Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Contingent-owned equipment (COE) in UNAMID

The Mission's COE and Memorandum of Understanding Management Review Board was not functional, thereby impacting on the effectiveness of the COE programme

18 August 2010
Assignment No. AP2009/634/09

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. Ibrahim Gambari
A: Joint Special Representative, UNAMID

DATE: 18 August 2010

REFERENCE: IAD: 10- 00732

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

SUBJECT: **Assignment No. AP2009/634/09 - Audit of Contingent-owned Equipment in UNAMID**
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 2 and 5 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the 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 7. In OIOS' opinion however, this recommendation seeks to address significant risk areas. 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 1, 3, 4 and 5) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Mohamed Yunis, Deputy Joint Special Representative for Operations and Management, UNAMID
Mr. Henry Thompson, Acting Director of Mission Support, UNAMID
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management
Mr. Seth Adza, Chief, Audit Response Team, DFS
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS

INTERNAL AUDIT DIVISION

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CONTACT INFORMATION

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

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, Chief: Tel: +1.917.367.2792, Fax: +1.212.963.3388,
e-mail: burns@un.org

EXECUTIVE SUMMARY

Audit of Contingent-owned Equipment in UNAMID

OIOS conducted an audit of contingent-owned equipment (COE) in the United Nations and African Union Hybrid Mission in Darfur/Sudan (UNAMID). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over COE. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

While the Mission established a COE/Memorandum of Understanding Management Review Board to oversee COE activities, the Board was not functioning, thereby impacting on the effectiveness of the COE programme, as follows:

- Two troop and police contributing countries (T/PCCs) did not provide 188 of the 251 equipment specified in the relevant Memoranda of Understanding. In compliance with the COE Manual, no reimbursement was made to the T/PCCs in respect of equipment not deployed, but this increased the risk of ineffective operations.

- The COE for three T/PCCs arrived in the Mission several months after the contingents arrived. As a result, the contingents were idle while the United Nations reimbursed the T/PCCs more than $10.2 million towards troop/police costs.

- The Mission had to transport COE from Port Sudan to contingents' locations, a distance of about 3,000 kilometers. It was only after being transported that equipment were inspected. Some were found to be damaged and unserviceable. According to the Mission, most of the equipment was damaged while being transported from Port Sudan; however, there was no evidence that the freight forwarder was required to cover for any damage incurred.

OIOS has made a number of recommendations to address the issues identified by the audit and to strengthen internal controls over COE.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment (COE) in the United Nations and African Union Hybrid Mission in Darfur/Sudan (UNAMID). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Member States contribute troops and police who are required to bring with them the equipment specified in the respective Memoranda of Understanding (MoUs). The equipment deployed includes vehicles, armaments, medical supplies and tentage and catering, accommodation, and non-specialist communication and engineering equipment. The United Nations reimburses the troop/police contributing countries (T/PCCs) for COE using rates established by the General Assembly and in compliance with the relevant MoUs.

3. UNAMID military and police components, during the period from 1 January 2008 to 30 September 2009, included six formed police units, six infantry battalions, and eight support units from 13 countries equipped with major equipment and self-sustainment categories.

4. The COE Unit of UNAMID is responsible for managing the MoUs. Its other functions include: (a) planning, organizing and conducting arrival, operational readiness, periodic and repatriation verification inspections of COE; (b) preparing and processing COE verification reports for use by United Nations Headquarters in reimbursing T/PCCs; and (c) establishing and maintaining the Mission's MoU/COE database.

5. The Mission's COE budgets for fiscal years 2007/2008 and 2008/2009 were $50 million and $130 million respectively.

6. Comments made by UNAMID are shown in *italics*.

II. AUDIT OBJECTIVES

7. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over COE.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered the COE-related activities implemented in the Mission during the period from the initial deployment of troops on 1 January 2008 to 30 September 2009. The audit did not cover the processing of COE-related reimbursements, which is done by the Department of Field Support (DFS).

9. The audit methodology included interviews of key personnel, analysis of verification and inspection reports, and physical verification of COE at contingents' sites.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Inadequate oversight of COE activities

10. The COE Guidelines promulgated by the Departments of Peacekeeping Operations and Field Support (DPKO/DFS) require the Mission to establish a COE/MoU Management Review Board. The Board should have responsibility for: (a) overseeing the implementation of the COE programme; (b) recommending amendments to MoUs as a result of changes in operational requirements and contingents' performance; (c) ensuring optimal utilization of resources in support of the Mission; (d) reviewing and recommending cost-effective support solutions; and (e) ensuring compliance with MoU and COE verification and reporting procedures.

11. UNAMID established a COE/MoU Management Review Board on June 2009, but since then the Board had not been functional. The reason provided for this was the high turnover of board members.

Recommendation 1

(1) The UNAMID Office of Mission Support should take urgent action to ensure that turnover of board members does not impact on the functioning of the Contingent-Owned Equipment and Memorandum of Understanding Management Review Board.

12. *The UNAMID Office of Mission Support accepted recommendation 1 and stated that the Mission would convene the first meeting of the COE/MoU Management Review Board by mid July 2010. Board members are appointed on the basis of their function in the Mission to ensure continuity.* Recommendation 1 remains open pending confirmation that meetings of the COE/Management Review Board have been convened.

B. Noncompliance of T/PCCs with the draft MoUs

13. The United Nations is responsible for ensuring that contingents have the required equipment and that T/PCCs provide the equipment specified in the relevant MoU.

14. The Mission was operating on the basis of MoUs that had not been finalized and signed by the concerned parties. The draft MoUs did not contain any provisions on the consequences of T/PCCs not deploying the required number and quality of equipment and the Mission did not see the need to draw United Nations Headquarters' attention to the noncompliance by the TCCs. In this regard, OIOS found that an engineering unit and an infantry battalion from two countries did not bring with them 188 of the 251 major equipment specified in the relevant MoUs. The lack of deployment of the required equipment may have an impact on the Mission achieving its mandate.

15. However, since no reimbursement is made to a T/PCC in respect of equipment not deployed, and this is the only penalty stipulated in the COE Manual, OIOS did not make a recommendation regarding the failure of the TCCs to provide the equipment specified in the relevant MoUs.

C. COE verification reporting to United Nations Headquarters

16. The COE Manual requires that arrival inspections be conducted and completed within a month upon the arrival of equipment in the Mission. The COE Unit is responsible for conducting arrival, periodic and quarterly inspections and preparing and submitting the related reports to DFS in compliance with the COE Manual and DPKO/DFS Guidelines for Field Verification and Control.

17. OIOS reviewed a sample of nine arrival inspection reports and observed that six of the inspections were conducted after the one month grace period. Delays in conducting the inspections ranged from two to nine months, but these delays were more prevalent prior to March 2009 when the COE Unit was understaffed.

18. There were also delays regarding the submission of the required quarterly verification reports to DFS. In one instance, the first quarterly verification report was submitted to DFS nine months after the inspection was completed instead of within 30 to 45 days of the close of the quarter for reimbursement as required. In two other instances, there were delays ranging from one to three months in submitting quarterly verification reports.

19. The COE Unit stated that the three cases found by OIOS were isolated and that although the reports were submitted late, DFS could access them from the COE Database. OIOS observed that the reports were posted on time, but the reporting could not be considered as complete and the use of such reports by DFS may result in erroneous payments.

Recommendation 2

(2) The UNAMID Office of Mission Support should implement effective monitoring procedures to ensure that the Contingent-owned Equipment (COE) Unit submits quarterly verification reports to the Department of Field Support in compliance with the COE Manual.

20. *The UNAMID Office of Mission Support accepted recommendation 2 and stated that it had been implemented. Quarterly verification reports for all deployed units (40 military and police units) are being submitted within six weeks following the verification period of the COE.* Based on the action taken, recommendation 2 has been closed.

D. Deployment of unserviceable and nonconforming COE to the Mission

21. The Mission is required to take appropriate measures to ensure that reimbursements are calculated only with respect to equipment which are serviceable and conform to the specifications in the relevant MoUs. According to the COE Manual, the Mission is required to perform pre-deployment inspections of COE, and reimbursement for COE begins to accumulate upon the arrival of equipment at Port Sudan. The United Nations assumes responsibility for transporting COE from the port of entry in Sudan to the contingent's location.

22. OIOS found that a formed police unit brought with it 29 pieces of equipment, which were transported by the Mission from Port Sudan to the unit's location before they were inspected and found to be unserviceable. Similarly, an engineering unit brought with it a number of equipment, which were transported by the Mission from Port Sudan to the unit's location in El-Fasher before they were inspected and found to be damaged.

23. The Mission stated that most of the equipment was damaged while being transported by the freight forwarding contractor. While this may be the case, this assertion could not be verified, as there were no pre-deployment inspection reports and the equipment was transported more than 3,000 kilometers before they were inspected. OIOS found that the Mission did not require the contractor to incur the cost of damage as there was no provision in the contract to protect the United Nations against such loss. In one case relating to equipment brought to the Mission by an engineering unit, the Mission paid $1.8 million to the freight forwarder for transporting the equipment.

24. OIOS also found that the equipment was transported from Port Sudan to the units' areas of operation at least 10 months after the equipment arrived. A number of factors, some not within the control of the Mission, including lengthy customs clearing process, unstable security situation, bad weather conditions and poor infrastructure contributed to the delays in transporting the equipment from Port Sudan.

Recommendations 3 and 4

The UNAMID Office of Mission Support should:

(3) Take immediate steps to expedite the customs clearance process of contingent-owned equipment at Port Sudan by actively engaging the Government of Sudan to ensure that it complies with its obligations under the Status of Forces Agreement; and

(4) Insert a clause in the freight forwarding contract for contingent-owned equipment establishing the liability of the contractor in the event the equipment is damaged while in transit.

25. *The UNAMID Office of Mission Support accepted recommendation 3 and stated that the Khartoum Liaison Office was actively engaging the Ministry of Foreign Affairs to expedite customs clearance, but the problem had not been resolved. For example, it took approximately five weeks to clear Communications and Information Technology Section's equipment and four weeks to clear dangerous goods containers. These matters will be discussed during the monthly meetings held with the Government of Sudan at the level of the Deputy Head of Mission.* Recommendation 3 remains open pending receipt of evidence that delays in customs clearance have reduced.

26. *The UNAMID Office of Mission Support accepted recommendation 4 and stated that the Scope of Work for the new third party contract will include a contractor's liability clause.* Recommendation 4 remains open pending receipt of the new contract that includes a clause for liability.

Inability to manage contingent-owned equipment in transit

27. Three contingents arrived in the Mission before their equipment arrived. As a result, the Mission incurred approximately $10.2 million (as indicated in Table 1 below) relating to troops that were mainly idle due to the lack of equipment.

Table 1: Contingents that arrived in the Mission prior to COE

	T/PCC	Contingents Mission Arrival Day	Equipment Mission Arrival Date	Delay in Months	Troop Strength	Troop/Police Cost at the Rate of $1,028 Per Month Per Contingent Member
1	A	Aug-08	Feb-09	6	335	$2,112,197.33
2	B	Dec-08	Feb-09	2	140	$297,434.67
3	C	Sep-08	Dec-08	3	65	$202,687.33
4	D	Jan-08	Oct-08	9	800	$7,511,253.33
	Total					**$10,123,572.67**

Recommendation 5

(5) The UNAMID Office of Mission Support should coordinate with the Departments of Peacekeeping Operations and Field Support and troop/police contributing countries to minimize the difference between the arrival dates of contingent-owned equipment and contingents in the Mission.

28. *The UNAMID Office of Mission Support accepted recommendation 5 and stated that the Movement Control Section has established constant contact with United Nations Headquarters to ensure proper coordination with T/PCCs regarding arrival of COE and contingents.* Based on the action taken, recommendation 5 has been closed.

T/PCCs inability to replace damaged COE

29. The COE Manual requires that equipment arriving in the Mission must be in a serviceable condition for use in its primary role. It further states that a vehicle will be considered operationally unserviceable if it is unavailable for normal use for a period of time in excess of 24 hours.

30. A Multirole Engineering and Well Drilling Unit in Nyala damaged a well drilling rig valued at $212,094 during transportation from Port Sudan to the contingent location. The contingent had not replaced the equipment as stipulated in the COE Manual. The failure to replace the equipment may affect the operational requirement of the contingent.

31. The Mission stated that the Unit postponed the replacement of the rig pending the United Nations' reimbursement to the TCC for damages incurred during transportation.

Recommendation 6

(6) The UNAMID Office of Mission Support should ensure that the Contingent-Owned Equipment Unit continues following up with the contingent on the need to replace damaged or non-operational equipment immediately so that they can fully meet their operational requirements.

32. *The UNAMID Office of Mission Support accepted recommendation 6 and stated that UNAMID and United Nations Headquarters are following up with the contingent to replace the damaged equipment. The replacement will be done at their own expense as per the COE wet-lease procedures.* Recommendation 6 remains open pending receipt of evidence that the rig has been replaced.

E. Other matters - noncompliance of the Mission with the draft MoUs

33. The draft MoUs state that the Mission should provide military contingents with hard wall accommodation within six months after their arrival. The Mission had not complied with this requirement and as a result, 70 per cent of the military and police units had not been provided with the necessary accommodation. Most of these units had been in the Mission area since its inception, approximately two years ago.

34. The Mission's failure to provide contingents with the required accommodation facilities had resulted in contingents living in deplorable and poor conditions. In addition, as of 30 November 2009, the United Nations had incurred approximately $9.6 million towards additional payment to T/PCCs for non-compliance with the MoU on the provision of permanent accommodation.

35. The Mission's Management informed OIOS that there was no plan to construct hard wall accommodation and that the cost of constructing hard wall accommodations was much higher than the penalties paid to T/PCCs.

Recommendation 7

(7) The UNAMID Office of Mission Support should take corrective actions to comply with the draft Memoranda of Understanding with troop and police contributing countries.

36. *The UNAMID Office of Mission Support did not accept recommendation 7 stating that a draft MoU is not a legally binding document as they are not signed. This is why only troop costs are applied as payments to the T/PCCs. This is in accordance with Chapter 3 of the COE Manual which states that "Reimbursement is dependent upon verification that the material and services provided meet the undertaking of the troop/police contributor in its signed MoU".* OIOS understands that it is normal for peacekeeping missions to operate on the basis of draft MoUs and the Mission's payment of troops cost, based on draft MoUs, is consistent with this practice. While the financial benefits of not providing contingents with the required accommodation facilities seem to outweigh the cost, OIOS is concerned that the reputation risk to the United Nations due to this practice is even greater. Therefore, OIOS is reiterating recommendation 7 and requests the Mission to reconsider its initial response. Recommendation 7 remains open pending confirmation that UNAMID is taking action to comply with the draft MoUs with T/PCCs.

V. ACKNOWLEDGEMENT

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

ANNEX 1

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
1	The UNAMID Office of Mission Support should take urgent action to ensure that turnover of board members does not impact on the functioning of the Contingent-Owned Equipment and Memorandum of Understanding Management Review Board.	Operational	High	O	Confirmation that meetings of the COE/MoU have been convened.	Mid-July 2010
2	The UNAMID Office of Mission Support should implement effective monitoring procedures to ensure that Contingent-Owned Equipment (COE) Unit submits quarterly verification reports to the Department of Field Support in compliance with the COE Manual.	Compliance	Moderate	C	Action taken.	Implemented
3	The UNAMID Office of Mission Support should take immediate measures to expedite the customs clearance process of contingent-owned equipment at Port Sudan by actively engaging the Government of Sudan to ensure that it complies with its obligations under the Status of Forces Agreement obligations.	Financial	High	O	Receipt of evidence that delays in customs clearance has reduced.	1 March 2010
4	The UNAMID Office of Mission Support should insert a clause in the freight forwarding contract for contingent-owned equipment establishing the liability of the contractor in the event the equipment is damaged while in transit.	Operational	High	O	Receipt of the new contract that includes a clause for liability.	1 March 2010
5	The UNAMID Office of Mission Support should coordinate with the Departments of Peacekeeping Operations and Field Support and troop/police contributing countries to minimize the difference	Operational	High	C	Action taken.	Implemented.

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
	between the arrival dates of contingent-owned equipment and contingents.					
6	The UNAMID Office of Mission Support should ensure that the Contingent-Owned Equipment Unit continues following up with the contingent on the need to replace damaged or non-operational equipment immediately so that they can fully meet their operational requirements.	Operational	Moderate	O	Receipt of evidence that the rig has been replaced	Not provided
7	The UNAMID Office of Mission Support should take corrective actions to comply with the draft Memoranda of Understanding with troop and police contributing countries.	Operational	Moderate	O	Confirmation that UNAMID is taking action to comply with the draft MoUs with T/PCCs.	Not Provided

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