



## INTERNAL AUDIT DIVISION

# AUDIT REPORT

---

## Management of the multi-function logistics contract in MINURCAT

The Contract was poorly managed resulting in a low level of implementation of tasks and noncompliance with the Contract's terms and conditions

22 February 2010  
Assignment No. AP2009/636/05

---

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

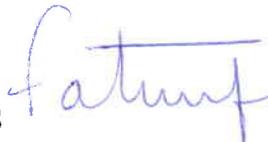
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Victor da Silva Angelo  
A: Special Representative of the Secretary-General  
MINURCAT

DATE: 22 February 2010

REFERENCE: IAD: 010- 00084

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



SUBJECT: **Assignment No. AP2009/636/05 - Audit of the management the multi-functional logistics contract in MINURCAT**  
OBJET: **contract in MINURCAT**

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 1 to 5, 7 and 9 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 3, 5, 6, 9, and 11 in its annual report to the General Assembly and semi-annual report to the Secretary-General.

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

---

## INTERNAL AUDIT DIVISION

---

### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

---

### CONTACT INFORMATION

**DIRECTOR:**

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

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

---

## EXECUTIVE SUMMARY

### Audit of the management of the multi-function logistics contract in MINURCAT

OIOS conducted an audit of the management of the multi-function contract in the United Nations Mission in the Central African Republic and Chad (MINURCAT). The overall objective of the audit was to assess the adequacy and effectiveness of MINURCAT's management of the contract. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The management of the contract was poor, resulting in delays in the implementation of tasks. The Mission issued 20 task orders amounting to \$62 million. As at 31 July 2009, the expiration date of the contract, none of the task orders had been completed. Both the Mission and the Contractor did not comply with some key provisions of the contract regarding its management and oversight. Following are some specific findings:

- The Mission did not recruit a consultant contract manager and the required number of sector programme managers. This, coupled with the lack of capacity within the Mission precluded it from exercising proper management oversight of the contract.
- The Contractor experienced high turnover of personnel in key positions including the Project and Construction Manager. In addition, the Contractor deployed only one of the three required technical engineers. As a result, the Contractor lacked the capacity for providing comprehensive responses to task orders.
- The Responsible Officer (RO) for the contract did not comply with the Mission's policy requiring the Local Committee on Contract's (LCC) review each task order exceeding \$2 million and that the Chief of Mission Support must approve such task orders. Primarily due to the lack of appropriate controls, the RO approved all change orders including those which resulted in the \$2 million approval limit per task order being exceeded. The RO's assistant also approved one task order exceeding \$2 million without the review of the LCC.
- The UN had not claimed liquidated damages for delays attributed to the Contractor. The Mission requested the United Nations Procurement Division (UNPD) to claim liquidated damages from the Contractor, but the Mission did not provide UNPD with all the required information to calculate the damages.

OIOS made a number of recommendations to address the weaknesses identified by the audit and improve the management of the contract.

# 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. Staffing of contract management function	9-15
B. Contract management	16-29
C. Contract implementation	30-41
D. Performance bond and insurance coverage	42-44
V. ACKNOWLEDGEMENT	45
ANNEX 1 – Status of Audit Recommendations	

---

## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the multi-function logistics contract in the United Nations Mission in the Central African Republic and Chad (MINURCAT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Following the establishment of the Mission pursuant to resolution 1778 dated 25 September 2007, the United Nations entered into a turnkey multi-function logistics contract with a Contractor for the construction of seven camps, three field offices, six police stations and twelve police posts, as well as the provision of camp support and maintenance for all MINURCAT locations.

3. The contract was a one-year contract signed on 30 July 2008 on the basis of a not-to-exceed amount of \$129 million, which includes a provision allowing the UN to extend, at its sole option, the terms of the contract for an additional period of one year. Due to the poor performance of the Contractor, the UN had decided in July 2009 not to extend the contract but instead to allow the contractor to continue implementing outstanding works until 31 December 2009 and demobilize by 25 January 2010. However, in response to the draft of this report, the Mission informed OIOS that the contract had been extended in December 2009 for one year period commencing from 30 July 2009.

4. The services provided by the Contractor are monitored by a Responsible Officer (RO) who is designated by the MINURCAT Chief of Mission Support. The Chief of Contract Management Services, who is the designated RO, is responsible for monitoring the contract from the creation of the user requirement statements to the closure of task orders.

5. From the start of the contract to 31 July 2009, 20 task orders amounting to \$62 million had been issued. These related to various construction works including camps, living accommodations and police stations, and the purchase of related equipment.

6. Comments made by MINURCAT are shown in *italics*.

## II. AUDIT OBJECTIVES

7. The main objective of the audit was to assess the adequacy and effectiveness of MINURCAT management of the PAE contract in the following areas:

- (a) Adequacy of guidance and established procedures;
  - (b) Compliance with UN regulations, rules and other guidelines; and
  - (c) Safeguarding of assets.
-

---

### III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered the period from the inception of the contract to 31 July 2009 and involved the following:
- a. Review of pertinent documents and records;
  - b. Interviews of responsible personnel;
  - c. Assessment of the capability of the contract management function at MINURCAT, including adequacy of staffing levels and effectiveness in directing and monitoring the execution of the contract;
  - d. Site visits to review work done, perform physical verification of assets and check inventory control procedures; and
  - e. Review of measures in place for preparation of handover of completed works and equipment in use by the contract.

### IV. AUDIT FINDINGS AND RECOMMENDATIONS

#### A. Staffing of contract management function

9. The contract includes provisions for the deployment of individuals with the appropriate management expertise by both the Mission and the Contractor, the establishment, monitoring and evaluation of deliverables and milestones, as well as the assessment of liquidated damages, if any. However, many of the provisions, particularly those regarding the deployment of individuals with the appropriate level of expertise, were not complied with by both the Mission and the Contractor.

#### Mission inadequately staffed its contract management functions

10. The Mission did not comply with the requirement of the contract that it recruit a Consultant Contract Manager. Due to the Mission's failure to deploy the relevant contract management experts, it lacked the necessary technical expertise for preparing task requests, reviewing task orders and detailed designs submitted by the Contractor in response to task requests, monitoring the performance of the Contractor and assessing the progress of works. In this regard, OIOS found that the Mission issued 133 change orders from August 2008 to July 2009, many of which could have been avoided if the related original task orders had been adequately reviewed and monitored. Change orders mainly resulted from avoidable changes made to the scope of works, issuance of tasks orders without the appropriate technical drawings, and the omission of vital construction material such as panels and accordion doors, distribution panels and cables, etc. from the original task orders. In some instances, change orders were issued due to the omission of transportation costs from the original task orders.

---

---

Contractor inadequately staffed project and construction management functions

11. The Contractor experienced a high turnover of the personnel for key positions including the positions of the Project and Construction Manager. In addition, only one of three technical engineers was brought onboard. As a result, the Contractor lacked the capacity for preparing detailed and precise task proposals for submission to the Mission. In some instances, the Contractor did not submit the required full designs including detailed drawings. For instance, the task proposal relating to camp constructions in Abeche and the extension of camps in Farchana, Iriba and Goz Beida was submitted without the required detailed drawings, field surveys and construction schedules. Additionally, the Contractor did not properly supervise projects, conduct the required field surveys and perform quality control assessments.

12. Although the Contractor did not deploy the required experts for the management of the contract, it was paid more than \$10 million representing fixed project management office (PMO) fees provided for in the contract.

**Recommendations 1 to 3**

**The MINURCAT Office of Mission Support should:**

**(1) Allocate adequate resources to perform the inspection of works and monitor the Contractor for the remaining period of the contract;**

**(2) Ensure that the Contractor provides the required staff to perform task orders for the remaining period of the contract; and**

**(3) Recover a proportionate share of \$10 million in fixed Project Management Office fees paid to the Contractor, in consultation with the United Nations Procurement Division.**

13. *The MINURCAT Office of Mission Support accepted recommendation 1 and stated that newly recruited international staff had been dispatched to various sites to facilitate delivery and monitor the performance of the Contractor. Engineers were dispatched to the sites of Farchana, Iriba, Abeche and N'Djamena by June, October and December 2009 respectively. Based on the action taken by the Mission, recommendation 1 has been closed.*

14. *The MINURCAT Office of Mission Support accepted recommendation 2 and stated that action has been taken to address problems that existed at the beginning of the contract. The Contractor's PMO and manpower at the work sites are now fully mobilized, and the Engineering Section has ensured the presence of the Contractor's technical staff at all work sites. Based on the action taken by Management, recommendation 2 has been closed.*

15. *The MINURCAT Office of Mission Support accepted recommendation 3 and stated that negotiations took place in October 2009 between the Contractor*

and the United Nations. These negotiations resulted in extending the Contract from 29 July 2009, the original expiration date, to 29 July 2010 per Amendment 5 signed on 28 December 2009. OIOS reviewed the Amendment and noted that, under the Amendment, the Contractor will perform agreed tasks. Additionally, according to Article 2 of the Amendment, the Contractor agreed not to invoice the UN for the disputed sum of \$1,165,000 incurred by the Contractor, to reduce the PMO cost for the period from 29 July to 25 January 2010 from \$10,661,000 to \$9,262,000 and to reduce demobilization costs from \$4,285,000 to \$2,815,000. The Contractor will also release the UN from all other claims. In exchange and subject to satisfactory performance of the agreed tasks, the UN will pay agreed fees and release the Contractor from all claims as provided in Article 3 of the Amendment. Based on the action taken by the Mission and the United Nations Procurement Division (UNPD), recommendation 3 has been closed.

## B. Contract management

### Inadequate standard operating procedures (SOPs)

16. The SOPs for the contract require the Chief of Mission Support (CMS) to delegate authority to key staff involved in the day-to-day management of the contract. Consequently, the CMS delegated authority to the RO as the approving officer. The SOPs allow the RO to approve task orders not exceeding \$2 million. A task order exceeding \$2 million must be presented to the Local Committee on Contracts (LCC) for deliberation and recommendation to the CMS.

17. The RO did not consistently comply with the Mission's policy requiring the LCC's review and the CMS approval of a task order exceeding \$2 million. As indicated in Table 1 below, the RO approved change orders that resulted in exceeding the \$2 million approval limit per task order. Additionally, in the absence of the RO, the assistant of the RO approved one task order amounting to \$2.8 million and five change orders amounting to \$6 million although the assistant had not been delegated approving authority by the CMS.

**Table 1: Task orders exceeding the \$2 million as a result of subsequent Change Orders**

Reference #	Initial Value (\$)	Total Change Order Value (\$)	Final Task Order Value (\$)
TO/TA/000001	1,536,037	1,698,049	3,234,087
TO/TG/000001	1,800,077	2,090,620	3,890,696
TO/TI/000001	1,743,376	1,785,462	3,528,838
TO/TI/000002	1,800,077	2,093,040	3,893,117
TO/TF/000001	1,800,077	2,090,600	3,890,677
TO/TN/000002	1,697,227	475,085	2,172,312

18. The SOPs do not contain guidance regarding the approval of change orders, i.e. where the cumulative amount of a task order exceeds the RO's approval limit as a result of the change order. Also, the SOPs do not contain a provision for alternate signatories. There was thus a high unmitigated risk of task orders not being properly reviewed and approved.

---

#### **Recommendation 4**

**(4) The MINURCAT Office of Mission Support should review the current standard operating procedures to provide an appropriate structure of approval limits for task orders and the related change orders.**

19. *The MINURCAT Office of Mission Support accepted recommendation 4 and stated that the Mission used an SOP from another Mission which should have been reviewed and amended. However, a new set of SOPs with clear guidelines are now in place. Based on the action taken by the Mission, recommendation 4 has been closed.*

#### Questionable decision to issue new task orders in July 2009

20. Whereas the Contractor was expected to demobilize by 25 January 2010, on 29 July 2009, the Mission issued six new task orders amounting to \$7 million, two days prior to the expiration of the Contract. The decision to issue new task orders is questionable considering the poor performance of the Contractor, which caused the United Nations to serve the Contractor notice of non-extension of the Contract effective 31 July 2009.

#### No evaluation of Contractor's performance

21. Since inception of the contract, the Mission did not regularly evaluate the performance of the Contractor. For the period under review, the Mission carried out only one formal contractor performance evaluation in March 2009. Despite concerns expressed to the auditors by the Mission about the unsatisfactory performance of the Contractor, the results of this evaluation indicated that the Contractor's performance was satisfactory. As a result, the Contractor was not held accountable to address issues of unsatisfactory performance.

#### **Recommendation 5**

**(5) The MINURCAT Office of Mission Support should ensure the timely and objective evaluation of the Contractor as required and use the results of the evaluations to address unsatisfactory performance of the Contractor.**

22. *The MINURCAT Office of Mission Support accepted recommendation 5 and stated that the Logistic Support Division of the Mission had re-evaluated the performance of the Contractor for the period from July 2008 to October 2009 and forwarded a number of evaluation reports to UNPD in November 2009. Based on the action taken by the Mission, recommendation 5 has been closed.*

#### Inadequate follow-up on decisions reached during monthly contractor meetings

23. According to the RO, monthly video teleconferences were held between the Department of Field Support, UNPD, MINURCAT and the Contractor to

---

discuss progress of contract works and any issues regarding the contract. Through review of minutes of the monthly meetings, OIOS noted that major issues regarding the implementation of the contract were discussed, including low performance of the contractor, water shortage, delays in procuring heavy equipment, and mobilization issues. However, there was no adequate mechanism in place to follow-up on the implementation of decisions reached during these meetings. As a result, many of the issues were not resolved in a timely manner. For instance, the issue relating to the provision of heavy equipment was raised in November 2008 but not addressed until April 2009 and the water shortage issue has never been resolved.

#### **Recommendation 6**

**(6) The MINURCAT Office of Mission Support should ensure that for all monitoring meetings held, clear action points and implementation timeframe are agreed. A mechanism should be put in place to ensure regular monitoring of all actions agreed.**

24. *The MINURCAT Office of Mission Support accepted recommendation 6 and stated that the Mission will reinstate formal monthly performance meetings as per the terms of the Contract as soon as possible. Recommendation 6 remains open pending receipt of evidence that monitoring meetings are held and action points are monitored and subsequently implemented.*

#### Insufficient monitoring of fuel provided to the Contractor

25. The Mission provided the Contractor with fuel for use in relation to the contract. For the period November 2008 to August 2009, approximately 500,000 liters of fuel had been provided to the Contractor for construction activities. In the monthly progress reports, the Contractor provided a summary of fuel received from MINURCAT, by equipment, amount and location. However, there is no evidence to show that MINURCAT monitored the usage of this fuel to ensure that it was used for only contract related activities and to confirm that consumption is reasonable.

#### **Recommendation 7**

**(7) The MINURCAT Office of Mission Support should monitor the Contractor's usage of resources that are provided or paid for by the Mission on all contracts.**

26. *The MINURCAT Office of Mission Support accepted recommendation 7 and stated that the Mission put in place a control mechanism to monitor the consumption of fuel for generators, vehicles and equipment used by the Contractor. Based on a review of the action taken by Mission, recommendation 7 has been closed.*

---

Lack of capacity to take over tasks from Contractor

27. At the time of the audit, it was foreseen that the contract would expire on 30 July 2009. In accordance with the terms and conditions, the Contractor was required to continue implementing outstanding works until 31 December 2009 with complete demobilization by 25 January 2010. At this point, the Mission was to take over outstanding works. The Chief of the Engineering Section (CES) informed OIOS that the Mission did not have the capacity to absorb the functions of the Contractor, even though an effort to recruit more engineers was underway. It was clear that the Mission was not adequately prepared to take over more responsibilities. The Mission informed OIOS that interviews for engineering staff had been conducted, and the results of the Field Review Board was pending.

28. Moreover, as of 25 January 2010, the Contractor was to demobilize, and during this process return to MINURCAT all equipment purchased or provided by MINURCAT. OIOS found that there was no inventory of equipment resulting in a high risk of financial loss.

**Recommendation 8**

**(8) The MINURCAT Office of Mission Support should ensure an inventory of all equipment provided to the Contractor is prepared and steps are taken to ensure it is handed over to the Mission at the end of the contract.**

29. *The MINURCAT Office of Mission Support accepted recommendation 8 and stated that an inventory of all equipment used by the Contractor has been completed.* Recommendation 8 remains open pending verification of the inventory prepared by the Mission.

C. Contract implementation

30. From the inception of the Contract in August 2008 to 31 July 2009, the Mission issued 20 task orders. As shown in Table 2 below, the implementation of these task orders had been significantly delayed. The percentage of completion of the tasks orders was below 55 per cent.

---

**Table 2: Status of task orders as at 31 July 2009**

No	Reference	Issue date	Estimated completion date	Per cent completion as at 31 July 2009
1	TO/TA/000001	10 October 2008	16 February 2009	53
2	TO/TG/000001	13 October 2008	1 February 2009	27
3	TO/TI/000001	13 October 2008	15 January 2009	53
4	TO/TI/000002	13 October 2008	1 February 2009	25
5	TO/TF/000001	13 October 2008	1 February 2009	22
6	TO/TN/000001	10 December 2008	27 March 2009	33
7	TO/TN/000002	12 March 2009	27 March 2009	Not provided
8	TO/TG/000002	7 July 2009	Not provided	Not provided
9	TO/TF/000002	7 July 2009	6 May 2009	Not provided
10	TO/TF/000004	7 July 2009	Not provided	Not provided
11	TO/TA/000002	7 July 2009	Not provided	Not provided
12	TO/TI/000004	7 July 2009	Not provided	Not provided
13	TO/TN/000003	7 July 2009	Not provided	Not provided
14	TO/TN/000005	25 July 2009	4 June 2009	Not provided
15	TO/TF/000003	29 July 2009	1 December 2009	Not provided
16	TO/TI/000003	29 July 2009	20 November 2009	Not provided
17	TO/TBA/000001	29 July 2009	10 December 2009	Not provided
18	TO/TGU/000001	29 July 2009	10 December 2009	Not provided
19	TO/TKO/000001	29 July 2009	10 December 2009	Not provided
20	TO/TG/000003	29 July 2009	24 December 2009	Not provided

31. Delays in implementing the task orders were mainly due to inadequate management including noncompliance of the Mission and the Contractor with some key provisions of the contract. As underscored above, both the Mission and the Contractor lacked the capacity to perform their respective tasks. The Mission lacked the technical expertise for preparing task orders issued to the Contractor, monitoring the performance of the Contractor and assessing the progress of works. The Contractor, on the other hand, lacked the capacity to prepare comprehensive task proposals and supervise the works of its staff. As indicated below, delays in implementing the contract were also attributed to the Contractor's failure to mobilize on-time and the Mission's failure to acquire construction sites on-time and provide the necessary support to the Contractor.

#### Contractor not mobilized on-time

32. Article 6 of the contract requires the Contractor to establish a PMO within 30 days of signing the contract. As at 31 December 2008, more than four months after the contract was signed, the Contractor had not fully mobilized the required personnel. Significant Contractor presence on-site was only evident beginning February 2009.

#### Appropriate equipment not acquired on-time by the Contractor

33. Article 11 of the contract requires the Contractor to either obtain equipment from MINURCAT and/or purchase, through task orders, equipment for use on the contract. However, the Contractor opted to lease equipment locally instead of purchasing equipment not availed by MINURCAT. There was no equipment for lease on the local market. This further delayed the progress of

---

works, until it was resolved in April 2009 by resorting to the purchase of equipment through task orders.

Delivery of non-conforming construction material

34. The United Nations, through its logistics base, provided material that did not conform to the construction designs and specifications. The change in supply was not communicated to the Mission by UNPD, leading to the disruption of works in the locations of Abeche and Iriba.

Late acquisition of construction sites and storage of equipment

35. The Mission issued the initial task orders in September 2008 for construction of camps at the Farchana sector. However, as at January 2009, nearly five months after the task orders were issued, there were unresolved disputes between the UN and the Chadian Government for the use of the identified sites for the construction of camps. The Chief of Integrated Support Services indicated that the plots in the locations were part of public land which the Mission could get free of charge under the Status of Mission Agreement (SOMA) between the UN and the Chadian Government signed in March 2008. However, the local authorities disagreed with the Mission resulting in protracted delays in the commencement of task orders.

Delay by the Mission in providing security support to the Contractor

36. Article 34.4 of the contract entitles the Contractor to security provided by MINURCAT while undertaking contract works outside the camp perimeter in areas where security escorts are required. During the process of expansion of camps at the sites of Iriba, Gozbeida and Farchana, the Contractor requested security on 3 April 2009 but obtained approval from MINURCAT on 3 July 2009. This slowed the performance of the Contractor since significant works were performed after the set-up of security.

Delays in clearing construction materials from customs

37. The SOMA between MINURCAT and the Chadian Government exempts the Mission and its contractors from paying taxes on imports, but the Contractor experienced delays in clearing imported construction material. Despite the intervention of the Mission to enforce the SOMA, the Chadian Authorities rejected the Contractor's claims of customs tax exemptions leading to delays in delivery of equipment and material for the contract. This cumulatively affected the progress of work on the contract.

Non-compliance with United Nations security and safety regulations

38. The Mission did not carry out a compliance review of the Minimum Operating Safety and Security Standards (MOSS) for constructions outside military camps such as Guereda, Kuku and Bahai. This may expose the Mission to increased insecurity in the field. Furthermore, the Mission did not comply with the UN Standards for Accommodation and Office Space in Military and Civilian

---

Camps that requires 14-28 square meters for each staff member with an individual bathroom. OIOS noted an average of one bathroom and toilet for three or six module units in some of the camps. Inadequate facilities may adversely affect civilian welfare in the Mission.

No enforcement of the liquidated damages provision of the contract

39. Article 32 of the contract required the Contractor to pay the United Nations liquidated damages for the period of delay attributed to the Contractor. As indicated above, the implementation of all task orders had been delayed. According to the Mission, the delays were caused by the Contractor. Consequently, the Mission requested UNPD to claim liquidated damages estimated at \$1,272,860 as at 30 April 2009 from the Contractor in accordance with the contract. However, since the Mission did not provide UNPD with all the required information, the process of assessing and claiming for liquidated damages was halted.

**Recommendations 9 and 10**

**The MINURCAT Office of Mission Support should:**

**(9) Determine the amount of liquidated damages, from the inception of the contract to present, and provide the United Nations Procurement Division with the relevant supporting evidence without further delay; and**

**(10) Ensure that constructions comply with the Minimum Operating Safety and Security Standards and the UN Standards for Accommodation and Office Space in Military and Civilian Camps.**

40. *The MINURCAT Office of Mission Support accepted recommendation 9 and advised that negotiations took place in October 2009 between the Contractor and the United Nations. These negotiations resulted in extending the Contract from 29 July 2009, the original expiration date, to 29 July 2010 per Amendment 5 signed on 28 December 2009. As indicated in paragraph 15 above, the Amendment provides for the release of the Contractor from all claims. Based on the action taken by the Mission and the UNPD, recommendation 9 has been closed.*

41. *The MINURCAT Office of Mission Support accepted recommendation 10 and advised that the UN standards for accommodation and office space in military and civilian camps and MOSS are being used as fundamental design criteria and all premises constructed by the Contractor to date and planned for construction are and continue to be in accordance with these standards. Recommendation 10 remains open pending receipt of evidence showing compliance with the necessary security standards in Guereda, Kuku and Bahai.*

---

D. Inadequate performance bond and insurance coverage

Performance bond

42. Article 18.1 of the contract requires the Contractor to put in place a performance bond of \$7.7 million within 15 days of signing the contract. In the event of no contract extension, the performance bond would remain in force for a period of 15 months after the effective date. The Contractor provided a performance bond for the required amount effective 11 August 2008 in force for at least three months after termination of the contract. Due to lack of clarity of the period covered by the bond, the RO requested the Contractor to confirm that the performance bond would cover up to 25 January 2010. There was however no response obtained from the Contractor. The RO explained that the UNPD is working towards obtaining a confirmation that the bond would cover the entire construction period.

Insurance coverage

43. Article 19 of the contract requires the Contractor to obtain, and for the duration of the contract maintain, among other insurance covers, those listed in Table 2 below. However, this was not complied with. In addition, all the certificates provided for under the General Liability Clause of the contract expired before March 2009. This left the Mission exposed to the respective risks due to inadequate coverage over the contract period.

**Table 3: Status of insurance coverage for the contract**

Contract reference	Liability	Required coverage (\$ million)	Actual coverage (\$ million)	Required coverage period	Actual coverage period
19.1.6 (a)	General Liability	50	6.105	2 years after contract expiration	Not beyond March 2009
19.1.6 (b)	Environmental Liability	10	-	2 years	No policy
19.1.6 (c)	Professional Liability	2	-	2 years	No policy
19.1.6 (d)	Aviation Hull and Liability	50	-	For the duration of aviation activities	No policy

**Recommendation 11**

**(11) The MINURCAT Office of Mission Support should ensure that the Contractor obtains adequate performance bond and insurance coverage in compliance with the contract without further delay.**

44. *The MINURCAT Office of Mission Support accepted recommendation 12 and stated that the Mission has requested the Contractor to provide a performance bond for the 180 days continuation period. In addition, the Contractor has already provided a certificate of liability valid from 1 September 2009 to 1 September 2010. Recommendation 12 remains open pending receipt of*

---

evidence of a performance bond covering the period of the contract, as well as the agreed continuation period.

## V. ACKNOWLEDGEMENT

45. We wish to express our appreciation to the Management and staff of MINURCAT 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 MINURCAT Office of Mission Support should, for the remaining period of the contract, allocate adequate resources to perform the inspection of works and monitor the Contractor.	Human Resources	Medium	C	Action taken	December 2009
2	The MINURCAT Office of Mission Support should, for the remaining period of the contract, ensure that the Contractor provides the required staff to perform task orders.	Human Resources	Medium	C	Action taken	Implemented
3	The MINURCAT Office of Mission Support, in consultation with UNPD, should recover a proportionate share of \$10 million in fixed Project Management Office fees paid to the Contractor.	Financial	High	C	Action taken	Implemented
4	The MINURCAT Office of Mission Support should review the current standard operating procedures to provide an appropriate structure of approval limits for the Task Orders.	Operational	Medium	C	Action taken	Implemented
5	The MINURCAT Office of Mission Support should ensure timely and objective evaluation of the Contractor as required and use the results of the evaluations to address unsatisfactory performance of contractors.	Operational	High	C	Action taken	Implemented
6	The MINURCAT Office of Mission Support should ensure that for all monitoring meetings held, clear action points and implementation timeframe are agreed. A mechanism should be put in place to ensure regular monitoring of all actions agreed.	Operational	High	O	Evidence showing the recommendation has been implemented.	Not provided
7	The MINURCAT Office of Mission Support should monitor the Contractor's usage of	Financial	Medium	C	Action taken	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	resources that are provided or paid for by the Mission on all contracts.					
8	The MINURCAT Office of Mission Support should ensure an inventory of all equipment provided to the Contractor is prepared and steps are taken to ensure it is handed over to the Mission at the end of the contract.	Operational	Medium	O	Pending verification of inventory prepared by the Mission.	Not provided
9	The MINURCAT Office of Mission Support should determine the amount of liquidated damages, from the inception of the contract to present, and provide the United Nations Procurement Division with the relevant supporting evidence without further delay.	Financial	High	C	Action taken	Implemented
10	The MINURCAT Office of Mission Support should ensure that constructions comply with the Minimum Operating Safety and Security Standards and The UN Standards for Accommodation and Office Space in Military and Civilian camps.	Compliance	Medium	O	The Security Office compliance review on the UN Scales and MOSS Standards.	Not provided
11.	The MINURCAT Office of Mission Support should ensure that the Contract or obtain adequate performance bond and insurance coverage in compliance with the contract without further delay.	Financial	High	O	The provision of the performance bond covering the 180 days continuation period.	Not provided

1. C = closed, O = open

2. Date provided by MINURCAT in response to recommendations.