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OIG IDENTIFIES SOME IRREGULARITIES INVOLVING A CONFLICT OF INTEREST IN AN INTERNAL BIDDING PROCESS MANAGED BY ALLIANCE UKRAINE

An investigation by the Office of the Inspector General found that the International HIV/AIDS Alliance Ukraine followed incorrect procedures in handling an internal bidding process in a grant for which it is the principal recipient. A [report](#) on the investigation was released on 25 August 2015.

Initiated in April 2015, the investigation was related to the grant UKR-011-G08-H, which was active from January 2012 to December 2014 and had a budget of \$65 million.

Specifically, the investigation found that the Finance Director of Alliance Ukraine failed to declare family connections while managing a contract with an events management company, Veselka. To ensure that Alliance Ukraine could obtain services from Veselka free of value added tax, Alliance Ukraine signed separate contracts with two private entrepreneurs affiliated with Veselka. One of the entrepreneurs was the Finance Director's sister and the wife of the owner of Veselka.

Further, the OIG found that on one occasion the Finance Director intervened during the internal bidding process by providing Veselka with the bid information of its competitors. The OIG concluded that the Finance Director thus used his official position to influence the outcome to favor Veselka.

However, the OIG said that there was no evidence that the Finance Director had tried to influence the tender evaluation committee's decision to select Veselka as an events management supplier.

Finally, the OIG said that Alliance Ukraine delayed for four months notifying the Global Fund about the conflict of interest situation, thus failing to comply with the standard terms and conditions of its grant

agreement. The OIG noted, however, that Alliance Ukraine correctly followed its own internal policies and procedures for investigating suspected conflicts of interest.

The OIG also found that Veselka delivered all services specified in the contract and did not overcharge. Thus, there was no fraud or misuse of funds, and no money needed to be recovered. This is unusual; most OIG investigations involve recoveries.

The total amount paid by the Alliance Ukraine to Veselka was approximately \$190,000.

The OIG said that Alliance Ukraine fully cooperated with the investigation. During the investigation, Alliance Ukraine informed the Global Fund that the contract of the Financial Director had been terminated, written reprimands were issued to relevant staff, and the internal conflict-of-interest declaration form was revised.

The Executive Director of Alliance Ukraine, Andrey Klepikov, told Aidspace, “We are pleased that Alliance’s internal systems worked. The internal investigation started immediately following the whistle-blower report and its key findings were confirmed by OIG. Our existing internal control system ensured that despite the identified conflict of interest, there were no violations in tender procurement process and there was no overpricing in the service charges.” He added that “even the strongest internal controls cannot give 100% assurance and there is always the human factor, which was the case in our situation.”

Mr Klepikov expressed concern that the investigation could be easily or even intentionally misinterpreted. “There are some stereotypes and even stigma associated with OIG investigations. Our experience has been rather positive. Not one dollar has to be paid back to the Global Fund as a result of the investigation. At the same time, the investigation has allowed us to strengthen our internal control systems to prevent such situations from occurring in the future.”

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