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OIG Investigation into Two TB Grants in Kyrgyzstan Reveals That Some Funds Were Misappropriated

The Office of the Inspector General (OIG) has identified misappropriation and gross mismanagement of funds in two TB grants in Kyrgyzstan.

The OIG findings were contained in a [report](#) on an investigation it conducted between February 2010 and August 2012 of the principal recipient for Rounds 2 and 6 TB grants, the National Centre of Phthisiology (NCP).

The investigation was launched after an OIG audit of grants to Kyrgyzstan in 2009 (see [GFO article](#)). As a result of the audit findings, the NCP was removed as PR for the TB grants. Both grants have since been closed. At the time of closing, \$2.7 million had been disbursed for the Round 2 grant and \$6.2 million for the Round 6 grant.

The OIG said at least \$53,577 was misappropriated from expenditures made between 2003 and 2009.

The investigation found that senior officials and staff of the NCP colluded with favoured vendors to secure contract awards and misappropriate grant funds. Specifically, the OIG said:

- a PR official organised the establishment of four NGOs that were subsequently appointed as sub-recipients (SRs);
- three of these SRs employed family members of a PR official;
- the PR colluded with one of the NGOs to secure Global Fund grant funds for non-grant-related activities;
- a PR official entered into a contract to purchase a vehicle for the PR from his wife using grant funds;

- the PR made unauthorised cash advances to staff members using grant funds; and
- a PR official transferred grant funds to a non-authorized bank.

The OIG found that the PR exhibited gross mismanagement by awarding contracts to vendors who overcharged or quoted inflated prices, often for incomplete or poor quality work; and by disregarding patent similarities in bid submissions.

The OIG defines “gross mismanagement” as “reckless or intentional behaviour leading to inappropriate, imprudent, inefficient or incompetent management of funds, notably through negligence, absence of transparency, fairness, accountability or honesty in the management of said funds.”

The OIG identified serious gaps in oversight and fiduciary controls which prevented the misappropriation and mismanagement of grant funds from being discovered at an earlier stage. The OIG faulted the country coordinating mechanism for failing to identify that grant funds were not being used for their intended purposes and for failing to provide meaningful fiduciary oversight of the PR’s activities.

The OIG also faulted the Global Fund Secretariat for failing to mitigate the risks highlighted by the local fund agent.

The OIG recommended that the Secretariat seek to recover the misappropriated funds. In a letter attached to the OIG’s report, Executive Director Mark Dybul said that now that the investigation is over, the Secretariat would pursue recovery of the funds.

Dr Dybul also said that the financial controls under the new PRs for these grants – UNDP and Project Hope – are much better than they were under the NPC; that controls within the Secretariat had improved since the events documented by the investigation took place; and that controls will be further strengthened in the near future once certain grant management processes are automated.

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