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OIG INVESTIGATION INTO A SOUTH SUDAN SR UNCOVERS MORE THAN \$0.5 MILLION IN NON-COMPLIANT EXPENDITURES

An [investigation](#) conducted by the Office of the Inspector General (OIG) has determined that Caritas Torit, a sub-recipient (SR) for three grants to South Sudan, exercised weak financial management and controls over the disbursement of program funds, including lack of or inadequate supporting documents, proper bookkeeping, and accounting records.

Caritas Torit was an SR for a malaria grant managed by Population Services International (PSI), and for an HIV grant and a TB grant managed by UNDP.

The investigation was prompted by an audit of Global Fund grants to South Sudan conducted by the OIG in April 2015. The audit revealed significant financial management weaknesses in the programs managed by Caritas Torit.

The OIG investigation confirmed the weaknesses uncovered by the audit and identified over \$500,000 in expenditures which were non-compliant the Caritas Torit's agreement with PSI.

The OIG found that between January 2012 and April 2015, \$1,112,081 was deposited by PSI into Caritas Torit's malaria program bank account, and that the full amount was spent. Ninety-seven transactions totaling \$447,564 were found to have no supporting documents to verify the nature of the transaction or the actual use of the program funds involved. The OIG considered these expenditures to be non-compliant and, therefore, potentially recoverable.

The investigation also found that \$53,000 was withdrawn from the malaria program bank account to pay salaries associated with an HIV program funded by another donor. This amount was also considered non-

compliant and potentially recoverable.

The investigation found that the SR did not have complete records, such as invoices and cash vouchers, to support a number of transactions appearing in the malaria program bank statement. The OIG also discovered that many documents, including bank statements, trial balances, and cash ledgers were not available, despite repeated requests for them to be provided.

The investigation found that, contrary to its SR agreement with PSI, Caritas Torit did not make its foreign exchange transactions through the banking system. It transferred program funds to the personal accounts of project staff with no evidence of the actual foreign exchange or end use of the funds. Caritas Torit provided the OIG with details of an account it claimed was a local currency malaria program account; however, the SR was not able to show any bank statements relating to this account.

The investigation found that a former Caritas Torit staff member held the dual role of cashier and accountant, and transferred large sums of money to her own account. It also found that malaria program funds were diverted to pay salaries for a health program funded by another donor.

The OIG said that the weaknesses in internal financial controls were not addressed by either Caritas Torit or PSI.

The OIG also found that prior to the OIG audit in the first quarter of 2015, the Global Fund's local fund agent (LFA) did not have a role in checking quarterly expenditure records at the SR level.

Management actions

By the time of the investigation, the Secretariat's country team for South Sudan had engaged the LFA to undertake sub-recipient expenditure verification on an annual basis.

As a result of the investigation, the Secretariat will:

- finalize and pursue an appropriate recoverable amount;
- request PSI to develop and implement a supervision plan to ensure that SRs apply appropriate financial policies and procedures to the disbursement of grant funds; and
- require PSI to verify sub-recipients' project costs before reimbursement.

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