



Independent observer
of the Global Fund

Treatment Action Campaign Recovers Global Fund Money Stolen by Employee

TAC has published details of the theft

Editor's Note: This article contains information on a form of fraud that could occur in organisations that have not put adequate accounting safeguards in place.

South Africa's Treatment Action Campaign (TAC) has recovered about \$40,000 in Global Fund money that one of its employees stole. TAC has terminated the employee, who faces a possible jail sentence.

TAC (www.tac.org.za) is an AIDS activist organization that serves as a sub-recipient on a Round 6 Global Fund HIV grant to South Africa for which the principal recipient (PR) is the government's Department of Health.

In December 2010, TAC received a Global Fund grant disbursement from the PR. TAC moved immediately to make an onward disbursement to an approved sub-sub-recipient (SSR) in the amount of 300,000 rand (about US\$ 40,000). Under TAC's accounting rules, one staff member could set up a transfer, but the transfer could not be executed until at least two other people had approved it electronically.

What the rules failed to take account of, however, is that under certain circumstances, the staff member who set up the transfer could arrange for it to go to the wrong payee. On this particular occasion, when the authorised people went in to approve the transfer, they saw the correct SSR organisation's name as the payee, but they did not notice that the bank account number that had been specified was not the one belonging to the SSR, it was one belonging to an account controlled by Ms. N., the employee who set up

the transfer. Furthermore, when the bank executed the transfer, the bank apparently did not notice that the specified organisation name did not match the account number to which the money was transferred.

A few days after the money was transferred to the account that Ms. N. controlled, Ms. N. withdrew R 50,000 (about \$7,000) of the money from that account. A few days later, she tried to do the same thing again, but the bank became suspicious and refused the withdrawal. The bank then informed TAC, which immediately informed the South African police. Through its video records, the bank was able to identify that it was Ms. N. who attempted to make the second withdrawal. TAC suspended Ms. N. and had her appear before a TAC disciplinary committee, which dismissed her. Ms. N. was also charged with fraud and her case went to court. She pleaded guilty; sentence is to be passed later this month.

The bank then returned to TAC the R 250,000 that had been fraudulently transferred but not yet withdrawn. TAC recovered the remaining R 50,000 – the amount that Ms. N. had succeeded in obtaining – by taking it from Ms. N.'s employee provident fund.

TAC then informed the PR of the fraudulent activities and of the subsequent recovery of all of the funds. In addition, TAC tightened up its procedures by requiring that at least two people authorise any additions of or changes to payee records.

TAC recently went public about the case, both through its electronic newsletter and through an article, “How we almost fell victim to attempted fraud,” that it published [here](#). As part of the article, TAC provided three reasons why it was going public. First: “TAC has always upheld high standards of accountability. We seek to be a model of a responsible civil society organisation.” Second: “By highlighting this case and naming the perpetrator, we want to discourage future efforts to commit fraud.” And third: “It is important that there is a factually correct record of what happened rather than inaccurate rumours. We believe organisations are almost always better served by being transparent, open and forthcoming when they are the victims of incidents such as this.”

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