



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Effectiveness of the Local Committee on Contracts in peacekeeping missions**

**Improvements are needed to ensure the Local  
Committee on Contracts in peacekeeping  
missions comply more consistently with the  
provisions of the Procurement Manual**

**5 February 2009**

**Assignment No. AP2007/600/08**

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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: Ms. Susana Malcorra, Under-Secretary-General

DATE: 5 February 2009

A: for Field Support

REFERENCE: IAD: 09- 02201

Ms. Angela Kane, Under-Secretary-General  
for Management

FROM: Fatoumata Ndiaye, Acting Director

DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AP2007/600/08 – Horizontal audit of the effectiveness of the Local Committee  
OBJET: on Contracts in peacekeeping missions**

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 recommendation 5 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. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 3, 4 and 7), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Warren Sach, Assistant Secretary-General for Central Support Services, DM  
Mr. Paul Buades, Director, Procurement Division, DM  
Mr. Frank Eppert, Chairman, Headquarters Committee on Contracts, DM  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Mr. Seth Adza, Operational Review Officer, Audit Response Team, DFS  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, DM  
Mr. Byung-Kun Min, Programme Officer, OIOS

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## INTERNAL AUDIT DIVISION

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### 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**

### **Horizontal audit of the effectiveness of the Local Committee on Contracts in peacekeeping missions**

OIOS conducted audits of the Local Committee on Contracts (LCC) in 11 peacekeeping missions. The overall objective of these audits was to assess the effectiveness of the LCCs as an internal control over the procurement process. The audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

A majority of the mission audits concluded that the LCCs were functioning as an effective internal control over the procurement process. However, these audits also identified areas requiring corrective action as follows:

- Several missions had not promptly communicated the names of the members of the LCC to headquarters officials as required by the Procurement Manual;
- In cases reviewed, LCC members were not always independent, as members were also major requisitioners whose procurement cases were presented to the Committee;
- LCC members often did not file a financial disclosure statement in compliance with the provisions of ST/SGB/2006/06, requiring that disclosures be filed by staff with direct access to confidential procurement and investment information;
- In several cases, the information and documentation contained in procurement case files were not sufficient to allow the LCC to deliberate properly or to make informed decisions; and
- Seven of the missions audited had not established tracking systems to monitor LCC pending actions and recommendations which can significantly reduce the Committee's effectiveness.

The audits also showed that the minutes of LCC meetings needed to be prepared and distributed in a timely manner to all addressees. The number of *ex post facto* cases (i.e., procurement actions where deliverables are being received before the case is submitted to LCC) need to be reduced in some missions.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted audits of the effectiveness of the Local Committees on Contracts (LCC) as a control over the procurement process in 11 peacekeeping missions<sup>1</sup>. These audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Individual audit reports containing specific recommendations for corrective action were issued to each of the peacekeeping missions reviewed. The current report summarizes key results of these audits and identifies several issues for management's consideration.

2. According to Section 2.5.1. (1) of the Procurement Manual, the LCC shall review and provide advice to the Chief of Mission Support (CMS) or other official duly authorized under Financial Rule 105.13, on whether proposed procurement actions, including contracts that generate income to the Organization, are in accordance with the UN Financial Regulations and Rules (FRRs), Secretary-General's Bulletins (SGBs), Administrative Instructions (AIs) and related procurement policies.

3. Comments made by the Department of Field Support (DFS) and the Department of Management (DM) are shown in *italics*.

## II. AUDIT OBJECTIVES

4. The main objective of the audits was to assess the effectiveness of the LCCs as an internal control over the procurement process. Specifically, the audits assessed whether:

(a) The composition of the LCC allows it to function independently and competently;

(b) The LCC is receiving relevant documents needed to properly review procurement actions; and

(c) The LCC is effectively identifying procurement issues that violate relevant FRRs, SGBs, AIs and other procurement policies on the fairness, integrity and transparency of proposed procurement actions.

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<sup>1</sup> The following missions were included in the audit: United Nations Stabilization Mission in Haiti (MINUSTAH), United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), United Nations Assistance Mission in Afghanistan (UNAMA), United Nations Assistance Mission in Iraq (UNAMI), United Nations Interim Force in Lebanon (UNIFIL), United Nations Mission in Ethiopia and Eritrea (UNMEE), United Nations Interim Administration Mission in Kosovo (UNMIK), United Nations Mission in Liberia (UNMIL), United Nations Mission in the Sudan (UNMIS), United Nations Integrated Mission in Timor-Leste (UNMIT), United Nations Operation in Côte d'Ivoire (UNOCI).

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### III. AUDIT SCOPE AND METHODOLOGY

5. The audits covered procurement transactions processed in fiscal year 2006/2007 and included reviewing samples of LCC meeting minutes, examining procurement case files processed during the year, carrying out relevant tests, and interviewing responsible mission personnel. Specifically, the number of LCC meeting minutes and cases examined in each mission are as follows:

**Table 1: Number of LCC meeting minutes and cases examined  
(Fiscal year 2006-2007)**

<b>Mission</b>	<b>Number of Minutes</b>	<b>Number of LCC Cases</b>
MINUSTAH	24	38
MONUC	24	10
UNAMA	26	26
UNAMI	19	24
UNIFIL	35	24
UNMIK	12	12
UNMIL	34	20
UNMIS	29	61
UNMIT	24	24
UNOCI	24	24

### IV. AUDIT FINDINGS AND RECOMMENDATIONS

#### A. Composition of LCCs

6. According to Section 2.5.2 of the Procurement Manual, the LCC shall be comprised of several members including the Finance and Legal Officers, administrative/programme officers, a Secretary (*ex officio*) and the Chief of Procurement (*ex officio*). The Director of Mission Support (DMS) shall appoint the LCC Chairperson, members and alternates and promptly communicate these names to the Assistant Secretary-General for Central Support Services (ASG/CSS), Department of Management through the Assistant Secretary-General, Department of Field Support and the Procurement Division.

7. OIOS' field audits showed that while some missions had promptly communicated the names of LCC members to Headquarters, several missions including MONUC, UNMIK, UNIFIL, UNMIL and UNOCI had not. Failure to provide this information, in addition to constituting non-compliance with existing requirements, precludes Headquarters officials from raising concerns about adherence to the delegation of authority in terms of functional representation on the LCC or insufficient segregation of duties. OIOS recommended and the missions agreed to take appropriate corrective action concerning this issue. However, in the view of OIOS, responsible departments at Headquarters also need to ensure that missions fully comply with this requirement.

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## **Recommendation 1**

**(1) The Department of Field Support, in coordination with the Department of Management, should issue specific guidance to peacekeeping mission management reminding them of the need to promptly communicate the names of Local Committee on Contract members and alternates to Headquarters in accordance with Section 2.5.2 of the United Nations Procurement Manual.**

8. *DFS accepted recommendation 1 and stated that in accordance with the Delegation of Procurement Authority from the Under-Secretary-General for Management to the Under-Secretary-General for Field Support, the composition of and any changes in LCCs are to be submitted directly to the Chair, Headquarters Committee on Contracts (HCC) for monitoring and compliance purposes. Furthermore, in the Delegations of Procurement Authority issued by the Under-Secretary-General for Field Support to missions, the Directors and Chiefs of Mission Support have been requested to submit the composition of and any changes in LCCs to the Under-Secretary-General for Field Support. DFS will send a fax to the missions to stress the importance of the submission of the required information to the Under-Secretary-General for Field Support and the Chair, Headquarters Committee on Contracts. Recommendation 1 remains open pending receipt of a copy of the instruction to peacekeeping mission management reminding them of the need to comply with the requirements of Section 2.5.2 of the Procurement Manual.*

## **B. Independence and competence of LCC members**

9. To ensure the effectiveness of the LCC, it is crucial that its members are well versed in the procurement process and independent of the requisitioning function. The results of OIOS' field audits showed that the LCC members were considered as generally competent and independent in MINUSTAH, UNAMA, UNAMI, UNMIT and UNMIL. However, the audit in UNMIS concluded that the LCC was functioning competently and independently but that some of its members had no prior LCC experience or procurement expertise. The remaining mission audits identified a number of other significant issues.

10. For example, in UNIFIL, the Chairperson, one member and two alternates were requisitioners, and, as a result, this LCC was not independent of requisitioning functions. The Chairperson explained that whenever a member's case is discussed, that member would not participate in the deliberations. Also, when selecting a quorum for a particular meeting, care is taken to ensure that members who are presenting cases would not be selected. While OIOS acknowledged these practices, it believed that they could be cumbersome and result in delays. OIOS therefore recommended that UNIFIL not appoint staff with requisitioning functions to the LCC. UNIFIL did not accept this recommendation, and noted among other things, that members excuse themselves when cases in their areas of responsibility are discussed by the LCC.

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11. OIOS' review of the LCC minutes relating to a procurement case for the extension of services in UNMEE showed that the extension was recommended based on a satisfactory vendor performance report signed by the Senior Administrative Officer from the requisitioning office. This individual also participated as a member of the LCC hearing this case. OIOS issued a recommendation to UNMEE calling on the Mission to ensure that LCC members not be allowed to vote on procurement cases for which they are the requisitioner. The Mission accepted this recommendation. OIOS' audit in UNOCI showed that several members of the LCC, including chiefs of various sections, were significant requisitioners of goods and services. In the view of OIOS, although these individuals may excuse themselves from discussions of cases for which they are the requisitioner, chiefs of the various sections should not be members of the LCC in order to enhance the objectivity of the Committee's proceedings. In this regard, it would be appropriate to nominate staff members to the LCC from substantive sections, which is permitted by the Procurement Manual. OIOS recommended that UNOCI management assess the current membership of the LCC with a view to including programme officers whenever possible. The Mission accepted this recommendation.

#### **Recommendation 2**

**(2) The Department of Field Support, in coordination with the Department of Management, should encourage peacekeeping mission management to appoint greater numbers of programme officers rather than representatives of requisitioning entities to Local Committees on Contracts whenever possible to enhance the objectivity of Committee deliberations.**

12. *DM accepted recommendation 2 and stated that the HCC is developing the Terms of Reference of the Committees on Contracts and Standard Operating Procedures (SOP) that will contain guidance on the appropriate composition of the LCC. Also, DFS stated that on 22 September 2008, they requested PD to clarify the term "Programme Officer" as it relates to the field's current staffing categories. Recommendation 2 remains open pending receipt of a copy of the Terms of Reference of the Committees on Contracts and Standard Operating Procedures on the appropriate composition of the members of the LCC.*

#### **C. Failure to comply with financial disclosure requirements**

13. Section 2.1 (d) of Secretary-General's Bulletin ST/SGB/2006/06 requires that staff members with direct access to confidential procurement or investment information file a Financial Disclosure and Declaration of Interest Statement with the UN Ethics Office. Although LCC members are covered by the SGB, the field audits showed that compliance with this reporting requirement was generally inadequate, and that many LCC members had not filed the financial statement. In some missions, such as UNAMI and UNMIS, members were not aware of the filing requirement. An UNMIS official informed OIOS that the Ethics Office is responsible for initiating the process.

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14. OIOS issued recommendations to mission management calling for compliance with the ST/SGB/2006/06 reporting requirements. Several of the missions agreed to take action. MONUC, for example, stated that all LCC members have been added to the list of staff who have to file the disclosure, while UNAMA and UNAMI indicated that all LCC members were either complying or would soon comply with the reporting requirements. UNMEE stated that it had reminded all LCC staff to file financial disclosure statements. UNOCI agreed to implement OIOS' recommendation which called for identifying staff with direct access to procurement information and ensuring that members of the LCC file required financial disclosure statements. However, UNOCI also noted that it had provided the Ethics Office with the names and responsibilities of staff associated with the procurement process and that the Ethics Office is responsible for contacting staff and having them complete the disclosure forms.

15. Other missions made similar comments with regard to the role of the Ethics Office. MINUSTAH and UNMIK, for example, did not accept OIOS' recommendations that the missions ensure that all LCC members file financial disclosures, noting that the Ethics Office contacts the individuals to request that they file the disclosures, and reminds staff to file them. As a result, the missions are not aware of who has filed and thus could not follow up on the issue. OIOS, however, reiterated its recommendations, stating that the missions could follow up with the Ethics Office to determine if staff had filed without compromising the confidentiality of the filed statements. Similarly, in MINUSTAH, OIOS found that four LCC members had not filed, but was advised that the filing process is initiated by the Ethics Office. UNMIT did not accept OIOS' recommendation that the Mission ensure that LCC members and alternates comply with the filing requirement, noting that the Mission does not have access to this confidential information. As with MINUSTAH, OIOS acknowledged the confidentiality of the information, but suggested that the Mission could follow up with the Ethics Office to determine if staff had filed statements.

16. OIOS acknowledges the complexity of the financial disclosure issue as it relates to LCC members. However, failure to submit required financial disclosure forms could result in non-compliance with ST/STB2006/06 and hamper timely detection and resolution of any actual or potential financial conflict of interest.

### **Recommendation 3**

**(3) The Department of Field Support and the Department of Management should cooperate with the United Nations Ethics Office to develop procedures to ensure that Local Committee on Contract members and alternates fully comply with financial disclosure requirements set out in ST/SGB/2006/06.**

17. *DFS accepted recommendation 3 and stated that it has been implemented through Section 4.3 of the Standard Operating Procedure relating to on-boarding of staff for UN peace operations, issued in April 2008 and circulated to missions, which provides guidance regarding the financial*

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*disclosure requirements.* OIOS acknowledges the action taken by DFS but reiterates its recommendation as the scope of the SOP relates solely to the on-boarding of staff. At the time a staff member is deployed to a mission, it is not yet known whether they may be nominated to participate as a member of the LCC. Recommendation 3 remains open pending verification that procedures have been developed to ensure that all LCC members and alternates fully comply with financial disclosure requirements set out in ST/SGB/2006/06.

#### **D. Attendance at LCC meetings**

18. In some missions, certain LCC members did not attend Committee meetings. In UNAMA; for example, while there was always a quorum at LCC meetings, certain members did not always attend. In this regard, the Legal Officer did not attend any of the 26 meetings reviewed by OIOS and the Chief of Finance missed 10 meetings. OIOS recommended that the Mission ensure that Legal and Finance Officers participate in LCC meetings and the mission noted that there is now legal and financial representation at all LCC meetings. The UNAMI LCC attained a quorum in all 19 LCC meetings, but in two of these meetings, which dealt with five cases valued at approximately \$5 million, there was no representation from the Legal Office. The mission accepted OIOS' recommendation that the Legal Advisor or an alternate be present at LCC meetings which may require legal advice. Although OIOS' field audit did not indicate that the absence of key members at LCC meetings was a widespread problem, failure to have the members with the necessary expertise in attendance can delay the procurement process and preclude the Committee from determining if the procurement action meets applicable rules and policies. As the HCC is developing Terms of Reference for the Committees on Contracts and Standard Operating Procedures that will contain guidance on the appropriate composition of the LCC, OIOS is not issuing a recommendation.

#### **E. Training of LCC members**

19. Members of the LCC are expected to provide advice on whether proposed procurement actions are in accordance with relevant FRRs, SGBs, AIs and other procurement policies. As such, it is essential that LCC members are fully informed about the Organization's procurement principles and policies. However, three of OIOS' field audits identified issues regarding the expertise of certain LCC members. In UNIFIL, for example, the LCC Chairperson advised that some members of the LCC may not have received the necessary training when they were appointed, except for those individuals who participated in the training offered by HCC members in October 2007. The Mission was ready to participate in any training, particularly courses offered by the Procurement Division.

20. The Chairman and members of the UNOCI LCC, including alternates, informed OIOS that they had no procurement experience and were not familiar with procurement regulations and rules, although some members mentioned that they were requisitioners when nominated. The HCC had conducted training on the roles and responsibilities of the LCC and HCC at the Mission in January 2008. LCC members attended the training, but one member and two alternates

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could not attend. OIOS therefore recommended that training be provided to all members of the LCC. The Mission accepted OIOS' recommendation.

21. The audit in UNMIS showed that four LCC members had no prior LCC experience. Two of these individuals were not familiar with the UN procurement process. OIOS concurs with the LCC members it interviewed who pointed out that regular and on-going training of LCC and procurement processes would be beneficial. Such training would also help to develop a core group of personnel with the required skills who could serve as LCC members as they rotate between missions. OIOS was informed that an HCC team had offered a one-week basic training course on LCCs in October 2007, which dealt with members' responsibilities such as filing financial disclosure statements. The team indicated its intention of carrying out periodic training in the future.

22. Information provided by the HCC showed that its staff had provided week-long training sessions for LCC members in more than 10 peacekeeping missions during 2007 and 2008. These courses cover a wide range of issues including: the fundamentals of procurement; functions and processes of the LCC and HCC; systemic issues; best value for money and procurement ethics. There is also specialized training for LCC secretaries and chairpersons. Training participants are provided with hardcopy training materials which are available electronically upon request. As the HCC will continue to provide such training in the future, OIOS is not issuing a recommendation concerning training for LCC members.

#### **F. LCC tracking mechanisms need to be improved**

23. The LCC recordkeeping system should consist of an effective tracking system to enable follow-up of pending actions and recommendations by procurement officers and requisitioners based on LCC deliberations and issues raised by management before approving the LCC recommendations. Two of the missions audited by OIOS, i.e., UNMIK and MINUSTAH, had established formal tracking systems. MINUSTAH, for example, uses an Excel spreadsheet system, "LCC Table-Issues Raised", which is monitored and updated by the LCC Secretary, to track recommendations.

24. However, seven other missions audited by OIOS had not established formal systems for monitoring LCC issues, pending actions and recommendations (two of OIOS' field audits did not cover this issue in detail). In UNAMI, for example, OIOS found that the requisitioner had violated Financial Rule 105.7, which limits direct expenditure to \$2,500 without an obligation document. The requisitioner split the amount to avoid going through the procurement process. The Chief Finance Officer did not approve payment and presented the case to the LCC. During deliberations, members advised that the requisitioner should be told not to repeat such a violation. The LCC failed to follow up on this matter, ostensibly because there was no system in place to track the LCC's recommendation and there was no written communication to the requisitioner. In UNMIL, except for intermittent e-mails, the LCC did not have a mechanism for tracking the status of queries made by the Committee and DMS. LCC approvals as well as the distribution of recommendations and the meeting

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minutes were also not tracked. The Mission, for example was not aware of how many *ex post facto* cases it had processed.

25. OIOS recommended that these missions develop and implement effective LCC tracking systems. All of the missions accepted OIOS' recommendations and had either already implemented a tracking system or were in the process of doing so.

#### **Recommendation 4**

**(4) The Department of Management, in coordination with the Department of Field Support, should ensure that the Local Committee on Contracts (LCC) has an adequate tracking system to enable follow-up of pending actions and recommendations based on LCC deliberations and issues raised by management before approving the LCC recommendations.**

26. *DM accepted recommendation 4 and stated that the HCC plans to enhance the e-CC by linking the e-LCC and e-CC.* Recommendation 4 remains open pending the enhancement of the e-CC and the introduction of the e-LCC to enable the LCCs to adequately track and follow-up on pending actions and recommendations.

#### **G. Adequacy of documentation submitted to the LCC**

27. While the documentation in procurement case files submitted to the LCC was generally adequate, in several cases the information was not sufficient to allow the Committee to make an informed decision. In UNAMA, certain Procurement Officers did not furnish adequate information and documentation directly related to substantive and determinative issues of the cases to the LCC. However, the LCC did not always request additional documentation when necessary. Making decisions on less than complete information can cause the LCC to issue inappropriate recommendations. In two cases, for example, pertaining to the extension of contracts for the accommodation of UNAMA aircrews, a copy of the original contract was not included in the case presentation. The LCC recommended the cases as presented which resulted in UNAMA paying additional and unnecessary costs for the meals of aircrews. In this regard, OIOS concluded that the Mission needed to develop a checklist to be used by procurement officers and the LCC to ensure that all necessary documentation has been provided. In MINUSTAH, the LCC was generally satisfied with the documentation provided. However, the LCC was not satisfied with the clarity and sufficiency of the data provided for its deliberations in two cases, but the Committee nevertheless endorsed these cases.

28. In UNAMI, 4 of 24 cases reviewed did not contain sufficient documentation to allow LCC members to deliberate properly. The missing documents included breakdowns of cost estimates and requests to reduce the number of goods required. As a result, the LCC raised questions and requested information which delayed the procurement process. OIOS recommended that

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UNAMI ensure that procurement case submissions are comprehensive, accurate and clearly written. The UNAMI Mission accepted OIOS' recommendation, but pointed out that the Electronic-LCC system, which is being used in some missions, limits submissions to a maximum of 25 pages. OIOS' audit in UNOCI showed that the presentations to the LCC often did not include the reasons for poor vendor response rates to bids, the results of market surveys and the rates of goods and services previously procured by UNOCI. The LCC found that there was a lack of competition in several cases. However, the Committee approved 11 of the 24 cases OIOS reviewed although they lacked competition and were based on a single bid. Also, the LCC generally did not independently verify the data presented.

#### **Recommendation 5**

**(5) The Department of Field Support, in coordination with the Department of Management, should remind peacekeeping mission Local Committees on Contracts to ensure that procurement cases submitted for consideration contain adequate information and documentation before the Committee considers them.**

29. *DM accepted recommendation 5 and stated that the HCC has been engaged in capacity development of LCC members since 2007 and has trained more than 325 LCC members. The issue of adequate information and documentation to permit review by the LCCs is part and parcel of the capacity development training offered since that time.* Based on the action taken by DM, recommendation 5 has been closed.

#### **H. Distribution of LCC meeting minutes**

30. The Procurement Manual requires that the approved recommendations and minutes of LCC meetings be distributed within 10 business days to the:

- CMS/DMS;
- Members of the LCC;
- Chief Procurement Officer;
- Requisitioning offices; and
- OIOS.

31. However, practically all of OIOS' field audits showed that there were problems in the distribution of LCC meeting minutes. Meeting minutes were either distributed late or did not reach all of the appropriate parties or both. Such delays in processing LCC minutes and recommendations can significantly delay the procurement process. In UNMIL for example, only 2 of the 34 minutes of meetings were approved and received by the Procurement Section within the stipulated 10 days. Some of these minutes took up to 26 days to reach the Section. During fiscal year 2006/2007, the DMS' approval of LCC minutes ranged from 4 to 18 days, and only about one-half of the minutes were approved within 10 days. The LCC Chairperson attributed these delays to LCC members being away from the Mission. OIOS also noted that the LCC Chairman and the

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members did not indicate the date on which they signed the minutes. UNMIL accepted OIOS' recommendation for corrective action and issued a directive to the staff.

32. In several other missions, OIOS found that the LCC minutes had not always been distributed to all of the parties prescribed in the Procurement Manual. For example, in UNAMA, the LCC minutes had not been distributed to OIOS as required. Similarly, in UNIFIL the LCC meeting minutes were not distributed to OIOS. These minutes are an important source of information concerning the procurement process, which allow OIOS to keep abreast of procurement issues, identify high risk areas and assess the adequacy of internal controls. After this matter was discussed with management at the exit conference, OIOS began receiving the minutes regularly. In UNMIT, OIOS found that the minutes were not distributed to certain parties including members of the LCC. The Mission accepted OIOS' recommendation and instructed the LCC secretary to distribute the minutes to all parties including LCC members.

33. As mentioned above, in some missions, the minutes of LCC meetings were not distributed on time or to the appropriate parties. OIOS' audit of MINUSTAH showed that while the 24 LCC meeting minutes were well prepared and documented, they were not always approved in a timely manner or properly distributed. For example, it took between 32 and 57 days to approve six meeting minutes. Also the minutes were not being distributed to OIOS, although the Mission began providing them after OIOS brought this matter to management's attention. Of the 24 meeting minutes reviewed in UNOCI, 14 took more than 20 days to be finalized and distributed, including 3 instances in which it took more than 40 days. Also, copies of the minutes were not distributed to alternate members, procurement officers, the CMS and OIOS. UNOCI accepted OIOS' recommendation and agreed to take immediate corrective action.

34. The prompt and correct preparation and distribution of LCC meeting minutes are crucial to the work of the Committee and to the entire procurement process. Although the missions have taken or agreed to take corrective action to address OIOS' findings concerning the preparation and distribution of LCC meeting minutes, there is, in the view of OIOS a need for senior management to remind the missions of these important responsibilities.

#### **Recommendation 6**

**(6) The Department of Field Support should issue a written reminder to all peacekeeping missions concerning the need to prepare and distribute Local Committee on Contracts meeting minutes promptly and correctly.**

35. *DFS accepted recommendation 6 and stated that it will issue a reminder to the peacekeeping missions stressing the importance of circulating LCC meeting minutes in a timely manner.* Recommendation 6 remains open pending receipt of a copy of the reminder sent to peacekeeping missions concerning the need to distribute the LCC meeting minutes to the appropriate parties and in a timely manner.

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## **I. *Ex post facto* cases**

36. *Ex post facto* cases constitute procurement actions in which deliverables are provided without first obtaining the advice of the LCC or submitting the case for review. These cases require a written justification explaining why timely presentation was not possible. The processing of *ex post facto* cases was apparently not a major problem in most of the missions audited by OIOS. However, in MINUSTAH, OIOS identified 13 *ex posts facto* cases with a total value of almost \$3.6 million. Six of the cases were considered as partial *ex post facto* due to late submission of the presentations. OIOS recommended that MINUSTAH submit cases for review to the LCC in a timelier manner. The Mission accepted this recommendation and noted that efforts would be made to eliminate such cases, although due to operational requirements beyond the Mission's control some cases become *ex post facto*.

37. OIOS' audit in UNMIS showed that there were 45 fully or partially *ex post facto* cases, constituting 38 per cent of procurement cases during the period. In most cases, there was an absence of exceptional conditions to justify the *ex post facto* nature of the cases. The major causes for such cases include: poor procurement planning, particularly for critical on-going requirements, and inadequate communication between users and procurement that caused delays in the issuance of purchase orders. OIOS will continue to monitor efforts to address this situation. Of the 24 cases reviewed in UNAMI, 9 were presented to the LCC as *ex post facto* cases. In 7 of these 9 cases, there were no written justifications from the requisitioners explaining why the cases were not submitted timely. In the view of OIOS, six of these cases could have been avoided with proper procurement planning and supervision by the Procurement Section and requisitioners. The chairmen of the LCC noted that once goods and services have been provided, the vendor has to be paid and the LCC "takes note" of the case, when it really should not, in order to enable payment. This can impair the integrity and independence of the LCC, which could be turned into a "rubber stamp". In the view of OIOS, by agreeing to note these cases, the LCC in effect sanctions the violation of financial rules. OIOS issued three recommendations to address *ex post facto* issues, two of which were accepted by the mission. In the view of OIOS, missions should be encouraged to reduce the number of *ex post facto* cases presented to the LCC.

### **Recommendation 7**

**(7) The Department of Field Support, in coordination with the Department of Management, should instruct peacekeeping mission management to ensure that (i) the number of *ex post facto* procurement cases submitted to the Local Committee on Contracts is reduced to the extent possible; and (ii) those unavoidable *ex post facto* cases contain specific and adequate justification.**

38. *DFS accepted recommendation 7 and stated that the Controller issued a memorandum in September 2005 to all heads of departments and administrative*

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*heads of missions explaining that ex post facto cases were increasing at a disturbing rate and in most cases this was attributed to inadequate planning and avoidable administrative delays. Since then, there has been a reduction in the number of ex post facto cases. Nonetheless, DFS will issue a reminder to the missions to reduce the number of such cases through effective acquisition planning. In instances where ex post facto cases cannot be avoided, missions would be reminded to ensure that adequate justification is maintained to serve as an audit trail. Recommendation 7 remains open pending receipt of a copy of the reminder sent to peacekeeping mission management to ensure the number of ex post facto procurement cases submitted to the LCCs is reduced through better procurement planning.*

## **V. ACKNOWLEDGEMENT**

39. We wish to express our appreciation to the Management and staff of the missions audited 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	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The Department of Field Support, in coordination with the Department of Management, should issue specific guidance to peacekeeping mission management reminding them of the need to promptly communicate the names of Local Committee on Contract members and alternates to Headquarters in accordance with Section 2.5.2 of the United Nations Procurement Manual.	Governance	High	O	Receipt of a copy of the guidance issued to peacekeeping mission management reminding them of the need to compliance with the requirements of Section 2.5.2 of the Procurement Manual.	1 <sup>st</sup> Quarter 2009
2	The Department of Field Support, in coordination with the Department of Management, should encourage peacekeeping mission management to appoint greater numbers of programme officers rather than representatives of requisitioning entities to Local Committees on Contracts whenever possible to enhance the objectivity of Committee deliberations.	Human Resources	Medium	O	Receipt of a copy of Terms of Reference of the Committees on Contracts and Standard Operating Procedures on the appropriate composition of the members of the LCC.	June 2009
3	The Department of Field Support and the Department of Management should cooperate with the United Nations Ethics Office to develop procedures to ensure that Local Committee on Contract members and alternates fully comply with financial disclosure requirements set out in ST/SGB/2006/06.	Governance	High	O	Verification that procedures have been developed to ensure that all LCC members and alternates fully comply with financial disclosure requirements set out in ST/SGB/2006/06.	Not provided
4	The Department of Management, in coordination with the Department of Field Support, should ensure that the Local Committee on Contracts (LCC) has an adequate tracking system to enable follow-	Information Resources	High	O	Enhancement of the e-CC and the introduction of the e-LCC to enable the LCCs to adequately track and follow-up on pending actions and recommendations.	2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	up of pending actions and recommendations based on LCC deliberations and issues raised by management before approving the LCC recommendations.					
5	The Department of Field Support, in coordination with the Department of Management, should remind peacekeeping mission Local Committees on Contracts to ensure that procurement cases submitted for consideration contain adequate information and documentation before the Committee considers them.	Operational	Medium	C	Action complete	Implemented
6	The Department of Field Support should issue a written reminder to all peacekeeping missions concerning the need to prepare and distribute Local Committee on Contracts meeting minutes promptly and correctly.	Operational	Medium	O	Receipt of a copy of the reminder sent to peacekeeping missions concerning the need to distribute the LCC meeting minutes to the appropriate parties and in a timely manner.	1 <sup>st</sup> Quarter 2009
7	The Department of Field Support, in coordination with the Department of Management should instruct peacekeeping mission management to ensure that (i) the number of <i>ex post facto</i> procurement cases submitted to the Local Committee on Contracts is reduced to the extent possible; and (ii) those unavoidable <i>ex post facto</i> cases contain specific and adequate justification.	Governance	High	O	Receipt of a copy of the reminder sent to peacekeeping mission management to ensure the number of <i>ex post facto</i> procurement cases submitted to the LCCs is reduced through better procurement planning.	1 <sup>st</sup> Quarter 2009

1. C = closed, O = open
2. Date provided by DFS or DM in response to recommendations.