



TELEFAX TRANSMISSION

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To:	Ms. Eleanor T. Burns Chief, Peacekeeping Audit Service, IAD, OIOS, UNHQ, NY	From:	Mariano F. Amunátegui Special Representative of the Secretary-General, MINUSTAH, Port-au-Prince
Fax no:	3-3388	Fax no:	7-9080
Info:	Ms. Amy Wong (wong6@un.org) Mr. Ibrahim Bah (bahi@un.org)	Date:	11 July 2011
		Ref:	IAD: 11-683/01
Subject:	Assignment No. AP2011/683/01 – Audit of Contracts Management in MINUSTAH		

1. Reference is made to your memorandum, reference IAD: 11-683/01 of 17 June 2011, under cover of which you forwarded the OIOS Draft Audit Report on the above subject.

2. Please now find attached MINUSTAH's response to the Draft Audit Report as requested.

Best regards.

Drafted by:	Cleared by:
C. Delaine, O/CMS	Y. Van der Beke, SAO a.i.

ANNEX I
SUMMARY OF RECOMMENDATIONS
Audit of contracts management in MINUSTAH

Para. no.	Recommendation	Accepted? (Yes/No)	Implementation date	Client comments
12	MINUSTAH should ensure that the Contract Management Unit has adequate capacity to provide oversight over contracts as required by the United Nations Procurement Manual.	Yes	July 2011	<p>Upon conclusion of the recruitment process CMU will have a personnel strength of 11. The work will be distributed as follows:</p> <ul style="list-style-type: none"> • 1 P-3 Contracts Management Officer has already been assigned Transport Contracts, Supply Contracts and MOVCON Contracts (Ronald Muwambi). Arrived in CMU on 16 May 2011; • 1 P-3 Contracts Management Officer has already been assigned Supply Contracts; CITS Contracts; Engineering Contracts; PIO Contracts and PMS Contracts (Kibebe Wolde Medhin). Arrived in CMU on 1 June 2011; • 1 P-3 Contracts Management Officer will be assigned Medical Contracts; CITS Contracts; Supply Contracts and Engineering Contracts (Tamara Condrea). She will arrive on board on 11 July 2011; • 1 FS-5 Contracts Management Assistant has already been assigned Security Contracts, CITS Contracts, Aviation Contracts and Regional cafeterias Contracts (Yvonne Lumb). She is on board since 2007; • 1 FS-5 Contracts Management Assistant has already been assigned Supply Contracts and Engineering Contracts (Vlado Lovric). Mr. Lovric will also be in charge of Quality Assurance once trained to do so. Arrived in CMU on 17 February 2011; • 1 FS-5 Contracts Management Assistant (Anastasios Kioses) will be assigned to Invoice Processing and he will be supervising one GL-5 Administrative Assistant and one UNV. Mr. Kioses will be on board on 11 July 2011. The

13	MINUSTAH should ensure that all contracts are assigned to existing staff and that the Chief of the Contracts Management Unit works with staff to prioritize tasks and identify and implement effective monitoring procedures for each contract.	Yes	July 2011	<p>GL-5 post is a nationalized post and therefore all preparatory work has been done but interviews can take place only after 1 July 2011. UNV recruitment process is on-going;</p> <ul style="list-style-type: none"> • 1 UNV Administrative Officer (Gregory Casey) is already in charge of major administrative tasks and has been appointed as PX Contract Manager/Quality Assurance. He is on board since 2010; • 1 GL-4 Administrative Assistant will carry out all clerical work of the Unit. The candidate has already been selected and is expected on board by end of June 2011; • The post of Chief CMU, P-4, was approved at the end of December 2010, therefore the statement that the unfilled post had been vacant for over one year is not accurate. <p>The above described organization will enable the Unit to monitor all non-lease and lease contracts. To date CMU has monitored only the 3 lease contracts which also include services, but effective 1 July 2011 all lease contracts will be monitored by the CMU.</p> <p>Start-up meetings are not required for new contracts related to the same services as previously provided by the same Contractor. Where a new contract is signed for completely new goods/services with new Vendors, start-up meetings are regularly held. In 2011 to date, four start-up meetings have been held.</p> <p>In 2010 Vendor Performance Evaluations were conducted on a limited number of contracts due to various constraints, including the January 2010 earthquake and relocation of the Unit to Santo Domingo, which caused significant disruption to the work of the Unit. For 2011 the Vendor Performance Evaluation will be performed on an increased number of contracts selected according to their value (above USD</p>
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				<p>75,000); their inherent risk and their complexity. Once the CMU is fully staffed additional contracts, which meet these criteria, will be included in the quarterly Performance Evaluations. One-time purchase contracts or low value contracts will not be part of the quarterly performance evaluation process unless a specific need to do so is identified.</p> <p>The 2010 Annual Contractor Performance Report was submitted to UNPD on 4 June 2011.</p> <p>All 2010 evaluations of PD Supply Contracts were sent to UNHQ on 10 March 2011.</p> <p>The 2011 first quarter evaluation reports were completed and distributed to CMS, CISS, CAS and CPO in May 2011.</p> <p>Draft CMU SOPs are currently under review. The latest version has been submitted to the Procurement and Finance Sections for their input. Once approved the SOPs will be discussed with Section Chiefs to ensure full understanding by all stakeholders.</p>
14	<p>MINUSTAH should ensure that the draft standard operating procedures on contracts management are finalized, approved and procedures are in place to ensure they are complied with.</p>	Yes	July 2011	<p>The Master Contract Database is a spreadsheet in Excel format listing all active contracts in MINUSTAH, their expiration dates and other important information. CMU has been maintaining the database manually, but an electronic application developed by CITS was launched on 26 May 2011.</p> <p>The CMU will continue to send timely contract expiration alerts to Requisitioners and the Procurement Section, but it should be borne in mind that contract extensions remain the primary responsibility of the Requisitioner and the Procurement Section.</p>
19	<p>MINUSTAH should establish a process to ensure timely procurement action for the renewal and extension of contracts to avoid operating without any legal basis.</p>	Yes	Implemented	<p>The electronic master contract database is intended to achieve this aim. Other PK Missions have proven that centralized invoice processing</p>
22	<p>MINUSTAH should ensure that the Contract Management Unit, project managers, Procurement and Finance Sections establish a mechanism for</p>	Yes	September 2011	

25	<p>monitoring of key contract terms, including settlement of invoices, discount conditions and not-to-exceed utilization levels.</p>	Yes	September 2011	<p>monitoring by CMU can be successful. To this end CMU has developed comprehensive SOPs on invoice processing, and these processes will be adopted once the SOPs are approved by Management.</p> <p>The new CMU Organization Chart reflects the establishment of an Invoice Processing Team composed of three Staff to exclusively monitor invoice flow. This will allow CMU to keep track of payments and ensure close monitoring of invoice processing in an effort to avoid post-facto cases, and ensure timely processing of invoices and achievement of discounts.</p>
	<p>MINUSTAH should consider taking the project management responsibility from the Contracts Management Unit so that it effectively oversees the Management of the Contract.</p>			<p>According to the "PX Universal Guidelines" document developed by UNHQ, the Mission's Contract Manager should be appointed as PX-Coordinator. The OIC CMU has always fulfilled this role in MINUSTAH, so that both functions of project and contract management are carried out by CMU Staff. Although this arrangement has functioned well to date, the Mission acknowledges that it may potentially give rise to conflicts of interest. As such, the Mission is reviewing the arrangement with a view to appointing a PX Coordinator externally to the CMU.</p>