



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the Transportation and Movement Service in DFS

Overall results relating to the effective support for surface transport and movement control operations by the Transportation and Movement Service in DFS to field missions were initially assessed as partially satisfactory. Implementation of five important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

2 May 2012

Assignment No. AP2011/615/03

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AUDIT REPORT

Audit of the Transportation and Movement Service in DFS

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Transportation and Movement Service in the Department of Field Support (DFS).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. The Transportation and Movement Service (TMS) was part of the Logistics Support Division (LSD) in DFS. At the time of the audit, TMS comprised the Movement Control Section and the Surface Transport Section. The Movement Control Section provided support to field missions in logistics in terms of strategic air and sealift for movement of military personnel and cargo. The Surface Transport Section supported field missions by providing reliable ground transport capabilities including establishing and administering all systems contracts for vehicles and other surface transport assets.
4. TMS was mandated to provide strategic guidance and oversight functions to field missions including the establishment of policies and other guidelines, quality assurance, and oversight of field missions' activities. It also facilitated the recruitment, selection, training and development of movement control specialists and transport staff both at Headquarters and in field missions.
5. A Chief at the D-1 level headed TMS, which had 20 professional posts and eight general service posts. For the fiscal year 2010/11, the allotted budgets for movement control and surface transportation activities were \$310.9 million and \$46.6 million respectively.
6. Comments provided by DFS are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit of TMS was conducted to assess the adequacy and effectiveness of TMS governance, risk management and control processes in providing reasonable assurance regarding the **effective support for surface transport and movement control operations to field missions**.
8. This audit was included in the OIOS 2011 risk-based work plan due to the importance of ensuring timely and effective logistical support to peacekeeping missions, as well as the efficient and timely movement of military personnel and cargo.
9. The key controls tested for the audit were: (a) risk management and strategic planning; (b) coordinated management; (c) regulatory framework; and (d) training and development. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Risk management and strategic planning** - controls that provide reasonable assurance that risks relating to the activities of TMS including identification and assessment of major risks to the achievement of objectives are identified and assessed, and that action is taken to mitigate or anticipate these risks.

(b) **Coordinated management** - controls that provide reasonable assurance that there is adequate coordination regarding surface transport and movement control operations between TMS and troop and police contributing countries, as well as other stakeholders to ensure issues affecting or involving TMS partners are identified, discussed and resolved timely and at the appropriate forum.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures in procurement, logistics and contract management exist to guide the operations of TMS.

(d) **Training and development** - controls that provide reasonable assurance that training and development plans exist to ensure that staff skills and competencies are upgraded/updated to align with job requirements.

10. The key controls were assessed for the control objectives shown in Table 1 of the Assessment of key controls table. Certain control objectives (shown in Table 1 as “Not assessed”) were not relevant to the scope defined for this audit.

11. OIOS conducted the audit from July 2011 to August 2011. The audit covered the period from 1 January 2009 to 30 April 2011. During the period covered by the audit, TMS also included the Air Transport Section. Effective 30 March 2011, the Section was reporting to the Assistant Secretary-General, DFS and will be the subject of a separate audit later in 2012.

12. OIOS conducted an activity-level risk assessment to identify and evaluate specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to assess their effectiveness.

III. AUDIT RESULTS

13. In OIOS’ opinion, TMS governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective support for surface transport and movement control operations to field missions**. DFS had a well-defined reporting structure with clearly documented roles and responsibilities for staff. Work plans were developed and monitored. Coordination mechanisms were established with stakeholders and were operating effectively. OIOS identified areas in need of strengthening and made six recommendations to address issues identified in the audit, which DFS accepted and started to implement. In order to reduce the number of letters of assist (LOA) being approved ex-post facto basis, DFS established a procedure for the submission of LOA cases to the Headquarters Committee on Contracts. It was also in the process of improving its strategic planning, dedicating adequate resources for policy development, oversight and quality assurance of transport and movement services, establishing a mechanism for estimating contingent liabilities, developing a standard shipping contract, and seeking additional funds to ensure adequate training was provided to staff.

14. The initial overall rating of partially satisfactory was based on the assessment of key controls presented in Table 1 below. The final overall rating is partially satisfactory as implementation of five important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective logistical support to field missions	(a) Risk management and strategic planning	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory
	(b) Coordinated management	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(d) Training and development	Partially satisfactory	Not assessed	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Risk management and strategic planning

Need to improve strategic planning

15. TMS had a well-defined reporting structure with clearly defined roles and responsibilities. The Section prepared work plans and process maps that included detailed risk analysis of its activities. Operational reporting included vendor performance analysis, movement control plans, status of movement control activities, surface transport assets management reports and accidents analysis reports. There were also efforts being made towards optimizing transportation capabilities through the establishment of the Transportation and Movements Integrated Control Centre in Entebbe aimed at ensuring economies by integration of regional air, surface and commercial movement. In addition, TMS prepared annual rotation plans for troop rotation. However, these plans had not taken into account all movement requirements and capabilities to allow best movement decisions to be made, i.e. whether to use air, sea, surface transport or a combination. DFS explained that the dynamic nature of peacekeeping operations makes it difficult to predict the complete movement requirements for any given year due to operational changes in field missions.

16. There was no procedure to involve TMS in mission planning including in the start-up and liquidation phases. Consequently there were challenges in developing movement plans for troops and cargo due to lack of up-to-date information. In addition, the Movement Control Section and the Air Transport Section were not always effectively coordinated on the rotation of helicopters on long-term charter for the Movement Control Section to foresee rotation time and utilize resources efficiently.

17. DFS advised that it worked closely with relevant stakeholders to achieve optimum results in a most efficient and economical manner taking into consideration the need to maintain flexibility to respond to situations that required strategic movement support.

(1) The DFS Transportation and Movement Service should improve its strategic planning by: (a) developing a comprehensive plan that matches movement requirements with available capabilities; and (b) actively participating in the mission planning process in collaboration with stakeholders including the Office of Military Affairs, the Air Transport Section and mission strategic planning and liquidation teams.

DFS accepted recommendation 1 and stated that it would be implemented by 31 December 2012. Recommendation 1 remains open pending receipt of a comprehensive plan and evidence of TMS active participation in the mission planning process.

Strategic guidance, oversight and quality assurance functions need improvement

18. The Surface Transport Section developed, updated and promulgated policies and other directives to guide the activities of transport sections in field missions. For the Movement Control Section there were no resources dedicated to conducting its strategic guidance functions including the development of policies and guidelines, oversight and quality assurance. This was because staff members were fully employed on operational issues. Guidelines were only issued to address an incident or to mitigate an emerging risk in movement control operations. The Field Movement Control Manual and the DFS Guide to Strategic Movements had been under revision since 2006.

19. DFS advised that the DFS global field support strategy sought to correct the imbalance by transferring a number of operational functions to the Global Service Centre in Brindisi freeing up Headquarters staff to undertake policy, oversight and quality assurance work including the finalization of the Field Movement Control Manual and the strategic policy framework for integrated movements.

(2) The DFS Transportation and Movement Service should dedicate adequate resources for policy development, oversight and quality assurance, and finalize and disseminate the Field Movement Control Manual and the Guide to Strategic Movements.

DFS accepted recommendation 2 and stated that it would be implemented by 31 December 2012. Recommendation 2 remains open pending receipt of evidence that sufficient resources have been dedicated to the provision of strategic guidance, oversight and quality assurance functions.

B. Coordinated management

Coordination mechanisms were generally in place

20. TMS established adequate coordination mechanisms with T/PCCs, Permanent Missions to the United Nations, the Procurement Division of the Department of Management (DM), the Field Budgeting and Finance Division of DFS, the Office of Military Affairs and the Police Division of the Department of Peacekeeping Operations (DPKO), the Office of Legal Affairs and field missions. These included teleconferences, video-teleconferences and interdepartmental working group meetings on the implementation of joint projects to increase efficiency and to ensure issues were identified, discussed and resolved in a timely manner. Also, the Movement Control Section developed the UN FORCE LINK, a consolidated reference library of key documents and guidance to improve information provided to Permanent Missions on force generation. There was also regular reporting between TMS and field missions on movement control activities and surface transport activities.

C. Regulatory framework

Requisitioning lead time for commercial contracts could be improved

21. Last minute requisitions hamper the ability of the United Nations to ensure efficient and timely procedures, and requisitioners need to avoid them to the greatest extent possible. From a sample of 30 commercial contracts valued at \$93 million out of 533 commercial contracts valued at \$372 million for the movement of military personnel and cargo, three contracts were signed on an ex-post facto basis, and requisitions for eight contracts were raised 30 days or less before the actual movement date. Delays appeared to have been beyond TMS' control due to late confirmations from T/PCCs as to whether they wanted TMS to arrange their movement.

22. Adequate controls were in place over the requisitioning process for eight systems contracts valued at \$251 million that were established by the Surface Transport Section for the acquisition of vehicles and related transportation assets.

Delays in establishing letters of assist

23. T/PCCs were required to inform DPKO at least eight weeks prior to troops, police or cargo movements whether the movement would be administered by the T/PCC under a letter of assist (LOA). This period was designated for the Procurement Division to conduct a market survey to assess the reasonableness of the reimbursement requested by the T/PCC under the LOA. There were delays by the T/PCCs in confirming this option. For example, for 36 letters of assist valued at \$77 million: (a) 25 T/PCCs did not respond to DPKO within the eight-week period; and (b) 23 LOAs were signed on an ex-post facto basis up to 18 months after the movement took place. These delays may diminish the competitiveness of the rates obtained for movement of troops, police or cargo.

24. To reduce the number of LOAs approved on an ex-post facto basis, the Movement Control Section in consultation with the Procurement Division introduced a process whereby LOA cases were to be presented to the Headquarters Committee on Contracts for approval four weeks before the date of movement. This process was not generally complied with, as in the audit period; only four LOA of the numerous forecasted movements were presented to the HCC four weeks before the date of movement. The formalization of this procedure and accountability for exceptions could have reduced the number of ex-post facto cases and associated costs.

(3) The DFS Transportation and Movement Service should formalize the procedure of presenting letters of assist cases to the Headquarters Committee on Contracts at least four weeks before the date of all forecasted troop movements.

DFS accepted recommendation 3, and stated that it formalized the procedure for submission of LOAs to the HCC which avoided 11 potential ex-post facto cases. It further stated that it was engaged in efforts with OMA and Permanent Missions to the United Nations to expedite the process; however, responsibility for the timely submission of information ultimately was with Member States. Based on action taken by DFS, recommendation 3 is closed.

Need to review the market survey as a basis for movement reimbursement

25. T/PCCs had a recurring concern that the market survey on which movement reimbursements were based did not represent the best price comparison as there was no guarantee that the United Nations could contract a particular movement at the stated price. To address this concern, an interdepartmental

working group agreed in 2010 that a Request for Offer or a Request for Quotation for obtaining quotations for commercial movement services would be used in place of the market survey as it was binding for vendors. This recommendation had not been implemented, as the Procurement Division was of the view that the interdepartmental working group had not offered a workable solution. In this regard, DFS and the Procurement Division were working to identify and establish an alternative system to the market survey.

Need for a mechanism to estimate contingent liabilities related to movement reimbursement claims

26. There were no time limits for submission of T/PCCs requests for reimbursements for movement of troops, police or cargo to TMS which resulted in delays in submitting claims for movement reimbursement. For example, TMS received a claim of about \$1.3 million in July 2011 for a movement that occurred in 2008. Also, a claim was submitted in July 2010 by another T/PCC for \$10 million for a movement that occurred 10 years earlier. In 2007, DFS proposed to amend the T/PCCs guidelines and the LOA policy to include time limits within which T/PCCs would submit claims for reimbursement. Member States did not support the initiative.

27. The International Public Sector Accounting Standards (IPSAS) call for making provisions for contingent liabilities. Therefore, a mechanism for estimating claims for movement reimbursements and disclosing a provision thereon needed to be established.

(4) DFS should ensure that the DFS Transportation and Movement Service, in collaboration with the DFS focal point on the International Public Sector Accounting Standards (IPSAS), establishes a mechanism for estimating contingent liabilities related to possible claims for movement reimbursements in preparation for the adoption of IPSAS.

DFS accepted recommendation 4 and stated that it would work closely with the DFS focal point on IPSAS to make provisions for obligation for potential claims. Recommendation 4 remains open pending receipt of evidence that a mechanism has been established for estimating contingent liabilities.

Standard shipping contract needs to be established

28. There was no standard shipping contract for the movement of cargo by air or by sea. Three documents (Request for Proposal, Notice of Award and Purchase Order) were used in place of a contract. It was unclear which document took precedence. In documentation reviewed on several disputes with vendors, the Office of Legal Affairs referred to inconsistencies in these three shipping solicitation documents, stating the need to improve the certainty of contractual terms and thus reduce the risk of disputes. A single contract document could address the issue and serve to remove inconsistencies and to avoid misinterpretation of contractual terms. In this regard, the Movement Control Section and the Procurement Division agreed on a cost sharing arrangement in 2010 to engage a consultant to develop a standard shipping contract. A consultant had not yet been engaged.

(5) The DFS Transportation and Movement Service should liaise with the Procurement Division of the Department of Management to expedite the engagement of a consultant to assist in the development of a standard shipping contract to mitigate the risk of disputes with vendors due to misinterpretation of contractual terms.

DFS accepted recommendation 5 and stated that the Procurement Division was in the process of finalizing the scope of work for the consultancy to assist in drafting a multi-modal surface transportation contract. Recommendation 5 remains open pending receipt of evidence that a

standard shipping contract has been established.

D. Training and development

Need to prioritize technical training

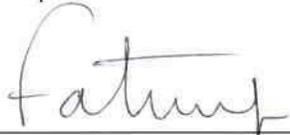
29. While the Surface Transport Section had developed a training plan for its staff and coordinated training plans for field missions, the Movement Control Section had not. Several categories of staff in TMS including staff handling dangerous goods, forklift drivers and other specialized equipment operators needed to maintain their technical skills in critical movement control and transport operations through appropriate certifications. In addition, there was a need to guide, develop, and coordinate delivery of training programmes in field operations.

(6) The DFS Transportation and Movement Service should ensure that mandatory technical training is provided to staff involved in movement control and transport activities at Headquarters and in field missions.

DFS accepted recommendation 6 and stated that it would continue to seek funding to ensure adequate training for movement control and transport staff at Headquarters and in field missions. Recommendation 6 remains open pending receipt of evidence that mandatory technical training has been provided to staff.

IV. ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the Management and staff of DFS and DM for the assistance and cooperation extended to the auditors during this assignment.



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STATUS OF AUDIT RECOMMENDATIONS

Audit of the Transportation and Movement Service in DFS

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The DFS Transportation and Movement Service should improve its strategic planning by: (a) developing a comprehensive plan that matches movement requirements with available capabilities; and (b) actively participating in the mission planning process in collaboration with stakeholders including the Office of Military Affairs, the Air Transport Section and mission strategic planning and liquidation teams.	Important	O	Receipt of a comprehensive plan and evidence of TMS active participation in the mission planning process.	31 December 2012
2	The DFS Transportation and Movement Service should dedicate adequate resources for its functions of supporting field missions in policy development, oversight and quality assurance and finalize and disseminate the Field Movement Control Manual and the Guide to Strategic Movements.	Important	O	Receipt of evidence that enough resources have been dedicated to strategic guidance, oversight and quality assurance functions.	31 December 2012
3	The DFS Transportation and Movement Service should formalize the procedure of presenting letters of assist cases to the Headquarters Committee on Contracts at least four weeks before the date of all	Important	C	Action taken	Implemented

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

3 C = closed, O = open

4 Date provided by UNMIL in response to recommendations.

Recom. no.	Recommendation	Critical/ ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
4	<p>forecasted troop movements.</p> <p>DFS should ensure that the DFS Transportation and Movement Service, in collaboration with the DFS focal point on the International Public Sector Accounting Standards (IPSAS), establishes a mechanism for estimating contingent liabilities related to possible claims for movement reimbursements in preparation for the adoption of IPSAS.</p>	Important		Receipt of evidence that a mechanism for estimating contingent liabilities has been established.	30 September 2013
5	<p>The DFS Transportation and Movement Service should liaise with the Procurement Division of the Department of Management to expedite the engagement of a consultant to assist in the development of a standard shipping contract to be used for all air and sea shipments to mitigate the risk of disputes with vendors due to misinterpretation of contractual terms.</p>	Important		Receipt of evidence that a standard shipping contract has been established.	31 December 2012
6	<p>The DFS Transportation and Movement Service should ensure that mandatory technical training is provided to staff involved in movement control and transport activities at Headquarters and in field missions.</p>	Important		Receipt of evidence that mandatory technical training has been provided to staff.	30 June 2013