

# United Nations Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

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

TO: Major General Claudio Graziano,  
A: Force Commander and Head of Mission  
United Nations Interim Force in Lebanon

DATE: 30 April 2008

REFERENCE: IAD: 08- 01291

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



SUBJECT: **Assignment No. AP2007/672/05 - Audit of the execution of the delegation of authority to**  
OBJET: **UNIFIL to procure core requirements**

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

2. Based on your comments, we are pleased to inform you that we will close recommendations 1 and 3 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendation, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

## I. INTRODUCTION

3. The Office of Internal Oversight Services (OIOS) conducted an audit of the execution of the delegation of authority to the United Nations Interim Force in Lebanon (UNIFIL) to procure core requirements.

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

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

6. From the information available, OIOS estimated UNIFIL’s core requirement purchases during the 2006/07 fiscal year at about \$8.1 million representing 9 per cent of its overall purchases of \$87 million for the period. As shown in Table 1, UNIFIL experienced a significant increase in its procurement activities in 2006/07 due to its expansion under Security Council resolution 1701.

**Table 1: Number and amount of procurement cases for fiscal years 2005/2006 and 2006/2007**

Fiscal Year	Overall Purchases		Core Requirements		As a percentage of overall purchases
	No.	Amount	No*	Amount*	
2005/06	552	16,478,402	N/A	N/A	N/A
2006/07	993	86,965,998	15	8,120,331	9
Increase	441	70,487,595			
<b>% Increase</b>	<b>80</b>	<b>428</b>			

\*The core requirements cases and amounts were compiled through a time consuming exercise of manually analyzing the cases that were presented to the Local Committee on Contracts (LCC) (see paragraph 14) and therefore are not complete. As only the 2006/07 cases were to be selected for detailed testing, OIOS did not obtain the 2005/06 core requirements cases.

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

## II. AUDIT OBJECTIVES

8. The objective of the audit was to determine whether adequate and effective controls are established at the Mission to execute the delegation of authority to procure core requirements up to \$1,000,000.

## III. AUDIT SCOPE AND METHODOLOGY

9. The audit covered transactions relating to the procurement of core requirements processed in fiscal year 2006/07 and included file reviews, analytical tests and interviews with relevant Mission personnel. OIOS examined all 15 core requirements procurement cases that were submitted to the Local Committee on Contracts (LCC) during the audit period.

10. The core requirements procurement cases were compiled manually by OIOS from the case presentations to the LCC, and, as a result, OIOS cannot provide reasonable assurance that its review covered all core requirement procurement cases.

## IV. OVERALL ASSESSMENT

11. Generally, effective internal controls existed within UNIFIL to execute the delegation of authority to procure core requirements up to \$1 million locally. However, OIOS was not able to draw a firm conclusion about the completeness of the core requirements procurement cases as these could not be clearly identified in the current procurement system. Also, 67 per cent of the core requirement procurement cases reviewed that exceeded \$200,000 were not reported to the Assistant Secretary-General (ASG), Department of Field Support (DFS) and the Procurement Division (PD) at Headquarters. The LCC minutes of meetings indicated the need for providing training courses to requisitioning and procurement officials on the presentation of procurement cases to LCC.

12. Other control deficiencies in core requirement purchases had been identified and reported in the snapshot horizontal audit of the LCC (Report Ref: AP2007/672/04).

**V. AUDIT FINDINGS AND RECOMMENDATIONS**

**A. Controls over core requirements**

No system to differentiate core requirements purchases from general purchases

13. As shown in Table 2, there are differences in procurement authority thresholds between core requirements and general purchases at the local level, and those submitted to the LCC, and the Headquarters Committee on Contracts (HCC).

**Table 2: Types of procurement**

Type of Procurement	Local Procurement Authority Thresholds			HCC
	Overall	Chief Procurement Officer	LCC	
Core Requirement	- Up to \$1 million	- Up to \$75,000	-Exceeding \$75,000 up to \$1 million  -Exceeding \$1 million before submission to HCC	More than \$1 million
General Purchases	- Up to \$200,000	- Up to \$75,000	-Exceeding \$75,000 up to \$200,000  -Exceeding \$200,000 before submission to HCC	- More than \$200,000

14. The differences between the core requirements and the general purchases in the local procurement authority thresholds call for separate controls at each threshold level. UNIFIL's total purchases during the 2006/07 fiscal year involved 993 cases worth \$87 million. However, the UNIFIL Procurement Section has no system in place to differentiate core requirement purchases from general purchases. The Mercury System, which is a web-based application designed to facilitate the procurement of goods and services in field missions has no feature to distinguish between core requirements purchases and general purchases. As a result, the Procurement Section was unable to provide OIOS with a comprehensive list of all core requirement purchases.

15. Procurement Section officials explained that separating core requirements and general purchases by manually searching 993 case files relating to fiscal year 2006/2007, while feasible was not possible at the time of the audit due to a shortage of staff in the Section. Further, the Section had vacancy rate of 26 per cent since the end of 2006. Consequently, OIOS had to manually compile core requirement purchases from the LCC

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minutes of meetings. These cases amounted to an estimated \$8.1 million during the 2006/07 fiscal year.

16. The lack of a mechanism for identifying core requirements in the procurement system may result in the Procurement Section being unable to monitor the procurement of core requirements to ensure compliance with the requirements of the delegated authority.

#### **Recommendations 1 and 2**

**(1) The UNIFIL Office of Mission Support should establish a system for identifying and monitoring core requirement purchases which identifies qualifying goods and services and relevant reporting requirements to ensure compliance with the delegated authority.**

**(2) The UNIFIL Personnel Section should expedite filling the Procurement Section's eight vacant posts to enhance the effectiveness of procurement operations.**

17. *The UNIFIL Office of Mission Support accepted recommendation 1 and stated that an instruction dated 16 April 2008 was issued to the Chief Procurement Officer to ensure compliance with the delegated authority for identifying and monitoring of core requirement purchases. A copy of the instruction was provided to OIOS. Based on this response, OIOS has closed recommendation 1.*

18. *The UNIFIL Office of Mission Support accepted recommendation 2 and stated that it will implement the recommendation in May 2008. The Mission explained that the recruitment process for the vacant international and national posts has made good progress with candidates for all posts having been identified and/or selected. UNIFIL anticipates that, in collaboration with the Programme Manager, all the vacant posts will be filled by the end of May 2008. Recommendation 2 remains open pending confirmation that the vacant posts in the Procurement Section have been filled.*

#### Compliance with reporting requirements

19. According to the delegation of authority given to the Chief of Mission Support (CMS) by the ASG for DFS, the CMS is required to submit a written report to the ASG and to the Chief, PD at UN Headquarters within 30 days after the procurement of a core requirement that exceeds \$200,000. This report should document the description of the commodity purchased, provide a summary of the procurement process, name of the selected vendor, duration and value of the contract, approved minutes of the LCC and the financial rule relating to the basis of the award.

20. OIOS reviewed 15 procurement case files to assess compliance with this provision, and found that the reports were not available in ten of the files. While outgoing faxes at the Procurement Section showed instances of reports submitted to the DFS and PD, they were not filed in individual procurement case files. As a result, there was no assurance that the Procurement Section was fully complying with the reporting provision of the delegation of authority, which could result in its withdrawal.

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### Recommendation 3

**(3) The UNIFIL Office of Mission Support should implement procedures to ensure that the Procurement Section prepares, files and submits reports on the procurement of core requirements exceeding \$200,000 to the Assistant Secretary General, Department of Field Support and the Director, Procurement Division, Department of Management within the time frame stipulated in the delegation of procurement authority.**

21. *The UNIFIL Office of Mission Support accepted recommendation 3 and stated that it has implemented the recommendation through its 16 April 2008 instruction setting forth procedures, including checks, to ensure that the required reports are filed in a timely manner. Also, the Procurement Section has modified the "Standardized Guidelines" for the filing of documentation in procurement files. A copy of the instruction was provided to OIOS. Based on this response, OIOS has closed recommendation 3.*

### VI. ACKNOWLEDGEMENT

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

cc: Mr. Marcel Savard, Director of Administration, UNIFIL  
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  
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## STATUS OF AUDIT RECOMMENDATIONS

<b>Recom. no.</b>	<b>C/ O<sup>1</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>2</sup></b>
1	C	Action completed	Implemented
2	O	Confirmation that vacant posts in the Procurement Section are filled	May 2008
3	C	Action completed	Implemented

1. C = closed, O = open

2. Date provided by UNIFIL in response to recommendations.