

UNITED NATIONS

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INTERNAL AUDIT DIVISION OFFICE OF INTERNAL OVERSIGHT SERVICES

Reference:

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08 February 2007

То:

Ms. Alicia Bárcena, Under-Secretary-General

For Management

Mr. Warren Sach, Controller Department of Management

From:

Dagfinn Knutsen, Acting Director

Internal Audit Division, OIOS

Subject:

OIOS Audit No. AH2006/513/11: Compliance with Bid Opening Procedures

- 1. I am pleased to present herewith our final report on the above-mentioned audit, which was conducted from 23 May 2006 to 6 June 2006. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 2. We note from your response to the draft report that the Department of Management has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendation 14 in the OIOS recommendations database. In order for us to close out the remaining recommendations we request that you provide us with additional information as indicated in the text of the report. Please refer to the recommendation number concerned to facilitate monitoring of the implementation status.
- 3. Please note that OIOS will report on the progress made in implementing its recommendations, particularly those designated as critical, in its annual report to the General Assembly and semi-annual report to the Secretary-General.
- 4. The Internal Audit Division 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.
- 5. I take this opportunity to thank the management and staff of the Procurement Division for the assistance and cooperation provided to the auditors in connection with this assignment.

Cc:

Mr. Jean-Marie Guehenno, USG, DPKO

Mr. J Childerley

Mr. Goolsaran

Mr. Mika Tapio

Office of Internal Oversight Services Internal Audit Division



Audit of Compliance with Bid Opening Procedures

Audit no:

AH2006/513/11

Report date:

08 February 2007

Audit Team:

Babajide Yoloye, Auditor-in-Charge

Antonio Babor, Audit Assistant

Audit of Compliance with Bid Opening Procedures (AH2005/513/11)

Executive Summary

OIOS conducted an audit of bid opening procedures at 15 locations between 23 May 2006 and 6 June 2006. The objective of the audit was to determine whether UN Secretariat entities complied with bid opening procedures spelled out in the UN Procurement Manual, and to identify areas requiring improved procedures to increase compliance. On average, the 15 UN Secretariat entities audited opened 169 bids monthly.

Overall, the audit showed numerous instances of lack of compliance with specific bid opening procedures and process documentation requirements. OIOS identified patterns of non-compliance, which were common to many of the locations audited. Notable among these were (a) the lack of evidence retained in the files concerning the dates and times of bid receipt and (b) the inconsistent use of the Solicitation Abstract Sheet which records the information read during the bid opening meeting. Process documentation was weak as filing systems, both in terms of organization and maintenance of individual procurement action files, did not enable easy retrieval when required. Lack of good record keeping may impact negatively on the transparency of the procurement process.

OIOS' major findings were as follows:

- The filing systems at many of the locations audited were inadequate. Deficiencies included the inability to locate certain files and the lack of proper file organization.
- Bids received by fax were not always received in a secure and dedicated area as required by the Procurement Manual.
- Tender opening committees responsible for opening bids were not always duly constituted, which raised concerns as to accountability.
- Solicitation Abstract Sheets required by the Procurement Manual were not utilized consistently. While various explanations were offered for not preparing these documents, they are still required by the Manual, and, if no longer necessary, the Manual should be revised accordingly.
- The date and time of mail receipt were not always retained in the files, thus, it was not always possible to ascertain when a proposal was received after the event.

OIOS issued 16 recommendations to improve bid opening controls. OIOS notes with satisfaction the Department of Management's positive response to the report. Similarly, the management of the other audited locations positively responded to the audit observations and recommendations.

Abbreviations:

ICTY International Criminal Tribunal for the former Yugoslavia

MINUSTAH United Nations Stabilization Mission in Haiti

MONUC United Nations Mission in the Democratic Republic of Congo

NYHQ New York Headquarters

ONUB United Nations Operation in Burundi

ONUCI United Nations Operation in Côte d'Ivoire

UNAMI United Nations Assistance Mission in Iraq

UNFICYP United Nations Force in Cyprus

UNMEE United Nations Mission in Eritrea and Ethiopia

UNMIK United Nations Mission in Kosovo

UNMIL United Nations Mission in Liberia

UNMIS United Nations Mission in the Sudan

UNOG United Nations Office at Geneva

UNON United Nations Office at Nairobi

UNOV United Nations Office at Vienna

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I. INTRODUCTION

- 1. OIOS conducted an audit of bid opening procedures at various entities of the UN Secretariat, including 10 peacekeeping missions, the International Criminal Tribunal for the former Yugoslavia (ICTY) and the UN Offices in Nairobi (UNON), Geneva (UNOG), Vienna (UNOV) and New York (UNHQ). The audit was carried out in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 2. Bid opening procedures are set forth in Section 10 of the Procurement Manual, "Treatment of Submissions", and apply to solicitation of proposals in the form of Invitation to Bid (ITB) or Request for Proposal (RFP) for goods and services expected to cost over \$30,000. Bid opening procedures are intended to ensure that UN procurement functions follow the general principles contained in Financial Regulation 5.12, including:
 - (a) Best value for money;
 - (b) Fairness, integrity and transparency;
 - (c) Effective international competition;
 - (d) The interest of the United Nations.
- 3. Bid opening procedures are specifically designed to show internal and external stakeholders that all bids submitted by vendors in accordance with the criteria specified in the relevant ITB or RFP, and only those bids, are accepted and recorded for processing, and are treated confidentially to ensure a consistent and fair procurement exercise.
- 4. Records provided by the units responsible for procurement at the locations audited showed that on average 169 bids are opened monthly. At UNHQ, an average of 36 bids was opened per month from January 2005 to May 2006. In 2005 at UNHQ, 455 bids were opened and for the first 5 months of 2006, 147 bids were opened at headquarters. For all of the entities reviewed, 2,877 bids were opened during the same period. (See Table 1).
- 5. When the audit began, the January 2004 version of the Procurement Manual appeared on the UN Procurement Website and was widely available to staff. Subsequently, two revised versions were made available; the latest in May 2006. This report has taken into consideration the changes reflected in the May 2006 version of the Manual.

II. AUDIT OBJECTIVE

6. The audit was conducted to: (i) assess compliance with UN bid opening procedures by Secretariat entities; and (ii) identify areas requiring further improvement to strengthen internal controls.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered the period from January 2005 to May 2006 and assessed bid opening procedures at the four Secretariat headquarters offices in New York, Geneva, Nairobi and Vienna, the International Criminal Tribunal for the former Yugoslavia and 10 peacekeeping missions shown in table 1 below. OIOS sampled 380 RFPs and ITBs, of a total of 2,877 (or 13 percent), on a random sample basis at each of the locations. OIOS also assessed compliance with bid opening procedures regarding seven Best and Final Offers (BAFO) processed as the result of RFPs included in the sample. BAFOs could not be sampled from

the population since the UN has not established a procedure to identify them separately from the related RFPs.

Table 1: Audit Population and sample sizes

	Population	(Jan. 2005 -	May 2006)			Sample	sizes	
Location	ITB	RFP	TOTAL	ITB	RFP	BAFO	TOTAL	% of population
ONUB	106	31	137	15	6	0	21	15%
MONUC	265	46	311	26	4	0	30	10%
UNMIK	210	43	253	16	4	0	20	8%
UNOCI	137	84	221	19	10	1	30	14%
UNAMI	90	28	118	20	20	2	42	36%
UNMIS	256	10	266	18	1	1	20	8%
UNFICYP	22	25	47	11	8	2	21	45%
UNMEE	11	1	12	11	0	0	11	92%
UNMIL	248	14	262	22	2	0	24	9%
MINUSTAH	151	48	199	13	7	0	20	10%
UNON	72	40	112	3	7	0	10	9%
UNOV	31	22	53	5	9	0	14	26%
UNOG	151	48	199	12	9	0	21	11%
ICTY	30	50	80	10	19	1	30	38%
UNHQ	372	235	607	39	27	0	66	11%
TOTAL	2152	725	2877	240	133	7	380	13%

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Consolidated results

- 8. Overall, the audit showed numerous instances of lack of compliance with established bid opening procedures. Specific deviations were as follows:
 - i. Lack of an adequately secured area for receiving bids in 6 locations--ONUB, UNAMI, UNMIS, MINUSTAH, MONUC and UNOV.
 - ii. Lack of a properly constituted Tender (or Bid) Opening Committee (TOC) in 5 locations-- UNMEE, UNOCI, ICTY, UNON and UNOV.
- iii. Bid Abstract or List of Invitees not signed by the two TOC officials and/or not dated in 102 of 380 cases (or 27 per cent) as follows: ONUB (all 21 cases), UNMIS (all 20 cases), UNMEE (all 11 cases), UNOCI (all 30 cases), ICTY (2 of 30 cases) and UNHQ (18 of 66 cases).
- iv. No evidence of date or time stamping on bids received in 132 of 380 cases (or 35 per cent). This weakness was prevalent at almost all locations; predominantly at UNAMIL (24 of 24), UNON (10 of 10), UNOV (11 of 14), UNMIK (12 of 20), UNAMI (21 of 42), UNOCI (13 of 30), and UNHQ (24 of 66).

- v. Faxed Bids were not kept in sealed envelopes until the time of bid opening in all sampled cases in UNMEE, MONUC and ICTY, and 13 of 30 cases in UNOCI.
- vi. Tender solicitation documents missing details such as maximum number of pages for facsimile submissions, date and closing time or bid opening date and time in 4 locations: ONUB (all 21 cases), MONUC (all 30 cases), UNOCI (all 30 cases) and UNOV (11 of 14 cases).
- vii. Non-cancellation of empty fields in bid abstracts to prevent alterations was found at UNFICYP (29 of 30), ONUB (all 21 cases), UNOCI (all 30 cases), UNHQ (all 67 cases) and UNAMIL (2 of 24).
- 9. OIOS also found that additional controls should be established in the following areas: (a) procurement filing and archiving system (see paras. 10-13); (b) recording of bids received; and (c) documentation of TOC functioning.
- 10. Based on the audit results, OIOS is of the view that management has not given proper attention to monitoring and controlling bid opening activities. Lack of well designed controls and compliance with the bid opening procedures presents a number of risks, including: fairness, integrity and transparency of the procurement process may not be achieved; vendor confidence in the UN procurement function may be undermined resulting in decreased vendor participation and difficulty to achieve best value for money; fraud may occur; and damage to the Organization's reputation and waste of resources may ultimately result.
- 11. As a general comment, the Department of Management stated that the peacekeeping missions and Offices away from Headquarters (OAHs) have been granted the delegation of procurement authority. While these offices follow the Procurement Manual promulgated at Headquarters, the peacekeeping missions report to the Department of Peacekeeping Operations and OAHs are not required to report to the Department of Management. OIOS should take this into consideration in addressing its observations and recommendations. As indicated in para. 49 below, specific audit reports were submitted to Management in the various locations where the audit of compliance with bid opening procedures was conducted. Nonetheless, OIOS wishes to clarify that it has addressed the present report, which encompasses all locations, to the Department of Management because of the latter's responsibility to establish all United Nations procurement systems, as stipulated under Financial Rule 105.13¹.

B. Common bid opening issues

- (i). <u>Inadequate procurement filing and archiving systems</u>
- 12. Transparency in procurement requires that procurement files be easily located, properly organized and complete. They should document how relevant stages of the procurement process were implemented.
- 13. OIOS experienced difficulties in accessing required documents in procurement files, in 7 of the 15 entities audited, due to poor filing. In three locations, files had been misplaced and were not available for review. For example, in UNHQ, 59 of the requested files could

Rule 105.13 (a) The Under-Secretary-General for Management is responsible for the procurement functions of the United Nations, shall establish all United Nations procurement systems and shall designate the officials responsible for performing procurement functions.

not be located during the two-week review period. As these files pertain to the period 2005-2006, they should have been available at the Procurement Service.

- 14. Furthermore, the presented files were not organized in a manner which allowed tracing the actions taken by the personnel responsible for the procurement. There were no checklists or indexes to enable quick retrieval of information. It was generally difficult to identify which of the several volumes in a given procurement file contained the documents relating to the bid opening. Even those procurement files consisting of a single volume were not logically arranged to allow quick retrieval of bid opening documentation.
- 15. These weaknesses had resulted from the Procurement Service's failure to implement a standardised indexing system for procurement files and a system for ascertaining file completeness and tracing custody of files from commencement of the procurement action to archiving.
- 16. The inadequacy of the procurement filing and archiving system prevented the maintenance of an audit trail and fully establishing accountability for deviations from normal procurement practices. Also, if a vendor were to protest the lack of fairness in an award, for example, the Organization would not be in a position to easily produce information, if at all, to effectively support a legal position.

Recommendations 1-3

The Department of Management should:

- (a) Implement a system of indexing files according to the various stages of the procurement process, such as solicitation, bidding, evaluation and award (AH/2006/513/11/01);
- (b) Implement a system for logging procurement files, which, at a minimum, registers each file opened into the system; identifies personnel in possession of files at each stage of processing; and records the number of volumes of each file to permit retrieval of all relevant volumes pertaining to a procurement action (AH/2006/513/11/02); and
- (c) Initiate the retrieval of the 59 missing procurement files at the UNHQ Procurement Service and determine accountability for the loss of these files if they cannot be found (AH/2006/513/11/03).
- 17. The Department of Management accepted recommendation 1 (implementation date: June 2007) and recommendation 3. For the latter recommendation it indicated that the 59 procurement files were now available. OIOS is keeping recommendations 1 and 3 open pending verification of their implementation. Concerning recommendation 2 which was not accepted, the Department stated that its implementation would require a change in the workflow and additional data entry which will be cumbersome and resource intensive. OIOS reiterates recommendation 2 as the suggested control is necessary to establish custody and integrity of procurement files, and will await the Department's further comments on the matter.

- (ii). Evidence of date and time stamping of bids not retained
- 18. Sections 10.1.1 (1) and 10.1.2 (2) of the Procurement Manual require that written bids and facsimiles be date and time stamped before presentation to the TOC.
- 19. In 12 of the 15 entities audited, and 36 per cent of the audit sample, OIOS found that it was either difficult or impossible to ascertain whether all bids were received by the stipulated bid closure date and time. In some instances, evidence was lacking because facsimile machines had not been configured to generate reception reports, which show the date and time of receipt of bids. A copy of the original envelope containing date and time stamped submissions was not always retained for written bid deliveries.
- 20. The entities audited could not satisfactorily explain the failure to properly document bid receipts. This problem could be attributable to insufficient understanding by procurement staff and managers of the importance of applying this procedure consistently to ensure the transparency and integrity of the procurement process.

Recommendation 4

The Department of Management should issue instructions emphasizing the importance of documenting evidence of date and time of the receipt of vendor submissions, and maintaining relevant documentation (AH/2006/513/11/04).

- 21. The Department of Management accepted recommendation 4 (implementation date: March 2007), stating that the Procurement Division would issue a reminder to the administration in all offices on the importance of documenting evidence of date and time of the receipt of vendor submissions and relevant documentation. OIOS is keeping this recommendation open pending issuance of the reminder.
- (iii). Membership of the Tender Opening Committee (TOC)
- 22. Section 10.1.1 (c) of the Procurement Manual states that: "The Director of Administration (DOA) / Chief of Administration (CAO) in the relevant Mission shall appoint the TOC". It further states that: "the members of the TOC shall be staff not part of the Procurement Section or requisitioning office. The TOC shall, as a minimum consist of two members from different offices."
- 23. Seven of the 15 entities audited were not in compliance with this requirement. The issues identified were as follows: (a) members of the TOC were staff members of the requisitioning offices; (b) staff members who were not appointed by the DOA/CAO were serving as TOC members; and (c) there were failures of the TOCs' to function as constituted owing to the non-availability of the appointed members.

Recommendations 5 and 6

The Department of Management should:

(a) Ensure that that Tender Opening Committees in all offices are formally constituted in accordance with the Procurement Manual guidelines (AH/2006/513/11/05); and

- (b) Require that Offices periodically review the composition of Tender Opening Committees to ensure continuing compliance with the Procurement Manual (AH/2006/513/11/06).
- 24. The Department of Management accepted recommendations 5 and 6 (implementation dates: March 2007), stating that the Procurement Division would issue reminders to the administration in all offices on the proper constitution of Tender Opening committees and that membership is periodically reviewed. OIOS is keeping these recommendations open pending issuance of the reminders.
- (iv). Insufficient guidance provided to Tender Opening Committee members
- 25. TOC members often do not have detailed knowledge or understanding of the public bid opening procedure before taking up the TOC function. Therefore, appropriate guidance should be provided to members to familiarize them with the process and ensure compliance with bid opening procedures.
- 26. The absence of guidelines also presents a risk that TOC members may inappropriately use their discretion in handling exceptions. In one example, the TOC members improperly deliberated on the contents of the submissions, although their involvement was limited to opening and recording the submissions.

Recommendation 7

The Department of Management should issue a standard checklist to aid Tender Opening Committee members in carrying out their duties (AH/2006/513/11/07).

- 27. The Department of Management accepted recommendation 7 (implementation date: March 2007) and stated that the Procurement Division would issue reminders to the administration in all offices. OIOS believes that while a reminder is useful, the recommendation to establish a standard checklist has not been addressed by the Department. OIOS therefore reiterates it, and will await the Department's further comments on the matter.
- (v). Receiving faxed bids through secured and dedicated fax numbers
- 28. The Procurement Manual Section 10.1. (2) a. provides that "facsimile submissions, where allowed by the solicitation documentation, shall be received at a dedicated fax number, located in a secured area, to which only designated personnel have access." The purpose of this provision is to ensure confidentiality of vendor submissions.
- 29. Problems were noted regarding the security of submissions in 7 of the 15 locations audited. In some missions the fax machine dedicated to receive bids was located in a unsecured area. Also, facsimile submissions were not always placed in sealed envelopes, and access to the tender room or storage cabinet was not protected by a dual key control, requiring the presence of at least two individuals to gain entrance. In other cases, bids were held in the cashier's safe or kept unsealed in the filing cabinet of the TOC chairman. In addition, OIOS noted three locations where bids were received, at least once via fax machines other than the dedicated fax, reportedly because of traffic congestion on the dedicated fax. In UNMIL there were four instances where bids were received through a fax other than the

dedicated fax without documentation in the files of the reasons for accepting them. However, subsequent discussions with procurement indicated that the reasons were valid.

30. Since bids were not always adequately controlled and were accessible by staff not authorised to receive them, there was a material risk that bids could be removed, added or altered.

Recommendations 8 and 9

The Department of Management should:

- (a) Issue an instruction reminding all Offices to ensure that areas where bids are received should be secured and properly controlled in order to maintain the integrity of the tendering process (AH/2006/513/11/08); and
- (b) Instruct Offices to install a sufficient number of dedicated facsimile machines to minimize congestion of facsimile traffic and avoid faxes being sent to common communication centres (AH/2006/513/11/09).
- 31. The Department of Management accepted recommendations 8 and 9 (implementation date: March 2007) and stated that the Procurement Division would issue reminders to the administration in all offices on the security of bid receiving areas and ensuring adequate number of dedicated facsimile machines. OIOS is keeping these recommendations open pending issuance of the reminders.

(vi). Receipt of bids in electronic formats

- 32. Section 10.1 (3) of the Procurement Manual stipulates that "Any submission received by electronic means shall be rejected, unless such a type of submission has been requested in the Solicitation Document. When such electronic submission is requested, due regard shall be taken to ensure that the electronic submission can be authenticated, is sufficiently secure and confidentiality is preserved as provided for in Financial Rule 105.18"
- 33. In four locations, OIOS identified instances where bids where received by electronic means. In UNAMI, for example, of 124 electronic submissions, 43 were received in forms such as word or excel, which could be altered easily. Also, submissions were sent by e-mail to accounts of individual procurement officers or accounts, which several staff members could access. In certain instances the solicitation documents did not expressly restrict the submission of documents by electronic means or identify the kind of files which could be accepted. Accepting electronic bids in insecure formats or without restricted and controlled access has compromised the confidentiality of the bid process.

Recommendation 10

The Department of Management should remind all Offices that the receipt of bids from vendors by electronic means should only be permitted when compliance with the requirements for authentication, security and confidentiality is possible (AH/2006/513/11/10).

34. The Department of Management accepted recommendation 10 (implementation date: March 2007) and stated that the Procurement Division will recognize the security risk of electronic receipts of bids and proposals even though electronic transmission is much more reliable than facsimile. The Procurement Division will issue an instruction that where electronic submission of bids and proposals are authorized, the submissions must be in pdf format or similar to prevent any risk of changes, and will add clarifications to the Procurement Manual. OIOS is keeping this recommendation open pending issuance of the said instruction and inclusion of the clarification in the Procurement Manual.

(vii). Inconsistent use of the Solicitation Abstract Sheet

- 35. Section 10.9. (2) c of the May 2006 version of the Procurement Manual states that: "the Bid Opening Official shall enter the information read aloud during the bid opening process on a Solicitation Abstract Sheet." The Manual also includes an example of the Solicitation Abstract Sheet. In this respect, the May 2006 version of the Manual is not markedly different from the January 2006 and January 2004 versions, which also require the use of a Solicitation Abstract Sheet and include an example in the annexes. The manual also prescribes that the bid opening officials shall certify the recording process by signing the abstract in the presence of the authorised UN/PS staff member acting as a witness. The sample form includes spaces for the names of the officials and the signature date. OIOS regards this as an important control to ensure that both persons have witnessed the public bid opening.
- 36. Non-compliant use of the bid abstract form was observed in 7 of the 15 locations audited (or 47 per cent of the audit sample) which included: (a) using a list of invitees to record the bids received instead of the bid abstract form (88 cases), or (b) failing to have the abstract sheet or list of invitees signed by one of the 2 officials present (102 cases).
- 37. Blank spaces in the Solicitation Abstract Sheet were not restrictively cancelled to prevent subsequent additions. Detecting alterations was difficult in the absence of a preprinted Solicitation Abstract Sheet signed by TOC members, or another form of control such as a separate record of the list of invitees held by an independent person, which would make it possible to detect if subsequent alterations occurred.
- 38. In addition to the risk of the Solicitation Abstract Sheet being altered, compliance with a requirement set out in the Procurement Manual has not been monitored and enforced by responsible managers. This weakens the authority and effectiveness of the Manual. Although some individuals explained that the list of invitees performs the same function as the Solicitation Abstract Sheet and is thus superfluous, in OIOS' view, this explanation does not satisfactorily explain these shortcomings.

Recommendations 11 and 12

The Department of Management should:

- (a) Review the requirement for completing the Solicitation Abstract Sheet in order to determine if this form is superfluous in view of a possible alternate control (AH/2006/513/11/11);
- (b) Require the pre-printing of the Solicitation Abstract Sheet to include a list of vendors from whom bids have been received, before the form is signed by TOC members, or cancel the blank spaces on the form when details are not pre-printed before TOC members' signature (AH/2006/513/11/12).

39. The Department of Management accepted recommendations 11 and 12 (implementation date: June 2007), with comments that the Procurement Division will review the requirement for the solicitation abstract sheet, assess alternate controls and revise the Procurement Manual accordingly. OIOS is keeping these recommendations open pending the revision of the Procurement Manual.

C. United Nations Headquarters

(i). List of best and final offer (BAFO) cases not maintained

- 40. Section 11.6 (9) of the Procurement Manual stipulates that "After establishing the competitive range of most responsive proposers and opening the price proposals, the Procurement Officer may decide, as an exception, and upon clearance of the respective Section Chief or Chief of Procurement (CPO), to engage in discussions with a sufficient number (no less than two) of technically qualified proposers that have a reasonable chance for award, in order to obtain Best and Final Offers (BAFO). Sound professional judgement should be used in order to make this determination."
- 41. The Procurement Manual does not require that a record of BAFO cases be maintained, and OIOS was informed that the UNHQ Procurement Service does not maintain a separate register of such cases. The five BAFOs reviewed during the audit were identified from the sampled RFPs. Bid opening procedures were not applied to these BAFOs, and in OIOS' view, the receipt of these offers should be formalized and comply with bid opening procedures to ensure the integrity of the process and the fairness of vendor selection.

Recommendations 13 and 14

The Department of Management should:

- (a) Instruct the UNHQ Procurement Service to initiate a system to record Best and Final Offer cases for the entire Secretariat (AH/2006/513/11/13); and
- (b) Apply bid opening procedures to Best and Final Offer cases in order to ensure that the same degree of transparency and confidentiality is maintained for such cases as is with bid opening cases (AH/2006/513/11/14).
- 42. The Department of Management did not accept recommendation 13, stating that it has no ERP system to support this recommendation. However, the Procurement Division will consider a procedure to identify the Best and Final Offer in case files. OIOS reiterates recommendation 13 since the action indicated by the Department will require a review of individual case files to identify BAFO cases. In OIOS' view, these cases should be readily identifiable in procurement records for purposes of monitoring and control. The Department reported that recommendation 14 was accepted and has been implemented (reference section 11.6.8 (7) of the Procurement Manual revised in August 2006).

(ii). No independent log of bids opened

43. The Procurement Manual emphasizes the need for segregation of duties. For example, bids should be opened by persons independent of the procurement function. However, the

segregation of duty control is rendered useless if after being performed separate documents are not retained by officials responsible for the control.

44. The UNHQ Procurement Service staff receiving the bids and the bid opening officials (TOC members) did not maintain logs of bids received and bid abstracts respectively. Without reconciling these two records, it is not possible to ascertain whether all bids received were opened, and at the specified date and time.

Recommendation 15

The Department of Management should instruct the Procurement Service to establish a requirement for separately logging bids received and bid abstract forms and maintenance of the logs by personnel other than procurement officers (AH/2006/513/11/15).

45. The Department of Management accepted recommendation 15, which the Procurement Division will implement (implementation date: June 2007). OIOS is keeping this recommendation open pending verification of its implementation.

(iii). Bid Opening Officials

- 46. Section 10.6.1 (a) of the Procurement Manual stipulates that at UNHQ the chief, Procurement Service designates bid opening official(s). Good management practice requires that this designation should be in writing, and updated as needed.
- 47. OIOS was informed that there was no written designation of bid opening officials, but that the designated staff members were aware of their duties, which are included in their job descriptions. Nevertheless, it is important that designated staff members be formally advised of their responsibilities through a formal, specific communication in writing.

Recommendation 16

The Procurement Service should formally appoint Bid Opening Officials, as well as their alternates, in writing and document their duties and responsibilities in line with the requirements of the Procurement Manual (AH/2006/513/11/16).

48. The Department of Management accepted recommendation 16 (implementation date: February 2007), with comments that PD will issue a formal appointment document to staff engaged in bid openings. OIOS is keeping this recommendation open pending the issuance of the document.

D. Peacekeeping Missions and other locations

49. The major findings at peacekeeping missions and other locations are summarised below. In most cases, specific audit reports, as referenced, were submitted to Management in the various locations. The reports contain specific recommendations to address the issues discussed below. Management has generally accepted and started implementing the audit recommendations.

(i) <u>UNFICYP</u> (Report No. AP 2006/654/04)

Two of the three members of the TOC were requisitioning office staff, in violation of the Procurement Manual. While the TOC Chairman explained that these individuals were assigned to the committee because of the Mission's small size, in order to protect the independence of the TOC and avoid a possible conflict of interest it is essential that only staff not involved in requisitioning function as TOC members. There was also a need to periodically revise the composition of the TOC membership based on the availability of members. Also, in 97 per cent of the cases reviewed in UNFICYP, the Chairperson could not attend because of other business; demonstrating the need for a periodic review to ensure active participation.

(ii). ONUB (Report No. AP 2006/648/12)

50. In 43 per cent of the bid opening cases reviewed in this location, there was no evidence of time stamping. Only the date was recorded. Although there were improvements in this area beginning in October 2005, the solicitation documents still only showed the date of closing and not the time. Also, the fax machine dedicated to receiving bids was not located in a secure area, allowing for the possibility of interference with bids.

(iii). UNMIK (Report No. AP 2006/650/12)

51. In 12 of the 20 cases reviewed, the time of bid receipt was not recorded, and in 2 cases the bids were not stamped. In addition, the technical and financial proposals concerning one RFP were opened simultaneously contrary to Procurement Manual rules.

(iv). UNMIL (Report No. AP 2006/626/19)

52. There were several deviations from the procedures which were not documented. Examples included five cases where, late bids were received without documentation, and in 17 per cent of the cases reviewed; bids were not received through the dedicated fax line but nonetheless considered in the bid comparison. Although discussions with the Chief Procurement Officer and the TOC Chair showed there could have been valid reasons for these deviations, these reasons were not documented in files.

(v). UNAMI (AP 2006/812/07)

53. There was a high number of electronic submission of proposals in this location. Of the 128 electronic documents reviewed, 43 were in either MS word or Excel formats, which were easily alterable without detection. In five cases, the submissions were also copied to the buyers, a breach of confidentiality. Also, submissions received were not time and date stamped, and there was a risk that late submissions may have been accepted. In addition, the TOC minutes showed that in 7 of 42 cases reviewed, at least one of the members was assigned to the requisitioning section, in violation of the Procurement Manual rules.

(vi). UNMIS (Report No. AP 2006/632/12)

54. The review found that TOC members did not regularly attend meetings, which could reflect a lack interest in the TOC's work. For example, in the cases reviewed, the Chairman of the TOC did not participate and a budget officer represented the Chief Budget officer in chairing meetings. It was essential to ensure that TOC members actively participate in

meetings in order to serve as an effective control in the procurement process as intended by the Procurement Manual. In addition, bid abstract forms were not being used.

(vii). MINUSTAH (Report No. AP 2006/683/12)

55. Multiple findings in this location related to the general need for improved documentation of the procurement process. Two files requested could not be provided as they had either been misplaced or lost. In addition, in three cases there was no evidence that the envelopes containing the bids were date and time stamped.

(viii). UNMEE (Report No. AP 2006/624/11)

56. There was a general lack of compliance with the Manual requirement calling for the use of the abstract form. Instead, the list of invitees was used. Also, in 5 of 11 cases reviewed, late bids were considered in the bid openings without documenting the reasons for their inclusion.

(ix). MONUC (Report No. AP 2006/620/16)

57. The standard bid solicitation documents for ITBs only specified the closing date, but not the bid closing time or the bid opening details. The failure to specify the closing time resulted in different bid conditions for vendors submitting bids by facsimile and those delivering the bids to MONUC premises and also resulted in difficulties in determining late bids. In addition, on two occasions, bids for the same tender were opened on different dates. The Mission attributed this to delays in receiving documents sent from the regional office that originally received the bids.

(x). UNOCI (Report No. AP 2006/640/16)

58. Although a logbook of tender documents was established, it was not properly maintained. Five of the 30 cases reviewed were not recorded in the logbook, and the receipt times were not recorded for two other cases. Bid abstract forms were not being used. In 13 of the 30 facsimile submissions reviewed, neither the time nor the date was stamped, and in 6 of the 30 submissions, the proposals were not retained on file.

(xi). ICTY (Report No. AA 2006/270/02)

- 59. There were adequate controls to ensure the receipt, custody and confidentiality of tenders until the bid opening day in accordance with UN Procurement Manual Section 10. A Tender Opening Committee (TOC) was established and the members provided with terms of reference. The following exceptions were noted, but as corrective actions were taken during the audit, no further action was proposed:
- a) OIOS recommended and the CPO agreed to implement the use of a checklist by the bid committee members as a basis for certifying compliance with the UN Procurement Manual.
- b) One of the Procurement staff members is a member of the bid opening committee contrary to the Procurement Manual guidelines. Management has written to the the Procurement Division for guidance.

(xii). <u>UNON</u>

60. While the overall assessment of bid opening was assessed as fair, there was a need for management to develop guidelines and procedures which conform to the Procurement Manual to ensure full compliance. In particular a checklist, which TOC members could sign, needed to be introduced to show compliance with all steps of the process. UNON had produced a checklist which partially captured the information required by the bid opening procedures. However, it did not address compliance with all the steps required by the Procurement Manual with regards to the bid opening procedures.

(xiii). UNOV

61. UNOV adhered, in general, to the provisions of the UN Procurement Manual on bid opening procedures. Abstract sheets were not being fully prepared in the bid process. OIOS also noted the absence of a formally constituted Bid Opening Committee, which has since been established, effective 3 June 2006. UNOV stated that they would henceforth comply with the latest version of the UN Procurement Manual.

(xiv). UNOG

62. UNOG complied with most of the required bid opening procedures. The only issue of note was that in seven cases, technical and financial proposals for Requests for Proposals were not consistently received separately. UNOG Management has taken several measures to strengthen further the integrity of the bid opening procedures and to ensure clear audit trail.

V. ACKNOWLEDGEMENT

63. We wish to express our appreciation to the Management and staff of the Procurement Service and the organizations audited for the assistance and cooperation extended to the auditors during this assignment.

Dagfinn Knutsen, Acting Director, Internal Audit Division, OIOS

CLIENT RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS Assignment No. AH 2006 / 513 / 11

No.	Recommendation/No.	Accepted (Yes/No)	Implementa tion Date	Client Comments
01	The Department of Management should implement a system of indexing files according to the various stages of the procurement process, such as solicitation, bidding, evaluation and award (AH/2006/513/11/01).	Yes	By June 2007	The Procurement Division (PD) has been reviewing the filing procedures to standardize the structure of case files.
05	The Department of Management should implement a system for logging procurement files, which, at a minimum, registers each file opened into the system; identifies personnel in possession of files at each stage of processing; and records the number of volumes of each file to permit retrieval of all relevant volumes pertaining to a procurement action (AH/2006/513/11/02).	o Z		PD has no automated system to support this recommendation fully. While the current document management system (TRIM) can capture location of file, implementation of this recommendation utilizing TRIM requires change of workflow and additional data entry for updating information, which will be cumbersome and resource intensive.
03	The Department of Management initiate the retrieval of the 59 missing procurement files at the UNHQ Procurement Service and assign accountability for the loss of these files if they cannot be found (AH/2006/513/11/03)	Yes	Complete d	These files are available.
04	The Department of Management should issue instructions emphasizing the importance of documenting evidence of date and time of the receipt of vendor submissions, and maintaining relevant documentation (AH/2006/513/11/04).	Yes	By March 2007	PD will issue a reminder to the administration of all offices. We believe that this recommendation should be addressed to the Department of Peacekeeping Operations as well for implementation by the peacekeeping missions.
05	The Department of Management should ensure that that Tender Opening Committees in all offices are formally constituted in accordance with the Procurement Manual guidelines (AH/2006/513/11/05).	Yes	By March 2007	PD will issue a reminder to the administration of all offices. We believe that this recommendation should be addressed to the Department of Peacekeeping Operations as well for implementation by the peacekeeping missions.
90	The Department of Management should require that Offices periodically review the composition of Tender Opening Committees to ensure continuing compliance	Yes	By March 2007	PD will issue a reminder to the administration of all offices. We believe that this recommendation should be addressed to the Department of Peacekeeping

CLIENT RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS Assignment No. AH 2006 / 513 / 11

No.	Recommendation/No.	Accepted (Yes/No)	Implementa tion Date	Client Comments
	with the Procurement Manual (AH/2006/513/11/06)			Operations as well for implementation by the peacekeeping missions.
07	The Department of Management should issue a standard checklist to aid Tender Opening Committee members in carrying out their duties (AH/2006/513/11/07).	Yes	By March 2007	PD will issue a reminder to the administration of all offices. We believe that this recommendation should be addressed to the Department of Peacekeeping Operations as well for implementation by the peacekeeping missions.
80	The Department of Management should issue an instruction reminding all Offices to ensure that areas where bids are received should be secured and properly controlled in order to maintain the integrity of the tendering process (AH/2006/513/11/08).	Yes	By March 2007	PD will issue a reminder to the administration of all offices. We believe that this recommendation should be addressed to the Department of Peacekeeping Operations as well for implementation by the peacekeeping missions.
60	The Department of Management instruct Offices to install a sufficient number of dedicated facsimile machines to minimize congestion of facsimile traffic and avoid faxes being sent to common communication centers (AH/2006/513/11/09).	Yes	By March 2007	PD will issue a reminder to the administration of all offices. We believe that this recommendation should be addressed to the Department of Peacekeeping Operations as well for implementation by the peacekeeping missions.
10	The Department of Management should remind all Offices that the receipt of bids from vendors by electronic means should only be permitted when compliance with the requirements for authentication, security and confidentiality is possible (AH/2006/513/11/10).	Yes	By March 2007	Due to security risk for alteration and ease of access and re-transmission, PD is not yet in a position to implement electronic receipt of bids and proposals. However, PD is also made aware that electronic submission is a much more reliable than facsimile in certain peacekeeping missions. Bids and proposals submitted via electronic means if authorized by the solicitation document must be in a pdf format or similar to prevent any risk of changes. PD will issue a notice to the administration of all offices and add clarifications to the Procurement Manual.
=	The Department of Management should review the requirement for completing the Solicitation Abstract Sheet in order to determine if this form is superfluous in view of a possible alternate control	Yes	By June 2007	PD will review the requirement since the purpose of Solicitation Abstract Sheet is to record certain key information to enable staff to continue the process. Therefore, the process must remain administrative,
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CLIENT RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS Assignment No. AH 2006 / 513 / 11

No.	Recommendation/No.	Accepted (Yes/No)	Implementa tion Date	Client Comments
	(AH/2006/513/11/11).			simple and straightforward. PD will also assess an alternate control and revise the Procurement Manual accordingly.
12	The Department of Management require the preprinting of the Solicitation Abstract Sheet to include a list of vendors from whom bids have been received, before the form is signed by TOC members, or cancel the blank spaces on the form when details are not preprinted before TOC members' signature (AH/2006/513/11/12).	Yes	By June 2007	PD will review the requirement since the purpose of Solicitation Abstract Sheet is to record certain key information to enable staff to continue the process. Therefore, the process must remain administrative, simple and straightforward. PD will also assess an alternate control and revise the Procurement Manual accordingly.
13	The Department of Management should instruct the UNHQ Procurement Service to initiate a system to record and monitor Best and Final Offer cases for the entire Secretariat (AH/2006/513/11/13).	No		PD has no ERP system to support this recommendation. However, PD will consider a procedure to identify the Best and Final Offer (BAFO) in case files if what OIOS means "to record and monitor" is "to identify" BAFO cases.
14	The Department of Management apply bid opening procedures to Best and Final Offer cases in order to ensure that the same degree of transparency and confidentiality is maintained for such cases as is with bid opening cases (AH/2006/513/11/14).	Yes	Complete d	Please see section 11.6.8 (7) of the Procurement Manual revised in August 2006.
15	The Department of Management should instruct the Procurement Service to establish a requirement for separately logging bids received and bid abstract forms and maintenance of the logs by personnel other than procurement officers (AH/2006/513/11/15).	Yes	By June 2007	PD will review procedures to implement this recommendation.
16	The Procurement Service should formally appoint Bid Opening Officials, as well as their alternates, in writing and document their duties and responsibilities in line with the requirements of the Procurement Manual (AH/2006/513/11/16).	Yes	By February 2007	PD will issue a formal appointment document to staff engaged in bid openings.