



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

---

### **Audit of the execution of the delegation of authority to UNOCI to procure core requirements**

**Deficiencies in the procurement process and the  
execution of delegation of authority to procure  
core requirements**

**5 February 2009**

**Assignment No. AP2007/640/15**

---

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. Young-Jin Choi  
A: Special Representative of the Secretary-General  
United Nations Operations in Côte d'Ivoire

DATE: 5 February 2009

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

REFERENCE: IAD: 09- 02200

SUBJECT: **Assignment No. AP2007/640/15 - Audit of the execution of the delegation of authority to UNOCI**  
OBJET: **to procure core requirements**

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 3, 11 and 15 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining 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. Your response indicated that you did not accept recommendations 2 and 10. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 2, 3, 5, 9, 10 and 12) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Jun Yamazaki, Assistant Secretary-General, Office of Programme Planning, Budget and Accounts  
Mr. Wallace Divine, Chief of Mission Support, UNOCI  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Mr. Seth Adza, Audit Response Team, Department of Field Support  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Programme Officer, 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).*

---

### CONTACT INFORMATION

#### ACTING DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,  
e-mail: [ndiaye@un.org](mailto:ndiaye@un.org)

#### CHIEF, PEACEKEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +1.917.367.2792, Fax: +1.212.963.3388,  
e-mail: [burnse@un.org](mailto:burnse@un.org)

---

## **EXECUTIVE SUMMARY**

### **Execution of the delegation of authority to UNOCI to procure core requirements**

At the request of the United Nations Controller, OIOS conducted an audit of the execution of the delegation of authority to the United Nations Operations in Côte d'Ivoire (UNOCI) to procure core requirements. The overall objective of the audit was to assess whether adequate and effective controls were implemented by UNOCI regarding its execution of the delegation of authority to procure core requirements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Controls over the execution of the delegation of authority to procure core requirements needed to be strengthened. For instance, the Mercury Procurement System did not distinguish between core requirements and general procurement, and reports for transactions relating to core requirements exceeding \$200,000 were not submitted to United Nations Headquarters.

A number of deficiencies in the procurement process were identified including the lack of effective competition. The bid evaluation process did not always assure best value for money. Financial bids were opened before the completion of technical evaluation thus negatively impacting the integrity of and transparency in the procurement process. The following was also noted:

- Non-inclusion of performance bond requirements when establishing systems contracts and the failure to invoke penalty clauses for delayed delivery of materials resulted in additional costs of \$114,961 to the United Nations in two cases.
- Irregularities in the technical evaluation of three cases resulted in additional costs of \$491,419 to the United Nations.
- Supervisory reviews of procurement files were inadequate and controls over property leasing needed to be strengthened.

OIOS made a number of recommendations to further strengthen existing controls and improve the procurement process. The Mission did not accept two recommendations both aimed at establishing accountability for irregularities in the procurement of core requirements.

# TABLE OF CONTENTS

<b>Chapter</b>	<b>Paragraphs</b>
I. INTRODUCTION	1-5
II. AUDIT OBJECTIVES	6
III. AUDIT SCOPE AND METHODOLOGY	7
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Tracking of core requirements	8-11
B. Compliance with reporting requirements	12-14
C. Deficiencies in procurement process relating to core requirements	15-34
D. Inadequacy in control for leasing of rented property	35-37
E. Review of lowest prices obtained	38-41
F. Inadequate supervisory reviews of procurement files	42-43
V. ACKNOWLEDGEMENT	44
ANNEX 1 – Status of Audit Recommendations	

---

## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the execution of the delegation of authority to United Nations Operations in Côte d'Ivoire (UNOCI) to procure core requirements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The audit was carried out at the request of the UN Controller to determine whether there were adequate and effective internal controls in place over the delegated authority to procure core requirements locally. At present, peacekeeping missions have a delegated authority to procure core requirements locally up to \$1 million. Core requirements are defined as “essential goods and services which by their nature lend themselves to local procurement and are not available in United Nations Headquarters contracts”.
3. 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 below shows the number and value of core requirements procurement cases for financial years 2005/06 and 2006/07.

**Table 1: Number and value of core requirements procurement cases  
Fiscal years 2005/06 and 2006/07**

	Total procurement cases		Core requirement cases		% of core requirements to total procurement	
	#	\$	#	\$	#	\$
<b>FY 2005/06</b>	685	74,909,245	211	12,287,339	30.8	16.4
<b>FY 2006/07</b>	857	79,410,034	261	32,434,182	30.45	40.8
<b>% increase</b>	25.1	6.0	23.7	164.0		

4. The increases of 23.7 per cent and 164 per cent in the numbers and values of core requirements between fiscal years 2006/07 and 2005/06, as shown above, were primarily due to the addition of property leasing, security and guard services, vehicle insurance and fire fighting equipment. UNOCI does not track core requirements procurements cases, but based on OIOS' request the Mission compiled the data shown above.
5. Comments made by UNOCI are shown in *italics*.

## II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess whether adequate and effective controls were established at the Mission to execute the delegation of authority to procure core requirements.

---

### **III. AUDIT SCOPE AND METHODOLOGY**

7. OIOS reviewed a sample of 24 core requirements of the 40 which were reviewed by the Local Committee on Contracts (LCC) in the fiscal year 2006-07. The value of the sample selected was \$12.3 million, representing 83 per cent of the value of core requirements over \$75,000 reviewed by the LCC and 38 per cent of total core requirements. The audit methodology included file reviews, analytical tests, and interviews with key personnel.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Tracking of core requirements**

8. The Procurement Section (PS) has not implemented a system for tracking core requirements, which would assist in monitoring the value and types of items purchased. However, for the audit, at OIOS' request, PS identified core requirements.

9. The Mercury system, designed to facilitate the procurement of goods and services in field missions has no feature to differentiate between core requirements and other purchases. As a result, it was difficult to compile a comprehensive list of all core requirements purchases.

10. The lack of a mechanism for identifying core requirements resulted in the inability to properly monitor the procurement of such items to ensure compliance with the requirements of the delegated authority.

11. As this is a system-wide issue, it has been addressed in OIOS' consolidated report on core requirements.

#### **B. Compliance with reporting requirements**

12. According to the delegation of authority on core requirements, the Chief of Mission Support is required to submit a written report to the Assistant Secretary-General, Department of Field Support (DFS) and to the Chief, Procurement Division (PD), Department of Management (DM) within 30 days after the procurement of a core requirement that exceeds \$200,000. This report should document the description of the commodity purchased; summarize the procurement process; and identify the selected vendor, the duration and value of the contract, the approved minutes of the LCC and the financial rule relating to the basis of the award.

13. UNOCI did not comply with this reporting requirement and was unable to clarify the reasons for noncompliance to OIOS. During the period reviewed, reports were submitted for only 3 of 21 core requirements exceeding \$200,000. There were no specific procedures in place to ensure compliance with the reporting requirements.

---

## **Recommendation 1**

**(1) The UNOCI Office of Mission Support should establish appropriate procedures to ensure that the report on procurement of core requirements exceeding \$200,000 is prepared and submitted to the Department of Field Support and the Department of Management within the stipulated time frame as required by the delegation of procurement authority.**

14. *The UNOCI Office of Mission Support accepted recommendation 1 and stated that the recommendation is partially implemented and will be fully implemented by beginning of January 2009.* Recommendation 1 remains open pending confirmation that reports for procurements of core requirements exceeding \$200,000 have being submitted to DFS and DM within 30 days after the procurements, together with all past cases exceeding \$200,000.

### **C. Deficiencies in the procurement process relating to core requirements**

15. A review of core requirements identified a number of deficiencies in the procurement process, as outlined in the following sections.

#### Principles of best value for money and effective competition not followed

16. In some instances, to ensure best value for money, PS split awards among vendors. However, in cases 07/0011 and 07/0021, this was not done resulting in additional costs to UNOCI of \$168,618, as outlined below:

- For case No.07/0011, PS signed a systems contract valued at \$542,601 for 12-months, with a possible extension of 12 months, with M/s Globe Assistance for the supply of timber and plywood. It was the overall lowest offer received. The technical evaluations showed that the proposals submitted by Globe Assistance and Sarl Trajet International were equally technically compliant. The bid for Globe Assistance was lower for timber and Sarl Trajet International's bid was lower for plywood and had a significantly quicker delivery time. OIOS calculated that based on purchase orders raised, if the award had been split for timber and plywood, savings of \$67,472 could have been realized. Globe Assistance contract was not extended as the requisitioner was not satisfied with their performance.
- For case No. 07/0021, PS established two systems contracts for 188 items including construction materials and tools in split awards between Globe Assistance and SOTACI for \$669,239 and \$235,304 respectively. RIMCO, another vendor, offered the lowest price for several items included in the bid, but PS did not split the award. If the award had been split between the three vendors, savings of \$101,146 could have been realized. In addition, 126 of the items awarded to Globe Assistance valued at \$641,680 (96 per

---

cent of contract value) were awarded without any competition from other vendors.

### **Recommendations 2 and 3**

**The UNOCI Office of Mission Support should:**

**(2) Review cases 07/0011 and 07/0021 and address accountability for the award of contracts that were not in the best interest of the Organization resulting in additional costs of \$168,618; and**

**(3) Ensure that whenever possible contract awards are divided between technically compliant lowest cost vendors to achieve best value for money.**

17. *The UNOCI Office of Mission Support did not accept recommendation 2, stating that PS had been applying split award among vendors except when other factors were considered. The case No. 07/0011 was the first Local System Contract for the engineering construction material (timber and plywood) in UNOCI and LCC endorsed the recommendation of Engineering Section and PS to award the contract to one supplier due to the operational requirement and management of contract. In case No. 07/0021, RIMCO was not formally invited to the bid and their bid was initially rejected but PS later accepted its bid after receiving clarification that one page from RIMCO's offer was wrongly attached to the other documents and was not recorded to the bid abstract. The LCC expressed concerns about the acceptance of the RIMCO's offer. OIOS reviewed the minutes of the LCC and did not find any reference to unique operational and contract management requirements of the decision to award the contract to only one vendor. Moreover, PS did not advise the LCC that by splitting the award between Sarl Trajet International and RIMCO, the Mission could save approximately \$85,000 and \$101,000 respectively. OIOS is therefore reiterating recommendation 2 and requesting Management to reconsider its position.*

18. *The UNOCI Office of Mission Support accepted recommendation 3 and stated that staff members involved in the procurement process have been reminded to provide a systematic evaluation of all offers received and whenever possible split the contract awards between technically compliant lowest cost vendors in line with the Procurement Manual. Based on the assurances provided by management, recommendation 3 has been closed.*

### Inadequacies in bid solicitation and contract documents

19. In procurement case no. 07/0019, M/s Globe Assistance was technically compliant for all 186 items and presented the lowest offer on 60 items. Subsequent to this, for 27 of the 60 items M/s Globe Assistance refused to supply the goods based on the price offered. They cited that there had been clerical errors in the bid. A contract was then awarded for these 27 items to the second lowest bidder for \$106,239; three times higher than the original price quoted from M/s Globe Assistance. Instead of suspending and removing M/s Globe

---

Assistance from the vendor database as required by the Procurement Manual, the company was contracted for the remaining 33 items and awarded another contract valued at \$669,240 under case no. 07/0021.

**Recommendation 4**

**(4) The UNOCI Office of Mission Support should suspend or remove non-performing vendors from the vendor database in line with paragraph 7.12 of the Procurement Manual.**

20. *The UNOCI Office of Mission Support accepted recommendation 4 and stated that the Local Vendor Review Committee was established on 1 December 2008. It was decided that a review of vendor's performance would be done on a regular basis and those not performing would be recommended for suspension. Recommendation 4 remains open pending confirmation that the performance of M/s Globe Assistance has been thoroughly reviewed and due consideration has been given to its suspension from the vendor database.*

Lack of performance bond requirement - Cases 07/0012 and 07/0013

21. The PM states that for contracts exceeding \$100,000 it would be prudent for the contractor to provide a performance bond in the range of 10 to 30 per cent of the contract value. The solicitation documents should also request such a bond.

22. Procurement cases 07/0012 and 07/0013 exceeding \$400,000 and \$200,000 respectively did not contain performance bonds and the contractors did not deliver the required materials. As a result, an additional cost of \$114,961 was incurred to procure the undelivered materials from other vendors. This could not be recovered in the absence of a performance bond.

**Recommendation 5**

**(5) The UNOCI Office of Mission Support should ensure that a performance bond clause is included in solicitation documents for contracts exceeding \$100,000.**

23. *The UNOCI Office of Mission Support accepted recommendation 5 and stated that the performance bond clause is strictly applied in all Invitation to Bid and Request for Proposal cases exceeding estimated contract value of \$100,000. Recommendation 5 remains open pending OIOS' verification that a performance bond clause is included in solicitation and contract documents for contracts exceeding \$100,000.*

Penalty clause not applied in cases 07/0012 and 07/0013

24. Solicitation documents and the contract may include a clause for liquidated damages not-to-exceed 10 per cent of contract value to ensure timely performance. In procurement cases 07/0012 and 07/0013, although the invitations to bid included penalty clauses for delayed delivery, the system

---

contracts signed with SIP-TP did not include a clause for late delivery. Instead, only reference was made to the relevant solicitation documents. The contractor did not deliver the materials as ordered. PS did not pursue the issue as they incorrectly assumed that the penalty clause was not enforceable, as it was not included in the final contract. No advice was sought from UNOCI's legal office.

25. The LCC presentation documented that SIP-TP was "very reliable, reputable and the only supplier of granite having significant presence in Côte d'Ivoire." However, when PS attempted to follow-up with SIP-TP for the non-delivery of the materials they had been contracted to supply, the contractor could not be located. These materials had to be sourced from other vendors resulting in additional costs of \$114,961. Although the contractor had breached the contract in December 2006, PS did not deduct the additional costs from amounts due to the contractor from other supplies made based on the same contract, and no penalties were imposed for non-performance, and the contractor continued to be paid up to January 2008.

#### **Recommendations 6 and 7**

**The UNOCI Office of Mission Support should:**

**(6) Inquire into the circumstances surrounding the non-performance of the contractor SIP-TP and consider deleting the contractor from the vendor database; and**

**(7) Ensure that a penalty clause for delayed delivery of materials is explicitly included in all contracts and enforced, where appropriate.**

26. *The UNOCI Office of Mission Support accepted recommendation 6 and stated that the Contractor SIC-TP would be deleted from the vendor database. Recommendation 6 remains open pending receipt of documentation showing (i) an inquiry into the reasons for non-performance of the contractor SIP-TP has been carried out and appropriate action taken thereon; and (ii) SIP-TP has been removed from the vendor database.*

27. *The UNOCI Office of Mission Support accepted recommendation 7 and stated that the penalty clause for delayed delivery of material is included in all contracts, and enforced, where appropriate. OIOS noted that a penalty clause was not included in all final contracts. Recommendation 7 remains open pending OIOS' verification that a penalty clause for delayed delivery of material is explicitly included in all contracts and enforced where appropriate.*

#### **Irregularities in the technical evaluation process**

28. The process of technically evaluating offers was deficient and noncompliant with the PM because requisitioners performed technical evaluations without having established minimum requirements for each criterion to assess the adequacy of the offers received. As noted in case numbers 07/0055, 07/0059 and 07/0071, there were more than one criterion for technical evaluation but the

---

minimum points required by the vendor to qualify in each criterion were not established and the technical evaluation was based only on the overall minimum requirement established.

#### **Recommendation 8**

**(8) The UNOCI Office of Mission Support should ensure that the minimum requirement for each evaluation criteria is established prior to the issuance of solicitation documents.**

29. *The UNOCI Office of Mission Support accepted recommendation 8 and stated that the Administrative Instruction No. 2008/13 - Establishment of Technical Evaluation Committees, including sample of evaluation criteria was issued on 5 November 2008.* OIOS is pleased to note the action taken. However, OIOS found that the Administrative Instruction does not specifically require the technical evaluation committee to set the minimum requirement for each evaluation criteria. Recommendation 8 remains open pending issuance of administrative instructions requiring the technical evaluation committee to set the minimum benchmark points for each evaluation criteria.

30. Contrary to the PM, some commercial bids were opened together with the technical bids. When bids were forwarded to requisitioners for technical evaluation, they were requested to give justification if the lowest cost bid was not technically compliant. In OIOS view, this indicates that technical evaluators who were also the requisitioners had access to price quotations at the time of their technical evaluation. This is a serious deficiency in the procurement process, as financial proposals should not be opened until technical evaluations have been completed. Access by the requisitioners and evaluation committee of cost details invalidates the evaluation process, as it will be bias towards the lowest price.

#### **Recommendation 9**

**(9) The UNOCI Office of Mission Support, to ensure an open and fair process, should only open financial proposals once the technical evaluation has been completed.**

31. *The UNOCI Office of Mission Support accepted recommendation 9 and stated that financial proposals are opened by the Tender Opening Committee based on the written request from PS when the results of the technical evaluations are received.* OIOS' follow-up noted that commercial bids received against Request for Proposals are opened after completion of technical evaluation. However, commercial offers, received in response to Invitations to Bid, continued to be available to requisitioners prior to completion of the technical evaluation. Recommendation 9 remains open pending OIOS' verification that financial proposals are no longer opened with technical evaluations.

---

Irregularities in the technical evaluation process resulting in losses to UNOCI

32. There were a number of irregularities in the technical evaluation process resulting in losses to UNOCI, as follows:

- The company M/s La Lavandiere, which was awarded a service contract for cleaning and janitorial services under Case No. 07/0035, also submitted a bid to service the east and west sectors of the country under case No. 07/0055. This offer was technically disqualified because the requisitioner awarded zero points against certain established criteria, as the information had not been provided by the vendor. M/s La Lavandiere had made the lowest commercial offer, and if it had been selected, savings of over \$76,000 could have been achieved. In OIOS' view, considering that UNOCI had entered into previous contracts with the company and knew that they had the required expertise, the missing information could have been requested to ensure best value for money.
- In case no. 07/0059 for grass cutting services at airports in Côte d'Ivoire, M/s La Lavandiere, whose commercial bid was lower by \$132,080 compared to the awarded vendor M/s La Main Verte was evaluated as technically noncompliant. Regarding "detailed project schedule" M/s La Main Verte received 35 points, while M/s La Lavandiere received only 5 points because its Gantt chart did not contain sufficient detail. Moreover, while M/s La Lavandiere furnished certificates of satisfactory completion of similar work and was the existing contractor for such work in Abidjan, only 10 of 30 points was allocated for adequacy of equipment. There was no follow-up with the vendor to provide missing information.
- The UNOCI Chief Security Adviser (CSA) approved 10 security companies to provide services for the UN and its agencies in various zones of the country. In case no. 07/0071, PS conducted the bidding process for the provision of unarmed security services and invited these 10 companies to bid. M/s Lavegarde was awarded a contract for one year and a possible one year extension at a cost of \$1,735,220. OIOS found that the company M/s HAD Securite's bid was \$283,000 lower. However, it was technically disqualified by the UNOCI Security Section even though it was the only company approved by the CSA to have the capability to provide security services for the UN throughout Cote d'Ivoire. The awarded vendor was approved only for Abidjan and Government-controlled regions. It was not listed for areas controlled by rebel forces.

The technical evaluation report stated that M/s HAD Securite did not have the necessary experience and that its presence was mainly in the regions. However, this contradicted the Security Section's assessment that had been conducted three months earlier. M/s HAD Securite was subsequently included on the approved panel of security companies on the strength of its fully equipped 500 guards including women with adequate security, communication and patrolling equipment, and

---

employment criteria in line with UN security standards. However, the report stated that M/s HAD Securite did not submit complete, adequately detailed information, which should have been requested per paragraph 11.6.4 of the PM, particularly because PS was aware that M/s Lavegarde's offer exceeded M/s M HAD Securite's by \$283,000.

### **Recommendations 10 and 11**

**The UNOCI Office Mission Support should:**

**(10) Address accountability of staff responsible for irregularities in the technical evaluations of cases 07/0055, 07/0059 and 07/0071 that resulted in the award of contracts which were not in the best interest of the Organization and resulted in additional costs of \$491,419; and**

**(11) Request vendors to clarify and support their submissions before disqualifying them for missing information.**

33. *The UNOCI Office of Mission Support did not accept recommendation 10 and stated that according to the PM, the purpose of clarification including communications to vendors is not to cure proposal deficiencies or material omissions, materially alter the technical elements of the proposal and/or otherwise revise the proposal. The technical evaluation was based on the documents submitted in the technical offer by the vendors and points or zero points were given depending whether the required documents were submitted or not; the requisitioners were not privy to the commercial offers from the vendor. OIOS is unable to accept this explanation as paragraph 11.6.4 of the PM states that if the submission is unclear on actual material issues, a clarification from the prospective vendor should be requested. In case no. 07/0059, OIOS found that detailed evaluation criteria on the kind and quantity of equipment and elements of Gantt Chart, and maximum points to be awarded thereon were decided by the requisitioner during the technical evaluation. As reported in paragraph 30 of this report, the requisitioners were provided with access to the commercial offers in all three cases reviewed. Regarding case no. 07/0071, Security Section's reply concurs with OIOS' finding that M/s HAD Securite was qualified for required services and that M/s Lavegarde's selection was based on questionable evaluation. OIOS is therefore requesting the Office of Mission support to reconsider its response and implement recommendation 10.*

34. *The UNOCI Office of Mission Support accepted recommendation 11 and stated that all buyers and team leaders in PS have been reminded to strictly follow the provision of PM, paragraph 11.9.4., and 11.9.6. (June 2008 version) when requesting clarification from the vendors submissions. Based on assurances provided by management, recommendation 11 has been closed.*

---

#### **D. Inadequacy in control for leasing of rented property**

35. Short-term property lease agreements for one year were initially handled in accordance with the procedures for expenditure under the Chief Procurement Officer's (CPO) delegation of authority. However, the agreements were subsequently extended first to three years and then to five years leading to expenditure significantly beyond the CPOs authority.

36. The fact that leased properties entered into by UNOCI were generally renovated suggests a commitment for a period longer than one year. Despite this, traditionally, lease contracts were only submitted to the LCC when the aggregate rental obligation had exceeded the CPO's financial authority. The LCC was therefore obliged to agree to the extensions, *post facto*, considering that the Mission had already spent substantial amounts on renovating the related properties.

#### **Recommendation 12**

**(12) The UNOCI Office of Mission Support should, considering the nature of contracts for the lease of properties and the expectation that the contract will be extended beyond a one-year period, ensure that contracts are submitted to the Local Committee on Contracts for review.**

37. *The UNOCI Office of Mission Support accepted recommendation 12 and stated that contracts for the lease of properties are initially established for the period of three years and when the contract amount is reaching the LCC threshold, recommendation of the LCC is requested.* Recommendation 12 remains open pending OIOS' verification that adequate procedures have been established to ensure contracts for the lease of property is done in a transparent manner.

#### **E. Review of lowest prices obtained**

38. Paragraph 1.5 (2) of the PM states that acceptance of the lowest price is not necessarily an indicator of best value for money. The procurement officer should ensure that the lowest price is also fair and competitive.

39. OIOS found that PS did not always compare current offers with the prices offered in prior procurements of similar items. For example, of the 14 cases reviewed, there were only three cases where the prices of prior procurements were compared to the offers as part of the financial evaluation process. As a result, there was no assurance that the lowest or most responsive offer was fair and constituted best value for money, particularly when bidding resulted in a contract award based on a single qualified bid. No market research was performed to establish the competitiveness of rates offered in the bidding process before awarding a high value laundry and dry cleaning contract of \$645,785 for two years to a single qualified bid from the existing vendor.

---

## Recommendations 13 and 14

The UNOCI Office of Mission Support should:

**(13) Ensure that commercial offers are compared with the rates of previous procurements to establish that the lowest offered price is also fair and competitive; and**

**(14) Conduct market research before awarding contracts based on a single bid and where market conditions are not well developed to promote effective competition.**

40. *The UNOCI Office of Mission Support accepted recommendation 13 and stated that the commercial offers are compared with the rates of previous contracts in all cases submitted for the review of LCC. Recommendation 13 remains open pending OIOS verification that commercial offers are compared with rates of previous procurement exercises.*

41. *The UNOCI Office of Mission Support accepted recommendation 14 and stated that the market research is conducted when the single bid is result of the bidding process in order to ensure that the quoted prices are competitive. Recommendation 14 remains open pending OIOS verification that market researches are conducted before awarding single bid contracts.*

## **F. Inadequate supervisory reviews of procurement files**

42. Supervisory controls over the procurement process were not adequate. As a result, errors and irregularities with significant financial implications went unnoticed as discussed above and in the following cases.

- In case no.07/0072, the winning vendor, M/s Intellec Protection submitted two sets of commercial proposals. The total project cost in the commercial proposals should agree with the total of all individual costs in the pricing schedule. However, the total project cost in a handwritten commercial proposal which did not bear the receipt stamp of the Tender Opening Committee (TOC), was 114,852,829 CFA (approximately \$230,000) as opposed to the total price of 100,554,667 CFA (approximately \$201,000) in the bid price schedule which bore the TOC receipt stamp. In the financial evaluation, PS used 114,852,829 CFA (approximately \$230,000). In addition, two sets of the commercial proposal contain two different handwritten entries in respect of days needed for completion of work and contract duration. Adequate supervisory controls would have noted this error that resulted in additional costs of about \$29,000.
- In case no. 07/0058, the financial evaluation abstract did not include the discount of 3,816,312 CFA (\$7,633) offered by M/s NSIA on third party liability insurance for UN support buses, which did not affect the financial evaluation as the awarded bidder was still the lowest.

---

### **Recommendation 15**

**(15) The UNOCI Office of Mission Support should remind the chiefs of procurement and requisitioning sections that they should ensure the accuracy of data in procurement presentations.**

43. *The UNOCI Office of Mission Support accepted recommendation 15 and stated that the internal supervisory control in PS, Requisitioners and LCC has been strengthened to ensure the accuracy of data in procurement presentations* OIOS noted that administrative instructions No. 2008/13 dated 5 November 2008 were issued reminding the requisitioners their responsibilities to ensure accuracy of information furnished during procurement process. Based on the action taken by UNOCI, recommendation 15 has been closed.

## **V. ACKNOWLEDGEMENT**

44. We wish to express our appreciation to the Management and staff of UNOCI 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 <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNOCI Office of Mission Support should establish procedures to ensure that the report on procurement of core requirements exceeding \$200,000 is prepared and submitted to the Department of Field Support and the Department of Management within the stipulated time frame as required by the delegation of procurement authority.	Compliance	Medium	O	Presentation of evidence showing that procurement of core requirements exceeding \$200,000 that have occurred since January 2009, have being submitted to the Assistant Secretary-General, DFS and to the Chief, Procurement Division (PD), within 30 days after the procurements, together with all past cases exceeding \$200,000.	1 January 2009
2	The UNOCI Office of Mission Support should review cases 07/0011 and 07/0021 and address accountability for the award of contracts that were not in the best interest of the Organization resulting in additional costs of \$168,618.	E	High	O	Review cases 07/0011 and 07/0021 and fix accountability for the award of contracts that were not in the best interest of the Organization resulting in additional costs of \$168,618.	Not accepted
3	The UNOCI Office of Mission Support should ensure that whenever possible contract awards are divided between technically compliant lowest cost vendors to achieve best value for money.	E	High	O	Action complete.	Implemented
4	The UNOCI Office of Mission Support should suspend or remove non-performing vendors from the vendor database in line with paragraph 7.12 of the Procurement Manual	Compliance	Medium	O	Documentation establishing the LRV and its review of non-performing vendors including Globe Assistance for suspension or removal from the vendor database.	1 February 2009
5	The UNOCI Office of Mission Support should ensure that a performance bond clause is included in solicitation documents for contracts exceeding \$100,000.	Compliance	High	O	Documentations showing a check list of 'must do' items for procurement staff that includes inclusion of performance bond clause in the solicitation and contract documents for contracts exceeding \$100,000 and a note to file that such check list has been compiled.	1 January 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
6	The UNOCI Office of Mission Support should inquire into the circumstances surrounding the non-performance of the contractor SIP-TP and consider deleting the contractor from the vendor database.	Operational	Medium	O	Documentation showing that: (a) a proper enquiry into the reasons for non-performance of the contractor SIP-TP has been carried out and appropriate action taken thereon; and (b) SIP-TP has been removed from the vendor database.	1 January 2009
7	The UNOCI Office of Mission Support should ensure that the penalty clause for delayed delivery of materials is explicitly included in all contracts, and enforced, where appropriate.	Compliance	Medium	O	Evidence that a penalty clause for delayed delivery of material is explicitly included in all contracts and enforced.	1 January 2009
8	The UNOCI Office of Mission Support should ensure that the minimum requirement for each evaluation criteria is established prior to the issuance of solicitation documents.	Compliance	Medium	O	Issuance of administrative instructions requiring the technical evaluation committee to set the minimum benchmark points for each evaluation criteria.	1 January 2009
9	The UNOCI Office of Mission Support, to ensure an open and fair process, should only open financial proposals once the technical evaluation has been completed.	Compliance	High	O	Establishment of compliance procedure which states that under no circumstances shall any cost data furnished by the vendors be released to the requisitioner prior to the finalization of the technical evaluation in compliance with the PM.	Partially implemented
10	The UNOCI Office of Mission Support should address accountability of staff responsible for irregularities in the technical evaluations of cases. 07/0055, 07/0059 and 07/0071 that resulted in the award of contracts which were not in the best interest of the Organization and additional costs of \$491,419.	Operational	High	O	Fix accountability of staff responsible for irregularities in the technical evaluations of cases 07/0055, 07/0059 and 07/0071 resulting in the award of contracts which were not in the best interest of the Organization resulting in additional costs of \$491,419.	Not accepted
11	The UNOCI Office of Mission Support should request vendors to clarify and support their submissions before disqualifying them for missing information.	Operational	Medium	O	Action complete	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
12	The UNOCI Mission Support should, considering the nature of contracts for the lease of properties and the expectation that the contract will be extended beyond a one-year period, ensure that all lease cases are submitted to the Local Committee on Contracts for review.	Operational	High	O	Written procedures that require estimation of leasing period and contract amount at the beginning of the lease procurement process and submission of all the lease cases to the LCC for review.	Not provided.
13	The UNOCI Office of Mission Support should ensure that the commercial offers are compared with the rates of previous procurements to establish that the lowest offered price is also a fair price and competitive.	Operational	Medium	O	Evidence that commercial offers are now being compared with rates of previous procurement exercises.	1 February 2009
14	The UNOCI Office Mission Support should conduct market research before awarding contracts based on a single bid and where market conditions are not well developed to promote effective competition.	Operational	Medium	O	Evidence that market researches are now being conducted before awarding single bid contracts.	1 February 2009
15	The UNOCI Office of Mission Support should remind the chiefs of procurement and requisitioning sections that they should ensure the accuracy of data in procurement presentations.	Operational	Medium	C	Action complete	Implemented