



INTERNAL AUDIT DIVISION

REPORT

Review of issues identified in recent oversight reports on procurement activities

7 February 2013

Assignment No. AH2012/513/02

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1
III DETAILED RESULTS	2 – 12
A. Shortcomings in procurement activities	2
B. Analysis of causes contributing to procurement shortcomings	3 – 12
IV. ACKNOWLEDGEMENT	12
 ANNEX 1 Status of recommendation	

Review of issues identified in recent oversight reports on procurement activities

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted a review of issues identified in recent oversight reports on procurement activities.
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 General Assembly in its resolution 66/265 noted “the concerns identified by the Board of Auditors and the Office of Internal Oversight Services in procurement activities” and requested “the Secretary-General to entrust the Office of Internal Oversight Services with performing a comprehensive evaluation of shortcomings and the unique circumstances that contribute to them”. The General Assembly further requested “the Secretary-General to report to the General Assembly at the second part of its resumed sixty-seventh session on findings and recommendations of the comprehensive evaluation, including information on actions taken, and proposed actions to be taken by the General Assembly to prevent recurrence of such shortcomings”.
4. In accordance with Financial Rule 105.13, the Under-Secretary-General for Management is responsible for the procurement function of the United Nations, which has been delegated to the Assistant Secretary-General, Office of Central Support Services (ASG, OCSS). ASG, OCSS further delegated procurement authority to the Procurement Division (PD), the Under-Secretary-General for Field Support at Headquarters and entities at various locations. OCSS is responsible for the efficient, effective and economical administration of the Secretariat’s procurement function and provides policy guidance and direction to field missions and Offices away from Headquarters (OAHs), Tribunals and regional commissions. In 2011, purchase orders amounting to approximately \$3.5 billion were issued by the Secretariat as a whole.
5. Comments provided by OCSS and the Department of Field Support (DFS) are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The review was conducted to analyze the shortcomings in procurement activities that were previously reported by oversight bodies and to identify the circumstances that contributed to them.
7. The review covered the period from 1 January 2008 to 31 August 2012. OIOS conducted this review from September 2012 to December 2012.
8. The audit team compiled and analyzed recommendations issued by the Board of Auditors, OIOS Internal Audit Division and the Joint Inspection Unit to 29 Secretariat entities at peacekeeping and special political missions, Headquarters, OAHs and regional commissions. OIOS identified the recurring shortcomings in procurement activities and categorized them into key common themes or issues that contributed to these shortcomings. Details of the actions planned/taken by management to address the key issues were obtained and reviewed.

III. DETAILED RESULTS

A. Shortcomings in procurement activities

9. The oversight bodies reported a number of shortcomings in procurement activities that undermine the efficiency, economy, effectiveness and transparency of procurement actions. These were mainly due to non-compliance with established procurement procedures. Recurring shortcomings reported included the following:

- Procurement activities undertaken without or in excess of delegated authority.
- Delivery of goods or services prior to review of procurement actions by the committees on contracts or approval by appropriate officials.
- Limited competition including sole source contracts, where in some cases the cost of goods and services was questionable and/or the procurement process lacked transparency.
- Exigency or emergency procurement actions that could have been prevented by better planning.
- Contracts awarded to unqualified vendors due to inadequate vetting of past performance of existing vendors with unsatisfactory ratings or to inadequate evaluation of new vendors.
- Inadequate processing and handling of market surveys and solicitation exercises; receiving and opening of bids; and technical and commercial evaluation of bids.
- Contracts for goods and services not established on time due to delays or excessive turnaround time in executing procurement actions or poor acquisition and procurement planning.
- Goods and services procured not meeting operational requirements or not cost effective.
- Failure to manage contracts within their expiration dates or not-to-exceed amounts.
- Repeated award or extension of certain contracts without documented needs assessment or competitive bidding.
- Potential fraud risks not adequately mitigated.
- Delayed or incomplete deliveries of goods and services
- Late payments to vendors.

10. The above-noted shortcomings were addressed in the recommendations made by the oversight bodies. Management has planned, initiated or taken actions to implement the recommendations. Although approximately 88 per cent of procurement-related OIOS recommendations issued from 1 January 2008 to 31 August 2012 were implemented, shortcomings continue to recur. OIOS analyzed the

circumstances or causes contributing to procurement shortcomings, as presented in the next section of this report.

B. Analysis of causes contributing to procurement shortcomings

11. OIOS analyzed the recommendations into common themes or major issues and identified 15 key issues that contributed to the shortcomings in procurement activities as follows:

1. Absence of a formal consolidated procurement strategy
2. Inadequate acquisition planning by requisitioners that is not effectively monitored by OCSS
3. Inadequate procurement planning by procurement offices
4. Lack of competent field procurement staff
5. Inadequate training
6. Lack of a formal strategy to increase the number of vendors participating in solicitation and bidding processes
7. Inadequate vetting of vendors
8. Lack of systematic action on instances of non-compliance leading to their recurrence
9. Absence of effective performance indicators and tools to monitor delegated procurement authority
10. Unclear assignment or ineffective coordination of monitoring activities between OCSS and DFS on procurement authority delegated to field procurement officers
11. Insufficient Headquarters capacity for monitoring procurement activities delegated to field procurement officers
12. Inadequate reporting of exceptions to competitive bidding
13. Inadequate Information Technology (IT) systems to support procurement activities
14. Inadequate systematic risk management process by procurement offices
15. Inadequate contract management.

12. Below are further descriptions of the key issues and OCSS and DFS' actions taken/planned to address the shortcomings.

Key issue 1: Absence of a formal consolidated procurement strategy

13. Key issue 1 contributed to the inability to ensure that procurement activities were coordinated to aggregate requirements to achieve economies of scale, and avoid duplication of efforts and inefficient use of resources.

14. OIOS audit AH2008/513/01 discussed the need for a consolidated and documented procurement strategy, especially for start-up of field missions, based on an understanding of the United Nations' requirements, its internal resources and the market for goods and services. The strategy needed to consider various options for major acquisitions such as: system contract vs. individual contract; contract extension vs. new contract; letter of assist vs. commercial contract; centralized vs. decentralized procurement; short-term vs. long-term contract; normal vs. expedited vendor registration process in areas

where the market offers limited alternatives; and standardization of products. To ensure buy-in and accountability at the appropriate levels of responsibility, the strategy should be documented and approved by the senior officials responsible for establishing the requirements and executing procurement.

15. *OCSS stated that in collaboration with various departments, a consolidated procurement strategy is in place to meet operational requirements. Elements of this strategy include: (i) the new delegation of procurement authority issued by ASG, OCSS incorporating: levels of delegation of procurement authority to OAHs, Tribunals, regional commissions, peacekeeping and special political missions; definition of Core and Special requirements; and requirements for local procurement authority; (ii) analysis of spend and requirements, performed by DFS to determine which requirements are best suited for consolidated procurement (system contracts); (iii) low value procurement is conducted at the requisitioner level to allow procurement staff to concentrate on strategic procurement.*

16. Further management action is needed to consolidate and efficiently communicate all the key elements of the Secretariat's procurement strategy in one source. As the implementation of recommendations is in progress, OIOS does not make additional recommendations.

Key issue 2: Inadequate acquisition planning by requisitioners that is not effectively monitored by OCSS

17. Inadequate acquisition planning was a root cause contributing to a number of shortcomings such as: belated initiation of procurement actions; inadequate time to conduct proper market surveys; repeated extensions of existing contracts without competitive bidding; ex post facto and exigency cases; and non-compliance with the required procedures including observance of the thresholds of delegated procurement authority and bypassing reviews of the committees on contracts due to time pressure or inadequate preparation. This also increased the risk of fraud. While requisitioners are responsible for submitting acquisition plans to OCSS, the role of OCSS is essential in improving the quality of acquisition planning for the Secretariat as a whole by providing guidance and feedback to requisitioners.

18. *OCSS stated it implemented a series of measures including: (i) cooperating with requisitioning offices in the development of joint acquisition plans, e.g., in the Entebbe Regional Procurement Office; (ii) developing a refined procurement strategy characterized by needs assessment and the establishment of approximately 200 global system contracts, which currently meet 75 – 80 per cent of field mission requirements and provide support for new missions in their start-up phase; and (iii) requiring that requisitioners provide updates of the annual acquisition plans. In fulfillment of its role in guidance, PD/OCSS will roll-out an online training module on Acquisition Planning, scheduled for release by 31 July 2013.*

19. *OCSS further stated that the oversight recommendations to improve acquisition and procurement planning in the United Nations Operation in Cote d'Ivoire (ONUCI), the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations-African Union Mission in Darfur (UNAMID), the United Nations Mission in Liberia (UNMIL) and the United Nations Mission in Sudan (UNMIS) have been implemented.*

20. *DFS stated that it has circulated an instruction to all active missions to consider their stock levels, system contracts, strategic deployment stocks, surpluses declared by other missions and procurement lead times during the acquisition planning process. Furthermore, DFS established an internal control mechanism whereby all goods exceeding \$1 million are subject to review and authorization by the Department, even after approval at the mission level.*

21. As the implementation of recommendations is in progress, OIOS does not make additional recommendations.

Key issue 3: Inadequate procurement planning by procurement offices

22. This key issue contributed to delays in executing procurement actions and non-compliance with procurement procedures, which also increased the risk of fraud. Commercial evaluation teams were not always established as required by the Procurement Manual and contract negotiations were not adequately planned and documented.

23. *OCSS stated that a Source Selection Plan is now a strict requirement for all procurement actions, which has improved procurement planning particularly in field missions.*

24. Although there has been a significant improvement in the preparation of Source Selection Plans, further management action is needed to ensure consistent compliance with other procurement procedures. As the implementation of recommendations is in progress, OIOS does not make additional recommendations.

Key issue 4: Lack of competent field procurement staff

25. This key issue, stemming from vacancies or ineffective technical clearance/designation of procurement officers, contributed to a number of shortcomings such as: non-compliance with procedures; delays in executing procurement actions; and poor quality of technical and commercial evaluation of bids.

26. *OCSS stated that the designation process by ASG, OCSS ensures that field Chief Procurement Officers are appointed only after thorough evaluation of their technical qualifications. Also, recently PD staff have served on expert panels for the roster of field procurement staff, including the drafting of assessment technical tests. PD wishes to note that prior to granting a delegation of procurement authority, the Office of ASG, OCSS requires that field staff, including the Directors and Chiefs of Mission Support, complete (and obtain a certificate for) the mandatory Fundamentals of Procurement on-line training.*

27. *OCSS further commented that a high vacancy rate/staff turnover at the field affected all areas of management, not just procurement and is sometimes beyond the management's control despite all efforts made to fill the posts.*

28. OIOS reiterates that DFS and field missions are responsible for taking appropriate actions to address vacancies. OIOS will follow up during subsequent audits on the progress made in managing vacancy rates.

Key issue 5: Inadequate training

29. This key issue affected a broad range of personnel involved in procurement activities such as requisitioners, procurement staff and managers and other personnel participating in the review committees on contracts.

30. *OCSS stated that as the most significant component of procurement reform, 1,366 staff members worldwide since 2007 were trained in a one-week basic level procurement training programme, entitled "The Fundamentals of Procurement".*

31. *In addition, the Secretariat adopted a three-tiered Training Road Map in 2009. Phase One of the Training Road Map was launched in 2010 with the roll-out of the on-line Procurement Training Campus (PTC) offering training, examination and certification in the following four courses: Ethics and Integrity in Procurement, Best Value for Money, The Fundamentals of Procurement and Overview of the Procurement Manual. PD continues to implement Phases Two and Three of its Training Road Map with a view to procurement staff being certified in their field. Phase Two will consist of advanced courses for requisitioners, procurement staff and contract managers including: Acquisition Planning and Procurement Strategy; The Development of Requirements; The Development of Technical and Commercial Evaluation Criteria; Contractual Issues in Purchasing; and Contract Management. Phase Three has already been implemented with the establishment of a dedicated training academy which allows staff to receive on-line advanced training leading to professional certification by an internationally accredited procurement training institution.*

32. Based on the information provided by OCSS, OIOS does not make additional recommendations.

Key issue 6: Lack of a formal strategy to increase the number of vendors participating in solicitation and bidding processes

33. This key issue contributed to limited competition in bidding exercises. It also increased the risk of fraud and of not obtaining the best value for money.

34. *OCSS stated that PD has a documented strategy by undertaking outreach activities primarily in the form of business seminars. There has been a consistent annual increase in the number of vendors from the countries that registered with PD. Business seminars organized in collaboration with Member States play an integral role in the dissemination of information on procurement activities of the Organization.*

35. *Also, a streamlined vendor registration process was implemented in 2008 consisting of four levels. The revised registration criteria, mainly for level 1, are supportive of small and local businesses, in particular from developing countries and countries with economies in transition, as they allow such vendors to select a level of registration that matches their financial and operational capacity. As a result, there has been a significant increase in the number of vendors registered with PD since 2009. Among the vendors registered and accepted in PD, Level 1 registrations accounted for 71 per cent, in line with the objective to attract small and local businesses from developing countries and countries with economies in transition. The number of new vendors registered from developing countries has increased by over 300 per cent from 2008 to 2011. PD, in collaboration with the United Nations Global Market, is working to further streamline the registration process with a new structure consisting of “Basic Registration” and “Qualifications (Level 1/Level 2)”.*

36. OIOS notes OCSS’ efforts to increase the number of vendors registered. However, a recent OIOS audit (AH2011/513/07) indicated that there were a limited number of vendors participating in the bidding exercises for a certain commodity. As the implementation of recommendations is in progress, OIOS does not make additional recommendations.

Key issue 7: Inadequate vetting of vendors

37. This key issue contributed to a lack of assurance that contracts are awarded only to qualified vendors. Some vendors were not adequately vetted during registration, and some existing vendors with a history of unsatisfactory performance continued to be invited to bid for new contracts.

38. OCSS stated that measures have and are being taken to ensure proper vetting of vendors before contract award. In 2013, PD will be transitioning to a new registration level structure that will enable PD to focus the due diligence efforts on those vendors actively participating in solicitations. After Umoja is implemented in October 2013, there will no longer be separate vendor databases maintained by field missions; all field offices and OAHs will be using the same single vendor database and there will be a single set of instructions for vendor registration that will be followed by all offices.

39. In addition, the Vendor Review Committee and Senior Vendor Review Committee ensure that consistent non-compliance and poor performance by vendors is recorded and appropriate action is taken with respect to their status as registered vendors.

40. PD stated that it is dependent upon requisitioning offices and field missions to report problems or issues with contracted vendors regarding their performance. DFS stated that the Under-Secretary-General, DFS in December 2011 reminded all missions of the need of reviewing existing vendors' performance through the Vendor Review Committee, if required, in accordance with the Procurement Manual. In addition, DFS issued a Contract Management Policy effective 1 April 2012 that provides missions with further guidance on effective contract monitoring and management as it relates to vendors' performance. DFS also issued another reminder in December 2012 reiterating the requirements of the Procurement Manual with regard to vendor performance.

41. Based on the information provided by OCSS and DFS, OIOS does not make additional recommendations.

Key issue 8: Lack of systematic action on instances of non-compliance leading to their recurrence

42. Instances of non-compliance with established procurement procedures of a similar nature were reported repeatedly by oversight bodies. While OCSS communicated repeated cases of non-compliance to heads of departments and implemented various monitoring measures, a systematic monitoring framework is not in place. Such a framework would outline how the exercise of delegated procurement authority is to be monitored and the corrective actions that would be taken for non-compliance with established procurement procedures. Consequently, it is unclear whether monitoring activities are structured effectively. For example, OCSS and DFS each maintained their own databases for oversight recommendations. Under a systematic monitoring framework, monitoring the implementation status of procurement-related oversight recommendations would be consolidated and more effective.

43. OCSS stated that although it acknowledges that a more systematic monitoring and clearer framework is not readily available, there are several internal measures of follow-up and monitoring efforts that are currently in place.

44. For instance, the Planning, Compliance and Monitoring Section (PCMS) maintains an internal monitoring database, which collates outstanding issues noted from Procurement Assistance Visits and other internal compliance reviews. These are used as a basis for Procurement Assistance Visits reports as well as consideration/review of the procurement authority or designation process. Further, the Office of ASG, OCSS also reviews collated information of ex post facto cases that comes via reviews by the Headquarters Committee on Contracts (HCC), or repeated occasions of non-compliance cases and communicates them to the respective offices. Many management issues also get communicated to the heads of departments, via notes issued by ASG, OCSS upon the HCC review/recommendation. OCSS does recognize that this area, however, may need further improvement in establishing a more systematic mechanism to ensure recommended actions to be taken do get implemented by the entities to which they

are addressed. Development of such measures to further improve monitoring of implementation rates is in process.

45. Other measures include adherence to the Financial Disclosure Programme, publication of awards on the procurement website and formal notification of any prospective or perceived conflict of interest throughout the procurement process.

46. PD and DFS stated that they maintain databases for the recommendations made by the oversight bodies and that there is a systematic, robust follow-up of control failures and potential fraud risks raised by the oversight bodies.

47. OIOS considers key issue 8 as well as key issues 9 – 12 discussed below as closely interrelated. OCSS needs to develop a systematic and clear monitoring framework. In doing so, OCSS could consider the modality adopted by the Office of Human Resources Management (OHRM) in the recent implementation of the Human Resources Management (HRM) Scorecard. The HRM Scorecard is a tool that is used to specify performance indicators and targets and monitor performance on human resources management. It is signed by the heads of departments and ASG, OHRM. The achievement of performance indicators and targets is assessed annually and made public, together with the Senior Managers' Compact with the Secretary-General.

(1) OCSS should develop a systematic monitoring framework for the procurement activities of the Secretariat and establish regular reporting requirements between OCSS and departments/missions, particularly those with a high procurement volume and risk. For example, OCSS could develop a scorecard to report on key performance indicators and targets.

OCSS accepted recommendation 1 and stated that it aims to establish an enhanced systematic monitoring framework including the conduct of delegation of authority with appropriate performance indicators and reporting arrangements, the latter of which rests with DFS. Immediate action will be taken within existing resources with target implementation date of end of 2013. However, the roll-out of an all encompassing monitoring framework would in the long-term require additional resources and extensive preparation. Finally, as Umoja implementation is necessary for transmission of relevant data for key performance indicators, the full implementation of such measures can only be finalized upon Umoja roll-out by mid-2014. Recommendation 1 remains open pending implementation of an enhanced systematic monitoring framework for procurement activities.

Key issue 9: Absence of effective performance indicators and tools to monitor delegated procurement authority

48. Key issue 9 contributed to inadequate monitoring of procurement activities. There was generally limited reporting to OCSS on the use of the delegated procurement authority. Key performance indicators (KPIs) were not fully developed and existing KPIs were not used to measure the performance of procurement actions at field missions that are of high value and exposed to risks.

49. OCSS stated that it recognizes the importance of KPIs and has initiated the establishment of KPIs, although it is virtually impossible to accurately measure output of a procurement staff member due to the complexity of tasks and the interdependency with other stakeholders. PD established eight KPIs

and is in the process of developing an additional twelve. The implementation of the remaining KPIs is dependent on the finalization of Umoja. These KPIs, once implemented in Umoja will also measure field personnel performance.

50. In addition, there is currently a series of automatic reports covering a wide range of issues. These reports are sent to various procurement managers on a daily, weekly, monthly and exception basis. For example, PD has two weekly automatic reports on contracts that reach 75 per cent of Not-To-Exceed amounts and contracts that are about to expire in six months. PD also sends these reports to requisitioners on a monthly basis for their review. These automatic reports are designed to facilitate the evaluation and monitoring of performance by PD's management and to facilitate the identification and analysis of potential risks and cases of non-compliance with United Nations rules and regulations. The automatic reports application can be extended to add more control and monitoring reports as required by PD management.

51. The implementation of recommendation 1 above will also further address key issue 9.

Key issue 10: Unclear assignment or ineffective coordination of monitoring activities between OCSS and DFS on procurement authority delegated to field procurement officers

52. The monitoring responsibility for procurement authority delegated to the field mainly rests with PCMS of PD/OCSS and the Field Procurement Liaison Team of DFS. However, there is no framework to delineate the respective areas of responsibilities. There was a lack of communication between DFS and OCSS with respect to their monitoring activities. Procurement activities at some offices were not adequately monitored.

53. OCSS stated that in accordance with the Financial Regulation 5.12 and the Procurement Manual, a delegation of procurement authority is issued by ASG, OCSS to USG, DFS, who sub-delegates to the Directors and Chiefs of Mission Support. All holders of delegated procurement authority can be held accountable for their actions.

54. Effective 12 July 2012, a revised delegation of procurement authority was issued to USG, DFS with a matrix detailing the approving and signing authorities for different levels of delegation applicable to different scenarios. The revised delegation of procurement authority also included additional reporting requirement, which are:

- Report of Core Requirement awards made by field missions that all missions must provide to USG, DFS with a copy to ASG, OCSS within 30 days of award of contract. This report is reviewed by PD and issues of concern are addressed to DFS;
- All proposed contracts that exceed missions' delegated procurement authority, i.e., over \$1 million for Core Requirements and \$500,000 for all other requirements, are submitted to PD for review prior to forwarding to HCC; and
- All Local Procurement Authority approvals are granted by PD, i.e., requests by field missions to conduct local procurement for goods/services that exceed the delegated procurement authority of missions.

55. OCSS stated that it provides feedback to DFS and field missions on a regular basis following reviews of reports.

56. With the current resources available to PCMS of PD, OCSS, the following monitoring takes place:

- *In coordination with DFS, Procurement Assistance Visits to selected missions, providing advice and guidance to Procurement Sections, Local Committees on Contracts, Tender Opening Committees, requisitioners; and meetings with senior management and resident auditors;*
- *Annual conference for field Chief Procurement Officers in order to provide peer-to-peer counseling and to share procurement industry best practices;*
- *On-line training campus to provide fundamental procurement training on a virtual platform;*
- *Reviews of all requests for Local Procurement Authority following technical clearance from DFS/Logistics Support Division; and*
- *Reviews of reports of Core Requirement awards made by field missions and provision of comments or requests for additional necessary actions.*

57. The implementation of recommendation 1 above will also further address key issue 10.

Key issue 11: Insufficient Headquarters capacity for monitoring procurement activities delegated to field procurement officers

58. This pertains to the level of resources of PCMS of PD/OCSS and the Field Procurement Liaison Team of DFS vis-à-vis the volume of procurement activities undertaken by the Secretariat. The adequacy of the monitoring capacity in OCSS and DFS can only be determined after a systematic and clear monitoring plan is developed and implemented. Such a plan is not yet readily available.

59. *OCSS commented that it continues to assess its capacity for monitoring, and one notable example is the relocation of PCMS, PD from a section under a service chief to report directly to the Director, PD, to ensure enhanced visibility and implementation of actions. OCSS further stated that PCMS conducts eight Procurement Assistance Visits to missions per year on average and arranges, in collaboration with DFS, annual conferences for field Chief Procurement Officers. In addition, this issue should be viewed considering that 73 per cent of missions' procurement is being done through system contracts established by PD. Further, procurement activities resulting in awards above \$500,000 (\$1,000,000 for Core Requirements) are reviewed by PD, HCC and OCSS.*

60. The implementation of recommendation 1 above will also further address key issue 11.

Key issue 12: Inadequate reporting of exceptions to competitive bidding

61. This key issue contributed to a lack of assurance that exceptions to competitive bidding were justified and appropriate. It also increased the risk of fraud.

62. Cases of exceptions to competitive bidding at field offices were reported only to DFS; however, there was no mechanism to report them to ASG, OCSS. Without complete information on cases of exceptions to competitive bidding, e.g. identification of procurement offices frequently awarding contracts based on Financial Rule 105.16 (Exceptions to the use of formal methods of solicitation), OCSS could not review the justifications for exceptions, and where necessary, put in place measures to minimize the recurrence of such cases.

63. *OCSS commented that PD reports to ASG, OCSS, on a quarterly basis, all contracts awarded under Financial Rule 105.16 (Exceptions to the use of formal methods of solicitation). Further, PD has implemented in 2011 a mandatory functionality in Procure Plus and Contract Administration Tracking System that allows for proper collection of this data.*

64. The implementation of recommendation 1 above will also further address key issue 12.

Key issue 13: Inadequate IT systems to support procurement activities

65. This key issue indirectly contributed to some of the shortcomings discussed above and negatively affected the efficiency of monitoring activities.

66. *OCSS stated that it has developed an active IT strategy and governance document including the terms of reference of the Information and Communication Technology Committee. PD has provided extensive input to the Procurement Subject-Matter Experts of the Umoja project and reviewed 22 processes which have been approved by ASG, OCSS related to procurement. OCSS has established an Umoja implementation team in charge of dealing with Procurement and Facilities Management requirements. Delay of Umoja implementation at this point of time is outside management control of PD.*

67. In view of the pending implementation of Umoja, OIOS does not make additional recommendations.

Key issue 14: Inadequate systematic risk management process by procurement offices

68. While risk assessments of PD had been conducted, identified risks were not assigned to specific risk owners and managed systematically. A more comprehensive risk management process could have prevented shortcomings such as ex post facto cases, delays in executing procurement actions and awarding contracts to unqualified vendors.

69. *OCSS stated that two enterprise risk assessments of procurement have been conducted since 2008. In addition, Source Selection Plans are prepared for all procurement cases, which require an assessment of risks specific to the individual procurement case.*

70. In view of the pending implementation of the Secretariat's enterprise risk management framework, OIOS does not make additional recommendations.

Key issue 15: Inadequate contract management

71. Key issue 15 contributed to the inability to ensure that both Secretariat entities and vendors met their obligations under contracts efficiently and effectively and that end-users were satisfied with the goods or services delivered.

72. The following were the main factors that led to inadequate contract management: contract terms were not clear; consolidated procedures and guidelines were inadequate; contract managers did not undertake training in contract management; contracts did not consistently include KPIs to measure vendor performance; vendor performance evaluations were not consistently completed; contract risks were not systematically identified and managed; and information systems did not have electronic contract management modules that provided a consolidated view of contracts.

73. *DFS stated that it has implemented measures to improve contract management in field missions. The Department issued a Contract Management Policy in April 2012, which articulates a consistent approach to the management of contracts and the roles and responsibilities of those performing contract*

management functions. DFS also appointed a Chief, Contracts Management at the United Nations Global Service Centre who provides guidance to the field to further enhance the effectiveness of the contract management function. The Department also held its first Contract Management Conference in June 2012 and has further established a Community of Practice to share knowledge, information and resources amongst the contract management community.

74. Additionally, in line with the Contract Management Policy, DFS is developing further guidance to assist contract managers and requisitioners in contractor performance management and monitoring, as well as contractual risk assessment. A requisitioner training programme is also being developed to enhance the skills and capabilities of those involved in the contract management lifecycle, including contract management staff and requisitioners. The training, which is expected to be piloted in 2013, will involve setting performance indicators as part of the development of the scope of work/requirement and better management of contractor performance.

75. OCSS stated that with regard to the identification of risks and implementation of KPIs, the template for the mandatory Source Selection Plan provides for the inclusion of risk factors and KPIs. Such risk factors and KPIs are then discussed between the responsible procurement staff and the requisitioner, and subsequently all relevant identified risks as well as KPIs are included into such plan and tender documents. The risk of unclear contract terms is further addressed by the consistent use of model contracts or commodity/project-specific contracts drafted by the Office of Legal Affairs. Most contracts, unless PD assesses a very low risk to the Organization, include either Specific Measurable Attainable Relevant and Time-bound (SMART) KPIs or other forms of performance measurements that are linked to payment, such as liquidated damages for late deliveries, rights of the UN to set-off amounts from contractors invoices or redeem upon the performance bond in case of non-performance by a contractor. OCSS considers the identification of risks and use of KPIs as implemented and is committed to continuing ensuring that all future contracts include KPIs, unless assessed as very low risk. OIOS notes that a report of the Board of Auditors (A/67/5 (Vol. I)) indicated that only 50 per cent of contracts examined during a recent audit included KPIs to measure contractor performance.

76. In addition, PD has been offering training and guidance to procurement practitioners and requisitioners through face-to-face and online training for many years and continues to invest in additional training, including contract management.

IV. ACKNOWLEDGEMENT

77. OIOS wishes to express its appreciation to the Management and staff of OCSS and DFS for the assistance and cooperation extended to the review team during this assignment.


Mr. David Kanja, Assistant Secretary-General
Office of Internal Oversight Services

STATUS OF RECOMMENDATION

Review of issues identified in recent oversight reports on procurement activities

Recom. no.	Recommendation	Critical/ ¹ Important ²	C/ ³ O ³	Actions needed to close recommendation	Implementation date ⁴
1	OCSS should develop a systematic monitoring framework for the procurement activities of the Secretariat and establish regular reporting requirements between OCSS and departments/missions, particularly those with a high procurement volume and risk. For example, OCSS could develop a scorecard to report on key performance indicators and targets.	Important	O	Implementation of an enhanced systematic monitoring framework for procurement activities.	30 June 2014

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