



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Contingent-owned equipment verification process in UNMIS**

**Management oversight over contingent-owned  
equipment was inadequate**

**7 April 2010**

**Assignment No. AP2009/632/09**

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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. Haile Menkerios  
A: Special Representative of the Secretary-General  
United Nations Mission in Sudan

DATE: 7 April 2010

REFERENCE: IAD: 10- 00231

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



SUBJECT: **Assignment No. AP2009/632/09 – Audit of contingent-owned equipment verification process in UNMIS**  
OBJET: UNMIS

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the 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 2 and 5. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them 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. recommendation 1), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Lieutenant General Paban Jung Thapa, Force Commander, UNMIS  
Mr. Farid Zarif, Chief of Staff, UNMIS  
Mr. Nicolas Von Ruben, Director of Mission Support, UNMIS  
Ms. Heather Landon, Chief Administrative Services, UNMIS  
Mr. Victor Kuzmin, OIC, Contingent Owned Equipment Unit, UNMIS  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management  
Mr. Seth Adza, Chief, Audit Response Team, Department of Field Support  
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS  
Ms. Eleanor Burns, Chief, Peacekeeping Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### 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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### CONTACT INFORMATION

**DIRECTOR:**

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,  
e-mail: [ndiaye@un.org](mailto:ndiaye@un.org)

**ACTING DEPUTY DIRECTOR:**

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,  
e-mail: [kumarg@un.org](mailto:kumarg@un.org)

**CHIEF, PEACEKEEPING AUDIT SERVICE:**

Eleanor Burns: Tel: +1.917.367.2792, Fax: +1.212.963.3388  
e-mail: [burnse@un.org](mailto:burnse@un.org)

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## **EXECUTIVE SUMMARY**

### **Audit of contingent-owned equipment verification process in UNMIS**

OIOS conducted an audit of the contingent-owned equipment (COE) verification process in the United Nations Mission in Sudan (UNMIS). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the COE verification process. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Mission was verifying COE and providing the related reports to the Department of Field Support, but there were indications of a limited number and depth of inspections carried out. In particular, the following need to be strengthened:

- The Mission's COE Memorandum of Understanding Management Review Board (CMMRB) did not meet regularly in compliance with its terms of reference and, as a result, it did not effectively carry out its functions.
- The COE Unit did not provide OIOS with the requested supporting documents for 166 out of a total of 212 inspections that they stated to have been conducted by the Unit from July 2008 to December 2009. Therefore, OIOS could not verify if the inspections were conducted and assess the adequacy and compliance of such inspections with relevant procedures. The failure of the Mission to conduct proper inspections may result in the UN reimbursing for nonexistent and/or unserviceable equipment.

OIOS made six recommendations to address the issues identified during the audit and to further strengthen existing controls over the COE verification process.

## TABLE OF CONTENTS

<b>Chapter</b>	<b>Paragraphs</b>
I. INTRODUCTION	1-7
II. AUDIT OBJECTIVES	8
III. AUDIT SCOPE AND METHODOLOGY	9-10
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Management of the COE verification process	11-19
B. COE status and serviceability reports	20-31
V. ACKNOWLEDGEMENT	32
ANNEX 1 – Status of Audit Recommendations	

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment (COE) verification process in the United Nations Mission in Sudan (UNMIS). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Military contingents are required to bring with them all major equipment such as vehicles, armaments, medical supplies, and tentage. Such equipment is called contingent-owned equipment (COE). The UN reimburses a troop contributing country (TCC) for the use of COE based on rates established by the General Assembly and on the agreement between the UN and the contributing country.
3. There were 37 formed units from 10 contributing countries during the period under review. These units were equipped with 4,674 items of major equipment.
4. The Mission is required to perform different types of inspections including inspection upon the arrival of equipment in the Mission, operational readiness inspection and periodic inspection.
5. UNMIS has a COE Unit, which is responsible for conducting inspections of COE, preparing verification reports which are used by the United Nations Headquarters in New York for reimbursing contributing countries and maintaining the COE database. Verification and control procedures are intended to ensure that the terms of the Memorandum of Understanding (MoU) between the UN and TCCs are met by both parties at the outset and throughout its effective period.
6. The reimbursements made to the TCCs during fiscal years 2007-2008 and 2008-2009 were \$73.9 million and \$83 million respectively and the budget for 2009-2010 was \$87.56 million.
7. Comments made by UNMIS are shown in *italics*.

## II. AUDIT OBJECTIVES

8. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over COE and the preparation of verification reports used in reimbursing contributing countries.

## III. AUDIT SCOPE AND METHODOLOGY

9. The audit focused on the COE verification procedures implemented during the fiscal year 2008-2009 and current practices.
  10. The audit methodology included follow-up on the implementation of previous audit recommendations, interviews of staff responsible for the COE
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verification process, physical inspections of a sample of COE in Khartoum, Juba, Damazin, Kadugli, El Obeid and Wau, and review of relevant documents and records.

## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Management of the COE verification process**

#### Oversight responsibilities

11. Paragraph 15 of the Guidelines for Field Verification and Control of COE and Management of MoU (the Guidelines) require that the Mission's COE management structure includes a COE MoU Management Review Board (CMMRB). The CMMRB is supposed to meet when issues under its terms of reference arise, but at least once every three months to review the overall implementation of the COE programme. It is a decision-making body of senior management on matters concerning COE. In response to OIOS' recommendation resulting from its previous audit on the management of COE in UNMIS (AP2007/632/09), the Mission stated that it fully appreciated the need to better manage COE and MoUs and that quarterly meetings of the CMMRB would be initiated.

12. UNMIS established a CMMRB in August 2008, but the CMMRB did not meet regularly. The CMMRB had its first meeting in October 2008 and the second one in October 2009. The third meeting scheduled for December 2009 was not held.

13. Due to the failure of the CMMRB to meet regularly, its functions were not carried out. For example, the COE Manual requires the CMMRB to consider and recommend amendments to MoUs due to changes in operational requirements to ensure optimal utilization of COE. However, this had not been done. Five out of the eight contingents visited by OIOS had a total of 36 fuel trucks/trailers and 93 generators which were not being used as the Mission had outsourced fuel distribution and it was already providing a number of UN- owned generators to the contingents. Meanwhile, the Mission continued to reimburse the concerned countries \$1.4 million a year for the 36 fuel trucks/trailers and 93 generators.

14. The Mission explained that the CMMRB did not hold regular meetings due to the inability of the COE Unit, which was understaffed, to prepare the required reports and analyses that were supposed to be considered by the CMMRB. OIOS is unable to accept this explanation as the core function of the CMMRB is to oversee the COE operation. In this management oversight role, the CMMRB could have helped secure resources for the COE Unit and therefore ensure that the Unit performs its functions as expected.

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### Recommendations 1 to 3

The UNMIS Office of Mission Support should:

- (1) Ensure that the Contingent Owned Equipment (COE) Memorandum of Understanding Management Review Board implements appropriate procedures for overseeing COE activities in the Mission to avoid financial losses including, for example, from reimbursing contributing countries for equipment not required and therefore not used;
- (2) Discontinue providing generators to contingents who have acquired similar facilities and are being reimbursed for such equipment in compliance with the relevant memorandum of understanding; and
- (3) Dispose of excess generators in the most economical manner in compliance with the relevant Financial Regulations and Rules of the United Nations.

15. *The UNMIS Office of Mission Support accepted recommendation 1 and stated that a CMMRB is in place and that its members are involved in certification of all verification reports and are therefore very well informed about COE operations. Through the verification reports, CMMRB monitors the time frequency of the COE inspections. OIOS acknowledges that some members of the CMMRB have been signing verification reports. However, these individuals have been signing the reports not in their capacity as members of the CMMRB. Rather, they have been signing the reports in their individual official capacities as operational line managers. Recommendation 1 remains open pending receipt of evidence showing that the CMMRB has established appropriate procedures for overseeing COE activities in the Mission to avoid financial losses including, for example, reimbursing contributing countries for equipment not required and therefore not used.*

16. *The UNMIS Office of Mission Support did not accept recommendation 2 stating that UNMIS is providing electric power through UN-provided generators to all contingents in compliance with the respective MoUs and the COE Manual. The use and reimbursement for generators is continually monitored by the COE Unit. In OIOS' opinion, the Mission's explanation does not address the recommendation. It is not efficient for the Mission to provide generators to contingents and at the same time reimburse contributing countries of those contingents for their generators, which are not being used. OIOS is reiterating recommendation 2 and requests UNMIS to reconsider its initial response. Recommendation 2 remains open pending receipt of evidence showing that the Mission has discontinued providing generators to contingents whose countries are already being reimbursed for the generators they provide.*

17. *The UNMIS Office of Mission Support accepted recommendation 3 and stated that this issue will be raised and discussed at the next CMMRB meeting.*

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Recommendation 3 remains open pending receipt of evidence of the disposal of excess generators.

Staffing position in the COE Unit to support the verification process

18. The COE Unit had 13 approved posts. However, five of these posts including that of the Chief of Unit and verification inspectors were vacant for different durations during the period under review. The post of the Chief of COE had been vacant since March 2009.

19. In response to OIOS' recommendation resulting from its previous audit on the Management of COE in UNMIS (AP2007/632/09), the Mission stated that it was initiating recruitment for the vacant positions. The audit confirmed that the recruitment for the positions of the Chief of Unit and verification inspectors was in progress. In view of the actions being taken by the Mission, OIOS does not make a recommendation relating vacancies in the COE Unit.

**B. COE status and serviceability reports**

COE database

20. The COE standard operating procedures (SOPs) require verification inspectors to assist in maintaining the COE database and prepare verification reports of their inspections. The COE database is an electronic tool used to maintain the particulars and verification inspection records of equipment brought into the Mission by the TCCs.

21. The results of the Operational Readiness Inspections (ORIs) conducted prior to April 2009 had not been adequately documented and recorded in the COE database. OIOS observed that some verification inspectors did not always update the database with respect to new data available to them. According to the COE Unit, the inspectors could not add this responsibility to their busy schedule because of staff limitation and time constraints.

22. Failure to update the COE database with the results of periodic inspections and ORIs may result in the Mission not having accurate records of the locations and serviceability status of COE.

**Recommendation 4**

**(4) The UNMIS Contingent Owned Equipment (COE) Unit should ensure that the COE database is updated regularly, e.g. with respect to the results of periodic inspections so that it may constitute a complete and accurate source of information and for assessing the serviceability of COE.**

23. *The UNMIS Office of Mission Support accepted recommendation 4 and stated that the COE Inspection Team establishes the condition of COE based on physical verification and technical inspection of each item of major equipment*

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(e.g. vehicles, generators, weapons etc.), and on the basis of inspection results, amends the database. Recommendation 4 remains open pending receipt of evidence showing that the COE database is being updated regularly, e.g. with respect to the results of the periodic and operational readiness inspections.

#### Inspection work sheets

24. Paragraph 71 of the Guidelines requires that detailed, self-explanatory worksheets be developed to guide inspectors during inspections, and used in the field to record findings. These sheets must be signed by the inspection team and a contingent representative and maintained as evidence of the inspection conducted. The results of periodic inspections and ORIs are recorded on inspection work sheets which are in turn used to prepare verification reports.

25. Out of 212 verification reports (142 for periodic inspections and 70 ORIs) generated from 1 July 2008 to 31 December 2009, only 46 (22 per cent) inspection work sheets were maintained. Inspection work sheets in support of 166 verification reports were not on file. The COE Unit stated that previous officers did not maintain an adequate and reliable filing system.

26. In the absence of copies of inspection work sheets used to record results of COE inspections, the completeness and accuracy of verification reports may be in doubt.

#### **Recommendation 5**

**(5) The UNMIS Contingent Owned Equipment Unit should ensure that on completion of inspections and preparation of verification reports, it maintains copies of signed inspection work sheets.**

27. *The UNMIS Office of Mission Support did not accept recommendation 5 stating that inspection work sheets are not financial documents that should be kept. All other documents are available and will be kept until the end of the Mission. The COE Unit maintains the records it is required under UNHQ policy. In OIOS' opinion, the Mission's response does not address the recommendation. As indicated in paragraph 24 above, the Unit is required to maintain signed inspection work sheets. OIOS is reiterating recommendation 5 and requests UNMIS to reconsider its initial response. Recommendation 5 remains open pending receipt of evidence showing that UNMIS COE Unit maintains signed copies of inspection work sheets in compliance with the Guidelines.*

#### Equipment status reports

28. Paragraph 11 of the UNMIS SOP on COE provides that equipment status reports should be submitted by contingents to the COE Unit by the 5th of each month. Based on these reports, verification inspectors are to update the COE database and evaluate the contingents' major equipment serviceability which is the basis for the verification reports.

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29. The contingents submitted equipment status reports to the COE Unit as required. However, there was no evidence to confirm that these reports were reviewed by the COE Unit and subsequent follow up made on equipment reported as out of service.

30. Failure of the COE Unit to review equipment status reports submitted by contingents may result in the UN reimbursing TCCs for equipment previously reported as unserviceable.

#### **Recommendation 6**

**(6) The UNMIS Contingent Owned Equipment (COE) Unit should ensure that equipment status reports submitted by contingents are reviewed regularly (e.g. monthly) to confirm serviceability status of all COE and the results thereof are reflected in the COE database as appropriate.**

31. *The UNMIS Office of Mission Support accepted recommendation 6 and stated that this recommendation is currently being implemented and is expected to be completed by 30 April 2010. Recommendation 6 remains open pending receipt of evidence showing that the equipment status reports submitted by contingents are reviewed regularly (e.g. monthly) by the COE Unit.*

## **V. ACKNOWLEDGEMENT**

32. We wish to express our appreciation to the Management and staff of UNMIS 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 <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNMIS Office of Mission Support should ensure that the Contingent Owned Equipment (COE) Memorandum of Understanding Management Review Board implements appropriate procedures for overseeing COE activities in the Mission to avoid financial losses including, for example, from reimbursing contributing countries for equipment not required and therefore not used.	Strategic	High	O	Pending receipt of evidence showing that the CMMRB has established appropriate procedures for overseeing COE activities in the Mission to prevent financial losses including, for example, reimbursing contributing countries for equipment not required and therefore not used.	Not provided
2	The UNMIS Office of Mission Support should discontinue providing generators to contingents who have acquired similar facilities and are being reimbursed for such equipment in compliance with the relevant memorandum of understanding.	Operational	Medium	O	Pending receipt of evidence showing that the Mission has discontinued providing generators to contingents whose countries are already being reimbursed for the generators they provide.	Not provided.
3	The UNMIS Office of Mission Support should dispose of the excess generators in the most economical manner in compliance with the relevant Financial Regulations and Rules of the United Nations.	Operational	Medium	O	Pending receipt of evidence of the disposal of excess generators.	30 April 2010
4	The UNMIS Contingent Owned Equipment (COE) Unit should ensure that the COE database is updated regularly, e.g. with respect to the results of periodic inspections so that it may constitute a complete and accurate source of information and for assessing the serviceability of COE.	Operational	Medium	O	Pending receipt of evidence showing that the COE database is being updated regularly, with results of the periodic and operational readiness inspections.	30 April 2010
5	The UNMIS Contingent Owned Equipment Unit should ensure that on	Operational	Medium	O	Pending receipt of evidence showing that the UNMIS COE Unit maintains signed	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
6	<p>completion of inspections and preparation of verification reports, it maintains copies of signed inspection work sheets.</p> <p>The UNMIS Contingent Owned Equipment (COE) Unit should ensure that equipment status reports submitted by contingents are reviewed regularly (e.g. monthly) to confirm serviceability status of all COE and the results thereof are reflected in the COE database as appropriate.</p>	Operational	Medium	O	<p>copies of inspection work sheets in compliance with the relevant SOPs.</p> <p>Pending receipt of evidence showing that the equipment status reports submitted by contingents are reviewed regularly (e.g. monthly) by the COE Unit.</p>	30 April 2010

1. C = closed, O = open

2. Date provided by UNMIS in response to recommendations.