



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Requisitioning process in MINUSTAH

Requisitioners need to be better trained to ensure they perform their functions effectively

28 June 2010

Assignment No. AP2009/683/07

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. Edmund Mulet, Special Representative of the
A: Secretary-General
MINUSTAH

DATE: 28 June 2010

REFERENCE IAD: 10- **00538**

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AP2009/683/07 - Audit of requisitioning process in MINUSTAH**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close 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 in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Gilles Briere, Chief of Mission Support, MINUSTAH
Mr. Balakrishnan Amirthalingam, Chief Procurement Officer, MINUSTAH
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Seth Adza, Audit Response Team, Department of Field Support
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, 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).

CONTACT INFORMATION

DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

ACTING DEPUTY DIRECTOR:

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,
e-mail: kumarg@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +1.917.367.2792, Fax: +1.212.963.3388,
e-mail: burnse@un.org

EXECUTIVE SUMMARY

Audit of requisitioning process in MINUSTAH

OIOS conducted an audit of the requisitioning process in the United Nations Stabilization Mission in Haiti (MINUSTAH). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the requisitioning process. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Due to the devastating earthquake that hit Haiti on 12 January 2010, and the change in priorities of the Mission, some of the audit findings and recommendations shared with Management at the Exit Conference held on 2 October 2009, may not be aligned with the reality on the ground. Therefore, OIOS has only included those internal control weaknesses that are considered still relevant in light of the foreseen increase in procurement activities.

In general, OIOS identified that requisitioners need to be better trained to perform their functions effectively. Due to a lack of understanding of the process, OIOS found that:

- The best value for money principle was not adequately applied;
- Technical evaluation criteria were not properly established; and
- Unreasonable timelines were set for the procurement process.

Acquisition planning needs to be further enhanced to give a better indication of the period in which goods or services are required, and the plans more carefully reviewed to minimize erroneous submissions.

OIOS made four recommendations to address the issues identified during the audit and to improve internal controls over the requisitioning process.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the requisitioning process in the United Nations Stabilization Mission in Haiti (MINUSTAH). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The MINUSTAH Office of Mission Support provides administrative support to almost 13,000 United Nations personnel. The timeliness and effectiveness of the administrative support is largely dependent on the availability of required goods and services. Requests for procurement and deliveries to the Mission of such requirements are the responsibility of the requisitioners and the Procurement Section in MINUSTAH for local procurement, and the Procurement Division at the United Nations Headquarters (UNPD) for requirements for which procurement is centralized.

3. There were 2,623 requisitions raised from 1 July 2006 to 30 June 2009 with a total value of \$326 million. Requisitions were raised by nine cost centers, and by 36 requisitioners who are responsible, as part of the requisitioning process, for developing acquisition plans, reviewing requests for procurement, defining requirements and specifications and submitting the requisitions to the respective officers for certification. During the requisitioning process, requisitioners are also responsible for establishing evaluation criteria and the timelines when the identified need is to be fulfilled, and ensuring the availability of sufficient funds to meet the need.

II. AUDIT OBJECTIVES

4. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over the requisitioning process.

III. AUDIT SCOPE AND METHODOLOGY

5. The audit covered the fiscal years 2006/2007, 2007/2008 and 2008/2009 and focused on the management of the requisitioning process and its impact on procurement activities. When necessary, the scope also covered 2009/2010.

6. Pursuant to the emergency situation following the earthquake in Haiti, OIOS has limited its reporting to focus on critical audit findings and related recommendations that will assist the Mission in establishing stronger internal controls over future procurement activities.

7. The audit methodology comprised a review of relevant records and documents, including the minutes of the Local Committee on Contracts (LCC), interview of key staff and analysis of data.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Compliance with UN policies and procedures

Best value for money principle not adequately applied during requisitioning

8. Section 8.4 of the United Nations Procurement Manual (the Manual) states that requisitioners shall apply the best value for money (BVM) principle when performing their responsibilities during the requisition process, including the establishment of specifications/requirements for goods and services, evaluation criteria and delivery dates. The Manual also requires that requisitioners shall apply the BVM principle when assessing market conditions and risk factors related to individual cases. The requisitioner should work closely with the Procurement Section to assess these market conditions and risk factors.

9. The audit noted that requisitioners had indicated on the technical evaluation form that BVM has been applied. However, a review of 30 requisitions found no evidence that the BVM principle was applied in establishing specifications of goods and services and evaluation criteria. For example, in the requisition of radio spots (No. 9PIO-18), three of 10 vendors responded and only one vendor was found technically acceptable. LCC meeting no. 22/2009 noted there was no basis of comparison as only one proposal was accepted. The Requisitioner did not work with the Procurement Section in the planning process to assess market conditions and risk factors, with the view to increasing potential vendors' response to the bidding exercise. This reduces the ability of the Mission to take advantage of any BVM and/or economies of scale opportunities increasing the risk of inefficiencies.

10. In another case, OIOS found that during the procurement of special flooring for computer disaster recovery centers (LCC Minutes No. 22/2009), attempt by requisitioners to get the most cost effective proposal led to the development of an all inclusive requisition/bid. There were four bid exercises for this requisition, which had to be amended to better reflect the needs of the Mission, as new information was received with each exercise. In applying the BVM option, the Mission considered the need to manufacture the special floors internally, but there was no cost benefit analysis for the two options: procuring the flooring or manufacturing the floors internally.

11. The LCC on several occasions expressed a need for training of requisitioners in the application of BVM. Until training is provided, in OIOS' view, mission-specific standard operating procedures to guide and direct staff in the proper application of the BVM principle would assist in improving the process.

Technical research and market surveys were not always done in accordance with the Manual

12. Paragraph 8.2.4 of the Manual provides guidelines for market survey and technical research. The requisitioner, before developing new specifications and before soliciting new products with which the United Nations is not familiar, should conduct technical research, and a market survey. This is a critical component of the requisitioning process, particularly in the preparation of requisitions relating to new products, and also to ascertain BVM opportunities.

13. From the sample of cases reviewed, the audit found four cases where the products were new, but the required technical research and market survey were not carried out. These cases included: services for the provision of radio and TV airtime spots (9PIO-18), portable mats for boat ramps (9ENG-261), consulting services for boat ramp design (9ENG-28) and trailer-mounted fire extinguisher (9SUP-37), for which only technical research was carried out.

14. MINUSTAH was of the opinion that they were conducting sufficient market research or Expression of Interest as required by the Manual. Management informed OIOS that the cases mentioned above, while they are new commodities, are specific for the Mission environment. The limited vendor market coupled with security restrictions within which vendors operate result in the sourcing limitations.

15. OIOS appreciates the difficult working environment in MINUSTAH, however, OIOS would highlight that failure to carry out technical research and market surveys may result in not optimizing or achieving the BVM principle and subsequently in waste of resources.

Acquisition planning process could be further enhanced

16. The Manual stipulates that the procurement plan should contain a delivery date or expected quarter when products are required to be delivered or when services are required to commence.

17. OIOS' review of the 2008-2009 acquisition plans found that timelines were too broad to ensure goods and services are received when required. For example, the Engineering Section's acquisition plan required the delivery of most items between the "first to fourth quarters". Whereas this may be relevant for services, for specific goods such as construction materials they are normally needed during a specific time period to ensure the project can be implemented as planned.

18. OIOS noted requisitioners and certifying officers did not adequately review and approve acquisition plans prior to submission to UNHQ. For the 2009/2010 plan, OIOS found duplications, errors and omissions in the plan. For example, the General Services Section's acquisition plan was submitted without an estimated value, the Supply Section's acquisition plan contained an error of \$36,000 under the line for fuel tanks and pumps, and the line for Fuel Unit's spare parts and supplies amounting to \$344,655 was omitted. According to the

requisitioners, the errors and omissions would be corrected during the first revision of the acquisition plan.

19. Numerous revisions to requisitions (11 out of the 30 sampled) were needed arising from revision of specifications/descriptions of items, as well as revisions done in order to add funds based on the result of multiple bidding exercises for the same product or service.

20. Frequent revision of specifications pointed to the need for training in developing specifications in accordance with the Manual. The audit noted that training of requisitioners took place in April 2008, and in addition, some requisitioners participated in June 2009 training which was focused on the responsibilities of the LCC. OIOS is of the view, however, that requisitioners could further benefit from a customized training to ensure full compliance with the Manual.

Inadequate lead time resulted in late delivery

21. Paragraph 8.2.2 and Annex D20 of the Manual provide guidelines for establishing lead times for procurement activities. From the sample selected for audit testing, OIOS identified significant delays of between 40 and over 400 days from the date requested by the requisitioner to the purchase order date. This resulted from inadequate lead times provided by the requisitioners.

22. According to the requisitioners, the requisition due date is determined based on their work plans and requirements for the respective Sections/Units, but the purchase order delivery date is based on the results of the competitive bidding in which the selected vendor's delivery time has to be specified. In OIOS' opinion, given the disparity in some cases, from 40 to 400 days, between the required due date and purchase order date, there is a need for requisitioners to reassess the lead times necessary to achieve more timely delivery of goods and services to be able to implement the work plan.

Technical evaluation criteria not effectively established

23. Based on the review of LCC minutes, OIOS noted a number of recurring cases where requisitioners failed to establish proper technical evaluation criteria impeding the evaluation of offers received, thus delaying the procurement process. There were also instances where aspects of the commercial evaluation were done as part of the technical evaluation demonstrating the lack of clarity of roles. The following are some of the control weaknesses identified:

- LCC meeting No. 41/2008 recommended the award for construction of perimeter masonry wall at Camp Charlie, subject to approval by HCC. When the Committee enquired whether guarantees on materials and manpower had been considered in the technical evaluation, the requisitioner stated that his team did not possess the requisite knowledge for assessing these aspects and was of the opinion that most of the criteria were subject to personal interpretation. The LCC recommended that future technical evaluations adopt a more simplified approach and contain clear key references to understanding the grading process.

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- A similar issue was also raised in LCC Meeting No 20/2009, where the Chief Engineer expressed concern that there was lack of clarity as to what is required when submitting technical evaluation criteria, and that further guidance is required.
 - LCC meeting No. 41/2008 recommended the award for provision of garbage removal services, but noted that BVM was used for only 20 sites and low cost principle for the remainder (43). Therefore the technical evaluation was not done in a consistent manner. The Legal Advisor stated that BVM should have been consistently applied.
 - LCC Meeting No 08/2009 recommended the award for the supply of square structural tubing steel. The Committee noted that the technical evaluation, based on criteria established had included some aspects of commercial evaluation such as delivery time and reminded the Requisitioner that commercial evaluation was the sole responsibility of the Procurement Section.

Recommendations 1 to 4

The MINUSTAH Office of Mission Support should:

- (1) Assess the training needs of requisitioners and develop and implement a training plan to address their needs;**
- (2) Ensure requisitioners are applying the best value for money principle in the procurement of goods and services, and provide them with the required skills and relevant guidelines to effectively apply best value for money principle;**
- (3) Ensure that requisitioners establish timelines for the procurement process in accordance with the United Nations Procurement Manual, and communicate early with procurement officers to develop the specifications of each requirement and to set realistic delivery due dates for each requisition; and**
- (4) Ensure that requisitioners establish simplified technical evaluation criteria that contain clear legends and well defined matrix and ratings.**

24. *The MINUSTAH Office of Mission Support accepted recommendation 1 and stated that the Mission will, by 31 December 2010, address the requirement to UNPD for training requisitioners to improve on the necessary skills, especially in applying the BVM and technical evaluation mechanisms. Recommendation 1 remains open pending confirmation that requisitioners have received the necessary training to carry out their functions effectively.*

25. *The MINUSTAH Office of Mission Support accepted recommendation 2 and stated that the guidelines for implementation of BVM principle is widely elaborated in the Manual thus the Mission does not feel it necessary to establish a new mechanism for BVM. The practical application of BVM principle from the stage of specifications writing to specifically applying in the Mission environment is challenging. The requisitioners should be provided in-depth training allowing them to practice practical cases. The Mission has no expertise or resources to conduct such workshops and by 31 December 2010, UNPD will be requested to conduct workshops for MINUSTAH requisitioners. Recommendation 2 remains open pending confirmation that requisitioners have been given the necessary training to improve the effectiveness of the procurement process and in applying BVM.*

26. *The MINUSTAH Office of Mission Support accepted recommendation 3 and stated that even though it is vital to establish timelines for each requirement, it is most often difficult to set a realistic delivery due date. Requisition delivery due dates are system generated but the system also allows the requisitioners to insert the requested delivery date. The Mission administration will, by 31 December 2010, remind all requisitioners to establish timelines as in the Manual. Recommendation 3 remains open pending verification that timelines are being established in accordance with those recommended in the Manual.*

27. *The MINUSTAH Office of Mission Support accepted recommendation 4 and stated that this process is being complied with by some sections. The Mission will, by 31 December 2010, address the requirement to UNPD for training requisitioners to ensure full compliance. Recommendation 4 remains open pending verification that adequate and measurable technical criteria are established to evaluate offers received.*

V. ACKNOWLEDGEMENT

28. We wish to express our appreciation to the Management and staff of MINUSTAH 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 MINUSTAH Office of Mission Support should assess the training needs of requisitioners and develop and implement a training plan to address their needs.	Human Resources	Medium	O	Confirmation that requisitioners have received the necessary training to carry out their functions effectively.	31 December 2010
2	The MINUSTAH Office of Mission should ensure requisitioners are applying the best value for money principle in the procurement of goods and services, and provide them with the required skills and relevant guidelines to effectively apply best value for money principle.	Compliance	Medium	O	Confirmation that requisitioners have been given the necessary training to improve the effectiveness of the procurement process and in applying BVM.	31 December 2010
3	The MINUSTAH Office of Mission Support should ensure that requisitioners establish timelines for the procurement process in accordance with the United Nations Procurement Manual, and communicate early with procurement officers to develop the specifications of each requirement and to set realistic delivery due dates for each requisition.	Compliance	Medium	O	Verification that timelines are established in accordance with those recommended in the Manual.	31 December 2010
4	The MINUSTAH Office of Mission Support should ensure that requisitioners establish simplified technical evaluation criteria that contain clear legends and well defined matrix and ratings.	Compliance	Medium	O	Verification that adequate and measurable technical criteria are established to evaluate offers received.	31 December 2010

¹ C = closed, O = open

² Date provided by MINUSTAH in response to recommendations.

ANNEX 2

*Use this page if the orientation of Annex 2 is portrait. If the orientation is landscape, insert a section break at the end of Annex 1 and continue on the new page. (On the **Insert** menu, point to **Break**, select **Next page** under **Section break types**.) Leave the page blank if not required; do not delete it.*