, in order to strengthen the accountability of UNOV in joint procurement activities, its role and involvement should be clearly identified and documented.

16. The 2008 bidding exercise for travel services did not follow the UN Procurement Manual procedures for solicitation. Only nine vendors were invited to participate in the solicitation and the Request for Expression of Interest was not published in the international print/internet media. There was no evidence that UNOV formally provided input into the definition of needs for the travel services to the lead organization, CTBTO, and participated in defining the bid evaluation criteria including the associated ratings and weightings.

(1) UNOV should clearly document its role and involvement in joint procurement activities for Vienna-based organizations and ensure this procurement follows key provisions of the UN Procurement Manual.

UNOV accepted recommendation 1 and stated that the UNOV Procurement Section will provide guidance on any joint procurement actions with the Vienna-based organizations defining its roles and those of participating organizations in such joint bids, and providing documentation for audit trail. However, UNOV emphasized that for the CTBTO-led procurement action it constantly participated and expressed its opinion and ensured that the interests of UNOV were taken into account, even if there was no written proof of the said interventions, as many of the sessions were joint and conducted among all concerned parties. Recommendation 1 remains open pending receipt of documentation defining the roles and responsibilities of UNOV for joint procurement activities.

B. Regulatory framework

Weaknesses in monitoring contractor's performance and compliance with contractual obligations resulted in failure to collect "supercommission" and early payment rebates

17. In accordance with procurement procedures, UNOV should ensure that performance monitoring mechanisms are in place to review the contractor's adherence to contracted requirements. Although the UNOV Travel and Transportation Team routinely verified the ticket prices and itineraries proposed by Contractor A, it did not establish a formal contract performance monitoring system. As a result, volume discounts, referred to in the contract as the "supercommission", and early payment rebates for the period 2008-2010 amounting to \$221,000 were not collected or followed up on by UNOV. UNOV also did not have a system in place for verifying that Contractor A provided the agreed number of on-site staff members. Only five of the seven professional staff stipulated in the contract terms were permanently employed in the Contractor's office in the Vienna International Centre, with no corresponding fee reduction. Furthermore, customer satisfaction surveys were not carried out annually as required.

(2) UNOV should put in place a documented performance monitoring system over the contract for travel services, including through proper controls over the collection of "supercommission" and early payment rebates, periodic verification of contractor's staff attendance and follow-up to annual satisfaction surveys to be conducted by the contractor.

UNOV accepted recommendation 2 and stated that procedures to review amounts due from Contractor A were established and implemented for the 2011 year-end closing. Regarding the contractor's staff attendance, UNOV attempted to verify attendance independently by checking the security records of grounds pass scans but access to the information was blocked because of a General Assembly resolution forbidding the use of the information except for emergency and safety purposes. UNOV then verified the attendance records provided by Contractor A and while a few exceptions were found, it did not see a pattern of willful conduct contravening the contractual arrangements. As a follow-up, UNOV kept manual attendance statistics by counting the office staff at odd intervals and were satisfied with the counts. In UNOV's opinion, a recovery was not necessary, especially since it cannot access anything except for vendor-generated attendance records. A satisfaction survey would be launched during the first year of the new prospective contractor's term. Performance comparisons against contracted arrangements would continue, such as the test for lowest available fares being booked. The General Support Section will put in place a documented performance monitoring system that will include follow-up of rebates and commissions, contractor's staff attendance and annual satisfaction surveys. Recommendation 2 remains open pending confirmation of implementation of the contract performance monitoring system.

(3) UNOV should collect amounts related to the "supercommission" and rebates for the period 2008-2010 amounting to \$221,000.

UNOV accepted recommendation 3 and stated that the "supercommission" and rebates for the period 2008-2010 amounting to \$221,000 had been collected (in two installments: \$215,000 in 5 August 2011 and \$6,000 in 21 August 2011). UNOV further advised that the contract with Contractor A was not renewed when it expired on 31 March 2012. UNOV withdrew from the new joint bidding exercise with UNIDO on 24 January 2012 and instead piggy-backed on the International Atomic Energy Agency's contract with Contractor B as of 1 April 2012. The UNOV Vendor Review Committee met on 22 December 2011 to deliberate on the status of Contractor A and in view of the non-compliance with the contract, decided to suspend it from participating in the next bidding exercise for travel services. Based on the action taken by UNOV, recommendation 3 has been closed.

IV. ACKNOWLEDGEMENT

18. OIOS wishes to express its appreciation to the Management and staff of UNOV for the assistance and cooperation extended to the auditors during this assignment.



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STATUS OF AUDIT RECOMMENDATIONS

Audit of the UNOV contract for travel services

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOV should clearly document its role and involvement in joint procurement activities for Vienna-based organizations and ensure this procurement follows key provisions of the UN Procurement Manual.	Important	O	Receipt of documentation defining the roles and responsibilities of UNOV for joint procurement activities	31 October 2012
2	UNOV should put in place a documented performance monitoring system over the contract for travel services, including through proper controls over the collection of "supercommission" and early payment rebates, periodic verification of contractor's staff attendance, and follow-up to annual satisfaction surveys to be conducted by the contractor.	Important	O	Confirmation of implementation of the contract performance monitoring system.	30 November 2012
3	UNOV should collect amounts related to the supercommission and rebates for the period 2008-2010 amounting to \$221,000.	Important	C	Action completed	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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.

³ C = closed, O = open

⁴ Date provided by UNOV in response to recommendations