



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the award and administration of contract no. PD/C0151/10 for the provision of fuel to the United Nations Support Office for AMISOM (UNSOA)

Overall results relating to the award and administration of the contract for the provision of fuel to UNSOA in compliance with established procurement procedures were initially assessed as partially satisfactory. Implementation of one important recommendation remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

17 January 2013

Assignment No. AH2011/513/06

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AUDIT REPORT

Audit of the award and administration of contract no. PD/C0151/10 for the provision of fuel to the United Nations Support Office for AMISOM (UNSOA)

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the award and administration of contract no. PD/C0151/10 for the provision of fuel to the United Nations Support Office for the African Union Mission in Somalia (UNSOA).

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 Procurement Division (PD) established a turnkey contract no. PD/C0151/10 on 16 July 2010 for the supply, storage, transportation, and distribution of fuels, fuel drums, lubricants and other petroleum products in support of UNSOA. The duration of the contract was for three years with a provision to extend for two additional one-year periods. The total price (not to exceed amount) of the contract for the initial three-year term was \$137 million. UNSOA is responsible for managing the contract. As of 14 September 2012 total payments made under the contract were about \$52 million.

4. Comments provided by the Office of Central Support Services (OCSS) and the Department of Field Support (DFS) are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

5. The audit of the award and administration of contract no. PD/C0151/10 for the provision of fuel to UNSOA was conducted to assess the adequacy and effectiveness of the Secretariat's governance, risk management and control processes in providing reasonable assurance regarding **the award and administration of the contract for the provision of fuel to UNSOA in compliance with established procurement procedures**.

6. The audit was included in the 2011 OIOS risk-based work plan considering the high value of the fuel contract.

7. The key controls tested for the audit were: (a) regulatory framework; and (b) coordinated management. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide acquisition and administration activities; (ii) are implemented consistently; and (iii) ensure reliability and integrity of financial and operational information.

(b) **Coordinated management** – controls that provide reasonable assurance that there are proper mechanisms in place to ensure the efficient and effective implementation of the contract for the provision of fuel to achieve synergy and avoid potential gaps or overlaps. These include collaborative/joint activities between UNSOA, DFS and PD throughout the procurement process.

8. The key controls were assessed for the control objectives shown in Table 1. Certain control objectives shown in Table 1 as “Not assessed” were not relevant to the scope defined for this audit.

9. OIOS conducted this audit from October 2011 to September 2012. The audit covered the period from July 2008 to March 2012.

10. OIOS conducted an activity-level risk assessment to identify and assess 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 determine their effectiveness.

11. This audit did not cover activities relating to management of the contract by UNSOA, including the payment of invoices and vendor’s performance of contractual obligations, as this will be covered in a separate audit of fuel management to be performed at UNSOA in 2013.

III. AUDIT RESULTS

12. The Secretariat’s governance, risk management and control processes examined were assessed as **partially satisfactory in providing reasonable assurance regarding the award and administration of the contract for the provision of fuel to UNSOA in compliance with established procurement procedures**. OIOS made one recommendation in the report to address issues identified in the audit. A regulatory framework was in place and applied in establishing the contract. However, amending the template for the contract performance report would facilitate a more comprehensive evaluation of the vendor’s performance.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of one important recommendation 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
Award and administration of the contract for the provision of fuel to UNSOA in compliance with established procurement procedures	(a) Regulatory framework	Partially satisfactory	Partially Satisfactory	Satisfactory	Satisfactory
	(b) Coordinated management	Satisfactory	Not assessed	Satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

14. PD developed a source selection plan, prepared and issued adequate solicitation documents to the required number of bidders and conducted the commercial evaluation of bids satisfactorily. DFS made several improvements to the technical evaluation process to make it more accurate and transparent. The technical evaluation criteria were well documented to justify the basis for awarding scores for individual elements of the request for proposal. However, PD could facilitate strengthening of vendor performance evaluations.

Performance evaluations did not include assessments against key performance indicators

15. Chapter 15.7.3 of the Procurement Manual stipulates that before issuing an amendment that extends or increases the value of a contract, the Procurement Officer shall confirm that a satisfactory vendor performance report is on file. PD amended the contract to include a charcoal requirement by considering the vendor performance report prepared in accordance with the standardized template (Annex-D-6C) in the Procurement Manual. Although the template provided for the contractor's performance evaluation under four categories namely: (a) contract compliance; (b) adherence to scope of work, specifications and drawings; (c) quality of work and material; and (d) compliance with security/access, it did not provide for an evaluation of the key performance indicators (KPIs) listed in the contract such as timely installation of fuel sites, maintenance of local and strategic fuel reserves, provision of fuel, lubricants and related equipment and accurate preparation of invoices.

16. OIOS is of the view that amending the contractor performance report template to include an assessment against KPIs stated in the contract would facilitate a more comprehensive evaluation of contractors' performance. The template could have a part A, dealing with general performance indicators and part B with space for requisitioners to insert KPIs specific to each contract and the associated assessments.

(1) OCSS should amend the template for contractor performance report (Annex-D-6C) to include a portion that would allow requisitioners to assess contractors' performance against the key performance indicators stipulated in contracts.

OCSS accepted recommendation 1 and stated that the Annex will be amended in the next revision of the Procurement Manual. Recommendation 1 remains open pending receipt of an amended contractor performance report template (Annex-D-6C).

B. Coordinated management

17. DFS and PD collaborated effectively with UNSOA during the procurement and post-award activities relating to the contract. DFS and PD took steps to ensure the UNSOA was involved during relevant stages of the procurement process to facilitate effective contract implementation.

18. Based on a request from UNSOA, PD amended the fuel contract in September 2011 to include a six-month supply of charcoal for approximately \$1 million. When OIOS pointed out that the procurement of charcoal for AMISOM troops appears to be contrary to a recent Security Council resolution (S/RES/2036) to limit large-scale trade of charcoal with Somalia, PD decided not to extend the charcoal arrangement in the contract. In addition, it finalized a contract for the provision of diesel kitchen trailers. DFS confirmed that UNSOA has reduced the use of charcoal as a cooking medium by using diesel kitchen trailers.

IV. ACKNOWLEDGEMENT

19. OIOS wishes to express its appreciation to the Management and staff of OCSS, DFS and UNSOA for the assistance and cooperation extended to the auditors during this assignment.



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OIOS

STATUS OF AUDIT RECOMMENDATIONS

Audit of the award and administration of contract no. PD/C0151/10 for the provision of fuel to the UN Support Office for AMISOM (UNSOA)

Recom. no.	Recommendation	Critical/ ¹ Important ²	C/ ³ O ³	Actions needed to close recommendation	Implementation date ⁴
1	OCSS should amend the template for contractor performance report (Annex-D-6C) to include a portion that would allow requisitioners to assess contractors' performance against the key performance indicators stipulated in contracts.	Important	O	Receipt of an amended contractor performance report template (Annex-D-6C).	30 June 2013

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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 OCSS in response to recommendations.