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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: 19 November 2008

REFERENCE: IAD: 08- 01962

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

William Peter

SUBJECT: **Assignment No. AP2007/640/14 - Audit of the agreement under which UNOCI would transfer United Nations equipment to Radiofusion Television Ivoirienne (RTI)**
OBJET: **transfer United Nations equipment to Radiofusion Television Ivoirienne (RTI)**

UNOCI's commitment to transfer UN-owned equipment to RTI in exchange for using an FM radio frequency did not comply with UN financial rules

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Based on your comments, we are pleased to inform you that we will close recommendation 4 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 4 and 5. 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 1 and 6), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

I. INTRODUCTION

5. The Office of Internal Oversight Services (OIOS) conducted an audit of the agreement under which the United Nations Operation in Côte d'Ivoire (UNOCI) would transfer United Nations equipment to Radiofusion Television Ivoirienne (RTI).

6. UNOCI operates an FM radio station called ONUCI FM, to promote understanding of the peace process and UNOCI's role in the process in compliance with Security Council resolutions on Côte d'Ivoire.

7. Under the Status of Forces Agreement (SOFA) signed by the Government of Côte d'Ivoire and the United Nations, the frequencies used by UN radio are to be determined in cooperation with the government and allocated to UNOCI expeditiously. As of March 2008 the government had allocated 11 frequencies to the Mission for broadcasting FM programmes in Côte d'Ivoire except for the Abidjan region. Due to the reported non-availability of a frequency in the Abidjan region, the government-owned national broadcaster, RTI, leased its "frequency 96" to UNOCI under a three-year lease contract with a provision for renewal. The lease signed on 5 August 2004 stipulated *inter alia* that:

(a) UNOCI would provide the necessary investment and appropriate equipment for the efficient operation of the RTI radio station that operated on frequency 92;

(b) UNOCI would equip and operate the UNOCI FM radio station on the leased frequency 96, improving its listening comfort and quality throughout Côte d'Ivoire; and

(c) The material and equipment so acquired to operate on the leased frequency 96 and the RTI station operated on frequency 92 would become the property of RTI at no additional cost after the expiration of the contract, subject to approval by the United Nations General Assembly.

8. Comments made by UNOCI are shown in *italics*.

II. AUDIT OBJECTIVES

9. The main objectives of the audit were to assess:

(a) The propriety of the agreement between UNOCI and RTI for the temporary lease of an FM frequency; and

(b) Compliance with United Nations regulations and rules, policies and other procedures concerning the provision of UN equipment to RTI either through transfer or purchase of new equipment.

III. AUDIT SCOPE AND METHODOLOGY

10. The audit covered the period from the start of Mission operations in April 2004 to 4 August 2007, when the contract between UNOCI and RTI expired, as well as subsequent developments regarding UNOCI's obligations under the contract. OIOS interviewed key mission personnel, reviewed the contract, relevant documents and the decision making processes. OIOS also conducted physical inspections of selected UNOCI FM equipment and equipment procured for RTI and installed in RTI premises and/or stored in the Mission's warehouse.

IV. OVERALL ASSESSMENT

11. UNOCI's commitment to transfer United Nations-owned equipment to RTI after the expiration of the lease contract between the two parties was not in accordance with UN Financial Regulation 5.14 and Rule 105.22 (e) and section 3 of the Field Mission Liquidation Manual. The procurement process used to acquire equipment requested by RTI was inefficient and did not adhere to the UN procurement procedures. There was a lack of information and insufficient internal control over the type and value of FM equipment procured and transferred to RTI. Complete and accurate records on the RTI equipment transfer were not maintained. As a result, the Mission could not effectively monitor the number and value of items provided to RTI.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Dependency on leased radio frequency to operate ONUCI FM Radio

12. As the host country has primary responsibility for providing the radio frequency, UNOCI should have requested the government to revoke the license for the spare frequency from RTI and directly allocate frequency 96 in Abidjan to UNOCI, instead of advising the Mission to enter into a direct contract with RTI, a separate commercial entity.

13. This alternative solution of having the government revoke the spare frequency from RTI and re-issue it to UNOCI was not explored before UNOCI entered into a contract with RTI. In addition, UNOCI did not explore the possibility of leasing a privately-owned frequency in Abidjan. The availability of a frequency could have been confirmed by requesting advice from the International Telecommunication Union (ITU), a UN agency, and/or the Mission's Communications and Information Technology Section (CITS).

14. Using frequency 96 created a dependency on RTI, which can also use this frequency when needed. In February 2005, RTI used ONUCI's FM frequency 96 for two days because of problems with its own frequency 92. RTI had also threatened to switch back to the leased frequency if UNOCI delayed the installation of equipment to support RTI's frequency 92 as per the lease agreement.

15. UNOCI did not take timely steps to renegotiate the contract which expired on 4 August 2007, and the third extension of the original contract expired on 4 March 2008. As a result, UNOCI's radio broadcasting capabilities in the Abidjan region remained vulnerable to interruption, which may impact its efforts to promote understanding of the peace process and UNOCI's role.

Recommendation 1

(1) UNOCI Management should follow up with the Government of Côte d'Ivoire to request that the 96 FM spare frequency in Abidjan, currently allocated to Radiodiffusion Television Ivoirienne, be reallocated directly to the Mission, in line with the government's

responsibility to provide a radio frequency under the Status of Forces Agreement.

16. *UNOCI Management accepted recommendation 1 and stated that the National Council of Audiovisual Communication (NCAC), a regulator for the allocation of frequency in Cote d' Ivoire agreed in principle to a draft agreement of September 2008 that the use by UNOCI of radio frequencies including frequency 96 presently with RTI for a period of two years. The Mission is waiting for UNHQ to sign the agreement. Recommendation 1 remains open pending receipt of a copy of the signed agreement.*

B. Lease commitments not in accordance with regulations and rules

17. The contract signed on 5 August 2004 called for the transfer of UN material and equipment to RTI at no cost, at the end of the contract, subject to the General Assembly's approval. There is no provision in the UN regulations and rules for such a transfer except during the liquidation of peacekeeping operations. There is also no evidence that the UNOCI legal office reviewed the draft contract that ultimately became final. Furthermore, the Mission did not consult with the Office of Legal Affairs or the Controller before signing a major contract with RTI involving the transfer of equipment.

18. The deliberations preceding the contract signing resulted in an agreed list of equipment which the Mission was to provide to support RTI's frequency 92 as part of the terms for using frequency 96. The list of equipment was intended to be included in an annex to the contract. However, the final signed contract did not contain the annex, and, as such, there were no specific limits on the exact number, description and value of equipment to be provided.

19. Under the signed contract, UNOCI also committed to transfer all of its FM equipment in radio stations and transmission sites throughout Cote d' Ivoire at the expiration of the contract, which was not the original intention during the pre-contract deliberations. RTI had inserted this provision into the final agreement, which was submitted directly to the former SRSG, who signed the agreement. It appears that the Chief Administrative Officer and the chiefs of the various sections were not aware that all of ONUCI's FM assets would be transferred to RTI at the end of the contract. As at March 2008, non-expendable equipment at the ONUCI FM radio stations was worth \$1,877,184.

20. Although the value of the equipment to be transferred was not stated in the contract, OIOS calculated the total cost of equipment transferred that had been installed by UNOCI in the RTI compound for frequency 92 as \$109,600. In addition, the Property Control and Inventory Unit's records show that non-expendable equipment valued at \$1,877,184 has been installed at UNOCI FM radio stations currently using the leased frequency 96. In OIOS' view, the provisions of the signed lease contract transferring these assets to RTI are not in compliance with UN financial regulations and rules. It should be noted, however, that to date no equipment has been officially transferred to RTI.

21. UNOCI did not seek General Assembly approval of the equipment transfer to RTI. However, UNOCI tried to address the unfavourable provisions of the agreement by initiating discussions with Ivorian authorities on a new draft contract, which was submitted to the government on 14 August 2007. This contract calls for the transfer of

UNOCI equipment in line with UN regulations and rules on transfers to third parties. However, these efforts have not been successful to date. On 24 August 2007, the UN Controller was apprised of the specific implications of the original lease contract for the transfer of UN assets to RTI.

22. UNOCI explained that for the past four years, senior management has made considerable efforts to resolve the issues mentioned above. There has not been any financial loss, as all equipment presently with RTI remains the property of the Mission. The UNOCI senior management has reminded RTI that the equipment installed in their premises were still UN property and ownership will be transferred to RTI at the liquidation phase of the Mission. Also, OIOS was informed that with the guidance from the Department of Peacekeeping Operations and the Office of Legal Affairs, negotiations have recently taken place to establish avenues where UNOCI can support the government. As a consequence, there are clear signs of advancement in the longstanding negotiations with RTI.

Recommendation 2

(2) UNOCI Management should ensure that future agreements regarding UNOCI FM frequencies comply with United Nations regulations and rules and involve prior consultation with the Office of Legal Affairs.

23. *The UNOCI Management accepted recommendation 2 and stated that a new agreement in line with OIOS' recommendation was presently with the Office of Legal Affairs. Recommendation 2 remains open pending OIOS' verification that agreements relating to UNOCI FM frequencies are compliant with UN regulations and rules.*

C. Inadequate procurement action

24. Article 5.1 of the August 2004 contract provides that as consideration for the temporary lease of frequency 96, resources and equipment would be provided by UNOCI in a timely manner to RTI for its radio station on frequency 92. RTI provided the required list of equipment to UNOCI on 22 August 2004 and UNOCI subsequently undertook procurement action.

Inefficiency in the procurement process

25. OIOS reviewed all three requisitions (requisitions PIO5-100041, PIO-100045 and PIO5-100039) for the procurement of equipment requested by RTI and concluded that the procurement process did not adhere to the UN procurement procedures and was not conducted efficiently. The following inefficiencies were noted:

- A 5-KW transmitter installed at the RTI radio station was taken from the strategic deployment stock (SDS), but timely action was not taken to initiate the procurement process for the remaining equipment requested by RTI. Finalizing specifications on the requirements took over five months, due to inadequate communication and coordination between the concerned sections and departments including the Public Information Office, the Procurement Section,

and CITS. The process was expedited after RTI threatened to switch off the frequency.

- International vendors were not solicited to bid on requisitions PIO-100045 and PIO5-100039, because of the short delivery time. However, considering the delay of 5 months and 16 months between the approval of requisitions for PIO-100045 and PIO5-100039 respectively, the argument concerning short delivery time could not be substantiated and raises the question of why only local vendors were invited to bid.

Recommendations 3 and 4

The UNOCI Office of Mission Support should ensure that:

(3) The level of coordination between requisitioners and the Procurement Section enables the procurement process to be initiated in a timely manner; and

(4) The Procurement Section, when carrying out a competitive bidding exercise, selects potential local and international suppliers who will be able to deliver the required goods within a defined time period.

26. *The UNOCI Office of Mission Support accepted recommendation 3 and stated that the Public Information Office and Procurement Section have established a mechanism of periodic review of requisitions (twice a month) to enhance the level of coordination and timely completion of the procurement process. OIOS noted that in July 2008, the Public Information Office and Procurement Section have established a review mechanism. Based on the action taken, recommendation 3 has been closed.*

27. *The UNOCI Office of Mission Support did not accept recommendation 4 and stated that the Procurement Section carries out competitive bidding exercise and limits the selected potential suppliers to national suppliers only when time constraints were invoked by the requisitioners. Local bidding is aimed to achieve both best value for money, since there are no freight charges, and quicker delivery times. For example, it would be neither cost nor time effective to issue tenders with international vendors for local system contracts for items such as regular delivery of sand and/or bricks throughout Cote d'Ivoire. For the subject case, delays in delivery came to procurement knowledge only after the issuance of the purchase order. OIOS accepts that for construction materials it may not be cost effective to import goods. However, this does not apply to RTI equipment, as it is not a regular commodity and generally has to be imported. In accordance with Section 9.3.3 of the UN Procurement Manual, it is exceptional to limit the number of vendors. This should only be done upon written approval of the applicable Chief of Section, Director, UN/PD or the CPO. OIOS reiterates recommendation 4 and requests UNOCI to reconsider its initial response to the recommendation. Recommendation 4 therefore remains open pending confirmation that UNOCI is complying with the UN Procurement Manual.*

Lack of fairness in the procurement process

28. According to Financial Regulation 5.12, exercising the principle of fairness should be given due consideration during the procurement process. Regarding requisition PIO5-100045, the specifications of the equipment proposed by the lowest bidder did not initially meet the established technical criteria as they offered equipment for television transmission rather than microwave transmission. Nevertheless, the vendor was asked whether he could offer the equipment as per the required specifications at the quoted price. This action constitutes a breach of procurement procedures. Specifically, allowing a vendor to change his offer after the opening of commercial bids breaches the core principle of fairness in the procurement process.

Recommendation 5

(5) The UNOCI Office of Mission Support should ensure that procurement actions are in accordance with the UN Procurement Manual and conducted in a fair manner and that no vendor is favoured or allowed to change the specifications of goods or services after the opening of tenders.

29. *The UNOCI Office of Mission Support did not accept recommendation 5 and stated that the Public Information Office found the technical bid of Horis, the awarded vendor, technically non-compliant as they offered equipment for television transmission instead of microwave radio. Later the vendor agreed to provide the equipment for microwave radio at the same price. The Public Information Office submitted a revised technical evaluation declaring Horis as technically qualified. Horis was four times cheaper than the offer of the only other qualified vendor. While Horis' revised offer was considerably cheaper than the other competitor, in OIOS' opinion, the requirement should have been re-bid protect the fairness and transparency of the procurement process. OIOS reiterates recommendation 5 and requests UNOCI to reconsider its initial response to the recommendation. Recommendation 5 therefore remains open pending confirmation that the modification of submissions and request for clarification and additional information are made in accordance with the provisions of the UN Procurement Manual.*

D. The value of FM equipment to be transferred to RTI not stated

30. There was a lack of information and sufficient internal controls over the type and value of FM equipment procured and transferred to RTI. For example:

- The Public Information Section and the Procurement Section were not able to provide an accurate list of all the requisitions and related purchase orders;
- The value of one 5-KW transmitter installed in RTI in August 2004 could not be determined as there was no evidence to verify whether the total system costing \$83,981 was installed at RTI or only other equipment valued at \$18,190;
- During a 23 August physical verification of equipment procured by the Mission, OIOS could not locate two electrical control panels and three digital video cameras which had been supplied by UNOCI at RTI premises;

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- Uninterrupted Power Supply (UPS) and other electrical equipment procured under requisition No. PIO5-100039 were directly delivered to RTI premises in June 2005 and the bar coding by the Receipts and Inspection Unit was done at RTI premises, contrary to standard operating procedures;
 - There were discrepancies in the Property Control and Inventory Unit's (PCIU's) records about the location of RTI assets. For example, the UPS with barcode OCI03649 located at RTI was not included in PCIU's records;
 - There were delays in updating PCIU records ranging from two to five months from the date of the physical verification.

31. In a 5 May 2007 letter, the Acting Special Representative of the Secretary-General (SRSG) to UNOCI wrote to the Advisor to the President of Cote d'Ivoire on Communication, Culture and Francophonie, stating that UNOCI had physically relocated equipment valued at \$500,000 to the RTI, although there was no transfer of ownership. However, the Procurement Section's records showed that the actual value of the equipment relocated to RTI was \$109,624. The overstatement of \$390,376 between the amount stated as transferred by the Acting SRSG and the correct value of equipment transferred resulted from the absence of monitoring controls of the exact value of equipment being procured and transferred to RTI.

32. In the absence of complete and accurate records on RTI equipment, the Mission cannot effectively monitor the degree of implementation, its financial exposure and the exact financial implications of its commitment under the contract with RTI.

Recommendation 6

(6) The UNOCI Office of Mission Support should determine the exact value of the equipment and accessories procured for Radiodiffusion Television Ivoirienne (RTI) and its own FM radio station to monitor the financial impact of the contract signed with RTI.

33. *The UNOCI Office of Mission Support accepted recommendation 6 and stated that the value of the equipment procured for and provided to RTI and ONUCI FM would be established after reconciling and linking the equipment requisitions with relevant purchase orders, receipts and inspection reports and installations at ONUCI FM sites and RTI. The exercise would take time as the relevant records are not available in ONUCI FM Radio Unit.* Recommendation 6 remains open pending the determination of the correct values of equipment provided to RTI and those procured for RTI and ONUCI FM Radio.

E. Segregation of duties

34. A Radio Technician was responsible for preparing the equipment acquisition plan, issuing related requisitions, conducting technical evaluations of bids, as well as carrying out the technical inspection of equipment when delivered. In addition, he was responsible for controlling the movement of these assets and maintaining records. This constitutes an internal control weakness where one individual is responsible for the

purchase, delivery and management of equipment. To strengthen internal control, responsibilities should be adequately segregated and/or performance of duties adequately supervised.

Recommendation 7

(7) The UNOCI Office of Mission Support should strengthen internal controls by ensuring that there is adequate segregation of duties in the equipment procurement process and that staff are properly supervised.

35. *UNOCI accepted recommendation 7 and stated that the Mission's Public Information Office had prepared SOPs for ONUCI FM equipment to establish adequate segregation of duties and proper supervision. Similar SOPs would be established in other units of the Public Information Office and in Procurement Section to prevent conflict of interest. Recommendation 7 remains open pending the development of SOPs to ensure adequate segregation of duties in the equipment procurement process in the other units and sections of the Mission.*

VI. ACKNOWLEDGEMENT

36. 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.

cc: Mr. Wallace Divine, Chief Mission Support, UNOCI
Ms. Margherita Amodeo, Chief Public Information Office, UNOCI
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, Department of Field Support
Ms. Christina Post, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS

CONTACT INFORMATION:

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY DIRECTOR:

Fatoumata Ndiaye, Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: 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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
1	UNOCI Management should follow up with the Government of Côte d'Ivoire to request that the 96 FM spare frequency in Abidjan, currently allocated to Radiodiffusion Television Ivoirienne (RTI), be reallocated directly to the Mission in line with the government's responsibility to provide a radio frequency under the Status of Forces Agreement.	Operational	High	O	Confirmation by the Mission of the signing of the agreement that is in line with the recommendation	Not provided
2	UNOCI Management should ensure that future agreements regarding UNOCI FM frequencies comply with United Nations regulations and rules and involve prior consultation with the Office of Legal Affairs.	Governance	Medium	O	OIOS' verification that agreements relating to UNOCI FM frequencies are compliant with UN regulations and rules	March 2009
3	The UNOCI Office of Mission Support should ensure that the level of coordination between requisitioners and the Procurement Section enables the procurement process to be initiated in a timely manner.	Operational	Medium	C	N/A	15 November 2008
4	The UNOCI Office of Mission Support should ensure that the Procurement Section when carrying out a competitive bidding exercise selects potential local and international suppliers who will be able to deliver the required goods within a defined time period.	Operational	Medium	O	Confirmation by the Mission that it is complying with the UN Procurement Manual.	Not accepted
5	The UNOCI Office of Mission Support should ensure that procurement actions are conducted in a fair manner and that no	Governance	Medium	O	Confirmation by the Mission that the modification of submissions and request for clarification and additional information	Not accepted

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
6	<p>vendor is favored or allowed to change the specifications of goods or services after opening of tenders.</p> <p>The UNOCI Office of Mission Support should determine the exact value of the equipment and accessories procured for RTI and its own FM radio station to monitor the financial impact of the contract signed with RTI.</p>	Operational	High	O	<p>are made in accordance with the provisions of the UN Procurement Manual</p> <p>Confirmation by the Mission of the correct values of equipment provided to RTI and those procured for RTI and ONUCI FM Radio</p>	15 November 2008
7	<p>The UNOCI Office of Mission Support should strengthen internal controls by ensuring that there is adequate segregation of duties in the equipment procurement process and that staff are properly supervised.</p>	Governance	Medium	O	<p>Confirmation by the Mission that standard operating procedures have been developed to ensure adequate segregation of duties in the equipment procurement process in the other units and sections of the Mission</p>	Not provided

¹ C = closed, O = open

² Date provided by UNOCI in response to recommendations