



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of contingent owned equipment in MONUC

**Unsatisfactory management arrangements have
prevented MONUC from adequately overseeing
COE activities**

15 October 2008

Assignment No. AP2007/620/03

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. Alan Doss
A Special Representative of the Secretary-General
MONUC

DATE: 15 October 2008

REFERENCE: IAD: 08-01837

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AP2007/620/03 – Audit of contingent owned equipment in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC)**
OBJET

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 1 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., recommendation 4) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Hany Abdel-Aziz, Director of Mission Support, MONUC
Mr. Gilles Briere, Chief Integrated Support Services, MONUC
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Seth Adza, Operations Review Officer, DFS
Ms. Christina Post, 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).

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EXECUTIVE SUMMARY

Contingent owned equipment

OIOS conducted an audit of contingent owned equipment (COE) in the United Nations Mission in the Democratic Republic of Congo (MONUC). The overall objectives of the audit were to assess: compliance with the requirements of agreements between the UN and troop contributing countries regarding COE; MONUC's effectiveness in determining the operational capability and serviceability of COE; and the effectiveness of deploying COE. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The audit identified several areas requiring corrective action to improve the effectiveness of managing COE, as follows:

- The Mission had not established a COE/Memorandum of Understanding (MOU) Management Review Board to oversee the implementation of COE activities and recommend amendments to MOUs resulting from changes in operational requirements and contingents' performance;
- There were delays in conducting arrival inspections of COE of up to nine months. Moreover, repatriation inspections were not always carried out because contingents failed to notify the Mission before repatriating equipment; and
- There were persistent shortfalls in self-sustainment equipment and low serviceability levels in major equipment categories affecting operational capabilities of contingents.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent owned equipment (COE) in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) from December 2007 to March 2008. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The troop contributing countries (TCC) provide MONUC with COE and self-sustainment for their troops in accordance with the terms and conditions of their respective Memoranda of Understanding (MOU). COE includes major and minor equipment and consumables deployed and operated by contingent units in performance of peacekeeping operations. The United Nations reimburses TCCs for the use of COE and the provision of logistical support at rates agreed to in the MOU subject to fulfillment of standards set out in the COE manual. All reimbursements are processed by United Nations Headquarters in New York (UNHQ) upon receipt of quarterly verification reports from the Mission's COE Unit covering major equipment and self-sustainment categories.

3. The General Assembly, in its resolution 50/222 of 11 April 1996, promulgated the Manual on Policies and Procedures concerning the Reimbursement and Control of COE. The Manual emphasizes the importance of managing rather than only accounting for COE, and outlines four types of COE Inspections: (a) Arrival Inspections; (b) Operational Readiness Inspections; (c) Periodic Inspections and Spot Checks; and (d) Repatriation Inspections.

4. The COE Unit is responsible for verifying and controlling COE and preparing COE Verification Reports (VRs) which are forwarded to UNHQ quarterly and serve as the basis for reimbursing TCCs. In coordination with the Force Headquarters, the unit is also responsible for planning and conducting operational readiness inspections.

5. As at 30 June 2007, MONUC military and police components comprised 17,633 troops from 19 contributing countries. The contingents were equipped with 7,900 items of major equipment and 127 self-sustainment items. As at 30 June 2007, the Mission managed 59 wet leases and one dry lease MOUs. A wet lease is a COE reimbursement system where the troop/police contributing countries (T/PCCs) assume responsibility for maintaining and supporting deployed major and minor items of equipment, while a dry lease is a system where the UN is responsible for maintaining and supporting the deployed equipment.

6. The MONUC COE budgets for reimbursements to troop contributing countries in the years 2005-06, 2006-07 and 2007-08 were \$140 million, \$147 million and \$142 million respectively.

7. Comments made by MONUC are shown in *italics*.

II. AUDIT OBJECTIVES

8. The main objectives of the audit were to assess:
- (a) Compliance with the requirements of the MOUs between the United Nations and TCCs regarding contingent owned equipment and other guidelines;
 - (b) The effectiveness of the Mission in determining the operational capability and serviceability of the COE in accordance with established performance standards; and
 - (c) The effectiveness of the deployment of COE in accomplishing the Mission's mandate.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit covered the period from June 2006 to September 2007. OIOS reviewed MOUs, verification/inspection reports and other pertinent records and documents; interviewed key staff involved in COE management; and conducted site visits to seven contingents deployed in the Mission to verify selected equipment.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Management of COE/MOU activities

Need to establish a Mission COE/MOU Management Review Board

10. The Department of Peacekeeping Operations (DPKO) issued proposed guidelines on 26 November 2006 and provisional guidelines on 23 January 2008, which require the missions to establish COE management structures composed of a Mission COE/MOU Management Review Board (CMMRB) and an integrated COE Unit. However, MONUC has not established a CMMRB which is required to: (a) oversee the implementation of the COE programme; (b) recommend amendments to MOUs as a result of changes in operational requirements and contingents' performance; (c) ensure optimal utilization of resources in support of the Mission; (d) review and recommend cost-effective support solutions; and (e) ensure compliance with MOU and COE verification and reporting procedures.

11. The need for a CMMRB was evident, as changes had occurred in the operational requirements of the Mission that had not been reflected in the MOUs. For instance:

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- Troops were frequently moved to different locations causing the Mission to adopt the use of mobile operating bases which did not always align with the provisions of the MOU.
 - Contingents' responsibilities have been expanded requiring the separation of some battalion headquarters from their sub-units. As a result of the fragmentation of contingents, additional quantities and types of equipment may be needed.

12. OIOS acknowledges that the Office of the Force Commander conducted reviews of some MOUs. However, these reviews mainly pertained to deleting listed equipment no longer required due to operational changes and the inclusion of necessary equipment not specified in the MOU.

13. The examples discussed above highlight the need for an effective CMMRB to ensure that periodic and comprehensive reviews of COE are conducted to ensure *inter alia* that current requirements, resulting from changes in operational objectives, are reflected in the MOUs.

Recommendation 1

(1) The MONUC Office of Mission Support should establish a contingent owned equipment (COE) and memorandum of understanding (MOU) Management Review Board to oversee the implementation, monitoring and reporting of the COE activities and recommend amendments to MOUs in line with operational changes.

14. *The MONUC Office of Mission Support accepted recommendation 1 and stated that they have issued a memorandum establishing a COE Management Review Board. A copy of the memorandum was provided. Based on the action taken by management, recommendation 1 has been closed.*

B. Inspections and verification process

Need to comply with COE Manual and guidelines on inspections

15. The COE Unit conducts three types of verification inspections: arrival, periodic and repatriation. Arrival inspections should be conducted within a month of the arrival of equipment in the Mission. A sample of 47 arrival verification reports showed that 20 (43 per cent) of the inspections were conducted after the grace period of one month. The delay in inspections ranged from two weeks to nine months following the mandatory 30 days during which arrival inspections should be conducted. Such delays may prevent the Mission from early detection and taking necessary remedial action on shortfalls or inconsistencies in the quantities, categories and groups of equipment delivered. There is also a risk that inadequate levels and/or incorrect types of equipment may negatively impact operational readiness.

16. The military and UN Police conduct operational readiness inspections (ORI) semi-annually of military contingents and Formed Police Units (FPUs) respectively. The ORI reports are submitted to the Force Commander and the Police Commissioner to assist in operational decision making. A review of a sample of eight contingent and three FPU ORI reports for inspections conducted between February 2007 and January 2008 found that these reports incorporated the results of the periodic verification inspections. However, the ORI reports did not provide an overall assessment of operational readiness, and only summarized the inspection results concerning various operational aspects and recommendations for corrective action noted during the inspections.

Recommendations 2 and 3

The MONUC Office of Mission Support should ensure that:

(2) The Contingent Owned Equipment (COE) Unit conducts arrival inspections within the specified grace period of 30 days from arrival of equipment in the Mission in compliance with the COE manual and guidelines;

(3) The Force Commander and Police Commissioner make sure operational readiness inspection reports provide an overall assessment of operational readiness of military and police entities.

17. *The MONUC Office of Mission Support accepted recommendation 2 and stated that the Property Management Section will review and take the necessary corrective measures.* Recommendation 2 remains open pending receipt of confirmation that corrective measures have been taken.

18. *The MONUC Office of Mission Support accepted recommendation 3 and stated that it will be implemented from the next inspection conducted by the ORI Unit. An assessment by the Chief ORI and Chief Military Personnel Officer of the operational capabilities of inspected entities and recommended corrective measures will be included in the report.* Recommendation 3 remains open pending verification by OIOS that adequate assessments have been made.

C. Servicing equipment

19. Of a sample of 22 repatriation inspection reports, 5 of them showed that the inspections were not conducted before the equipment was repatriated. The COE Unit only discovered that the TCC had repatriated the equipment during a routine inspection and reported the repatriated equipment *post facto*. Contingents are required, in accordance with COE guidelines, to inform the COE Unit of planned equipment repatriation. Failure to inform the COE Unit of planned repatriation of equipment may result in the loss of UN owned equipment which may be wrongly repatriated with COE.

Recommendation 4

(4) The MONUC Office of Mission Support should establish a procedure to ensure that contingent commanders report planned repatriation of equipment in compliance with contingent owned equipment guidelines.

20. *The Office of Mission Support accepted recommendation 4 and stated that procedures are being revised to ensure that no equipment is sent out of the Mission without adequate documentation. The Office of Mission Support will request the Force Commander and the Police Commissioner to remind the contingents to notify COE Unit prior to repatriating COE. Recommendation 4 remains open pending receipt of the revised procedures.*

Need to improve serviceability of equipment

21. T/PCCs are required under the MOU to provide the agreed upon types and quantities of equipment and ensure that the equipment is operational and used appropriately in accordance with the agreement. However, there were consistent shortfalls in the equipment held by contingents and FPU. For example, in the self-sustainment category, there were major shortfalls in water treatment plants where 48 of the 93 water purification plants were not serviceable due to the lack of trained operators, insufficient spare parts and chemicals, inadequate containers, unserviceable water tankers and trailers. Unserviceable equipment was also noted in other self-sustainment categories such as communications equipment, tentage, catering, observation, field defense stores, and Level 1 hospitals.

22. A review of verification inspection reports prepared by the COE Unit in 2007 showed that only 5 out of 21 infantry battalions and 15 of 28 enabling units, such as Engineering Units, maintained the required 90 per cent serviceability level for major equipment. In addition, contingents did not submit monthly serviceability reports to the COE Unit to facilitate continuous monitoring as required by COE guidelines.

23. The shortfalls in the self-sustainment categories and low serviceability levels of major equipment affect the operational capability of the respective contingents as they lack the ability to perform frequent and decentralized re-deployments needed to accomplish new tasks. As mentioned, T/PCCs are responsible for maintaining and supporting equipment deployed to the Mission under the terms of the MOUs. Equipment shortages and the lack of serviceability require the Mission to use its resources to meet contingents' requirements to achieve mandated tasks.

24. The MOUs provide for withholding reimbursements to T/PCCs for unserviceable equipment and requirements. Some reimbursements have been withheld. However, the costs to the Mission for providing the requirements for contingents exceed the reimbursement amount. For example, reimbursement for four water treatment plants and trailers for one contingent with 950 personnel is

\$5,935 per month. On the other hand the cost of providing bottled and bulk water for one month is \$40,767. The costs to the Mission are high because the water has to be airlifted to various operating bases located throughout the country. In OIOS' view, these matters need to be addressed as soon as possible.

Recommendation 5

(5) The MONUC Office of Mission Support and the Force Commander should coordinate with the Department of Field Support and Department of Peacekeeping to develop stringent measures, such as withholding from the reimbursements to T/PCCs the actual costs incurred by the Mission for providing support to contingents, in order to enforce compliance with the terms and conditions of the Memoranda of Agreement.

The MONUC Office of Mission Support agreed with recommendation 5 and requested the Department of Field Support (DFS) to consider the possibility of withholding actual costs from TCC reimbursements and conducted a review of a MOU review of the main TCC infantry battalions, which was sent to LSD. However, DFS indicated that the deductions from the TCCs can only be for the equipment that is not functioning and can not exceed the agreed to MOU amount. DFS further stated that the relationship with TCCs is that of partnership to carry out the mandate of the UN wherein one partner takes over the responsibility the other partner can not undertake and not to penalise the partner for such shortfalls. DFS proposed that MONUC should budget for the cost of providing operationally needed equipment and supplies to contingents and FPU. Recommendation 5 remains open pending the receipt of information that MONUC management has budgeted for operationally needed equipment and supplies in its 2009/2010 budget.

V. ACKNOWLEDGEMENT

25. We wish to express our appreciation to the Management and staff of MONUC 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 ²
1	The MONUC Office of Mission Support should establish a contingent owned equipment (COE) and memorandum of understanding (MOU) Management Review Board to oversee the implementation, monitoring and reporting of the COE activities and recommend amendments to MOU in line with operational changes.	Governance	High	C	Implemented	22 August 2008
2	Ensure that the Contingent Owned Equipment (COE) Unit conducts arrival inspections within the specified grace period of thirty days from arrival of equipment in the Mission in compliance with the COE manual and guidelines	Operational	Moderate	O	Confirmation that arrival inspections are conducted within the specified grace period of thirty days from arrival of equipment in the Mission.	Not provided
3	The Force Commander and Police Commissioner should ensure that the operational readiness inspection reports provide an overall assessment of operational readiness of military and police entities	Operational	Moderate	O	Confirmation of inclusion of overall assessment of the operational readiness of contingent equipment.	Not provided
4	The MONUC Office of Mission Support should establish a procedure to ensure that contingent commanders report planned repatriation of equipment in compliance with contingent owned equipment guidelines.	Compliance	High	O	(a) Submission to OIOS of revised procedures for repatriation of equipment from the Mission, and (b) copy of reminder to contingents to notify COE Unit prior to repatriating equipment.	Not provided
5	The MONUC Office of Mission Support and the Force Commander should coordinate with the Department of Field Support and the Department of Peacekeeping Operations to develop	Financial	High	O	Receipt of information showing that MONUC has budgeted for operationally needed equipment and supplies in its 2009/2010 budget.	

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	stringent measures such as withholding from reimbursements to T/PCs the actual costs incurred by the Mission for providing support to contingents, in order to enforce compliance with the terms and conditions of the Memoranda of Agreement.					

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