

United Nations  Nations Unies  
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I  
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Daudi L. Mwakawago  
A: Special Representative of the Secretary-General  
UNAMSIL

DATE: 5 January 2005

REFERENCE: AUD-7-5:53 (000/04)

  
FROM: Patricia Azarias, Director  
DE: Internal Audit Division I, OIOS

SUBJECT:

OBJET: **OIOS Audit No. AP2004/622/09: Engineering Infrastructure Works in UNAMSIL**

1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted during July to September 2004. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

2. We note from your response to the draft report that United Nations Mission in Sierra Leone (UNAMSIL) has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23 and 24 in the OIOS recommendation database. In order for us to close out the remaining recommendations – recommendations 1, 2, and 15, we request that you provide us with additional information as indicated in the text of the report and a time schedule for implementing each of the recommendations. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status.

3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

4. I take this opportunity to thank the management and staff of UNAMSIL for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations  
Ms. Hazel Scott, Director, ASD/DPKO  
Ms. Laura Londen, OIC, Division of Administration, UNAMSIL  
UN Board of Auditors  
Programme Officer, OIOS  
Elias Kedir, OIC, Resident Auditor's Office, UNAMSIL

# Office of Internal Oversight Services

## Internal Audit Division I



### Audit of Engineering Infrastructure Works in UNAMSIL

---

**Audit no:** AP2004/622/09  
**Report date:** 5 January 2005  
**Audit team:** Tilchand Acharya, Auditor-in-Charge  
Irene Gichinga, Auditor

## **EXECUTIVE SUMMARY**

### **Audit of Engineering infrastructure works in UNAMSIL**

OIOS conducted an audit of Engineering infrastructure works in UNAMSIL during the period July to September 2004. The main objectives of the audit were to: (i) assess the efficiency and effectiveness of the activities of the Engineering Section; (ii) determine if the work order process was adequate and efficient; and (iii) ensure that a proper internal control structure is in place; and (iv) determine compliance with applicable UN Regulations and Rules. The audit covered the period 1 July 2003 to 30 June 2004 and focused on the functions performed by the various Units in the Section.

During the financial year ended 30 June 2004, total expenditure for the Section was \$5,702,340 against an allotment of \$5,904,600. Engineering assets worth \$3,373,448 were held in stock as at 30 June 2004. Non-expendable property in the Section's custody amounted to \$19,988,931 accounting for 28% of total Mission assets. The authorized staff strength of the Section totaled 129 posts with 14 international staff, 100 National staff and 15 UN volunteers (UNVs).

OIOS found that there were no documented policies and procedures for the Engineering Section's activities, which could diminish the Section's efficiency. For all 18 projects selectively reviewed, OIOS found that project cost estimates were never compared to actual materials used. There was also no procedure to account for materials that may have been issued in excess of project requirements. Projects were not always adequately monitored and evaluated and OIOS is of the opinion that since these expenditures represent a significant part of UNAMSIL's budget, they should be monitored on an ongoing basis. OIOS identified the need to improve the work order process by way of prioritizing the requisitions and ensuring that materials issued against the requests are properly accounted for. The warehousing activities should be made more efficient through the implementation of an appropriate inventory management system and through periodic inventory counts to ensure proper management of the Section's inventory which as at 30 June 2004 stood at approximately \$3.4 million.

As the Mission nears its draw down, an asset disposal plan needs to be put into place and any acquisition of engineering assets has to take into account the existing inventories at engineering warehouses and must be aligned to the imminent drawdown. Engineering equipment need to be regularly maintained and related maintenance schedules kept up to date. As UNAMSIL's operations are reduced, the Section should put a plan in place to ensure optimization of the occupancy of the leased premises. The audit also identified a need to improve the support functions in record keeping to establish an appropriate audit trail.

## TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-6
II. AUDIT OBJECTIVES	7
III. AUDIT SCOPE AND METHODOLOGY	8-9
IV. OVERALL ASSESSMENT	10
V. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Policies and procedures	11-14
B. Work requisition process	15-34
C. Engineering assets and leased premises	35-47
D. Warehousing	48-63
E. Preventive maintenance	64-68
F. Support function	69-78
VI. ACKNOWLEDGEMENT	79

## I. INTRODUCTION

1. OIOS conducted an audit of Engineering infrastructure works in UNAMSIL during the period July to September 2004. The audit was conducted in accordance with the standards for the professional practice of auditing in United Nations organizations.
2. The Engineering Section provides support to UNAMSIL in the following key areas: (a) Construction, maintenance and repair of all UNAMSIL facilities; (b) Water production, storage, treatment and distribution; (c) Real estate management; (d) Camp management; (e) Power generation and distribution; (f) Logistics support; and (g) Environmental support.
3. Activities of the Section are supported by: (1) the Materials and Management Unit which manages and administers all expendable and non expendable assets in the custody of the Section which were worth about \$3.4 million as at 30 June 2004; (2) the Construction and Maintenance Unit is vested with the responsibility of construction of all new projects and maintenance of existing structures and facilities; and (3) the Electrical Unit is in charge of generators, air conditioners and all electrical equipment.
4. The status of allotments for the Engineering Section as at 30 June 2004 is shown in Table 1 below:

**Table 1: Status of Allotments as at 30 June 2004**

	<b>Amount (\$)</b>
Allotments	5,904,600
Pre-encumbrances	0
Outstanding obligations	2,006,304
Total Disbursement	3,696,036
Total Commitment	5,702,340
Unencumbered balance	202,260

5. The authorized staffing strength of the Section consisted of 14 international staff, 100 National staff and 15 UNVs. In addition, the Section employed an average of 100 individual contractors per month.
6. The comments made by the Management of UNAMSIL on the draft report have been included in the report as appropriate and are shown in italics.

## II. AUDIT OBJECTIVES

7. The objectives of the audit were to:
  - (a) Assess whether the Engineering Section activities were being performed efficiently and effectively;
  - (b) Determine if the work order process was adequate and efficient;
  - (c) Ensure that a proper internal control structure is in place; and

- (d) Determine compliance with applicable UN Regulations and Rules.

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

8. The audit covered the period from 1 July 2003 to 30 June 2004. However, to obtain further audit evidence, some cases called for sampling outside the stated period range.

9. The review focused on the functions performed by the Engineering Section's units. OIOS reviewed projects undertaken internally and those outsourced to contractors, and also assessed the delivery of property management functions in a sample of the premises occupied. Audit evidence was gathered through review of documentation, discussions with relevant personnel, and detailed testing of sampled transactions.

### **IV. OVERALL ASSESSMENT**

10. OIOS found that the activities of the Engineering Section were generally being carried out in an effective and efficient manner and in compliance with established procedures. However, the internal control structure needs to be strengthened in the work requisition process, warehousing activities, inventory management, record keeping and equipment maintenance routines. The Mission also needs to formulate an asset disposal plan as it nears the drawdown phase.

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

#### **A. Policies and procedures**

11. Policies and procedures serve to assure that instructions are clearly defined, duties and responsibilities are duly communicated to employees, and processes are performed consistently. They also assist in communicating the Section's critical objectives and activities. These, if well documented, also serve to train new staff as well as those on temporary appointments.

12. The Procedures Manual for peacekeeping missions is still in draft form and has not been updated since 1997. There also exists a draft Engineering Support Manual. In addition, the Section has developed and documented procedures on Material Management and on Cash Advances for direct purchases. OIOS, however, found that these procedures were very general in nature with very few specifics. There was also no documentation setting out work flow procedures for all other activities of the Section. OIOS was informed that more specific policies and procedures were being prepared by the Section's unit heads.

13. In order to enhance its efficiency and effectiveness, it is important that the Procedures Manual is updated and the Section establishes formal written procedures and desk instructions for all its activities, including:

- (1) Written steps on processing Engineering works requisitions
- (2) Written guidelines on requisition prioritization

- (3) Procedures on project cost estimates and comparisons with actual costs
- (4) The internal procedures by the Section on on-going projects monitoring
- (5) Receiving and issuing materials procedures
- (6) Property management policies and procedures
- (7) Contractor performance monitoring procedures

### **Recommendations 1 and 2**

OIOS recommends that UNAMSIL's Engineering Section:

- (i) Establish procedures and desk instructions for all its operations and activities without further delay (AP2004/622/09/001); and
- (ii) Inform the Department of Peacekeeping Operations on the need to update the Procedures Manual on policies for engineering services (AP2004/622/09/002).

14. *UNAMSIL accepted recommendations 1 and 2 and stated that they will be implemented by 30 January 2005.* Both these recommendations will remain open in OIOS' database until the Mission provides documentation to show that they have been implemented.

### **B. Work requisition process**

#### Prioritizing and tracking requisitions

15. Engineering work requests are received from requisitioners using Engineering Requisition forms which are not pre-numbered. These requests are immediately assigned a work order reference which has an orientation to the Unit that shall carry out the task on hand. This reference then becomes the work requisition tracking number and a project. The work orders are then sent to the Chief of the Engineering Section for approval after which they are reverted to the respective Units for action. The Unit supervisors then make an estimate of materials required for the project and immediately raise a store issue voucher using which they draw materials from the stores. After approval by the Section Chief, the issue vouchers are then forwarded to the Materials Management Unit who authorizes the issue of the materials requested.

16. Although the Engineering work requisition form has a slot for requisitioners to prioritize their work requests, there is no provision on the form for the Engineering Section to do their own prioritizing. There was no indication that the requests were being prioritized by the Section, which may lead to undue delay of urgent tasks and also may lead to inefficient use of available staffing and other resources.

17. Tracking the requests is also a difficult task given that the requisition forms are not pre-numbered. Moreover, in the absence of a log of received requests, it gets increasingly difficult to trace progress of each requisition. To provide prompt and reliable information to requesting Sections, the Engineering Section should modify the Engineering works requisition form to be

pre-numbered and to include a caption where the Sections requesting service will sign off upon satisfactory receipt of service after which the Engineering Section's Unit heads should ensure all work orders are closed off as completed.

18. The audit identified the need to improve the work order process to ensure that the activities of the Section continue to meet user requirements and demands as well as to enhance efficiency at various phases of the project or work order. Principally these opportunities relate to the need to enhance the level of planning to prioritize the requests and to manage the available resources.

19. In OIOS' opinion, as work practices become more dependent on information technology, it would be worthwhile for UNAMSIL to develop and implement an Intranet based system which will enable tracking of requests' progress to completion. This system should define the scope of the work to be performed, show technicians assigned on job and indicate target completion dates. It should also provide users with precise explanations of each project's status. This would result in ensuring stronger focus on project management with better information being provided to requesting sections.

### **Recommendations 3, 4 and 5**

OIOS recommends that UNAMSIL's Engineering Section:

- (i) In collaboration with the client Sections, establish a system of prioritizing requisitions received so as to enhance service delivery and optimize the utilization of its available resources (AP2004/622/09/003);
- (ii) Modify the Engineering work requisition forms to be pre-numbered and also to include a caption for requisitioners to indicate whether satisfactory service was received (AP2004/622/09/004); and
- (iii) Consider posting the work requisition process on the UN Intranet and directly monitoring the work status by service requisitioners (AP2004/622/09/005).

20. *UNAMSIL Management accepted recommendations 3, 4 and 5 and explained that the Engineering Section prioritizes the work orders simultaneously with the work approvals classifying them into four levels of priority according to urgency or importance of the requirement. With regard to pre-numbering the work requisition forms, the Management clarified that the work orders are given sequential identifiers upon their receipt. Furthermore, the Management informed OIOS that the posting of work requisition process in the UN Intranet has already begun and that its completion would be subject to availability of staff given the Mission's imminent drawdown. Based on the explanations provided by UNAMSIL, OIOS has closed recommendations 3, 4 and 5.*



Project costs: Materials

21. Sound project management practices call for proper planning of the project which normally includes an estimation of project costs in terms of materials to be used. Although not practicable for all projects, the Engineering Section endeavors to make such estimates especially for large construction projects.

22. OIOS requested a summary of total material costs for the period under review but the Section could not provide the information because the current system did not provide costing of the materials issued to the various projects. The stores issue vouchers were normally recorded line by line and hence it was not even practicable to value all materials issued during the period. It was also not feasible to obtain costs by any category as the system does not have capability to generate this information.

23. OIOS sampled 18 projects for review and requested evidence that cost estimates had been made for these projects and that these estimates had been reviewed against the actual costs. In most of the cases selected including construction projects, there was no evidence that project cost estimates had been prepared before commencing the project. Even for the four projects where bills of quantities were available, there was no evidence that they had been reviewed by a responsible official. Notably, the materials estimates prepared by the supervisors were found to be the same as those that were actually issued in all cases. In no instance was there evidence that the initial estimates had been revised. In all cases, there was no evidence that estimated costs were reviewed against actual costs. Also, there is no procedure in place for returning or accounting for materials that may have been issued in excess of requirements. This increases the risk of abuse and pilferage.

24. OIOS identified an Engineering work requisition dated 29 April 2004 whose request was "provision of materials for MILOBs' accommodation at various locations sector East". Following this, materials were issued from the Wellington store to the Kenema stores as follows:

**Table 2: Internal Distribution of Materials from Kenema**

<b>Items</b>	<b>Issued to Kenema Stores</b>	<b>Issued out of Kenema Stores</b>	<b>Balance in Kenema Stores</b>	<b>Unit Value</b>	<b>Total Value</b>
				<b>\$</b>	<b>\$</b>
Concetina Wire (rolls)	59	14	45	16.40	738
Long Pickets (Mts)	305	62	243	1.7	413.10
Empty sand bags (bags)	720	30	690	.01	6.90
<b>Total</b>					<b>1,158</b>

25. OIOS was informed that the extra items were still held in Kenema sub-stores. However, there is no procedure to account for materials issued to sub-stores and no records were available of actual inventories held at the various sub-stores. In addition, OIOS noted that there are no

procedures to determine whether all materials issued for a given project were fully utilized for the project, and there are controls to ensure that excess (unused) material is returned to stock. This increases the risk of pilferage.

### **Recommendations 6 through 9**

OIOS recommends that the UNAMSIL Engineering Section:

- (i) Establish a system of costing materials used on major projects and performing variance analysis of the estimated materials costs and the actual costs (AP2004/622/09/006);
- (ii) Perform variance analysis of materials' estimates and their actual usage for all projects (AP2004/622/09/007);
- (iii) Establish appropriate procedures to ensure that excess materials issued to the sub stores and individual projects are returned to stock (AP2004/622/09/008); and
- (iv) Take steps to secure custody of unused items in Kenema stores with a view to either returning them into the stores with an appropriate adjustment of inventory records or identifying an alternative user for them (AP2004/622/09/009).

26. *UNAMSIL accepted recommendations 6, 7, and 8. With regard to recommendation 9, the Mission explained that returning the unused items to Freetown is not a cost effective solution given the transport cost and the likelihood that the same items may be needed for another job in the same area.* Based on UNAMSIL's response, OIOS has closed recommendations 6, 7, 8 and 9 in its database.

### Weekly Status Reports

27. The Weekly Status Report is the primary source of information regarding the status of on-going projects. Project supervisors provide information on the status of each project which is used to update the status report. In its present form, the status report includes the work order reference, the Unit responsible, the date of award, date of completion and status of completion.

28. OIOS found that the weekly status report is not always promptly updated. Furthermore, there is no evidence that the weekly status report is reviewed by a responsible official for completeness and accuracy of its details. For instance, Engineering work requisition dated 07/01/03 was assigned work order reference 032/EL/MT/36. This was a reminder following three other requisitions made before and assigned work orders 032/EL/MT/32, 032/EL/MT/33 and 032/EL/MT/34. Whereas 032/EL/MT/32 was not in the work order database, the other two were and their status was indicated as complete in the weekly status report – obviously a situation which casts doubt on the correctness of the status report in view of the reminders received subsequently.

29. The weekly status report should be improved in content and form to include comprehensive description of the services to be delivered, changes in the project timelines, reasons for any delays, cost overruns, change orders, percentage of completion, etc. Such enhancement will allow better planning, scheduling and monitoring by interested parties in the individual projects. It should also be reviewed regularly for correctness of details.

#### **Recommendation 10**

OIOS recommends that the UNAMSIL Engineering Section enhance the current weekly project status report and review it regularly so that it is up to date (AP2004/622/09/010).

30. *UNAMSIL accepted recommendation 10 and stated that the Engineering Section will include in the status report information about the expected start and completion dates, costing section for the major projects, and explanation for the changes or delays in the execution of work orders.* Recommendation 10 will remain open until UNAMSIL provides a copy of the enhanced weekly project status report.

#### Project Monitoring and Evaluation

31. In the period under review, a total of 3,384 projects were undertaken by the Section. For all 18 projects sampled by OIOS, the audit identified that there is no formal process of measuring, monitoring and reporting on the performance of the various Section's Units and that the Units are never given target completion dates and there is no evidence of project signoff after completion.

32. OIOS noted that although weekly staff meetings are held to give updates on ongoing projects, there was no evidence of formal business planning and service delivery documentation which charts out the way forward for the section. A formal strategy on how to develop and report on measurable milestones to ensure that projects are implemented and accomplished within reasonable time needs to be established. OIOS was informed that the results-based performance management system is expected to monitor the Section's outputs and performance.

33. Engineering infrastructure works activities generally represent a significant component of the Mission's operating budget. During the period ended 30 June 2004, total expenditure for the section was \$5.7 million. OIOS is of the opinion that ongoing projects need to be monitored and evaluated regularly both to ensure reasonableness of project costs and also to ensure that the projects are effectively meeting user requirements. Given the differences identified in the audit between current work order processing and best practices benchmarks as proposed, there are considerable opportunities for savings through such monitoring.

#### **Recommendation 11**

OIOS recommends that the UNAMSIL Engineering Section adopt more formal and structured processes to monitor and

manage the performance of the Section's Units for ensuring that the required services are delivered at an acceptable standard and in a timely manner (AP2004/622/09/011).

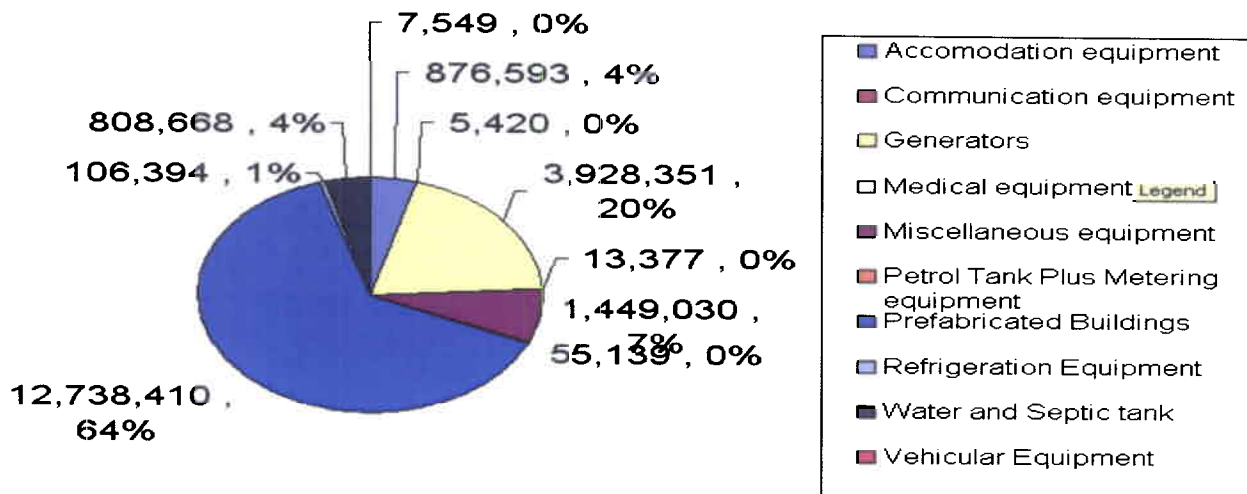
34. UNAMSIL Administration explained that a process is already in place to provide monitoring of work orders' progress and the units' performance of the services. Based on the Mission's response, OIOS has closed recommendation 11.

### C. Engineering assets and leased premises

#### Asset disposal plan

35. As at 30 June 2004, Engineering Section had non-expendable assets in use valued at \$19 million, broken down as follows:

#### Engineering Non expendable equipment



36. As the Mission nears its draw down, an asset disposal plan needs to be put into place. In accordance with the guidelines endorsed by the General Assembly in its resolution 49/233 of 1994, assets are classified into four categories namely: (I) Equipment that will be redeployed to other missions or placed in reserve to form start up kits for use by future missions (II) equipment that may be useful to other UN agencies, or non-governmental organizations and may be sold to such agencies of organizations at depreciated value (III) unneeded equipment as described in I and II above will be disposed off within the country by commercial means and (IV) any surplus assets after disposition using above three categories will be contributed free of charge to its duly recognized Government.

37. Engineering Section participates in the preparation of the acquisition plan to align the procurement of Engineering assets with the imminent Mission drawdown. As at 30 June 2004, Engineering Section had expendable and non-expendable inventory items which totaled \$3.4 million. In view of the imminent Mission drawdown, these inventories should be reduced

gradually to avoid having excessive stocks at the time of the mission liquidation. This reduction can best be achieved if there are adequate mechanisms in place to control the inventory by way of a reliable inventory system and proper procedures on ordering and issuing of items.

38. Expendable inventories are continually being consumed and replenished. As shown in Table 4, the inventory records revealed the following items which were slow moving and which appeared to be surplus to the Mission's requirements:

**Table 4: Slow-moving expendable items**

	Item code	Description	Quantity	Value \$
1	1.082	Wood primer	105	1,155
2	1.151	Portable toilet units	28	2,240
3	5.6	Contactors	145	12,406
4	5.526	Cable joint Kit (Splicing kit)	40	2,443
5	5.0122.2	Distribution panel type B2	10	4,127
6	P553191	Oil Filter	600	3,600
7	L-2020F- 10mkn	Raco Filter	1520	18,240

39. At the Hastings Logistics defence store, OIOS identified 17 sea containers which were filled with election papers. On site were several other empty containers which were in the custody of the Supply Section. An appropriate plan should be devised to ensure appropriate disposal of the sea containers and their contents as well as the empty containers. Also at the same location, two containers contained written off tent equipment which was said to be in good working condition but which was in excess of the Mission's requirements. In view of the low utility value of the said items and since these have already been written off, UNAMSIL should identify an appropriate disposal method for them.

#### **Recommendation 12**

OIOS recommends that the UNAMSIL Engineering Section carry out a comprehensive review of its assets on hand in order to account for them and to assess their condition for timely and appropriate disposal (AP2004/622/09/012).

40. *UNAMSIL accepted recommendation 12 and clarified that the Engineering Section has completed its preliminary asset disposal plan and submitted it to DPKO for approval. Based on the action taken by the Mission, OIOS has closed this recommendation.*

### Assets transferred from other missions

41. In accordance with the General Assembly resolution 49/233 A of 23 December 1994, any equipment in good condition that conforms to established standards should be redeployed to other United Nations missions. Before such transfers, however, it is necessary to establish that the recipient mission needs the equipment, and that the transfer is economically viable.

42. OIOS identified almost \$110,000 worth of equipment received from other missions and still on hand that could not be used because they were obsolete, not compatible or not required by UNAMSIL, as shown in Table 5 below. There was no evidence that UNAMSIL complied with the resolution in accepting the transfer of these equipment from other missions. OIOS was however informed that the Mission sometimes has no control over assets transferred from other missions.

**Table 5: Obsolete or incompatible equipment received from other missions**

	Source Mission	Description	Value \$	Remarks
1	Lebanon	Various electrical items	10,445	Very slow moving
2	Yugoslavia	Water Purifiers	99,736	Incomplete units

### **Recommendation 13**

OIOS recommends that before acceptance of any assets from other Missions, the UNAMSIL Administration make an assessment of its requirement for the assets, and determine the cost effectiveness and usefulness of such assets taking into consideration their condition, depreciated values and shipment costs (AP2004/622/09/013).

43. *UNAMSIL considered this recommendation as not applicable and stated that the Engineering Section has long become self-sufficient in terms of procuring the materials and assets it needs, and that as the Mission is in a drawdown phase, no further instances are expected.* While OIOS agrees with the explanation, the acceptance of any assets from other missions in principle should be based on an assessment of its requirement. Based on the Mission's response, OIOS has closed recommendation 13.

### Leased premises

44. UNAMSIL's staff is accommodated in various leased premises all over Sierra Leone. As the Mission nears its drawdown, some of the space occupied may be in excess of requirements due to troop repatriations and the consequent reduction of space requirements for support services. There is, therefore, the need to continuously review space occupancy at the various leased premises to relinquish any excess space in a timely manner.

45. The following table shows the various premises under lease:

**Table 6: Rentals on leased premises**

Premises	Monthly rental (\$)
Mammy Yoko Hotel (Mission HQ)	82,000
Lumley Warehouse	5,000
SRSG's residence	5,000
Team site, Bo	375
Office in Conakry	210
Sector HQ Port Loko	1,400
Milobs office-Kabala	420
Team site- Pujehun	200
Team site - Kailahun	383
Team site-Kamakwei	350

46. In particular, the Sector Headquarters at Port Loko with a monthly rental of \$1,400 and whose contract shall terminate on 30 June 2005 needs to be assessed to establish whether the occupancy is still justified. The Engineering Section should draw a plan to address the issue of possible underutilization of leased premises.

#### **Recommendation 14**

OIOS recommends that the UNAMSIL Engineering Section continually review leased premises to ensure optimal utilization of total space (AP2004/622/09/014).

47. *UNAMSIL stated that recommendation 14 had already been implemented.* OIOS is convinced with the explanation provided and has closed recommendation 14 in its database.

#### **D. Warehousing**

48. As part of the audit, OIOS visited the Hastings and Wellington warehouses. It was found that the inventory items and their records were maintained satisfactorily. OIOS was able to locate most of the selected items with the help of the stores foremen who were familiar with the physical location of the items.

##### Inventory counts

49. Periodic physical inventory counts are normally an important internal control over stocks. OIOS was informed that regular inventory counts were done in the various warehouses. However, the physical count sheets used were not made available for all the warehouses. OIOS was only provided with a discrepancy report which lacked in substance as it simply stated the actual differences without referring to actual quantities counted against the stock records. In the absence of the count sheets, the report could not be relied on.

50. Furthermore, there was no report on how the discrepancies were explained and resolved. OIOS counted a sample of 28 items and obtained the following anomalies in some of the counted items.

**Table 7: Discrepancies in the physical count of inventories**

	Location	Item code	Item description	Quantity per records	Physical quantity	Variance	Comment
1	Hastings	3802289	105 KVA Cummins Turbo charger	1	2	(1.00)	Variance not explained
2	Hastings	2643U609	75 KVA Perkins-FG Injection pump	3	2	1.00	Variance not explained
3	Hastings	15521-02310	15 KVA Kubota -Piston	24	12	12.00	Variance not explained
4	Hastings	1750-11430	7 KVA Lister Petter Lever kit	5			Not able to verify it as specific bin location was not indicated.

51. At the generators workshop the specific bin locations of 50 per cent of generator spare parts were not indicated on the records making it difficult to locate them as shown below:

**Table 8: Generators without their bin locations**

	Description	Total Value \$	Value of items without specific bin locations \$
1	Volvo	532,936	464,597
2	75 KVA Perkins-FG Wilson	36,231	8,636
3	50- KVA Perkins-FG Wilson	13,463	6,238
4	40- KVA Perkins-FG Wilson	12,135	12,135
5	36- KVA Perkins Mason	76,627	5,711
6	20 & 15 - KVA Perkins	125,050	762
7	15 KVA Kubota	23,657	13,840
8	7 KVA Lister Petter	68,257	16,085
9	6 KVA Perkins	13,555	744
10	Caterpillar	26,088	-
11	Cummins	30,632	-
12	160 KVA Perkins/Mason	31,794	-
13	100 KVA Perkins /FG Wilson	23,102	-
14	3.9 KVA Yamaha	8,275	
15	60 KVA Perkins/FG Wilson	13,465	
16	100 Komatsu /Denyo	22,104	
	<b>Total</b>	<b>1,057,371</b>	<b>528,748</b>



52. The absence of bin locations of inventory items in stock increases the risk of their pilferage. It is important for the Materials Management Unit to ensure that variances obtained are resolved and appropriate bin locations for these items are identified and indicated on the records.

53. OIOS also noted some items whose item descriptions were not specific enough to help identify them easily. For instance, stock item Ref 5.693 convection oven selected for physical verification was not easily identifiable due to the generalized nature of its description. More specific descriptions of the items with for instance part number and model of item should be included to ensure proper item identification.

### **Recommendations 15 and 16**

OIOS recommends that the UNAMSIL Engineering Section:

- (i) Perform more regular inventory counts, and investigate and promptly resolve any discrepancies noted (AP2004/622/09/015); and
- (ii) Establish and label bin locations for all items appropriately, and adopt more specific descriptions of the items for proper identification (AP2004/622/09/016).

54. *UNAMSIL accepted recommendations 15 and 16. With regard to recommendation 15, the Mission stated that the Engineering Section will undertake two complete inventory counts – one before 31 December 2004 and the other by 30 June 2005. Regarding recommendation 16, the Mission confirmed that all bin locations have been labeled. Based on the action taken by UNAMSIL, OIOS has closed recommendation 16. Recommendation 15 will remain open until the Mission provides documentation confirming that the stock count scheduled to be conducted by 31 December 2004 has been completed.*

### **Stores issuing and receiving procedures**

55. Receiving and Inspection (R&I) personnel inspect goods for compliance with the provisions and specifications of the related purchase orders. Any variances are noted manually on the purchase order which, with the preliminary report from the R&I personnel, is used to update the receipts side of the stock records. This poses the risk of falsification of received items especially because there is no formal process of reconciliation between the recorded quantities and the reports from R&I. Also, in several cases there was no document reference numbers indicated on the Excel stock records. There is also no document to record returns to stores.

56. At the warehouses, the issuing process is initiated with a scanned copy of the issue voucher received from the Engineering Section's Mammy Yoko office which is later replaced with original issue voucher once received. Items are then issued and the quantities actually

issued are indicated on the issue vouchers. Items not available are simply indicated as N/A and the user is never notified of the unavailability promptly. A system should be put in place to promptly advise requisitioners on the unavailability of requisitioned items.

57. For all items tested OIOS noted that most store issue vouchers did not have the item part numbers indicated on them which could lead to issuing the wrong items or updating the wrong item codes. The Materials Management Unit should ensure that appropriate item codes are indicated on the issue voucher before they are approved. OIOS was informed that the Galileo system which should be implemented some time soon will address some of these issues.

### **Recommendations 17 and 18**

OIOS recommends that:

- (i) UNAMSIL's Engineering Section streamline the receiving and issuing procedures to ensure that the receipts and issues of all goods, including returns to stores and stock write-offs are captured in the records (AP2004/622/09/017); and
- (ii) UNAMSIL's Materials Management Unit ensure that all items on an issue voucher are duly coded with appropriate codes so that records are correctly updated (AP2004/622/09/018).

58. *UNAMSIL accepted recommendations 17 and 18 and stated that the Engineering Section has adopted Galileo as the inventory management system, which already addresses the deficiencies identified by the audit.* Based on the Mission's response, OIOS has closed recommendations 17 and 18.

### Stock records

59. As at 30 June 2004, expendable and non-expendable assets worth about \$3.4 million were held in inventory in both the Wellington and Hastings warehouse. The non-expendable assets not in use valued at about \$600,000 are recorded in the Field Asset Control Systems (FACS). The rest, expendable assets worth about \$2.7 million are recorded in Excel worksheets. OIOS found the records to be correct and well updated. Notably, the staff member in charge of the stocks records at Wellington warehouse (where the bulk of the assets are stored) is very competent at managing the composite worksheets. However, he seemed to be the only one well versed with the vast database and the section's functionality would be adversely affected in the event of his absence from duty for a prolonged period. To avoid overdependence on incumbent staff for maintaining the inventory records, it is advisable to identify an appropriate individual who will be trained in record keeping functions.

60. As an inventory management tool, OIOS found the Excel system too basic as it does not allow adequate stocks management. It does not allow setting of important parameters such as minimum and maximum stock levels, re-order levels and supplier lead times. It also lacks in the more important aspect of having an inbuilt stock alert system which normally prompts reordering

of stock items. Engineering stocks are normally of high values, and a proper stocks management system is needed which should be integrated to allow all transactions related to the inventory to be captured online.

61. OIOS' review of the stocks' Excel worksheets revealed the following inconsistencies regarding an item Power Saw Chain (Chipmaster):

**Table 9: Inconsistencies of stocks of Power Saw Chain**

Particulars	2002/2003	2003/2004	Comment
Code	4.67	4.661	Change in code over the two periods not explained
Quantity	61	8	Movement in quantity not captured in item bin card.
Unit Value	\$300	\$300	Incorrect unit value

62. This could indicate possible incorrectness in several other items and the Materials Management Unit needs to constantly review the inventory records to ensure that they reflect correctly what is held physically.

**Recommendation 19**

OIOS recommends that UNAMSIL Management consider acquiring or internally developing inventory management software to facilitate maintenance of perpetual inventory balances for the expendable assets (AP2004/622/09/019).

63. *UNAMSIL accepted recommendation 19 and explained that with the implementation of Galileo as the Mission's official inventory management system, the current deficiencies would be eliminated.* Based on the Mission's response, OIOS has closed this recommendation.

**E. Preventive maintenance**

64. Of the 2,165 air conditioners currently at stock in UNAMSIL, 1,725 are in use. Good preventive maintenance practices call for routine scheduled maintenance of all equipment in line with manufacturers specifications. The responsibility for maintenance of the equipment in the custody of the Engineering Section is vested with the various Unit heads.

65. OIOS reviewed the service records of a randomly selected sample of air conditioners and noted that the service records of the following were not up to date:

**Table 10: Service records of air conditioners**

Make	Serial Number	Bar code	Location	Date Last serviced	
				Per Maintenance schedule	Per Individual AC record
GE Split Unit	AZ 000155	SIL 03334	MMY Ground floor video conference room	April/May 2004	11/08/03
Stairway Window	E00030062	SIL 03764	MMY 1 <sup>st</sup> Floor Room 108	April/May 2004	15/09/03

66. Furthermore, there was no evidence that a responsible officer had reviewed the maintenance work for adequacy. This increases the risk that equipment not serviced would go undetected and the equipment may break down. Timely and high quality maintenance is important to assure reliability of equipment.

67. OIOS also noted that there is currently no policy detailing the responsibilities of users of equipment and relevant technicians on equipment maintenance. This increases the risk of equipment downtime if either party fails in their responsibilities.

### **Recommendations 20 and 21**

OIOS recommends that the UNAMSIL Electrical Unit:

- (i) Promptly update individual equipment maintenance records after every maintenance routine (AP2004/622/09/020); and
- (ii) Supervisors take a more proactive role to coordinate and inspect the maintenance work on equipment to ensure the adequacy and timeliness of their maintenance (AP2004/622/09/021).

68. *UNAMSIL accepted recommendations 20 and 21 and stated that the Engineering Section has already implemented them.* Based on the Mission's response, OIOS has closed these recommendations in its database.

## **F. Support functions**

### Staffing resources

69. OIOS' review of the Engineering Section's staffing table authorization for the 2003-2004 and 2004-2005 fiscal years showed that its staffing resources remained unchanged despite an

imminent draw down of the Mission. Table 10 below shows the authorized staffing levels of the Section for the two fiscal years:

**Table 11: Authorized staffing Table of the Engineering Section**

	International Staff	National Staff	UNVs	Total posts
Total filled positions: 2003-2004	13	105	11	129
Approved number per budget: 2003-2004	18	100	15	129
Number requested for 2004/2005 budget	16	100	13	129
<b>Vacancies in 2003/2004</b>	3	-	1	4

70. The requested staffing levels for 2004/2005 budget are not reflective of the phased reduction in personnel as the mission nears its draw down. Similarly, a review on a random basis of some sections where individual contractors are employed revealed, as shown in Table 11 below, that they have consistently engaged more or less the same number of individual contractors over time. OIOS was informed that the staffing requirement of the Section surges when troops repatriate as it is expected to take over the provision of support services to other entities still present in the Mission area.

**Table 12: Engagement of Individual Contractors**

Area	Title	Number of ICs employed				
		July 2003	December 2003	March 2004	June 2004	July 2004
Air conditioning Unit	AC technician	4	4	5	4	4
Water & Sanitation Unit	Truck drivers	2	2	2	2	2
Generator Unit	Gen. Technician	3	3	3	5	5
Koidu region	Gen. Technician	3	2	2	1	1

**Recommendation 22**

OIOS recommends that the UNAMSIL Engineering Section continually assess its staffing resources to ensure it's properly aligned to its operational needs in view of the imminent mission drawdown (AP2004/622/09/022).

71. UNAMSIL accepted recommendation 22 and stated that the Section regularly reviews its staffing requirements and complies with its authorized staffing table. OIOS is satisfied with the explanation and has closed this recommendation.

Monitoring of allotments and expenditure

72. Where it is evident that funds will not be sufficient under one object code, a formal request should be made to the Director of Administration (DOA) for transfer of funds from one object code to the other well in advance to avoid over expenditures.

73. During the period July 2003 to May 2004, when it was evident that a re-appropriation of the original allotment was necessary, a formal request was made by the Section to the DOA on 13 May 2004 for realignment of funds from HQ allotment for three line objects which he approved on 17 May 2004. However the actual realignment was not done in time and as a result, the funding sufficiency report as at 31 May 2004 reflected over expenditures as follows:

**Table 13: Expenditures in excess of allotments**

Object Code	Description	Allotments \$	Expenditures	Over Expenditure \$	Amount Requested \$
4101	Rental of Premises	1,189,300	1,233,559	44,259	45,000
4112	Maintenance Services	440,000	501,766	61,766	73,150
4114	Alteration and Renovation services	1,332,300	1,377,722	45,422	110,000

**Recommendation 23**

OIOS recommends that UNAMSIL Management ensure that realignment requests are approved and done promptly before an over expenditure occurs (AP2004/622/09/023).

74. *UNAMSIL accepted recommendation 23 and clarified that it is the responsibility of the Mission administration to ensure that expenditures are incurred only after resource realignments are approved.* Based on the Mission's response, OIOS has closed this recommendation.

Supporting documentation

75. The principal supporting documents for requisitions received are stores issue vouchers, materials deliveries vouchers, gate passes and when available construction designs and project cost estimates. Ideally these should all be cross referenced to provide an adequate audit trail.

76. OIOS requested for supporting documentation for the 18 work orders selected. Although most of the projects were supported by a duly authorized store issue voucher which was well cross-referenced to the work order reference, most other supporting documents were hard to trace. Where project cost estimates had been prepared, these were only available in soft copy and hence unauthenticated. For construction projects selected, it was difficult to trace construction plans and designs relating to the project as these were not cross referenced to the original work

order request. For all cases selected, there was no single file which had all the related supporting documents.

77. The current filing system of supporting documentation is inadequate to provide a reasonable audit trail. All documents are filed separately and there was no single file with common documents relating to a particular project. Furthermore, most documents are not cross referenced making it difficult to access any required documents.


#### **Recommendation 24**

OIOS recommends that the UNAMSIL Engineering Section devise a common filing system that can provide an adequate audit trail and meet the needs of the various units in the Section (AP2004/622/09/024).

78. *UNAMSIL accepted recommendation 24 and stated that the Engineering Section has established a filing system in each of its units as part of its weekly results-based budgeting reporting for the completed work orders.* Based on the Mission's response, OIOS has closed this recommendation in its database.

#### **VI. ACKNOWLEDGEMENT**

79. We wish to express our appreciation to you and your staff for the cooperation extended during this audit.

  
Patricia Azarias, Director  
Internal Audit Division I, OIOS