

#### INTERNAL AUDIT DIVISION I OFFICE OF INTERNAL OVERSIGHT SERVICES

Mr. Jacques Paul Klein TO:

DATE:

6 December 2004

Special Representative of the Secretary-General

UNMIL

reference: AUD- 7-5:16 (

FROM:

Patricia Azarias, Director

DE:

Internal Audit Division I, OIOS

SUBJECT:

OBJET: Audit of Fuel Management in UNMIL (AP2004/626/05)

- I am pleased to present herewith our final report on the audit of the above subject which was conducted during April and May 2004.
- We note from your response to the draft report that UNMIL has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 9, 14, 15, 16 and 17 in the OIOS recommendation database. In order for us to close out the remaining recommendations - recommendations 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12 and 13 we request that you provide us with additional information as indicated in the text of the report and a time schedule for implementing each of the recommendations. Please refer to the recommendation number concerned to facilitate monitoring of the implementation status.
- 3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
- I take this opportunity to thank the management and staff of UNMIL for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to:

Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations

Ms. Hazel Scott, Director, ASD/DPKO

Ms. Savitri Butchey, Director of Administration, UNMIL

UN Board of Auditors

Programme Officer, OIOS

Ms. Juanita Villarosa, Chief Resident Auditor, UNMIL

# Office of Internal Oversight Services Internal Audit Division I



# Audit of Fuel Management in UNMIL

Audit no:

AP2004/626/05

Report date:

6 December 2004

Audit team:

S. A. Goolsarran, Auditor-in-Charge

Venkata Bendapudi, Auditor Steve Ferrell, Associate Auditor

# **EXECUTIVE SUMMARY Audit of Fuel Management in UNMIL**

OIOS conducted an audit of fuel management in the United Nations Mission in Liberia (UNMIL) to determine: (a) whether an adequate and reliable system is in place for the ordering of fuel and lubricants, their receipt, distribution, storage, utilization and accounting; and (b) compliance with the requirements of the UN Financial Regulations and Rules, the Procurement Manual, and related guidelines. The review covered the period 1 August 2003 to 31 March 2004.

The audit indicated that the Mission's Fuel Unit is not adequately staffed to effectively carry out its full range of activities. In addition, the Mission does not have standard operating procedures to guide staff as to their responsibility, to establish accountability, to provide an authoritative source of reference in event of any misunderstanding, and to minimize potential irregularities.

Facilities for offloading fuel from ships and storage facilities at the Liberian Petroleum Refining Co. are old and in poor shape. Given this situation, there is a possibility that the Mission might be receiving contaminated fuel. In addition, the Mission's operations could be in jeopardy if the system collapses, particularly because there is no provision for the maintenance of strategic stocks of fuel to ensure the sustainability of UNMIL's operations. In the circumstances, there is an urgent need for UNMIL to have its own facilities for receiving fuel from the ships and for its storage.

The contractor's mark-up margin and the cost of "into-plane" service represent approximately 103% of the actual FOB cost of aviation fuel. As a result, UNMIL would have paid \$1.48 million for these costs up to 30 June 2004. In addition, the contractor is hard-pressed to deliver the "into-plane" service at Roberts International Airport because of competing demands involving commercial aircraft. This has resulted in UNMIL having to make alternative arrangements with the Ukrainian Aviation Unit.

For the period 1 August 2003 to 31 March 2004, the delivery of 290,066 US gallons of ground fuel valued at \$455,404 could not be traced to the various locations. This discrepancy might be due to irregularities in fuel distribution. There is evidence to suggest that the Organization has suffered an undetermined loss through irregularities in the receipt and distribution of fuel.

# TABLE OF CONTENTS

Chapte	er -	Paragraphs
I.	INTRODUCTION	1 – 4
II.	AUDIT OBJECTIVES	5
III.	AUDIT SCOPE AND METHODOLOGY	6 – 7
IV.	AUDIT FINDINGS AND RECOMMENDATIONS	
	A. Staffing of the Fuel Unit	8 – 13
	B. Standard Operating Procedures	14 – 16
	C. Awarding of contracts	17 - 24
	D. Payments to vendors	25 - 39
	E. Receipt of aviation fuel	40 - 47
	F. Receipt, distribution & storage of ground fuel	48 – 56
	G. Issuing of fuel to vehicles	57 – 63
	H. Issuing of fuel to generators	64 - 68
	I. Recordkeeping and filing	69 - 70
V.	ACKNOWLEDGEMENT	71

#### I. INTRODUCTION

- 1. OIOS' resident auditors conducted an audit of fuel management in the United Nations Mission in Liberia (UNMIL). The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations. A draft of the present report was provided to UNMIL for comments. Comments received from UNMIL are shown in italics.
- 2. Fuel supplies are critical to mission operations. Out of a field allotment of \$197.9 million for the period 1 August 2003 to 30 June 2004 for UNMIL, \$26.2 million relates to fuel (i.e., petroleum, oil and lubricants). The Mission's expenditure on fuel is approximately \$2.4 million per month. The Mission's Fuel Unit is responsible for managing the contracts as well as the monitoring and supervision of the receipt of fuel, their distribution, storage, issuing and the related recordkeeping. The Mission uses nine main fuel products diesel, gasoline, aviation fuel, kerosene, cooking gas, charcoal, unleaded petrol, oils and lubricants. The main suppliers of fuel are Exxon Mobil International Ltd. for aviation fuel and General Petroleum Corporation (GEPCO) for ground fuel.
- 3. There are eleven fuel points that provide ground fuel for the Mission's 187 generators, 1,024 UN-owned vehicles as well as vehicles and equipment owned by the contingents. These are the two pump stations in Monrovia operated by GEPCO, the Irish Camp, and eight receiving points at Kakata, Gbarnga, Tapeta, Zwedru, Voinjama, Tubmanburg, Ganta and Sinje.
- 4. There is no fuel point for aviation fuel, and Mobil is required to provide "into-plane" delivery service to the aircraft at Roberts International Airport and Spriggs Payne Airfield. At the time of the audit, the Mission operated twenty aircraft, two of which are fixed-wing.

#### II. AUDIT OBJECTIVES

- 5. The main objective of the audit was to ascertain whether an adequate and reliable system of internal control is in place for the placing of orders for the purchase of fuel, their receipt, distribution, storage, utilization and their related recordkeeping. Other objectives included:
- Testing of the controls to ensure that they are operating satisfactorily; and
- Determining compliance with the requirements of the UN Financial Regulations and Rules, the Procurement Manual and related circular instructions.

#### III. AUDIT SCOPE AND METHODOLOGY

6. The review covered the period 1 August 2003 to 31 March 2004. The system relating to the procurement of fuel, and their distribution and utilization was documented using a survey questionnaire, discussions were held with key personnel from the Fuel Unit, and various documents e.g. the UN Financial Regulations and Rules, the Procurement Manual, circular instructions and other related correspondence, were reviewed.

7. Following the documentation and evaluation, a series of tests and other procedures were carried in order to meet the above stated objectives, using the records of the Fuel Unit, the various fuel points, and the Procurement, Transport, Aviation and Finance sections.

# IV. AUDIT FINDINGS AND RECOMMENDATIONS

#### A. Staffing of the Fuel Unit

- 8. At the time of the audit, the Mission's Fuel Unit had a staffing complement of 21, comprising an OIC, a contract assistant, two field fuel supervisors, an accounts clerk, a fuel assistant, five fuel attendants, seven fuel drivers, a mechanic, a military liaison officer and a military officer. Of this number, only four were international staff members.
- 9. The OIC of the Fuel Unit explained that the current staffing is not adequate for the full range of operations which includes overseeing the operations of the three fuel points in Monrovia and nine receiving/distribution points in the regions. The latter are manned by contingents instead of civilian staff because of security considerations as well as the staffing situation at the Fuel Unit. This is in addition to the receiving points for aviation fuel at Spriggs Payne Airfield and Roberts International Airport.
- 10. The OIC estimated that eighteen more staff members, i.e. 9 international staff, 5 UN volunteers and 4 national staff, are needed to ensure full and effective coverage of the operations of the Fuel Unit. He explained that since his arrival in the Mission on 2 October 2003, he had been making strenuous efforts to staff the Unit and that he had since been able to recruit 15 national staff. However, his efforts were affected by the pace of recruitment of international staff. For example, it was not until 21 January 2004 that two staff members joined the Fuel Unit while the fourth member arrived in early February 2004. The staffing situation was further exacerbated with the departure of the OIC on 30 June 2004.
- 11. OIOS was also informed that some staff members came to the Mission under the Rapid Deployment Team mechanism and had returned to their parent missions before replacements could be found. In addition, a number of prospective candidates were proposed but they were invariably from the same nationality, and there were no specific vacancy announcements for the posts, hence the delay in filling the vacancies. Three international staff members have since been selected while replacement for the Chief of the Fuel Unit was being considered.
- 12. OIOS noted that the Mission received a facsimile dated 7 November 2003 from the Department of Peacekeeping Operations (DPKO) urging it to review and implement a number of "lessons learned" as a result of irregularities uncovered at another mission. One area relates to the staffing of the Fuel Unit. DPKO stressed the importance of ensuring "adequate competent staffing and the establishment of effective fuel monitoring and accounting procedures at the inception of peacekeeping operations" including the deployment of staff in the regions.

#### **Recommendation 1**

OIOS recommends that the UNMIL Administration take urgent measures to ensure that the Fuel Unit is fully staffed to effectively carry its full range of activities which should include manning of all receiving and distribution points in the regions (AP2004/626/05/01).

13. UNMIL Administration accepted recommendation 1 and indicated that one of three candidates selected for recruitment has arrived in the Mission while two are in travel status. Based on the action taken by the Mission, OIOS has closed recommendation 1 in its database.

# **B.** Standard Operating Procedures

- 14. There were no written guidelines or standard operating procedures (SOPs) to guide staff as to the procedures to be followed in the receipt and utilization of fuel as well as the related recordkeeping. This is despite the fact that the Mission was urged by the above-mentioned facsimile to have such written procedures in place as early as possible. The Fuel Unit, however, attributed this state of affairs to its staffing situation.
- 15. The importance of having clear and detailed guidelines or SOPs for the Mission's fuel operations cannot be over-emphasized. These operating procedures establish basic ground rules that guide staff as to their responsibilities and the extent of their accountability. Moreover, having such procedures in place is likely to minimize the extent to which irregularities can occur.

#### Recommendation 2

OIOS recommends that the UNMIL Administration take urgent measures to ensure that the procedures for the Mission's fuel operations are fully documented and disseminated to establish responsibility and accountability (AP2004/626/05/02).

16. UNMIL accepted this recommendation and indicated that a draft Fuel SOP has been prepared and is currently under review. The SOP will be implemented by mid-November 2004. OIOS will keep this recommendation open in its database pending receipt of a copy of the final SOP after it has been promulgated.

# C. Awarding of Contracts

#### Contract for supply of aviation fuel

- 17. The contract for the supply of aviation fuel was awarded to Exxon Mobil International Ltd. (Mobil) in the sum of \$3.3 million covering the period 1 October to 30 June 2004 on the grounds that:
  - (a) None of the six proposals received based on the solicitation of bids using the 'turn-key' concept developed by DPKO and the Mission fully met the needs of the Mission;

- (b) Mobil operated the only storage and dispensing facility for aviation fuel at the two airports in Monrovia;
- (c) The price of \$1.7042 per US gallon compared favourably with that of \$1.81 paid by the World Food Programme (WFP) to Mobil; and
- (d) Mobil was the sole supplier of aviation fuel in Liberia. The Headquarters Committee on Contracts, in supporting the award, urged the Mission "to negotiate better pricing with the vendor to the extent possible".
- 18. A review of Mobil's contract indicated that the unit price per US gallon comprises a variable and fixed component. The variable component is the price in US dollar for one US gallon as per Platt's "Cargo FOB Mediterrarean Italy Jet avfuel high" quotation, average of the previous month. The variable component changes once per month. The fixed component at the time of signing the contract was \$0.97 per US gallon, representing the contractor's "operation cost and mark-up margin". The contract did not specify the various components that make up the operation cost. However, the OIC of the Fuel Unit explained that these are costs associated mainly with shipping and handling and the provision of "into-plane" service for the Mission's aircraft at Spriggs Payne Airfield and Roberts International Airport.
- 19. The contractor's operation cost and mark-up margin was subsequently increased to \$1.085 per US gallon. This charge represents approximately 150% of the actual FOB cost of the aviation fuel. Discussions with the Manager of West Oil, the fuel importing company, indicated that the difference between the FOB cost and the CIF cost is approximately 20% i.e. 15 cents per US gallon. In addition, according to a report from the United Nations Joint Logistics Center (UNJLC) dated January 2004, the handling fee charged by the Liberia Petroleum Refining Co. (LPRC), a state-owned company, is six cents per US gallon. These two elements of cost when added to the FOB price will give a figure of \$0.95 per gallon. Therefore, the contractor's mark-up and the cost of "into-plane" service would amount to \$0.76 per gallon or 103% of the FOB cost of aviation fuel. Based on the revised contract amount of \$3.3 million representing approximately \$1.48 million US gallons, the Mission would have paid the contractor approximately \$1.48 million for its mark-up margin and the cost of "into-plane" service for the 9-month period to 30 June 2004. Therefore, the cost of \$1.7042 per US gallon for aviation fuel appears to be excessive.
- 20. During discussions with the Chief of Integrated Services (CISS) as well as a visit to the LPRC facilities, OIOS became aware that the facilities for offloading fuel from the ships as well as the storage facilities are old, in a poor shape and are inadequately maintained, an observation which was confirmed by the UNJLC Report on January 2004. Given this situation as well as the fact that the pipelines are being washed with corrosive sea water, the CISS expressed concern that the Mission might be receiving contaminated fuel. In addition, the operations of the Mission could be in serious jeopardy if the system collapses. Furthermore, under the existing arrangement, there is no provision for the maintenance of strategic stocks of fuel. According to the CISS, in order to ensure the sustainability of UNMIL's operations, there is urgent need for

UNMIL to have its own facilities for receiving fuel from the ships and for its storage. OIOS is of the opinion that the Mission needs to identify the various options to address this situation.

#### **Recommendation 3**

OIOS recommends that the UNMIL Administration review various options to address the inadequacies in present arrangements for the receipt and storage of fuel and develop a cost-effective solution to ensure sustainability of operations (AP2004/626/05/03).

21. UNMIL accepted recommendation 3 and indicated that to ensure a sustainable and cost effective solution for the receipt and storage of fuel, the Mission has developed a comprehensive fuel plan that envisages new "Ship to Shore" facilities, including a new tanker loading facility. It also included a storage capacity enhancement plan, to be distributed at 13 locations in the regions. OIOS will keep this recommendation open pending receipt of the approved fuel plan.

#### Contract for supply of ground fuel

- 22. The contract for the supply of ground fuel was awarded to General Petroleum Corporation (GEPCO) as the most competitive bidder in the sum of \$5.69 million covering the period 1 October to 30 June 2004. GEPCO is required to deliver bulk fuel to the UNMIL generators. This is in addition to the provision of vehicle retail outlet facilities in Sayon Town and Old Road Junction in Sinkor, and with the departure of PAE, a bulk fuel dispensing facility at the Star Base Building and two more retail facilities to be installed in locations to be mutually agreed upon by the contractor and the Mission. The fee for the provision and maintenance of the retail outlet facilities is \$28,140 per month. The Mission would have therefore paid the contractor an amount of \$253,260 covering the contract period for this service.
- 23. GEPCO was not, however, delivering bulk fuel to the generators. Instead, UN-owned tankers uplift the fuel from the contractor and distributed it to the Mission's 187 generators located in various parts of the country. The OIC of the Fuel Unit explained that the contractor claimed that there was no intention to deliver the fuel to generators and that the monthly charge was intended to cover the lease of fuel stations and infrastructure. However, Article 3.03 of the contract specifically states that "the Contractor shall be responsible for delivering bulk fuel to UNMIL generators, while ensuring that the storage stock at each location does not drop below 50% of storage capacity". Article 4.03 also states that "the Contractor shall be paid a monthly fee of \$28,140 for the provision and maintenance of the retail outlet facilities". Furthermore, apart from the outlet facilities at Sayon Town and Old Junction Road in Monrovia that are operated by the contractor, no additional retail facilities have been installed. OIOS is therefore concerned that the contractor is being paid for services not rendered.

#### **Recommendation 4**

OIOS recommends that the UNMIL Administration renegotiate the fee charged in the light of the present service rendered by the fuel contractor and amend the contract accordingly. In addition, the Mission should recover a portion of the monthly fee paid to the contractor for services not rendered (AP2004/626/05/04).

24. UNMIL accepted this recommendation and indicated that effective 1 July 2004, the Mission re-negotiated with the contractor the service fees for the operation of two fuel stations in Monrovia downwards from \$28,140 to \$12,000 per month. However, on the question of partial recoveries of amounts previously paid to the fuel contractor, UNMIL did not consider there to be a basis for the recoveries because at the time of award of the fuel contract (October 2003), UNMIL was only operating in Monrovia, hence the contractor was willing to expand the outlet facilities pending the receipt of a request from the UNMIL Fuel Unit, at an additional cost. In the current contract amendment, it is clearly indicated that the contractor will arrange bulk deliveries of fuel to UNMIL generators and to individual international staff within Monrovia, free of charge. OIOS acknowledges the Mission's efforts to renegotiate the monthly service fees, which resulted in annual recurring savings of \$193,680. However, the recommendation will remain open pending the receipt of the contract amendment for OIOS review.

#### D. Payments to vendors

25. Thirteen payments totaling \$2,698,349 were made to GEPCO for the supply of ground fuel, as well as maintenance fees, based on deliveries up to 31 March 2004. A review of the related invoices indicated that a total of 1,946,284 US gallons of fuel were supplied at the following locations:

Month of Payment	Old Junction Road US Gallon	Sayon Road US Gallon	Star Base US Gallon	Camp Clara US Gallon	Gbarnga US Gallon	Total US Gallon
November 2003	-	2	38,600	(*)	-	38,600
December 2003	10,181	84,436	191,324	(+)	-	285,941
January 2004	=	1	148,443	18:	-	148,443
February 2004	154,075	54,690	280,400	43,000	12,000	544,165
March 2004	158,421	63,214	218,628	-	-	440,263
April 2004	197,010	76,990	172,000	21,000	4,500	471,500
May 2004	-	=	17,372	-		17,372
TOTAL	519,687	279,330	1,066,767	64,000	16,500	1,946,284

26. Star Base is not a receiving point but because the fuel bowsers operate at this location, invoices are made out to that location. OIOS examined the bowser log sheets pertaining to Star Base for the period under review and found that the distribution of 332,166 US gallons of fuel (see table below) valued at \$521,501 could not be accounted for.

Location	Quantity Received (US Gallons)	Quantity Paid For (US Gallons)
Quantity Invoiced to Star Base & Paid for		1,066,767
Generators	321,051	
River View Complex	15,500	
Camp Clara	57,236	***
Camp Shiefflin	11,190	····
Kakata	68,612	

Gbarnga	44,577	
Tapata	13,260	-
Zwedru	18,198	
Tubmanburg	15,670	
Ganta	12,450	
Greenville	550	
Roberts Int'l Airport	32,330	
Vehicles	53,227	
Others	6,750	
WFP	64,000	734,601
DISCREPANCY		332,166
VALUE OF DISCREPANCY		\$521,501

- 27. The OIC of the Fuel Unit explained that during the early stages of the Mission log sheets were not maintained, that the current staffing is such that the Unit is unable to cope with the volume of work and that some bowser log sheets might have been misplaced or misfiled. However, further checks indicated that the Fuel Unit commenced using log sheets with effect from 18 October 2004 and deliveries from the Mission's inception to this date amounted to 42,100 gallons. Taking this into account, the discrepancy will be reduced to 290,066 gallons valued at \$455,404.
- 28. OIOS noted a report of a special investigation conducted by the Security Section into allegations of the sale of fuel to third parties by bowser drivers. The report concluded that there is credible evidence of the involvement of not only these drivers but also the supervisor of bowsers. As a result, several drivers and the supervisor were dismissed. Since this supervisor was responsible for the monitoring of deliveries and the filing of bower log sheets, the above discrepancy might be mainly due to irregularities in the distribution of fuel, resulting in a significant loss to the Organization.

#### Fuel delivered at the JFK Hospital

29. During the period 17 November 2003 to 31 March 2004, a total of 36,495 gallons of diesel valued at \$57,297 were shown as having been delivered to the generator of the JFK Hospital which houses the Jordanian Level III Hospital. However, nine deliveries of fuel totaling 3,323 gallons and valued at \$5,217 could not be traced to the records of the JFK Hospital. In addition, an examination of the generator log sheets for 21 January 2004 revealed that fuel was supplied to the JFK Hospital on two occasions i.e. 250 gallons at 11.15 a.m. using Bowser No. 53526 and 150 gallons at 3.00 pm using Bowser No. 53526 was on its way from Spriggs field to University of Liberia Campus and the records of the JFK Hospital did not indicate that the 150 gallons were received. These discrepancies were discussed with the Administrator of the JFK Hospital who promised to initiate an internal investigation upon issuance of this audit report.

#### **Recommendation 5**

OIOS recommends that the UNMIL Administration request the JFK Hospital to provide independent confirmation of the receipt of fuel to the Fuel Unit on a weekly basis to be used as a basis for reconciliation with the Unit's records (AP2004/626/05/05).

- 30. UNMIL accepted this recommendation and indicated that the JFK Hospital has been requested to do the necessary. OIOS will keep this recommendation open in its database pending confirmation from the Mission that independent confirmation of fuel receipt is being provided by the JFK Hospital.
- 31. Further examination of the generator log sheets for Bowser No. 53369 for 21 and 22 January 2004 revealed 21 deliveries totaling 3,500 gallons of fuel (corresponding to the capacity of the bowser) were made by the same driver who was shown to have been driving this vehicle as well as Bowser No. 53526 at the same time on both days. When contacted, the bowser supervisor confirmed that, according to his notes, Bowser No. 53369 was parked in the Star Base compound on 22 January 2004. There was no entry in the supervisor's notes relating to the whereabouts of this bowser on 21 January 2004.
- 32. The Jordanian Level III Hospital occupies between 50-60% of the JFK Hospital Complex. Fuel is being supplied to power the entire complex but no recoveries were made for the portion of the Complex not being used. In addition, there was evidence that the JFK Hospital has been supplying electricity to a number of residential buildings in the area without the Mission's approval. At the time of reporting, the CISS informed the auditors that this situation no longer prevailed. Further, the 750 KVA generator that is being used is owned by the JFK Hospital but the Mission provides for its maintenance, including the replacement of spare parts, free of cost. However, there was no written agreement in place setting out the terms and conditions under which the generator was maintained and fuel supplied. Discussion with UNMIL's legal officer indicated that a draft Memorandum of Understanding between the Mission and the JFK Hospital has been prepared and that the terms of the agreement were being discussed.

#### **Recommendation 6**

OIOS recommends that the UNMIL Administration expedite the signing of the memorandum of understanding with the JFK Hospital, particularly with regard to the supply of fuel and the maintenance of the Hospital's generator (AP2004/626/05/06).

33. UNMIL accepted this recommendation and indicated that the Mission's Legal Office was currently negotiating with the JFK Hospital management on the completion of an MOU. OIOS will keep this recommendation open in its recommendation database pending receipt of a copy of the MOU.

# Fuel issued to the River View Complex

- 34. The River View Complex, which houses a number of UNMIL staff, has a 500 KVA UNowned generator. It is not clear on whose authority the generator was placed free of cost to provide 24-hour electricity free on what is essentially a private property. In addition, although the Management Committee of the River View Complex has reimbursed the Mission for the cost of the fuel supplied (plus 14% administrative charge), some staff members have expressed concern that the residents of the Complex enjoy an unfair advantage vis-à-vis other staff members who have to purchase fuel at duty-paid prices for use by their generators.
- 35. The CISS explained that no electricity is available in Liberia at the present time. Although the landlord of the River View Complex has two generators, i.e. 250 and 400 KVA, on the property, they are not in good working order. In addition, there are frequent power outages and constant power surges that adversely affect the communications equipment. Since the Complex has more than 100 staff members, including the DSRSG, DFC, COS, Police Commissioner, DOA, it was decided that a UN generator with sufficient power capacity and reliability would be placed on loan at the Complex until electricity is restored or when the tenants are in position to procure such a generator for the property.

#### **Recommendation 7**

OIOS recommends that the UNMIL Administration review the present arrangement involving the use of the UN-owned generator at the River View Complex as well as the supply of duty-free fuel in light of concerns raised by some staff members (AP2004/626/05/07).

36. UNMIL accepted this recommendation and indicated that tax and duty free fuel is now available to all UNMIL international personnel residences, as per information circular No. 2004/041 and instructions of Annex (i) of the UNMIL fuel SOP. The use of UN owned generators at River View is currently under review for compliance with the recent MORSS guidelines for residential security from UNHQ. OIOS will keep this recommendation open in its database pending receipt of the results of the review of compliance with MORSS guidelines.

#### Discrepancies in fuel accounting

- 37. In the case of Kakata, only 45,426 gallons could have been traced as having been received by the contingent, giving a discrepancy of 23,186 gallons. The investigation report referred to above indicated evidence of the sale of fuel destined to this location. The Fuel Unit did not have any returns in respect of Gbarnga, Tapeta, Zwedru and Greenville. However, during a visit to Gbarnga, OIOS ascertained from the contingent's records that 50,753.5 gallons were received, compared with 61,077 gallons shown in the above table, giving a discrepancy of 10,323.5 gallons. The investigation report also indicated evidence of the sale of fuel destined for this location, which led to the arrest of five persons and the seizure of fuel.
- 38. The Fuel Unit also did not have returns from Roberts International Airport where 32,330 gallons of fuel were shown as having been supplied to the generator of the MOVCON Office.

The investigation report also made reference to sale of fuel on the way to Roberts International Airport.

39. From the above findings, it is clear that there has been significant laxity in the monitoring and supervision of fuel distribution to the various fuel points, and that adequate controls are not in place to ensure proper accountability for fuel supplied to the Mission. OIOS therefore wishes to reiterate the urgent need to implement the recommendations contained in this report as a means of minimizing the extent to which irregularities can occur.

# E. Receipt of aviation fuel

- 40. Mobil's contract for the supply of aviation fuel requires the contractor to provide "into plane" delivery service at the Roberts International Airport and the Spriggs Payne Airfield. OIOS, however, noted that the Ukrainians Aviation Unit (UAU) stationed at the Roberts International Airport was uplifting bulk supplies from Mobil Depot at the airport for the refueling of its aircraft, except the two MI-26s helicopters which are refueled directly by Mobil. This arrangement took effect from 1 March 2004.
- 41. The OIC of the Fuel Unit explained that the contractor has only one refueling vehicle which it uses to refuel both commercial and UN-owned aircraft and that priority is given to the refueling of commercial aircraft. This practice affects the operational readiness of the Mission's fleet of aircraft and in order to avoid any disruptions, the UAU utilizes its own storage and distribution facilities which include four 25,000 liters tanks and four-7,500 liters bowsers. The tanks are connected to form a filtration and storage system with a series of filters. In addition, the UAU is not in favour of having its aircraft, which are of military type, refueled by a civilian contractor. OIOS is concerned that the contractor might have been paid for services not rendered.
- 42. In addition, the UAU storage and filtering facility is an integral part of the contingent-owned equipment, the use of which is being reimbursed to the troop contributing country in accordance with the Memorandum of Understanding with the United Nations. It is evident that the present arrangement duplicates the cost relating to "into-plane" service. The OIC of the Fuel Unit explained that the UAU arrived after the contract with Mobil was signed.

#### **Recommendation 8**

OIOS recommends that the UNMIL Administration renegotiate with the contractor the fee for rendering "into-plane" delivery service in the light of the receipt of bulk fuel by the Ukrainian Aviation Unit at Roberts International Airport. The Administration should also recover any payment made to the contractor for services not rendered (AP2004/626/05/08).

43. UNMIL accepted this recommendation and indicated that the Scope of Works of the new international request for proposal for aviation fuel supply to be published October 2004 takes into account the differential costs associated with the bulk delivery and delivery to aircraft.

Based on the results, the Administration will then pursue the recovery of payments made for services not rendered with the contractor. OIOS will keep this recommendation open in its database pending notification by UNMIL of action taken to effect recovery.

# Staffing at the Roberts International Airport

44. The Fuel Unit had only one daily-paid national staff stationed at the Roberts International Airport to observe refueling of the twelve UNMIL aircraft under the control of the UAU. This is in addition to the two fixed-wing aircraft and any other UN aircraft that require refueling. In addition, there was no vehicle assigned to the staff member to oversee the uplifting of fuel from Mobil Depot and the refueling of the aircraft by Mobil and the UAU — a distance of approximately two kilometers apart. The staff member is therefore unable to monitor the issuing of fuel when there is simultaneous refueling of MI-26 helicopters by Mobil and other aircraft by the UAU. In this circumstance, the UAU would provide the staff member with the relevant information to update his records. These records, which are in loose-leaf form, were not maintained to a satisfactory standard. They had also not been updated for two weeks at the time of the inspection visit.

#### **Recommendation 9**

OIOS recommends that the UNMIL Administration assign at least one additional staff member from the Fuel Unit to monitor the receipt and utilization of aviation fuel at the Roberts International Airport and to provide for better recordkeeping. In addition, at least one vehicle should be assigned to the staff members to facilitate their movement between Mobil's fuel depot and the refueling point (AP2004/626/05/09).

45. UNMIL accepted this recommendation and indicated that an international staff member has been posted as Aviation Fuel Supervisor at the Roberts International Airport facility as of 14 August 2004, assisted by an additional national staff. The team has been equipped with a vehicle. Based on the Mission's response, OIOS has closed this recommendation.

#### Preparation of R&I reports

46. OIOS found that R&I reports are not prepared at the time the aviation fuel is received but at the end of the month when the contractor submits his invoice for payment with all the supporting documents attesting to the issuing of fuel to the Mission's aircraft or to the UAU, as the case may be. While the difficulty of carrying out an R&I inspection at the time the fuel is actually received is appreciated, the exercise is rendered meaningless in that the R&I report is prepared merely to facilitate payment and there is no physical inspection of the goods.

#### **Recommendation 10**

OIOS recommends that the UNMIL Administration ensure as far as is practicable that R&I reports are prepared at the time the

aviation fuel is received. As a minimum, R&I reports should be prepared upon the receipt of bulk fuel by the Ukrainian Aviation Unit (AP2004/626/05/10).

47. UNMIL accepted this recommendation and indicated that a staff member from the R&I Unit has been posted at Roberts International Airport to monitor all fuel delivered. Also, it plans to post an R&I staff to Spriggs Payne airport effective 12 November 2004, thereby allowing for R&I report to be prepared immediately upon delivery of bulk fuel and to UN aircraft. OIOS will keep recommendation 10 open pending receipt of documentation from UNMIL showing that R&I reports are being prepared upon delivery.

# F. Receipt, distribution & storage of ground fuel

#### Fuel stations in Monrovia

- 48. The two pump stations in Monrovia provide UN vehicles with fuel as and when needed. Except for Camp Clara which receives its fuel supplies from GEPCO Depot, contingents also receive their bulk supplies from the two pump stations. When requesting fuel in bulk, contingents fill out a Request for POL form and forward it to the Fuel Unit, accompanied by details of how the previous bulk quantity was utilized. The Fuel Unit then prepares a delivery order signed by the OIC and addressed to the contractor. Contingents either use their own bowsers when uplifting fuel from the two pump stations or are provided with fuel from UN bowsers. In both cases, the contingents acknowledge receipt of the fuel by signing an Issue Voucher for Fuel/Oil Issue. The voucher is then forwarded to the Fuel Unit for analysis and filing.
- 49. The above procedures are also applicable for the refueling of generators, except that there is no requirement to fill out a Request for POL form. Fuel Cell drivers uplift the fuel from the GEPCO Depot and deliver it to the custodians of individual generators who acknowledge receipt by signing the fuel issues sheets maintained by the drivers. When deliveries are completed, the drivers forward the sheets to the Fuel Cell for analysis and filing.
- 50. As in the case of aviation fuel, R&I reports are not prepared at the time ground fuel is received but at the end of the month when the contractor submits his invoice for payment with all the supporting documents attesting to the issuing of fuel in bulk and to the Mission's vehicles.

#### **Recommendation 11**

OIOS recommends that the UNMIL Administration ensure as far as is practicable R&I reports are prepared at the time ground fuel is received. As a minimum, R&I reports should be prepared upon the receipt of bulk fuel. In addition, in situations where UN bowsers deliver fuel to contingents, the tanks should be sealed as an added control mechanism and the seal broken in the presence of a member of the Mission's regional administrative staff (AP2004/626/05/11).

51. UNMIL accepted this recommendation and indicated that as of August 2004, the Mission has been sealing all fuel bowsers delivering fuel to contingents in the Sectors and that all deliveries are done with military escorts. Seal control and /or removal are delegated to Sector Support Administrative Officers (SSAOs) and Transport Section personnel. OIOS will keep this recommendation open pending receipt of documentation from UNMIL showing that R&I reports are being prepared upon receipt of bulk fuel.

#### Fuel stations at other locations

- 52. OIOS visited Zwedru, Gbarnga and Tubmanburg to ascertain the procedures in place for the receipt of ground fuel, its storage, utilization and related recordkeeping. At Zwedru, a physical count of diesel on hand revealed an apparent shortage of 482 litres. The contingent explained that this was due to spillage since the outlet valve of the storage tank was faulty. The problem had since been corrected.
- 53. In addition, a memorandum dated 18 May 2004 from the OIC of the Fuel Unit stated that 3,170 US gallons of diesel valued at \$4,977 were heavily contaminated with microbiological growth and hence have to be written off because of the failure of the contingent to adhere to the requirement to drain off excess water from the bottom of the fuel tank each morning. These observations reinforce the need for staff from the Fuel Unit to manage the operations of this as well as the other fuel points in the regions.
- 54. OIOS found an apparent shortage 700 litres of diesel at Gbarnga based on a physical count carried out and comparison made with the stock records. The contingent explained that from time to time fuel was short-received from the supplier. For example, the Unit would receive 16,000 litres in Monrovia but when it would have issued the fuel its meter would record 15,000 or 15,500 litres. The contingent is of the view that the contractor's meter on its pump might be giving inaccurate readings. Accordingly, it drew this matter to the attention of the Fuel Unit. In addition, there was some amount of leakage at the end of the hose connected to the fuel tank and the pump, which the Fuel Unit promised to rectify without delay. OIOS also noted that the individual issue sheets were not signed by the fuel attendant nor were they checked and certified by the responsible officials. These shortcomings were brought to the attention of the officer in charge who gave the assurance that corrective action would be taken.

#### **Recommendation 12**

OIOS recommends that the UNMIL Fuel Unit strengthen internal controls at Gbarnga to ensure that discrepancies in fuel are examined and reconciled, and issue sheets are signed by responsible officials (AP2004//626/05/12).

55. UNMIL accepted this recommendation and indicated that the fuel supervisor was on travel status and upon arrival at the Mission, will be posted to Gbarnga permanently to control fuel distribution procedures in that sector. OIOS will keep this recommendation open in its database pending notification of arrival of the fuel supervisor at Gbarnga and indication from UNMIL as to what control measures are in place.

56. At Tubmanburg, the results of the physical count indicated an apparent surplus of 462.5 liters of diesel attributable mainly to expansion during the time of the count. The quality of recordkeeping at this location was generally satisfactory but daily fuel sheets were neither signed by the fuel attendant nor the logistic officer and one other person, as provided for in the form. The daily summary register was nevertheless initialed by the Logistics Officer who had since issued instructions for the daily sheets to be signed.

# G. Issuing of fuel to vehicles

- 57. The document used for the issuing of fuel at the two pump stations is the daily fuel issues sheet which is a photocopied form. This form is filled out by the driver who signs the relevant column acknowledging the receipt of the fuel. At the same, a staff member of the Fuel Unit, who is in full-time attendance at the fuel station, makes the entries in the weekly trip ticket.
- 58. OIOS found that the daily fuel issues sheets are neither pre-numbered nor pre-printed and only one copy is prepared. This practice can result in unauthorized adjustments being made to show higher quantities issued. In addition, the sheets can be easily replaced and re-written to show different quantities. As a result of this practice, as well as the absence of prior of authorization for the issuing of fuel, irregularities of approximately \$500,000 were uncovered at another mission. This prompted that mission to introduce a computerized system for the receipts, issues and accounting for fuel.
- 59. OIOS also observed that on at least two occasions the staff member of the Fuel Unit was not in attendance at the fuel station at the Old Road Junction, and the fuel attendant from GEPCO made the relevant entries in the trip ticket including the signing of the name of the staff member. This matter was reported to the OIC of the Fuel Cell who issued a letter of reprimand to the concerned official.
- 60. More importantly, there is no reconciliation of the weekly trip tickets with the entries in the daily fuel issues sheets. Such reconciliation is necessary to verify the accuracy of the monthly invoices and supporting documents submitted by the contractor for payment. While the Military Liaison Officer checks the entries shown in the submissions made by GEPCO with those shown in the original copies of the daily fuel issues sheets, any alterations or adjustments prior to the photocopying of the daily issues sheets cannot be detected through an examination of the original issue sheets.

#### **Recommendation 13**

OIOS recommends that the UNMIL Fuel Unit reconcile trip tickets with monthly invoices and supporting documents from the supplier to ensure that invoice amounts tally with monthly consumption by vehicles. Such reconciliation should also be evidenced in writing and copies forwarded to the Procurement Section and the Finance Section before payments are made (AP2004/626/05/13).

- 61. UNMIL accepted this recommendation and indicated that presently trip tickets are reconciled so as to ascertain the total monthly fuel consumption of the Mission's fleet. Also, log/running sheets have been introduced which provides the total number of hours run by generators and total fuel consumed. These documents along with trip tickets are reconciled with monthly invoices and supporting documents from suppliers. OIOS will keep this recommendation open in its database pending notification that reconciliations are being forwarded to the Finance and Procurement Sections.
- 62. OIOS noted that payments are made to the supplier without the disbursement vouchers being certified by any of the certifying officers, and reliance is placed on the R&I report as the basis for payment. Such certification is required under Rule 105.5 of the UN Financial Regulations and Rules. It should also be pointed out that Article 8 of the contracts with Mobil and GEPCO requires the Chief of Integrated Services or his delegated representative to certify all invoices. However, there was no evidence this was being done.

#### **Recommendation 14**

OIOS recommends that the UNMIL Chief of Integrated Services certify not only the invoices from the contractors for the supply of fuel but also the related disbursement voucher, as required by Rule 105.5 of the UN Financial Regulations and Rules (AP2004/626/05/14).

63. UNMIL did not accept this recommendation. The Mission stated that in the view of the Administration, the Chief of Integrated Services (CISS) does not need to certify disbursement vouchers as long as the attached invoices have been duly certified by him in his capacity as the certifying officer and also supervisor of the Fuel Cell. This view was also confirmed by the Chief FMSS, UNHQ New York. The final responsibility rests on the approving officer who should ensure that there is a certified obligation recorded and the certified invoices and supporting documents are all in order as per the rules and regulations of the UN prior to approving the payment. In the event that there is no obligation and the certification is not in order, the approving officer has the right to reject the request for payment processing. The Chief Finance Officer has agreed with the Resident Auditor that Finance will indicate on the disbursement voucher that certified invoices are attached. Based on the explanations provided by the Mission, OIOS has closed recommendation 14 in its database.

# H. Issuing of fuel to generators

64. At the time of the audit, the Mission had 229 generators of which 187 were in use. The capacities of the generators varied from 2.5 KVA to 1,000 KVA. UN bowsers uplift fuel in bulk from GEPCO Depot for use by generators based on work orders issued by the Fuel Unit. The drivers of the bowsers distribute the fuel to the generators and maintain a generator fuel log sheet showing how the fuel is distributed. Generator attendants acknowledge receipt of the fuel by signing the log sheets. The sheets are then summarized and sent to the Fuel Unit.

65. A review of the log sheets indicated no evidence of supervisory checks although the Fuel Unit has a supervisor of bowsers. The only signatures on the log sheets are those of the bowser drivers and the generator attendants. The failure to carry out such checks can result in irregularities with consequential loss to the Organization.

#### **Recommendation 15**

OIOS recommends that the UNMIL Administration ensure that the supervisor of the bowsers conducts detailed checks of the log sheets submitted by fuel drivers to verify that the entries made therein are complete, accurate and valid. Evidence of such checks should be recorded in the log sheets (AP2004/626/05/15).

- 66. UNMIL accepted this recommendation and stated that it has been implemented. The supervisor of the bowsers conducts detailed checks of the log sheets submitted by fuel drivers and signs each of them. Based on the Mission's response, OIOS has closed this recommendation.
- 67. The Fuel Unit maintains a record of fuel issued to generators as a block figure. However, there are no records at either the Fuel Unit or the Generator Unit to indicate the amount of fuel issued to each generator. In order for the auditors to ascertain the amount of fuel issued to a particular generator, they had to examine the individual log sheets submitted by the fuel drivers. This exercise was time-consuming and laborious. Nor are records maintained of the number of hours each generator works on a daily basis to enable a reconciliation to be carried out of the reasonableness of the quantities of fuel issued. This state of affairs can result in irregularities with consequential losses.

#### **Recommendation 16**

OIOS recommends that the UNMIL Fuel Unit maintain a record of fuel issued to individual generators. The Generator Unit should also maintain a record indicating the number of hours worked by each generator and extracts of this record should be forwarded to the Fuel Unit preferably on a weekly basis to enable it to monitor the reasonableness of fuel consumption of each generator having regard to its capacity (AP2004/626/05/16).

68. UNMIL accepted this recommendation and indicated that it has been implemented. From September 2004, the Fuel Unit collects usage data from each generator and also maintains records of fuel issued to individual generators. Based on the Mission's response, OIOS has closed recommendation 16.

#### I. Recordkeeping & filing

69. OIOS reviewed the filing and recordkeeping at the Fuel Unit and noted that there is no staff member who is assigned full-time responsibility for the maintenance of records and files of

the Unit. In addition, separate files are not kept for each contingent. As a result, the verification of receipts and utilization of fuel by contingent was rendered difficult and time-consuming. Furthermore, an examination of files containing bowser log sheets indicated that the sheets were not filed in sequence and several dates were missing.

# **Recommendation 17**

OIOS recommends that the UNMIL Administration assign a staff member of the Fuel Unit with full-time responsibility for all filing and recordkeeping. In particular, separate files should be maintained for each contingent, and all bowser log sheets should be serially numbered and filed in date sequence (AP2004/626/05/17).

70. UNMIL accepted this recommendation and indicated that it has been implemented. A national staff had been assigned the responsibility for all filing and record keeping and separate files for each contingent have been maintained since November 2003. Additionally, the fuel unit has started to keep separate files for log sheets of each fuel bowser. Based on the Mission's response, OIOS has closed recommendation 17 in its database.

#### IV. ACKNOWLEDGEMENT

71. I would like to thank the Management of UNMIL and the staff of the Fuel Unit for the cooperation extended to the auditors during this audit.

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