



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Management of engineering projects in UNIFIL

Internal controls over the execution of
engineering projects in UNIFIL were inadequate

26 April 2010

Assignment No. AP2009/672/05

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 Alberto Asarta Cuevas
A: Force Commander and Head of Mission
United Nations Interim Force in Lebanon

DATE: 26 April 2010

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

REFERENCE: IAD: 10- **00289**

SUBJECT: **Assignment No. AP2009/672/05 - Audit of management of engineering projects 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 3, 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 recommendations 4 and 9. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 4 and 9 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. Kaji Khatri, Officer-in-Charge, Integrated Support Services, UNIFIL
Mr. Fayyaz Asghar, Officer-in-Charge of Engineering Support Services, UNIFIL
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Seth Adza, Chief, Audit Response Team, Department of Field Support
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
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).

CONTACT INFORMATION

DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

ACTING DEPUTY DIRECTOR:

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,
e-mail: kumarg@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +1.212.917.2792, Fax: +1.212.963.3388,
e-mail: burnse@un.org

EXECUTIVE SUMMARY

Audit of management of engineering projects in UNIFIL

OIOS conducted an audit of management of engineering projects 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 the execution of engineering projects in UNIFIL. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In general the internal controls over the management of engineering projects need to be strengthened as noted below:

- The Mission did not consistently adhere to the relevant procedures and its planning of engineering projects was inadequate to ensure that priorities are met and that available resources are used in an effective and efficient manner. In this regard, OIOS noted there were insufficient tasks to justify the continuing presence of seven military engineering units in the Mission after July 2010.
- The Mission could not demonstrate the cost effectiveness of the outsourced engineering projects valued at approximately \$13.5 million. The Mission stated that different options were explored prior to making the outsourcing decisions, but these deliberations were not documented and therefore could not be verified.
- The Engineering Section certified engineering work, providing the basis for payments made to contractors and authorized the release of retention monies to the contractors without due consideration to liquidated damages of approximately \$156,000 that could be levied for project delays.
- The construction of an additional sewage plant was delayed. OIOS observed accumulation of sewage beyond the overflow level at the existing sewage treatment plant resulting in likely discharge of untreated sewage into the Mediterranean.
- UNIFIL spent \$326,875 to rehabilitate the port at Naqoura for staff evacuation during crisis, but the port remains unusable.
- The Mission did not adequately test the quality of the works performed by contractors as it lacked the capacity to do so. As a result, it relied on the representation of contractors who performed the works and were therefore not independent.

OIOS made a number of recommendations and UNIFIL management has initiated actions to address the control weaknesses identified and to strengthen the management of engineering projects in UNIFIL.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of engineering projects in 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. Engineering projects in UNIFIL are managed by an integrated setup of civilian and military personnel. The Engineering Support Services (ESS) of UNIFIL is headed by the Chief Engineer, a civilian officer, who is assisted by the Force Engineer, a military officer. The Chief Engineer reports to the Director of Mission Support (DMS) through the Office of Integrated Support Services (ISS). Engineering works are executed by military engineering units and commercial contractors.

3. The Mission has seven military engineering units with an authorized strength of 1,569 military personnel costing approximately \$10 million per annum. The military engineering units are organized into various teams to carry out projects related to the construction of infrastructure, rehabilitation of office buildings and accommodation facilities, force protection works, sewage treatment plant, road asphaltting, and water purification plant.

4. The expenditure for engineering projects, excluding the cost of the military engineering units, was approximately 10 per cent of UNIFIL operating expenses in the past two fiscal years as shown in the table below.

Table 1: Expenditure on engineering support services (in \$'000)

| Description | Fiscal year ended 30 June 2008 | Fiscal year ended 30 June 2009 |
|---|-----------------------------------|-----------------------------------|
| Construction services | 10,504 | 13,493 |
| Spare parts, supplies | 6,918 | 6,351 |
| Other costs | 4,323 | 3,062 |
| Total | 21,745 | 22,906 |
| Source: UNIFIL financial statements for the years ended June 2008 and June 2009 | | |

5. Comments made by UNIFIL management are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over the execution of engineering projects in the following areas:

- (a) The effectiveness of planning, execution, and monitoring of the engineering projects; and
-

-
- (b) Compliance with the United Nations regulations and rules, policies and procedures on the management of engineering projects.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered projects executed during the fiscal years ended 30 June 2008 and 30 June 2009. The audit methodology included but was not limited to: (a) examination of project documents; (b) review of progress of projects against work plans; (c) interviews with responsible personnel; and (d) visits to project sites.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Policies and structure of ESS

Inadequate policies

8. Contrary to the draft DFS Engineering Support Manual (the Manual), the Mission did not establish standard operating procedures (SOPs) for engineering activities. There were no standard procedures on the selection and approval of projects, no criteria for prioritizing projects, and no procedures for verifying quality of works. As a result, the day-to-day operations of the ESS including tasking of military engineering units were driven by the informal practices in the Mission and individuals' discretion. This has resulted in adverse consequences in project planning, execution and monitoring, some of which are discussed in this report.

9. The officer-in-charge (OIC) of ESS acknowledged that ESS overlooked the need for formal policies and procedures as it focused more on improving the infrastructure following the Mission's expansion after 2006.

Recommendation 1

(1) The UNIFIL Office of Mission Support should establish standard operating procedures for the execution of engineering activities.

10. *The UNIFIL Management accepted recommendation 1 and stated that draft ESS SOPs have been prepared and are currently being reviewed. Recommendation 1 remains open pending receipt of an approved copy of the ESS SOPs.*

Ineffective structure and inadequate staffing

11. The ESS staffing and organization structure needs improvement. The post of Chief Engineer, at P-5 level, has been vacant for the past three years and the post of an engineer, at P-4 level, has been vacant since March 2009. For the

past three years, ESS has been headed by an Officer-in-Charge (OIC) at P-4 level. At the time of audit, the ESS had eight units and a staffing strength of 156 including 33 international staff and 123 national staff.

12. Despite the large portfolio of construction projects (there were 25 major construction projects), only five of the 33 international staff were allocated to construction activities in the Planning and Construction Unit and Design and Contracts Unit. The remaining 28 international staff were allocated non-construction activities in the Assets and Material Management Unit, Water and Sanitation Unit, Generator Unit, Facilities Management Units, Geographical Information Systems Unit and the Sectors' Support Unit.

13. Due to the small number of international staff allocated to construction activities, there was no segregation of duties. For example, each of the five staff was responsible for requisitioning, preparing scope of works, administering contracts, reviewing progress, and verifying and certifying the works of their respective projects. The OIC of ESS agreed that there is a need for structural changes to ensure a more effective support of the execution of multiple projects.

Recommendations 2 and 3

(2) The UNIFIL Office of Mission Support should take immediate action to fill key posts in the Engineering Support Services.

(3) The UNIFIL Office of Mission Support should reorganize the Engineering Support Services structure to strengthen its project management and to provide clear direction to staff in carrying out their responsibilities.

14. *The UNIFIL Management accepted recommendation 2 and stated that recruitment for the last key vacant position is under review by Field Central Review Body.* Recommendation 2 remains open pending the recruitment of the Chief Engineer.

15. *The UNIFIL Management accepted recommendation 3 and stated that it has been fully implemented.* Based on the action taken by the Mission, recommendation 3 has been closed.

B. Planning of engineering projects

Inadequate planning by ESS

16. Section 2.04 of the Manual provides guidance on planning that takes into account the mandate of the Mission, the nature of operations, the support requirements and the resources available. The ESS did not adhere to these guidelines and its planning process was inadequate to ensure that the Mission priorities and requirements are met and that available resources are optimized. The ESS prepares annual work plans, but these plans do not cover infrastructure, accommodation and maintenance. Some construction projects have been

implemented over periods sometimes up to three years, but there were no medium/long-term plans.

17. Inadequate planning by ESS may impede the Mission's ability to use available resources in an efficient and effective manner. For example, although major engineering projects had already been completed, at the time of the audit, there were no drawdown plans for seven military engineering units that were assigned to force protection works. In February 2009, the Deputy Force Commander requested the Office of Mission Support to undertake a study on the feasibility of reducing the number of contingent engineering units, but the ESS maintains the view that reduction be considered only at the end of 2010. OIOS noted and the DMS subsequently agreed that there were insufficient tasks to justify the presence of seven military engineering units in the Mission after July 2010.

18. OIOS notes that as part of the UNIFIL Force Structure Review mandated by the Secretary-General, the Mission reviewed the use of military engineering units in January 2010 and decided that at least one military engineering unit will be repatriated. OIOS notes that continuing need for military engineering units beyond July 2010 has been covered by the Force Structure Review.

Cost effectiveness of outsourced projects not demonstrated

19. The General Assembly in its resolution 55/232 stressed that cost effectiveness and efficiency should be the most basic criterion for a decision to outsource. In this regard, the General Assembly states that "...unless it can be adequately demonstrated that an activity can be done significantly more economically and, at the very least, equally efficiently, by an external party, outsourcing may not be considered." This principle is reflected in the engineering work plan for fiscal year ended 30 June 2009 whereby the Mission undertook to outsource aspects of operations that are identified and evaluated as more economical to be outsourced.

20. The Mission did not demonstrate the cost effectiveness of outsourced engineering projects with total contract value of approximately \$13.5 million for the year ended 30 June 2009. The ESS stated that different options were explored prior to the decisions to outsource, but these deliberations were not documented and therefore could not be verified by OIOS.

21. The Mission also outsourced tasks valued at \$2.64 million that could have been performed by existing in-house engineers. Projects such as ground leveling works, road construction and drainage works were conducted both by using in-house resources and outside contractors. The Mission did not provide OIOS with the requested analyses supporting the decisions to outsource these tasks.

22. On a subsequent follow-up, UNIFIL Management confirmed that all works were outsourced in line with the General Assembly resolution, and shared the preparatory work that they had done. OIOS' review of this work found that

there were no details of the cost implications of outsourcing projects as compared with conducting the projects using in-house resources. OIOS is concerned therefore that an adequate cost-benefit analysis was not done to support UNIFIL's decision to outsource projects. OIOS has not made a recommendation in this case, as the projects have already been executed. Nonetheless, for the future, it is important for UNIFIL to conduct proper cost-benefit analyses to mitigate the risk of waste and under-utilization of already existing capacity.

C. Execution of engineering projects

Unauthorized engineering projects

23. Outsourced engineering projects should be approved by the DMS as part of the acquisition planning process. However, OIOS found two projects – the construction of staff accommodations and the refurbishment at the Office of Personal Representative of the Secretary-General for Lebanon (OPRSG) were not properly authorized.

24. In 2008, the ESS used a systems contract for the construction of the accommodation for 120 staff officers costing approximately \$684,000. After constructing the new facilities, the accommodation capacity at the Force Headquarters increased from 200 to 320 although the actual number of staff officers at Force Headquarters was less than 200 persons. OIOS requested but the ESS did not provide the justification and approval for this project and the project files were not properly maintained.

25. The refurbishment of the OPRSG was unrelated to the mandate of UNIFIL and was not covered by the Memorandum of Understanding (MoU) between UNIFIL and OPRSG. OIOS notes that OPRSG paid the contractor for the project. However, the ESS spent time and other resources of the Mission in planning, coordinating and managing the project.

26. The UNIFIL Management stated that the approval of the acquisition plan for the prefabricated materials used to construct the accommodation was sufficient. Additionally, the Mission stated that the requirement for staff officers doubled as part of the General Assembly mandated expansion of the Mission. The requirement for military personnel also increased and need to replace dilapidated buildings also impacted on the number of accommodations constructed. Regarding the refurbishment at the OPRSG, the Mission stated that the support provided to the OPRSG is covered by an MoU between UNIFIL and UNSCOL. Based on these clarifications, OIOS does not make a recommendation but advises the Mission to ensure the proper review and approval of projects in the future.

Delays in the execution of engineering projects

27. The implementation of 10 out of 12 engineering projects reviewed was delayed. There were delays in completing critical projects related to treatment of waste water, well drilling, hospital and dining facilities. Delays ranged from few weeks to seven months. The delays were mainly attributed to the inefficiency of

the contractors, delays by ESS in handing over sites to contractors, bad weather and the need to re-do works that did not meet requirements.

28. The ESS is responsible to advise the Procurement Section of delays and to issue instructions to the Finance Section to apply liquidated damages. However, for two of the reviewed cases, the ESS did not communicate the delays to the Procurement Section and the Finance Section. The ESS certified payments and authorized the release of retention monies to the contractors without due consideration to the appropriate liquidated damages that could be levied for project delays. As a result, no action was taken to hold the contractors accountable. OIOS estimated that, after excluding delays attributable to force majeure events, the Mission could have recovered liquidated damages estimated at \$156,000 from two contractors.

Recommendation 4

(4) The UNIFIL Office of Mission Support should assess the circumstances under which liquidated damages were not applied prior to the release of retention monies to the two contractors which resulted in the loss of \$156,000 and address accountability as appropriate.

29. *The UNIFIL Management did not accept recommendation 4 stating that liquidated damages for the hospital project were not applied because the contract was signed on 17 November 2007 and the purchase order was issued on 30 September 2008; therefore, the date of issuing the purchase was used for monitoring the contract. Regarding the construction of the dining hall, the contractor applied for a 16 week extension, which was granted.* OIOS disagrees with this explanation as the actual completion date was 20 November 2008, almost two months after the expected completion date. As for the dining hall project, the revised completion date after taking into account the approved extension was 17 March 2008. However, the actual completion date was 6 May 2008, more than a month after the new expected completion dates. In these regards, OIOS reiterates recommendation 4 and requests the Mission to reconsider its initial response. Recommendation 4 remains open pending its implementation.

Delayed project execution leading to adverse environmental effects

30. The Environmental Policy for the United Nations Field Missions requires the DMS to ensure that wastewaters are not discharged directly to the streams, river or other bodies of water without prior treatment.

31. To ensure compliance with the policy, the Mission initiated a number of projects including the building of an additional sewage treatment plant. The procurement exercise for this project was initiated in November 2007 and completed in December 2008. The initial planned completion date was June 2009, but this date was changed to 30 November 2009 due to delays in ground leveling works. On 26 June 2009, OIOS visited the site of the existing sewage treatment plant and observed accumulation of sewage beyond the overflow level.

The main pump at the sewage treatment plant was not operational resulting in the possible discharge of untreated sewage into the Mediterranean Sea. In November 2009, OIOS was informed that the construction of the new sewage plant had been completed but not operational pending further installations.

Recommendation 5

(5) The UNIFIL Office of Mission Support should expedite the upgrading and installation of wastewater treatment plants in order to ensure compliance with the Environmental Policy for the United Nations Field Missions.

32. *The UNIFIL Management accepted recommendation 5 and stated that the timeline for completing the sewage pipeline network is 31 March 2010 while the commissioning and handover will be completed by end of April 2010. The UNIFIL Management maintains however, that none of its treatment plants discharge its effluent directly to the Mediterranean Sea. Recommendation 5 remains open pending receipt of evidence showing that the new sewage treatment plant is fully operational.*

Closure of a project after partial payment to contractor

33. In June 2008, the Mission commenced the rehabilitation of the harbour port at Naqoura to facilitate the evacuation of staff during crisis. The project was outsourced at \$398,965. The project was closed in 2009 after the contractor had been paid the negotiated amount of \$326,875, representing over 80 per cent of the original contract value. However, the port remains unusable because the required five meters depth at approach berthing and docking areas was not achieved by the contractor. As a result, UNIFIL Maritime Task Force vessels could not dock at the harbour.

34. The ISS evaluated and considered the measures proposed by the Maritime Operations to remedy the situation but decided not to proceed because of the significant financial implications involved. In a memorandum to the DMS, the OIC of ISS stated that the Naqoura Port meets the needs for evacuation purposes, but did not elaborate how evacuation could be conducted in a rapid and safe manner since the vessels could not dock at the port. The use of the port is not detailed in the Mission's security plans.

35. The ISS has provided a detailed report to the DMS on the chronology of events, but it did not identify the reasons why dredging works to achieve the required five meters depth at the berthing area and landing zone of the port could not be done, leading to the project failure.

36. At the time of the audit, the Mission had not conducted a comprehensive evaluation of the project. However, OIOS was subsequently informed that after a review, it was determined that the contractor had carried out the works in accordance with the terms and conditions of the contract. The requirement to rehabilitate the Naqoura Port was based on information available at the design

and start up stages of the project. An underwater structural survey revealed the extent of additional works required to operate the port at the desired regime. However, had the contractor dredged the strip alongside the pier, it would have compromised the structure of the pier. A solution to berth vessels that require a five meter draft was investigated and a consensus was reached to board and disembark passengers with a gangway, at the port's current state. As a result of the additional information received, OIOS has not made a recommendation.

D. Monitoring of engineering projects

Inadequate monitoring of in-house projects

37. OIOS assessed the monitoring of in-house engineering projects to be inadequate. Based on the review of six projects, OIOS observed that formal costing exercises were not conducted prior to the commencement of the projects and task orders with planned completion dates were not issued during project execution. Moreover, the ESS approved the issuance of materials and services as and when requested, but the materials issued to the project were not recorded and analyzed. The review to identify and account for the actual quantities and the amounts of materials used was also not done. Consequently, the actual costs for these projects could not be determined. The Force Engineer stated that regular site visits were conducted and weekly progress reports were prepared, but the absence of cost estimates, a planned completion date as well as use of task orders bring into question the effectiveness and the feasibility of project management and project monitoring by ESS.

Recommendation 6

(6) The UNIFIL Office of Mission Support should strengthen internal controls over the approval, planning, execution and monitoring of in-house engineering projects.

38. *The UNIFIL Management accepted recommendation 6 and stated that internal controls have been strengthened to improve and monitor all in-house projects and provided OIOS with a flow chart mapping the processes of implementing the projects.* Based on the actions taken by the Mission, recommendation 6 has been closed.

Inadequate verification of output delivery

39. Despite a memorandum from the OIC of ESS to all ESS unit supervisors stressing the importance of project monitoring and describing the procedures to be followed, verification of delivery of output remains inadequate. The ESS did not always verify whether the engineering works were completed in accordance with the relevant contracts. In six out of 12 contracts reviewed, the ESS relied on the representation of the contractors who were required to carry out their own tests and provide quality assurance reports. For the other six contracts, there were no requirements for the contractors to provide quality assurance reports. Therefore, to the extent possible, the ESS relied only on physical inspections, and no technical surveys or tests were done.

40. The ESS explained that it did not have the capacity to perform certain independent tests of works performed by contractors. In this regard, the ESS stated that it has initiated the procurement to source an independent expert to test construction elements and materials for engineering projects.

Recommendation 7

(7) The UNIFIL Office of Mission Support should establish the capacity for independent testing of the project deliverables to ensure they meet the project requirements.

41. *The UNIFIL Management accepted recommendation 7 and stated that an independent contractor has been hired to carry out independent testing of project deliverables.* Based on the action implemented by the Mission, recommendation 7 has been closed.

Lapses in certification of payments to contractors

42. The Board of Inquiry (BOI) in its report of April 2009 noted a number of internal control lapses when evaluating the implementation of an engineering contract relating to the supply of T-walls. On that basis, the BOI recommended that all procurement activities initiated by the ESS should be investigated without delay. However, the ISS who was overseeing ESS responded that it had carried out its own in-house review and did not find any cases of breakdown of controls.

43. OIOS noted a number of lapses in the certification of payments to the contractor for the road asphaltting projects value at \$992,300 as indicated below:

- (a) There was no consultation with ESS sector support units on requests for engineering works in the sectors. The projects for road asphaltting works in the sectors were based on requests from military units and compiled by the Force Engineer. Although the Force Engineer shared the requests with the ESS Design Unit, these requests were not shared with or reviewed by the ESS Sector Support Unit, which is responsible for coordinating, planning and supervising all engineering works at the Sectors;
- (b) Requirements for engineering works were not adequately assessed prior to issuance of task orders. The ESS Design Unit decided that all requests would require additional asphaltting works classified as “Case C” without conducting the necessary site surveys. Case “C” asphaltting works involve excavation of earth, and laying sub-base and base course before applying four mix of materials of 60mm thickness and asphalt layer of 40 mm thickness. Case C cost \$25.50 per square meter;
- (c) The contractor did not deliver the required engineering works indicated in the task orders. On completion, the Sector Engineer’s

verification showed that the works by the contractor for nine task orders were those of Case B instead of Case C. The contractor also issued nine invoices using the higher rate of Case C of \$25.50 per square meter instead of Case B's rate of \$16 per square meter. Case "B" asphaltting works involves only the laying of the four mix of materials of 60 mm thickness and asphalt layer of 40mm thickness. Case B cost \$16 per square meter;

- (d) The ESS did not penalize the contractor for failing to deliver the required Case C road asphaltting works. Instead, in five out of the nine cases identified, ESS amended the requirement to Case B by reissuing task orders and backdating them. Accordingly, the contractor issued five revised invoices using Case B rate. In violation of the Field Finance Procedures, the ESS accepted the five invoices directly from the contractor without routing them through the Finance Section;
- (e) For the remaining four out the nine exceptions noted, ESS did not take any action. ESS certified and paid the invoices with Case C rates although the Sector Engineer verified actual work delivered was those of Case B. This resulted in an overpayment of over \$54,000;
- (f) There was inadequate segregation of duties. In three road asphaltting task orders at the sectors, OIOS found that the projects were approved, supervised, outputs verified and payments certified by the same person who was also the engineer at ESS Design Unit based at the Headquarters in Naqoura; and
- (g) Site supervision was very weak. The review of project files indicated that progress reports were generally not signed by the site supervisor.

Recommendations 8 and 9

(8) The UNIFIL Office of Mission Support should ensure full implementation of the Board of Inquiry's recommendations in its report 08/017.

(9) The UNIFIL Office of Mission Support should undertake an independent review to determine accountability for the lapses noted in the management, verification and certification of payments for work done under the road asphaltting contract number LTA/FIL/U3/08/046/BM.

44. *The UNIFIL Management accepted recommendation 8 and stated that recommendations of the BOI have been fully implemented.* Based on the action taken by the Mission, recommendation 8 has been closed.

45. *The UNIFIL Management did not accept recommendation 9 stating that the Office of Mission Support undertook an independent review, but could not substantiate OIOS' conclusions. The supporting documentation showed that only two invoices related to the work in the sector were not certified by the Sector Engineer, but the invoices were certified by the OIC at that time. The \$54,000 referred to above could not be traced and verified. OIOS has provided the UNIFIL audit focal point with the supporting documentation for the overpayment of \$54,000. OIOS reiterates recommendation 9 and requests the Mission to reconsider its initial response. Recommendation 9 remains open pending its implementation.*

Incomplete project records and documentation

46. ESS did not have complete project files for each of its engineering projects. Critical project documents such as project approvals, the design plan, project costing, contract documents, performance review meetings, site supervision reports and quality assurance reports were incomplete.

47. The lack of complete files resulted in a loss of audit trail and institutional memory of lessons learned on each engineering projects. It also results in loss of an important medium for ensuring accountability.

Recommendation 10

(10) The UNIFIL Office of Mission Support should take corrective action to ensure that complete project documents are maintained in the project case files at a centralized location.

48. *The UNIFIL Management accepted recommendation 10 and stated that the project files are now kept in the offices of the respective unit and a centralized system of filing will be implemented when ESS relocates. The Mission also provided OIOS with a memo from the Chief of ESS to all ESS unit supervisors advising them of the kinds of documents to be kept in each project files. Recommendation 10 remains open pending implementation of a centralized system for ESS project files.*

V. ACKNOWLEDGEMENT

49. 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.

AUDIT OF MANAGEMENT OF ENGINEERING PROJECTS IN UNIFIL (AP2009/672/05)
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 establish standard operating procedures for the execution of engineering activities. | Operational | Medium | O | Pending receipt of an approved copy of the ESS SOPs. | Not provided |
| 2 | The UNIFIL Office of Mission Support should take immediate action to fill key posts in the Engineering Support Services. | Human resources | Medium | O | Pending recruitment of the Chief Engineer. | March 2010 |
| 3 | The UNIFIL Office of Mission Support should reorganize the Engineering Support Services structure to strengthen its project management and to provide clear direction to staff in carrying out their responsibilities. | Governance | Medium | C | Action taken. | Implemented |
| 4 | The UNIFIL Director of Mission Support should assess the circumstances under which liquidated damages were not applied prior to the release of retention monies to the two contractors which resulted in the loss of \$156,000 and address accountability as appropriate. | Financial | High | O | Pending implementation of the recommendation. | Not provided |
| 5 | The UNIFIL Office of Mission Support should expedite the upgrading and installation of wastewater treatment plants in order to ensure compliance with the Environmental Policy for the United Nations Field Missions. | Operational | Medium | O | Pending receipt of evidence showing that the new sewage treatment plant is fully operational. | April 2010 |
| 6 | The UNIFIL Office of Mission Support should strengthen internal controls over the approval, planning, execution and monitoring of in-house engineering projects. | Operational | Medium | C | Action taken. | Implemented |
| 7 | The UNIFIL Office of Mission Support should establish the capacity for independent testing of the project | Operational | Medium | C | Action taken. | Implemented |

| Recom. no. | Recommendation | Risk category | Risk rating | C/O ¹ | Actions needed to close recommendation | Implementation date ² |
|------------|---|---------------|-------------|------------------|---|----------------------------------|
| | deliverables to ensure they meet the project requirements. | | | | | |
| 8 | The UNIFIL Office of Mission Support should ensure full implementation of the Board of Inquiry's recommendations in its report 08/017. | Compliance | Medium | C | Implemented. | February 2010 |
| 9 | The UNIFIL Office of Mission Support should undertake an independent review to determine accountability for the lapses noted in the management, verification and certification of payments for work done under the road asphaltting contract number LTA/FIL/U3/08/046/BM. | Governance | High | O | Pending implementation of the recommendation. | Not provided |
| 10 | The UNIFIL Office of Mission Support should take corrective action to ensure that complete project documents are maintained in the project case files at a centralized location. | Operational | Medium | O | Pending implementation of a centralized system for ESS project files. | June 2010 |

1. C = closed, O = open

2. Date provided by UNIFIL in response to recommendations.