



INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

Logistics and Supply at UNAMI

17 January 2008

Assignment No. AP2006/812/04

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE
OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTROLE INTERNE

TO: Mr. Staffan de Mistura
A: Special Representative of the Secretary-General
United Nations Assistance Mission for Iraq

DATE: 17 January 2008

REFERENCE: AUD-7-5:7 (08- 00884)

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AP2006/812/04: Audit of logistics and supply at**
OBJET: **UNAMI**

1. I am pleased to present the report on the above-mentioned audit, which was conducted from January to June 2007.

2. Based on your comments, we are pleased to inform you that we will close recommendations 1, 2, 7, 11, 12 and 15 in the OIOS recommendations database as indicated in Annex 1. OIOS is reiterating recommendations 8, 13 and 14, and requests that you reconsider your initial response concerning these recommendations. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 3, 6 and 13), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Philip Cooper, Director, ASD/DPKO
Mr. Milan Trojanovic, Chief Administrative Officer, UNAMI
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
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INTERNAL AUDIT DIVISION

FUNCTION

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EXECUTIVE SUMMARY

Audit of Logistics and Supply at UNAMI

OIOS conducted an audit of the logistics and supply functions at the United Nations Assistance Mission for Iraq (UNAMI) from January to June 2007. The main objectives of the audit were to assess the: (a) adequacy of management controls over logistics and supply functions; (b) compliance with relevant policies and procedures; (c) efficiency of logistics support functions; and (d) adequacy of Supply Unit operating practices. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS found that controls over the logistics and supply functions needed significant improvement, particularly in the following areas:

- Staff vacancies of up to 28 per cent of authorized posts, including four critical posts, hampered the effective execution of the logistics and supply functions in the Mission;
- Minimum stock levels were established for only 20 per cent of all expendable and non-expendable assets, of which UNAMI maintained the minimum stock levels for only one-third of the items;
- Except for three MovCon staff members in Kuwait, no other staff members located in the three remaining Mission locations were certified to handle dangerous goods;
- Fire detection/alarm systems were not installed in supply warehouses in Amman and Kuwait to protect UN property and prevent staff injury;
- OIOS' physical verification of 24 inventory line items in the Kuwait supply warehouse showed 14 line items that did not match the physical count. In addition, an analysis of inventory data showed that as at April 2007, the Supply Unit had assets valued at \$831,086 in stock that had not been issued in over one year since they were received at the Mission;
- Pistols were not properly bar-coded and were not secured separately from ammunition;
- UNAMI had not recovered \$465,603 from the Multinational Forces in Iraq (MNF-I) for the supply of bottled water and meals to an MNF-I unit from the Republic of Korea; and
- An April 2006 agreement between UNAMI and the Iraqi government regarding the handover of assets (\$177,011) purchased from the 2.2 per cent account had not been effected as of the date of this audit.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the logistics and supply functions at the United Nations Assistance Mission for Iraq (UNAMI) from January to June 2007.

2. UNAMI started operations in August 2003. The Mission's budget for the year 2006 totaled \$65,141,750. UNAMI has an authorized staff strength of 1,240 which includes 302 military and 938 civilian personnel. As at 31 December 2006, 65 per cent of personnel were on board, reflecting a vacancy rate of 35 per cent. The Mission's resources are to be used to assist the efforts of the Iraqi people and government in developing institutions for representative government, and in promoting national dialogue and unity.

3. Logistics support services should enable the Mission to carry out its core functions in an effective, coordinated and timely manner consistent with regulations and procedures established by the United Nations. The Movement Control (MovCon) Unit is responsible for arranging and executing the Mission's freight and passenger movements, including deployment and rotation of troops, using available transport assets. During 2006, the Logistics Section was divided into three units, namely Logistics, Supply, and MovCon, and was headed by the Chief Logistics Officer (CLO). Until December 2006, the centre of the logistics operations was in Iraq. However, beginning January 2007 the logistics operations centre was shifted to Kuwait because of the downsizing of the staff ceiling in Iraq. During 2006, MovCon handled over 500,000 kilograms of cargo worth \$9.15 million.

4. During the period January to December 2006, the acquisition plan for the Logistics Section amounted to \$23,735,653 which forms 36 per cent of the 2006 total allotments for the Mission. Table 1 shows the details of this allotment.

Table 1: 2006 Budget allocations for Logistics Section

Object code	Description of goods and services	Value in \$		\$ Increase	% increase
		2006	2007		
3971/3074	Security and other services (civilian)	6,675,051.73	11,304,816.00	4,629,764.27	69.36
3707/7934	Security and other services (Military)	4,910,967.36	8,431,903.00	3,520,935.64	71.70
3971/7934	Security and other services SSU* and PSDs**	6,017,873.30	5,808,096.40	-209,776.90	-3.49
4701/3071	Freight and related costs	1,546,078.75	3,618,600.86	2,072,522.11	134.05
5011/3074	Acquisition of office furniture	231,122.05	272,377.50	41,255.45	17.85
5012/3074	Acquisition of office equipment	161,268.00	319,101.00	157,833.00	97.87
5013/3074	Acquisition of accommodation equipment	165,360.21	190,600.00	25,239.79	15.26
5231/3074	Acquisition of TV Equipment	57,000.00	170,200.00	113,200.00	198.60
5307/3074	Acquisition of medical equipment/supplies	217,790.00	565,930.00	348,140.00	159.85
5361/3074	Acquisition of other equipment	476,838.86	555,383.88	78,545.02	16.47
5345/7934	Acquisition of Safety and Security Equipment	0.00	2,680,489.58	2,680,489.58	
5511/3074	Stationery and office supply	199,648.50	272,500.00	72,851.50	36.49
5513/3074	Sanitary and cleaning material	216,320.00	241,920.00	25,600.00	11.83

5586/3074	Uniforms	2,700.00	96,255.00	93,555.00	3,465.00
5234/7934	Observation equipment	48,490.00	25,369.00	-23,121.00	-47.68
4601/3074	Maintenance of furniture and office equipment	138,000.00	60,000.00	-78,000.00	-56.52
5564/3074	Other supplies	69,680.21	0.00	-69,680.21	-100.00
3707/3074	Contractual Security Services	881,730.13	2,968,000.00	2,086,269.87	236.61
5345/7934	Weapons and Accessories	1,621,174.00	0.00	-1,621,174.00	-100.00
5586/7934	Uniforms/items for security guards	50,070.00	0.00	-50,070.00	-100.00
	Totals	23,687,163.10	37,581,542.22	13,894,379.12	58.66

*SSU – Safety and Security Unit; **PSD – Personal Security Detail

5. The Chief Administrative Officer (CAO), through information circular 022/2007, officially transferred MovCon operations with effect from February 2007 from the Logistics Section to the Aviation Section to facilitate the increased activities relating to passenger movements on the dedicated Danish aircraft

6. Comments made by UNAMI are shown in *italics*.

II. AUDIT OBJECTIVES

7. The major objectives of the audit were to assess the:

- (a) Adequacy of internal controls over the logistics and supply functions;
- (b) Compliance with relevant policies and procedures;
- (c) Efficiency of logistics support functions; and
- (d) Adequacy of Supply Unit operating practices.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit was conducted in Kuwait and Amman, Jordan and covered logistics activities for the period January 2006 to June 2007, which included the examination of procedures established to ensure that assets are distributed to all Mission components based on functional needs and priorities, interviews of personnel involved in the logistics and supply functions, and examination of available documentation. OIOS also performed physical inventory checks of assets in selected UNAMI locations to verify assets against the records maintained.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Organization and management

Staffing and training

9. The authorized staffing for the Logistics Section for 2006 was 49 posts, including 7 Professional, 19 Field Service and 23 National staff. The Logistics Section was headed by the Chief Logistics Officer at the P-4 level. As at 31 December 2006, 35 staff were on board, reflecting a vacancy rate of 28.5 per cent (14 posts). As of July 2007, staffing in the Logistics Section changed because MovCon was transferred to the Aviation Section. The Logistics Section now has an authorized staffing of 36 posts, but the critical posts of Chief Logistics Officer and three Logistics Officer posts are still vacant.

10. The Supply and MovCon functions in Amman were handled by national staff for more than one year. These staff were supervised by their respective heads of units in Kuwait, who did not visit Amman during the period. OIOS noted that Amman holds five per cent of UNAMI's total non-expendable assets and eight per cent of expendable items. The issuance of these assets and the execution of other supply functions were entrusted to the national staff in the Supply Unit in Amman. In addition, 13 non-expendable assets worth \$15,497 were held in the name of this national staff although they had been issued to other users. Likewise, 25 non-expendable assets worth \$29,750 (including certain "attractive" items) were in his custody.

11. Although the majority of Logistics Section posts had been filled, the international posts remained vacant, thus leaving national staff without required supervision. There were no international staff stationed in Amman and the Chief Supply Officer (CSO), who is based in Kuwait, did not visit that regional office during 2006. As a result, the national staff was left without direction and was often asked to perform other administrative and procurement duties. Figure 1 shows the staffing status in the Logistics Section as of July 2007.

Figure 1: Status of staffing in Logistics Section as of July 2007



Recommendation 1

(1) The UNAMI Administration should fill Logistics Section posts and ensure that immediate steps are taken to provide the necessary supervision over the logistics and supply functions in Amman currently carried out by a national staff member.

12. *Although the Mission did not explicitly accept recommendation 1, it stated that its implementation has been completed. An international staff member has joined UNAMI on 29 April 2007, and is deployed in Amman, supervising the logistics and supply functions. Based on the action taken by the Mission, recommendation 1 has been closed.*

B. Management controls and accountability

Warehouse security and safety

13. As of 8 March 2007, the supply warehouse in Kuwait had a total of \$1,318,975 of expendable and non-expendable assets in stock. During the inspection, OIOS noted that there was no fire detection equipment installed in this warehouse although two closed-circuit TV (CCTV) cameras were installed at the back of the warehouse.

14. To verify whether security could detect and monitor activities around the warehouse, OIOS visited the security operations room and learned, according to an entry in the security occurrence book on 13 February 2007, that the two CCTV cameras installed at the back of the warehouse were not functioning. On 15 February 2007, the Safety and Security Unit (SSU) reported the matter to the Engineering Section, requesting that the vendor be called to address the issue. The vendor installed the two cameras for the former United Nations Iraq Kuwait Observer Mission (UNIKOM), which occupied the Kheitan compound now used by UNAMI. The Officer-in-Charge (OIC), Engineering Section in Kuwait indicated that he was not aware of any action taken regarding the repair of the CCTV cameras. The Supply Unit personnel were also not aware that the CCTV cameras were out of order until the joint OIOS-Supply Unit inspection was carried out. In addition, the camera installed by UNAMI could not rotate to identify any movement behind the supply warehouse. The camera did not pick up movements of OIOS staff and the Supply Assistant in this area. The SSU staff could not explain why it is not possible to see activities behind the supply warehouse.

15. In Kuwait, access can be gained easily into the MovCon office through an unused window that has been temporarily closed with a plywood shutter, which is fragile and can be easily broken into. The MovCon office has another window that opens into the adjoining supply warehouse. Both windows are large enough for a person to enter into and steal the items maintained in the MovCon stores and Supply warehouse.

Figure 2: Outside wall of MovCon warehouse



Figure 3: Inside wall separating Supply and MovCon warehouses



16. OIOS also inspected the supply stores in Amman, which hold a total of \$133,982 of assets in unit stock, and noted that no fire detection equipment was installed. OIOS and the Supply Assistant inspected the store in the main compound and noted that the windows did not have grills. The store shares a wall with the cafeteria which is operated by a private contractor. The CCTV camera installed on the wall behind the supply store does not rotate to detect and monitor any activities at the window of the store. The store in the transport compound primarily contains security-related assets such as flack jackets, helmets and sleeping bags.

17. The UNAMI SSU inspected the Kuwait warehouse in May 2006 and recommended the installation of: motion and fire detectors, a sliding door to be locked from the inside, fire extinguishers and an access card reader. Of these recommendations, only the sliding door locked from the inside as of July 2007.

18. The easy access into the MovCon and supply stores and the absence of surveillance behind the supply warehouse in Kuwait pose a risk to the assets in the warehouse and the entire premises. Likewise, the absence of fire detection equipment in the warehouses in Kuwait and Amman poses a risk not only to UNAMI assets, but also to the personnel.

Recommendations 2 and 3

The UNAMI Administration should:

- (2) Ensure that the broken CCTV cameras installed at the back of the supply warehouse in Kuwait are repaired as this situation presents a security risk to UNAMI staff and assets; and**
- (3) Take immediate steps to: (a) close and secure the two open windows to prevent access to the Movement Control and Supply stores in Kuwait and install grills in the windows**

of the supply store in Amman; (b) install fire detection/alarm systems in the warehouses in Kuwait and Amman; and (c) implement the recommendations made by the UNAMI Safety and Security Unit in its May 2006 inspection.

19. *Although the Mission did not explicitly accept recommendation 2, it stated that its implementation has been completed with the replacement of the broken cameras with a new CCTV system in May 2006. In addition, a requisition has been submitted to the Procurement Section based on a statement of work provided by SSU for the establishment of a maintenance contract for the system. Based on the action taken by the Mission, recommendation 2 has been closed.*

20. *The UNAMI Administration accepted recommendation 3, stating that the implementation of parts (a) and (c) of the recommendation has been completed and that part (b) is in progress. Recommendation 3 remains open pending completion of implementation of part (b) of the recommendation and OIOS' verification of implementation of part (c). OIOS has verified the implementation of part (a) and found it to be in order.*

Inventory management

21. Paragraph 3.12 of the Property Management Manual stipulates that the use of property as well as its regular maintenance and safeguarding is an end-user's responsibility. The transfer of property from the self-accounting unit (SAU) to the end-user is recorded in the Galileo system and on a hand-over form, which is signed by the end-user. Paragraph 3.9 of the Property Management Manual further states that items that cannot be issued to any individual end-user and are considered multi-user or sectional property (such as air conditioners, photocopiers or generators) must be signed for by the SAU manager or a United Nations official responsible for that office space. OIOS' physical verification of sample non-expendable assets in Amman indicated the following:

- Although the Supply Assistant was shown as the end-user for non-expendable items valued at \$15,497, the items were being used by other sections. When OIOS inquired why the items had not been transferred to the actual end-users, the Supply Assistant stated that no one was willing to sign and take responsibility for the items because they were for common use by several sections. Some of the users of the assets included the Regional Administrative Office, Finance Section, Human Rights Office, Deputy SRSG's Office, Procurement Office and Personnel Office.
- Three non-expendable assets were in use but not recorded in the Galileo database.

Table 2: Non-expendable assets identified in Amman but not recorded

Barcode	Item description	Location/user
No barcode	Digital video recorder	Security Control room
AMI-00299	Receiver	VIP's office
AMI-00013	Safe	Finance Office

22. The value of the above assets could not be determined because neither the Supply Unit nor the Property Control and Inventory Unit (PCIU) could locate the purchase documents. Records provided to OIOS indicated that items AMI-00299 and AMI-00013 were identified in March 2006 as not listed in the Galileo database and were believed to have been purchased against petty cash funds. However, the Supply Unit did not advise PCIU and R&I to include the items in the Galileo database. Regarding the digital video recorder, PCIU indicated that it might belong to UNSECOORD, but further investigations have yet to be conducted to confirm this.

23. There was no international staff member in Logistics and Supply section in Amman for almost two years. At the same time, there was no record indicating that a physical inventory of stores had been conducted at Amman. According to the Supply Assistant and the CLO, no international staff, including the CSO, had visited the region. The CLO informed OIOS that as there is only a small store and few activities compared to Kuwait and Baghdad, it was not essential for the CSO to visit the Amman region.

Recommendations 4 and 5

The UNAMI Administration should:

(4) Transfer the accountability of all UN-Owned Equipment in use to end-users or to self-accounting unit managers (for assets that are intended for common usage such as photocopiers, air conditioners and generators) to ensure that they are accounted for and the accountability over the assets is clearly identified; and

(5) Conduct a physical inventory of all assets in Amman and reconcile unrecorded assets to ensure that all assets are accounted for in the database.

24. *The UNAMI Administration accepted recommendation 4 and stated that its implementation is in progress. The Chief Administrative Officer sent a memo regarding the transfer of accountability of UN assets to all self-accounting units (SAUs), with deadline for implementation on 15 December 2007. Recommendation 4 remains open pending confirmation by UNAMI of the full implementation of the transfer of accountability of UN assets to end-users or SAUs.*

25. *Although the Mission did not explicitly accept recommendation 5, it stated that the Administration has completed the physical inventory of assets in Amman when the International Supply Assistant reported for duty in May 2007.*

There were no discrepancies found in Amman stock. Recommendation 5 remains open pending receipt of a copy of the results of the physical inventory.

Management of dangerous and hazardous materials

26. UNAMI does not have a staff member at Amman certified to handle dangerous materials. The CLO stated that it was not possible to post a certified staff member to Amman. As of July 2007, records provided by MovCon showed that only three staff members had attended the initial course in dangerous materials regulations. The three, who are national staff, are all located in Kuwait. MovCon officials contended that dangerous materials regulations are only important at the originating point during packing and that most of the movement of goods in UNAMI originates from Kuwait, hence, the training of the three national staff in Kuwait. However, OIOS believes that it is important for staff at the destination to know how to handle/unpack dangerous materials. Logistics officials agreed with OIOS that there is a need to train warehouse staff in dangerous materials regulations as they may be required to handle/unpack dangerous goods. This will prevent harm to staff or the environment when such goods are received. To this end, training requirements have been included in the 2008 logistics budget and training will be provided when the budget is approved. Likewise, the Chief of MovCon agreed to have more staff certified to handle dangerous materials.

Recommendation 6

(6) The UNAMI Administration should ensure that all staff members handling dangerous materials in all UNAMI locations receive training and are certified to handle dangerous materials.

27. *The UNAMI Administration accepted recommendation 6 and stated that funds have been identified in the 2008 budget for dangerous goods training for warehouse staff. Recommendation 6 remains open pending receipt of documentation from UNAMI showing the attendance of staff in training courses and certification on handling dangerous materials.*

C. Operating practices

1. Logistics support

MovCon – passenger movement

28. During 2006, UNAMI air passengers in the Mission area flew on Multinational Forces for Iraq (MNF-I) aircraft. UN personnel, including experts and consultants on official business for the UN, flying as passengers in MNF-I fixed wing and rotary aircraft are covered by the UN Malicious Acts Insurance Policy (MAIP). The insurance policy provides up to a maximum of \$7,500,000 coverage per malicious act incident with effect from June 2005. Since the maximum payment per covered fatality would be no more than \$500,000, no more than 15 UNAMI staff should travel in any one MNF-I aircraft.

29. OIOS sought to review reservation/booking data to ensure that no more than 15 passengers are booked for any one trip to or from Iraq on MNF-I flights. Inquiries revealed that during 2006, UNAMI did not maintain a list of reservations/bookings made by staff members to travel on MNF-I flights. Only the data on actual travel was maintained.

30. The Chief Aviation Officer (CAVO) informed OIOS that the Mission had in January 2007 established a Central Booking Office (CBO) and passengers can submit their requests by e-mail. The passenger handling guidelines provide for a limited number of passengers to be put on a standby list when all authorized seats have been booked. The Chief of MovCon informed OIOS that the electronic/online processing of movement of personnel (MOP) that was initiated in 2006 could not be implemented due to lack of technical capacity within UNAMI. He agreed that UNAMI would benefit from the electronic/online MOP because the Mission is dispersed in three countries. The electronic MOP will provide accurate data on bookings, eventual actual travel, and staff movements. Currently, MOPs are filled out manually as a Microsoft Word document, and then submitted to MovCon via e-mail as a PDF attachment. The Chief of MovCon stated that consultations with the Communications and Information Technology Section (CITS) are ongoing to upgrade the Mission's technical capacity to proceed with the implementation of electronic MOPs. The development and implementation of the electronic online booking tool would save the Mission a good deal of time and resources.

Recommendation 7

(7) The UNAMI Administration should develop an online booking tool for air travel to improve efficiency and to provide accurate data on staff movements.

31. *The UNAMI Administration partially accepted recommendation 7 and stated that UNAMI CITS has designed and tested an online booking tool for air travel. But since the Mission is operating in four separate locations and three different countries, current bandwidth is inadequate, rendering the system unusable. However, UNAMI is considering other off-the-shelf solutions similar to the one WFP is using. In the meantime, UNAMI has a designated central booking mailbox (UNAMI-MOVCON-CBO) which is used for booking and registering all staff movements. Based on UNAMI's response, recommendation 7 has been closed.*

Cargo movement – timely deliveries of supplies

32. MovCon consolidates bulk cargo shipments at various points in UNAMI and later transports them to various offices at the five different locations of the Mission at Amman, Baghdad, Basrah, Erbil and Kuwait. In 2006, the absence of a long-term freight forwarding contract affected the timely deliveries of supplies to the various Mission offices. Five different contracts called "Band Aid I to V" were entered into with various contractors in 2006 for the movement of bulk cargo to UNAMI offices. Despite the swift procurement action, the delays in

deliveries of supplies to UNAMI locations ranged from 28 days to 45 days from the time the requisition was raised. The OIC Logistics mentioned that the delay would be in excess of two months and at times even three months if time spent on consolidating is reckoned. He stated that in contrast, in 2005, with a long-term contract in place, the MovCon Section, on obtaining the minimum load, would notify the freight forwarder to move the shipment, and the forwarder was able to deliver the supplies in less than 15 days to any UNAMI location.

33. The Logistics Section made two attempts in 2006 to establish a long-term freight forwarding contract. On the first occasion, the Logistics Section raised requisition 6LOK-60023 dated 30 January 2006. In response to the request for proposals (RFP-600001 dated 9 March 2006), the lowest acceptable bid received was in excess of \$20 million, inclusive of security costs for providing freight forwarding services for one year. The procurement action did not progress further as it was felt that the bid received was exorbitant. The statement of requirements attached to requisition 6LOK-60023 showed that the Logistics Section had projected the movement of identical quantities of cargo from/to all locations in the Mission. Further, the scope of work lacked clarity as to the roles and responsibilities to secure the consignment.

34. A second requisition (6LOK-60089 dated 3 October 2006) to establish a long-term freight forwarding contract could not be processed by the Procurement Section because the scope of work was not clear, particularly concerning the issue of the Mission providing insurance. The scope of work also did not stipulate that the vendor is to be approved by the MNF-I. Clearance by the MNF-I is necessary as it provides security for its registered vendors and for the movement of cargo within Iraq. Other vendors can move cargo within Iraq at their own risk, but it is unlikely that the cargo will reach its destination. The two attempts to establish a long-term contract failed mainly due to the inability of MovCon to clearly spell out its requirements in the scope of work. The CAVO agreed with OIOS' view that there is a need to articulate a statement of work that reflects realities on the ground to facilitate the establishment of a long-term contract that would ensure timely deliveries of supplies to the various Mission offices.

35. Despite the setbacks in establishing a long-term freight forwarding contract in 2006, MovCon took advantage of available UN-dedicated aircraft from 1 January 2007 to 30 June 2007 to move cargo from Kuwait/Amman to the Baghdad International Airport (BIAP). However, the Mission does not have a contract for the movement of cargo from BIAP to the International Zone, Baghdad (IZ). The movement of cargo from BIAP to the IZ is dependent on the goodwill of the MNF-I's contractor. In the absence of any contract, the MNF-I's contractor cannot be expected to accept any responsibility for any damage/loss to UNAMI's goods in transit.

Recommendation 8

(8) The UNAMI Administration should clearly specify the requirements and responsibilities such as security and insurance arrangements, in a request for proposals for the

provision of long-term freight forwarding services to deliver supplies to Mission locations.

36. *The UNAMI Administration did not accept recommendation 8 and stated that as OIOS has mentioned in this report, UNAMI Administration has attempted twice to establish a long-term contract for freight forwarding services. Both resulted in bids with exorbitant amounts. The bulk of cargo movement is between Kuwait and Iraq, where prevailing security constraints do not allow surface movement on a regular basis. Furthermore, insurance costs are higher than anywhere else in the world, due to the habitual attacks on shipping convoys. Unless the security situation improves significantly, UNAMI will be forced to utilize any means available to move cargo between Kuwait and Iraq when required. A statement of works for freight forwarding services in the mission area outside Iraq have been prepared and requisitions for these services will be raised for 2008, as UNAMI tries once again to establish a freight forwarding contract. OIOS understands the constraints the Mission is facing in establishing a long-term freight forwarding contract but continues to believe that there is a need for the Mission to clearly specify its requirements in soliciting proposals. Therefore, OIOS is reiterating recommendation 8 and requests that UNAMI reconsider its initial response to this recommendation.*

2. Supply Support

Requisition planning

37. Paragraph 5.7 of the Property Management Manual requires records and controls to be maintained for expendable property. SAUs are required to have complete control over their expendable property in order to manage restocking, maintenance, shelf life and rotation, among other factors. Proper records and controls can enable the Supply Unit and UNAMI to effectively plan and obtain assets at competitive prices and improve efficiency of planning supply requisitions. The establishment of minimum stock levels is necessary in order to maintain operations while awaiting the arrival of new stocks.

38. OIOS reviewed a list of supply items for which minimum stock levels have been set and which were to be maintained at all times. Of 821 expendable line items, only 166 (20 per cent) had minimum stock levels established. Of the 166 items, only 50 (30 per cent) were maintained at or above the minimum stock levels, while the remaining items were below the established minimum levels.

39. OIOS also conducted a physical inventory of 24 inventory line items from the Kuwait supply warehouse and found that records for 14 line items (58 per cent of the sample) did not match the physical count.

40. In addition, an analysis of inventory data showed that as at December 2006, the Supply Unit had assets valued at \$593,981 in stock that had not been issued in over one year since they were received at the Mission. By April 2007, the assets in stock had increased by about 30 per cent to \$831,086 in contravention of paragraph 11.2 a (1) of the Standard Operating Procedures of the Supply Unit, UNAMI which stipulates that items that have not been issued in

the previous year are required to be recommended for disposal. According to the OIC Logistics, most of the assets were initially destined for the UNAMI region of Basrah which was then temporarily closed due to rising insecurity. In OIOS' opinion some of the unused assets could be put to productive use. For example, about nine per cent of the assets (valued at \$74,528) comprise fitness equipment that was intended for a staff fitness club in Basrah. Rather than remaining unused in the warehouse, the fitness equipment could be put to good use by establishing fitness clubs in Kuwait, Amman and Erbil. Other assets should be declared as surplus and shipped to other missions where they may be needed.

Recommendations 9 to 12

The UNAMI Administration should:

- (9) Establish and maintain minimum stock levels for all items in order to maintain operations while awaiting the arrival of new stocks;**
- (10) Conduct a physical inventory of all assets in the Kuwait supply warehouse, reconcile the results of the physical count with Galileo records and investigate unexplained differences;**
- (11) Explore ways to use the fitness equipment stored in the Kuwait warehouse for more than one year by establishing a fitness club in Kuwait, Amman and Erbil; and**
- (12) Identify surplus or unused assets and follow the established procedures of shipping them to other missions that may need the assets.**

41. *Although the Mission did not accept recommendation 9, it indicated that its implementation has been completed, stating that the CAO has already issued a written instruction on 17 May 2007 to SAUs to establish the minimum stock levels as per the Property Management Manual. The Administration shares OIOS' concern about the minimum stock level, however due to the security situation, limitations on distribution, and limited warehouse capacity, there is no opportunity to maintain minimum stock level for the whole range of UNOE. Under such conditions, the Administration monitors stock level weekly and makes the necessary correction to meet Mission requirements. Recommendation 9 remains open pending receipt of documentation from the Mission showing that the CAO's 17 May 2007 instruction regarding the maintenance of minimum stock level has been complied with, when the security situation allows.*

42. *Although the Mission did not explicitly accept recommendation 10, it provided dates of implementation of the recommendation, stating that it has conducted physical inventories of assets across the Mission two times per year and that the results of physical counts have been reconciled with Galileo records. Recommendation 10 remains open pending receipt of a copy of the report on the*

results of the physical inventories conducted by UNAMI at the Kuwait supply warehouse.

43. *The UNAMI Administration accepted recommendation 11 and stated that the Administration planned to ship the fitness equipment to Baghdad and Erbil, but could not do so at the moment because of other priorities. This equipment will be distributed at the next available opportunity.* OIOS' verification indicated that the fitness equipment has now been shipped to Baghdad and Erbil and are no longer in the supply warehouse in Kuwait. Therefore, recommendation 11 has been closed.

44. *Although the Mission did not explicitly accept recommendation 12, it stated that it has declared its surplus assets in May 2007 and recorded them in Galileo. The logistics inventory consists of a large number of security equipment, which are not required for everyday operations, however, they have to be kept in stock for emergency situations. Furthermore, the Mission was instructed to include the 2.2% assets in its inventory, while these were in fact not UNAMI property and were affecting the Mission's reported stock levels. These assets cannot be declared as surplus, as they have to be returned to the Government of Iraq. These facts may give the impression that the stock is unused; however it is a requirement to keep it in stock due to the mission specific security conditions.* Based on UNAMI's response, recommendation 12 has been closed.

Storage of pistols and ammunition

45. Paragraph 4.14.5 of the Property Management Manual provides that all non-expendable items, including attractive/special items must be bar-coded. Instructions for the bar-coding of attractive/special items such as small arms state that a bar code must be issued and the actual label affixed to the storage box. Such items are then tracked by their serial numbers. Physical verification of the pistols stored in Amman revealed that out of the 15 pistols inspected, five had no storage boxes and therefore no barcodes. Moreover, the barcodes and storage boxes of the 10 remaining pistols inspected did not correspond to the records maintained in the Galileo database.

46. The Operations Manager who is also in charge of UNAMI Amman premises security conducts physical inventory of the arms on a regular basis together with the OIC, Security. However, there was no indication that an inventory of the pistols and ammunition had been conducted by the Logistics and Supply Section. Because of the lack of inventory checks one pistol, which has been broken for more than two years, has not been located. Hence, no action has been taken to either repair the pistol or to submit it for write-off and disposal.

47. Pistols and ammunition in Amman are stored in the same safe. The OIC Security, Amman informed OIOS that all the safes in the SSU have the same access code which is known only by the OIC and the Operations Manager. Efforts to change the access code have failed as the company that sold the safes has not responded to the request. At the same time, the OIC, SSU has written to UNAMI Administration requesting an additional safe and more space for the

safes to be moved to the operations room where the pistols and ammunition could be kept in separate safes. This request has not been acted upon.

Recommendations 13 and 14

The UNAMI Administration should:

(13) Properly account for all pistols by ensuring that they are bar-coded and accurately recorded in Galileo; and

(14) Ensure that pistols and ammunition are stored separately to prevent any security risk.

48. *The UNAMI Administration disagreed with recommendation 13 and referred to an instruction, fax #2004-UNHQ-033313 dated 09 December 2004, which states "there is no requirement to affix or engrave bar codes to the body of small arms; all small arms are to be obligatory tracked by their serial number", therefore all weapons tracked in Galileo using serial number. However, 100 per cent physical inventory is ongoing. OIOS noted in paragraph 2 (c) of the same instruction that "all small arms are to be issued individual bar codes. Bar codes must be entered into FACS/Galileo together with serial numbers". OIOS reiterates recommendation 13 and requests that UNAMI seek clarification on whether or not the instruction intended for small firearms to be barcoded. Regardless, however, of the outcome of the clarification, OIOS would like to point out that what is important is that the pistols are accounted for and recorded in Galileo. Therefore, recommendation 13 remains open in OIOS' recommendations database.*

49. *The UNAMI Administration did not accept recommendation 14, stating that it does not have any involvement in keeping and handling weapons and ammunition. The sole responsibility for the safekeeping of such items lies with the Security and Safety Unit to which the assets are issued. OIOS reiterates recommendation 14 and requests that the Mission ensure that it is implemented by the unit responsible for the safekeeping of pistols. Therefore, recommendation 14 remains open in OIOS' recommendations database.*

Use of cleaning services contractor's staff as handymen

50. In Kuwait and in Amman, the Supply Unit is experiencing shortage of staff to move items in the warehouse and deliver assets to requisitioning offices. As such, contract cleaners have been used to supplement Supply Unit staff. Supply staff in Kuwait informed OIOS that they had to give money out of their own pockets as a token of appreciation. Four cleaning staff of the current contractor providing cleaning services at UNAMI, Kuwait, Dana and Berkeley Trading Company, are also assigned as handymen to the Supply Unit and other sections.

51. OIOS was informed by the supply focal point in Kuwait and the OIC Logistics, that cleaners are requested to handle some other tasks only when they have completed their cleaning duties for which they were contracted. Their

assistance offered to the Supply Unit therefore does not hamper their cleaning duties. The OIC Logistics also stated that the Mission has been restricted in hiring more staff in the 2007 budget and that there was no plan to hire individual contractors. The Chief Civilian Personnel Officer (CCPO) stated that in response to a request for handymen in Kuwait under Individual Contract (IC) arrangements, the Chief, Technical Services (CTS) had suggested that the cleaning services contract be amended to allow the contractor to provide handymen.

52. However, the cleaning services contract had not been amended to include the provision of handymen by the contractor. The contract with Berkeley is for the provision of cleaning services for the interior and exterior of the UNAMI facility in Kheitan. The use of the cleaners to move assets in the warehouse and other areas in the UNAMI Kheitan office, and to act as handymen is a violation of the contract and can lead to a claim by the Contractor in case contractor personnel are injured. The Mission explained that as of June 2007, the Senior Administrative Officer (SAO) has issued verbal instructions that the cleaners should no longer provide handymen services. However this instruction was not issued in writing.

Recommendation 15

(15) The UNAMI Administration should seek to amend the contract with the vendor currently providing cleaning services in the UNAMI Kheitan Office to include the provision of movers and handymen. Until the contract is amended, the Mission should refrain from asking the cleaners from performing duties that are outside of what they were contracted for to avoid potential liabilities in case of injuries resulting from the performance of such other duties.

53. *Although UNAMI did not accept recommendation 15, it stated that it recognizes the potential for liabilities resulting from possible injuries of cleaners while performing such duties. In light of this and based on the instructions from OIC-Senior Administrative Officer and a recent instruction by the OIC-Administrative Services, the Mission has discontinued such practice. Based on the action taken by the Mission, recommendation 15 has been closed.*

Assets under the 2.2 per cent account

54. Pursuant to paragraphs 8 (d) of Security Council resolution 986 (1995), and as described in paragraph 34 (d) of S/1996/978, the Secretary-General set aside a portion of the proceeds of the Inter-Agency Humanitarian Programme (coordinated by the United Nations Office of Humanitarian Coordinator for Iraq – UNOHCI). The portion set aside formed part of the escrow account and was referred to as the 2.2 per cent account which was used to cover the administrative and operational costs associated with the implementation of resolution 986 (1995) at Headquarters and in the field. Over the course of the Programme, UNOHCI procured certain assets using funds from the 2.2 per cent account. In

October 2003, the Secretary-General directed that assets purchased with funds from the 2.2 per cent account that would not be required by the UN for its activities relating to Iraq should be transferred to the Coalition Provisional Authority (CPA) for the benefit of the people of Iraq. In December 2003, the Deputy Director of the Logistics Support Division advised that UNAMI should take over only those serviceable items of the UNOHCI located in Larnaca, Cyprus following physical verification. In April 2006, an agreement was reached between UNAMI and the representatives of the Iraqi government, authorizing the Iraq Red Crescent Society Committee (IRCSC) to take possession of surplus assets on behalf of the Iraqi government. In addition, a custody transfer certificate was signed on 1 April 2006 stating that the assets listed had been transferred to IRCSC, which had taken custody of the assets.

55. OIOS noted that the IRCSC had not yet taken physical possession of the 2.2 per cent assets as indicated in the agreement. Assets with the purchase price of \$2,102,777 were still reflected in the Galileo database of which \$177,011 belong to the Supply Unit. Assets with a total purchase price of \$236,451 and a depreciated value of \$108,373 had been handed over to the Iraqi government without having gone through the appropriate write-off procedure, i.e., the Local Property Survey Board (LPSB). The Claims Officer, however, indicated that the assets, which comprise eleven vehicles, will be submitted *post facto*, to the LPSB for write-off approval.

56. As of June 2007, UNAMI has been in existence for more than three years. It is expected that all acquisition needs should have been factored into its budget and all assets have been acquired to replace the 2.2 per cent assets originally in use. However, analysis of the 2.2 per cent assets data revealed that assets with an original cost of \$943,749 and a depreciated value of \$402,159 were still in use at UNAMI. Likewise, assets originally costing \$90,596 with total depreciated value of \$31,146 were still in UNAMI's unit stock. Some of these assets represent a liability to UNAMI as spare parts cannot be obtained to service them. The Claims Officer indicated that it was not appropriate to hand over the 2.2 per cent assets to the IRCSC before they were replaced. Doing so would jeopardize the Mission's activities.

57. On 7 June 2007, the CAO instructed all SAUs to identify the 2.2 per cent assets in their inventory, both in use and in stock, categorize the equipment as usable or unusable and prepare a comprehensive plan for their replacement and handover. The Chief Supply Officer explained that all 2.2 per cent supply assets had been retrieved from the users and packed and delivered to MovCon for shipment to Baghdad. The agreement between UNAMI and the IRCSC indicated that IRCSC would take possession and custody of assets on an "as is", "where is" basis. Although UNAMI will incur no additional cost for shipping assets to Baghdad, considerable time and material will be expended in preparing the assets for shipment. In addition, the assets will be delivered to BIAP. Shipping the assets from BIAP to the international zone (IZ) will require UNAMI to hire a vendor that can move the assets, constituting an additional cost to the Mission. Moreover, assets with little usable value may not be accepted by the IRCSC, requiring disposal by UNAMI (after delivery to Baghdad). OIOS believes that UNAMI should execute the agreement signed in April 2006, thus requiring that

the IRCSC honour its obligation of taking possession of and removing the assets from UNAMI premises. If the assets are not removed by IRCSC, UNAMI should dispose off them at the various locations and removing them from its premises.

Table 3: Status of 2.2 per cent assets at UNAMI as at June 2007

Category	Purchase cost (\$)	Depreciated value (\$)
In use	943,749	402,159
Written off	180,166	71,977
Pending write off	888,265	391,481
Unit stock	90,597	31,146
Total	2,102,777	896,763

Recommendations 16 and 17

The UNAMI Administration should:

(16) Ensure that all assets to be handed over to the government of Iraq are submitted to the Local Property Survey Board for write-off before they are handed over; and

(17) Request the Iraq Red Crescent Society Committee to take physical possession of the 2.2 per cent account assets on behalf of the Government of Iraq, as is and where is, as per the Agreement of April 2006.

58. *The UNAMI Administration did not accept recommendation 16 and stated that it acknowledges the requirement to submit all the 2.2 per cent assets to LPSB and follow the correct disposal/handover procedures. However, the case described was an exception due to the urgent requirement of the Government of Iraq to take possession of the vehicles falling under that category of assets. All the remaining equipment identified for handover to the Iraqi Government were written off and collected by the Claims Unit in designated places. Based on the explanation provided by the Mission, recommendation 16 has been closed.*

59. *Although UNAMI did not accept recommendation 17, it stated that it has approached the Government of Iraq on several occasions urging them to take over all of the 2.2 per cent assets to no avail. Recently, a Note Verbale has been sent to both the Government of Iraq and IRCSC. No response has been received thus far. OIOS acknowledges the efforts made by the Mission regarding this matter. Recommendation 17, however, remains open pending the final takeover by the IRCSC of the remaining 2.2 per cent account assets.*

D. Other issues

Reimbursement by MNF-I

60. Since April 2006, the UNAMI Supply Unit has been providing meals and bottled water to a unit of the MNF-I from the Republic of Korea (ROKA) in Erbil, Iraq. About \$370,000 is due from MNF-I for the cost of bottled water and meals as per the provisions of FRAGO 06-222 for the supply of bottled water and meals provided to ROKA from 25 April 2006 to 31 March 2007. Adding the average cost of bottled water and meals of \$32,000 per month for April, May and June 2007, the outstanding dues from MNF-I add up to approximately \$465,603.

61. Despite several attempts in 2006 and in April 2007, the outstanding amount due to UNAMI has not been recovered. The Senior Administrative Officer (SAO), Baghdad, UNAMI's point of contact for the cost recovery/billing procedure, informed OIOS that he had personally tried to recover the outstanding amounts from MNF-I and was not successful as this issue was not a priority. The SAO added that he had escalated the level of interaction with the MNF-I and was close to resolving the issue of recovery from MNF-I. He further explained that the recovery could easily be offset against dues owed by UNAMI for life support services provided by the MNF-I.

Recommendation 18

(18) The UNAMI Administration should obtain reimbursement from the Multinational Forces in Iraq (MNF-I) for the outstanding charges amounting to approximately \$465,000 for the provision of bottled water and food to a unit of the MNF-I from the Republic of Korea in Erbil, Iraq.

62. *Although the Mission did not accept recommendation 18, it stated that it is aware of life support services provided to the Korean MNF-I Unit and that the costs of such services are regularly communicated to MNF-I counterparts for recording. These costs are offset against the costs of MNF-I support to UNAMI, thus there are no outstanding dues to be reimbursed to UNAMI.* Recommendation 18 remains open pending confirmation by the Mission and verification by OIOS that the life support charges totaling \$465,503 have been offset against UNAMI's payables to MNF-I.

Imprest/petty cash fund

63. The Logistics Section has an imprest fund of 2000 Kuwaiti Dinars, which was originally established as a petty cash fund at the level of 500 Kuwaiti Dinars to enable payment of shipment and other expenses by MovCon. The fund was increased to its current level in order to accommodate payment of expenses from other sections due to the rotation of custodians into and out of Iraq. OIOS noted that the UNAMI Finance Section conducted only one cash count of the fund in May 2007 and found no irregularities. The Field Finance Procedures Guidelines require that a Finance Officer or the Chief Finance Officer conducts surprise cash counts periodically and report the results to the Chief Finance

Officer or Chief Administrative Officer. OIOS initially was not able to conduct a surprise cash count as the custodian (alternate) did not provide access when required. The cash count was later conducted after three hours.

64. OIOS noted that the custodian does not stamp the original receipts or invoices to indicate that payment has been made. Further examination of documents submitted by the custodian to the Finance Section for replenishment revealed that the Finance Section does not stamp the original receipts to indicate that funds have been paid. This poses the risk that the original receipts could be re-used to claim reimbursement for the same services already rendered and paid for.

Recommendations 19 and 20

The UNAMI Administration should ensure that:

(19) Original receipts for invoices already settled are stamped 'PAID' by the person disbursing the funds, as a control measure to prevent the re-submission of such receipts for payment; and

(20) Petty cash and imprest funds are immediately made available to auditors and other authorized staff (e.g., Finance Section staff in charge of verifying petty cash/imprest funds) who conduct cash counts as failure to do so defeats the purpose of surprise cash verification.

65. *The UNAMI Administration accepted recommendation 19, stating that the Mission will take immediate steps to ensure that all paid invoices are stamped "PAID" by the person disbursing the funds. Recommendation 19 remains open pending OIOS' verification that original receipts for paid invoices have been stamped "PAID."*

66. *Although UNAMI did not explicitly accept recommendation 20, it indicated that the implementation of the recommendation has been completed. The custodian has been replaced in September 2007, training has been carried out and the SOP for managing the petty cash fund has been revised. Recommendation 20 remains open pending OIOS' verification that petty cash/imprest funds are immediately made available to auditors and other authorized staff who conduct cash counts.*

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	C	Action completed	Implemented
2	C	Action completed	Implemented
3	O	Submission to OIOS of documentation showing the completion of implementation of part (b) of the recommendation and OIOS' verification of implementation of part (c)	Completed (parts a and c)/ in progress (part b)
4	O	Confirmation by UNAMI of the full implementation of the transfer of accountability of UN assets to end-users or SAUs	In progress
5	O	Submission to OIOS of a copy of the results of the physical inventory	Completed
6	O	Submission to OIOS of documentation showing the attendance of staff in training courses and certification on handling dangerous materials	2008
7	C	Action completed	Implemented
8	O	Reconsideration by the Mission of its initial response to this recommendation	N/A
9	O	Submission to OIOS of documentation showing that the CAO's 17 May 2007 instruction regarding the maintenance of minimum stock level has been complied with	Completed
10	O	Submission to OIOS of a copy of the report on the results of the physical inventories conducted by UNAMI at the Kuwait supply warehouse	Jan-Feb 2006; Nov-Dec 2006; May-June 2007
11	C	Action completed	Implemented
12	C	Action completed	Implemented
13	O	Reconsideration by the Mission of its initial response to this recommendation	N/A
14	O	Reconsideration by the Mission of its initial response to this recommendation	N/A
15	C	Action completed	Implemented
16	O	Submission to OIOS of documentation showing that all 2.2 per cent supply and other assets have been processed for write-off action and handed over to the Iraqi government or disposed in accordance with established procedures.	N/A
17	O	Confirmation by the Mission of the final handover of the remaining 2.2 per cent account assets to the IRCSC	N/A
19	O	Confirmation by the Mission and verification by OIOS that the life support charges totaling \$465,503 have been offset against UNAMI's payables to MNF-I	N/A
19	O	Verification by OIOS that original receipts for paid invoices have been stamped "PAID"	Immediately
20	O	Verification by OIOS that petty cash/imprest funds are immediately made available to auditors and other authorized staff who conduct cash counts.	Completed

¹ C = closed, O = open² Date provided by UNAMI in response to recommendations