



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNIFIL Ground Transport

Inadequate mechanisms in determining the vehicle fleet and levels of spare parts for operational requirements

10 June 2009

Assignment No. AP2008/672/05

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 Major General Claudio Graziano
A Force Commander and Head of Mission
UNIFIL

DATE 10 June 2009

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

REFERENCE IAD: 09-02555

SUBJECT: **Assignment No. AP2008/672/05 - Audit of Ground Transport in UNIFIL**
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 recommendations 1, 8 and 11 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, 5, 7) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Girish Sinha, Director of Mission Support, UNIFIL
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
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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

Ground transport

OIOS conducted an audit of ground transport in the United Nations Interim Force in Lebanon (UNIFIL). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over ground transport. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Internal controls over the management of the Mission's vehicle transport needs to be strengthened and procedures further developed as follows:

- UNIFIL did not consider its vacancy rate when establishing its light passenger vehicle fleet, and did not comply with the ratios established in the Standard Cost and Ratio Manual in assigning vehicles to sections. Therefore, there is a risk of procuring a higher number of vehicles than necessary for operational requirements;
- The Mission had not adequately reviewed its spare parts inventory, and at the time of the audit, OIOS estimated inventory holdings of about \$2.95 million more than established targets. Moreover, no periodic physical verification of spare parts inventory had been undertaken resulting in the risk of excess and obsolete inventory going unnoticed;
- Contrary to Financial Rule 105.21 on the disposal of assets, the Local Property and Survey Board and the Board of Inquiry were not consulted regarding certain adjustments to spare parts inventory. Therefore, there is a risk of irregularities and financial losses in the disposal of spare parts; and
- The Mission had a high rate of accidents as compared to the previous year, with nearly 70 per cent accidents caused by UN drivers' fault. The issuance of driving permits and training of new drivers were not done in accordance with established procedures.

OIOS has made a number of recommendations to address the issues identified to further strengthen existing controls and contribute to improved vehicle fleet operations. UNIFIL has accepted the recommendations and has taken or is taking corrective measures.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of ground transport in the United Nations Interim Force in Lebanon (UNIFIL). The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
2. During 2006-2007 and 2007-2008, the Mission's expenditures relating to the acquisition of vehicles, workshop equipment, spare parts, petrol, oil, lubricants, etc was \$3.6 million and \$17.7 million, respectively. As at 30 June 2008, the Mission had a fleet of 949 UN-owned light and heavy vehicles valued at \$46.9 million, a fleet of 3,483 contingent-owned vehicles, and spare parts valued at \$6.2 million.
3. The UNIFIL Transport Section is responsible for implementing a safe, efficient, reliable and cost effective transportation system. The Section has 128 staff and is headed by a Chief Transport Officer (CTO) at the P-5 level.
4. Comments made by UNIFIL are shown in *italics*.

II. AUDIT OBJECTIVES

5. The main objectives of the audit were to assess the adequacy and effectiveness of internal controls over ground transport operations.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit included a review of ground transport operations during the fiscal years 2006-2007, 2007-2008 and current activities where appropriate. The review covered vehicle fleet establishment, and the management and monitoring of the fleet.
7. The audit methodology comprised: (a) a review of policies and procedures, the operations manual, letters of assist and contracts; (b) analysis of data; and (c) interviews of responsible personnel. The audit also carried out field visits to the Naqoura light and heavy workshops and the Polish Logistics Maintenance Company workshop.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Vehicle Allocation and Fleet Management

Mission's vacancy factor not considered in vehicle establishment

8. The Surface Transport Manual (STM) provides that the Mission's vehicle requirements are established taking into account the vacancy rate. However, the Mission's 2007-2008 vacancy rates of 23 per cent for international
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staff and 54 per cent for national professional officers were not considered by the Vehicle Establishment Committee (VEC) when establishing UNIFIL's vehicle requirements. Therefore, OIOS estimated that the VEC overstated the Mission's requirements by 51 light passenger vehicles with an acquisition cost of \$892,500. The overstatement of requirements may result in the risk of procuring excessive vehicles.

Recommendation 1

(1) The UNIFIL Office of Mission Support should review and revise the established vehicle requirement for the Mission, taking into account the Mission's vacancy rate.

9. *The UNIFIL Office of Mission Support accepted recommendation 1 and stated that at the VEC's meeting of April 2009 the allocation of vehicles to sections was critically reviewed taking into account the current staffing vacancy factor. The result of the deliberations led to a net reduction of 22 vehicles. This took into account the special security imperatives of mission senior staff, as well as the support provided to on-going critical engineering projects. OIOS is pleased to note that the vehicles requirements have been reduced by 22 vehicles, valued at over \$350,000. Based on the action taken, recommendation 1 has been closed.*

Noncompliance with Mission's vehicle allocation procedures

10. The VEC is responsible for the allocation of vehicles in accordance with the Standard Cost Ratio Manual (SCRM) of DPKO. The CTO is responsible for issuing vehicles based on the allocations approved by the VEC.

11. The Mission did not comply with the SCRM in allocating vehicles resulting in the over/under allocation of vehicles. For example, the Office of the Force Commander was allocated 11 more vehicles than the standard ratio and the Aviation Section was allocated 3 more vehicles. On the other hand, the Transport Section and the Security Section were allocated nine and four fewer vehicles, respectively.

Recommendation 2

(2) The UNIFIL Office of Mission Support should review the Mission's vehicle fleet and ensure that it is in line with the requirements of the Standard Cost Ratio Manual and the Surface Transport Manual guidelines.

12. *The UNIFIL Office of Mission Support accepted recommendation 2 and stated that the Transport Section will implement all recommendations made by the VEC during its meetings of 6 and 16 April 2009. Recommendation 2 remains open pending OIOS verification that vehicles are assigned in line with the SCRM, and that exceptions are adequately justified.*

UNIFIL vehicle fleet consists of too many makes and models

13. Paragraph 8.2 of the STM calls for standardizing the vehicle fleet and minimizing the number of makes and models. UNIFIL's vehicle fleet consisted of more than 30 makes and 70 models of heavy and light vehicles and spare parts valued at more than \$6 million. The Mission explained that procurement actions are taken by UNHQ for all missions and that standardization of vehicles for individual missions is not addressed. This resulted in the Mission accumulating different makes and models of vehicles.

14. The risks and associated costs of having a large number of makes and models were discussed with management. OIOS was informed that efforts are being made to reduce the number of models, and OIOS was provided with a list of vehicles such as Volvo, Hyundai and Toyota 4xRunners that were identified for write-off. Considering the efforts that have been done to date and that the procurement of vehicles is done by the Surface Transport Section in DFS, no recommendation has been made.

B. Spare Parts

Excessive inventory levels of vehicle spare parts

15. The standard operating procedures (SOPs) of the Transport Section require spare parts holdings to be less than 9 per cent of the value of the Mission's vehicle fleet value, with a specific target of 4 per cent for heavy vehicles and 9 per cent for light vehicles.

16. The actual level of spare parts inventory was more than 9 per cent for heavy vehicles and was 16 per cent for light vehicles. OIOS calculated an excessive inventory holding of about \$2.95 million more than the established targets.

17. The Mission needs to review and take timely action with regard to excess and/or obsolete spare parts. For example, consideration needs to be given to dispose of spare parts that have not moved in twelve months or where the applicable models have been written-off and the parts are no longer needed. OIOS found that the Mission was still holding spare parts for vehicles that had already been written-off.

Recommendation 3

(3) The UNIFIL Office of Mission Support should periodically review the Mission's spare parts inventory to identify obsolete and excess spare parts and dispose off the excess holdings.

18. *The UNIFIL Office of Mission Support accepted recommendation 3 and stated that it reviews weekly the level of spare parts per vehicle category and initiate write-off action of obsolete and excess holdings. Currently the light*

vehicles stand at 9.98 per cent and heavy vehicles at 6.63 per cent, an average of 7.56 per cent. It is anticipated that this average will be brought down to 6.5 per cent by the end of June 2009. Recommendation 3 remains open pending OIOS' verification of a reduction in spare parts inventory and the action taken to dispose of excess and obsolete items.

Non-compliance with United Nations financial rules

19. Financial Rule 106.9 calls for a full investigation, prior to authorizing write-off of losses of United Nations property and adjusting inventory records based on physical count. In accordance with Financial Rule 105.21, the Mission has established the Local Property Survey Board (LPSB) which is responsible for reviewing inventory write-off cases, including those arising from discrepancies between inventory records and the results of physical counts.

20. A review of inventory cycle vouchers (ICVs), the document used to approve the adjustment of spare parts inventory records, found that for the fiscal year 2007-2008 three ICVs were processed to reduce the spare parts inventory by \$26,000. The justification given was discrepancies between inventory records and the results of the physical counts. The reduction in spare parts inventory was not referred to the LPSB as required. Furthermore, a Board of Inquiry was not convened to examine the circumstances leading to the discrepancies found during the physical counts.

Recommendation 4

(4) The UNIFIL Office of Mission Support should convene a Board of Inquiry (BOI) to review the adjustments made to the spare parts inventory records and submit the case along with the BOI report to the Local Property Survey Board for its consideration.

21. *The UNIFIL Office of Mission Support accepted recommendation 4 and stated that a BOI will be convened to examine the three ICVs created. All future ICVs exceeding \$5,000 will be referred to the Chief Integrated Support Services for his review. Any irregularity detected will be referred for BOI examination. Recommendation 4 remains open pending receipt of the BOI report and the revised instructions on procedures for processing adjustments to inventory records.*

Reliability and integrity of data in the Galileo asset management system

22. The Mission downloads information from Galileo to manage the movement of vehicle spare parts. However, the information generated by Galileo was inaccurate, partly due to errors introduced when the information was migrated from the previous system to Galileo in 2004. UNIFIL has been communicating with the United Nations Logistics Base in Brindisi and informed OIOS that the errors have now been corrected. There still however needs to be a comprehensive physical inventory of spare parts to ensure the accuracy and integrity of spare parts data in Galileo.

23. OIOS also found that spare parts committed under work orders, those already written-off and those that were in the process of being disposed of had not been archived in Galileo in a timely manner. As a result, these spare parts were incorrectly reflected in Galileo as part of inventory.

Recommendation 5

(5) The UNIFIL Office of Mission Support should periodically conduct a comprehensive physical inventory and reconciliation of physical counts with Galileo system balances and ensure that proper procedures are in place to timely update Galileo for all inventory movements.

24. *The UNIFIL Office of Mission Support accepted recommendation 5 and stated that in addition to the ad hoc checks, a comprehensive 100 per cent stock check will be conducted and the results reconciled to Galileo at the end of each fiscal year.* Recommendation 5 remains open pending receipt of results of the physical inventory planned for 30 June 2009 and the action taken to ensure Galileo reflects the actual to stock on hand.

Duplicate records of spare parts at warehouse locations

25. Review of the spares parts data in Galileo revealed 1,872 duplicate records in some warehouses totalling \$319,800. The Mission informed OIOS that this happened when the records of inventory in former warehouses were consolidated into fewer central warehouses.

Recommendation 6

(6) The UNIFIL Office of Mission Support should remove all duplicate spare part records for each warehouse location in order to better ensure the accuracy and integrity of vehicle spare parts data recorded in Galileo.

26. *The UNIFIL Office of Mission Support accepted recommendation 6 and stated that the Transport Section has experienced duplication of records when items are delivered from the Receipt and Inspection Unit to Self-Accounting Units in Galileo for codification. All discrepancies have been reported to the Information Technology Unit and they will take action together with Transport Stores to correct it.* Recommendation 6 remains open pending verification by OIOS that duplicate spare part records have been deleted from Galileo.

C. Accidents and driving permits

27. For the period from 1 July 2007 to 30 June 2008, 363 accidents involving UN vehicles were reported. Some of the accidents resulted in fatalities and serious injuries. From the accident reports reviewed, UNIFIL drivers were at fault in 249 (68.5 per cent) of the accidents.

28. The STM provides that all staff members must undertake and satisfactorily complete a driving test administered by the Transport Section before being granted a driver's permit. However, OIOS observed deficiencies in this process, as well as the information provided to drivers, as follows: (a) no mandatory vision test was given to drivers; (b) the driver's handbook did not include valuable information on local traffic signs and driving etiquette in Lebanon; and (c) individual contractors were issued a driver's permit without signing the General Release Form that exempts the United Nations from financial liability in the case of accidents.

29. The Transport Section has developed a database of accidents, which can be used to identify common causes of accidents and implement appropriate mechanisms to reduce the rate of accidents in the Mission. However, while this is a useful tool, positive steps need to be taken to reduce the high rate of accidents attributed to the negligence of staff. Ensuring compliance with the SMT should be the first measure taken.

Recommendations 7 and 8

The UNIFIL Office of Mission Support should:

(7) Require the Transport Section's Licensing Unit to enhance its driving test and the information provided to drivers to ensure procedures comply with the Surface Transport Manual; and

(8) Proactively educate all UNIFIL personnel driving Mission vehicles on common causes of accidents and provide further guidance and direction on ways to reduce accidents.

30. *The UNIFIL Office of Mission Support accepted recommendation 7 and stated that its Licensing Unit has been instructed to ensure full compliance with the Surface Transport Manual guidelines. Recommendation 7 remains open pending verification by OIOS that these procedures have been strengthened.*

31. *The UNIFIL Office of Mission Support accepted recommendation 8 and stated that two road safety campaigns were carried out in the last 8 months and such campaigns will be repeated every quarter. Copies of weekly road safety reminders sent through Lotus bulletin boards were also provided. Based on the action taken, recommendation 8 has been closed.*

D. CarLog operations

Monitoring of vehicle usage

32. At the time of the audit, the Transport Section has only installed the CarLog system in 80 per cent of its vehicles. The absence of CarLog in UNIFIL vehicles limits the ability of the Mission to adequately monitor the use of the vehicle fleet. The Mission informed OIOS that CarLog has now been installed in all UN-owned civilian passenger vehicles. The audit also found that:

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- Reports generated from CarLog were not used effectively. For example, there was no follow-up action on vehicles that had recorded no movement for several months;
 - Contrary to UNIFIL's Administrative Instruction 07/042 and the Force Commander's Directive of 1 May 2008, CarLog had been calibrated to report on the contravention of only two speeding limits instead of the four specified. Due to this, all speeding violations could not be detected; and
 - Certain vehicles had the possibility to activate a CarLog bypass mode. However, there was no policy on its use and therefore there is a risk of it being misused.

Recommendations 9 and 10

The UNIFIL Office of Mission Support should:

(9) Enable the CarLog system to generate speeding violation reports to ensure compliance with Administrative Instruction 07/042 dated 10 October 2007; and

(10) Establish a policy on the use of CarLog bypass mode.

33. *The UNIFIL Office of Mission Support accepted recommendation 9 and stated that the CarLog Unit completed the process of reconfiguring the first and second speeding limits and will start generating the relevant reports. Recommendation 9 remains open pending confirmation that reports identifying all speeding violations are generated from CarLog.*

34. *The UNIFIL Office of Mission Support accepted recommendation 10 and stated that CarLog by-pass was authorized for a few vehicles operated by senior management for security reasons. However, a policy is being developed. Recommendation 10 remains open pending receipt of a copy of CarLog bypass policy.*

Non compliance with recommended reprimands

35. Based on reports of drivers exceeding the speed limit, the Conduct and Discipline Unit (CDU) recommended suspension of driving permits for 20 persons in 2008. However, only 10 drivers surrendered their permits to the License Unit. The present mechanism of suspension relies on voluntary compliance, as it is not enforced. Therefore, the transport Section, based on recommendations by CDU needs to introduce a system to ensure all confirmed violations are properly dealt with and a record of this is maintained on the staff members personnel file.

Recommendation (11)

(11) The UNIFIL Office of Mission Support should implement an adequate mechanism to ensure speeding violations are properly dealt and a record of reprimand is placed on staff members personnel files.

36. *The UNIFIL Office of Mission Support accepted recommendation 11 and stated that the Chief of Transport is responsible to issue warnings against civilian defaulters of traffic violations and the Deputy Force Commander for military defaulters. The Force Commander and the Director of Mission Support are responsible to issue letters of reprimands to reckless drivers or to remove driver's permits. The Transport Section follows-up and ensures driving permits are withdrawn as and when required. Based on the action taken, recommendation 11 has been closed.*

E. Management of dispatch pool vehicles

Unreliable and inaccurate liberty billing

37. The Transport Section processes liberty billing on a monthly basis and recoveries are made within 3-4 months after the date of the related bills. Liberty billing for both military and civilian staff averages between 40-60 cases per month. Two national staff members were assigned to this function.

38. The liberty billing process depends on the CarLog system. However, the system was not always activated to register liberty mileage, and other drivers did not know how to use CarLog to identify liberty travel. Moreover, trip tickets, which contain details of vehicle movements, were not submitted for these vehicles.

Recommendation (12)

(12) The UNIFIL Office of Mission Support should review the liberty billing procedures and ensure that CarLog-generated liberty mileage is accurate and reliable.

39. *The UNIFIL Office of Mission Support accepted recommendation 12 and stated that the review had been performed and that the CarLog operating instructions had been published on the Bulletin Board. Recommendation 12 remains open pending OIOS' review of the latest liberty billing report carried out under the revised process.*

V. ACKNOWLEDGEMENT

40. We wish to express our appreciation to the Management and staff of UNIFIL 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 ¹	Actions needed to close recommendation	Implementation date ²
1	The UNIFIL Office of Mission Support should review and revise the established vehicle requirement for the Mission, taking into account the Mission's vacancy rate.	Compliance	High	C	Action taken.	Implemented
2	The UNIFIL Office of Mission Support should review the Mission's vehicle fleet and ensure that it is in line with the requirements of the Standard Cost Ratio Manual and the Surface Transport Manual guidelines.	Compliance	Medium	O	OIOS verification that vehicles are assigned in line with the SCRM, and exceptions are adequately justified.	May 2009
3	The UNIFIL Office of Mission Support should periodically review the Mission's spare parts inventory to identify obsolete and excess spare parts and dispose off the excess holdings.	Compliance	Medium	O	OIOS' verification of a reduction in spare parts inventory and the action taken to dispose of excess and obsolete items.	30 June 2009
4	The UNIFIL Office of Mission Support should convene a Board of Inquiry (BOI) to review the adjustments made to the spare parts inventory records and submit the case along with the BOI report to the Local Property Survey Board for its consideration.	Compliance	Medium	C	Receipt of the BOI report and the revised instructions on procedures for processing adjustments to inventory records.	September 2009
5	The UNIFIL Office of Mission Support should periodically conduct a comprehensive physical inventory and reconciliation of physical counts with Galileo balances and ensure that proper procedures are in place to timely update Galileo for all inventory movements.	Operational	High	O	Pending receipt of results of the physical inventory planned for 30 June 2009 and the action taken to ensure Galileo reflects the actual to stock on hand.	30 April 2009
6	The UNIFIL Office of Mission Support should remove all duplicate spare part records for each warehouse location in order to better ensure the accuracy and	Compliance	Medium	O	Verification by OIOS that duplicate spare part records have been deleted from Galileo.	30 April 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
7	integrity of the vehicle spare parts data recorded in Galileo. The UNIFIL Office of Mission Support should require the Transport Section's Licensing Unit to enhance its driving test and the information provided to drivers to ensure procedures comply with the Surface Transport Manual.	Compliance	High	O	UNIFIL to provide the annual stock check and reconciliation report as at 30 June 2009.	1 July 2009
8	The UNIFIL Office of Mission Support should proactively educate all UNIFIL personnel driving Mission vehicles on common causes of accidents and provide further guidance and direction on ways to reduce accidents.	Operational	Medium	C	Action taken.	Implemented
9	The UNIFIL Office of Mission Support should enable the CarLog system to generate speeding violation reports to ensure compliance with Administrative Instruction 07/042 dated 10 October 2007.	Operational	Medium	O	Confirmation that reports identifying speeding violations are generated from CarLog.	30 April 2009
10	The UNIFIL Office of Mission Support should establish a clear policy on the use of CarLog bypass mode.	Governance	Medium	O	Receipt of the copy of CarLog bypass policy.	May 2009
11	The UNIFIL Office of Mission Support should implement an adequate mechanism to ensure speeding violations are properly dealt and a record of reprimand is placed on staff members personnel files.	Governance	Medium	C	Action taken.	Implemented
12	The UNIFIL Office of Mission Support should review the liberty billing procedures and ensure that CarLog-generated liberty mileage is accurate and reliable.	Operational	Medium	O	OIOS' review of the latest liberty billing report carried out under the revised process.	30 April 2009