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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

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

DATE: 5 June 2008

REFERENCE: IAD: 08- 01384

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



SUBJECT: **Assignment No. AP2008/812/01 - Audit of the execution of the delegation of authority to UNAMI to procure core requirements**  
OBJET: **UNAMI to procure core requirements**

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Based on your comments, we are pleased to inform you that we will close recommendation 1 in the OIOS recommendations database. In order for us to close recommendation 2 we request that you provide us with the additional information as discussed in the text of the report.

### INTRODUCTION

3. The Office of Internal Oversight Services (OIOS) conducted an audit from December 2007 to March 2008 of the execution of the delegation of authority to the United Nations Assistance Mission for Iraq (UNAMI) to procure core requirements.

4. The audit was conducted at the request of the UN Controller to obtain assurance that there were adequate and effective internal controls in place over the delegated authority to procure core requirements. At present, peacekeeping missions have a delegated authority to procure core requirements locally up to \$1 million.

5. Core requirements are defined as “essential goods and services which by their nature lend themselves to local procurement and are not available on United Nations headquarters contracts”. The list of “Core Requirements” was established to enhance operational efficiency in field missions by identifying examples of items that might qualify as core requirements and also by giving specific guidelines on the core requirements procurement process.

6. The UNAMI Local Committee on Contracts (LCC), held 35 meetings during 2006/2007 in which 81 procurement cases valued at about \$23 million were deliberated. Thirty cases valued at \$15.8 million (68 per cent) related to core requirements.

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

## **II. AUDIT OBJECTIVES**

8. The objective of the audit was to assess whether adequate and effective controls were established at the Mission to execute the delegation of authority to procure core requirements up to \$1 million locally.

## **III. AUDIT SCOPE AND METHODOLOGY**

9. The audit covered core requirements transactions processed during fiscal year 2006/07. OIOS reviewed 18 core requirements cases identified through a review of LCC meeting minutes. The audit included reviewing relevant documentation, conducting analytical tests and interviewing key UNAMI personnel involved in the procurement of core requirements.

## **IV. OVERALL ASSESSMENT**

10. OIOS found that in general UNAMI had implemented effective internal controls over the execution of the delegation of authority to procure core requirements up to \$1 million. However, there was no system for identifying and classifying core requirements to ensure compliance with the reporting requirements. Weaknesses noted in the internal controls concerning the procurement process for the cases reviewed included the failure to invite sufficient numbers of vendors in the bidding process, procurement cases not being submitted to the Local Committee on Contracts (LCC) in a timely manner, and on one occasion, opening financial offers prior to reviewing the technical offers.

## **V. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Identification and classification of core requirements**

11. The Mercury System used to record procurement activities did not contain complete details of all procurement cases in the Mission. Also, core requirements purchases were not always classified or easily identifiable in the procurement system. Also, the system did not contain fields in which the procurement officers could indicate whether the procurement was for a core requirement. Further, there was no feature in the Mercury system to prompt or alert procurement officers of the availability of a systems contract for an item being procured. As a result, the Procurement Section had to manually identify core requirements, which was very time-consuming.

12. The core requirements listing provided by the Chief Procurement Officer (CPO) contained 37 items of which 7 were incorrectly classified as they did not conform to the definition of core requirements. This error may have been caused by the fact that the listing was compiled after the procurement actions had been executed and the person collating the list may have incorrectly interpreted core requirements.

13. The delegation of authority given to the Chief of Mission Support requires the submission of a written report to the ASG/DFS and to the Chief, Procurement Division (PD), and the Department of Management within 30 days after the procurement of a core requirement that exceeds \$200,000. The absence of a system for identifying and classifying core requirements at the point of raising the purchase orders may lead to

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incorrect recording and reporting and may also lead to inappropriate actions if the procurement cases are not presented to the correct committee on contracts.

14. As the inability to identify core requirements cases is a system wide issue, it will be addressed in the OIOS consolidated report on core requirements.

## **B. Procurement process**

15. Our review of the 18 sample core requirements procurement cases identified the following weaknesses in procurement process internal controls:

### Insufficient number of bids in the vendor bidding process

16. Section 9.3.4 (1) of the Procurement Manual states that as a general rule, for all requirements that will cost more than \$2,500, for a single award, all registered vendors for particular goods or services should be invited. Whenever the particular circumstances of the case render it impractical or not feasible, it is suggested to try to invite the minimum number of invitees as specified in clause (a) to (e) of Section 9.3.4(1) of the Procurement Manual.

17. UNAMI did not comply with the applicable procedures to invite required minimum number of vendors in some solicitations. For example, for 7RFP-700008, only 5 vendors were invited to bid out of a possible minimum of 10 vendors while for 6RFP-600065 only 7 vendors were invited, out of the 15 minimum vendors possible. OIOS' review of the vendor's register noted an insufficient number of potential vendors in some cases and the lack of documentation on file to support the deviation from suggested procedure. Failure to solicit bids from the largest possible number of vendors may result in inadequate competition.

### **Recommendation 1**

**(1) The UNAMI Office of Mission Support should ensure that the Procurement Section regularly updates the vendor list to enable the solicitation process to be as competitive as possible by inviting a sufficient number of vendors to bid.**

19. *The UNAMI Office of Mission Support accepted recommendation 1 and stated that it continues to expand its vendor base through posting expressions of interest on the PS website advertisements in the local press and by conducting seminars. A seminar was conducted in Baghdad in March 2008 and similar seminars are expected to be conducted in other Missions areas to attract more vendors.* OIOS will close recommendation 1 in its database, but will follow up in a future audit to verify that the actions taken by the Missions have resulted in increased competition.

### Inadequate internal controls on technical and commercial evaluations

18. Section 10.8.4(4) of the Procurement Manual provides that only the technical proposals from prospective vendors shall be opened at the public opening, while the financial details of the proposal shall remain unopened and the contents shall remain unread, until the Procurement Officer has received the completed technical evaluation.

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However, under exceptional circumstances as outlined in the same section, the financial details of the proposals may be opened prior to receipt of the technical evaluation.

19. The financial proposal of one vendor Saba Group International was opened and reviewed on 1 March 2007 while the technical evaluation was conducted on 4 March 2007. OIOS was informed that the procurement was an exigency, but there was no evidence supporting the urgency of the procurement. The opening of financial proposals before conducting the technical evaluation could influence the decision in favor of lower financial offers.

**Recommendation 2**

**(2) The UNAMI Office of Mission Support should ensure that technical evaluations of bids received are completed prior to reviewing the financial offers.**

20. *The UNAMI Office of Mission Support accepted recommendation 2 and committed to ensuring the handling financial and technical proposals in accordance with the Procurement Manual.* Recommendation 2 remains open pending the receipt of documentation showing that UNAMI has taken specific steps to ensure that technical evaluations of bids received are completed before the financial offers are reviewed.

**VI. ACKNOWLEDGEMENT**

21. 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.

cc: Mr. Milan Trojanovic, Chief of Mission Support, UNAMI  
Mr. Brian Erskine, Chief Procurement Officer, UNAMI  
Mr. Philip Cooper, Director, Department of Field Support  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
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