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Weaknesses in oversight mechanisms persist in Liberia's Global Fund Grants

In Liberia, the Ministry of Health (MOH) is the Principal Recipient (PR) for the HIV/TB and malaria grants implemented by the National Aids Control Program (NACP) and the National Malaria Control Program (NMCP), respectively. A Program Coordination Unit (PCU) within the MOH is responsible for monitoring program implementation, ensuring compliance with Global Fund policies and guidelines, and managing grant funds. Between 1 January 2018 and 30 June 2021, MOH expenditures for the HIV/TB grant totalled \$25.8 million. Between 1 July 2018 and 30 June 2021, malaria grant expenditures totalled \$22.0 million.

In January 2020, the Office of the Inspector General (OIG) received reports of suspected fraud and other wrongdoing at the NACP. In response, the OIG opened an investigation, undertaking a field mission to Liberia in November 2020. The OIG obtained digital copies of payment vouchers and other records and verified vendors. Due to pandemic-related travel restrictions, the OIG conducted interviews with MOH staff by videoconference. During the investigation, the Global Fund's Liberia Country Team (GFCT) and the MOH reported additional suspicions regarding documents identified by the Fiscal Agent (FA). The scope of the OIG's investigation was expanded to include a review of these documents.

The OIG reviewed the expenditures for goods and services for which irregularities were reported, as well as a sample of additional expenditures. 347 MOH payment vouchers totalling \$2 million fell within the scope of the investigation. The full report can be downloaded [here](#).

It should be noted that the Global Fund had invested heavily to strengthen the MOH's financial management capacity:

- In 2014, Cardno Emerging Markets USA Ltd. (Cardno), was put in place as the FA to provide

additional fiduciary controls. After OIG's 2019 [Audit of Global Fund Grants in Liberia](#) found that FA oversight was inadequate, a new Team Leader was assigned in 2020.

- In 2017 the MOH issued new policy regulations for transactions under Global Fund grants. The regulations increased the national programs' transaction spending limit to \$10,000, with the FA only reviewing program expenditures after they had been made. In 2019, the MOH assigned Compliance Officers to the national programs to review program expenditures against financial and procurement policies. Expenditures by the national programs were also reviewed by the PCU.

Also, the OIG's 2019 audit had highlighted significant issues with MOH's contracting, management and oversight of sub-recipients, and rated the level of residual risk for National Program Governance and Grant Oversight as 'high'.

Findings

1. \$520,000 in grant funds were wasted or misused for the mother peer program and travel-related costs

The mother peer program was a component of the prevention of mother-to-child transmission HIV module under the HIV/TB grant. Between January 2020 and April 2020, the MOH spent \$27,032 in daily subsistence allowances (DSA) and fuel to deliver incentive payments to mother peers, or to have them sign contracts. The OIG found that there was no reasonable assurance that these activities took place. Depending on the period, the review highlighted that between 92-100% of the dates allegedly provided by the mother peers for the receipts of their incentive payments fell outside the travel dates reported by MOH staff. In 50% of cases, MOH attendance records showed that staff were at headquarters during alleged travel dates. Separate travel cost claims for the same activity, to the same counties, were made by both NACP and PCU staff. Fuel vouchers either did not contain vehicle logs confirming the travel or showed that the fuel coupons were delivered during or after the alleged travel.

MOH incentive distribution lists showed that between 2018 and 2020, 232 mother peers were enrolled. The MOH could not however provide the OIG with contracts for all mother peers. OIG found that some mother peers who did have a contract were not included in the incentive distribution lists, and vice-versa. OIG compared the signatures of 122 mother peers on identification documents, contracts and DSA distribution lists, and found inconsistencies between signatures in 92% of cases.

Mother peer reports were a contractual condition for the incentive payments. However, NACP could only provide the OIG with a very small number of reports, which were inadequate. They included data inconsistencies, as well as reports from mother peers who were not part of the Global Fund-financed program. Some mother peers listed each other as clients, and the reports showed that only a small number of infants had actually been tested for HIV. The OIG was unable to determine whether the reports were fraudulent or whether they contained data errors that should have been identified by the MOH. The MOH could not provide evidence that it reviewed or used any of the reports. NACP's Program Manager misrepresented program documentation authenticity, claiming it was used by NACP in 2018 and 2019 despite it only being created in 2021.

OIG reviewed 47 payment vouchers for DSA totalling \$350,000 and found that the MOH overcharged the Global Fund by approximately 44%, or \$150,000 million, by applying incorrect exchange rates which inflated the amounts. Given the number of payments for travel-related costs, the total amount of overcharge was likely even higher.

The Global Fund requires that when meals are provided, the DSA amount should be reduced accordingly. The MOH however told OIG that its practice was to provide both catering and full DSA. OIG reviewed payment vouchers for 12 activities and found that the MOH overcharged the Global Fund \$90,638 by

providing for both.

2. Non-compliance with policies, insufficient controls and a lack of oversight has led to no assurance over program delivery in 75% of cases reviewed, totalling \$400,000

The OIG reviewed payment vouchers, supplier invoices, per-diem distribution lists, attendance records, activity reports and vehicle logs for program activities carried out by the NACP and the NMCP, totalling \$540,000. In 75% of expenditures for field activities, the OIG found fraud. In 90% of these expenditures there was no reasonable assurance that the activities took place as reported or even at all. The majority of the remaining 25% of expenditures did not comply with MOH or Global Fund policies and/or there was no reasonable assurance that the program activity took place.

The report provides detailed examples of the prohibited practices and unsupported expenditures.

3. Procurement fraud totalling \$190,000 for vehicle repairs and advertising services, due to non-compliance with policies, insufficient controls and a lack of oversight

The OIG report provides details of the procurement fraud which we have not summarised here or else this would be a very long article indeed!

4. The MOH concealed improper payments of fuel taxes of at least \$160,000

The OIG considers that the amount of fuel taxes paid under the grants during this period is likely higher, because OIG's calculations did not include the taxes on fuel paid by the grants' sub-recipients.

5. MOH controls, policies and oversight were either insufficient or overridden

The investigation found that the essential mechanisms traditionally used to provide the Global Fund with assurance over program delivery, such as third-party review, activity reports, vehicle logs, attendance registers and DSA distribution lists, either did not exist or were susceptible to fraud.

6. Fiscal Agent oversight was ineffective, and its personnel engaged in conflicts of interest and misappropriation of grant funds

In 2014, the Global Fund appointed a FA to mitigate the risk of fraud or misuse of grant funds, minimize ineligible expenditures, and ensure payments were eligible, justified and adequately supported. Between 2014-2021, \$3,002,189 in fees were paid to the FA to support grant implementers in complying with all financial requirements of the Global Fund, as well as ensuring the appropriate use of grant funds. The OIG found that the former FA's oversight was inadequate.

In January 2020, the former FA appointed a new Team Leader, and additional issues were identified that were included in OIG's investigation. The new Team Leader also led the implementation of additional safeguards for Global Fund grants.

In 2022, a new FA was appointed.

7. The Global Fund Secretariat did not report fraud and other wrongdoing to the OIG

The OIG observed an increase in reports of suspected MOH wrongdoing from the Global Fund Secretariat since it initiated its investigation in 2020. However, its investigation found that the Global Fund Secretariat became aware of fraud and other wrongdoing at the MOH, including the matters at issue, in 2015. Although there was evidence of discussion to involve the OIG, these specific issues were not reported to OIG at the time. The Liberia GFCT relied on the FA to implement mitigation measures for the identified fraud risks, including phone and physical verifications of field activities and vehicle repairs, as well as

requiring supporting documentation from MOH staff to justify fuel use and DSA. However, at the time of its investigation the OIG did not find evidence that these mitigation measures were in place. Other fraud and wrongdoing resulted in investigations by the Local Fund Agent and the PR, without the knowledge of the OIG. The response was piecemeal, and the scale and scope of actual and suspected wrongdoing at the MOH was unknown to the OIG until much later. Had the Secretariat reported the matters raised by the FA more promptly, the OIG would have launched its investigation earlier and potentially limited the extent of the fraud.

Inadequate awareness of reporting thresholds and responsibilities for addressing and managing identified fraud were cited as impediments to the GFCT reporting the fraud allegations. The Secretariat has committed to enhancing, clarifying and communicating a robust fraud incident reporting process which complies with existing Global Fund policies and which includes clear accountabilities for reporting. The investigation also concluded that the Global Fund Secretariat's expectations for FA fraud reporting to the Global Fund have not been defined, documented, or consistently communicated to FAs.

Agreed Management Actions

1. The Secretariat shall, by 31 October 2022, finalize and pursue, from all entities responsible, an appropriate recoverable amount.
2. Based on the findings of the report, the Global Fund Secretariat shall, by 31 October 2022, ensure that the PR and Cardno take appropriate action towards the individuals responsible for the described prohibited practices.
3. By 31 December 2022, the Secretariat shall perform a cross-functional fraud risk assessment for Liberia which is consistent with the Global Fund's Policy to Combat Fraud and Corruption (PCFC) and devise a solution that balances fiduciary risk with delivery of programmatic objectives. In the interim, the Secretariat shall update the risk and assurance plan to take into account the prohibited practices and non-compliant expenditures identified in this investigation, including ensuring that relevant Global Fund and PR policies are updated as required.
4. The Secretariat shall by 31 December 2022:
 - (a) Conduct a review of Liberia PRs' compliance to their obligations under the Global Fund Grant Regulations and Budgeting Guidelines for the NFM 2 grant implementation period in relation to their tax exemption status.
 - (b) Assess that the PRs have measures in place to ensure compliance with the relevant Global Fund guidelines and regulations on taxes in NFM 3.
5. In consultation with the OIG, the Secretariat shall, by 31 December 2022, enhance its exception management process to roll-out a robust incident reporting process for fraud, prohibited practices and other wrongdoings identified as a part of its risk management and grant implementation monitoring processes. This mechanism shall establish a clear overview of roles and responsibilities among the key stakeholders from the Secretariat and key assurance providers like the Local Fund Agent (LFA), FA and Fiduciary Agents and External Auditors.
6. The Secretariat shall, by 31 December 2022, commission a risk-based sample review of MOH expenditures for both NFM 2 HIV/TB and Malaria grants, to identify the scale and scope of further non-compliant expenditures and red flag indicators of fraud and other wrongdoing. The Secretariat shall recover the amount of non-compliant expenditures identified by the reviewing party.

MOH response

Based on OIG's findings, the MOH convened an Investigation Committee headed by the Office of General Counsel. The MOH had previously dismissed the NACP's Finance Manager, and OIG's report will be used by the Committee as a basis for its investigation to assist the MOH in its decisions against persons found liable or culpable for the fraud and misappropriation identified in this report. The Investigation Committee's findings related to the MOH could result in suspension, restitution, dismissal, or possible criminal prosecution. However, the Committee's findings will not impact OIG's investigation findings, or the subsequent actions taken by the Global Fund as a consequence of these.

Fiscal Agent response

Cardno disagreed with OIG's conclusions regarding conflict of interest on the part of the former FA. Cardno was unaware that the former FA's in-country team members received DSA and fuel from the PR but noted that the former FA's budget had not anticipated the level of travel required for the FA's attendance at MOH field activities. Cardno noted that even if reimbursed to the Global Fund, the reimbursement would have come from the grant budget. Cardno responded that the financial management system training events in which FA staff participated took place but relied on the MOH to provide related evidence. OIG concluded that these activities did not take place as described.

Cardno agreed that it was poor judgement to have the FA intern participate in the distribution of mother-peer incentive payments, which OIG concluded did not take place as described. However, Cardno disagreed that the hiring of the intern constituted a conflict of interest.

Fiscal Agents are bound by the Global Fund's Policy on Conflict of Interest. The FA's acceptance of funds from the PR, and the hiring of an intern with close connections with the MOH, constituted a conflict of interest as defined by Global Fund policy.

Commentary

This report is of great significance for several reasons. First, it demonstrates why the Global Fund has to be cautious in a challenging operating environment (COE) like Liberia where the near lack of governance and accountability have been issues for many, many years. Hence, in this type of situation, there is a need for the FA arrangement. It would be interesting to know if the Liberia experience – and this report in particular – was mentioned/discussed at the COE countries' meeting in Lomé on 22/23 June.

Second, it shows that the FA arrangement is no guarantee; and secondary safeguards must also be in place.

Third, from an external perspective, it appears that the GFCT's oversight was weak and it was deficient in not taking action sooner, in particular the failure to inform the OIG much earlier that there were concerns about improprieties. What internal changes are the Secretariat making to strengthen the oversight and accountability of country teams?

Fourth, the response from Cardno suggests that that organization cannot be trusted to adequately perform the FA role. It is also surprising that Cardno had not been replaced before this year. Now that it has, the Global Fund would be well advised to review Cardno's position elsewhere.

Finally, given that the PCU within the MOH is responsible for monitoring program implementation (including ensuring compliance with Global Fund policies and guidelines, and managing grant funds), it is surprising that the management actions do not include the provision of training for the PCU staff to ensure their knowledge of how those policies and guidelines should be applied.

We shall await with interest to learn of the outcomes of the agreed management actions. However, unusually, the Executive Director wrote a comment on the Liberia findings which can be read [here](#) and shows how seriously the Global Fund is taking this report.

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