



Independent observer
of the Global Fund

OIG Identifies Significant Deficiencies in Grant Closure Processes

The controls related to the Global Fund's grant closure procedures require major improvement. This is the conclusion of an inspection conducted by the Office of the Inspector General (OIG) into grant closure procedures in 51 grants in four countries: Cameroon, Ghana, Nigeria and Zambia. The Global Fund Secretariat has already taken steps to address the problem.

The inspections were done in April–May 2013. A [report](#) on the inspections was recently posted on the OIG pages on the Global Fund website. The four countries were selected because they had a large number of grants slated for closure and because they had large cash balances still in country. The OIG undertook a detailed review of 12 of the grants.

In the four countries combined, 51 grants should have been closed by 31 December 2012. The OIG said that at the time of the inspections, 41 of the grants had not yet been closed. Some of the reasons advanced for the delays were: (a) an onerous grant closure process; (b) a lack of prioritisation of grant closure; and (c) the lack of a final decision on recoverable amounts identified in audits and investigations. Of the 12 grants reviewed in detail, only one had been closed within nine months of the grant end date.

The inspections identified \$4.3 million still held in principal recipient (PR) bank accounts for the 12 grants reviewed in detail. The OIG said that it was not able to determine the total cash balance for these grants because information relating to funds still held by sub-recipients and third parties was not consistently available.

The OIG found that in the four countries it inspected, \$4.4 million was spent after the grant end dates without approval from the Global Fund Secretariat.

Only one of the 12 grants reviewed fully complied with the grant closure procedures, the OIG said.

One of the requirements during grant closure – the preparation of a list of fixed assets and pharmaceutical products – was not consistently fulfilled. According to the OIG, the PRs identified this as one of the major road blocks to the grant closure process because it was time consuming and perceived as not adding value.

The Secretariat was aware that there were problems with the grant closure process. According to the OIG – and to a letter from Global Fund Executive Director Mark Dybul, which was reproduced in the OIG report – the Secretariat had launched several initiatives at the time of the inspections to resolve some of the problems. The initiatives included the following:

- inclusion of grant closure-related objectives in staff key performance indicators to ensure that the process is prioritised;
- identification and de-commitment of funds held in grants closed or under closure; and
- action to recover unspent balances at the time of approving the close-out plan instead of waiting for the conclusion of the closure process.

In addition, the Secretariat reported, the Finance “Step-Up” project which aims, among other things, to streamline and automate financial information workflows, procedures, processes and systems, will include the grant closure process.

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