

INTERNAL AUDIT DIVISION I
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Ms. Carolyn McAskie
A: Special Representative of the Secretary-General
ONUB

DATE: 8 March 2006

REFERENCE: AUD-7-5:75(/06) ⁰⁰¹³⁶

FROM: Dagfinn Knutsen, Acting Director
DE: Internal Audit Division-I, OIOS 

SUBJECT: **OIOS Audit No. AP2005/648/02: Supply functions at ONUB**
OBJET:

1. I am pleased to present herewith the final report on the above-mentioned audit, which was conducted between the period July to October 2005.
2. We note from your response to the draft report that ONUB has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 1, 4, 5, 7 to 9, 12 to 14, and 16 to 24 in the OIOS recommendations database, and recommendation 3 has been withdrawn. In order for us to close out the remaining recommendations (i.e., 2, 6, 10, 11 and 15), we request that you provide us with additional information as indicated in the text of the report and a time schedule for implementing each of the recommendations. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status. OIOS is reiterating recommendations 6, 10 and 11, and requests that you reconsider your initial response concerning these recommendations. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e. recommendations 4, 5, 7, 8, 10, 11, 13 to 16, 18, 21 and 24) in its annual report to the General Assembly and semi-annual report to the Secretary-General.
3. IAD is assessing the overall quality of its audit process, and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey.
4. I take this opportunity to thank the management and staff of ONUB for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations
Mr. Philip Cooper, Acting Director, ASD/DPKO
Mr. Karsten Herrel, Chief Administrative Officer, ONUB
UN Board of Auditors
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Office of Internal Oversight Services

Internal Audit Division I



Supply functions at ONUB

Audit no: AP 2005/648/02
Report date: 8 March 2006
Audit team: Nicholas M. Makaa, Auditor-in-Charge
Judith Atiagaga, Audit Assistant

EXECUTIVE SUMMARY

Supply functions at ONUB (AP2005/648/02)

OIOS conducted an audit of Supply functions at the United Nations Operation in Burundi (ONUB) between July and October 2005. The overall objective of the audit was to assess whether: (a) controls are adequate to ensure effective and efficient functioning of Supply Section in the Mission; and (b) arrangements are adequate to ensure adherence to UN Regulations and Rules and to the best management practices.

ONUB's Supply Section is responsible for implementing the Mission's expendable and non-expendable commodities supply programme. The supply programme included the administration and replenishment of specialized stores, general supplies, aviation and diesel fuel, gasoline, oil and lubricants, drinking water and bulk water and rations, and warehousing and distribution of supplies throughout the Mission area. ONUB began its operations in June 2004 with a Supply Section whose 2004-2005 fiscal year budget amounted to approximately \$27 million.

Despite its limited staff resources, the Supply Section has made considerable efforts in meeting ONUB's requirements. OIOS found that overall controls in the management and administration of rations food supplied to contingents needed improvement. In particular, management oversight and controls should be strengthened in the areas of requisitioning, expired and disposal of rations, reporting of discrepancies, defects and substitutes of food items, kitchen facilities and food handlers and cooks. OIOS noted that ONUB promptly followed up and resolved responsibility between the Republic of South Africa and the African Union of the outstanding balance amount of \$293,541 for the food rations supplied to non-UN military personnel covering the period July 2004 to August 2005, and collected the amount. In addition, ONUB resolved and will continue supplying food rations to non-UN personnel, billable and reimbursable on a monthly basis.

Other areas that should be improved included:

- Controls over monitoring of fuel consumption by user groups should be streamlined to include an effective accounting system that provides for comprehensive documentation of all fuel transactions and processing of data on a real time basis. Mechanisms should be put in place to monitor fuel supplied in bulk and consumed by each generator based on the number of hours each generator worked and taking into account its capacity level.
- The Supply Section staffing levels should be assessed based on need and posts that are not needed be redeployed permanently to other users.
- Control procedures over provision of services for drinking water, issuance of business cards, and provision of photocopiers under lease should be improved.
- OIOS noted that ONUB reviewed unused and/or damaged assets including photocopiers, safes, and a refrigerator estimated to be worth \$30,998 and forwarded for disposal.

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I. INTRODUCTION

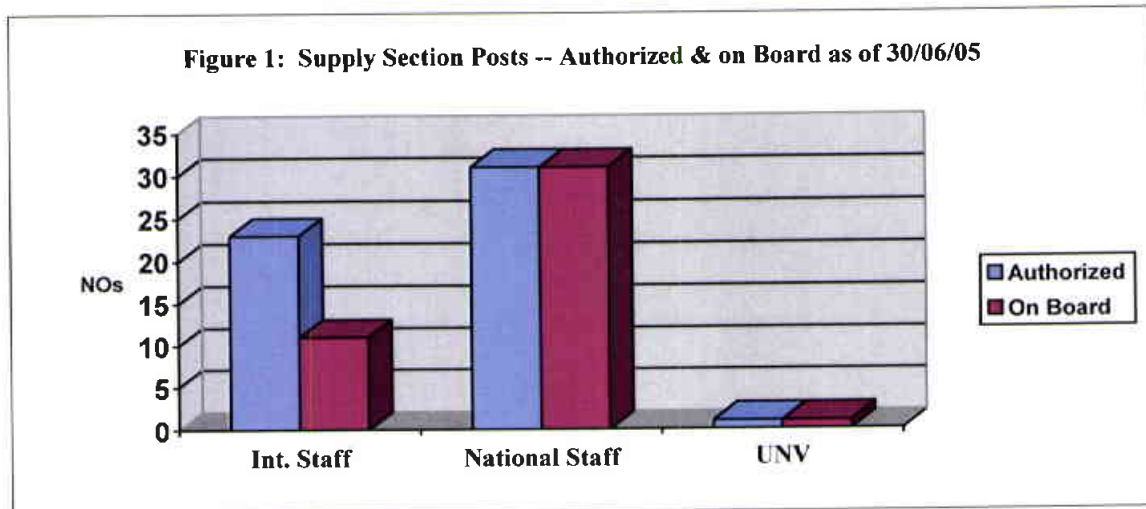
1. OIOS conducted an audit of Supply functions at the United Nations Operation in Burundi (ONUB) between July and October 2005. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.
2. ONUB was established by the Security Council resolution 1545 of 21 May 2004 to support and help implement the efforts undertaken by Burundians to restore lasting peace and bring about national reconciliation, as provided under the Arusha Agreement.
3. The supply function has the responsibility to implement ONUB's expendable and non-expendable commodities supply programme. The supply programme included the administration and replenishment of specialized stores, general supplies, aviation and diesel fuel, gasoline, oil and lubricants, drinking water, bulk water and rations, and warehousing and distribution of supplies throughout the mission area.
4. As summarized in Table 1, the obligations recorded for the Supply Section for the financial year ended 30 June 2005 amounted to approximately \$27 million while the plan for the financial year ending 30 June 2006 was estimated to cost approximately \$32 million. The Supply Section uses Mercury software for procurement and Galileo system for inventory control to maintain its data.

Table 1: Supply activities as of June 2005

Details	Obligations (\$)
Rations to Military Contingents	12,578,825
Facilities and Infrastructure	8,425,089
Petrol, oil and lubricants – Ground Transport	2,344,581
Air Transport	1,032,302
Petrol, oil and lubricants – Naval	121,191
Communications	24,188
Medical	647,336
Miscellaneous supplies, services and equipment	1,645,008
Totals	26,818,520

5. The Chief Supply Officer at the P-4 level headed the Supply Section and reported to the Chief of Integrated Support Services. The Supply Section's authorized posts comprise 23 international staff (6 P-3, 12 Field Service and 5 General Service), 1 UN Volunteer and 31

national General Service. Figure 1 shows the actual staff strength as of June 2005 consisting of 11 international staff, one UNV and 31 national/local staff in comparison with the authorized level of posts.



6. The comments made by the Management of ONUB on the draft audit report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES

7. The overall objective of the audit was to assess whether: (a) controls are adequate to ensure effective and efficient functioning of Supply function in the mission; and (b) arrangements are adequate to ensure adherence to UN Rules and Regulations and of the best management practices.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit involved an assessment of controls established by the Mission to ensure effective and efficient functioning of the supply function concerning implementation of the supply programme. The audit focused on Supply Section activities since the Mission's inception up to October 2005 and included a review to determine compliance with relevant UN Regulations and Rules and with the best management practices. The auditors interviewed responsible Mission officials, reviewed available documentation and conducted inspections where appropriate at the Mission Headquarters and regions.

IV. OVERALL ASSESSMENT

9. ONUB's Supply Section has made commendable efforts to meet the Mission's requirements. Most of its activities were carried out to the satisfaction of users, while some areas needed improvement. There was a need to strengthen controls in the management of food rations supplied to contingents. Additionally, ONUB should resolve the outstanding balance of approximately \$293,541 worth of food rations supplied to non-UN military personnel covering

the period up to August 2005. The Mission needs to improve its processes involving staffing resource requirements for the Supply Section, the control and management of fuel, related products and petty cash fund, and the effectiveness of the system to provide other services including photocopiers.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Food rations

Requisition of rations by contingents

10. The Supply Section's Ration Cell administers the rations contract with Eurest Support Services International (ESS) for the provision of rations to the Mission with estimated troop strength of 9,000. The actual troop strength was approximately 5,450 as of June 2005. The Ration Cell facilitates coordination between the Contingents and the contractor regarding rations requisitioning and distribution to the contingents.

11. Upon receipt of requisitions from Contingent Food Officers, a consolidated requisition is prepared and submitted to ESS by the Ration Cell. The Ration Cell checks to ensure that the correct Ceiling man-day rate (CMR) is applied and that each contingent's requisition is based on the daily troop strength and the stock balance reports.

12. OIOS reviewed the process and also inspected selected contingent units as well as the ESS warehouse. OIOS' visit to the five contingent locations showed that three contingents, namely Republic of South Africa Battalion (RSA) at Palace Base, Nepalese Battalion and Kenyan Battalion (Headquarters) did not maintain inventory records at all, while the records maintained by RSA (450 Camp) and Mozambique Battalions were inadequate. In the absence of troop strength reports, inspection reports, inventory records, stock cards, and stock balances, OIOS could not determine on what basis the rations were supplied. A spot check of physical inventory of rations kept at contingent warehouses, matched against the weekly delivery notes of rations showed excess ration stock held by some contingents, as shown in Table 2.

Table 2: Status Report as at 12 August 2005

Contingent	Item	Quantity received	In stock	Excess
RSA Palace Base	Milk	1,400 liters	1,832 liters	432 liters
RSA Palace Base	Coffee	9.6 kg	28.2 kg	18.6 kg
RSA Palace Base	Wheat biscuits	99 kg	151.8 kg	52.8 kg
RSA Palace Base	Spaghetti	0	280 kg	280 kg
	Salt	20 kg	80 kg	60 kg

RSA 450 Camp	Assorted items e.g. coffee, rice, tea		1,326.55 kg	1,326.55 kg
Mozambique	Tea	1.7 kg	43.2 kg	41.5 kg
Mozambique	Mushroom		40 kg	40 kg
Kenyan	Rice		3,920 kg	3,920 kg
Kenyan	Macaroni and Spaghetti		1,875.kg	1,875 kg

13. In the absence of records and inspections by the Contingent Food Officers, the Ration Cell risks losing rations, and excess stock being kept that could result in pilferage and/or abuse. The current usable excess food held by some contingents, e.g. rice and spaghetti at the Kenyan Contingent, could be exchanged for a different type of ration from another contingent that has a shortage of a particular ration. In the absence of such arrangements, the rations not being used could be wasted and spoiled if kept for a long time without use.

Recommendations 1 to 3

ONUB Administration in coordination with the Force Commander should ensure that:

- (i) All Contingent Food Officers maintain inventory records of the food rations issued to them for control and accountability purposes (AP2005/648/02/01);
- (ii) Adequate inspections are carried out to discourage contingents from keeping excess ration stocks. Feedback should be given to contingents to initiate corrective action (AP2005/648/02/02); and
- (iii) Contingents establish a mechanism that requires ration excess stock items to be interchanged between contingents to eliminate wastage (AP2005/648/02/03).

14. *ONUB accepted recommendation 1 and stated that it has been implemented. The Mission confirmed that contingents are keeping stock records and stock status is controlled with inspections by the Supply Officer. Based on the Mission's response, recommendation 1 has been closed.*

15. *ONUB accepted recommendation 2 and stated that it has been implemented. Surprise inspections are conducted monthly by Supply Officer Food/Rations Cell. Recommendation 2 remains open pending receipt of copies of these inspection reports showing that the matter concerning excess stocks has been effectively addressed by the Mission.*

16. *ONUB did not accept recommendation 3, stating that proper storage of food items at Contingent's storage facilities cannot be guaranteed and interchange of food could create hazardous conditions.* Based on the Mission's response, recommendation 3 has been withdrawn.

Expired ration items

17. A sample inspection of the RSA Transit camp and Nepalese Battalion showed the following excess and expired ration stock, which could not be used and was wasted:

Table 3: Expired rations held by contingents

Contingent	Items	Quantity	Remarks
RSA Transit	Assorted butter	1,603.99 kg	Expired
Nepalese	Noodles	150 kg	Expired
Nepalese	Pudding	70 kg	Expired

18. In some instances, the excesses arose because the particular contingent was holding stock items that they disliked and did not use. In other cases, OIOS noted that requisitions were made without adjusting for the items in stock, thereby creating a build up of excess inventory. Furthermore, the RSA Transit camp raises requisitions without consultation with the camps where food was being consumed. The Ration Cell maintained that as long as the requisition is within the established CMR, they must place the order.

19. Also, the high level of unused ration stock resulted from lack of thorough physical inspection by the Ration Cell and failure of contingents to disclose stock balances as stated in the Standard Operating Procedures for food requisition, which require contingents to provide a stock balance report on operating stock to the Ration Cell reflecting stock balances for each item in the contingent warehouse.

20. There is no guidance or disposal policy for expired food rations though the Ration Cell informed OIOS that guidance for disposal of unused food items was issued during the audit to the Contingent Logistic and Food Officers, but was not provided for audit review. As a result, contingents such as the Nepalese Battalion were burying expired food stuff underground. This is risky as the Battalion is located in an area surrounded by the local population that could resort into using the expired rations, and consequently could affect their health. This could also damage the environment and attract claims against the organization. OIOS also noted a case at the RSA Transit Camp where both expired and useful items were stored in one container, a situation that could contaminate good ration items.

Recommendations 4 and 5

ONUB Administration in coordination with the Force Commander should:

(i) Ensure that the Contingent Food Officers submit ration stock balance reports to the Ration Cell as a pre-requisite for processing their requisitions. These reports should then be used to adjust the requisitions prior to presentation to the Contractor in order to minimize excess stocks and eliminate possible wastage of food rations (AP2005/648/2/04); and

(ii) Consider establishing a disposal policy of unused/expired ration items to avoid abuse and endangering the lives of the local population who might be tempted to use such items and also avoid possible environmental damage and claims (AP2005/648/2/05).

21. *ONUB accepted recommendation 4 and stated that it has been implemented. Requisitions are adjusted according to stock status of the Contingents.* Based on the Mission's response, recommendation 4 has been closed.

22. *ONUB accepted recommendation 5 and stated that guidelines have been established and distributed to all Contingents.* Based on the Mission's response, recommendation 5 has been closed.

Rations re-distribution within the RSA contingent

23. OIOS learnt that rations for the RSA Contingent are requisitioned and received centrally at the RSA IVECO Transit Camp from where it is re-distributed to five locations. When raising the requisition for rations, the Transit Camp Food Officer neither consulted the Food Officers of the five different camps nor based it on camp stock balance reports.

24. Furthermore, OIOS noted that re-distribution of rations within the RSA camps does not take into consideration the troop strength. For example, equal ratios of some ration items were distributed to the Palace Camp with troop strength of 362 as compared to 479 troops at the 450 Camp. The Food Officer at the 450 Camp complained of less food especially the meat and starch items and struggled to make up the everyday menu based on rations the camp received.

25. As shown in Table 4, with information extracted from the deliveries of week of 12 August 2005 to RSA, the distribution of rations is not proportional to the troop strength of each camp, which suggests that the CMR is not equal and violates the established standard of the UN ration scale. This is an issue that could create discomfort and conflict among troop members of various camps, if not adequately addressed. As the internal distribution mechanism within the RSA contingent is beyond the control of the Ration Cell and the ESS contractor, OIOS believes that the Force Commander's office should play a pivotal role in ensuring that distribution to the various camps within the contingent is proportional to the troop strength.

Table 4: Distribution of rations to contingents

Food item	Contingent Camp and strength				
	Camp 450 (479)	Palace Base (362)	Mwaru (44)	Muramvya (97)	Kabezi (177)
Beef Sausage	8	8	3	4	5
Beef Burgers	10	10	2	5	7
Pork Chops	12	12	6	6	8
Whole Chicken Frozen	5	5	1	2	3
Ramp Steak	3	3	-	-	2
Beef Steak	3	3	-	-	2
Pork Leg	6	6	2	2	4
Liver	4	3	1	-	2
Yogurt	10	10	10	8	8

Recommendation 6

ONUB Administration, in consultation with the Force Commander, should ensure that re-distribution of rations among contingent camps takes into account the number of troops and meets the requirement of the established UN ceiling man-day rate (AP2005/648/2/06).

26. *ONUB did not accept recommendation 6 commenting that implementation does not fall within ONUB Administration purview. However, the Force Commander and the RSA Contingent Commander will be requested to comply with the observation. Recommendation 6 remains open pending receipt of documentation from ONUB on the action taken by the Force Commander and the contingent on this recommendation.*

Receipt and inspection of rations

27. OIOS reviewed a sample of delivery notes at ESS's warehouse and at the contingent level and noted that although ONUB Receiving and Inspection (R&I) Unit staff members were present at the Contractor's warehouse during delivery/packing of rations, they did not sign the delivery notes as evidence of inspection of the rations prior to loading on trucks of Contingents. Instead, the R & I staff inspected and prepared schedules according to their inspection and forwarded the reports to the OIC of R&I who is located away from the warehouse. Based on these schedules, the OIC, R & I signs the delivery notes 28 days later (end of cycle) only upon receipt of the invoices from the contractor. The delivery notes are incorrectly dated the same day as the rations delivery date, which is after the fact and is meaningless. However, during audit field work an R & I international staff member was assigned to sign ESS delivery notes on site confirming that rations have in fact been inspected and delivered.

Recommendation 7

ONUB Administration should ensure that the delivery notes for rations are signed by the Receiving and Inspection Unit officials immediately upon delivery of ration items as evidence of delivery and inspection of the rations as a basis for initiating payment (AP2005/648/2/07).

28. *ONUB accepted recommendation 7 and stated that it has been implemented. The Mission also provided a copy of the new guidelines issued.* Based on the action taken by ONUB, recommendation 7 has been closed.

Reporting of discrepancies, defects and substitutes

29. Though Ration Cell informed OIOS that Contingent Food and Logistics Officers receive a floppy disk at each rotation including Standard Operating Procedures, guidelines and complaint forms which should be used to report discrepancies and defects, the audit showed weaknesses. From the visits and interviews conducted by OIOS, it was noted that there was no record of previous reports on deficiencies that could be reviewed to determine the efficiency with which such cases were handled even though it was apparent that sometimes contingents received rations that were unacceptable. For example, at the Kenyan Battalion, two bags of corn flour that were delivered by the contractor in August 2005, were found to be sour and full of weevils when they were opened although they had not expired. The troops also continued to receive white bread even though they preferred brown bread. Furthermore, the Nepalese Battalion received six bags of rice which was mixed with sand. This was not reported, but the Nepalese improvised the rice by sieving and then fed the troops.

30. In both the cases, it was not documented how the problems were handled or to whom they were reported for action. It is critical that such problems be reported to the contractor for replacement as both the Receiving and Inspection function and food store managers could not have detected the problems until after opening the bags.

31. Our review of delivery notes for the various contingents revealed considerable substitutions made against requisitioned food items. OIOS noted the substitution of some food items over an extended period that would inconvenience the preparation of a variety of meals for the troops. For example, for weeks 3/05, 4/05, 5/05 and 6/05 the Kenyan and Ethiopian battalions received their weekly rice portions and instead of spaghetti and macaroni, they received rice as a substitute. The RSA Mwaru Company and the Jordan Hospital each received 12 portions of baking powder instead of each of the 12 different spices that were requisitioned on week 3/05. The RSA Battalion received coriander whole for each of the 10 different spices requested on week 3/05. This state of events does not give the battalions enough variety to prepare suitable meals for the troops. Ration Cell maintained that ESS contractor sends a proposition for substitution each week, which is carefully checked and accepted or rejected in case it does not meet contingent needs. However, the procedure for substitution could not be evaluated as documentary support was not provided for audit review. OIOS believes that

substitutes made should be reasonable to enable troops get adequate meals and the substitutes should not continue unchecked for extended periods.

Recommendations 8 and 9

ONUB Administration in coordination with the Force Commander should ensure that:

- (i) Contingents adhere to the established mechanisms to report deficiencies identified in food rations as a basis to replace any unacceptable food items. An alternative would be to adjust the invoice for such unacceptable food items (AP2005/648/2/08); and
- (ii) All substitutes for requisitioned food items are approved before delivery and that they are reasonable to meet the needs of the contingents. Ration Cell should monitor to ensure that items are not substituted over an extended period of time (AP2005/648/2/09).

32. *ONUB accepted recommendation 8 and stated that it has been implemented. Since August 2004, Contingents have been instructed in writing about the procedures on how to report deficiencies identified. A special form was designated for this purpose and distributed to all contingents. Based on the Mission's response, recommendation 8 has been closed.*

33. *ONUB also accepted recommendation 9 and stated that it has been implemented. ESS submits a weekly list of substitutes for approval by Rations Cell. Rations Cell ensures that substitutes are not issued for an extended period. Based on the Mission's response, recommendation 9 has been closed.*

Cooks and food handlers

34. OIOS noted that food handlers and cooks are responsible for preparation of and cooking food for large numbers of troops. Their health status is therefore critical for the hygiene safety of the food prepared by them. One way to ensure this is to have periodic certification for good health. OIOS interviewed cooks and food handlers at a sample selection of camps and noted deficiencies. Some food handlers and cooks stated that they were medically checked for fitness between intervals of one year, six months, three months, every month and every two weeks, but good health certification was not documented. In the absence of documentation to certify the health status of the food handlers on a regular basis, OIOS could not confirm whether any of them underwent medical checks.

Recommendation 10

ONUB Administration, in consultation with the Force Commander, should establish and implement procedures to ensure that cooks and food handlers at contingent units are periodically

certified as healthy to ensure and maintain hygiene safety of the food prepared for contingents. Results of medical checks should be documented for audit trail purposes (AP2005/648/2/10).

35. *ONUB did not accept recommendation 10, stating that preparation of food is Contingent responsibility and part of TCC self-sustainment. Contingents bring with them trained Quartermasters according to their national standards. It is difficult for the Force Commander and Rations Cell to get involved in changing national habits and standards. However, guidelines for food hygiene have been issued together with the storage instructions. In OIOS' opinion, however, the Mission has a responsibility to ensure that food hygiene guidelines are properly implemented. OIOS therefore reiterates recommendation 10, which will remain pending confirmation by ONUB that food hygiene guidelines are being implemented.*

Kitchen facilities

36. OIOS visited a sample of contingent camps to inspect kitchen facilities including dining halls and food stores to determine their cleanliness and hygiene. While the Pakistan battalion had done a commendable job in maintaining their facilities in a hygienic manner, we noted serious deficiencies in the Nepalese kitchens, stores and dining facilities. OIOS observed that kitchen facilities were also used as bathrooms by some troops. If unchecked, such actions could lead to unhygienic preparation of food for the troops that could result in sicknesses when troops use such foods.

37. Although the Ration Cell informed OIOS that they conducted surprise inspection visits to the contingent facilities, there were no reports highlighting what conditions the facilities were in. In fact, Food Officers confirmed that they do not receive any feedback on the results of the inspections and what if any corrective action needed to be taken.

Recommendations 11 and 12

ONUB Administration in coordination with the Force Commander should:

- (i) Organize food seminars and conferences where food officers are trained on the hygiene of handling food. This should be followed up to ensure lessons learned are effectively implemented (AP2005/648/2/11); and
- (ii) Periodically inspect contingent kitchen facilities and document results in reports. This should form a basis for taking corrective actions, including providing feedback to the contingents (AP2005/648/2/12).

38. *ONUB did not accept recommendation 11, stating that preparation of food is Contingent responsibility and part of TCC self-sustainment. Contingents bring with them trained Quartermasters according to their national standards. It is difficult for the Force Commander*

and Rations Cell to get involved in changing national habits and standards. However, guidelines for food hygiene have been issued together with the storage instructions. OIOS however reiterates that ONUB Administration, in conjunction with the Force Commander, should ensure that food is handled in a hygienic manner. Recommendation 11 remains open pending confirmation by ONUB that it has been implemented.

39. *ONUB accepted recommendation 12 and stated that hygiene standards are checked with surprise inspections using a hygiene and sanitation check form. Furthermore, kitchen facilities are also included in the periodic inspection of COE and reported in the verification reports. Based on the Mission's response, recommendation 12 has been closed.*

Rations supplied to non-UN military personnel

40. OIOS noted that the Ration Cell entered into an arrangement to supply rations to non-UN military National Staff of South Africa:

- In July 2004 through exchange of correspondence, an arrangement was made between ONUB and the RSA to supply rations for 150 non-UN military National Staff of South Africa serving under the African Union on a cost reimbursable basis. The Supply Section was then expected to submit to Finance Section the details of rations supplied to these personnel, to enable the Finance Section raise debit advices to the RSA for reimbursement.
- Correspondence between the Chief of Supply and the Chief of Integrated Support Services (CISS) indicated that although CISS had agreed to the arrangement, the RSA Contingent was to provide an official document certifying that ONUB will be reimbursed. Subsequently, a memorandum with no addressee was later received in February 2005 signed by the RSA National Contingent Commander, requesting the UN to extend the supply of rations to 150 troops of the non-UN military National Staff of South Africa every day until further notice, but the mode of reimbursement was not indicated. OIOS noted that a formal agreement was never entered into and the mission continued to supply the rations to these personnel whilst ONUB continued to pay the Contractor for the rations supplied on a monthly basis.
- Though the RSA had originally requested rations for 150 troops, this increased over the months to the current level of 372 troops without approval.
- The Supply Section submitted to Finance the first details of amount to be invoiced to the RSA on 12 August 2004 for rations supplied during the period 12 July to 3 August 2004 and debit advice number ONUB/04/11/002 for \$21,618 was raised on 17 November 2004. The first and second reminders for payment were raised on 21 July and 22 September 2005.
- A second debit advice number ONUB/05/010 for \$230,044 for supply of rations for the period 4 August 2004 to 8 May 2005 was raised on 17 June 2005. The first and second reminders of the same were raised on 21 July and 22 September 2005.

- Although a debit advice had not been raised at the time of audit field work to cover the months of June to August 2005, ESS invoices pertaining to rations supplied to these non-UN personnel amounted to about \$94,305.
- OIOS' review indicated inaccuracies underestimating the cumulative billings between July 2004 and August 2005 of \$31,820 consisting of errors and as a result of using a lower number of troop strength of 157 for both April and May 2005 while the contractor invoiced at troop strength of 150 and 217, respectively. As the requisitions and subsequent invoices for the period July 2004 to March 2005 were consolidated with the RSA Contingent, OIOS was unable to determine the correct number of non-UN military personnel supplied with rations, and therefore unable to verify the accuracy of the amount for recovery from the RSA.

41. In sum, total amount owed by the RSA contingent covering the period from July 2004 to August 2005 was approximately \$378,000. This figure excludes the adjustment for variation in CMR/unit price against the troop strength.

42. An audit inquiry in September 2005 prompted the Finance Section to issue a memorandum to the RSA Contingent Legal Advisor asking for payment of the money owed. In response, RSA remitted payment of \$84,459 on 28 October 2005 and advised that the balance amount of \$293,541 should be split to separate RSA and African Union responsibility.

43. OIOS recognizes that the arrangement between ONUB and the RSA was reached because there was no added financial implication for the mission. However, the mission and RSA failed to document a formal agreement of this arrangement explaining how ONUB would be reimbursed.

Recommendations 13 and 14

ONUB Administration:

- (i) Recalculate the exact amount of rations supplied to non-UN military personnel covering the period from July 2004 to August 2005 estimated at \$378,000. This should take into account the troop strength, the variation in the ceiling man-day rate /unit price against the troop strength, and recover as appropriate the balance amount outstanding estimated at \$293,541 that should be split between RSA and the African Union responsibility (AP2005/648/2/13); and
- (ii) Enter into a formal agreement with the Republic of South Africa to continue supplying rations to the non-UN military personnel. The contract should outline the terms and obligations of the arrangement or discontinue supplying rations (AP2005/648/2/14).

44. *ONUB accepted recommendation 13 and stated that it has been implemented. Procedures have been streamlined, and the outstanding amount has been recovered. Since October 2005, monthly invoices are issued.* Based on the Mission's response, recommendation 13 has been closed.

45. *ONUB accepted recommendation 14 and stated that it has been implemented. The RSA Division HQ Joint Operations entered into a formal agreement on 12 December 2005 with UN rations deliveries to the RSA Contingent.* Based on the Mission's response, recommendation 14 has been closed.

B. Fuel

Fuel Management

46. The Fuel Unit manages the acquisition, the supply and the delivery/distribution of fuel and oil and lubricants to various consumers, including aviation, maritime, road transport, generators and military contingents. During the year 2004-05, ONUB was supplied with fuel, oil and lubricants estimated at \$5.2 million. For the fiscal year 2005-06 the fuel and other products are estimated to cost about \$12 million.

47. OIOS conducted a review of controls put in place to ensure effectiveness and efficiency and noted the following:

- ONUB has outsourced the management of fuel service using "turn key," which is a concept that basically passes the risk associated with handling of fuel to the contractor.
- The Fuel Cell started compiling statistical data and analysis of fuel consumption early in the year based on returns submitted from regions and fuel stations. OIOS also noted that a staff member was hired in July 2005 with responsibilities to oversee fuel supplied to contingents as they receive bulk supply. As the Fuel Cell was in the process of establishing mechanisms to analyze returns from regions and other offices, consumption patterns or problem areas had not been highlighted.
- OIOS noted that there was no evidence that procedures have been established to determine realistic fuel requirements, consumption patterns of fuel of consuming equipment grouped by users or individually and whether they were being scrutinized.
- Supply Section stated that it would have preferred to use the Mission Electronic Fuel Accounting System (MEFAS) once the software is available. However, alternative mechanisms should be put in place to control fuel usage, particularly in critical control points in the supply chain. For example, the Fuel Cell does not use an effective accounting system that provides for comprehensive documentation of all fuel transactions including electronic fuel management system processing data in 'real time'. Consequently monitoring of fuel is not possible as the Fuel Cell cannot easily identify any unusual fuel consumption changes or anomalies.

Recommendations 15 and 16

ONUB Administration should:

- (i) Consider the effectiveness and feasibility of using an accounting system, including Mission Electronic Fuel Accounting System (MEFAS) that provides for comprehensive documentation of all fuel transactions including electronic fuel management system processing data in 'real time' as a basis to control and manage fuel products (AP2005/648/2/15); and
- (ii) Implement a mechanism for analyzing returns submitted from regions and other fuel stations on a current basis, particularly for bulk fuel supply to contingents, with a view to establish trends that ensures detection of problem areas concerning consumption of fuel as a basis to initiate corrective action in a timely manner (AP2005/648/2/16).

48. *ONUB accepted recommendation 15 and stated that the Mission was informed by UNHQs that MEFAS software would be finalized by early 2006. ONUB is awaiting receipt of the Software. In the meantime a spreadsheet based on the mission calculators provided by UNHQ has been implemented. Recommendation 15 remains open pending confirmation by ONUB that MEFAS has been implemented.*

49. *ONUB accepted recommendation 16 and stated that it has been implemented. Monthly returns are handled and monitored by Supply Officer, Fuel. Based on the Mission's response, recommendation 16 has been closed.*

Generator fuel consumption

50. A listing of generators installed throughout the Mission was provided for audit review. OIOS noted that there were no controls to monitor fuel supplied in bulk for use by more than one generator as well as fuel used or consumed by each generator because it is not tracked. It was therefore, difficult to monitor or calculate consumption based on the number of hours each generator worked when taking into account their capacity levels.

Recommendation 17

ONUB Administration should establish controls to monitor consumption of fuel based on each generator's capacity and number of hours worked (AP2005/648/2/17).

51. *ONUB accepted recommendation 17 and stated that it has been implemented. Fuel Cell has established a database to monitor the consumption of generator fuel. Based on the Mission's response, recommendation 17 has been closed.*

C. Services

Arrangements for provision of services

52. Within the Supply Section, the Supply Services Unit is responsible for managing annual contracts of a repetitive nature. Such contracts covered provision of photocopiers under lease, printing services, subscriptions, mortuary services, provision of rubber stamps, provision of business cards, cleaning services, garbage removal, septic tank cleaning and disposal of medical waste.

53. OIOS reviewed reasonableness of these services and noted that controls over provision of drinking water, issuance of business cards, and provision of photocopiers under lease should be streamlined.

(a) OIOS noted that a Purchase Order (PO) was raised for Liquids s. p. r. I, a local Burundian company to provide drinking water to ONUB at an estimated cost of \$72,000 for the period from July 2004 to June 2005. A requisition was raised for a PO to cover the period from July 2005 to June 2006; meanwhile a miscellaneous obligating document was raised covering the period July to October 2005. For the period from November 2005, procurement action was pending.

(b) Arrangements for provision of cleaning, garbage collection, septic tank cleaning, and disposal of medical waste services have not been formalized.

(c) OIOS noted that business cards are issued to staff members on an ad hoc basis as no written policy has been established to determine which ONUB staff members qualify for issuance of cards.

(d) ONUB uses a systems contract established by UN Headquarters with NRG International Limited for leasing 32 photocopiers and related services covering the period from May 2003 to May 2008 at a cost of approximately \$121,715 for the year ended June 2005. Under this contract, the Supply Section has leased 15 Combo photocopy machines with phone and fax/non-feed. Discussions with staff members indicated that users find the photocopiers in-efficient. When the ONUB Procurement Section attempted to have the machines replaced, the contractor felt that the machines are under utilized and did not warrant replacement under contract clause on replacement and/or upgrade of the leased equipment. The situation should be reviewed.

Recommendations 18 to 20

ONUB Administration should:

(i) In conjunction with Supply and Procurement Sections consider establishing contracts for providing drinking water, cleaning, garbage collection, septic tank cleaning, and disposal of medical waste services to ONUB in order to document terms and obligations for control and accountability purposes (AP2005/648/2/18);

(ii) In consultation with Supply Section establish a policy to determine which ONUB staff members qualify to be issued with business cards for official purposes for control and accountability purposes (AP2005/648/2/19); and

(iii) In consultation with Supply and Procurement Sections request Procurement Division at UN Headquarters to review the terms of the NRG International Limited system contract to ensure flexibility so as to replace the non efficient Combo photocopier machines with more efficient machines (AP2005/648/2/20).

54. *ONUB accepted recommendation 18 and stated that it has been implemented. Contracts for drinking water, garbage collection and septic tank cleaning were established in January 2006 and responsibilities handed over to Facilities Management Unit. Medical Waste Services are not available in Burundi as such two incinerators have been procured and installation is in progress, to safely dispose of Medical Waste. Based on the Mission's response, recommendation 18 has been closed.*

55. *ONUB accepted recommendation 19 and stated that a policy has been established to produce 100 cards only at a given time for Section Chiefs and upwards, in English or French. English and French both sides are printed for D-1 and above. However, to other staff with frequent outside contacts business cards can only be provided after the approval of CAS/CIAA and JLOC for Military. Based on the Mission's response, recommendation 19 has been closed.*

56. *ONUB accepted recommendation 20 and stated that Supply Section LSD (HQNY) has already been requested to review the Contract. However, Combo Units cannot be replaced as long as usage doesn't exceed the ceiling for the number of copies. Based on the Mission's response, recommendation 20 has been closed.*

D. Petty cash fund

57. The Supply Section maintains a petty cash fund in Burundi Francs equivalent to \$3,000. OIOS noted that it does not maintain a petty cash fund permanent file containing: the authorization for establishing the fund; the justification to increase the fund to the current level from the original \$1,000 in Burundi Francs; a description of the type of expenditures to be paid from the fund; the designation of the custodian and alternate custodian; and other relevant instructions. As such, OIOS was unable to verify whether the authorized limit was observed, the date this limit was approved and the fund custodian.

58. A surprise OIOS cash count of the petty cash fund found a shortage of Burundi Francs 44,997 (approximately \$40), which the custodian attributed to the bank as he did not count the money when he received it from the teller at the bank. Furthermore, OIOS noted that ONUB had not conducted any surprise cash counts since establishment of the fund.

Recommendations 21 and 22

ONUB Administration should:

- (i) Create a permanent file documenting policies on the management and use of petty cash, designation of the custodian, and other relevant instructions in accordance with section 7.061 of the UN Finance Manual (AP2005/648/2/21); and
- (ii) Establish procedures to ensure surprise petty cash counts are conducted as appropriate in accordance with the requirements of the Finance Manual section 7.061 (AP2005/648/2/22).

59. *ONUB accepted recommendation 21 and stated that Finance Section has created a permanent file for the established Petty and Imprest Funds designated to different Sections and Regions as mentioned in the UN Finance Manual Section 7.061. Each file carries information regarding the location, the custodian, the amount designated and CAO's approval. Besides this, a replenishment request tracking form is used to properly follow-up the level of the petty cash fund and its utilization on a monthly basis. Relevant instructions were given to each custodian especially concerning the guidelines covering the operation of petty and imprest cash. Based on the Mission's response, recommendation 21 has been closed.*

60. *ONUB accepted recommendation 22 and stated that surprise cash count has started to be undertaken by the Finance Section. Based on the Mission's response, recommendation 22 has been closed.*

E. Warehouse

Warehouse facilities

61. OIOS noted that the warehouse facilities were insufficient for the effective functioning of the warehouse function. As the matter was addressed by BOA, OIOS is not making any formal recommendation in this area.

Unused and/or damaged items

62. A listing of items kept in containers worth approximately \$909,230 was provided for review. A spot check of items in the containers outside the warehouse disclosed some damaged items. These included photocopiers, refrigerator, and safes; all of which were estimated to be worth \$30,998. The unused items should have been disposed off in compliance with the established procedures.

Recommendation 23

ONUB Administration in conjunction with Supply Section should review all the items in containers and the warehouse to

identify all unusable, obsolete and broken down items for presentation to the Property Survey Board for disposal (AP2005/648/2/23).

63. *ONUB accepted recommendation 23 and stated that it has been implemented. Items have been reviewed and separated for repair and write off. Action has been initiated for the write-off and items have been delivered to the newly established Property Disposal Scrap Yard under PCIU. Based on the Mission's response, recommendation 23 has been closed.*

F. Other matters

The staffing levels of Supply Section

64. OIOS noted that the Supply Section has done commendable work in providing services to ONUB in spite of not having full staff strength as of September 2005. It had 55 posts authorized at professional, Field Service (FS) and General Service levels of which 43 posts were occupied while 4 posts were loaned to other sections.

(a) Out of the seven authorized professional posts, two are on board comprising of the chief of the unit, two are loaned to other sections and three are vacant.

(b) Concerning the 12 authorized Field Service level posts, seven are on board while five posts are vacant of which two are blocked by the Office of Mission Support, DPKO. The Ration Cell did not have all its staffing resources on board.

(c) Of the five international general services authorized posts, two are on board while three are vacant of which two are loaned to other sections.

(d) All the UNVs and national staff members are on board as authorized (one UNV and 31 national staff members).

65. The critical vacant professional posts consist of one fuel officer and two supply officers. OIOS noted that as most of the posts are loaned, this suggests that the staffing table should be reviewed.

Recommendation 24

ONUB Administration should conduct needs assessment of the Supply Section's staffing, and take appropriate action including filling vacant posts and redeploying posts that are not needed to other areas of the Mission (AP2005/648/2/24).

66. *ONUB accepted recommendation 24 and stated that some of the vacant FS posts are in the process of being filled. However, in view of the downsizing of the Mission, the staffing requirements have been included in the Mission's staffing table authorization beyond 30 June 2006. Based on the Mission's response, recommendation 24 has been closed.*

VI. ACKNOWLEDGEMENT

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



**Dagfinn Knutsen, Acting Director
Internal Audit Division-I
Office of Internal Oversight Services**

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Supply functions at ONUB

(AP2005/648/02)

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

*Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:
 Ms. Patricia Azarias, Director, Internal Audit Division-1, OIOS
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 By fax: (212) 963-3388
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