



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Local Committee on Contracts in UNOCI

**UNOCI LCC procedures and case presentation by
Procurement Section needed to be strengthened
for the Committee to serve as an effective
internal control over procurement**

22 September 2008

Assignment No. AP2007/640/16

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Young-Jin Choi
A: Special Representative of the Secretary-General
United Nations Operation in Côte d'Ivoire

DATE: 22 September 2008

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

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REFERENCE: IAD: 08- 01770

SUBJECT: **Assignment No. AP2007/640/16 - Audit of the Local Committee on Contracts in UNOCI**

OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendation 4 in the OIOS recommendations database as indicated in Annex 1. 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. Your response indicated that you did not accept recommendations 7, 12 and 15. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1 to 4, 9, 11, 12, and 14), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Wallace Divine, Chief of Mission Support, UNOCI
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Seth Adza, Operations Review Officer, DFS
Mr. Byung-Kun Min, Programme Officer, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Local Committee on Contracts in UNOCI

The Office of Internal Oversight Services (OIOS) conducted an audit of audit of the Local Committee on Contracts (LCC) in the United Nations Operation in Côte d'Ivoire (UNOCI). The overall objectives of the audit were to assess whether the: (i) composition of the LCC allowed it to function independently and competently; (ii) LCC was receiving relevant documents needed to properly review procurement actions; and (iii) LCC was effectively identifying procurement issues that violated the relevant Financial Regulations and Rules of the United Nations, Secretary-General's Bulletins, Administrative Instructions and other procurement policies concerning the fairness, integrity and transparency of proposed procurement actions. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS reviewed the minutes of 24 of the 35 LCC meetings held during fiscal year 2006-07 and a sample of 24 cases of the 28 non-core requirement cases not involving systems contracts processed during the same period. We also reviewed at least one procurement case for each set of meeting minutes selected, dealing with larger value and higher risk, complex cases. The value of these cases totalled \$5 million, or 18 per cent of the value of all cases reviewed by the LCC.

The LCC was not fully effective as an internal control over procurement. In particular, OIOS found the following:

- Alternate LCC members, regular and alternate secretaries, as well as requisitioners with access to confidential procurement information were not filing required financial disclosure statements.
- The absence of stability in the tenure of the LCC Secretary and the lack of training were the primary contributing factors to delays in finalizing LCC minutes and inadequacies in tracking LCC queries and maintaining records.
- Procurement case presentations were submitted late to the LCC and were not always complete with the relevant information.
- In three cases presented to the LCC, the requisitions of equipment were split into two years resulting in two different bidding processes, requisitions that were not generic, equipment compatibility problems and the bypassing of HCC review. The LCC did not detect these weaknesses.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Local Committee on Contracts (LCC) in the United Nations Operation in Cote d'Ivoire (UNOCI). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. According to Section 2.5.1.(1) of the Procurement Manual (PM), the LCC shall review and provide advice to the Chief of Mission Support (CMS), or other officials duly authorized under Financial Rule 105.13, on whether proposed procurement actions, including contracts that generate income to the Organization, are in accordance with the Financial Regulations and Rules (FRRs), Secretary-General's Bulletins (SGBs), Administrative Instructions (AIs) and other procurement policies. The Headquarters Committee on Contracts (HCC) is proposing that the current financial limit of \$200,000, delegated to peacekeeping missions to enter into contracts for the procurement of goods and services, be raised to \$500,000.
3. Comments made by UNOCI are shown in *italics*.

II. AUDIT OBJECTIVES

4. The main objectives of the audit were to assess whether the:
 - (a) Composition of the LCC allowed it to function independently and competently;
 - (b) LCC was receiving relevant documents needed to properly review procurement actions; and
 - (c) LCC was effectively identifying procurement issues that violated the relevant FRRs, SGBs, AIs and other procurement policies concerning the fairness, integrity and transparency of proposed procurement actions.

III. AUDIT SCOPE AND METHODOLOGY

5. OIOS reviewed the minutes of 24 of the 35 LCC meetings held during fiscal year 2006-07 and a sample of 24 cases of the 28 non-core requirement cases not involving systems contracts processed during the same period. We also reviewed at least one procurement case for each set of meeting minutes selected, dealing with larger value and higher risk, complex cases. The value of these cases totalled \$5 million, or 18 per cent of the value of all cases reviewed by the LCC.
 6. The audit methodology included file reviews, analytical tests, and interviews of LCC members, the LCC Secretary, the Chief Procurement Officer and requisitioners when appropriate.
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IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Issues concerning LCC operations

LCC membership

7. Paragraph 2.5.2 (1) of the PM states that the LCC shall be comprised of the Chief Finance Officer, the Legal Officer and an Administrative Officer or Programme Officer as members, an Ex Officio Secretary and the Chief Procurement Officer (Ex Officio).

8. UNOCI's LCC consists of the Chief Finance Officer, the Legal officer, Chief of the Transport Section and the Chief of the General Service Section, who is also the Chairman of the LCC. Alternates represent regular members when they are absent. The Chief of General Services and the Chief of Transport Section do not participate in deliberations when the presentations are related to their sections. However, these sections are significant requisitioners of goods and services and as such, in OIOS' view, the Chiefs of these sections should not be LCC members in order to enhance the objectivity of the Committee's proceedings. Further, the minutes of LCC meetings and interviews with LCC members and its Chairman suggest that the Chiefs continued to be present at the meeting as requisitioners. In OIOS' view, to create greater objectivity in LCC proceedings, it would be appropriate to nominate staff members to the LCC from substantive sections, particularly as the PM contains a provision for nominating programme officers from substantive sections.

Recommendation 1

(1) The UNOCI Office of Mission Support should assess the current membership of the Local Committee on Contracts with a view to including programme officers as members wherever possible, rather than appointing representatives of significant requisitioning sections to enhance the objectivity of the Committee's proceedings.

9. *UNOCI accepted recommendation 1 and stated that in constituting LCC membership, the Mission takes cognizance of the provisions of paragraph 2.5.2.(1) of the PM and considers members' previous experience. The Chief, General Services Section and Chief, Transport Section, do not participate in deliberations concerning their activities. The Mission will assess current membership of the LCC, and, if necessary, reconstitute a new Committee from among those who underwent LCC training. Recommendation 1 remains open pending the receipt of documentation showing that the Mission has assessed LCC membership and excluded significant requisitioners, where appropriate, from the new LCC to be reconstituted by October 2008.*

TOC membership

10. Paragraph 10.1.1 (3) of the PM states that the members of the Tender Opening Committee (TOC) shall be staff members who are not part of the local Procurement Section (PS) or Requisitioning Offices (ROs).

11. The Chief Finance Officer who serves as an LCC member and a finance officer who is an alternate also serve as the chairman and member of the TOC giving them access to bids before they are discussed in the LCC. In OIOS' view, it is not appropriate to appoint the same persons to both committees. The HCC objected to this practice while reviewing procurement case no. 07/0031, but no action was taken by the UNOCI Office of Mission Support to correct this situation.

Recommendation 2

(2) The UNOCI Office of Mission Support should reconstitute the Tender Opening Committee to exclude members who also serve on the Local Committee on Contracts thereby ensuring both the committees work independently of each other.

12. *UNOCI accepted recommendation 2 and stated that the Tender Opening Committee would be reconstituted by October 2008 to ensure that members of the LCC are excluded from the TOC.* Recommendation 2 will remain open pending the receipt of documentation showing that the reconstituted Tender Opening Committee excludes LCC members.

Filing of financial disclosure statements

13. Paragraph 2.2 (d) of ST/SGB/2006/6 states that staff members who have direct access to confidential procurement or investment information should file financial disclosure statements. LCC members informed OIOS that all regular LCC members and the Chairman had reportedly filed financial disclosure statements with the UN Ethics Office.

14. Alternate members were called upon to attend 12 of the 24 LCC meetings reviewed by OIOS. The alternate LCC members and the alternate secretary advised however, they were not aware of this filing requirement and had not filed the financial disclosure statement. The regular secretary was first asked to file the statement in 2008. The requisitioners, who are given access to the confidential procurement information like technical bids and commercial bids at the time of technical evaluation and who have a deciding role in vendor selection relative to technical issues, are also not filing the financial disclosure statements.

Recommendation 3

(3) The UNOCI Office of Mission Support should identify the staff members from requisitioning offices who

have direct access to procurement information and ensure that they and the alternate members and the alternate secretary of the Local Committee on Contracts file financial disclosure statements with the UN Ethics Office.

15. *UNOCI accepted recommendation 3 and stated that the Mission provided the Ethics Office with the names and functional responsibilities of all staff members who are associated with the procurement process. It is the responsibility of the Ethics Office in New York to contact the staff member to complete the financial disclosure. All those staff members who were contacted by the Ethics Office have completed the process.* Recommendation 3 remains open pending OIOS' verification that the list sent to the Ethics Office contained the names of all staff members involved in the procurement process, and that the Ethics Office requested such staff members to complete the financial disclosure statement.

Qualifications and training of LCC members

16. Paragraph 2.3.2 (3) of the PM states that the individuals designated as members of the HCC shall have commercial, financial, or legal experience or other relevant qualifications, including qualifications or training in procurement. The Chairman and members of the LCC, including alternate members and the secretary, stated that that they had no procurement experience and were not familiar with procurement related regulations and rules, although some of them had been requisitioners when nominated. The headquarters PS conducted five days of training on procurement, the roles and functions of LCC/HCC and LCC presentations in January 2008. The training was attended by staff members from the procurement section, requisitioning offices and the LCC. One LCC member and two alternate LCC members did not attend the training.

Recommendation 4

(4) The UNOCI Office of Mission Support should provide procurement training to all members of the Local Committee on Contracts to ensure that they have the qualifications needed to review procurement cases.

17. *UNOCI accepted recommendation 4 and stated that all of the LCC members and requisitioners obtained procurement training in January and June 2008.* Based on the action taken by UNOCI, recommendation 4 has been closed.

LCC Secretariat functions

18. Paragraph 2.5.4 of the PM, read in conjunction with Paragraphs 2.5.4, 2.3.4 and 12.1.6, indicates that the LCC Secretary will be nominated by the Chief, Mission Support (CMS) from an office outside of the procurement function. Under the supervision of the LCC Chairman, the Secretary *inter alia* will liaise with PS and requisitioning offices (ROs) to request additional information or clarifications of their presentations, and follow up on any inquiries raised by LCC members. The Secretary is also responsible for drafting the

minutes of the LCC meetings and recommendations, ensuring they are approved by members and the Chairman and forwarding a copy of the minutes within ten business days to CMS, LCC members, PS, ROs and OIOS. The Secretary should also maintain permanent records of all LCC minutes/recommendations and case presentations.

19. The LCC Secretary did not maintain permanent records of Committee meetings including a list of procurement cases discussed during 2006-07 and all original LCC minutes and case presentations. Furthermore, LCC members did not initial all the pages of the minutes. As a result, OIOS could not independently verify the authenticity of minutes from the copies provided by PS. An effective tracking system to follow up on further requirements and clarifications sought in the LCC meetings was also not in place.

Recommendation 5

(5) The Chairman of the UNOCI Local Committee on Contracts should review the Committee's procedures with regard to tracking queries and records management thereby ensuring that the minutes of all meetings and case presentations it reviewed are maintained.

20. *UNOCI accepted recommendation 5 and stated that the lack of a dedicated LCC Secretary had impaired the effectiveness of the LCC and the recruitment of the LCC Secretary will facilitate this activity. A new LCC Secretary commenced duties on 4 September 2008. Recommendation 5 remains open pending the receipt of documentation showing that appropriate LCC tracking and records management procedures have been established.*

Distribution of LCC meeting minutes

21. Of the 24 LCC meetings reviewed, the minutes for 14 meetings took more than 20 days to be finalized and distributed, including three instances in which it took more than 40 days. Copies of minutes were not forwarded to alternate members, ROs, CMS and OIOS.

Recommendation 6

(6) The Chairman of the UNOCI Local Committee on Contracts should review the Committee's procedures regarding the finalization and distribution of minutes of its meetings to ensure that they are distributed within 10 days to the Procurement Section, the Chief of Mission Support, requisitioning offices, all attending members and the Office of Internal Oversight Services.

22. *UNOCI accepted recommendation 6 and stated that the Chairman of the UNOCI LCC will work with the LCC Secretary to ensure that minutes are distributed within 10 days of the LCC meetings to the Procurement Section, the Chief of Mission Support, requisitioning offices, all attending members and the*

Office of Internal Oversight Services. Recommendation 6 remains open pending the receipt of information showing that LCC minutes are being distributed to the correct addressees within 10 days.

B. Inadequacies in Procurement Section presentations

Submission of case presentations to the LCC

23. Paragraphs 12.1.3 (3) & (4) of the PM state that PS submissions to the LCC should be made no later than two working days prior to the LCC meeting in which the procurement action is to be discussed. PS submissions to the LCC shall be comprehensive, factually accurate and clear in order to facilitate the review of the procurement action. Submissions shall be in sufficient detail to enable the LCC to obtain an accurate and complete description of procurement actions taken and the basis of the proposed award.

24. OIOS found that PS presentations are submitted to the LCC Secretary on Wednesday for the LCC meeting on the following Friday giving one working day to the LCC members against the minimum two working days prescribed in the PM. There is often more than one PS presentation in some LCC meetings. Three or more procurement cases were presented in each of seven LCC meetings out of the 24 LCC minutes reviewed. As a result, the LCC members did not have sufficient time to review the procurement actions. Presentations were not copied in a timely manner to alternate members who are frequently called to stand in for regular members giving them little or no time to review the presentations.

Recommendation 7

(7) The UNOCI Office of Mission Support should ensure that the Procurement Section complies with the provisions of the Procurement Manual which requires the submission of procurement presentations to the Local Committee on Contracts at least two full working days to the committee members to review it. Alternate members should also be given enough time to review procurement presentations.

25. *UNOCI did not accept recommendation 7 and stated that the Mission has already established a procedure given the specific nature of its operations to hold LCC meetings every Friday by 14:30. The deadline for the submission of cases for presentation to the LCC cases is every Wednesday by 12:00 hrs. That allows sufficient time for all members to review the cases prior to the meeting.* OIOS acknowledges UNOCI's comments, but wishes to point out that interviews of LCC members and alternates showed that they do not have sufficient time to scrutinize the procurement presentations which can be quite lengthy, and often, more than one case will be discussed at a meeting. OIOS is therefore reiterating this recommendation and requests that the Mission re-assess its original response.

Incomplete case presentations

26. PS presentations often do not include: the status of Invitations to Bid (ITBs) and Requests For Proposals (RFPs) faxed to the vendors and the reasons for poor vendor response rates; the results and evidence of market research conducted; the rates for goods and services previously procured by the UNOCI and other missions where possible for comparison; and MOSS compliance in lease cases. There was no benchmark price made available to the LCC particularly in cases where the PS proposal was based on a single qualified bid.

27. The LCC found that there was a lack of effective competition due to poor vendor response rates to bids. LCC also questioned the adequacy of the vendor database and the lack of a formal vendor performance review system. However, the LCC recommended 11 of the 24 procurement cases OIOS reviewed although they lacked competition and were based on a single bid. OIOS also found that the LCC generally limited itself to reviewing the paper presentations from PS and the technical evaluation from the requisitioning offices and did not independently verify the completeness, integrity and authenticity of facts and figures in the presentations. The LCC did not notice deviations from existing procedures and recognized norms in procurement which are discussed below.

28. Paragraph 7 of the PM states that the mission should have a register of potential vendors, a Local Vendor Database Officer designated by the CPO and regular review of vendor performance. OIOS found that the CPO had not designated a Vendor Database Officer. The response to ITBs and RFPs was poor. The ITBs/RFPs were sent to between 15 and 30 vendors in 14 cases, and only 1 bid was found technically compliant in 5 of these cases. The Mission has also not implemented a formal vendor performance review system.

Recommendations 8 and 9

(8) The UNOCI Office of Mission Support should: (i) designate a Vendor Database Officer; (ii) periodically update its vendor database by identifying potential suppliers through market research; and (iii) implement a vendor performance review system as set out in the Procurement Manual.

(9) The Chairman of the UNOCI Local Committee on Contracts should review the Committee's procedures with regard to completeness and the assessment of the accuracy of procurement presentations reviewed, and ensure that the procurement contracts are awarded on the basis of effective competition.

29. *UNOCI accepted recommendation 8 and stated that the vendor database officer's function has been performed by a national staff. Due to the high vacancy rate, a vendor database officer was not designated. However, three new procurement officers will report soon, one of whom, a P-2, will be designated as the vendor database officer. The vendor database is being updated periodically*

by the national staff procurement Assistant. The vendor performance review system is partially implemented and will be fully implemented in October 2008. Recommendation 8 remains open pending the receipt of documentation showing that a new vendor database officer has been appointed and that a vendor performance review system has been implemented.

30. UNOCI accepted recommendation 9 and stated that the Chairman of the LCC will review and reissue the Standard Operating Procedures for the activities of the LCC by the end of September 2008. Recommendation 9 remains open pending the receipt and review of the LCC Standard Operating Procedures and specific information on how the Chairman of the LCC will ensure that procurement contracts are awarded based on effective competition.

C. Irregularities in procurement actions

Extension of contracts where the initial procurement process was not competitive

31. OIOS found that the LCC recommended the extension of contracts in the following three cases although the initial procurement process was not competitive.

(a) Internet services (Case Nos. 07/0004 and 07/0027)

32. OIOS' review of the initial procurement action in 2005 for purchasing internet services showed that the lowest bid by M/s African Technologies was initially evaluated as technically non-compliant primarily due to absence of information in the bid documents rather than any substantive issue. This bid became technically compliant after a technical evaluation was re-conducted at the LCC's insistence. In the best value assessment, M/s AFNET Internet services received a higher score and it was awarded the contract of \$177,478 against M/s African Technologies' lowest cost bid of \$141,347. The technical evaluation process, however, lacked transparency particularly because competing financial bids were known to the requisitioner during the technical evaluation.

33. Despite the initial procurement action not being competitive, PS did not take effective action to conduct timely bidding before the expiration of the initial contract and sought *ex post facto* approval for a nine-month extension of the contract until 30 June 2007 raising the value of the contract from \$177,478 to \$304,306. No market research was conducted to establish that the prices were still competitive.

(b) Hiring cars for security/surveillance (Case No. 07/0014)

34. OIOS' review of the initial procurement action in 2005 to lease six vehicles for security/surveillance operations revealed that of two bids received, M/s S.E.L.V.'s price offer was the lowest and also fully met the RFP conditions. The CPO, however, awarded the contract to M/s Central Motors whose offer was higher by \$515 per month, on the ground that it offered additional insurance coverage for vandalism which was not a condition in the RFP. Despite the lack of effective competition in the previous bid, PS did not initiate a new bidding

process and presented the case to LCC on 22 September 2006 as partially *ex post facto* to seek an extension for one more year. The LCC accepted the PS proposal raising the value of the contract from \$75,000 to \$184,708. There is no evidence that credible market research had been conducted to establish that the old rates were competitive.

(c) Lease of land for transport workshop (Case No. 07/0038)

35. In October 2004, UNOCI decided to lease land suitable for a transport workshop at Bouake. However, the Engineering Section had not established its requirements regarding land size and construction area. The PS did not advertise the requirement in the newspapers to solicit expressions of interest from prospective landlords, and no market survey was performed due to the security situation. UNOCI's Regional Coordinator and the Engineering Section identified land at a non-negotiable yearly rent of \$145,000 and a contract was signed for one year with an option to extend for one more year. MOSS compliance and security were not evaluated until February 2007.

36. Although the initial procurement process was not competitive, PS did not conduct market research to establish the reasonableness of the rent, nor did it conduct a fresh bidding process to ensure more effective competition. It extended the contract for a third and fourth year. In response to an HCC query, PS admitted that the contracted price was higher than the average in the area and sought to justify it by arguing that the required size lot was not available and it would not be cost-effective. However, its assessment was not based on a market assessment or competitive bidding.

37. The UNOCI Administration thus committed to renting land for 4 years up to 22 March 2009 at an aggregate amount of \$288,851 without establishing effective competitiveness and transparency in the procurement process.

Recommendations 10 and 11

The UNOCI Office of Mission Support should:

(10) Conduct market research in cases where the contracts are extended beyond the originally envisaged term including the option period to establish that the prices are still competitive, and review its procedures in respect of timely case presentations to the Local Committee on Contracts/Headquarters Committee on Contracts to avoid them becoming *ex-post facto*; and

(11) Conduct security evaluations to ensure MOSS compliance before entering into lease agreements.

38. *UNOCI accepted recommendation 10 and stated that market research is conducted where the lease and results of market research are to be considered for award together with the amount of funds already invested by UNOCI for development of the site. The number of ex post facto cases has been significantly*

reduced during FY 2006-2007 (6 cases) and 2007-2008 (2 cases). Recommendation 10 remains open pending the receipt of a listing of extensions to existing contracts during 2007-08 and details showing that market research was conducted before extension of the existing contract for OIOS' review.

39. *UNOCI accepted recommendation 11 and stated that security evaluations and MOSS compliance are conducted before each lease contract is presented to the LCC for award. OIOS will close this recommendation following its review of a sample of property cases and their current MOSS compliance status.*

Irregularities in technical evaluation resulted in a loss of \$37,477 to the United Nations (Case No. 07/0074)

40. The Security Section raised an urgent requisition in August 2006 with 15 days delivery time for screening equipment with Ion Mobility Spectrometry Technology (ISMT) to detect explosives, chemical agents, toxics industrial chemicals and narcotics. As the technology and specifications were vendor specific and ISMT technology and the detection of narcotics were not DSS requirements, the Security Section issued a fresh requisition in January 2007 making the specification more generic by including electrochemical or any other technology for detecting explosives.

41. Two bids were technically cleared with similar technology but different functionality specifications. OIOS found that the requisitioner did not favor vendors offering explosives detectors based on electrochemical technology at less than half of the price of ISMT and preferred ISMT since the beginning of the procurement action.

42. The requisitioner incorrectly evaluated M/s Lan-Lee's offer as technically non-compliant although it met the ITB requirements fully, offered the same product with the same specifications and the same model number SABRE 4000 as offered by M/s LBDLS CI, the other bidder, who was evaluated as technically compliant. The stated reasons in the technical evaluation report were that M/s Lan-Lee did not offer training and technical support and spare parts and accessories for six months. However, M/s Lan -Lee fully complied with the items specified in the ITB with no further charge to UNOCI.

43. If PS had considered M/s Lan -Lee's bid as unclear on the provision of training, technical support and accessories, it should have requested clarification as it did in many other cases by invoking paragraph 11.6.4 of the PM. In response to a specific inquiry by LCC members, the procurement officer confirmed incorrectly that he had cross-checked the technical evaluation, looked at different prices and found that other companies were not compliant as they did not have any experience in training, had no reliable technology and were not able to provide the spare parts.

44. The presentation to the LCC consisted of a technical evaluation and commercial offers including offers from technically non-compliant vendors, but the LCC did not identify irregularities in the technical evaluations and routinely

relied on PS presentations and thus failed to exercise the control expected of the Committee. Another vendor was eventually awarded the contract at a price of \$ 193,327 which was higher than M/s Lan-Lee' offer of \$155,850 resulting in additional costs of \$37,477 to the United Nations.

Recommendation 12

(12) The UNOCI Office Mission Support should assess procurement case 07/0074 to identify the staff members responsible for the irregularities and enforce accountability for lapses which led to the selection of a higher cost bidder, resulting in additional costs of \$37,477 to the United Nations.

45. *UNOCI did not accept recommendation 12, stating that: the award to M/s LBDLS, CI was based on the technical evaluation; M/s Lan-Lee's bid did not fully meet the ITB requirement of 6 months of accessories and spare parts, nor was the maintenance booklet and 2 days of training quoted, the M/s LBDLS, CI bid offered accessories for one year, etc.* However in OIOS' view, the Security Section's technical evaluation and the PS' commercial evaluation lacked transparency because: (a) the separate rates for training and accessories were not in the solicitation document; and (b) the invitation to bid called for accessories and spare parts for only six months and not one year. OIOS is therefore reiterating recommendation 12, and requesting management to reconsider its position.

Procurement of equipment not recommended by the LCC (Case No. 07/0076)

46. The LCC in its 22 June 2007 meeting did not agree to the joint recommendations of the requisitioner and PS regarding the procurement of spare parts for 'alternators' as it found that the price was 10 to 20 times higher at \$10,580 compared to the price offered by the other two vendors. The requisitioner's further explanations to the LCC Chairman evidently did not convince the Committee, which excluded this part from its recommendations dated 30 June 2007 that were approved by the CMS on the same day. However, PS dispatched the purchase order on 2 July 2007 which included 'alternators' ignoring the LCC recommendations. Recognizing the problem, PS later requested the vendor to delay shipment which it refused citing operational reasons.

Recommendation 13

(13) The UNOCI Office of Mission Support should ensure that the Local Committee on Contract's recommendations as approved by the Chief of Mission Support are implemented and establish accountability for the additional cost resulting from non-compliance with the LCC's decision.

47. *UNOCI accepted recommendation 13 and stated that it would establish a tracking mechanism. The PS informed the LCC by IOM dated 26 June 2007 to include more technical clarification from Engineering Section with image of the*

part needed compared to the lowest quoted by the other bidders. LCC minutes did not reflect content of the IOM. Upon receipt of the LCC minutes on 13 July 2007, PS conducted an expedite Request for Quotation (RFQ). Should this part be bought separately based on the RFQ result, the total cost including transport would be higher than the initial price. PS found it more advantageous for the organization to maintain the order placed with the previous selected vendor, so there was no additional cost involved. Recommendation 13 remains open pending establishment of tracking mechanism to ensure implementation of the approved LCC recommendations.

D. Other procurement issues

Inadequacies in technical specifications and technical evaluation

48. Paragraph 8.2.1(3) of the PM states that technical specifications of goods being procured should essentially clarify, for potential contractors, the nature of the UN requirement, what is expected to meet them and how bids will be evaluated. However, in the following five cases, the vendor-specific and/or incomplete specifications resulted in lack of effective competition and an unsatisfactory bidding process:

(a) Procurement of resistive load banks for generators (Case No. 07/0059b)

49. The first bidding process to procure resistive load banks used to stabilize the load of generators by about 30 per cent resulted in the lowest price bid being four times higher than the estimated requisition cost of \$44,500. On re-bidding, only one bid was found technically compliant of the six bids received against the ITB issued to 30 vendors. The LCC endorsed the joint recommendations of the PS and the requisitioner in favor of a single technically qualified bid from M/s CRESTCHIC which was of \$81,204, about twice the estimated cost.

50. OIOS found that the specifications were incorrect as the capacity of resistive load bank stated in the ITB was not suitable to the generators' capacity.

51. Also, CRESTCHIC was not in the vendor database and its name was suggested by a technician during the rebidding process based on his experience in another mission. CRESTCHIC's bid was found technically compliant though the technical bid offered three sizes of resistive load banks without mentioning their suitability to the stated capacity of generators.

52. Incomplete/unclear specifications resulted in a single bid selection effectively reducing competition in the procurement process. The items were delivered late by about six months from the due date, and were not yet installed. The Engineering Section, however, noted that the items can still be used.

(b) Purchase of water tanks (Case No. 07/0044)

53. In November 2006, the Engineering Section requisitioned water tanks for installation in various UNOCI locations. The specifications were specific to M/s ORBIT from whom it procured similar water tanks and the scope of work

forwarded with the ITB to the vendors included a photograph of a tank previously supplied by this vendor.

54. M/s ORBIT's offer was accepted as being the lowest bid as the prices of other technically qualified vendors were three times higher primarily because they offered different products using different technologies.

(c) Procurement of telephone and LAN wiring services (Case No. 07/0043)

55. Vendors made quotes involving different brands and specifications with wide rate variations due to incomplete and unclear specifications in the solicitation document. This complicated the comparison of bids and only one bid was found technically compliant.

56. A review of the technical evaluation of M/s First Com, the awarded vendor and M/s Intel Afrique, a vendor graded second in the technical evaluation showed that points awarded for warranty conditions, charts for work scheduling, conformity with the standards and drawings did not flow from the documents furnished by the vendors and were subjective in favor of the former. M/s First Com secured zero points on a critical criterion of qualification and experience of key personnel in cabling work, but was still declared as the only technically compliant vendor. In response to a query from the LCC seeking reasons for grading M/s Intel Afrique as non-compliant although it did similar work for UNOCI earlier, PS cited poor performance on the previous contract, which was factually incorrect as the requisitioners had issued a certificate for job done with professional skill and to their total satisfaction.

57. This procurement action thus lacked transparency, integrity and effective competition.

(d) Supply and installation of access control system (Case No. 07/0049)

58. The requisition for an access control system for the server rooms in Daloa, Bouake and Abidjan stipulated full compatibility, interoperability and integration of the proposed system with the existing system at its HQ central server room in Abidjan installed in February 2006 by M/s Odyssey West Africa practically making it vendor-specific from the beginning of the procurement process.

59. According to the technical evaluation, equipment offered by M/s INTELEC and M/s SM SECURE was found fully compliant and also at par with the equipment offered by M/s Odyssey West Africa in respect of the industry standard, the required features and suitability. Their commercial offers were also much lower at \$57,229 and \$51,409 respectively as compared to \$110,072 offered by M/s Odyssey West Africa. However, based on compatibility and interoperability with the previously procured access control System, M/s Odyssey West Africa was awarded the second contract as well.

60. OIOS found that the scope of work in the RFP required 100 users access system and there was no mention of an alarm system. The equipment offered by

M/s Odyssey West Africa, however, provided access for 500 users and had an alarm system. This situation went unnoticed and unreported in the technical evaluation by the requisitioner, and in the PS and the LCC reviews.

(e) Fire-fighting system (Case No. 07/0025)

61. OIOS' review of commercial bids for the installation of a fire fighting system shows that the rate quoted by the awarded vendor for 'Fire Pump-Supply and Installations' was four to five times higher than the rates of other vendors. Before awarding the contract, the PS did not discuss this with the vendor to ensure that the later understood the scope of work correctly. After commencement of the contract, the contractor found that the pump was not giving the required flow and proposed a larger size. The vendor also conceded that he erroneously quoted a low price for the pump. He also raised the bill for the larger pump in excess of the price agreed to in the bidding process by nearly 13 per cent. He has not been paid the full amount due to the dispute.

Recommendation 14

(14) The UNOCI Office of Mission Support should strengthen its procedures to ensure that technical specifications are complete, clear and generic, and adopt the practice of using a technical evaluation committee for contracts to promote effective competition, transparency and integrity in the technical evaluation process.

62. *UNOCI accepted recommendation 14 and stated that the PS would provide comprehensive review of all technical specifications received and request a modification where specifications are not complete, clear and generic. The technical evaluation committee would be established for each Request for Proposal submitted.* Recommendation 14 remains open pending the receipt of documentation showing that procedures have been issued for reviewing technical specifications received for completeness, clarity and generic nature of requests, and the establishment of a technical evaluation committee for contracts.

Sole-source bidding (Case Nos. 07/0005 and 07/0067)

63. Financial Rule 105.16 read with Paragraphs 9.3.6 and 9.5.1(2) (a & b) of the PM indicate that sole sourcing can be used only when one manufacturer and source exists or when similar or generic items that meet the requirements are not available.

64. PS procured 'ID card equipment and supplies' (Case No. 07/0005) and a Fuel log system (07/0067) through sole source bidding citing compatibility with the existing equipment. PS, however, did not conduct market research to assess the compatibility of existing equipment with supplies offered by other vendors. No approval was sought from the Assistant Secretary-General, Department of Management for standardization. PS also did not negotiate the price offered by the single source as required under FR 105.16(b) nor had it sought the price paid by other missions.

65. OIOS found that before issuing the ITB to M/s E-Drive Technology, PS did not verify the fuel log's utility and operational efficiency from other missions as advised by the UN Specialist Support Service, New York which forwarded extracts of a Board of Auditors' report showing that the fuel log system in UNMIK which was supplied by the same contractor malfunctioned. The LCC also overlooked this aspect. Training and installation support from the vendor was not included in the scope of work. As a result, the fuel log system procured at the cost of \$ 178,888 as an immediate operational requirement has not been installed after its delivery on 10 September 2007.

Recommendation 15

(15) The UNOCI Office of Mission Support should develop a procurement strategy and methodologies sufficiently in advance to identify potential suppliers thereby ensuring transparency and effective competition in the procurement process.

66. *UNOCI did not accept recommendation 15 and stated that (i) the PS had requested justification from the requisitioner as to why fuel log system had to be purchased from E-Drive Technology, (ii) a memo dated 8 February 2007 explained that the CARLOG system UNOCI uses was from E-Drive Technology, (iii) the request for the Local Procurement Action to proceed with only one vendor was approved by Headquarters on 22/02/08.* OIOS believes, however, that procurement of the fuel log system from M/s E-Drive without verifying its utility after having been informed of the system's problems in another Mission was not appropriate. The system has not been installed one year after delivery. Buying equipment sole source without verifying availability of the required system in the market hindered competition. OIOS is therefore reiterating this recommendation and requesting management to reconsider its initial response.

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNOCI Office of Mission Support should assess the current membership of the Local Committee on Contracts with a view to including programme officers as members wherever possible, rather than appointing representatives of significant requisitioning sections to enhance the objectivity of the Committee's proceedings.	Governance	High	O	Submission to OIOS of documentation showing the reconstitution of the Local Committee on Contracts as per recommendation	October 2008
2	The UNOCI Office of Mission Support should reconstitute the Tender Opening Committee to exclude members who also serve on the Local Committee on Contracts thereby ensuring both the controls work independent to each other.	Governance	High	O	Submission to OIOS of documentation showing the reconstitution of the Tender Opening Committee as per recommendation	October 2008
3	The UNOCI Office of Mission Support should identify the staff members from the requisitioning offices who have direct access to procurement information and ensure that they and the alternate members and the alternate secretary of the Local Committee on Contracts file financial disclosure statements with the UN Ethics Committee.	Governance	High	O	Submission to OIOS of the list of names of staff members sent to the Ethics Office having access to the procurement information, those who have been called upon to furnish financial disclosure statement by Ethics Office and staff members who have actually furnished the financial disclosure	September 2008
4	The UNOCI Office of Mission Support should provide procurement training to all members of the Local Committee on Contracts to ensure that they have the qualifications needed to review procurement cases.	Governance	High	C	Action complete	January 2008 - June 2008
5	The Chairman of the UNOCI Local Committee on Contracts should review the Committee's procedures with regard to	Governance	Medium	O	Submission to OIOS of documentation showing the establishment of the LCC's queries tracking and record management	October 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	tracking queries and records management thereby ensuring that the minutes of all meetings and case presentations it reviewed are maintained.				procedures	
6	The Chairman of the UNOCI Local Committee on Contracts should review the Committee's procedures regarding the finalization and distribution of minutes of its meetings to ensure that they are distributed within 10 days to the Procurement Section, the Chief of Mission Support, requisitioning offices, all attending members and the Office of Internal Oversight Services.	Governance	Medium	O	Submission to OIOS of documentation showing the distribution of the LCC minutes within 10 days of the meeting to the Procurement Section, the Chief of Mission Support, requisitioning offices, all attending members and the Office of Internal Oversight Services	October 2008
7	The UNOCI Office of Mission Support should ensure that the Procurement Section complies with the provisions of the Procurement Manual which requires the submission of procurement presentations to the Local Committee on Contracts at least two full working days to the committee members to review it. Alternate members should also be given enough time to review procurement presentations.	Operational	Medium	O	Management's reconsideration of its initial response based on additional information provided in the report and action on recommendation.	Not Accepted
8	The UNOCI Office of Mission Support should: (i) designate a Vendor Database Officer; (ii) periodically update its vendor database by identifying potential suppliers through market research; and (iii) implement a vendor performance review system as set out in the Procurement Manual.	Operational	Medium	O	Submission to OIOS of documentation showing details of the updating of vendor database and the establishment of vendor performance review system	October 2008
9	The Chairman of the UNOCI Local Committee on Contracts should review the Committee's procedures with regard to completeness and the assessment of the accuracy of procurement presentations	Operational	High	O	Submission to OIOS of a copy of the revised standard operating procedures that addresses the concerns raised in the audit recommendation	September 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
10	reviewed, and ensure that the procurement contracts are awarded on the basis of effective competition. The UNOCI Office of Mission Support should conduct market research in cases where the contracts are extended beyond the originally envisaged term including the option period to establish that the prices are still competitive, and review its procedures in respect of timely case presentations to the Local Committee on Contracts/Headquarters Committee on Contracts to avoid their becoming <i>ex-post facto</i> .	Operational	Medium	O	Submission to OIOS of a listing of extensions to existing contracts during 2007-08 and details showing that market research was conducted before extension of the existing contract for OIOS' review	Not Provided
11	The UNOCI Office of Mission Support should conduct security evaluations to ensure MOSS compliance before entering into lease agreements.	Operational	High	O	Submission to OIOS of documentation showing the details of all lease property occupied by the Mission and reference showing security section reports confirming full MOSS compliance of these properties	Not Provided
12	The UNOCI Office Mission Support should assess procurement case 07/0074 to identify the staff members responsible for the irregularities and enforce accountability for lapses which led to the selection of a higher cost bidder, resulting in additional costs of \$37,477 to the United Nations.	Governance	High	O	Management's reconsideration of its initial response based on additional information provided in the report	Not accepted
13	The UNOCI Office of Mission Support should ensure that the Local Committee on Contracts' recommendations as approved by the Chief of Mission Support are implemented and establish accountability for the additional cost resulting from non-compliance with the LCC's decision.	Governance	Medium	O	Submission to OIOS of documentation showing details of the establishment of a tracking mechanism to ensure that the approved LCC recommendations are implemented	August 2008
14	The UNOCI Office of Mission Support should strengthen its procedures to ensure that technical specifications are complete,	Operational	High	O	Submission to OIOS of documentation showing that procedures have been issued for the technical review of specifications	October 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
15	<p>clear and generic, and adopt the practice of using a technical evaluation committee for contracts to promote effective competition, transparency and integrity in the technical evaluation process.</p> <p>The UNOCI Office of Mission Support should develop a procurement strategy and methodologies sufficiently in advance to identify potential suppliers thereby ensuring transparency and effective competition in the procurement process.</p>	Operational	Medium	O	<p>received for completeness clarity and generic nature of requests; and the establishment of a technical evaluation committee for contracts</p> <p>Management's reconsideration of its initial response based on additional information provided in the report and action on recommendation.</p>	Not accepted

¹ C = closed, O = open

² Date provided by UNOCI in response to recommendations