OIG RELEASES 12 NEW AUDIT AND INVESTIGATION REPORTS

“Losses” amounting to $18.8 million identified

Tone of these reports less strident than previous reports

In twelve audit and investigation reports covering nine countries that were released on 31 October 2011, the Global Fund’s Office of the Inspector General (OIG) identified $18.8 million in what it called “losses” which it says should be reimbursed to the Global Fund. The $18.8 million represented 2.7% of the $687 million thus far disbursed to the grant implementers for grants covered by the audits and investigations.

Nine percent of these “losses” ($1.7 million) represents funds that were misappropriated by two grant implementers. The remaining 91% ($17.1 million) involves $6.6 million in expenditures that the OIG deemed ineligible (i.e., that were not pre-approved by the Global Fund), $9.4 million in expenditures that the OIG deemed unsupported (i.e., that were pre-approved but for which original documentation could not be produced), and $1.1 million in expenditures that the OIG deemed inappropriate for other reasons (for instance, that involved what the OIG considered to be excessive overhead charges). Further details are provided in Table 1 below.

Note: While the OIG uses the term “losses” to encompass all of the expenditures listed above, not everyone agrees that all “ineligible,” “unsupported” and “inappropriate” expenditures should be labelled “losses” and should be reclaimed by the Global Fund.

The OIG defines “misappropriation” as “the knowing or intentional use of the property or funds of another person for one’s own use or other unauthorized purpose, particularly by a public official, or by any person with a responsibility to care for and protect another’s assets (a fiduciary duty).”

Some principal recipients (PRs) have vigorously disputed the OIG’s determinations. At least one PR has provided the OIG with what it says are detailed explanations and supporting documentation for all costs that the OIG questioned.

In the reports, the OIG made a series of recommendations related to the weaknesses it identified in the audits and investigations. The Global Fund Secretariat, CCMs, local fund agents (LFAs) and PRs are already implementing most of the OIG’s recommendations.

Of the twelve reports that were released, four were on country audits (Dominican Republic, Nigeria, Sri Lanka and Swaziland); three were on investigations (India, Mauritania and Nigeria); four were on audits of the performance of Population Services International (PSI) as PR in three countries (Madagascar, South Sudan and Togo) and at PSI Headquarters; and one was on travel-related systems at the Secretariat.

(In an audit, the OIG usually examines a series of grants in the same country or for the same PR to verify that Global Fund money has been spent appropriately. The fact that an audit is conducted does not imply that wrongdoing is suspected. An investigation is undertaken when the OIG receives evidence or credible allegations that fraud has been committed or that funds have been otherwise misappropriated.)

The $18.8 million in losses occurred in seven countries – India, Madagascar, Nigeria, South Sudan, Swaziland, Sri Lanka and Togo. For the Dominican Republic, the eighth country covered by the reports, the OIG identified no losses. (The OIG also reported some losses in Mauritania, but these numbers were refinements of losses originally reported by the OIG in December 2010.)

A significant portion of the losses identified by the OIG involved grants from the Fund’s early rounds of funding, including several grants that had already reached their natural end prior to the audit. (The High-Level Panel recently recommended that the OIG concentrate its efforts on grants from Rounds 6 and later.)

As shown in Table 2 below, the $18.8 million in losses reported on 31 October compares to about $44.2 million in losses that had been previously identified in Djibouti, Mali, Mauritania, Zambia and several other countries. The losses in these countries were widely reported in the media in early 2011.

In a covering note attached to each of the OIG reports released on 31 October, Simon Bland, Chair of the Global Fund Board, said,

“Whilst in no way seeking to reduce the importance of the concerns that come from the three investigation reports, they do come at a time when the Global Fund knows that it has to transform how it manages its grants – and how – most importantly – it proactively addresses risk in its portfolio. This cannot entirely prevent mismanagement in all grants, but it will certainly provide a better framework on which resources are channeled to partner countries.”

The OIG investigation in India was restricted to examining $1.28 million that was transferred by a sub-recipient to another implementing organisation. Excluding India, and excluding Mauritania, whose losses had been previously announced, the total value of the grants included in the reports released on 31 October was about $1.1 billion, of which $687 million had been disbursed at the time of the audits and investigations. It was not clear from the OIG reports whether the OIG audited or investigated the entire $687 million.

It is dangerous to draw conclusions concerning the entire Global Fund portfolio based on the information provided above. The circumstances of every grant are different. Also, it would be reasonable to assume that the OIG has focused a good part of its efforts to date on high-risk countries.

Table 1 below provides a summary of losses identified by the OIG in the reports it released on 31 October, by country and PR.

Table 1: Losses by Country and by PR, as Identified by the OIG in Reports Released 31 October 2011

Country	PR	Grants	Losses ($ m)				
			Mis-appropriated	Non-Misappropriated			
				In-eligible	Un-supported	Other	Sub-tot
Dominican Republic	Five PRs	HIV 2, RCC; M 8; TB 3, 7					
India *	INP+	HIV 4, 6	$0.87 m				
Madagascar	PSI	HIV 2, 8; M 1, 4, 7		$0.22 m			$0.22 r
Nigeria	YGC	HIV 1; M 2, 4, 8	$0.82 m	$0.26 m	$3.49 m		$3.74 r
	NACA	HIV 1, 5; HSS 8		$0.07 m	$0.69 m		$0.76 r
	CHAN	TB 5		$0.84 m	$1.66 m		$2.50 r
	Total Nigeria		$0.82 m	$1.17 m	$5.84 m		$7.01 r
South Sudan	PSI	M 2; HIV 7		$0.27 m	$0.26 m		$0.53 r
Sri Lanka	MOH&N	HIV 6, 9; M 1, 4, 8; TB 1, 6		$1.22 m	$0.19 m		$1.41 r
	Sarvodaya	M 1, 4, 8;TB 1, 6		$0.36 m	$0.80 m		$1.15 r
	TEDHA	M 8		$0.09 m			$0.09 r
	Total Sri Lanka			$1.67 m	$0.98 m		$2.65 r
Swaziland	NERCHA	HIV 2, 4, 7; M 2, 8; TB 3, 8; HSS 8		$2.94 m	$2.30 m	$0.58 m	$5.82 r
Togo	PSI	HIV 4, 8		$0.38 m		$0.49 m	$0.86 r
TOTAL			$1.70 m	$6.63 m	$9.38 m	$1.06 m	$17.08

Discrepancies in some totals are due to rounding.

M = malaria

INP+ = India Network of People Living with HIV/AIDS (Note: INP+ is a sub-recipient, not a PR)

PSI = Population Services International

YGC = Yakubu Gowan Centre

NACA = National Action Committee on AIDS

CHAN = Christian Health Association of Nigeria

Sarvodaya = Lanka Jathika Sarvodaya Shramadana Sangamaya

MOH&N = Ministry of Healthcare and Nutrition

TEDHA = Tropical and Environmental Disease and Health Associates

NERCHA = National Emergency Response Council on HIV/AIDS

* The amount specified by the OIG as misappropriated by INP+ is "at least" $872,000, and possibly as much as $1.28 million.

Note: The numbers in Table 1 have been compiled by Aidspan based on information in the OIG reports. There are some discrepancies in the numbers within the reports. Aidspan has done its best to sort out the discrepancies. In addition, for some of the reports, Aidspan has had to make assumptions about whether certain non-misappropriation losses identified by the OIG should be classified as "ineligible," "unsupported" or "other."

In all of the countries audited, the OIG identified weaknesses in financial and management systems that were similar to those identified in previous audits. Some examples of these weaknesses are poor management of sub-recipients, failure to comply with the grant agreement, weak procurement systems, inadequate accounting procedures, poor accounting software, poor quality data, comingling of funds with funds from other donors, inadequate drug storage facilities and excessive overhead charges.

However, in several important respects this batch of reports differed from previous reports issued by the OIG. First, for the most part, the tone of the OIG reports was less strident than in the past. Second, as indicated above, in most of the reports, the OIG was able to say that the Global Fund Secretariat and in-country stakeholders had already implemented, or had started implementing, most of the reports' recommendations. In addition, the OIG did a better job in these reports of capturing comments from the PRs that were audited or investigated, from the CCM and from the Secretariat. However, it is clear from those comments that the PRs dispute some of the OIG's findings and dispute some of the OIG's determinations regarding "loss."

The total losses reported by the OIG since the Global Fund started are as shown in Table 2.

Table 2: "Losses" by Country, as Identified by the OIG in Reports Released Since the Start of the Global Fund

	Misappropriated			Ineligible, Unsupported, Other			
Country	Reported before Oct 2011	Reported in Oct 2011 (Table 1)	Subtotal	Reported before Oct 2011	Reported in Oct 2011 (Table 1)	Subtotal	Total
Cambodia	$0		$0	$1.59 m		$1.59 m	$1.59 m
Cameroon	$0.03 m		$0.03 m	$5.57 m		$5.57 m	$5.60 m
Djibouti	$0.15 m		$0.15 m	$5.12 m		$5.12 m	$5.27 m

Country	Misappropriated			Ineligible, Unsupported, Other			Total
	Reported before Oct 2011	Reported in Oct 2011 (Table 1)	Subtotal	Reported before Oct 2011	Reported in Oct 2011 (Table 1)	Subtotal	
Dominican Republic		$0	$0		$0	$0	$0
DR Congo	$0		$0	$2.04 m		$2.04 m	$2.04 n
Haiti	$0		$0	$2.48 m		$2.48 m	$2.48 n
India		$0.87 m	$0.87 m		$0	$0	$0.87 n
Madagascar		$0	$0		$0.22 m	$0.22 m	$0.22 n
Mali	$4.07 m		$4.07 m	$1.16 m		$1.16 m	$5.23 n
Mauritania *	$4.17 m		$4.17 m	$2.56 m		$2.56 m	$6.73 n
Nepal	$0		$0	$0		$0	$0
Nigeria		$0.82 m	$0.82 m		$7.01 m	$7.01 m	$7.83 n
Philippines	$0		$0	$2.02 m		$2.02 m	$2.02 n
Rwanda	$0		$0	$0		$0	$0
South Sudan		$0	$0		$0.53 m	$0.53 m	$0.53 n
Sri Lanka		$0	$0		$2.65 m	$2.65 m	$2.65 n
Swaziland		$0	$0		$5.82 m	$5.82 m	$5.82 n
Tanzania	$0		$0	$0.82 m		$0.82 m	$0.82 n
Togo		$0	$0		$0.86 m	$0.86 m	$0.86 n
Uganda	$0		$0	$1.60 m		$1.60 m	$1.60 n
Zambia	$0.01 m		$0.01 m	$10.81 m		$10.81 m	$10.82
Zimbabwe	$0		$0	$0		$0	$0
TOTAL	$8.44 m	$1.70 m	$10.13 m	$35.76 m	$17.08 m	$52.85 m	$62.98

Discrepancies in some totals are due to rounding.

* The Mauritania numbers were reported by the OIG in December 2010 and refined in October 2011. The government of Mauritania has already reimbursed the $4.23 m. that the Global Fund claimed from one of the two PRs in that country.

All of the OIG reports released on 31 October 2011 are available on the Global Fund website here . The data in Table 2 for losses reported by the OIG prior to October 2011 was obtained from Annex 1 of the OIG's progress report for November 2010 – March 2011, available at the same location.

PRs named in this article were not invited to comment on this article, but will be invited to comment on the more detailed OIG-related articles that GFO will publish in the coming weeks.

Read More