



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/045

Audit of the acquisition and management of system contract no. PD/C0028/05 for the provision of the information and communications technology staffing support services

Overall results relating to the economical acquisition and efficient and effective management of the information and communications technology staffing support system contract were partially satisfactory. Management has satisfactorily implemented one recommendation, while the implementation of two important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

22 May 2013
Assignment No. AH2012/513/01

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AUDIT REPORT

Audit of the acquisition and management of system contract no. PD/C0028/05 for the provision of information and communications technology staffing support services

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the acquisition and management of system contract no. PD/C0028/05 for the provision of the information and communications technology (ICT) staffing support services.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. The Procurement Division (PD) in the Office of Central Support Services (OCSS) established system contract no. PD/C0028/05 on 30 June 2005 for the provision of ICT staffing support services to be used by various entities including field missions, Headquarters and Offices away from Headquarters. The total price (not to exceed amount) of the contract for the initial three-year term was approximately \$40 million with an additional \$13 million for each of the two optional one-year extensions. Contract personnel to be provided were estimated at between 150 and 265.
4. The contract was extended three times beyond the maximum five-year contract term with the total not to exceed (NTE) amount increasing to approximately \$170 million and the number of contract personnel to over 500 by December 2011. As of July 2012, total expenditure under the contract was approximately \$162 million. Subsequent to the audit, PD established a new contract for this requirement.
5. Table 1 shows the breakdown of contract personnel that were deployed at various missions/offices as at 31 December 2011.

Table 1
Number of contract personnel deployed as at 31 December 2011

No.	Field Missions	Number of personnel
1.	United Nations Integrated Office in Burundi	2
2.	United Nations Stabilization Mission in Haiti (MINUSTAH)	57
3.	United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO)	46
4.	United Nations Operation in Côte d'Ivoire	10
5.	African Union/United Nations Hybrid operation in Darfur (UNAMID)	98
6.	United Nations Interim Force in Lebanon	6
7.	United Nations Integrated Peacebuilding Support Office in Guinea-Bissau	2
8.	United Nations Integrated Peacebuilding Office in Sierra Leone	2
9.	United Nations Logistics Base (UNLB)	29
10.	United Nations Interim Administration Mission in Kosovo	10

No.	Field Missions	Number of personnel
11.	United Nations Mission in Liberia	15
12.	United Nations Mission in South Sudan	120
13.	United Nations Integrated Mission in Timor-Leste (UNMIT)	34
14.	United Nations Support Office for AMISOM	8
	Total Missions	439
	Other Offices	
15.	Department for General Assembly and Conference Management	1
16.	Office for the Coordination of Humanitarian Affairs (based in Mumbai, India)	17
17.	Office of Information and Communications Technology	8
18.	Office of Human Resources Management	3
19.	United Nations Office at Geneva	3
20.	Information and Communication Technology Division in DFS (based in Mumbai, India)	41
	Total Other Offices	73
	Grand Total	512

6. Comments provided by the Department of Field Support are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit of system contract no. PD/C0028/05 for the provision of ICT staffing support services was conducted to assess the adequacy and effectiveness of the Department of Field Support's governance, risk management and control processes in providing reasonable assurance regarding **economical acquisition and efficient and effective management of the system contract for the provision of ICT staffing support services**.

8. The audit was included in the 2012 OIOS risk-based work plan at the request of DFS, and due to the high value of the contract and the criticality of the related services that support the continued availability of ICT at peacekeeping missions and other entities. Uneconomical acquisition or inefficient or ineffective management of the contract may lead to waste of resources or disruption of ICT services.

9. The key controls tested for the audit were: (a) needs assessment; (b) coordinated management; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Needs assessment** – controls that provide reasonable assurance that there are proper mechanisms in place to determine the requirements for the ICT staffing support contract. This includes the strategic planning, budgeting and requisitioning processes for ICT staffing support in DFS and peacekeeping missions.

(b) **Coordinated management** – controls that provide reasonable assurance that there are proper mechanisms in place to ensure adequate collaboration in the procurement, contract management and administration processes to achieve synergy and avoid potential overlaps. These include joint activities of PD, DFS and missions throughout the procurement process and the post award phase.

(c) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide acquisition and contract management and administration activities;

(ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key controls were assessed for the control objectives shown in Table 2.

11. OIOS conducted this audit from March to September 2012. The audit covered the period from January 2005 to July 2012.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. The audit covered the requisitioning and contract award processes and compliance with contract terms. A sample of purchase orders and payment transactions were selected for detailed testing. Questionnaires were sent to 14 peacekeeping missions and six other offices that used the contract (see Table 1). Responses were received from all but two missions. Four peacekeeping missions¹, which placed purchase orders (POs) for the cumulated amount of more than \$5 million, were selected for detailed review.

III. AUDIT RESULTS

13. The Secretariat's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **economical acquisition and efficient and effective management of the system contract for the provision of ICT staffing support services**. OIOS made three recommendations to address issues identified in the audit. The four missions reviewed prepared budgets indicating amounts required for ICT staffing support services. However, the key control of needs assessment was rated as partially satisfactory because there were no computations and other analyses to substantiate the amounts requested, including the number of contract personnel. Consequently, there was no assurance that the number of contract personnel requested was optimal for missions' operations. The key control of coordinated management was rated as partially satisfactory because DFS needed to strengthen oversight of the system contract to ensure consistent implementation of contract terms and monitor overall utilization of the contract within the NTE amount. Moreover, at the time of the audit, DFS had not established the Contract Compliance and Performance Management function as envisaged in its Contract Management Policy to improve the overall management of the contract. While a regulatory framework was in place, DFS did not institute a mechanism to ensure compliance with the contract provision on the verification of payments made to contract personnel by the contractor.

14. The initial overall rating was based on the assessment of key controls presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

¹ MONUSCO, MINUSTAH, UNAMID and UNMIT

Table 2

Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Economical acquisition and efficient and effective management of the system contract for the provision of ICT staffing support services	(a) Needs assessment	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Coordinated management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Needs assessment

There was inadequate justification of the number of contract personnel required

15. Field missions issued POs each fiscal year to requisition contract personnel; however, none of the four missions selected for detailed review evidenced in writing how they determined the number of ICT contract personnel that would be needed. While their budgets indicated the amounts required for ICT support services, there were no computations or other analyses to substantiate the amounts requested in the budgets, including the number of contract personnel.

16. Missions indicated that the number of contract personnel required was determined based on the mandate of the mission and the work plan of the Communication and Information Technology Sections (CITS), but in the absence of a written justification showing how the numbers were arrived at, it was not possible to verify whether the number of contract personnel deployed was optimal for the missions' operations.

17. In order to ensure efficient utilization of resources, DFS needs to develop detailed guidelines to assist missions to determine and justify their contract personnel requirements. *DFS stated that during the set-up of a field mission, it participates in the estimation of personnel requirements based on the initial planning assumption. At the early phases of the mission planning process, it was impossible to accurately forecast or determine in detail the staffing requirements or components of the mission. Thereafter, a mission, based on its individual operational mandate and environment, determines its particular need for staff and contractual resources. ICT managers in field missions make best efforts to estimate the number of ICT support personnel, including contractual resources required, taking into account the continually changing mandate and operational priorities.*

(1) DFS should develop detailed guidelines to determine the contract personnel requirements under the system contract for the provision of ICT staffing support to ensure that the number of personnel deployed are justified.

DFS accepted recommendation 1 and stated that it will provide guidance to missions to prepare and maintain supporting documentation to determine and justify the requests for additional contractual

personnel for ICT staffing support. Recommendation 1 remains open pending receipt of DFS' guidelines to determine the contract personnel requirements under the system contract.

B. Coordinated management

Lack of adequate Department of Field Support oversight over contract management

18. The Information and Communication Technology Division (ICTD) of DFS, as the requisitioner, did not oversee the management of the contract. While missions were responsible for day-to-day contract management, ICTD did not institute a reporting mechanism from missions to enable it to monitor the utilization of the contract and ensure that the missions had implemented adequate contract management procedures. ICTD, in a fax dated 21 March 2006, requested all missions to use the contract without its direct involvement in the allocation of funds, requisitioning and issuance of POs, and certification and payment of invoices. In addition, the contract did not designate a United Nations point of contact to be responsible for operational, coordination and technical matters arising from the contract. As a result, missions were not clear about which office had ultimate contract management responsibilities. For example, in response to the survey question on who is the responsible officer to manage the contract, MINUSTAH indicated PD; MONUSCO indicated the Contract Management Section in the mission; while UNMIT, UNAMID and UNLB indicated their respective CITS personnel. PD has since introduced a provision to designate a United Nations point of contact in Amendment 15 (Article 17.2) of the contract, which was signed on 23 October 2012.

19. The lack of adequate oversight by DFS resulted in the following:

(a) ICTD could not determine the actual number of personnel deployed under the contract at any given point of time;

(b) Procedures to evaluate the performance of individual contract personnel were not applied consistently across the missions. For example, only one mission in the sample (UNMIT) evaluated the performance of individual contract personnel, which was done monthly. MONUSCO conducted formal performance evaluations for the first three months of the contract terms only; whereas MINUSTAH and UNAMID did not conduct any performance evaluations. DFS stated that performance evaluation of contract personnel was not clearly defined in the contract;

(c) Procedures to monitor the time and attendance of contract personnel were not consistent. Monthly attendance records were maintained by CITS staff at MONUSCO, UNMIT, UNLB and MINUSTAH. In the case of UNAMID, CITS certified the attendance records maintained by the contractor's team leader, even though it did not have any means to verify the information; and

(d) The contractual provision to recover the cost of medical services provided to contract personnel was not implemented consistently. While MONUSCO, UNMIT and UNAMID recovered the cost of medical services provided to contract personnel, MINUSTAH and UNLB did not recover such costs. DFS indicated that since the procedures for reimbursement of medical services varied from mission to mission, DFS planned to issue guidance to all missions to formalize the process.

20. ICTD stated that it did not have the capacity to monitor the 36 system contracts in place involving multiple users and locations and with a total NTE amount of approximately \$1.2 billion. At the time of

the audit, only three staff members were allocating a certain proportion of their time to manage system contracts. PD stated that its role was limited to contract administration.

21. As part of its Contract Management Policy that came into effect on 1 April 2012, DFS defined a Contract Compliance and Performance Management function to fulfill the role of oversight and management of contracts at Headquarters. However, it had not yet been operationalized.

(2) DFS should establish the Contract Compliance and Performance Management function as envisaged in its Contract Management Policy promulgated on 1 April 2012.

DFS accepted recommendation 2 and stated that the Contract Compliance and Performance Management function as envisaged in the new Contract Management Policy has already been established at the United Nations Global Service Centre (UNGSC) in Brindisi and was fully functional. In a facsimile dated 13 February 2013, the Director, ICTD/DFS formally transferred the functions of Contract Compliance and Performance Management of the contract to the Director, UNGSC. Based on the action taken by DFS, including the establishment of the Field Contracts Unit at UNGSC, which performs the broad contract compliance and performance management function envisaged in DFS' Contract Management Policy, recommendation 2 has been closed.

C. Regulatory framework

Vendor who did not meet the initial mandatory criteria for pre-qualification was finally awarded the contract

22. PD issued a request for information (RFI No.001/04) in February 2004 to 401 vendors indicating the mandatory pre-qualification criteria to be eligible for the RFP phase of the solicitation exercise, which included the following:

- (a) Three years experience in the related field of operations;
- (b) Profits in the last three years and turnover of at least \$10 million for the last X (not specified) years; and
- (c) International management support to be able to operate worldwide.

23. Out of the 17 vendors who responded, 2 were disqualified for not meeting the mandatory requirements. However, PD did not disqualify the vendor that was eventually awarded the contract even though it was a loss making entity during the previous three years and had a turnover of only \$9.4 million. Furthermore, in the evaluation report on vendors responding to the RFI, PD revised the evaluation criterion from “profitability of the vendor in the last three years” to a less stringent requirement of “submission of financial statements”. PD also reduced the annual turnover criterion from \$10 million to \$5 million and finally pre-qualified the vendor for the RFP phase.

24. At the time of PD's decision to award the contract, the vendor's latest financial statements showed a loss. Before the contract was signed in May 2005, on receipt of a complaint from one of the competitors questioning the financial capability of the vendor to undertake the contract, PD engaged a consultant at a cost of \$5,600 to assess the vendor's financial strength. While the consultant concluded that the vendor was financially capable of executing the contract, non-compliance with the mandatory pre-qualification criteria lacked transparency and affected the credibility of the solicitation exercise

25. The reasons for changing the mandatory pre-qualification criteria were not documented and PD could not provide explanations due to the passage of time and staff turnover. PD needs to ensure that where changes are required to vendor pre-qualification requirements, such changes are properly documented, approved and applied to all bidders as stated in the Procurement Manual. Since PD is making efforts to improve documentation of the procurement process and strengthen the monitoring of compliance with the Procurement Manual, OIOS does not make a recommendation at this time.

Contract provision to verify payment of wages, benefits and living expenses to contract personnel was not enforced

26. Contract no. PD/C0028/05 stipulates that as a condition for payment of invoices, the contractor shall provide upon request, satisfactory proof that the wages, benefits and living expenses due to contract personnel have been paid. However, except for MONUSCO, missions did not invoke this provision. DFS stated that it did not invoke the above provision because it was considered as an internal matter between the contractor and its employees. By not exercising the contractual provision, the United Nations may be exposed to a reputation risk and may not derive the best value for money from the contract in the event of low morale of contract personnel if they are not paid as required by the contractor

(3) DFS should institute a mechanism whereby missions confirm periodically that they have verified the payment of wages, benefits and living expenses to ICT staffing support contract personnel.

DFS accepted recommendation 3 and stated that an instruction will be issued to all field missions with a copy to the contractor informing the missions of the transfer of the Contract Compliance and Performance Management function of the contract to UNGSC. Also, UNGSC will establish a mechanism to ensure that the contractor provides the required proof of payment of salaries and benefits in accordance with Article 15.5 of the contract. Recommendation 3 remains open pending notification that a mechanism to ensure the contractor's compliance with Article 15.5 of the contract has been established.

IV. ACKNOWLEDGEMENT

27. OIOS wishes to express its appreciation to the Management and staff of DM and DFS for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the acquisition and management of system contract no. PD/C0028/05 for the provision of information and communications technology staffing support services

Recom. no.	Recommendation	Critical ² / important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	DFS should develop detailed guidelines to determine the contract personnel requirements under the system contract for the provision of ICT staffing support to ensure that the number of personnel deployed are justified.	Important	O	Submission of DFS' guidelines to determine the contract personnel requirements under the system contract for the provision of ICT staffing support services.	31 December 2013
2	DFS should establish the Contract Compliance and Performance Management function as envisaged in its Contract Management Policy promulgated on 1 April 2012.	Important	C		Implemented
3	DFS should institute a mechanism whereby missions confirm periodically that they have verified the payment of wages, benefits and living expenses to ICT staffing support contract personnel.	Important	O	Notification that a mechanism to ensure the contractor's compliance with Article 15.5 of the contract has been established.	30 September 2013

² Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

³ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by DFS in response to recommendations.



CONFIDENTIAL

Routine

TO: Ms. Carmen Vierula, Chief
A: New York Audit Service, Internal Audit Division, OIOS

DATE: 16 April 2013

REFERENCE: 2013-UNHQ-007449.01

THROUGH:

S/C DE:

FROM: Anthony Banbury, Assistant Secretary-General
DE: Department of Field Support

A handwritten signature in blue ink, appearing to read 'A. Banbury'.

SUBJECT: AH2012/513/01 - Audit of system contract no. PD/C0028/05 for the
OBJET: provision of ICT staffing support services

1. I refer to your memorandum dated 2 April 2013, regarding the above-mentioned audit. We note that OIOS has taken into account the comments provided by DFS on 27 November 2012. The Department is providing additional comments on the recommendations in the attached matrix for consideration in the finalization of the report.

2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Kiplin Perkins
Rudy Sanchez
Zachary Ikiara
Anna Halasan

AUDIT RECOMMENDATIONS

Audit of the acquisition and management of system contract no. PD/C0028/05 for the provision of ICT staffing support services

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DFS should develop detailed guidelines to determine the contract personnel requirements under the system contract for the provision of ICT staffing support to ensure that the number of personnel deployed are justified.	Important	Yes	Director, ICTD/DFS	Fourth quarter of 2013	DFS comments are reflected in the draft report. The Department does not have any further comments.
2	DFS should establish the Contract Compliance and Performance Management function as envisaged in its Contract Management Policy promulgated on 1 April 2012.	Important	Yes	N/A	Implemented	DFS wishes to clarify that the Contract Compliance and Performance Management function as envisaged in the new Contract Management Policy has already been established at the United Nations Global Service Centre (UNGSC) in Brindisi and is fully functional. In a facsimile dated 13 February 2013, the Director of ICTD/DFS formally transferred the functions of contract compliance and performance management of the contract to the Director UNGSC. A copy of the facsimile and the terms of reference of the UNGSC Field Contract Unit are attached for easy reference.
3	DFS should institute a mechanism whereby missions confirm periodically that they have verified the payment of wages, benefits and living expenses to ICT staffing support contract personnel.	Important	Yes	Director, DFS/ Director, UNGSC	Third quarter of 2013	DFS will issue an instruction to all field missions with a copy to the Contractor informing the missions of the transfer of contract compliance and performance management functions of the contract to UNGSC. UNGSC will establish a mechanism to ensure that the Contractor provides the required proof of payment of salaries and benefits in accordance with Article 15.5 of the contract.

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.