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OIG Report on its investigation into misappropriation of DSA payments from Global Fund Grants in Namibia

On 29 July 2021, the Office of the Inspector General (OIG) published its report on its investigation into the misappropriation of daily subsistence allowances (DSAs) from Global Fund program bank accounts in Namibia.

Background

In early 2019, the Global Fund Secretariat notified the OIG that a Ministry of Health and Social Services (MOHSS) investigation had found that a staff member had misappropriated \$11,775 of DSAs. The MOHSS initiated an internal disciplinary process and referred the matter to the Namibia Police, who started an investigation and arrested the implicated staff member. Based on the issues highlighted by the MOHSS investigation, the Global Fund Secretariat commissioned a review of 2017 and 2018 DSA transactions by its Local Fund Agent; in parallel, the OIG opened an oversight investigation to monitor the progress of the Secretariat review. The Local Fund Agent's review corroborated the MOHSS findings and revealed additional DSA transactions that had potentially been misappropriated.

Based on the findings of MOHSS and the Local Fund Agent, the OIG converted its oversight case into a full investigation in 2020, to identify if the fraud was ongoing and if additional MOHSS employees were involved. The investigation's scope was expanded to include 2019 DSA transactions, to identify the total amount lost to fraud.

Investigation Findings

Over a period of 18 months, two MOHSS staff systematically fabricated DSA documentation to transfer

\$89,476 to themselves and their accomplices.

Gaps in MOHSS internal controls facilitated the wrongdoing and led to the misappropriation of the DSA payments. The MOHSS used unsigned and undated lists of participants in editable electronic format to process DSA payments and did not verify payments against participant lists or reconcile them with bank confirmation letters.

The investigation also found applications of incorrect DSA rates and claims for overlapping dates/events, which resulted in a grant being overcharged by \$7,189. The OIG considers these amounts as ineligible and recoverable.

The MOHSS informed the OIG that since the fraud has come to light, it has taken a number of steps to improve internal controls and to mitigate the risk of similar fraud.

Agreed Management Actions

The Secretariat will:

1. Based on the findings of the report, the Global Fund Secretariat will finalize and pursue from the PR an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.
2. To better mitigate prohibited practices, the Secretariat will recommend the PR to further strengthen their policies and procedures around DSA payments and verification in Namibia.
3. The Global Fund Secretariat will ensure that routine spot checks are expanded to include sample testing of DSA claims in Namibia.

Observations

It is good to note that the PR took the initiative to investigate DSA transactions and to alert the Global Fund Secretariat to the fraud issue and take remedial action.

The corrective actions following this report have relevance to all Global Fund grants. As stated in the report, DSA payments remain inherently high-risk transactions that are vulnerable to fraud. Not only have DSAs always been high-risk but they have often posed a moral hazard as well. Over decades, they have sometimes been used in development projects and programs to incentivize individuals who are on low salaries. Hence, some people travel, attend training seminars and other events for the wrong reason (to earn the DSA, not to contribute or learn). To address this risk, attention should be given to setting some achievement or reporting requirement that warrants a DSA rather than simply attendance. Perhaps this issue could be considered by the Global Fund Secretariat for Local Fund Agents to monitor.

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