



Independent observer
of the Global Fund

OIG Report Details Extensive Fraud in Mali and Mauritania Grants

Fraudulent invoices involved

Criminal investigations launched in both countries

Editor's Note: In GFO 137, we reported that the progress report submitted by the Office of the Inspector General (OIG) in December 2010 contained updates on investigations in Mali, Mauritania, Djibouti and Nigeria. We provided a link to that report, and we said that further details would be provided in a future issue of GFO. We provide those details in this article and in the next article. These are not new revelations. The OIG's findings of fraud or potential fraud in these countries have been reported fairly widely in the mainstream media recently.

More than one-third of the funds distributed to the Ministry of Health (MOH), principal recipient (PR) for TB and malaria grants in Mali, have been misappropriated. Similar patterns of fraud have been observed in HIV, TB and malaria grants in Mauritania. These are the conclusions of the Office of the Inspector General (OIG) following investigations undertaken in both countries. This information was reported to the Global Fund Board in December 2010.

(The OIG uses the terms "misappropriation" and "fraud" interchangeably.)

Mali

The OIG said that up to October 2009, more than \$13.1 million had been disbursed by the Global Fund to the MOH for the TB and malaria grants. After examining more than 59,000 documents and conducting further investigations in Mali related to about \$11 million of the disbursements, the OIG has identified misappropriations totalling approximately \$4.0 million (36% of the disbursements).

The OIG is also examining disbursements of more than \$50 million to the MOH for its HIV grants. The OIG said that there is substantial evidence of fraud in these grants at the sub-recipient (SR) level.

The investigation follows an OIG audit that identified systematic weaknesses and fraud risk factors in the Mali grant programmes.

The highest level of fraud in the TB and malaria grants has been found in purported “training events” and related per diem payments, lodging and travel expense claims. The training events constitute about half of all TB and malaria grant funds.

The OIG said that the fraud has been perpetrated in large measure by individuals associated with the SRs for the TB and malaria grants: the National TB Control Programme (PNLT) and the National Programme for the Fight Against Malaria (PNLP). According to the OIG, senior officials working for grant implementers submitted thousands of fraudulent invoices, created false bid documents, forged signatures and over-charged for goods and services. The OIG said that many local merchants colluded in the fraud by sharing invoice templates, creating false invoices and false receipts, and making false statements to trigger payment. The OIG reported that to conceal irregularities and fraud, the administration and finance department of the MOH falsified bank statements and other documents.

(In his latest progress report to the Board, in December 2010, Global Fund Executive Director Michel Kazatchkine said that because of OIG findings in several countries that activities involving cash transfers for training events and associated costs are, in many cases, posing a high risk of misuse, the Global Fund Secretariat was instituting a two-month freeze on all training activities across the portfolio, pending the introduction of longer-term control measures.)

The OIG said that it has worked in close cooperation with the Malian criminal authorities and with the investigating judge who was assigned to the matter directly by the President of Mali. As a result, the Malian national authorities have conducted numerous searches and seizures, and have arrested and imprisoned 15 individuals in connection with the fraud.

(As reported previously in GFO, in December 2010, based on the OIG’s findings, the Global Fund terminated or suspended Mali grants worth \$22.4 million. See [“Global Fund Terminates One Mali Grant and Suspends Two Others.”](#))

The progress report said that the OIG is investigating the HIV grants and preparing its final report on the TB and malaria grants investigation, but that its final reports on these investigations would be withheld at the request of the investigating judge, on the grounds that publication may seriously compromise his investigation and resulting prosecutions.

The OIG said that there are safety concerns for the OIG staff working on the investigations in Mali. The OIG was strongly advised to seek protection of its staff because of the high visibility of the case, the substantial sums of money involved, and the seniority of some officials who are the subject of the inquiries. Protection has been provided by the U.S. mission.

Mauritania

The OIG said that the fraud in Mauritania was perpetrated through the submission of fabricated documents (supporting invoices and requests for payment) provided by SRs and sub-sub recipients (SSRs) over a five-and-a-half-year period.

There is currently only one HIV grant in Mauritania, for which the PR is the National AIDS Committee (SENL). That grant was suspended by the Global Fund in September 2009, when the OIG first raised allegations of fraud. The grant is still suspended. The OIG estimates that \$4.1 million of the \$6.2 million disbursed to SENL (67%) was misappropriated. About \$1.7 million has been repaid thus far by the Government of Mauritania. About \$2.4 million remains outstanding.

In connection with this fraud, an arrest warrant has been issued for a fourth staff member at SENL. (GFO reported on the arrest of three senior SENL officials in [“More Evidence of Fraud in Global Fund Grants to Mauritania,”](#) GFO 125.)

With respect to the two TB and two malaria grants, for which the PR is the United Nations Development Programme (UNDP), the OIG said that it had analysed about \$3.5 million of the \$9.9 million in disbursements, and that about \$2.7 million had been misappropriated. The OIG said that “this is an amount that UNDP, as the Principal Recipient, is responsible for in its fiduciary capacity over the SRs.”

The OIG stated that it was unable to examine the rest of the disbursements for the TB and malaria grants because the UNDP refused the OIG access to documents, staff and witnesses. (The UNDP claims that because it is a UN agency, external organisations are not allowed to audit its books.) The OIG said that as a result of this refusal, its investigation was severely hampered, and it “cannot give assurance that the remaining disbursements, more than \$6 million, are not subject to systematic fraudulent activity.”

The OIG said that confidential witnesses and whistle-blowers have advanced allegations that certain individuals were involved in the fraud or recklessly disregarded indications of fraud and obvious irregularities in the expenditure documents – but that the OIG has not been able to examine these issues because of the impediments put in place by the UNDP.

(In December 2010, the Global Fund was informed that the UNDP Board will consider a proposal to allow institutional donors access to UNDP audit reports, at its meeting in September 2011. In the interim, the UNDP’s Office of Audits and Investigations [OAI] will extend its audit summaries, and will prepare and share with the Global Fund a consolidated summary of OAI findings on audits of Global Fund-supported programmes for which the UNDP is PR.)

The OIG said that because the Mauritania criminal investigation is on-going, it has not sought to conduct interviews in country, and it will refrain from issuing its final report until the completion of the criminal probe, or until such time as it is safe to do so without interfering in any resulting prosecution.

“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. The “Report of the Executive Director,” December 2010, Document GF/B22/03, is at www.theglobalfund.org/en/board/meetings/twentysecond/documents.

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