



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of rental of premises in MONUC

Internal control weaknesses hampered the effective management of rental premises

21 May 2009

Assignment No. AP2008/620/11

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

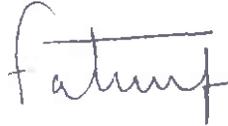
OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

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

DATE 21 May 2009

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

REFERENCE IAD: 09-02490



SUBJECT: **Assignment No. AP20 /620/11 - Audit of rental of premises in MONUC**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the recommendations in the OIOS database, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex I.
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, 5, 9, 10, 11 and 12) 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. Amadu Kamara, Chief Administrative Services, MONUC
Mr. Francisco Rouillon, OIC Integrated Support Services, MONUC
Mr. Alpha Yaya Kallon, OIC Procurement Section, MONUC
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Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, 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

Rental of Premises in MONUC

OIOS conducted an audit of rental of premises in the United Nations Mission in the Democratic Republic of the Congo (MONUC). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in acquisition and management of rental premises. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The rental market in the Democratic Republic of Congo is characterized by a lack of suitable premises for MONUC's purposes, which are only available at unreasonably high rental costs. The situation was exacerbated by an influx of investors and other international donor agencies that were willing to match the requirements of the landlords. While controls existed for the management of premises in the Mission, OIOS identified areas for improvement as follows:

- There is a lack of adequate cooperation from the Government of the Democratic Republic of the Congo in identifying and providing government rent free premises as provided for under the Status of Forces Agreement. Consequently MONUC spent nearly \$37 million for rental of premises between 2005 and 2008.
- Differences in interpretation of Section 7 of the Convention on the Privileges and Immunities of the United Nations by the Procurement Section and the Office of the Legal Advisor has resulted in landlords being wrongly informed that they were not liable to pay rental income taxes;
- Inadequate staffing in the Procurement Section, lack of coordination among sections involved in the management of rental premises and inadequate guidelines hampered the effective management of rental premises;
- Lack of benchmarks such as market surveys and cost per square foot limited the Procurement Section's ability to negotiate rental fees;
- Inadequate guidelines for military occupation of premises especially in times of emergency operations contributed to demands for high rental fees and other claims; and
- Lack of comprehensive inventory records when taking and handing over premises may result in failure to dispute claims from landlords.

OIOS has made a number of recommendations to address the issues identified during the audit to further improve the management of leased premises in MONUC.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of rental of premises in the United Nations Mission in the Democratic Republic of the Congo (MONUC). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Status of Forces Agreement (SOFA) between MONUC and the Government of Democratic Republic of the Congo (GoDRC) stipulates, "Government shall provide without cost to MONUC and in agreement with the Special Representative of the Secretary General such areas for headquarters, camps or other premises as may be necessary for the conduct of operational and administrative activities of MONUC".

3. MONUC has 125 rental premises in 31 locations within the Mission area which includes Democratic Republic of the Congo (DRC) and its liaison offices in Uganda, Tanzania, Rwanda and South Africa. The rental premises consist of 44 offices, 36 troop accommodations, 6 log bases, 3 helipads and other locations such as water purification sites, dump sites, warehouses, Radio Okapi and communication sites. The Procurement Section, through its Lease Unit, is responsible for the management of lease contracts in the Mission while the Engineering Section certifies the invoices for payment of rentals. Table 1 below provides an overview of the location of rental premises throughout the Mission area.

Table 1: MONUC leased premises by location

Location	Number of premises
Kinshasa	13
Bukavu	28
Uvira	13
Kisangani	5
Goma	14
Bunia	12
Kananga	4
Beni	4
Gemena	4
Others locations*	28
Total	125

Note *: Other locations refer to all other locations and sites in the Mission area within and outside DRC

4. During fiscal years 2006/07 and 2007/08 the budget for rental of premises was \$7,028,280 and \$7,015,948 respectively. Table 2 below shows the budget by category.

Table 2: Fiscal year 2006/07 and 2007/08 budget for rental of premises

Category	2006/07 (\$)	2007/08 (\$)
Offices	2,258,880	3,434,400
Troop accommodation	1,907,400	1,526,200
Medical facilities	1,137,600	1,183,248
Log bases	1,298,700	365,400
Others*	425,700	507,300
Total	7,028,280	7,016,548

Note *: Others includes space for Radio Okapi, water purification sites, parking space, dumpsites, communication sites, warehouses, etc.

5. Comments made by the MONUC are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to assess:
- (a) *Adequacy and effectiveness* of internal controls in acquisition and management of rental of premises;
 - (b) *Whether the Mission is acquiring and managing rental premises* with due regard for economy and effectiveness; and
 - (c) *Compliance with UN regulations and rules in the acquisition and management of rental of premises.*

III. AUDIT SCOPE AND METHODOLOGY

7. The audit focused on transactions for rental of premises during the fiscal years 2006/07 and 2007/08. The audit covered the acquisition and management of government, commercially and privately owned premises including premises occupied during military operations. The audit methodology included an assessment of internal control systems, interviews with key staff, analysis of data and review of available documents and other relevant records.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Difficulties in enforcing the provisions of the SOFA

Need for more collaboration with the Government of DRC in obtaining rent free properties

8. According to the SOFA between GoDRC and MONUC, the Mission should obtain rent free properties from GoDRC for operational and

administrative purposes. Based on statistics received from the Engineering Section, only 31 per cent of the premises occupied by MONUC were rent free.

9. MONUC management explained that the lack of cooperation from the government in providing information on government owned properties, compounded by the lack of suitable land when offered, resulted in MONUC renting premises and paying rental fee "under protest". OIOS noted that MONUC spent nearly \$37 million between 2005 and 2008 in rental fees paid "under protest". MONUC has claimed the rentals paid from the GoDRC but so far the Mission had not recovered any amount from the host country.

10. The inability to obtain suitable rent free premises from GoDRC resulted in the Mission renting premises at exorbitant prices. Some of the landlords demanded unreasonable rent increases as no alternative premises were available which resulted in significant costs to the Mission.

Recommendation 1

(1) The MONUC Office of Special Representative of the Secretary General should further pursue with the competent authority of the Government of Democratic Republic of the Congo to obtain rent free property, as agreed to under the Status of Forces Agreement. This could result in annual savings of \$7 million.

11. *The MONUC Office of Mission Support accepted recommendation 1 and stated that MONUC's previous attempts to obtain compliance with SOFA have not yielded the desired results. However, MONUC continues to pursue rent free property by sending note verbales to the Government Liaison Office highlighting the Government's obligation to provide rent-free premises. Management also explained that "rent-free" premises are not necessarily "cost-free" because the premises may require refurbishment and renovation, which may not offer the best value. Recommendation 1 remains open pending submission of copies of note verbales and requests to the competent authorities for providing rent free property.*

Differences in interpretation of UN privileges in the payment of rental income tax

12. Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, *inter alia*, that the UN, including its subsidiary organs, is exempt from all direct taxes. It further states that the lessor undertakes full and sole responsibility for the payment of all taxes and for any other charges of a public nature which are, or may be assessed in the future against the demised premises. In the event any governmental authority refuses to recognize the UN exemption from such taxes, duties or charges, the lessor shall immediately consult with the UN to determine a mutually acceptable procedure.

13. OIOS noted that there was a difference in interpretation by the Procurement Section (PS) and the Senior Legal Advisor (SLA) as to whether MONUC's landlords were exempted from paying tax on rental income. This difference in interpretation led to inconsistent decisions taken by the Mission toward landlords in that some were informed that it was their responsibility to pay taxes while others were not.

14. PS's view was that as MONUC was part of the United Nations, a landlord renting property to the Mission was exempt from paying taxes on rental income. During the review of the renewal process of the level III hospital in Goma, OIOS noted that PS had advised the landlord in December 2004 that if the Congolese Revenue Authority requested payments of taxes, MONUC would officially contact the government to obtain an exemption. If the exemption was not provided despite MONUC's request, the Mission would reimburse the amount of tax paid upon presentation of receipts. Such views were also shared by the MONUC Local Committee on Contracts (LCC) in their minutes numbered 035/2004 dated 22 December 2004, pertaining to the rental of the level III hospital.

15. On the other hand, the SLA's view on the provision of the SOFA was that income derived from delivering services to MONUC will be exempted from tax but limits this exemption to contractors who are not Congolese nationals. The view concurs with paragraph 22 in the SOFA.

16. The interpretation by PS had undeniably put the landlord and the future of level III hospital in a predicament. For instance, the Revenue Authority had threatened to seal the level III hospital if the landlord did not pay \$230,000 in taxes and penalties. This may lead to a legal case against MONUC by the landlord, who has since 2004 relied on the PS's view that he was eligible to a tax exemption. The landlord's inability to pay the \$230,000 may cause the closure of the Level III hospital resulting in a lack of continuity of medical services to staff members and the local community.

Recommendation 2

(2) The MONUC Office of Mission Support should ensure that new and existing Congolese landlords are clearly informed of their responsibility to pay rental income tax to their government.

17. *The MONUC Office of Mission Support accepted recommendation 2 and stated they would convene a meeting with the Revenue Authorities in South Kivu to redress the issue of tax payments by Congolese landlords. MONUC will also issue notices to all new and existing landlords to inform them of their responsibility to pay taxes to the Government. Recommendation 2 remains open pending submission of copies of notices issued to all new and existing landlords clearly informing them of their responsibility to pay rental income tax to their government.*

B. Management of rental premises

Lack of adequate management structure for lease contracts

18. There was not an adequate mechanism to manage lease contracts within the Procurement or Engineering Sections. Although PS was responsible for administering the lease contracts, their role was limited to acquisition, extension and termination of leases. The Engineering Section (ES), which had control of the rental budget, had a limited role in the management of premises. The roles and responsibilities of the ES, in field offices in the management of rental premises were not clearly defined particularly in the sectors where PS was not represented.

19. MONUC Administrative circular pertaining to rental of premises dated 14 December 2004 and the "Guidelines in Handling Lease Requirements" updated in February 2007 provided general information on acquisition, renewal and termination of leases. However, there were no details on how the lease contracts should be managed once the property had been acquired. There was also no indication of which section was responsible for follow up on issues arising from rental of premises in the sectors. In addition, OIOS noted the lack of adequate staff in PS to handle the lease contracts particularly in the sectors. This led to rental contracts being signed without the physical involvement of staff from PS.

20. Inadequate guidance, infrequent review and updating of guidelines in place and lack of coordination among sections involved in the lease process, compounded with the inadequate staffing in PS has hampered the effective management of leases.

Recommendations 3 and 4

The MONUC Office of Mission Support should:

(3) Develop guidelines highlighting the roles and responsibilities of each stakeholder involved in the lease of property process. Once the guidelines are developed, they should be reviewed periodically to include lessons learnt and the best practices.

(4) Ensure that the Procurement Section has adequate staff dedicated to the management of rental premises both in Kinshasa and the sectors.

21. *The MONUC Office of Mission Support accepted recommendation 3 and stated that MONUC Engineering Section was developing SOPs on the lease of premises that would clearly define the roles and functions of each stakeholder involved in the leasing process. Recommendation 3 remains open pending submission of the copy of approved SOPs on the lease of premises.*

22. *The MONUC Office of Mission Support accepted recommendation 4 and stated that a staff has been assigned within the Procurement Section to exclusively manage rentals. Recommendation 4 remains open pending submission of copy of job description of the staff assigned to manage rentals in the Procurement Section.*

Lack of market indicators for negotiating rental fees

23. There were no terms of reference (TORs) or guidelines in PS to document how rental fees were determined. For instance, rental fees for Cotex and Utex premises were €58,000 and €56,500 per month respectively. The rental amounts appear exorbitant especially for Cotex premises compared with monthly rental fees of \$35,000 for Congo Batiment. Similarly, the premises rented from Sisters of Fataki in Bunia at \$5,000 per month appeared on the high side when the average rent per month for similar premises in the area was around \$2,000. PS explained that those premises were acquired at the onset of the mission and at that time, there was no mechanism or structure in place such as market surveys to determine the reasonableness of rental fees. PS however reported that market surveys were recently conducted in Goma and Bukavu and other cities were scheduled to be completed including Kinshasa.

24. OIOS also noted that the Mission was faced with difficulties involving many requests of exponential rent increase by numerous landlords throughout the country. *The landlords did not present any justifiable reason for demanding rental increments.* In Lubumbashi for instance, the rent for the former premises that housed MONUC Headquarters increased by 400 per cent from \$3,000 to \$15,000 a month which forced the Mission to seek alternative premises.

25. Some landlords refused to renew their leases until their requests for rent increment were granted, while others requested MONUC to vacate their premises for better rental income. In Bukavu for instance, the landlady of the premises occupied by the Pakistani Battalion requested MONUC to vacate the premises when the Mission refused the 100 per cent rent increment. In Kinshasa, the landlord for the Congo Batiment which accommodated MONUC Mission Support Division requested the mission to vacate the premises by 31 December 2009. The Mission had recently spent almost \$1 million renovating the premises to fit its needs and at the time of audit, construction was still ongoing to complete hangers 4 and 5.

26. The MONUC Office of Mission Support explained that because of the scarcity of suitable premises, landlords were requesting high increases as mining companies and other international organizations were willing to match the landlord's demands.

27. To effectively monitor and manage the high rent increments, MONUC established a Rental Increase Review Committee (RIRC) in May 2008 to review on a case-by-case basis the requests for rental increment. However, as of November 2008 neither were members of the committee appointed nor the terms of reference (TORs) adopted. On follow-up, the Office of Mission Support informed OIOS that it had decided that the RIRC would not add value to the

process. A working group was established within the Procurement Section to analyze and recommend on critical rental issues. The results of the group led to the introduction of surveys and benchmarks being used to assess rental increases, before presentation to the Local Committee on Contracts and the Director of Mission Support.

28. The lack of market surveys and benchmarks such as cost per square foot may hamper PS's ability to negotiate rental contracts that are fair to the organization. OIOS further noted that the lease agreements were not negotiated for longer periods of time which left room for landlords to demand rental increments on an annual basis.

Recommendations 5 and 6

The MONUC Office of Mission Support should ensure that:

(5) Procedures are developed and used to guide procurement staff in the negotiation of rental contracts. These procedures should include the conduct of market surveys and development of benchmarks such as cost per square foot which should be used to review existing contracts.

(6) Landlords are committed to long term lease contracts to mitigate demands for frequent rental increments.

29. *The MONUC Office of Mission Support accepted recommendation 5 and stated that the Procurement Section was now conducting market surveys and using benchmarks and area/cost per square meter as parameters in negotiating contracts. Recommendation 5 remains open pending submission of evidence that Procurement Section is already conducting market surveys and using the necessary benchmarks in the procurement of rentals of premises.*

30. *The MONUC Office of Mission Support accepted recommendation 6 and stated that efforts were made to commit landlords to longer lease agreements. However, landlords refuse to be locked into longer term lease agreements because prevailing market is competitive and volatile. Recommendation 6 remains open pending submission of evidence of MONUC's efforts to negotiate longer lease agreements with the landlords.*

Need for guidelines for premises occupied after extension of temporary deployments

31. The SOFA required the GoDRC to provide accommodation to the military contingents in fulfillment of MONUC's mandate but such a requirement was rarely met. MONUC operated under Chapter 7 of the United Nations Charter which provided the Mission with the right to occupy land/premises during military operations without asking authorization from the landlords.

32. Military contingents were sometimes deployed on short notice to respond to sudden and urgent operations using Fragmentation Orders (FRAGOS) which allowed contingents to occupy premises for short periods of time. In this regard, MONUC occupied a total of 33 premises in the Kivus in the eastern DRC. The Logistics Officer interviewed by OIOS could not verify how long the premises had been occupied by the military as the temporary deployment had developed into a quasi permanent stay.

33. Landlords claimed rent and other charges from MONUC for illegal occupation of their premises. For instance, there were 10 outstanding claims against the Mission for illegal occupancy or damage to properties in Bunia. Some of the claims dated as far back as 2003. Neither the procurement manual nor the Mission had guidelines to cover rental of premises under sudden deployment of troops. OIOS further noted that there was no coordination between the military and MONUC Office of Mission Support to ensure that premises occupied in perpetuity through FRAGOS were covered by Memoranda of Understanding (MOUs) to mitigate claims by landlords.

34. The lack of guidelines contributed to the Mission's exposure to landlord's demands for high rental fees and other claims because MONUC had little bargaining power or no alternative suitable premises. Management explained that the GoDRC had a responsibility to provide accommodation for MONUC operations, some of which were jointly conducted with the national army.

Recommendations 7 to 9

(7) The MONUC Office of Mission Support in coordination with the Office of the Force Commander should determine a time frame and issue guidelines under which premises occupied through extended Fragmentation Orders be covered with Memoranda of Understanding or lease contracts.

(8) The MONUC Office of the Force Commander should designate a focal person in the military in each sector to liaise with the Office of Mission Support when contingents plan to extend their temporary accommodations in accordance with the threshold set.

(9) The MONUC Office of the Force Commander should brief contingent commanders during induction on how to select/acquire premises in order to curtail unsubstantiated claims.

35. *The MONUC Office of Mission Support accepted recommendation 7 and stated that they will establish MOUs with the Government to cover MONUC on FRAGOS. Recommendation 7 remains open pending submission of the copies of MOUs that will cover MONUC on FRAGOS.*

36. *The MONUC Office of Mission Support accepted recommendation 8 and stated that the Military has designated focal points with the Office of Mission Support. These are the G4 (Logistics Officers) and S4 Chiefs in each Brigade and Sector HQ. The Management also agreed to establish clear guidelines to facilitate liaison between the Military and the Office of Mission Support for extended requirements. Recommendation 8 remains open pending submission of the copy of issued guidelines that will facilitate liaison between Military and the Office of Mission Support for extended requirements.*

37. *The MONUC Office of Mission Support accepted recommendation 9 and stated that the Force Commander would incorporate the recommended briefing as part of his Quarterly Contingent Commanders Conference and ensure its implementation in practice. Recommendation 9 remains open pending submission of evidence that the requisite briefing is included in the agenda for the Quarterly Contingent Commanders Conference.*

Need for mechanism to timely renew lease contracts

38. Section 4.2 of MONUC "Guidelines on handling lease renewal requirements" updated on 14 December 2007 states that contract extensions must be initiated well in advance to allow time for possible review. In addition, each extension of contract must be formalized by a contract amendment.

39. OIOS noted that out of the 15 cases selected, 10 of the lease contracts were not renewed on time. As of 30 October 2008 there were a number of premises with expired leases for periods ranging from 1 to 7 months although MONUC still occupied the premises.

40. PS explained that they were inadequately staffed to handle leases. For instance one staff was in charge of Region I which had 36 leases while the other staff, in addition to handling property disposals, was also managing 94 leases in Region II. The inadequate staffing was further exacerbated by lack of a mechanism to ensure that renewal of leases was planned ahead of time. For example, ES was responsible for certifying the requirement for premises but the Section did not have a mechanism for informing PS of such need. Untimely renewal of leases may send wrong messages to landlords who, in the absence of valid contracts, may ask MONUC to vacate their premises.

Recommendation 10

(10) The MONUC Office of Mission Support should ensure that Procurement and Engineering Sections develop a monitoring and coordination mechanism to ensure the timely renewal of lease contracts.

41. *The MONUC Office of Mission Support accepted recommendation 10 and stated that a lease renewal schedule highlighting the expiration dates for each lease agreement was now prepared monthly, which has improved the monitoring process and considerably reduced ex-post facto cases. This process would also be implemented in the field. Recommendation 10 remains open*

pending submission of evidence of implementation of the monthly monitoring of lease rentals in the Mission.

Need for comprehensive inventory records of rental premises

42. To avoid any future claims from landlords it is recommended that a set of records such as pictures, videos, list of inventory items should be prepared prior to signing lease agreements.

43. Six out of seven files reviewed did not have any information on the state of the premises at the time of taking occupancy. The lack of comprehensive inventory records may result in difficulties in ensuring a smooth handover of premises leading to claims from landlords. For example when the Mission vacated the Iveco premise in Kinshasa in 2006 the landlord submitted a claim for repair work estimated at \$554,643 which the Mission had difficulties disputing due to lack of inventory records.

44. There were no periodic joint physical inspections of rented premises between the landlord and MONUC. This could negatively affect MONUC's drawdown process in the future as some landlords may lay claims that the Mission would be unable to dispute. This could result in a significant financial loss to the organization and negative publicity for the United Nations.

Recommendation 11

(11) The MONUC Office of Mission Support should ensure that: (a) inventory records are kept for rented premises and videos or pictures are taken during take over and handover of premises; and (b) physical inspections of rented premises are periodically conducted during the life of the lease contracts.

45. *The MONUC Office of Mission Support accepted recommendation 11 and stated that they will ensure that inventory records are kept for rented premises and periodic physical inspections of rented premises would be conducted during the contract period.* Recommendation 11 remains open pending submission of evidence of inventory records and conduct of physical inspections.

C. Use of MONUC power supply without prior agreement

Unauthorized use of electricity by ONATRA, BCDC and other establishments

46. Since 2002 MONUC had been paying electricity bills for the Office Nationale de Transport (ONATRA), the landlord of MONUC Logistical base in Kisangani and other local establishments located on the same power line as the Mission. The Field Engineer who discovered the anomaly in February 2008 estimated the total cost of electricity paid between May 2002 and December 2008 at \$172,553.

47. Similarly, the Banque Commercial du Development et de Credit (BCDC) located next to MONUC Headquarters (HQ) in Kisangani and owner of the MONUC HQ premises had been using MONUC power supply (electricity and generator) without prior agreement in the lease with the Mission. MONUC estimated that BCDC owed a total of \$16,304 for electricity consumption between May 2002 and December 2008.

48. ES explained that in both instances the electricity provided by the national supplier, Societe National d'Electricity (SNEL) came in a main electrical panel prior to being distributed to different locations. Although SNEL had recently installed secondary meters for ONATRA and BCDC at the request of MONUC, SNEL had refused to send separate invoices claiming that only invoices for main meter panels were sent out. MONUC therefore received all the invoices since it controlled the substation. SNEL added that it was MONUC's internal matter to divide the cost of electricity among other users.

49. There was a lack of clear guidelines in the acquisition of rental premises for reviewing utility arrangements during reconnaissance process which has resulted in the Mission paying electricity bills for other institutions. However, the Office of Mission Support was examining options for recovering the loss to the Mission and resolving the matter amicably as sudden disconnections may attract retaliation from service providers to the Mission such as ONATRA and BCDC.

Recommendations 12 and 13

(12) The MONUC Office of Mission Support should ensure that reconnaissance conducted during the acquisition process identify utility connections and billing arrangements for electricity and water.

(13) The MONUC Office of Mission support should negotiate the recovery of costs estimated at \$16,304 and \$172,553 with Banque commercial du Congo and Office Nationale de Transport respectively and agree on cost sharing arrangements which should be included in the lease contracts or memoranda of understanding through contract amendments.

50. *The MONUC Office of Mission Support accepted recommendation 12 and stated that they would ensure the implementation by the reconnaissance team when premises were identified. Recommendation 12 remains open pending submission of evidence of the conduct of reconnaissance during the acquisition process that will identify utility connections and billing arrangements for electricity and water.*

51. *The MONUC Office of Mission Support accepted recommendation 13 and stated that Banque Commercial du Congo (BCDC) has agreed to reimburse MONUC the amount of \$16,304. The Procurement Section was scheduled to meet with ONATRA by the end of May 2009 to negotiate the reimbursement of*

US\$172,773 owed to MONUC. Recommendation 13 remains open pending submission of evidence of the reimbursements from BCDC and ONATRA.

Consumption of MONUC's Generator Power by RVA

52. The Bangboka international airport in Kisangani has a MONUC terminal and a commercial terminal which is managed by the Regies des Voies Aeriennes (RVA). MONUC was providing lights by generator on 24 hour basis to the entire airport without any compensation from the RVA. ES in Kisangani estimated the cost of power utilized by RVA at \$5,134 per month. See Table 1 below for breakdown of costs.

Table 1: Bangboka's air terminal monthly power consumption

Location	Cost \$
RVA terminal	1,703
RVA tower	969
RVA Pappy lights	2,462
Total	\$5, 134

53. Although MONUC had a contract with the RVA for the usage of airports in the entire country, there was no provision in the contract pertaining to cost recovery by MONUC for RVA's use of power. The lack of cost recovery clauses in the agreement between MONUC and RVA resulted in annual financial loss of \$61,608 to the Mission.

Recommendation 14

(14) The MONUC Office of Mission Support should review their agreement with the Regies des Voies Aeriennes and include cost sharing terms and a mechanism for cost recovery. This should result in annual savings of \$61,608.

54. *The MONUC Office of Mission Support accepted recommendation 14 and stated that they would ensure that the contract with Regies de Voies Aeriennes (RVA) will be reviewed to include cost sharing terms and mechanism established for recovery of incurred costs.* Recommendation 14 remains open pending submission of the copy of the agreement with RVA including the cost sharing terms and evidence of recovery of the costs from RVA.

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 Special Representative of the Secretary General should further pursue with the competent authority of the Government of Democratic Republic of Congo to obtain rent free property, as agreed to under the Status of Forces Agreement. This could result in annual savings of \$7 million.	Governance	High	0	Submission of copies of note verbales and requests to competent authorities, for rent free property.	Not provided
2	The MONUC Office of Mission Support should ensure that new and existing Congolese landlords are clearly informed of their responsibility to pay rental income tax to their government.	Operational	Medium	0	Submission of copies of notices issued to all new and existing landlords clearly informing them of their responsibility to pay rental income tax to their government.	30 June 2009
3	The MONUC Office of Mission Support should develop guidelines highlighting the roles and responsibilities of each stakeholder involved in the lease of property process. Once the guidelines are developed, they should be reviewed periodically to include lessons learnt and best practices.	Operational	High	0	Submission of the copy of approved SOPs on the lease of premises.	30 June 2009
4	The MONUC Office of Mission Support should ensure that the Procurement Section has adequate staff dedicated to the management of rental premises both in Kinshasa and the sectors.	Human Resources	Medium	0	Submission of copy of job description of the staff assigned to manage rentals in the Procurement Section.	1 April 2009
5	The MONUC Office of Mission Support should ensure that procedures are developed and used to guide procurement staff in the negotiation of rental contracts. These procedures should include the conduct of market surveys and	Operational	High	0	Evidence that Procurement Section is already conducting market surveys and using the necessary benchmarks in the procurement of rentals of premises.	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	development of benchmarks such as cost per square foot which should be used to review existing contracts.					
6	The MONUC Office of Mission Support should ensure that landlords are committed to long term lease contracts to mitigate demands for frequent rental increments	Operational	Medium	O	Submission of evidence of MONUC's efforts to negotiate longer lease agreements with the landlords.	Not provided
7	The MONUC Office of Mission Support in coordination with the Office of the Force Commander should determine a time frame and issue guidelines under which premises occupied through extended Fragmentation Orders be covered with Memoranda of Understanding or lease contracts.	Operational	Medium	O	Submission of the copies of MOUs that will cover MONUC on FRAGOS.	30 June 2009
8	The MONUC Office of the Force Commander should designate a focal person in the military in each sector to liaise with the Office of Mission Support when contingents plan to extend their temporary accommodations in accordance with the threshold set.	Operational	Medium	O	Submission of the copy of issued guidelines that will facilitate liaison between Military and Mission Support for extended requirements.	30 June 2009
9	The MONUC Office of the Force Commander should brief contingent commanders during induction on how to select/acquire premises in order to curtail unsubstantiated claims.	Operational	High	O	Submission of evidence that the requisite briefing is included in the agenda for the Quarterly Contingent Commanders Conference.	30 June 2009
10	The MONUC Office of Mission Support should ensure that Procurement and Engineering Sections develop a monitoring and coordination mechanism to ensure the timely renewal of lease contracts.	Operational	High	O	Submission of evidence of the monthly monitoring of lease rentals in the mission.	Not provided
11	The MONUC Office of Mission Support should ensure that: (a) inventory records are kept for rented premises and videos or pictures are taken during take over and handover of premises; and (b) physical inspections of rented premises are	Operational	High	O	Submission of evidence of the inventory records and conduct of physical inspections.	30 June 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
12	periodically conducted during the life of the lease contracts. The MONUC Office of Mission Support should ensure that reconnaissance conducted during the acquisition process identify utility connections and billing arrangements for electricity and water.	Operational	High	O	Submission of evidence of the conduct of reconnaissance during the acquisition process that will identify utility connections and billing arrangements for electricity and water.	Not provided
13	The MONUC Office of Mission support should negotiate the recovery of costs estimated at \$16,304 and \$172,553 with Banque commerciale du Congo and Office Nationale de Transport respectively and agree on cost sharing arrangements which should be included in the lease contracts or memoranda of understanding through contract amendments.	Financial	Medium	O	Submission of evidence of the reimbursements from BCDC and ONATRA.	Not provided
14	The MONUC Office of Mission Support should review their agreement with the Regies des Voies Aeriennes and include cost sharing terms and a mechanism for cost recovery. This should result in annual savings of \$61,608.	Financial	Medium	O	Submission of the copy of the agreement with RVA including the cost sharing terms and evidence of recovery of the costs from RVA.	30 June 2009

1. C = closed, O = open

2. Date provided by MONUC in response to recommendations.