



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **Audit of procurement management in UNMIT**

**Further improvements to the procurement  
process needed to ensure compliance with the  
Procurement Manual**

**7 August 2009**

**Assignment No. AP2008/682/07**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

TO: Mr. Atul Khare  
A: Special Representative of the Secretary-General  
UNMIT

DATE 7 August 2009

REFERENCE IAD: 09- 07730

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

*Fatoumata*

SUBJECT: **Assignment No. AP2008/682/07 - Audit of procurement management in UNMIT**

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 1-4, 6 and 7 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 recommendation 8. In OIOS' opinion however, this recommendation seeks to address a significant risk area. We are therefore reiterating it 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 4 and 5), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Hubert H. Price, Chief of Mission Support, UNMIT  
Mr. Jonathan Childerley, Chief Administrative Services, UNMIT  
Ms. Debbie Bolipata, Chief Procurement Officer, UNMIT  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Mr. Jesus Lara Alonso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Mr. Seth Azda, Chief, Audit Response Team, Department of Field Support  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Ms. Eleanor T. Burns, Chief Peacekeeping Audit Service, Internal Audit Division, OIOS

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## INTERNAL AUDIT DIVISION

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### **FUNCTION**

*"The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization" (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Procurement management in UNMIT**

OIOS conducted an audit of procurement management in the United Nations Integrated Mission in Timor-Leste (UNMIT). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the procurement process in UNMIT. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS found that procurement practices have improved since Mission's inception. However, further efforts were required to mitigate risks of fraud and uneconomical procurement. The main audit findings included:

- The vendor registration process needed to be enhanced. Vendors were registered without obtaining the required registration documents, contracts were awarded to vendors prior to completion of formal registration, and temporary registered vendors remained in the system beyond the expiry date;
- In 3 out of 45 procurement cases reviewed, the requisitioners recommended vendors and contacted bidders during the bidding exercise, contrary to the provisions of the Procurement Manual;
- An overpayment of \$16,225 was made to a vendor of generator spare parts; and
- Vendors were not allowed adequate time to submit their proposals. This, to an extent, may have had an effect on the number of vendors responding to bid solicitations.

OIOS has made recommendations to further strengthen internal controls and improve the procurement process. OIOS was pleased to note that prompt action is being taken to address the recommendations made.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of *procurement management in the United Nations Integrated Mission in Timor-Leste (UNMIT)*. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Procurement is one of the most critical administrative support functions needed for the Mission to carry out its mandated tasks and operations. The timely *provision of the required goods and services* directly impacts the effectiveness of the Mission's operations. The Procurement Section in UNMIT is responsible for the local procurement of goods and services. The Section is headed by a Chief Procurement Officer, at the P-4 level, who reports to the Chief Administrative Officer. At the time of the audit, the Section was staffed with 16 of its 17 authorized posts.

3. Since the inception of the Mission in August 2006, UNMIT Procurement Section has processed 1,126 purchase orders with a total value of \$75.2 million. The table below shows a breakdown by financial years.

**Table 1: Total number and value of purchase orders**

<b>Fiscal Years</b>	<b>Number of purchase orders</b>	<b>Value of purchase orders (\$)</b>
2006-2007	512	29,783,848
2007-2008	448	25,740,973
2008-2009*	166	19,687,291
<b>Total</b>	<b>1126</b>	<b>75,212,112</b>
Note* Through 31 December 2008		

4. Comments made by UNMIT are shown in *italics*.

## II. AUDIT OBJECTIVES

5. The main objectives of the audit were to:

(a) Assess the adequacy and effectiveness of internal controls over the procurement process;

(b) Assess whether the procurement of goods and services required by the Mission were performed in a cost effective and timely manner; and

(c) Review compliance with the UN Financial Regulations and Rules and the provisions of the Procurement Manual and relevant Administrative Instructions.

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### **III. AUDIT SCOPE AND METHODOLOGY**

6. The audit covered the period from the inception of the Mission on 26 August 2006 to 28 February 2009, and focused on key activities within the procurement cycle including acquisition planning, requisitioning, bid solicitation and evaluation, contract award and administration, receiving and inspection and vendor administration.

7. OIOS judgmentally selected 45 procurement case files against which a total amount of \$17 million purchase orders were issued (22 per cent of the total value of all purchase orders issued since 2006), and performed detailed tests of procurement transactions. Due to several revisions of the Procurement Manual during the period under audit, procurement cases were reviewed against the relevant version of the Procurement Manual.

8. The audit included interviews with requisitioners and staff members of the Procurement Section, review of relevant documents and analysis of data.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Acquisition planning and procurement lead-time**

9. On a monthly basis, the Procurement Section presents a status report on the Mission's acquisition plan to the various cost centre managers. The report provides each cost centre's acquisition plan together with a detailed list of approved requisitions and the related purchase orders issued. Monthly monitoring helps ensure the timely implementation of the Mission's acquisition plan.

10. As at February 2009, requisitions and purchase orders had been raised for approximately 80 per cent and 57 per cent, respectively, of UNMIT's 2008-2009 acquisition plan. This is within reason given the financial year end at 30 June 2009. OIOS noted the coordination between the cost centre managers and the Procurement Section in ensuring the timely implementation of the Mission's acquisition plan; therefore does not issue a recommendation.

11. One effective measure of efficiency of the operations of the Procurement Section is the lead time between the requisition approval date and the purchase order approval date. OIOS' analysis of the procurement lead time of 25 procurement cases found that the average lead time was 93 days and ranged between 53 and 266 days. Annex D-20 of the Procurement Manual provides examples of standard timelines required to complete contractual instruments following receipt of a requisition. While an average of 93 days is reasonable, there were 9 cases involving Invitations to Bid (ITB) with lead-times in excess of 100 days. A periodic lead time analysis prepared by the Procurement Section would be useful in monitoring and improving the efficiency of its operations.

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## **B. Vendor Registration**

### Incomplete vendor files

12. As stipulated in Section 7.10 of the Procurement Manual, vendor application and all supporting documents must be duly maintained in the appropriate vendor registration file. Five out of 30 vendor files (17 per cent) reviewed by OIOS contained incomplete registration documents such as certificate of incorporation, signed vendor registration application, and financial documents. Therefore, it was not clear if these vendors met the requirement for registration. The registration of vendors that do not meet the relevant requirements creates inefficiencies in the procurement process as solicitation documents may be mailed to unqualified vendors.

#### **Recommendation 1**

**(1) The UNMIT Office of Mission Support should complete the registration of all qualified vendors and maintain supporting documentation in each vendor's file.**

13. *The UNMIT Office of Mission Support accepted recommendation 1 and stated that the backlog of registration of qualified vendors has been completed as of 30 June 2009. OIOS was provided with evidence that vendors with incomplete registration files were removed from the active vendor database. Based on the action taken by UNMIT, recommendation 1 has been closed.*

### Award of contract to provisionally registered vendors

14. As permitted by the Procurement Manual, vendors can be provisionally registered pending receipt and evaluation of vendor application and supporting documents. However, Section 7.9.1 (2) stipulates that contract awards shall not be made to vendors until after completion of formal registration. In addition, provisionally registered vendors should be deleted from the vendor database if formal registration is not completed within three months from the date of provisional registration.

15. UNMIT's vendor database is being maintained on the Mercury system. As of 28 February 2009, there were a total of 1,885 vendors listed in the system; comprising of 1,480 active, 381 temporary, 19 awaiting registration, 1 rejected and 4 suspended vendors.

16. OIOS' review of the vendor files revealed that contracts had been awarded to 19 out of the 30 vendors (63 per cent) before completion of formal registration. In addition to the above sample, OIOS reviewed 20 temporary registered vendors in the Mercury system and noted that all 20 vendors had been provisionally registered for over three months. Cleaning up the Mercury database of old inactive vendors would provide a more accurate list of active vendors to whom solicitation documents should be issued.

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### **Recommendations 2 and 3**

**The UNMIT Office of Mission Support should:**

- (2) Periodically review the Mercury database and delete all vendors whose provisional registration has expired; and**
- (3) Implement appropriate procedures to ensure that contracts are awarded only to vendors who have been formally registered.**

17. *The UNMIT Office of Mission Support accepted recommendation 2 and stated that the UNMIT Procurement Section has instituted a monthly review of its provisionally registered vendors and will either delete those who have not complied with the registration requirements after 90 days or register those who are qualified. The current cases for registration were being dealt with and monitored within a reasonable timeframe. OIOS has reviewed the Mercury database and confirmed that vendors whose provisional registration has expired were deleted, and based on the action taken by UNMIT, recommendation 2 has been closed.*

18. *The UNMIT Office of Mission Support accepted recommendation 3 and stated that effective from 1 July 2009, before technical evaluations are carried out, all vendors who have bid have to be formally registered. As the backlog of unregistered local vendors in the Mercury vendor roster have now been registered/re-registered, no award could now be made to these vendors who were provisionally registered or not registered. OIOS has reviewed the Mercury database and confirmed that the backlog of unregistered local vendors in the Mercury vendor roster have been registered, and based on the action taken by UNMIT, recommendation 3 has been closed.*

### **C. Requisitioning**

#### Vendors recommended by requisitioners contrary to the Procurement Manual

19. Section 7.8 (1) of the Procurement Manual stipulates that as a general rule, requisitioners and substantive offices shall not recommend vendors to be included on the list of invitees.

20. For requisition 8PIO-28, for the supply of electronic parts and supplies, the requisitioner recommended a vendor to be included in the list of invitees and provided the procurement assistant with the contact details of the Managing Director of the vendor. The items requisitioned were not of a specialized or unique nature that would have necessitated a recommendation by the requisitioner. The recommended vendor was not awarded the contract.

21. In another instance, requisition 8GSS-17 was raised for the provision of translation services for the Mission. Prior to the issuance of the requisition, the awarded vendor, had been recommended by the requisitioner on the basis that a member of senior management of the Mission had suggested the use of this

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vendor in the previous year. Upon receipt of the requisition, the Procurement Section issued 8RFQ-9 solely to this vendor. On 24 July 2007, PO #8MIT-208023 in the amount of \$20,000 was awarded to the vendor on the basis of Financial Rule 105.16 (a) regarding services that cannot be evaluated objectively. There was no evidence to support why this service was procured on a sole source basis. OIOS was informed that the Mission initially found it difficult to identify available expertise from the local market. A bidding exercise for the said service was later conducted in November 2008 and another vendor was awarded the contract.

#### Non-generic specifications

22. As stipulated in Section 8.3.1 (4) of the Procurement Manual, requisitions should be prepared using generic specifications without reference to brand names. In 2 out of 45 procurement cases reviewed, the requisitions made reference to the names of manufacturers. While these cases were exceptional, it was noted that both requisitions were raised by the same requisitioner, the Office of Communication and Public Information, for the supply of workshop electronic parts and the purchase orders were awarded to the same vendor. The use of specific brand names may hinder a competitive bidding exercise; therefore it is important that requisitions are prepared using clear and generic specifications that would allow all prospective vendors to compete.

#### **Recommendations 4 and 5**

##### **The UNMIT Office of Mission Support should:**

**(4) Ensure that except for special circumstances approved by the Chief Procurement Officer, vendors are not recommended by requisitioners; and**

**(5) Brief requisitioners and procurement staff members that requisitions should be prepared using generic specifications without reference to brand names.**

23. *The UNMIT Office of Mission Support accepted recommendation 4 and stated that requisitioners recommending suppliers was not a practice at UNMIT and that this was an isolated case in the past and an exception which is acceptable under Section 7.8 (2) of the Procurement Manual.* Based on the explanation provided by UNMIT, recommendation 4 has been closed.

24. *The UNMIT Office of Mission Support accepted recommendation 5 and stated that a reminder will be sent to all requisitioners of this requirement.* Recommendation 5 remains open pending OIOS' receipt of a copy of the reminder sent to requisitioners.

#### Poor Statement of Works for ground fuel requirements

25. In November 2006, UNMIT with the help of an expert from UN Headquarters, prepared its Statement of Works (SOW) for ground fuel

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requirements in the Mission. While UNMIT informed OIOS that the SOW was based on what was known on the ground at that point in time, the SOW did not accurately capture the actual requirements for the Mission, especially for the districts. Based on the SOW, after a competitive bidding exercise, a contract valued at \$14.8 million was awarded on 14 August 2007.

26. Subsequent to the award of the contract, PDL unilaterally made a decision to revise the mobilization plan and made the following three major changes contrary to the agreed upon contract and without the approval of the Procurement Section:

- Secondary Bulk Storage and Distribution Centres in the districts of Aileu, Baucau, Maliana and Oecusse, were not established;
- Procurement of fuel distribution assets contrary to what was specified in their proposals; and
- Reduction in the proposed number of expatriates

27. In a letter dated 20 November 2007 to the Chief Procurement Officer, PDL cited that the above changes were made due to withdrawal of electoral staff and a large number of the United Nations Police force from the above districts. As such, the establishment of secondary distribution points was not needed. This was later confirmed by the Fuel Unit after reassessing the needs of the Mission. As a result of the above changes, PDL reduced its Operational and Maintenance (O&M) and mobilization costs by \$854,100. However, the reasonableness of the reduction is to be questioned since the Request for Proposal (RFP) did not require the vendor to provide a breakdown of its O&M and mobilization costs. It is important to note that despite the changes made by PDL, there were no adverse effects on the Mission's fuel supply.

28. The SOW did not accurately reflect the requirements of the Mission and this may have hindered competition as some vendors were disqualified for the inability to meet the requirements for secondary distribution centers in the districts, which were actually not needed.

High number of cleaning contracts and changes in the frequency of required services

29. At the time of the audit, there were 10 separate active contracts in place for general cleaning and waste disposal services. Four of these contracts were established due to additional locations, which were not included in the original tendering exercise. In addition to the number of locations, the frequency of services was changed. For example, concerning a bidding exercise on liquid waste disposal (7RFP/PM/101/UNMIT), the initial frequency of the solicited services was monthly. However, due to an increase in the number of locations to be served, once the new bidding exercise (8RFP/DM/105/UNMIT) was conducted it changed the frequency of services from "monthly" to "per service basis". A comparison of the price proposals for locations where frequency of required services changed from monthly to as "per service basis" revealed significant differences in costs, as illustrated in table 2 below.

**Table 2: Comparison of vendor proposals – liquid waste disposal services**

Location	First Bid		Re-bid	
	Proposal of lowest bidder (TIC) as per monthly basis (\$)	Proposal of second lowest bidder (Anteater) as per monthly basis (\$)	Proposal of lowest bidder (Anteater) as per service basis (monthly cost) (\$)	Proposal of second lowest bidder (TIC) as per service basis (monthly cost) (\$)
Metinaro Police Station	1,600	No bid	260	1,600
Viqueque Police Station	2,400	No bid	140	1,200
Manatutu Police Station	1,800	No bid	130	600
Liquica Police Station	900	3,160	130	400
Los Palos Police Station	2,400	No bid	130	1,200
Same Police District	2,400	No bid	130	925
Ermera Police District	2,400	4,160	130	600

30. The table shows that the Mission saved significant amounts after changing the requirements for liquid waste collection and disposal services from “monthly basis” to “per service basis”. However, there was no evidence showing the change in the frequency for similar services such as general cleaning, hazardous waste, pest control, mosquito fogging, grass cutting etc., which were also re-tendered, and which could result in further savings to the Mission.

31. While it is noted that the Mission was expanding in 2006 and 2007, OIOS is of the opinion that better planning and coordination among various components of the Mission could have reduced the need for re-bidding and changes in the type/frequency of services required. Considering the Mission's initiative to reduce the number of cleaning contracts through a new tender exercise which was being conducted at the time of the audit, OIOS has not made a recommendation.

**D. Bidding**

Contact with bidders contrary to the requirements of the Procurement Manual

32. Section 9.11.1 of the Procurement Manual stipulates that prior to the bid closure, all communications between the United Nations and the vendor should be handled by the designated Procurement Officer. Furthermore, as stipulated in Section 9.11.2, the same information concerning the solicitation document must be simultaneously communicated to all invited vendors.

33. By means of solicitation document 8ITB-18 on 5 October 2007, for the provision of plumbing materials, the Procurement Section solicited bids from 21 international vendors. Due to unclear specifications of the requirements, the

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procurement assistant received several email communications from three vendors requesting clarifications. On each occasion the procurement assistant instructed the requisitioner to respond to the vendors' queries and on 9, 18, and 27 October 2007, the requisitioner provided information directly to the three vendors. The same information was not communicated to the other prospective vendors. Subsequently, on 24 October 2007, the bid closing date, bids were only received from the above stated three vendors and the purchase order valued at \$222,858 was awarded to one of them. While there is no clear evidence that the vendors who submitted bids had an advantage over the other vendors, there is the appearance of partiality which should have been avoided.

#### **Recommendation 6**

**(6) The UNMIT Office of Mission Support should ensure that communications from potential vendors are addressed to either the Chief Procurement Officer or a Senior Procurement Officer.**

34. *The UNMIT Office of Mission Support accepted recommendation 6 and stated that as a matter of procedure, the guideline cited in Section 9.11 of the Procurement Manual, with regard to contact with bidders, is arduously observed. A reminder to all Procurement staff to strictly observe this issue was made on 25 June 2009. OIOS has reviewed a copy of the said reminder, and based on the action taken, recommendation 6 has been closed.*

#### **E. Purchasing**

##### Overpayment of \$16,225 for generator spare parts

35. On 27 February 2007, the Engineering Section raised requisitions 8ENG-82, 8ENG-83 and 8ENG-84 for the supply of 125 KVA generator spare parts. All three requisitions were combined by the Procurement Section and included in one solicitation exercise. The three requisitions being combined into one solicitation document resulted in duplication of three items on the invitation to bid (7ITB-47). After a competitive bidding exercise, PO #8MIT-208104 was awarded to a vendor. However, the vendor's proposal, which was both technically and commercially accepted, included significantly different prices for the duplicated items, even though they contained the same part numbers. The table below shows the differences in the vendor's proposal.

**Table 4: Variation in vendor's proposal for similar items on the same purchase order**

Part No.	Description	Unit price (\$)	Quantity ordered	Total price \$
T7410521	Oil Filter	9.45	400	3,780
T7410521	Oil Filter	30.09	400	12,036
			<b>Difference</b>	<b>8,256</b>
T74501024	Alternator 12V /45H	130.37	5	652
T74501024	Alternator	165.86	5	829
			<b>Difference</b>	<b>177</b>
T75004251	Fuel Filter	8.1	400	3,240
T75004251	<b>Fuel Filter</b>	27.58	400	11,032
			<b>Difference</b>	<b>7,792</b>

36. The above table shows a possible overpayment of \$16,255. The CPO informed OIOS that on 4 July 2008, the vendor was informed about the above prices differences. However, no response was received from the vendor and there had been no further follow-up by the Mission.

**Recommendation 7**

**(7) The UNMIT Office of Mission Support should obtain justification from the vendor awarded the Purchase Order # 8MIT-208104 on the above price differences, pursue recovery efforts of the \$16,255 if warranted, and closely review future proposals from the vendor.**

37. *The UNMIT Office of Mission Support accepted recommendation 7 and stated that in the absence of a reply from the vendor despite repeated follow-ups, on 15 June 2009, UNMIT initiated the deduction of \$16,255 from the vendor's outstanding unpaid invoices. OIOS has confirmed recovery of \$16,255 from the vendor, and based on this action, recommendation 7 has been closed.*

Unreasonable price proposal increases

38. OIOS noted inconsistent price proposals by some vendors providing grass cutting, mosquito fogging and pest control. A bidding exercise (7RFP/RM/101) for the provision of the mentioned services was carried out in December 2006. In its deliberations (LCC/07/15/06), LCC recommended a re-bid of the exercise due to unclear specifications in the SOW as to the required chemicals to be used in mosquito fogging. Subsequently, a new RFP (7RFP/ND/204) covering the additional specifications and three more locations was issued on 28 May 2007. The audit found that the price proposals of some vendors were quite different from their initial proposal and somewhat unreasonable. It is comprehensible that the addition of three new locations and minimum requirements for mosquito fogging chemicals would have increased the total cost of the services; however, such a significant increase in the commercial proposals of two vendors can not be justified, and should have raised some concern by management. Table 3 below illustrates the bid abstracts of the vendors.

**Table 3: Abstract of bid proposals from the vendors**

Company	Initial bidding Mosquito fogging, Grass cutting and Pest control (\$)	Re-bidding Mosquito fogging (\$)	Grass cutting (\$)	Pest control (\$)	Total (\$)
A	115,380	No quote	928,999	No quote	928,999
B	183,144	127,776	72,960	47,960	248,696
C	132,600	306,240	465,600	99,200	871,040
D	448,000	-	-	-	-
E	-	369,000	128,832	596,000	1,093,832

39. While the lowest offer received was awarded the contract, OIOS' concerns relating to the significant increase of the other two vendors was brought to the attention of the Chief, Procurement Officer. Consequently, all solicitation documents now include a statement prohibiting collusive bidding and anti-competitive conduct. OIOS commends the immediate action taken by the Mission in addressing this issue. However, management needs to be vigilant to ensure unreasonably priced proposals submitted by vendors are closely vetted, and taken into account in considering them for future bid solicitations.

Inadequate submission time for vendors' proposals

40. Procurement Manual provision 9.9.7 (3) provides that the procurement officers shall, to the extent possible, ensure that prospective vendors are given sufficient time to understand the solicitation documents and formulate the appropriate reply to said solicitation. Annex D-20 of the Procurement Manual provides typical timelines for submission time for vendors: 10-25 days for Request for Quotation; 30 days for Invitation to Bid (ITB); and 30-60 days for Request for Proposal.

41. Twenty-five out of the 45 (56 per cent) procurement case files reviewed showed that vendors were not allowed adequate time to submit their offers. The table below shows examples of the submission time allowed for various solicitation exercises. While it is not always practical for the Mission to abide by the timelines recommended in the Procurement Manual, it is important to keep in mind that inadequate submission time could result in a low number of responses to solicitation documents. As reflected in the table, with the exception of the first two solicitations, the vendor response rate was less than 50 per cent.

**Table 6: Examples of vendor submission time**

Solicitation No.	Description of requirement	Submission time (days) allowed	Contract value (\$)	Number of invitees	Numbers of bids received	Percentage of bids received
7RFP/RM/101	General cleaning services	16	591,360	7	6	85.71%
7RFP/ND/204	Provision of grass cutting, mosquito fogging and pest control	16	497,392	7	4	57.14%
8/RFP/AM/102	Installation of security bars and grills	18	943,800	17	7	41.18%
7RFP/ND/205	Fire suppression system	24	149,511	17	1	5.88%
7ITB-82	Field defense stores	8	116,435	11	4	36.36%
9ITB-10	Construction services	16	250,300	13	4	30.77%
8ITB-31	X-Ray equipment	13	118,745	16	3	18.75%
8ITB-18	Plumbing materials	19	222,858	21	3	14.29%

Note: The first four solicitations are RFPs and the last four represent ITBs

**Recommendation 8**

**(8) The UNMIT Office of Mission Support should ensure that with the exception of exigencies, every effort must be made to abide by the submission timelines recommended in the Procurement Manual.**

42. *The UNMIT Office of Mission Support did not accept recommendation 8 and stated that the timelines indicated in Annex D-20 of the Procurement Manual are not absolute. They are guidelines which are subject to determination of the operational need, exigency, complexity or simply, readily available sources in the market and other factors inherent to the Mission operating environment. OIOS notes that typical timelines provided in the Procurement Manual may not always be observed due to various factors, however, considering the low number of vendor response rate (36 per cent for the sampled procurement cases in Table 6), OIOS is of the opinion that the Mission should implement additional measures including better planning and coordination between the requisitioning offices and the Procurement Section, to allow vendors typical submission times as provided in Annex D-20 of the Procurement Manual. OIOS is therefore reiterating recommendation 2 and requesting Management to reconsider its position.*

**F. Organization and training**

A need for ethics training

43. In an effort to promote ethics and integrity in the workplace, all procurement staff members are required to participate in training on “Ethics and Integrity in Procurement”. OIOS found that four staff in the Procurement Section did not participate in such training.

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### **Recommendation 9**

**(9) The UNMIT Office of Mission Support should ensure that all procurement staff members complete the course on “Ethics and Integrity in Procurement”.**

44. *The UNMIT Office of Mission Support accepted recommendation 9 and stated that they will explore cost-effective alternatives for the four procurement staff who have not taken the course to attend the training before the end of the year. Recommendation 9 remains open pending completion of Ethics and Integrity training by all UNMIT Procurement staff.*

#### No rotation policy for procurement staff members

45. Best procurement practices require periodic rotation of staff members in the Procurement Section as a means of career development and preventing fraudulent acts. At the time of the audit, there was no rotation policy in place for procurement staff members; buyers have been working with the same commodities and vendors for the past two years. It is a recommended practice for buyers not to deal with the same vendors for an extended period of time.

### **Recommendation 10**

**(10) The UNMIT Office of Mission Support should put in place a rotation policy for procurement staff members.**

46. *The UNMIT Office of Mission Support accepted recommendation 10 and stated that UNMIT fully prescribes to the principle of rotation of its procurement staff members. A policy will be put in place by 31 December 2009. Recommendation 10 remains open pending the implementation of the rotation policy by the UNMIT Procurement Section.*

## **G. Mercury system**

#### Inadequate monitoring of access rights in Mercury Systems

47. The Mercury System is used extensively in the procurement process for the preparation, recording and approval of requisitions and purchase orders. Effective information technology controls require periodic monitoring of access rights issued to users. Users should be properly trained on the operations of the system prior to or immediately after being granted access.

48. Users were granted access to the system without any prior training. This has created frustration and inefficiencies in processing procurement transactions. Also, on reviewing access controls to the system, it was found that there is no periodic review of access rights in the Mercury System and several staff members who had long separated from the Mission were still reflected as active users.

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## Recommendation 11

**(11) The UNMIT Office of Mission Support should put in place a periodic review of access rights in the Mercury system and provide adequate training to all system users prior to or immediately after being granted access.**

49. *The UNMIT Office of Mission Support accepted recommendation 11 and stated that periodic reviews of Mercury system user access rights have been done by CITS since mid-2007. CITS has conducted Mercury user training as requested by IMTC and by users, both formal classroom training and individual one-on-one training. On 4 January 2009 a Galileo/Mercury user check system was introduced to ensure that the periodic review of access rights was automated and that staff that had left UNMIT could be readily identified and their access rights revoked. Recommendation 11 remains open pending OIOS' receipt of supporting documentation evidencing that Mercury training has been carried out by CITS to all users.*

## H. Other matters

### Poor management of security services contracts

50. There are currently two contractors providing security services to UNMIT. The first vendor provides security services to UNMIT offices and facilities while UNMIT's headquarters in Dili and staff residences are serviced by the second vendor. OIOS' review of the various contracts with these vendors revealed contract violations by the Security Section and a lack of effective management of these contracts. For instance, the Security Section, without the involvement of the Procurement Section, requested UNDP to subsume UNMIT in their contract with the second vendor. Despite the contract effective date of 1 July 2007, a verbal agreement was reached between the Security Section and the vendor for the service provision to commence on 1 June 2007. In another instance, a contract with the first vendor was terminated by the Security Section without providing the vendor the 30-day advance notice as stipulated in the contract. Three instances were also noted where the number of locations to be serviced was increased by the Security Section over and above the limits stipulated in the contracts.

51. The Procurement Section became aware of the above violations after the fact and has since regularized the respective contracts. In addition, the Mission has appropriately addressed these issues with both the Procurement and Security Sections. At the time of the audit, as no further violations were noted, OIOS has not made a recommendation.

52. At the time of the audit, the Mission was conducting a new bidding exercise for security services and proposals were received from new companies. Past experiences in other missions has shown that security contracts should be handled very professionally due to the high risk nature of the service. A change in contractors might create undesired actions and retaliations against UNMIT,

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therefore, Mission Management should be well prepared to administer the whole process.

## **V. ACKNOWLEDGEMENT**

53. We wish to express our appreciation to the Management and staff of UNMIT for the assistance and cooperation extended to the auditors during this assignment.

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNMIT Office of Mission Support should complete the registration of all qualified vendors and maintain supporting documentation in each vendor's file.	Compliance	Medium	C	Action complete	Implemented
2	The UNMIT Office of the Mission Support should periodically review the Mercury database and delete all vendors whose provisional registration has expired.	Compliance	Medium	C	Action complete	Implemented
3	The UNMIT Office of the Mission Support should implement appropriate procedures to ensure that contracts are awarded only to vendors who have been formally registered.	Compliance	Medium	C	Action complete	Implemented
4	The UNMIT Office of the Mission Support should ensure that except for special circumstances approved by the Chief Procurement Officer, vendors are not recommended by requisitioners.	Compliance	High	C	Action complete	Implemented
5	The UNMIT Office of the Mission Support should brief requisitioners and procurement staff members that requisitions should be prepared using generic specifications without reference to brand names.	Compliance	High	O	OIOS' receipt of the supporting documentation on reminder sent to requisitioners	31 July 2009
6	The UNMIT Office of the Mission Support should ensure that communications from potential vendors are addressed to either the Chief Procurement Officer or a Senior Procurement Officer.	Compliance	Medium	C	Action Complete	Implemented
7	The UNMIT Office of the Mission Support should obtain justification from the vendor awarded the Purchase Order # 8MIT-208104 on the above price differences, pursue recovery efforts of the \$16,255 if warranted, and closely review future proposals from the vendor.	Compliance	Medium	C	Action Complete	Implemented
8	The UNMIT Office of the Mission Support should ensure that with the exception of	Compliance	Medium	O	Reconsideration and implementation of the recommendation by the UNMIT Office of	31 December 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
9	exigencies, every effort must be made to abide by the submission timelines recommended in the Procurement Manual. The UNMIT Office of the Mission Support should ensure that all procurement staff members complete the mandatory course on "Ethics and Integrity in Procurement".	Compliance	Medium	O	Mission Support Completion of the Ethics training by all UNMIT Procurement staff	31 December 2009
10	The UNMIT Office of the Mission Support should put in place a rotation policy for procurement staff members.	Operational	Medium	O	Adherence to the rotation policy by the UNMIT Procurement Section	31 December 2009
11	The UNMIT Office of the Mission Support should put in place a periodic review of access rights in the Mercury system and provide adequate training to all system users prior to or immediately after being granted access.	Information Resources	Medium	O	OIOS' receipt of supporting documentation evidencing that Mercury training has been carried out by CITS to all users since mid-2007	4 January 2009

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