



Investigation Task Force

Irregularities in the award of contracts for the maintenance and repair of the runway, taxiways and parking areas at Pristina Airport (Case 0284/04)

I. INTRODUCTION

1. This case arises out of an audit report dated 28 February 2003 into the financial statements of Pristina International Airport conducted by the Chartered Accountants, which led to an investigation concerning alleged corruption and irregularities arising in the course of procurements and contracts at Pristina International Airport.
2. There are five allegations in this report of investigation:
 - tender procedures were not observed.
 - the contracts were awarded by means of single source / emergency repair contracts when this could have been avoided, either by a competitive tender for the specific contract, or by having a competitive tender for repair work over a set period of time.
 - procedures for the authorisation of the works and financial authorisation for them were not observed.
 - Vendor 1 was selected to undertake the contracts, without any proper selection procedure.
 - It is also alleged that the cost of the repairs to the passenger terminal apron rose from €3,519 to €58,000, without any work forms or other justification for the extra expenditure.
3. Due to the number of contracts involved, this case has been dealt with on a contract by contract basis under the following headings, dealing with the issues identified in paragraph 2 above:
 - Contract for the Resurfacing of Echo Parking Area.
 - Contract for emergency repairs to Taxiway Delta.
 - Contract for anti-kerosene treatment for the Echo Parking Area.
 - Repair of Charlie Area.
 - Contract for repair and anti-kerosene treatment to Taxiway Golf and repair to the Airport runway.
 - Contract for repairs to cracks in the main passenger terminal apron.

II. APPLICABLE TERRITORIAL LAWS AND UNITED NATIONS PROCEDURAL RULES

Section 1 of UNMIK Regulation 1999/24 dated 12 December 1999 as amended, states that the law applicable in Kosovo shall be:

- a) “The regulations promulgated by the Special Representative of the Secretary General (SRSG) and subsidiary instruments issued pursuant to those regulations; and
- b) The Law in force in Kosovo on 22 March 1989.”

UN Staff Regulations 1.2 (b) stipulates “Staff members shall uphold the highest Vendor 3s of efficiency, competence and integrity”

UNMIK Finance Administrative Instruction 1999/2 on Public Procurement using Kosovo Consolidated Budget Funds provides that:

Article 4 1 – “Competition among and participation in the procurement process shall be maximised.”

Article 4.1.1 – “All Suppliers and Contractors and their tenders shall be treated fairly, equally, and non-discriminatorily, without favouritism or prejudice and each Tender shall be judged on its merits.”

Article 4.3.3. – “If a consultant or any principal, officer or employee of such consultant has participated or will participate in any manner in the preparation of the UNMIK Kosovo Interim Administration’s Tendering for a contract, including but not limited to preparations of specifications or any other Tender Documents, no such consultant nor any principal officer or employee of such consultant, no “related person” nor any “illegal payer” may tender for or sponsor or participate in the Tendering for such contract.”

Article 6.1.2 – The limit method of Competitive Shopping ... shall normally be used when the estimated contract value does not exceed DM 50,000 (€25,000)

Article 6.1.3 – The method of Competitive Tenderingshall normally be used when the estimated contract value exceeds DM 50,000 (€25,000)

Article 24 – “Direct Single Source Procurement may be used for Goods, Works or Ancillary Physical Services:

24.1 - If such Direct Single Source Procurement is not used to

24.1.1 - Avoid Competition

24.1.2 – Discriminate against other suppliers and

24.2 – Direct Single Source Procurement is the appropriate method to be used:

24.2.1 as the Goods, Works or Services can be provided by only one supplier;.....”

Article 31 – “Emergency Procurement may be used for goods, Works or Services if:

31.1 – the need for the procurement is urgent;

31.2 – the conditions giving rise to the urgency were not under the control of nor due to the negligence or other action(s) of either the Requesting or the Procuring Entity;

31.3 the urgency could not reasonably have been foreseen;

31.4 the method of Emergency Procurement is not utilized;

31.4.1 - to avoid competition in quality and costs;

31.4.2 – to avoid the normal requirements of transparency; nor

31.4.3 to discriminate against other suppliers”

UN Staff Rule 110.1: Misconduct. “Failure by a staff member to comply with his or her obligations under the Charter of the United Nations, the Staff Regulations and the Staff Rules or other relevant administrative issuances, or to observe the Vendor 3s of conduct expected of an international civil servant, may amount to unsatisfactory conduct within the meaning of staff regulation 10.2, leading to the institution of disciplinary measures for misconduct.”

III. METHODOLOGY

4. This investigation was conducted pursuant to Executive Decision No 2003/16 on the establishment of the Investigation Task Force. The ITF investigators conducted an enquiry into the allegations raised by interviews with persons indicated to be witnesses and persons potentially implicated in the allegations; by obtaining documents from the Pristina Airport administration and from Pillar IV, which were then analysed for relevance to the enquiry at hand.
5. This report details the findings resulting from these enquiries.

IV. BACKGROUND INFORMATION

6. Pristina International Airport constitutes a state owned enterprise under Yugoslavian law. The assets of the airport include the runways, terminal buildings, hanger, fuel storage facilities and equipment. During the period covered by this investigation, from 2001 until 2003, they were maintained by the Public Enterprise Airport Pristina, (PEAP) in cooperation with Military Units of the Kosovo Force (KFOR). Pursuant to United Nations Security Council Resolution 1244 dated 10 June 1999, and UNMIK Regulation No 1/1999 dated 25 July 1999. UNMIK is mandated to administer the territory of Kosovo, including state owned and publicly owned assets. This includes Pristina International Airport.
7. Until the end of June 2002, responsibility for the administration of the Pristina Airport was entrusted to the Civil Administration Pillar (Pillar II) of UNMIK, including Official 1 and Official 2. Pillar II supervised DOTI Official 1 (Department of Transport and Infrastructure). The DOTI was later known as the Transport Sector of the UNMIK Directorate of Infrastructure Affairs. DOTI Official 1 left UNMIK at the end of June 2002. DOTI Official 2 was recruited by the DOTI as an international staff member on 31 July 2000 in charge of airport operations, reporting to DOTI Official 1, and continued in this role until 30 September 2001. Engineering expertise was provided by a series of engineers seconded from the armed forces of a United Nations member state, specifically Airport Engineer 1, Airport Engineer 2, and Airport Engineer 3, and later by a Consultant from the Consulting Company.
8. On 1 July 2002, the responsibility for the administration of the Airport passed from Pillar II to the Kosovo Trust Agency (KTA) and Pillar IV. The Divisional Manager was appointed. Under him were the PEAP Official and the ATCS Official (Air Traffic Control Services).
9. On 1 April 2004 Pristina International Airport, which had until that time been under the jurisdiction of KFOR was handed over to civilian jurisdiction, under ICAO regulations.
10. It is against this background of change that procurement procedures relating to the following contract have been examined.

V. INVESTIGATION DETAILS

11. This part of the investigation relates to a series of six single source procurements/ emergency repair contracts for the maintenance and repair of the runway, taxiways and parking areas at Pristina Airport in the period November 2000- April 2002. The value of the contracts were as follows:
- Echo parking area – 90,000 Deutsche Marks (DM)
 - Taxiway Delta – 27,000 DM
 - Anti-kerosene treatment for Echo Parking Area – 95,561,97 DM
 - Charlie area – 30,000 DM
 - Golf area and Runway crater – 48,500 DM
 - Passenger terminal apron – €58,000

Contract for the Resurfacing of Echo Parking Area

12. An interoffice memorandum from DOTI Official 2 to Procurement Official 1, Central Procurement entity dated 17 November 2002 indicates that PEAP tried to obtain three quotes in order to carry out urgent re-surfacing work on the Echo Parking Area. However, they were only able to obtain two quotes for the work, from the companies Vendor 2 and Vendor 3. The two quotes were evaluated on 17 November 2000 by DOTI Official 2, the PEAP Official and a Senior Airport Supervisor, and a decision taken to award the contract to Vendor 2. A contract was signed between Pristina Airport and Vendor 2 on 29 November 2000.
13. The memorandum suggests that an attempt was made to follow a competitive shopping procedure, although the ITF has not seen documentary evidence indicating that the formal provisions set out in the UNMIK Finance Administrative Instruction 1999/2 on Public Procurement using Kosovo Consolidated Budget Funds were followed.
14. This was also suggested in interview by the PEAP Official, who stated:
“We were at that time under the supervision of DOTI Official 2 and we were told that it was not necessary to use Finance Administration Instruction No2 /1999 relating to public procurement, because we were using our own money.”
15. The PEAP Official’s response was contradicted by DOTI Official 2, who stated to the ITF that UN Guidelines were followed, but added that:
“The urgency of getting some jobs done, led us in certain cases to carry out single source procurements”.
16. The interoffice memorandum dated 17 November 2000 also indicates that the two offers received from the companies Vendor 2 and Vendor 3 were evaluated by a committee consisting of three persons, whereas the procurement rules require that there should be a minimum of four persons on evaluation committees.
17. A file note written and signed by DOTI Official 2 and two colleagues, whose signatures are illegible dated 1 March 2001 and a memorandum dated 2 March

2001 indicate that Vendor 2 failed to fulfil its obligations under the contract, as a result of which the contract with Vendor 2 was terminated on 1 March 2000.

18. Four days earlier, on 26 February 2001, an offer was obtained from Vendor 1 to carry out the re-surfacing of the Echo Parking Area and a new small area of 382m² in the northwest corner of the Echo Parking Area in the sum of 90,000 DM.
19. A letter from DOTI Official 2 and the PEAP Official to Vendor 1 dated 8 March 2001 confirms that the offer received from Vendor 1 to carry out the work was accepted at no extra cost to the budget.
20. It is clear, both from the above documentary evidence and from evidence provided in interview by DOTI Official 2 and the PEAP Official that the failure of Vendor 2 to perform the contract left the Airport in a difficult position, as the re-surfacing work had now become urgent.
21. The PEAP Official emphasised this point in the course of his/her interview, stating:

“DOTI Official 1 and I were in a “panic” situation, because many flights were delayed...”

“There were not many options in Kosovo at this time and we hadn’t a lot of experience as to how we should approach another company or as to how to terminate this contract.”
22. An earlier interoffice memorandum from DOTI Official 1 to Procurement Official 1 dated 14 November 2000 indicates that approval was sought for a single source procurement to be used for the original contract with Vendor 2. However, the ITF has not been able to locate any similar authority relating to the contract with Vendor 1.
23. DOTI Official 2 in the course of his/her interview indicated:

“There must be another document, as I must have gone through Procurement Official 1 and DOTI Official 1 in having the work authorised. I do not see any supporting documents indicating permission to carry out this urgent work from DOTI.” However, he/she later added:

“The matter would have been discussed during a Saturday morning Airport management meeting and minutes of the meeting would record this. We need to consult the following Saturday minutes (after 8th March). I don’t recall writing a memorandum to DOTI Official 1. Therefore, it may have resulted from verbal discussion and been recorded in the meeting.”
24. In addition, no capital expenditure approval form has been located to authorise the expenditure.
25. In summary, evidence suggests that the contract for the resurfacing of Parking Area Echo became an emergency due to the failure of Vendor 2 to fulfil its contractual obligations. Due to the situation this created, formal tender procedures do not appear to have been followed in selecting Vendor 1 to carry out the work or in obtaining capital expenditure approval. Evidence also suggests

that the offer received from Vendor 1 to carry out the work did not add substantial costs to the UN budget.

Contract for emergency repairs to Taxiway Delta

26. Analysis of the interoffice memorandum from DOTI Official 2 to DOTI Official 1 dated 25 April 2001 indicates that authorisation was requested for a single source procurement to carry out emergency repairs to Taxiway Delta. As in the previous instance, the work to repair the taxiway was important since it was the main entrance to the parking ramp next to the terminal building. Authorisation was given in April 2001 by DOTI Official 1 to use the method of single source procurement for the repairs to Taxiway Delta at a cost of 27,000 DM.
27. The memorandum from DOTI Official 2 dated 25 April 2001 states that the problem had already been discussed with Vendor 1 and recommended that Vendor 1 be considered for the single source procurement, due to its reputation and the quality of the work it had already carried out on the airport. This suggests that a decision had already been taken to offer the work to Vendor 1, prior to authorisation being sought for single source procurement.
28. A fax signed by DOTI Officer 1 to DOTI Official 2 and the PEAP Official dated 14 May 2001 indicates that following approval to use single source procurement process, a decision was taken to launch the emergency repairs following an inspection of the Taxiway Delta platform. The ITF has not seen any separate capital expenditure approval forms for this work.
29. An invoice from Vendor 1 dated 12 June 2001 signed by the PEAP Official confirms that the work on Taxiway Delta was carried out.
30. Whilst in the case of Parking Area Echo a single source tender procedure is justifiable, in the case of other repair contracts, an international competitive tender could have been held at an early stage to select a company to carry out repairs to the airport runway, taxiways and parking areas over specified period of time. It would then have been unnecessary to have a series of single source procurements.
31. DOTI Official 2, in the course of his/her interview was asked whether consideration was given to having a competitive tender for repairs to be carried out by one company over a given period. He/she replied:

“No, because each of the individual repairs were “dirty jobs” that need to be done fast. There was no provision in the Master Plan for any of the repairs. We knew all the problems existed and they were brought up repeatedly at the meetings. They therefore ended up being dealt with in this way. I was concerned with the safety aspect of the airport.”
32. Article 31 of the UNMIK Finance Administrative Instruction 1999/2 on Public Procurement using Kosovo Consolidated Budget Funds, provides that “Emergency Procurement may be used for goods, works or services if:
 - 31.1 – the need for the procurement is urgent;

31.2 – the conditions giving rise to the urgency were not under the control of nor due to the negligence or other action(s) of either the Requesting or the Procuring Entity;

31.3 the urgency could not reasonably have been foreseen.

33. If the problems were known to exist and brought up repeatedly at meetings, it is difficult to argue that the repairs could not have reasonably have been foreseen. Therefore the requirements for emergency procurement by means of a series of single source contracts were not fulfilled.

34. In addition, DOTI Official 2, in the course of his/her interview was asked whether any thought was given to having an international tender. In response, he/she stated:

“No. International companies would not come to do these minor jobs, as the mobilisation costs would be too great. We tried to use local companies, but they were useless, as was demonstrated by the performance of Vendor 2.”

35. However, Vendor 1 was an international company. Therefore if the jobs had been tendered as part of package with a given value of work, it would have been more attractive to international companies.

36. In summary, the repairs to Taxiway Delta were important repair work, which it was necessary to carry out. Whilst it is accepted that the work was authorised as single source procurement, the circumstances giving rise to the work do not fall within the requirements of Article 31 of the UNMIK Finance Administrative Instruction 1999/2 on Public Procurement using Kosovo Consolidated Budget Funds.

Contract for anti-kerosene treatment for the Echo Parking Area

37. A letter from Vendor 1 to the PEAP Official dated 30 May 2001 suggests that Vendor 1 recommended an anti-kerosene treatment for the Echo Parking Area. When asked about this in interview, DOTI Official 2 stated:

“Vendor 1 did recommend the anti-kerosene treatment, but the price initially quoted for anti kerosene treatment was high, so it was not done. However, Russian military aircraft used the Echo Parking Area to re-fuel, as a result of which fuel was spilt on the tarmac and it was damaged. We were then obliged to go ahead with the anti-kerosene treatment to repair the damage.”

38. An interoffice memorandum dated 11 June 2001, indicates that DOTI Official 2 and Airport Engineer 1 sent a written request to Procurement Official 1 for permission to have anti-kerosene work carried out as soon as possible by Vendor 1, although it does not specifically mention that there had already been a spillage on the tarmac of Echo Parking Area. The memorandum attaches two quotations to carry out the work from the companies Vendor 1 and Vendor 4, the lower of which was provided by Vendor 1.

39. The memorandum emphasises the necessity of ensuring that the Echo Area was protected against spillage of aircraft fuel in view of the fact that Echo Parking Area was the main overspill area for parking aircraft.

40. An email dated 13 June 2001 from Procurement Official 1 to DOTI Official 2 attaching a form of approval for emergency procurement indicates that emergency procurement was authorised and the offer from Vendor 1 in the sum of 95,561.97DM was accepted on 18 June 2001.
41. An invoice from Vendor 1 dated 26 July 2001 for the anti-kerosene treatment indicates that the work was carried out and certified as having been done by Airport Engineer 1.
42. As in previous instances, it is accepted that it was necessary to have the anti-kerosene treatment carried out. However, it is questionable as to why the work was not carried out at the time when the Echo Parking Area was resurfaced. In addition, The ITF has not seen any separate capital expenditure approval forms.
43. When asked about this single source contract DOTI Official 2 stated:
“Originally we didn’t put anti-kerosene treatment on the Echo Parking Area, which was subsequently used to re-fuel aircraft. As a result, the tarmac was damaged by aircraft fuel, which caused the tarmac to melt. We therefore had to have an anti-kerosene work done on Echo Parking Area. This was a bad management error on our part, as anti-kerosene treatment should have been used at the outset.”
44. In summary, anti-kerosene treatment does appear to have been recommended by Vendor 1, but was initially rejected on grounds of cost. An accidental fuel spillage then occurred causing damage to Echo Parking Area necessitating anti-kerosene treatment to be carried out as a matter of urgency, by means of single source procurement, for which approval was sought.
45. With hindsight, the single source contract appears to have been due to a management error in not having the treatment carried out at the outset. As previously stated, with better forward planning, a single source contract could have been avoided if an international competitive tender had been held at an early stage to select a company to carry out repairs to the airport runway, taxiways and parking areas over specified period of time.

Repair of Charlie Area

46. Analysis of an inter-office memorandum from DOTI Official 2 and Airport Engineer 1 to DOTI Official 1 dated 10 August 2001 indicates that the Russian KFOR, who were responsible for matters concerning runway and taxiway safety announced that the Charlie area was to be closed the following Monday, due to the condition of the Taxiway Charlie. Vendor 1 were therefore contracted to carry out urgent repairs to Taxiway Charlie at a cost of 30,000 DEM by means of single source procurement. Annotations at the end of the memorandum indicate this work was authorised by DOTI Officer 2. As in previous instances, no capital expenditure approval appears to have been obtained.
47. The interoffice memorandum indicates that Vendor 1 was selected to carry out the work on the basis that it had previously undertaken work in a professional way.

48. A signed contract dated 11 August 2001 signed by the Vendor 1 with DOTI Official 2, and Airport Engineer 1 on behalf of UNMIK, and the PEAP Official on behalf of PEAP indicates that the work was to be carried out during the evening and night of 11–12 August 2001.
49. An invoice from Vendor 1 dated 18 August 2001 indicates that the work was carried out and certified as having been done by Airport Engineer 1.
50. In summary, the repair work to Taxiway Charlie appears to have become urgent, necessitating single source procurement in order to keep the airport open. Whilst it is noted that it was a small, low value job on its own, as stated above, it could have been combined with other jobs and been the subject of a tender, given that it came only two months after the previous single source contract and within days of the next repair to Golf Area and the Runway Bomb Damage.

Contract for repair and anti-kerosene treatment to Taxiway Golf and repair to the Airport runway.

51. A letter from Vendor 1 to the PEAP Official and ACTS Official dated 28 June 2001 indicates that an offer was made to Pristina Airport to undertake the repair and anti-kerosene treatment of an area on Taxiway Golf, as well as the repair of an area on the airport runway, caused by bomb damage, at a cost of 48,500 DM.
52. Vendor 1 originally submitted the proposal to carry out the work in June 2001. However, the offer is annexed to an interoffice memorandum from DOTI Official 2 and Airport Engineer 1 to DOTI Official 1 dated 15 August 2001 requesting authorisation to carry out the repairs.
53. An interoffice memorandum dated 15 August 2001 also contains an annotation stating that an International Civil Aviation Organisation (ICAO) report recommends action to repair the cracks and elevations in the (Golf Area) platform.
54. The same memorandum requests permission to use Vendor 1, due to it having carried out all previous repairs in a professional way and due to the difficulty in finding estimates from other comparable companies. The annotation at the bottom of the memorandum states that Vendor 1 are working locally and are able to repair the surface without disturbing flights.
55. Approval to use single source procurement for the repairs was sought in an internal memorandum from DOTI Official 1 to Procurement Official 2 dated 8 November 2001. The memorandum mentions that although an offer was received from Vendor 1, dated 28 June 2001, KFOR did not the company access to carry out the works.
56. Analysis of a later memorandum dated 13 November 2001 signed by Procurement Official 2, indicates that authorisation was not given until November 2001 to use direct single source procurement for the work rather than competitive tendering. In justifying the single source, reference is made to inter alia the ICAO recommendations and the memorandum from DOTI Official 2 and Airport Engineer 1 dated 15 August 2001.

57. A further interoffice memorandum to JENGR KFOR HQ Pristina from Airport Engineer 2 the replacement airport engineer, dated 10 January 2002, suggests that the work had not been undertaken some two months later, due to winter weather conditions and was not scheduled to be finished until 19 April 2002.
58. In summary, whilst the work to carry out repairs to the Golf Area and the Runway bomb damage, and provide anti-kerosene treatment to the Golf Area was clearly necessary for safety reasons and was deemed to be urgent, it took from June 2001 until April 2002 for it to be carried out.
59. Having regard to the time span between the initial proposal for the work in June 2001 and the date on which the work was eventually carried out in April 2002, this work should have been the subject of a competitive tender either on its own, in combination with the repairs to be carried out on the Passenger Terminal Apron, which took place one month later in May 2002. Alternatively, it should have formed part of an international competitive tender to select a company to carry out repairs to the airport runway, taxiways and parking areas over a specified period of time.

Contract for repairs to cracks in the main passenger terminal apron

60. An interoffice memorandum from Airport Engineer 2 to DOTI Official 1, dated 23 April 2002, indicates that authorisation was requested for Vendor 1 to carry out repairs to cracks in the main passenger terminal apron. A handwritten annotation on the memorandum indicates that approval was given to undertake the work by DOTI Official 1.
61. The memorandum states that two offers were obtained from Vendor 1 and Vendor 5, to undertake repairs to cracks on the main passenger apron and attaches an unsigned invitation to tender and two estimates.
62. Vendor 1 provided the lower of the two estimates for the "optional solution" in the sum of €3,060, due to the fact that it was already on site with all the necessary equipment and materials. Therefore the charge for installation of equipment was already covered by two other contracts for the repair of the construction of the Cargo Apron and the repair to the runway bomb damage.
63. Both the memorandum and the invitation to tender suggest that the extent of the required repairs was not clear, as they indicate it was necessary to kick out all loose material around the cracks in order to check the state of the base before effecting repairs.
64. Vendor 1 signed the contract for the repair work on 24 April 2002 and by DOTI Official 1 for UNMIK DoTI on 2 May 2002 in the sum of €3,519 including taxes. It will be noted that at Article 9, the contract provides for "additional work" to be carried out.

65. A letter from the Divisional Manager to Vendor 1 dated 23 May 2003, however, suggests that the extent of the repairs carried out was substantially in excess of the “additional work” envisaged under the contract, with the result that the cost of the work increased significantly to “almost ten times the original contract price.”
66. A letter from Vendor 1 to the Divisional Manager and the PEAP Official dated 3 February 2003 indicates that the areas to be repaired were identified and marked out in the presence of Airport Engineer 2 and the PEAP Official prior to commencement of the work. The letter adds that the work was carried out under the supervision of Airport Engineer 2.
67. The letter also indicates that no work order or any other form of documentation was completed for the extra work and no formal authorisation appears to have been sought for the work to be carried out.
68. When the PEAP Official was asked about the contract for the repair of the passenger terminal apron in interview, he/she stated:
*“I don’t know details. The French Engineer ordered this work. When he/she was asked who authorized him to order that work he/she answered that he/she has the permit from DOTI Official 1 to authorize the company to carry out the work.
I don’t know who authorized to carry out the additional work. I am aware that it was emergency because a part of the parking was damaged. The Russians required this, because they were in charge. I don’t know who gave the financial authorization to carry out the work at the parking.”*
69. Significantly, the PEAP Official failed to mention that he/she was present at the time when the additional work was identified and marked out. As Official of PEAP, present at the time, it is highly unlikely that he/she could not have been aware of the additional work, or whether it was authorised.
70. The PEAP Official’s failure to mention that he/she was present when the additional work was identified and marked out is also reflected in his/her justification for the work to Official 3 dated 3 September 2004 in which he/she states that the work was authorised by Airport Engineer 2, but again omits to mention that he/she was present, when the area was being marked out.
71. The ITF have confirmed that the PEAP Official was present as the Airport Representative in a telephone conversation with Vendor 1 representative, who signed the original contract with the Airport.
72. Primary responsibility for drawing up appropriate additional work plans and having them duly authorised was the responsibility of Airport Engineer 2.
73. The PEAP Official’s statement that he/she didn’t know who authorised the additional work at best demonstrates an unwillingness to take managerial responsibility. As a manager in a position of responsibility, who was present at the time the work was identified, he/she should have taken steps to ensure that the appropriate work orders and authorisation were completed by the engineer Airport Engineer 2 and in the event that they were not, dealt with the matter himself/herself.

74. Minutes of an Airport Strategy meeting dated 17 November 2003 estimated the cost of the repair work to cracks in the main passenger terminal apron to be €58,000. However, an email dated 14 October 2004 and an account transfer form dated 9 October 2004 indicate that Vendor 1 was eventually paid €51,942 in settlement of its claim in October 2004.
75. In summary, the extent of the repair work carried out on the passenger terminal apron was not in accordance with the value or extent of “additional work” envisaged under the contract. No written record was made detailing the extra work and no financial approval sought for the substantial extra expenditure, thereby laying the airport open to a possible civil claim for breach of contract by the contractor in the event that its invoice had not been settled.
76. The person who is primarily responsible for this was Airport Engineer 2. However, as the PEAP Official and Airport representative present when the work was identified and marked out, the PEAP Official should have taken steps to ensure that the work was appropriately documented and authorised.

Other Issues

77. DOTI Official 2 was asked in interview on what basis Vendor 1 were chosen to do the work. He/she replied:
- “For the first one, I am unclear. For the other three, the work was carried out by Vendor 1 due to them being on site and the urgency of the repairs. I was not of the view that Vendor 1 was selected as a result of any favouritism. ...They were good at their job. We had looked at them for the Apron and they were a professional company. They were doing major road works in Kosovo and they had all the machinery and engineers for the work. All these were minor works.”*
78. This suggests that Vendor 1 was chosen based upon the fact that they were on site at the relevant time and had carried out satisfactory work previously.

VI. CONCLUSIONS

79. There does not appear to have been any deliberate fraud in the series of single source contracts for the repairs to the runway, taxiway and parking areas.
80. Competitive tender procedures were not observed and no capital expenditure approval appears to have been obtained for the expenditures, other than by written authorisation of emergency and single source repair contracts.
81. Evidence indicates that the runway, taxiway and parking area repair problems were known to exist and brought up repeatedly at meetings. With the exception of the repairs to Parking Area Echo, it is therefore difficult to argue that the repairs could not have reasonably been foreseen. As a result, the requirements of Article 31 of the UNMIK Finance Administrative Instruction 1999/2 for emergency procurement by means of single source contract were not fulfilled.

82. With better forward planning, the series of single source contracts could have been avoided either by having individual competitive tenders for individual contracts, or by organising a competitive tender for repair work over a set period of time.
83. Vendor 1 appears to have been selected to undertake the contracts without any proper selection procedure, based upon previous work it had carried out and the fact that it had equipment on site at the Airport.
84. The contract for the resurfacing of Parking Area Echo became an emergency due to the failure of Vendor 2 to fulfil its contractual obligations. As a result, formal tender procedures do not appear to have been followed in selecting Vendor 1 to carry out the work or in obtaining capital expenditure approval. Evidence however suggests that the offer received from Vendor 1 to carry out the work did not add substantial costs to the UN budget.
85. Whilst it is accepted that the emergency repairs to Taxiway Delta were authorised as a single source procurement, the circumstances giving rise to the work do not fall within the requirements of Article 31 of the UNMIK Finance Administrative Instruction 1999/2 since they were already known about and could have formed part of a competitive tender for repairs to be carried out over a given period.
86. The single source contract for anti-kerosene treatment for the Echo Parking Area appears to have been resulted from a management error in not having the treatment carried out in conjunction with repair to the Echo Parking Area. As previously indicated, with better forward planning, a single source contract could have been avoided if an international competitive tender had been held at an early stage to select a company to carry out repairs to the airport runway, taxiways and parking areas over specified period of time.
87. Whilst it is noted that the repair work to Taxiway Charlie was necessary to keep the airport open and was a small, low value job on its own, it could again have been combined with other jobs and been the subject of a tender, given that it came only two months after the previous single source contract and within days of the next repair to Golf Area and the Runway Bomb Damage.
88. Having regard to the time span between the initial proposal for the work to carry out repairs to the Golf Area and the Runway bomb damage in June 2001 and the date on which the work was eventually carried out in April 2002, this work should have been the subject of a competitive tender either in combination with the repairs to be carried out on the Passenger Terminal Apron, which took place one month later in May 2002, or as part of an international competitive tender to select a company to carry out repairs to the airport runway, taxiways and parking areas over specified period of time.
89. The contract for the repairs to the main passenger terminal apron ended up costing €51,942 against a budgeted €3,517.
90. The extent of the repair work carried out on the passenger terminal apron was not in accordance with the value or extent of activities envisaged under the

contract. No written record was made detailing the extra work and no financial approval sought for the substantial extra expenditure, thereby laying the airport open to a civil claim for breach of contract by the contractor.

91. The person who is primarily responsible for this was Airport Engineer 2. However, as the PEAP Official and Airport representative present when the work was identified and marked out, the PEAP Official should also have taken steps to ensure that the work was appropriately documented and authorised.

VII. RECOMMENDATIONS

92. It is recommended that where runway, taxiway and parking area repair problems are known to exist, DPKO and individual peacekeeping mission management personnel, should ensure that an international competitive tender be held at an early stage of a mission in order to select a suitable company to carry out repairs over a specified period of time, thereby avoiding the need for a series of single source contracts. (IV04/284/01)
93. It is recommended that the UNMIK take appropriate action against the PEAP Official for his/her role in the mismanagement of the repair contract for the passenger terminal apron, as well as his/her apparent unwillingness to take managerial responsibility. (IV04/284/02)
94. It is recommended that DPKO ensure that this report be placed on the personnel file of Airport Engineer 2 for future reference. (IV04/284/03)