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Khi V. Thai, Editor-in-Chief
Journal of Public Procurement
Florida Atlantic University
111 E. Las Olas Blvd.
Fort Lauderdale, FL 33301

SELECTED REPRINT

**UNITED NATIONS: PROGRESS OF
PROCUREMENT REFORMS**

U.S. General Accounting Office*

RESULTS IN BRIEF

The U.N. Board of Auditors, the U.N. Office of Internal Oversight Services, and the High Level Group of Experts have pointed out numerous problems in the operations of the U.N. Secretariat's procurement system. These problems involved issues concerning all elements of an effective procurement system, such as lack of competition, with over 50 percent of contracts not competed in the past, and accountability, with confusion over responsibility and authority leading to inconsistent application of rules. Many of these findings refer to the period prior to 1996, but some findings have been more recent. To correct these and other problems, the Secretariat established a High Level Expert Group on Procurement. In 1995, the Secretariat adopted the Expert Group's recommendations as the framework for procurement reform and since then has made considerable progress in implementing the recommendations and taken other action to improve its procurement system. For example, evidence developed by U.N. audit and inspection

* Reprinted from an April 1999 U.S. General Accounting Office report to the Chairman, Committee on International Relations, House of Representatives, "United Nations: Progress in Procurement Reforms," (GAO/NSIAD-99-71). Several sections were left out, including its transmittal letter, Appendices 2, 3 and 4. Moreover, several modifications are made, including endnotes, references, and moving Appendix 1, "Scope and Methodology," to the text.

organizations indicates that the Secretariat has strengthened accountability by designating clear lines of authority, improved competitive practices by increasing the percentage of contracts that are awarded through competitive bid, and strengthened the fairness of the process by publishing common specifications for goods procured by the U.N. system.

While the Secretariat has made progress in reforming its procurement system, action in several areas is incomplete, and the overall systemic objectives sought by the High Level Expert Group have not yet been achieved. For example, the Secretariat has not established formal procedures to address and adjudicate vendors' grievances, including appointment of an independent ombudsman to help ensure fairness and openness when issues about U.N. procurement procedures are raised. Also, while the Secretariat now competes most contracts, competition is still not completely open because sufficient time is sometimes not given for vendors to prepare bid proposals. Other steps recommended to help ensure transparency and accountability, such as developing a procurement manual for all to use, are partially completed. Also, the Expert Group's overarching objective was to create a continuously improving procurement system. However, achieving this objective will be difficult until the Secretariat has developed performance measures to indicate whether it is reaching its targets on (1) timeliness in processing requisitions, (2) on-time delivery of goods and services, and (3) quality and cost of contract performance.

BACKGROUND

Each organization within the U.N. system, such as the World Health Organization and the United Nations Development Program, procures goods and services in accordance with its own financial rules and regulations and procurement procedures. More than 30 procurement offices procure approximately \$2.9 billion of goods and services for these organizations annually. Procurements by the U.N. Secretariat are conducted by its Procurement Division, which in 1997 procured \$310 million of goods and services while peacekeeping and other field missions procured about \$120 million.

Commonly Identified Characteristics Of Effective Procurement Systems

Several organizations have identified characteristics of an effective procurement system. For example, the U.N. system organizations

identified such characteristics, which were published by the U.N.'s Interagency Procurement Services Office (IAPSO)¹ in *The Common Guidelines for Procurement by U.N. Organizations*. This publication states that the objective of procurement within the U.N. system is the timely acquisition of goods, works, and services while addressing (1) the objective of the U.N. organization concerned; (2) fairness, integrity, and transparency through competition; and (3) economy, effectiveness, and best value for money. The guidelines were intended to communicate basic principles for procurement by U.N. organizations and harmonize U.N. system procurement procedures. The Organization for Economic Cooperation and Development (OECD) identified similar characteristics for an effective public procurement system.² Its December 1997 policy brief states that a public procurement system should, among other things, (1) employ open competition; (2) ensure that the selection of bidders, tendering procedures, and the awarding of contracts are open to public examination and scrutiny by external audit authorities; (3) incorporate a legal and administrative framework that defines the financial and legal responsibilities of all participants in the procurement process; (4) employ well-trained staff; and (5) ensure that it achieves good value for money in public expenditure.

The Expert Group also used a similar set of characteristics as the underlying objectives in developing its report and recommendations to reform the U.N. procurement system.³ These characteristics, discussed in both the Expert Group report and in a report that was used by the Expert Group,⁴ included:

Integrity. Public confidence earned by avoiding any conflict of interest, maintaining impartiality, avoiding preferential treatment for any group or individual, and dealing fairly and in good faith with all parties. (Aspects of this include development of a fair and impartial roster of qualified vendors and using standard procedures consistently in procurements.)

Openness. Policies and procedures available to and understood by all sources and an acceptable procedure available to redress grievances of vendors. (Aspects of this include clear written policies, a procurement manual, standard operating procedures, and a formal clear bid protest process.)

Accountability. Clear lines of procurement responsibility and authority, set with effective policy direction and audit capabilities established.

(Aspects of this include clear and specific written authorities and delegations of authority and strengthened oversight.)

Professional Workforce. Competent workforce responsive to mission requirements, with continued review and training to improve individual and system performance. (Aspects of this include ensuring a competent and knowledgeable workforce through professional training programs and curriculums, keyed to a career procurement track.)

Competition. Specifications that do not favor a single source and solicitations widely publicized to benefit from the efficiencies of the commercial marketplace. (Aspects of this include open competition for procurement as the norm and all contract activity and awards to be publicly advertised.)

Value. Quality, timeliness, and cost fairly considered to ensure contracts best meet needs. (Aspects of this include determining requirements and planning for the procurement to take advantage of economies of scale and measuring performance to ensure efficiency in processing purchases and contractor performance.)

We use these six characteristics as the organizing framework to report on the types of procurement problems the United Nations experienced, our assessment of the progress the Secretariat has made in carrying out the Expert Group recommendations and other reform actions, and our assessment of whether these actions have achieved the objectives of the Expert Group.

SCOPE AND METHODOLOGY

We conducted our work at the U.N. headquarters in New York City and at the Department of State in Washington, D.C., including the U.S. Mission to the United Nations in New York. Our scope was limited to examining the U.N. Secretariat's procurement system, which includes procurements for U.N. peacekeeping missions; we did not examine procurement at the other agencies, funds, and programs of the U.N. system. We interviewed officials from and reviewed documents from the U.N. Secretariat, the U.N. Board of Auditors, the U.N. Office of Internal Oversight Services (OIOS), the General Assembly, and the U.S. Mission to the United Nations about the Secretariat's procurement problems, reform history, and current status. We also reviewed a report issued by the U.S. government on problems in procurement for U.N. peacekeeping and reports by the U.N. Advisory Committee on Administrative and Budgetary Questions on measures taken to resolve weaknesses in the

Secretariat's procurement system. Our information on the extent to which the Secretariat has implemented reform measures was based on the findings of OIOS and the U.N. Board of Auditors, and interviews with U.N. officials.

To develop an organizing framework for reporting on U.N. procurement problems, the progress made in implementing reform actions, and our assessment of whether this progress has met the reform objectives of the High Level Expert Group on Procurement, we identified the objectives of the reform. To do this, we reviewed the Expert Group report, which contained a wide-ranging discussion of issues that needed to be addressed in the U.N.'s procurement system, including (1) integrity/fairness, (2) openness/transparency, (3) accountability, (4) professional workforce, (5) competition, and (6) value. These six elements were most clearly discussed in a report used by the Expert Group entitled Constraining Costs and Improving the Efficiency of United Nations Peacekeeping Procurement Operations. This report explained that these were the characteristics the United States identified for the Organization for Economic Cooperation and Development (OECD) as central to any well-structured procurement system. To ensure these characteristics were commonly recognized, we reviewed procurement policy documents of several other organizations and offices, such as the OECD (Support for Improvement in Governance and Management Policy Brief 3: Public Procurement), the United Nations (The Common Guidelines for Public Procurement by U.N. Organizations), the European Union (Application of European Procurement Law—Communication Adopted by the Commission on 27 November 1996), and several national government agencies. These entities all used similar descriptions about the objectives and characteristics of their procurement systems. We also discussed these characteristics with the Deputy Assistant Administrator for Acquisition Policy for the U.S. government's General Services Administration and a private sector expert on procurement who was formerly the Administrator for Federal Procurement Policy for the U.S. government. Based on this work, we decided to use the six characteristics as the organizational framework for our reporting.

To identify the types of problems found by the High Level Expert Group on Procurement and U.N. oversight entities, we first reviewed the 1994-98 reports of OIOS and the Board of Auditors' Biennial Financial

Reports covering the period 1988 through 1997. We found they had cited numerous problems, ranging from individual instances of noncompliance with procurement regulations to a systemwide failure to compete contracts. We summarized all the problems and entered them into a text query database. To organize the problems by type, we categorized each problem according to the definitions for the six elements of an effective procurement system—integrity, openness, accountability, workforce, competition, and value. For example, the finding that open tendering for major procurements above \$500,000 was rarely used was categorized as a problem in the area of competition. This provided us with concrete examples for each type of problem and gave us a sense of their nature and extent.

To identify the measures taken by the Secretariat to reform its procurement system, we examined the Secretariat's progress reports from 1995 to 1998 outlining the steps it had taken in response to the recommendations in the 1994 Expert Group report. The most recent Secretariat progress report was dated November 10, 1998. Where possible, we verified that these steps had been taken. For example, we obtained (1) a copy of the procurement manual to verify that it had been prepared and contained clearly defined policies and procedures, (2) policy documents on delegations of authority to verify that authority to field missions had been increased, and (3) organization and management charts and documents to verify that offices had been consolidated. We also observed the computer operation and supporting data entry sheets for the field inventory system to verify that an inventory of existing assets had begun. In addition, we reviewed statistics on the number and amount of contracts awarded without competition, examined the electronic filing for contract bids and awards on the internet, and followed up on the extent of training provided to procurement officers and the content of the training classes offered.

We assessed the Expert Group's report for its overall objectives, and we analyzed and classified many of its specific recommendations by the characteristics of an effective procurement system. We then analyzed OIOS and other reports on the extent to which the Secretariat had implemented the recommendations. The latest OIOS report on implementation of the recommendations was dated March 5, 1998. We updated this information by interviewing OIOS and Board of Auditors officials on their assessment of whether the Secretariat had taken further steps. We supplemented this assessment by reviewing reports that

included procurement issues published in 1998 by OIOS and the Board of Auditors and seeing if problems still occurred in the areas where the Secretariat had implemented reform measures. We interviewed officials from the U.N. Board of Auditors, OIOS, and Procurement Division staff as well as knowledgeable Secretariat officials, such as the Assistant Secretary-General for Central Support Services and the Under Secretary-General for Management to discuss the steps that had been taken to reform the procurement system.

We performed our work from July 1998 to January 1999 in accordance with generally accepted government auditing practices.

U.N. OVERSIGHT BODIES HAVE IDENTIFIED PROCUREMENT SYSTEM PROBLEMS

The U.N. Board of Auditors (board), the U.N. Office of Internal Oversight Services (OIOS), and the High Level Group of Experts have pointed out numerous problems in the operations of the U.N. Secretariat's procurement system. These problems involved issues concerning all elements of an effective procurement system. Many of these findings refer to the period prior to 1996, but some findings have been more recent.

Integrity

The Expert Group and U.N. audit agencies found practices that undermined the fairness and impartiality of the procurement system. For example, OIOS reported that in some locations contracts were awarded to a limited number of vendors without evidence of a market survey, assessment of competitive quotations, or evaluation of vendor performance (United Nations, 1996a, 1998a). Further, the Expert Group concluded that problems with the vendor roster undermined the integrity of the system. The roster, which lists vendors from whom U.N. officials solicit bids and quotations, is prepared by obtaining from member states and business groups the names of potential suppliers, reviewing their qualifications, and finalizing the list of qualified vendors for use by the Secretariat. The Expert Group found the roster was outdated, inaccurate, and not common to all locations and concluded that the inconsistent and nonstandardized list exposed the procurement system to abuse, self-interest, and fraud. Another problem the board reported was that offices requisitioning goods and services had too much influence on the

selection of vendors (United Nations, 1994). This raised questions of conflicts of interest in the process, since the procurement office is charged with maintaining independence in the selection of vendors and is not to be pressured by other parties, including the requisitioning office.

Openness

The Expert Group, the board, and OIOS also noted problems related to the openness and transparency of the system. The Expert Group found that policies and procedures were inconsistent, unclear, and not available to all involved in the bidding process, including both vendors and procurement officers. In 1995, the board and OIOS reported that policy and procedures statements and manuals on procurement were lacking and the available regulations were too cumbersome to be of practical use. For example, OIOS reported that guidance in the Department of Peacekeeping Operations did not provide information on procurement procedures for procurement staff to use on a day-to-day basis. OIOS also reported that 50 percent of the procurements they reviewed did not meet the requirements for sealed bids and public bid openings or were not communicated to vendors. At the same time, the procurement system lacked an ombudsman or impartial bureau to hear vendor complaints and ensure fair treatment.

Accountability

According to the Expert Group, clear lines of authority and responsibility, as well as charts that clearly indicated which officials were responsible for specific tasks, were lacking. Similarly, the board's 1994-95 biennial report stated that adequate lines of authority, supervision, and accountability had not been established and that appropriate internal control systems needed to be established within the Procurement Division. In addition, the Advisory Committee on Administrative and Budgetary Questions found that there were no guidelines on the composition and procedures for the Headquarters Committee on Contracts.⁵ The Committee is supposed to review all contracts exceeding established thresholds to ensure rules and regulations are followed and there is consistency between the bid evaluations and the final decision. The board stated in its report on the 1994-95 biennium that 57 percent of the contracts for the Department of Peacekeeping Operations and 23 percent of the contracts for the remaining Secretariat

departments were reviewed only after they had been signed. In a 1996 audit, OIOS also found a lack of documentation on vendor qualifications, financial status, and past performance, making it difficult for auditors to determine whether vendors had been selected in accordance with U.N. financial rules and regulations (United Nations, 1996a).

Professional Workforce

The Expert Group and U.N. audit organizations found the procurement staff lacked the requisite knowledge of procurement procedures and regulations. For example, in its report on the 1992-93 biennium, the board found that although some training events had taken place, there were no formal training arrangements for staff involved in procurement activities and that very few staff in the procurement services had any recognized qualifications in procurement. Likewise, in its 1994 study, the Expert Group determined that U.N. staff assigned to procurement activities were largely ill-prepared, untrained or inadequately trained, and inexperienced.

It stated that staff expertise was extremely low, staff roles and responsibilities were not aligned with mission requirements and staff job descriptions, and specific duties were unclear. Further, in 1995, OIOS identified as one of the general problems of the procurement function a lack of proper training and experience by some procurement officers (United Nations, 1985).

Competition

The U.N. audit organizations found that the U.N. Secretariat did not effectively compete procurements in the early and mid 1990s. Similarly, a 1996 OIOS report on the then-Contracts and Procurement Service of the Secretariat's Department for Development Support and Management Services disclosed that in 46 percent of the cases, the technical specifications were either restrictive in nature or pointed toward a sole-source vendor (United Nations, 1996a). Thus, the specifications precluded or otherwise made extremely difficult a valid, practical, competitive bidding process. The board outlined a pattern of poor competitive practices in its reports on the 1988-89, 1990-91, 1992-93, and 1994-95 bienniums.

Value

The Expert Group and U.N. audit organizations also discovered that U.N. Secretariat procurement practices frequently did not incorporate or emphasize quality, timeliness, and other aspects of value in their procurements. For example, the Expert Group said that having precise specifications for goods and services was the basis for ensuring best value. It found, however, that bid specifications were unclear and lacked specificity and quality measures, making bid proposals impossible to compare. The Expert Group also found that procurement planning was not done; thus, the Secretariat could not take advantage of bulk purchases and planned acquisitions. Other practices limited obtaining better value. For example, the board reported in its 1992-93 biennial report that the use of a relatively narrow range of suppliers created an environment where it was unlikely that the United Nations was achieving the best value for its money (United Nations, 1994). Also, in 1997, an OIOS report found in one location that inadequate control over the hiring of consultants led to higher fees and insufficiently qualified personnel (United Nations, 1997).

REFORM MEASURES TAKEN TO IMPROVE THE PROCUREMENT SYSTEM

The Secretariat has made considerable progress in implementing the recommendations proposed by the High Level Expert Group and taken other steps to reform the procurement system. As the first step in addressing its procurement problems, the Secretariat accepted the 36 recommendations of the Expert Group as the framework for its reform efforts. These recommendations included designating clear lines of responsibility and authority for procurement functions, drafting a procurement manual available to all parties, and developing a training curriculum for procurement staff. In June 1995, the Secretariat reported that some actions had already been taken, and it listed additional future steps to implement the plan (United Nations, 1995). In March 1996, the U.N. Advisory Committee on Administrative and Budgetary Questions endorsed the Expert Group's recommendations and stated that procurement reform was of fundamental importance for reestablishing the confidence of the member states in the integrity of U.N. Secretariat procurement operations (United Nations, 1996b) and in December 1996 the Committee reported to the U.N. General Assembly on progress being

made by the Secretariat United Nations, 1996c). In November 1998, the Advisory Committee noted that information from the Secretary-General showed considerable progress in implementing the recommendations of the Board of Auditors and the High Level Expert Group.

Integrity

The Advisory Committee noted that in the area of strengthening the integrity of the system, the Secretariat had purged the old roster of vendors and was updating and expanding the new roster, had laid out the main criteria for evaluating suppliers, and had developed common specifications for goods used throughout the U.N. system. The Secretariat also took steps to ensure that requisitioning offices did not unduly influence the bid process, such as requiring the concurrence of the Chief of the Procurement Division to allow bids from vendors that had been recommended by the requisitioning office.

Accountability

Steps taken in the area of increasing accountability included reorganizing the procurement function to eliminate overlapping responsibilities and to designate clear lines of authority for procurement. For example, prior to the reorganization, authority for procurement was not centralized within the Secretariat, but after reorganizing, all procurement is to be conducted under the authority of the Procurement Division. At headquarters, procurement is undertaken under the authority of the Assistant Secretary-General for Central Support Services, who delegates this authority to the Procurement Division and the field. In the field, Directors-General of some offices have delegated this authority, and the Assistant Secretary-General clarified the authority and responsibility of field offices by specifying the field officials that could approve contracts and increasing the allowable contract amount field offices could approve from \$70,000 to \$200,000. Also, the committees required to review contracts before approval, both at headquarters and in the field, were strengthened by (1) selecting a full-time permanent chair for the headquarters committee and (2) specifying the committees' working methods and policy guidelines for required reviews. The Secretary-General further reported that the requirements for contract approval were being followed more closely than in the past. For example, the number of contracts awarded before required review by the

Headquarters Committee on Contracts decreased from 47 percent in 1995 to 3.4 percent for the Secretariat and 2.8 percent for peacekeeping procurement in 1998.⁶

Competition

Competition has also been strengthened. In 1998, the scope for competitive contracting was significantly increased by adding professional services, medicines, medical supplies, and hospital or surgical supplies to the list of items subject to the open bidding process. Both invitations to bid and contract awards are publicized electronically on the internet, and the percentage of procurements that were competitively bid increased from 31 percent in 1994 to 73 percent in 1998.

Other Areas of Improvement

The Secretariat has taken action on several of the other recommendations of the Expert Group. For example, the Secretariat has provided procurement staff, particularly at headquarters, training seminars on cost and price analysis, conflict resolution, and the new U.N. information system. There is some evidence the steps taken have improved the headquarters workforce. For example, in 1998, OIOS examined a sample of personnel files and found that following a period of high turnover, 90 percent of the headquarters procurement staff now had procurement-related qualifications, including government and military procurement experience. OIOS also found that senior officers at headquarters had an average of 17 years of procurement experience, and it concluded that the vast majority was qualified to do their jobs. Also, according to board officials, the quality of the workforce at U.N. headquarters has improved due in part to the training.

OUTSTANDING PROCUREMENT REFORM ISSUES

Although the Secretariat has taken some action on almost all recommendations of the Expert Group and improved the procurement system, several reform measures remain incomplete, and the objective of creating an effective procurement system with the capacity to continuously improve has not yet been achieved. Recommendations or reform actions that have been partially implemented fall in the areas of integrity and openness, professional workforce, competitive practices, and value.

Integrity and Openness

The Expert Group recommended that to help ensure the integrity and openness of the system, an independent complaints bureau/ombudsman be established to adjudicate vendor grievances. As of January 1999, formal procedures for the grievance process had not been developed. Since formal procedures were lacking, cases may be treated inconsistently, and vendors may be treated unequally. Also, the ombudsman function is not fully independent but is being carried out by the Under Secretary-General for Management and the Assistant Secretary-General for Central Support Services. The Secretariat has stated that one or the other official—the one who is not involved in a particular case for which a grievance arises—would review the grievance. According to OIOS, it is questionable whether these officials can act as impartial judges. In this regard, there is a direct line of authority from the Chief of the Procurement Division to the Assistant Secretary-General, who reports to the Under Secretary-General. According to a private sector expert on procurement and the Deputy Assistant Administrator for Acquisition Policy for the U.S. government's General Services Administration, to avoid the appearance of a conflict of interest, the ombudsman should not be in the reporting chain of the officials potentially involved in the cases he or she reviews.

In providing openness and transparency, the procurement manual has shortcomings. The Secretariat developed a procurement manual in response to the Expert Group's recommendations. However, the manual does not include a mission statement, clear explanations of policy, or detailed, step-by-step discussions of procedures required for field personnel to perform their duties, as recommended. According to the Expert Group and other procurement experts, a clear and complete procurement manual is essential to an open procurement system because policies, regulations, and the procurement process need to be available to all sources and must be sufficiently clear and detailed for all sources to understand them. Secretariat officials we spoke to acknowledged the weaknesses in the current manual and are considering revisions. They also stated that the manual is subject to regular review and revision.

Professional Workforce

Although the Secretariat has provided training courses to procurement staff, these courses do not constitute a comprehensive

curriculum to provide a continuum of basic to advanced skills for the development of procurement officers, as recommended by the Expert Group. A 1998 OIOS report further found a mixed level of professional experience among procurement personnel. While over 90 percent of a sample of headquarters procurement staff had procurement-related qualifications or experience, only 62 percent of a sample of field staff had U.N. or outside procurement experience (United Nations, 1998b). OIOS recommended that training needs be identified and a formal, procurement-specific training program be created. Also, in the view of board officials, training for peacekeeping staff in the field continues to be a problem. As a result, the board viewed field-level procurement practices as a high-risk area. Without a more systematic approach to training, the Secretariat cannot ensure that procurement is carried out by a competent workforce capable of meeting mission requirements.

Secretariat officials told us in January 1999 that an effort was under way to improve the training and career path opportunities of U.N. system procurement officials. The Secretariat and other U.N. organizations are developing a system to share and coordinate training resources. Likewise, procurement staff are expected to be rotated among U.N. organizations and field missions in an effort to share their knowledge, broaden their experiences, increase their proficiency, and provide them with a career path.

Competition

Although the Secretariat has strengthened competitive practices in its procurements, there are still weaknesses in ensuring open competition. For example, in the 1996-97 biennial report, the board noted that no uniform pattern existed in the amount of time suppliers would be given to prepare and submit a bid (United Nations, 1998c). Nor could the board find any relationship between the size and complexity of contracts and the amount of time given for bid preparation. For example, some contracts valued over \$200,000 allowed only 4 weeks for bid preparation, while smaller contracts allowed a longer period. Board officials emphasized that the lack of guidelines setting out minimum times for the bidding period could lead to noncompetitive practices. The board also found that open tendering for major procurements above \$500,000 was rarely used.

Recent OIOS audit reports found weaknesses in compliance with regulations on competition. A 1998 OIOS report covering a series of

audits conducted between June 1996 and December 1997 on procurement in the U.N. Angola Verification Mission found that goods were procured from a restricted group of middlemen at higher prices under doubtful circumstances (United Nations, 1998d). OIOS also reported that in several instances, the Mission's procurement section interfered in the requisitioning process. As a result of this interference, requisitions were split and processing was delayed. The splitting of requisitions allowed the bypassing of normal procurement procedures and of scrutiny by the Local and Headquarters Committees on Contracts. The transactions were investigated from 1995 to 1997 and OIOS reported in April 1998 that action to correct some of the issues had taken place but action on the remaining issues needed to be closely monitored for completion. In a January 1998 audit of the U.N. Regional Commissions, OIOS found that at one of the four commissions, purchase files contained no evidence of a market survey or an assessment of competitive quotations, except in a few major cases (United Nations, 1998e) Board officials told us in January 1999 that these infractions were issues of compliance rather than systemic internal control problems, since clear rules and regulations are in place.

Value

Two key reform actions to ensure the Secretariat receives the best value for its money have not been implemented. First, the Expert Group called for the development of performance measures to monitor both the internal work processes, such as timeliness in preparing requisitions and vendor performance for quality, cost, and on-time delivery. However, as of January 1999, Secretariat officials had not developed performance measures for the procurement system, except for procurement operating costs as a percentage of total procurement costs. Other measures of performance might include purchase order cycle time and average annual training hours per professional employee.⁷ According to procurement experts, such measures are fundamental to developing an effective procurement system and are used routinely in government and private sector organizations. Without such performance measures, the Secretariat will find it difficult to assess the effectiveness of its procurement system or to continuously improve its performance.

A second reform action to enhance value was to introduce procurement planning so that purchases could be planned in advance. In

August 1998, the Secretariat endorsed procurement planning—a requisite over the long term for ensuring best value for the money (United Nations, 1998f). Before that date, the Secretariat had taken the position that, particularly for peacekeeping missions, procurement planning was not feasible. In January 1999, OIOS officials said they had yet to see procurement planning occur. A senior Secretariat official said the Secretariat had taken initial steps to begin procurement planning, such as incorporating planned procurements in future estimated budget submissions. However, a systemic planning process would not be in place until later in 1999.

CONCLUSIONS

The Secretariat has responded to the challenge of reforming its procurement system and made improvements. However, the Secretariat has not fully implemented several reform measures that would help ensure the procurement system is open, fully competitive, and provides the best value for its money. The Secretariat also has not developed performance measures that would allow it to take corrective action and continuously improve.

NOTES

1. IAPSO is an office under the oversight of the U.N. Development Program's executive board and is funded by the development program and by the procurement services it offers. IAPSO's mandates are to conduct research and development activities in the area of procurement for U.N. organizations and to provide a wide range of procurement services, including advisory services on procurement, direct procurement, and procurement training for U.N. member states and organizations.
2. Organization for Economic Co-operation and Development. (1997). This publication is the result of an ongoing joint initiative of the OECD Center for Cooperation with Economies in Transition and the European Union's PHARE Program. The OECD is a forum of industrialized democracies that studies and formulates policies in all economic and social spheres.
3. The Expert Group was composed of senior officials from Brazil, France, Malaysia, South Africa, Sweden, the United Kingdom, and the United States who had expertise in and responsibility for

managing procurement, finance, and logistics operations in their countries. Among the members were a senior logistics manager for Military Logistics, United Kingdom; the Inspector-General of Finance for Brazil; and the Director, Commodity Division, U.S. Agency for International Development.

4. Burman (1994). This study contained the characteristics of an effective procurement system that the United States identified for the OECD and that the OECD subsequently adopted in its efforts to provide a framework for public procurement systems in emerging democracies.
5. The Advisory Committee on Administrative and Budgetary Questions examines and reports on the regular and peacekeeping budgets and accounts of the United Nations and the administrative budgets of the specialized agencies.
6. Procurement contracts that are awarded and then reviewed after the award are termed ex post facto contracts. Current regulations require that contracts equal to or greater than \$200,000 be reviewed by the Headquarters Committee on Contracts before they are awarded.
7. Examples of benchmarking are contained in the following two publications: Center for Advanced Purchasing Studies (1997-98) and Procurement Executives' Association (1998).

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