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Opening statement to the Fifth Committee on the Joint Inspection Unit Report

**Contract management and administration in the United Nations system**

**JIU/REP/2014/9**

Gopinathan Achamkulangare

Inspector

Mr. Chairman, distinguished delegates,

I have the honour to introduce to the Fifth Committee the JIU report entitled “Contract management and administration in the United Nations system”.

The objective of the review was to analyse the methods and practices used by the organizations in the United Nations system to manage contracts for goods and services *after* the contracts have been awarded, with a view to identifying good practices, lessons learned, areas for further improvement and enhance coherence system-wide. The review focused on the common challenges and issues of post-award contract management practices in areas such as: governance of contract management, human resources and capacity-building, performance monitoring, contract change management, automation support systems, and harmonization/collaboration among organizations.

In the context of this review the JIU developed a Contract Management Process Assessment Model (CM-PAM) as a tool to assess the processes of managing contracts during the post-award phase. The CM-PAM was populated with data received through an extensive survey of contract-management practitioners in the United Nations system as well as senior management. Subsequent to the completion of the data analysis, each organization received separately the results of the CM-PAM assessment identifying the strengths and weaknesses of the organization in managing goods and services contracts.

Overall, the review found that contract-management practices in the post-award phase are deficient in a number of areas. The similarity of these deficiencies across the United Nations system, combined with the magnitude and volume of procurement, demonstrates that a concerted effort by all stakeholders is needed to address this systemic challenge. The

shortcomings identified in this report will continue to occur unless policies and procedures are further refined and specific action is taken to strengthen post-award contract-management practices. The report makes 12 recommendations, of which two are addressed to the legislative bodies and the remainder to the Executive Heads of the organizations.

The review findings highlight that in many cases, policies and procedures for contract-management in the post-award phase are absent. In addition, contract management structures, roles and responsibilities are not well-defined to ensure accountability and efficiency. The professionalization of contract management and the establishment of contract-management units, where they are required based on the volume and/or complexity of contracts, are areas that require senior management attention. The review also found that training on managing contracts after award is neglected in most organizations, which results in inadequate contract management skills available among the staff.

While risk management plans are available to address the risks of the pre-award procurement phase, no examples were found of systematic risk assessment at the start of the post-award phase. Monitoring contract performance is another aspect that needs improvement to minimize the risk of poor contractor performance, prevent services not being delivered as expected, or payments being made in excess of the value of the services received. Furthermore, the evaluation of contractor performance is not done systematically, the guidance to persons responsible for such evaluations is not clear, and most organizations do not have central systems for keeping records of contractor performance evaluations.

The JIU is pleased to note, however, that efforts are under way among organizations to have in place similar vendor-review frameworks, which would allow them to record and share contractor performance. The intention is to create a central vendor-ineligibility list, which would include individual organization decisions concerning the ineligibility or sanctions of vendors, using a common rules-based process. Such a list would help organizations make informed decisions when selecting contractors and minimize the likelihood of a bad or fraudulent performer in one organization being awarded a new contract in another.

Understanding why contract modifications are required and how they are managed is a critical part of effective contract execution. However, none of the organizations reviewed were able to provide aggregate information on the causes and consequences of modifications of current or past contracts. Modifications that reflect cost overruns, delays and unjustified time extensions, and acceptance of inferior products or services, point to deficiencies that need to be addressed by senior management. It was not possible during this review to quantify and qualify the effects of such deficiencies owing to the lack of documentation in the reviewed organizations.

The findings highlighted today present the observations of the JIU and in each case, recommendations have been made to address the risk or make improvements to the contract management process. Post-award contract management represents one of the highest risk areas in the procurement life cycle. Regardless of how well a contract is sourced and awarded, it is the activities after award that determine how effectively the contract achieves its

objectives and the level of compliance regarding performance, timeliness, quality and cost. The decisions of the legislative bodies and actions of the coordination bodies such as the Procurement Network (within the High-level Committee on Management of the Chief Executives' Board for Coordination) are critical to compel the action that is required. Post-award contract management could benefit from collaboration among organizations in harmonizing applicable policies, procedures and guidelines.

Mr. Chairman, I thank you and the members of this Committee for the opportunity to present this report.

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