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OIG RELEASES REPORTS ON THREE INVESTIGATIONS

Between 29 March and 13 April 2016, the Office of the Inspector General published reports on three investigations – one each in India, Guyana and Bangladesh. The OIG identified non-compliant expenditures ranging from \$56,966 for a malaria grant in Guyana to \$311,637 for a TB grant in Bangladesh. This article provides a brief summary of the OIG's findings.

India

The OIG investigation found evidence of non-competitive tenders and improper procurement practices totaling \$97,149 by the Catholic Bishops' Conference of India, sub-recipient for a TB grant. This included payments for information, education, and communication materials that were not printed and delivered.

The SR attached quotations to payment vouchers to make the tenders appear competitive, and awarded one printing procurement based on a single quotation without proper justification. These acts violate The Global Fund's Code of Conduct for Recipients, the grant agreements, the principal recipient's project guidelines, and the SR's own finance manual.

In its response to the OIG's findings, the executive director of the Catholic Bishops' Conference of India acknowledged that it had not always provided quotations from separate vendors and had, on occasion, approached a vendor to provide other vendors' quotations. The E.D. stated that there was no fraudulent intent on their part and that they did not get quotations from other vendors due to time constraints.

The OIG noted that staff generally lacked capacity to follow internal procurement policies and that financial controls were weak. The OIG found that the finance manual did not provide sufficient guidance in several key areas of activities.

The OIG also found that the SR did not conduct due diligence on vendors, despite the fact that a large portion of printing contracts were awarded to the same vendor.

In addition, the OIG found that the PRs – The International Union against Tuberculosis and Lung Disease; and Central TB Division, a division of the Indian Ministry of Health and Family Welfare – did not provide adequate oversight over the SR. They neither reviewed the sub-recipient's finance manual nor conducted sufficient reviews of their procurements and other expenditures.

However, the OIG did not find evidence showing that any individual benefited directly or otherwise, in relation to the non-competitive procurements it identified.

As a result of the investigation, the PRs will be required to tighten their procurement procedures and improve their oversight.

Guyana

The OIG investigated activities related to the distribution of bednets and surveillance in a malaria grant for which the PR was the Ministry of Health. The activities were implemented between January 2013 and June 2015 by Vector Control Services (VCS), a department of the PR.

The OIG investigation found evidence that VCS employees inflated the number of bednets reported as distributed, and fabricated underlying bednet distribution documents to support the inflated figures. The OIG said that VCS employees also fabricated documentation for another surveillance activity relating to the operation of malaria committees. In all, the OIG identified \$56,966 in expenditures that it deemed to be non-compliant with the grant agreement and, therefore, potentially recoverable. These expenditures came from three sources:

1. The OIG said that due to inaccurate record keeping by VCS and the MOH, it was unable to establish how many bednets financed by The Global Fund had been distributed by VCS. As a result of this fraudulent misrepresentation of information and inadequate procurement and supply management, the OIG concluded that \$41,789, which is the value of the bednets, constitutes a non-compliant expenditure.
2. The investigation also found that a substantial proportion of the fuel purchased by VCS in the periods under review – \$11,290 – was misappropriated and, therefore, non-compliant.
3. Some claims for per diem expenses by VCS drivers in certain periods were inconsistent with entries in vehicle log books and therefore the OIG found that per diem claims totaling \$3,887 were non-compliant.

Bangladesh

The OIG investigation found that a 2011 tender for TB-related medical equipment awarded to Bengal Scientific & Surgical, a local Bangladesh supplier, for \$311,637 involved collusion, falsified bid documents, non-existent shell companies, and price manipulation. The OIG found that Bhuiyan International Corporation, the procurement agent that managed the tender on behalf of the National Tuberculosis Program, was unqualified for its role and ineffective in interrupting the fraud. Bhuiyan International ceased operations soon after the grant's closure in June 2011.

According to the report, at least four of the six bidders in the tender were affiliated and had colluded to

submit falsified bids to give the impression of a competitive tendering process.

Although the supplier delivered the quantity and type of goods ordered under the contract, the prices it charged were marked up on average about 150%.

Beginning in July 2011, the Secretariat instituted corrective measures regarding the procurement of all health products and medical equipment for the NTP's grants. Health products were procured through the Global Drug Facility. Non-health products were procured through an international procurement agent approved by The Global Fund. The use of the local procurement agent has been discontinued.

More recently, the Minister of Health and Family Welfare began instituting reforms and fundamental corrective measures at the behest of the World Bank and other major development partners to increase the Ministry's financial and grant management capacity, including implementing significant improvements in its procurement processes and oversight.

The OIG said that taking into account relevant business, policy and legal considerations specific to this case, the Secretariat has concluded it would not seek monetary recoveries from the PR in relation to this case. "The OIG participates in the Secretariat's determination process as an observer and accepts the Secretariat's decision," the report said.

This investigation report is the last of a series of backlogged cases relating to investigations started before 2012 (the so-called "legacy cases").

Reports on all three investigations are available on the OIG pages on The Global Fund website [here](#). (See sseparate [GFO article](#) on an OIG investigation in Côte d'Ivoire.)

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