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of the Global Fund

Preliminary Investigations Uncover Fraud in Grants to Djibouti and Nigeria

OIG is continuing to investigate

Fraud and other irregularities in the management of Global Fund grants in Djibouti and Nigeria have been identified in preliminary investigations conducted by the Global Fund's Office of the Inspector General (OIG). Some details are provided in the OIG's recent progress report. The investigations are ongoing.

Djibouti

An audit conducted by the OIG in April-May 2010 on Global Fund grants to Djibouti worth \$20 million found substantial irregularities, losses and unsupported expenditures. The final report on the audit has not yet been released. Because of the problems identified in the audit, the OIG launched an investigation. The sole principal recipient (PR) for Global Fund grants in Djibouti (for all three diseases) is the Executive Secretariat (ES) of Djibouti, which is a government entity.

The OIG, which examined about 85% of the disbursements to the PR, found that approximately \$5.3 million (about 30% of the disbursements examined) were either lost, unaccounted for, or could not be shown to have been used for grant purposes.

The OIG said that motor vehicles were purchased that were not used in the programmes supported by the Global Fund; payments were made to suspicious vendors; and about \$282,000 was used for training seminars, travel and events that were not related to the Global Fund. About \$750,000 was transferred out of the bank account of one grant with no explanation.

The OIG said that its audit identified a number of other “red flags” pointing to the likelihood of irregularities – for example, weaknesses by the PR in bank reconciliation processes; and the lack of any process to monitor cash advances to employees and purported vendors. The audit also identified serious deficiencies in the storage and distribution of HIV drugs. There were discrepancies in stock statements; and stock sheets contained serious and repeated errors and were regularly not approved by authorised representatives. Expired drugs had been issued to health centres and other drugs were misidentified as “unexpired.”

The OIG said that its findings have been referred to the national investigative and prosecutorial authorities for follow-up.

Nigeria

A recent OIG audit of Global Fund grants in Nigeria identified potential fraud. The final report of the audit has not yet been released. Because of the audit's findings, the OIG commenced an investigation of the PRs and sub-recipients (SRs), and associated vendors and suppliers.

The OIG said that it has uncovered evidence of funds being misappropriated through the use of fabricated expense vouchers submitted for airline flights and training exercises. The OIG added that it is examining allegations that this type fraud is pervasive in the Nigeria grants.

(There have been numerous grants to Nigeria, involving several PRs. The OIG's progress report did not say whether all PRs were being investigated.)

The OIG said that its investigators were also examining issues surrounding significant quantities of unaccounted for malaria bed nets (at least 20,000), and allegations that the Global Fund was over-charged for the costs of the purchase of the bed nets.

The OIG said that it was also investigating what it called “extensive high risk money wire transfers to a number of third parties in different continents, including the Americas, involving substantial grant funds.” According to the OIG, the transfers, which involved two of the PRs, were made at the direction of a third-party money remitter to whom the PRs were referred by the local bank where the grant funds were originally deposited. The bank had referred the PRs to the money remitter to allow the PR to achieve a better exchange rate for transferring dollars into the local currency. The investigation revealed that the third-party remitter instructed the PRs to wire the dollars to other third parties; in exchange, the remitter would wire the local currency into the PRs account, for a fee.

The OIG said that while there was currently no evidence that the PRs acted with criminal intent in this matter, nevertheless “these transactions constitute high risk money laundering activity and pose a risk that grant funds were used in furtherance of underlying criminal activities perpetrated by third parties in country.” In any event, the OIG said, the PRs actually lost money in the currency conversions, which had an associated cost of more than \$64,000 (which the OIG said should be reimbursed), and which did not achieve the advantageous exchange rate sought.

“The Office of the Inspector General Progress Report for March-October 2010 and 2011 Audit Plan and Budget” is at www.theglobalfund.org/en/oig/reports.

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