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OIG INVESTIGATION REVEALS SMALL-SCALE FRAUD AND NEPOTISM INVOLVING A SUB-RECIPIENT OF A MALARIA GRANT TO CAMBODIA

An investigation by the Office of the Inspector General, initiated in October 2015, has found evidence of small-scale fraudulent payments of per diems as well as nepotism related to field missions billed by a sub-recipient (SR) of a malaria grant to Cambodia, the National Center for Parasitology, Entomology and Malaria Control (CNM). The investigators also found instances of systemic double-billing of donors, conflicts of interests, and inefficient controls to safeguard grant funds.

The investigation was launched following allegations made through the OIG's reporting hotline and allegations referred by the Secretariat.

The OIG estimates that the fraud amounted to \$3,940.

The OIG found that 197 days of per diem payments for training field missions were billed to the Global Fund and another donor simultaneously between 2014 and 2015. The payments involved 21 CNM staff members for multiple field missions in different locations throughout Cambodia. Several CNM staff went on excessive field missions, sometimes exceeding the number of available days in a given month, and claimed fraudulent per diem payments, which were approved by CNM management.

The OIG found that several family members of CNM staff were recruited without a transparent or independent process. They participated in field missions following approval by the Director of CNM. An analysis of 654 mission orders revealed that between 2014 and 2015 nine out of the sixteen staff with family connections conducted more field missions than the average number conducted across all CNM staff. This provided opportunity for these members of staff to increase their financial gain through per

diems associated with conducting field missions. The extent of the nepotism is shown in the table.

Table: Field mission travel between 1 June 2014 and 30 June 2015 by CNM staff with family connections

Position/Unit in CCM	Family Connection	Total Per Diem Claims	Per Diem Payments (\$US)
CNM Staff A, Assistant, Epidemiology Unit	Son of the Administration Bureau Chief	250	5,000
CNM Staff C, Chief of the Vector Control Unit	Brother-in-law of the Technical Bureau Chief	224	4,480
CNM Staff D, Deputy Director	Aunt of CNM Staff H and sister-in-law of CNM staff I	146	2,920
CNM Staff H, Assistant, Helminthiasis Unit	Niece of a CNM Deputy Director and daughter of CNM Staff J	142	2,840
CNM Staff B, Driver, Administration Unit	Brother of the Administration Bureau Chief	132	2,640
CNM Staff J, Malaria Specialist	Brother-in-law of a CNM Deputy Director and father of CNM Staff H	127	2,540
CNM Staff I, Officer, Laboratory Unit	Sister-in-law of a CNM Deputy Director	102	2,040
CNM Staff K, Driver, Administration Unit	Nephew of a CNM Deputy Director	96	1,920
The Administration Bureau Chief	Father of CNM Staff A and G, brother of CNM Staff B	95	1,900

In addition, the OIG found that the director of CNM did not effectively delegate financial responsibility, resulting in delays in the approval of expenditures and the subsequent delay or cancellation of some planned anti-malarial activities.

The OIG said that CNM did not implement any anti-malarial activities for five months from July to December 2015 while it delayed signing an SR agreement with the principal recipient (PR), the United Nations Office for Project Services (UNOPS). UNOPS replaced CNM as the PR of Global Fund malaria grants in Cambodia following the previous OIG investigation in 2013. That investigation had led to the suspension of two mosquito nets suppliers, who paid kickbacks worth over \$400,000 to two CNM officials (the money has since been fully refunded). The five-month delay resulted from CNM's resistance to revised risk mitigation measures, including the verification of travel expenditures, demanded by the Global Fund following the 2013 OIG investigation.

The investigation noted that the Global Fund program experienced substantial delays in disbursing money to the 21 provinces. The failure to disburse funds has directly impacted the planned and budgeted anti-malarial activities and those living in the affected provinces.

The OIG found that the per diem fraud was the result of poor controls to safeguards funds and a lack of oversight. In 2014, UNOPS had limited oversight of CNM financial processes. From 2016 on, this risk was mitigated by the use of a fiscal agent, embedded within CNM, who reviewed, pre-approved and verified all transactions, including travel-related costs and per diems claimed by staff. This has resulted in a significant reduction of administrative staff conducting field missions and of overlapping field missions.

According to the OIG, the fiscal agent works closely with the local fund agent (LFA) to conduct unannounced spot checks of approved CNM field missions. The LFA performs additional verifications during its regular reviews of the Progress Update/Disbursement Request reports. In 2017, the Secretariat will strengthen the LFA's verification of field missions, with increased focus on the quality of training and

supervision of field missions as well as attendance of scheduled travellers.

In addition, in mid-2016, the Secretariat began planning with UNOPS to increase its financial oversight of CNM. An improvement plan is under discussion which will allow UNOPS to have an embedded team at CNM to support financial management and accounting. The Secretariat will work closely with UNOPS to prioritize the reprogramming of activities for maximum impact to fight malaria throughout Cambodia.

Agreed management actions

As a result of the OIG investigation, the Global Fund Secretariat will implement several agreed management actions. They include the following:

- the recovery of an appropriate amount based on the findings of the OIG investigation;
- the development of a conflict of interest policy and code of conduct applicable to CNM; and
- the design and implementation by UNOPS of a development plan to enhance oversight and supervision of CNM with respect to planning, controlling and executing training and travel activities; coordinating with major donors in tracking and documenting travel events funded by different donor sources; and facilitating the enhanced verification conducted by the LFA.

The OIG said that while the Secretariat agreed to the UNOPS development plan, “it could not make a commitment as to its actual implementation. Therefore, the OIG cannot be assured of the effectiveness of this plan.”

A representative of the Secretariat told Aidsplan that “given the low amount of non-compliant expenditures found, together with a reduced LFA budget, the Secretariat determined that it would be proportionate to verify the implementation of the development plan during the normal course of business, rather than through an independent, costly LFA verification.” The representative said that the OIG and the Secretariat have agreed that verification of implementation of the plan will be conducted by the OIG in the first quarter of 2018.

Information for this article was taken from [GF-OIG-17-004](#), the report of the OIG’s investigation report into the activities of CNM, and from a [summary](#) of the report on the OIG pages of the Global Fund website.

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