



INTERNAL AUDIT DIVISION

AUDIT REPORT

Procurement management at the
United Nations Framework Convention
on Climate Change Secretariat

Procurement management in UNFCCC
Secretariat needs improvements in the areas of
governance, planning and compliance with the
United Nations Procurement Manual

12 March 2010
Assignment No. AA2009/241/01

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. Yvo de Boer, Executive Secretary
A: United Nations Framework Convention on
Climate Change (UNFCCC)

DATE: 12 March 2010

REFERENCE: IAD: 10- 00131

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

Fatou

SUBJECT: **Assignment No. AA2009/241/01 – Audit of procurement management at the United Nations**
OBJET: **Framework Convention on Climate Change Secretariat**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 7, 8 and 11 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2 and 3), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Richard Kinley, Deputy Executive Secretary, UNFCCC
Mr. Asfaha Beyene, Coordinator, Administrative Services, UNFCCC
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. Byung-Kun Min, Special Assistant to the USG-OIOS
Mr. Alpha Diallo, OIC, Nairobi 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

OFFICER-IN-CHARGE, NAIROBI AUDIT SERVICE:

Alpha Diallo: Tel: +254 20 762 4222, Fax: +254 20 762 4125,
e-mail: Alpha.Diallo@unon.org

EXECUTIVE SUMMARY

Audit of procurement management at the United Nations Framework Convention on Climate Change Secretariat

OIOS conducted an audit of procurement management at the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over procurement management at the UNFCCC Secretariat. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The UNFCCC Secretariat's internal controls over procurement management required improvements in the areas of governance, planning and compliance with the United Nations Procurement manual. The main findings and recommendations are as follows:

- The UNFCCC Secretariat is conducting procurement activities without a valid delegation of authority. The delegation of procurement authority from United Nations Headquarters (UNHQ) to the UNFCCC Secretariat had expired on 31 March 2006. OIOS recommended that UNHQ take action on the renewal of the delegation of authority to the UNFCCC Secretariat in accordance with General Assembly resolution 50/115.
- Although the UNFCCC Secretariat has taken steps to support efforts to combat the effects of climate change, it has not documented its strategy on "green" procurement, exposing the UNFCCC Secretariat to reputation risk. OIOS recommended that the UNFCCC Secretariat document its strategy on energy efficiency or sustainable procurement and actively implement the concepts of "green" procurement.
- Inadequate procurement planning and low vendor response had impeded the achievement of the overall goal of the UNFCCC Procurement Policy and Process (the Policy) to secure cost-efficient, high quality and environmentally friendly goods and services. OIOS recommended that the UNFCCC Secretariat improve its procurement planning and allow adequate procurement lead time to ensure compliance with the Policy.
- The requisitioners' technical evaluation of quotations, bids and proposals routinely included cost considerations, violating the provisions of the United Nations Procurement Manual. OIOS recommended that requisitioners discontinue the practice of including cost considerations in the technical evaluation of quotations, bids and proposals.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-6
II. AUDIT OBJECTIVES	7
III. AUDIT SCOPE AND METHODOLOGY	8
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Governance and strategic issues	9-18
B. Compliance issues	19-36
C. Efficiency and effectiveness issues	37-50
V. ACKNOWLEDGEMENT	51
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement management in United Nations Framework Convention on Climate Change (UNFCCC) Secretariat. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The UNFCCC Secretariat is institutionally linked to United Nations System. The overall goal of the UNFCCC Procurement Policy and Process (the Policy) is to secure cost efficient, high quality and environmentally friendly goods and services required to carry out effectively the activities mandated under the Convention. The Policy outlines the need for complying with “green” procurement, in addition to complying with the United Nations Financial Regulations and Rules. The Policy stipulates that, while pricing is an important factor and the costs for goods and services contracted should always be within reasonable limits, the UNFCCC Secretariat is guided by the United Nations principle of best value for money set forth in Financial Regulation 5.12.
3. The Coordinator of Administrative Services in the UNFCCC Secretariat is responsible for, inter alia, facilitating the correct implementation of procurement procedures by providing guidelines and instructions. The Administrative Services is headed by a Coordinator (D-1) and is supported by an Administrative and Finance Officer (P-5).
4. The Procurement and General Services Unit (PGSU) is responsible for the procurement of goods and services. The PGSU is headed by a Procurement and General Services Officer (P-4), who is assisted by an Associate Procurement Officer (P-2) and three Procurement Assistants.
5. The statistics on the number and value of the procurement at the UNFCCC Secretariat are presented in the following Table 1.

Table 1: Procurement in UNFCCC

Year	Number of purchase orders	Total value in millions of \$
2006	382	8.7
2007	450	10.1
2008	472	10.6

6. Comments made by the UNFCCC Secretariat are shown in *italics*.

II. AUDIT OBJECTIVES

7. The main objective of the audit was to assess the adequacy and effectiveness of internal controls in providing reasonable assurance that:
 - (a) Adequate arrangements are in place to manage risks relating to the procurement activities; and
-

-
- (b) Procurement activities in UNFCC comply with relevant United Nations regulations, rules, policies and procedures.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit focused on activities of the Procurement Section for the period from January 2007 to March 2009. The audit methodology comprised: (a) interviews with responsible personnel; (b) tests of 50 procurement files; and (d) reviews of policies, procedures and administrative guidelines.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Governance and strategic issues

Lack of delegation of procurement authority from UN Headquarters

9. In accordance with General Assembly Resolution 50/115, a critical element of the UNFCCC Secretariat's institutional linkage with the United Nations System is the delegation of authority in procurement and financial matters and the attendant requirement to ensure the observance of relevant UN Financial Regulations and Rules. The last valid delegation of authority in procurement and financial matters to the UNFCCC Secretariat expired on 31 March 2006. In a memo dated 5 July 2006, the Assistant Secretary-General, Office of Central Support Services (ASG/OCSS), UNHQ informed the UNFCCC Secretariat of his decision not to renew this delegation of authority, stating that the UNFCCC Secretariat "has its own independent legal personality, with its own governance and financial structure". The UNFCCC Secretariat wrote a memo dated 2 August 2006 to the ASG/OCSS seeking clarification of this decision. Since then, the UNFCCC Secretariat has been consulting with the ASG/Controller on this matter, but the delegation has still not been renewed. In the meantime, the UNFCCC Secretariat continued to operate under the expired delegation of authority. The UNFCCC Secretariat also consulted the Under-Secretary-General, Office of Legal Affairs (USG/OLA) regarding this issue, which opined that, if the delegation is to be discontinued, this would seem to require prior consultation with and approval by the Conference of the Parties (COP) and the United Nations General Assembly.

10. This issue was discussed extensively in the management team meetings of the UNFCCC Secretariat, which recommended that the Executive Secretary continue with his efforts to obtain a renewal of the delegation of authority in procurement and financial matters, including seeking the direct intervention of the Secretary-General.

Recommendation 1

(1) The United Nations Office of Central Support Services should act on the request of the UNFCCC Secretariat for the renewal of delegation of authority in procurement and financial matters in order to ensure accountability in procurement operations, in accordance with General Assembly resolution 50/115.

11. OCSS did not comment on this recommendation despite several follow-ups by OIOS over an extended period. Recommendation 1 remains open pending the receipt of response from OCSS.

Insufficient monitoring of delegated authority

12. The delegation of authority in procurement and financial matters stipulates that the UNFCCC Secretariat should report to the ASG/OCSS, on a quarterly basis, all procurement transactions that exceed \$200,000.

13. The UNFCCC Secretariat sent quarterly reports on procurement transactions that exceed \$200,000 until January 2007. The UNFCCC Secretariat indicated that UNHQ did not provide any feedback on the reports submitted. The UNFCCC Secretariat explained that the report was discontinued due to the non-renewal of the delegation of procurement authority. As the UNFCCC Secretariat continues to operate under the expired delegation of authority, it is essential to comply with the monitoring provisions contained in the delegation of authority. Monitoring mechanisms, such as reporting of the high value procurement cases to the UNHQ is essential to ensure accountability in procurement matters.

Recommendation 2

(2) The UNFCCC Secretariat should resume providing quarterly reports to the ASG/OCSS on procurement transactions that exceed \$200,000 in order to enable UN Headquarters to exercise adequate oversight over the delegated procurement activities.

14. *The UNFCCC Secretariat accepted recommendation 2 and stated that while the UNFCCC Secretariat continuously produced very detailed reports on a quarterly basis between 2004 and 2007, it did not receive any confirmation of receipts let alone substantive feedback from the Controller, so the added value through this time intensive exercise is highly questionable. However, to streamline the process, the UNFCCC Secretariat added that it would provide quarterly summary reports on procurement transactions that exceed \$200,000.* Recommendation 2 remains open pending confirmation by the UNFCCC Secretariat that quarterly reports on procurements that exceed \$200,000 are being sent to the ASG/OCSS.

Strategy on “green” procurement needs to be documented

15. The overall goal of the Policy is to secure cost-efficient, high quality and environmentally friendly goods and services required to carry out effectively the activities mandated under the Convention. Under the Policy, one of the criteria used for the award of a contract is the compliance with the concepts of green procurement. The Administrative Services is mandated to provide guidance on how to apply criteria for environmental sustainability in the procurement of goods and services.

16. The UNFCCC Secretariat did not document the concepts of “green” procurement. The UNFCCC Secretariat explained that actions have been taken in the area of procurement and for general services, travel and information and communications technology. For instance, all electricity-based procurements, including the UNHQ electricity-based heating system is from 100 per cent renewable resources and faxes are received and circulated electronically and not in paper copies. The UNFCCC Secretariat also explained that a vendor’s environmental policy is requested in the formal solicitation documents and included among the technical evaluation criteria.

17. However, the UNFCCC Secretariat acknowledged that the documented strategy on “green” procurement has not been established. The UNFCCC Secretariat supporting the Climate Change Convention should have taken a lead role in adopting the concepts of “green” procurement. In order to mitigate reputation risk, the UNFCCC Secretariat should document its strategy on “green” procurement.

Recommendation 3

(3) The UNFCCC Secretariat should document its strategy on “green” procurement to ensure the effective implementation of its objective to procure environmentally friendly goods and services, as stated in the UNFCCC Procurement Policy and Process.

18. *The UNFCCC Secretariat accepted recommendation 3 and agreed to document its strategy, policy and practice on “green” procurement, and explained that its ability to make progress depends on the advancement made by the Environmental Management Group. The UNFCCC Secretariat further explained that, in addressing the reputational risk, it was already undertaking a wide variety of activities in order to “green” its operations including procurement. Recommendation 3 remains open pending receipt of the UNFCCC Secretariat’s strategy on “green” procurement.*

B. Compliance issues

Inadequate procurement plans

19. Section 8.1.4 of the Procurement Manual stipulates that the requisitioning offices shall communicate and to the extent feasible, meet on an

annual basis to set up spending plans, including procurement plans, for the forthcoming budget period(s). Such planning shall, to the extent possible, be used to obtain economies of scale and other benefits to the Organization.

20. The procurement planning in the UNFCCC Secretariat was inadequate. The Conference Affairs Programme (CAS) and Information Services were the two major requisitioners in the UNFCCC Secretariat. While the Information Services prepared annual procurement plan covering only potential LCC purchases for 2009-2010, CAS had not developed any procurement plans. OIOS' review of 50 procurement files showed that both CAS and Information Services had raised unplanned requisitions, which resulted in a rush procurement. The members of Joint Local Committee on Contracts (JLCoC) acknowledged that better planning could have avoided rush procurement with respect to at least 12 cases out of 25 cases reviewed.

21. The lack of adequate planning results in a rush procurement, which in turn may prevent obtaining best value for money for goods and services. The Board of Auditors (BOA) had also expressed concerns over the inadequate procurement planning in the UNFCCC Secretariat. The UNFCCC Secretariat explained that due to the increased number of intergovernmental sessions on climate change, it was not possible to come up with more comprehensive and longer term procurement plans.

Recommendation 4

(4) The UNFCCC Secretariat should ensure that the requisitioners prepare, to the extent feasible, annual procurement plans in order to obtain economies of scale and other benefits to the UNFCCC Secretariat.

22. *The UNFCCC Secretariat accepted recommendation 4 and stated that it would ensure adequate and appropriate planning to the extent possible for the biennium 2010–2011 and beyond, considering the heavy workload on programmes to the end of the year and that most procurement actions for 2009 are already in process.* Recommendation 4 remains open pending receipt of procurement plans for 2010.

Registration of vendors

23. Section 7 of the Procurement Manual details the procedures for the registration of vendors, including having a vendor database and the need for maintaining vendor information in the Procurement Section. The BOA recommended that vendors should be registered before entering into a contract. Review of the procurement files showed that although the vendors were registered before placing the order, the procedures for registration were not fully complied with. The UNFCCC Secretariat did not maintain files of registered vendors with supporting documentation.

24. The compliance with the registration procedures is essential to ensure that vendors perform the contract requirements satisfactorily, demonstrate

financial soundness, integrity and proven reliability to ensure good faith performance. In the absence of documented vendor registration files, compliance with the registration procedures cannot be evidenced.

Recommendation 5

(5) The UNFCCC Secretariat should maintain vendor registration files with supporting documentation in order to improve transparency and enhance the effectiveness of the procurement operations.

25. *The UNFCCC Secretariat accepted recommendation 5 and stated that it had set up a vendor registration file system and that it was building up a vendor registration process, guided by Section 7 of the Procurement Manual. Recommendation 5 remains open pending confirmation from the UNFCCC Secretariat on the maintenance of vendor files.*

Technical evaluation included cost considerations

26. Section 11.9.2 of the Procurement Manual stipulates that the Procurement Officer shall request the requisitioner to evaluate the technical compliance of the submission with the specifications/requirements. The technical assessment shall be in writing, independent of the commercial evaluations, and shall be performed without prior knowledge of cost. Under no circumstance shall any cost data furnished by the vendors be released to the requisitioner prior to the finalization of the technical evaluation.

27. The review of 50 procurement cases indicated that technical evaluation of the requisitioner routinely included cost considerations. The quotations and bids with the prices were sent to the requisitioner for evaluation. The requisitioner evaluated the quotations, bids and proposals on technical and commercial grounds and recommended the vendor. In one Request for Proposal (RFP), the requisitioner requested the PGSU to open the commercial bid of technically unsuccessful proposal, in order to compare the prices. The PGSU provided the requisitioner the commercial bids of the technically unsuccessful proposals. The requisitioner evaluated commercial bid/proposal and recommended the vendor to the PGSU.

28. The UNFCCC Secretariat explained that the requisitioners in their final communications to PGSU may be repeating the commercial abstract previously provided by the Procurement Officer but that this did not in any way constitute a commercial evaluation by the requisitioner.

29. Although the requisitioners and the Procurement Officer should work together in the procurement process, segregation of their roles is key to ensuring the integrity of the procurement process. The over-involvement of the requisitioner in the procurement process undermines the principle of segregation of duties. It would not only lead to non-compliance with the Procurement Manual but also would increase the risk of fraud.

Recommendation 6

(6) The UNFCCC Secretariat should ensure that commercial evaluation of quotations, bids and proposals are not carried out by the requisitioners in order to protect the integrity of the procurement process.

30. *The UNFCCC Secretariat accepted recommendation 6 and stated that in accordance with the Procurement Manual and the UNFCCC Procurement Policy and Practice, the procurement team has always carried out the commercial evaluation. It advises the requisitioner of the vendor selected on this basis. In cases of objections to the technical acceptability of the selected quotation or bid, requisitioners may further substantiate their technical assessment and request a revision of the selection made by the procurement team. The procurement team carries out commercial evaluations only upon receipt of technical evaluations from requisitioners and opening of the financial proposals. The procurement team also carries out the combined weighted rating and advises the requisitioner on the vendor selected on this basis. Recommendation 6 remains open pending issuance of instructions to requisitioners not to carry out commercial evaluations in order to ensure segregation of duties in the procurement process.*

Inadequate internal controls in the evaluation of proposals

31. Section 11.4 of the Procurement Manual stipulates that the evaluation criteria shall be documented in writing prior to the release of the solicitation documents. Any change in the scope given in the solicitation documents should be communicated to all the vendors who responded, to give them an equal opportunity.

32. The UNFCCC Secretariat did not comply with the Procurement Manual provision on the evaluation of proposals. For instance, in the procurement action for the consultancy project to review administrative operations, the RFPs were sent to 14 companies, out of which six companies responded.

33. Based on the initial technical assessment, the UNFCCC Secretariat called four vendors for interviews. After the technical assessment, the four vendors achieved the required score of above 75 per cent. The four vendors quoted different time periods to complete the project, ranging from 53 days to 120 days, with different cost implications. The vendors were evaluated on the basis of average unit cost.

34. The UNFCCC Secretariat, after opening the financial proposals, conducted detailed technical analysis and arrived at the criteria of 100 days as the minimum duration of the project. By using the revised criteria of 100 days for the completion of the project, the proposals were re-evaluated. Vendor D, who was the third lowest in the first evaluation, became the lowest. The UNFCCC Secretariat asked only vendor D to confirm the unit prices for the reduced number of days from 120 to 100 days.

35. The primary reason for using evaluation criteria is to identify the vendor to be awarded a contract in a fair and objective manner. The Procurement Manual states that the counter offer or revision of scope of the solicitation should be communicated to all technically suitable vendors.

Recommendation 7

(7) The UNFCCC Secretariat should comply with the Procurement Manual provision to document evaluation criteria prior to the release of solicitation documents and avoid overriding of controls in order to protect the integrity of the procurement process.

36. *The UNFCCC Secretariat accepted recommendation 7 and stated that it has incorporated the lessons learned from difficult cases in its drafting of more comprehensive technical specifications and development of adequate evaluation criteria, methods and procedures.* Based on the action taken by the UNFCCC Secretariat, recommendation 7 has been closed.

C. Efficiency and effectiveness issues

Standard formats for procurement process are not used

37. The use of formats in the procurement process facilitates the standardization and consistency in the operations. The Procurement Manual stipulates the standard forms for each step in the procurement process.

38. The UNFCCC Secretariat adopted some standard forms relating to the solicitation and statement of award, but did not integrate the standard forms in the procurement process. For example, the UNFCCC Secretariat does not use a standard form for requisitioning. By adopting the required formats in the process, the efficiency and effectiveness of the procurement process could be improved.

39. The UNFCCC Secretariat stated that for most steps in the procurement process, standard formats (forms or language) were used, in an adapted form where appropriate and that many forms listed in the Procurement Manual are not relevant for its scope of procurement activities (e.g., relating to air charter or field operations); and that some information, such as that included in the standard requisition form, is conveyed on several occasions by requisitioners, so entry into one form would constitute a repetition of work.

Recommendation 8

(8) The UNFCCC Secretariat should review the formats for the procurement process given in the United Nations Procurement Manual with the view to adapting and using them in order to improve consistency and efficiency in the procurement process.

40. *The UNFCCC Secretariat accepted recommendation 8 and stated that forms given in the Procurement Manual would be used as required.* Based on the action taken by the UNFCCC Secretariat, recommendation 8 has been closed.

Low vendor response

41. Section 8.2.2 (3) of the Procurement Manual stipulates that the requisitioner shall provide adequate lead time to the relevant Procurement Office to properly conduct the procurement process. This process commences upon receipt of a sufficiently funded and completed requisition, including specifications, from the requisitioner and ends with contract award. In its planning, the requisitioner shall take into account the time required for the preparation of bid documents, expression of interest, submission by vendors, evaluation of submissions, submission to and review by the HCC and the need for negotiation(s) and drafting of contract(s).

42. In 25 out of the 50 procurement files reviewed by OIOS, the requisitioner raised the requisitions very late, resulting in excessive burden on the PGSU. While accepting the requisitions, the procurement officers expressed concerns over the inadequate lead time for procurement. In order to cope up with demand, the procurement officers cut down the time for the vendors to respond to the bids and proposals. Based on the sample files tested, the average time given to the vendors to respond, including for complex proposals, was about two weeks, which resulted in poor vendor response. The low vendor response for the 25 high value LCC cases in 2007 and 2008 is presented in Table 2.

Table 2: Analysis of vendor response

Total number of cases JLCoc cases	Repeat orders	Exceptions to the use of formal methods of solicitation	One vendor	Two vendors	Three to five vendors	Six and more than 6 vendors	Average vendor response
25	5	1	2	3	13	1	2.7

43. The relatively low vendor response undermines the purpose of the competitive bidding in the procurement process. The overall goal of the Policy is to secure cost-efficient and high quality goods and services could not be achieved with the present level of vendor response. The UNFCCC Secretariat explained that due to time pressure, the lead times for various stages of the procurement were not enforced.

Recommendation 9

(9) The UNFCCC Secretariat should ensure that requisitioners improve their planning and provide adequate lead time for the procurement office to conduct the procurement activities.

44. *The UNFCCC Secretariat accepted recommendation 9 and stated that concerted efforts are being made to improve the overall procurement planning. Recommendation 9 remains open pending receipt of instructions to requisitioners asking them to provide adequate lead time for procurement officers to conduct procurement activities properly.*

Purchase orders placed using request for quotations

45. The Policy requires procuring cost-efficient, high quality and environmentally friendly goods and services required to carry out effectively the activities mandated under the Convention. The cost-efficiency of the procurement process depends on the use of economies of scale.

46. The procurement of goods and services below the financial limit of \$25,000 are subjected to an informal method of solicitation such as the Request for Quotations (RFQ), which has less internal controls. As illustrated in Table 3, the UNFCCC Secretariat a majority of purchase orders were for procurements for goods or services worth \$25,000 or less. The extensive use of RFQ as a method of causes the UNFCCC Secretariat to miss opportunities for cost savings and economies of scale.

Table 3: Analysis of purchase orders

Year	Total value of procurement (in \$ millions)	Number of purchase orders less than \$25,000	Number of purchase orders less than \$50,000	Number of purchase orders more than \$50,000
2007	10.18	74	42	23
2008	10.6	194	25	13

Recommendation 10

(10) The UNFCCC Secretariat should avoid, where possible, procuring goods and services through requests for quotations by improving the planning of requisitions to ensure cost-efficient procurement.

47. *The UNFCCC Secretariat accepted recommendation 10 and stated that a review of recurring requirements is being conducted continuously, leading to an increase in the use of long term agreements for the procurement of goods and services. Recommendation 10 remains open pending receipt of documentation showing that the number of purchase orders for goods and services amounting to \$25,000 or less has been significantly reduced.*

Best and Final Offers not used in the procurement process

48. Section 11.10 of the Procurement Manual states that after the completion of the commercial evaluation of technically compliant proposals and establishing the competitive range of the most responsive vendors, the Procurement Officer may decide to obtain Best and Final Offers from a sufficient number (at least two) of technically qualified and compliant vendors. The competitive range

includes all proposals that, based on the results of the evaluation, have a reasonable chance for award.

49. Based on the review of 50 selected procurement files and discussions with the Procurement Officer, OIOS assessed that the UNFCCC Secretariat did not apply the Best and Final Offers in the procurement process. The Best and Final Offers if used judiciously would stimulate the competition and obtain cost savings to the UNFCCC Secretariat.

Recommendation 11

(11) The UNFCCC Secretariat should, wherever appropriate, consider using the Best and Final Offer in the procurement process in order to stimulate competition and obtain possible cost savings to the organization.

50. *The UNFCCC Secretariat accepted recommendation 11 and stated that Best and Final Offers would be used as and when appropriate.* Based on the assurance provided by the UNFCCC Secretariat, recommendation 11 has been closed.

V. ACKNOWLEDGEMENT

51. We wish to express our appreciation to the Management and staff of the UNFCCC Secretariat 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 Assistant Secretary General Office of the Central Support Services should take action on the request of the UNFCCC Secretariat for the renewal of delegation of authority in procurement and financial matters in order to ensure the accountability in the procurement operations as envisaged in the General Assembly resolution 50/115.	Governance	High	O	Response from the Office of ASG, Central Support Services, UNHQ	
2	The UNFCCC Secretariat should resume providing quarterly reports to the ASG/OCSS on the procurement transactions that exceed \$200,000 in value, in order to enable UN Headquarters to exercise adequate oversight over the delegated procurement activities.	Governance	High	O	Documentation from the UNFCCC Secretariat that the submission quarterly reports have been resumed.	March 2010
3	The UNFCCC Secretariat should document its strategy on the green procurement for effective implementation of its objective to procure environmentally friendly goods and services as stated in the UNFCCC Procurement Policy and Process.	Strategy	High	O	Copy of green procurement strategy	June 2010
4	The UNFCCC Secretariat should ensure that the requisitioners prepare, to the extent feasible, annual procurement plans in order to obtain economies of scale and other benefits to the UNFCCC Secretariat.	Operational	Medium	O	Copy of annual procurement plans from programmes	March 2010
5	The UNFCCC Secretariat should maintain vendor registration files with supporting documentation in order to improve transparency and enhance the effectiveness of the procurement operations.	Operational	Medium	O	Confirmation from the UNFCCC Secretariat that the vendor files are maintained.	March 2010
6	The UNFCCC Secretariat should ensure	Operational	Medium	O	Copy of internal guidelines to	March 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	that commercial evaluation of quotations, bids and proposals are not carried out by the requisitioners in order to protect the integrity and strengthen the internal controls of the procurement process.				requisitioners not to conduct commercial evaluation of quotations, bids and proposals.	
7	The UNFCCC Secretariat should comply with the Procurement Manual provision to document evaluation criteria prior to the release of solicitation documents and to avoid overriding of controls in order to protect the integrity of the procurement process.	Operational	High	C	Action completed	Implemented
8	The UNFCCC Secretariat should review the formats for the procurement process given in the United Nations Procurement Manual with the view to adapting and using them in order to improve consistency and efficiency in the procurement process.	Operational	Medium	C	Action completed	Implemented
9	The UNFCCC Secretariat should ensure that requisitioners improve their planning and provide adequate lead time to the procurement office to conduct the procurement operations in an economical, effective and efficient way.	Operational	Medium	O	Copy of instructions to requisitioners to provide adequate lead time to procurement office.	June 2010
10	The UNFCCC Secretariat should avoid, where possible, procuring goods and services through requests for quotations by improving the planning of requisitions to ensure cost-efficient procurement.	Operational	Medium	O	Copies of long term agreements	June 2010
11	The UNFCCC Secretariat should, if possible, consider using the Best and Final Offer in the procurement process, in order to stimulate competition and obtain possible cost savings to the organization.	Operational	Medium	C	Action completed	Implemented

¹ C = closed, O = open

² Date provided by UNFCCC in response to recommendations