



Independent observer
of the Global Fund

OIG RELEASES FINAL REPORT ON INVESTIGATIONS INTO FIVE GRANTS IN MAURITANIA

OIG identifies “losses” of \$6.7 million, including misappropriations of \$4.2 million

On 31 October 2011, the Global Fund’s Office of the Inspector General (OIG) released the final report of two separate investigations into five grants managed by two principal recipients (PRs):

- Comité National de Lutte Contre le SIDA (SENLS) – one grant: HIV, Round 5
- United Nations Development Programme (UNDP) – four grants: malaria, Rounds 2, 6; TB, Rounds 2, 6

The investigations were conducted between 2009 and 2011.

The OIG identified what it called “losses” of \$6.7 million, including \$4.2 million in funds that were misappropriated, \$0.8 million in ineligible expenditures and \$1.7 million in unsupported expenditures. The OIG said that these losses should be repaid to the Global Fund.

(Note: 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.” “Misappropriation” includes what the OIG calls “fraud and abuse.” The OIG defines “ineligible” expenditures as costs not in line with the budget and work plan approved by the Global Fund. The OIG defines “unsupported” expenditures as those lacking adequate supporting documents to provide evidence that the activity took place and that the

expenditure was in line with programme activities.)

The losses that the OIG identified in Mauritania are not new, in the sense that they had been announced in December 2010 in an OIG progress report to the Global Fund Board (see [GFO article](#)). However, the breakdown of the losses into the various categories was different in the report released on 31 October as compared to the OIG's earlier announcements.

This article summarises the OIG's findings with respect to the performance of the PRs, some of which the OIG said applied across all five grants, and some of which were specific to one or other of the PRs. The article also summarises the OIG's findings concerning oversight of the grants, and contains comments from the report that were made by the LFA and the Global Fund Secretariat concerning the investigation. In a separate article in this issue, we report on vigorous protests by UNDP, PR for the malaria and TB grants, regarding the OIG report.

Common findings

The OIG said that programme officials in all five grants falsely exaggerated their results under the performance indicator that reported the number of people trained.

The OIG said that there were substantial deficiencies in the accounting systems for all five grants, and a lack of supporting documentation for certain programme withdrawals from bank accounts. As a result, the OIG said that it had to expend significant time and resources to recreate an electronic record of programme disbursements and expenditures.

Comité National de Lutte Contre le SIDA (SENLS)

The total value of the HIV grant was \$15 million, of which \$6.8 million had been disbursed at the time of the investigation. Of the \$6.8 million disbursed, the OIG examined documentation regarding about \$6.2 million. The OIG identified losses of \$4.2 million, of which \$1.7 million constituted "loss arising from intentional fraud and financial abuse." The \$4.2 million also includes \$0.7 million in ineligible expenditures and \$1.7 million in unsupported expenditures.

The Government of Mauritania has already repaid the entire \$4.2 million.

The OIG said that between September 2006, the date the grant started, and September 2008, many senior officials and staff at SENLS organised a coordinated kickback scheme in which they required a payment, typically between 10% and 50% of the grant, as a pre-condition for sub-recipients (SRs) and NGO implementers to participate in the programme and receive funds. The OIG said that the scheme involved SRs submitting proposals for training that either were never intended to happen, or were planned to be much smaller than indicated, and the SRs then fabricating false supporting documentation.

The OIG said that the scheme started prior to SENLS receiving money from the Global Fund – i.e., when SENLS was receiving funds from another international donor. The OIG said that it has evidence that schemes such as this one "are not unique to the Global Fund, but can and have affected all organizations, international, national and multi-lateral, that support and finance these activities."

A criminal investigation in Mauritania resulted in the arrest of three senior SENLS officials and the issuance of arrest warrants for a fourth staff person. All senior SENLS staff working on Global Fund grants have been replaced.

In its final investigations report, the OIG did not provide any explanation or examples regarding the \$2.4 million in expenditures that it deemed ineligible or unsupported.

United Nations Development Programme (UNDP)

The total value of the four grants managed by UNDP was \$14 million, of which \$11 million had been disbursed at the time of the investigation. Of the \$11.0 million disbursed, the OIG examined documentation regarding \$3.5 million. This figure represents the sum of all money sent by the PR to SRs. The OIG said that it was unable to investigate the \$7.5 million that had been spent by the PR itself because UNDP invoked its “privileges and immunities.” (UNDP says that as a U.N. agency, audits of its records by external organisations are precluded.)

Of the \$3.5 million it examined, the OIG identified \$2.5 million in losses. The OIG classified almost all of this amount (\$2.4 million) as having been misappropriated. The other \$0.1 million in losses consisted of expenditures by SRs and sub-SRs (SSRs) for which support documentation was missing or inadequate. The OIG said that the UNDP Office of Audit and Investigation (OAI), which is UNDPs equivalent to the OIG, had performed its own calculation of loss from the programmes implemented by SRs and SSRs, and estimated it to be \$1.06 million.

The OIG said that the misappropriated funds came from (a) the submission by SRs of fabricated supporting documentation for the provision of goods and services that were in fact never provided; and (b) collusion in procurement. The OIG said that senior officials and staff in five SRs and SSRs – together with third-party vendors and other officials – engaged in multiple widespread schemes to misappropriate funds and to defraud the Global Fund. The five implementers were the malaria national programme (PNLP); the TB national programme (PNLT); two NGO networks (ROMATUB and RNLPV); and the national laboratory (INRSP).

The OIG said that PNLT, PNL and INRSP officials colluded with third party vendors and individuals to create the appearance of competitive procurement practices when, in reality, the expenditures were intentionally steered to individuals through fictitious bids prepared by these individuals. The OIG said that UNDP failed to provide reasonable oversight and supervision of SRs and SSRs.

The OIG said that it offered to conduct a joint investigation of the allegations with the OAI, but that the OAI declined the offer and also declined to share the outcome of any investigative efforts of its own.

As indicated above, the OIG was not able to examine direct expenditures by UNDP as PR. In June 2011, the UNDP Board of Directors issued an opinion permitting the Global Fund access to the OAI’s internal audit reports. As a result, the OIG said, the OIG requested access to all OAI reviews of the Mauritania programmes, and travelled to UNDP headquarters in August 2011 to review them in camera. The OIG said that the OAI provided the OIG with access only to its 2009 internal audit report. It did not provide the OIG with its 2010 “due diligence review” which, the OIG said “appears to possess many of the indicia of an audit, but is not called an ‘audit.’ ”

Oversight

LFA. Three separate LFA teams – all from PricewaterhouseCoopers (PwC) – oversaw the grants in the period 2004-2010. The OIG said that the first two teams did not identify the fraud or the risk of fraud even though fraud had been occurring at a significant level since 2004. (The first two teams – PwC Morocco and PwC Cameroon – oversaw the grants between 2004 and 2008; the third team – PwC Cote d’Ivoire – has overseen the grants since 2008.)

External auditors. The OIG said that the external audit companies hired by UNDP to audit the SRs and SSRs for the period prior to 2010 did not uncover any of the irregularities that the newest LFA team, the OIG, the OAI and other audit firms later identified in relation to the same period.

CCM. The OIG said that it found no evidence that the CCM was aware that grant funds were not being used for their intended purpose. The OIG said that the membership of the CCM was comprised of representatives of the same entities that were responsible for the misappropriation (and sometime the same individuals that the OIG identified as being responsible).

Secretariat. The OIG said that all but one of the Global Fund's fund portfolio managers (FPMs) responsible for the Mauritania portfolio between 2004 and 2009 were not able to identify the risk of fraud because they lacked the means, capacity and incentives to do so. The OIG said that the turnover in FPMs was significant: there were six different FPMs between 2004 and the time the final investigation report was issued by the OIG.

Recommendations, actions and reactions

In its report, the OIG advanced 13 recommendations to address the weaknesses identified in the course of its investigations.

The final investigations report provides comments from the LFA and the Global Fund Secretariat on the OIG's findings. With respect to the finding that the first two LFA teams did not identify the fraud or the risk of fraud, PwC said that "the LFA teams carried out their work according to the LFA mandate" in effect at the time – i.e., to verify the programme at the PR level. PwC said that "the concept of risk management in GF was not discussed in the early days, rather the focus was on disbursements." Therefore, PwC said, it did not regard the services of the LFA in the 2004-2008 period as deficient. The OIG responded that it did not agree with this analysis or with the depiction of what the LFA duties were at the time. (This is discussed in detail in paragraphs 329 to 348 of the final investigation report.)

The comments from the Secretariat are contained in an annex to the report. The Secretariat outlined the actions that it has taken since being informed of the evidence of misappropriation in the Mauritania grants. The Secretariat also commented on each of the OIG's recommendations. No contentious items were raised.

With respect to actions taken, the Global Fund Secretariat said that when the OIG released an initial report on the HIV grant in August 2009, the grant was immediately suspended. Concerning the four grants managed by UNDP, the Secretariat said that in October 2009 it was informed by the UNDP's OAI that irregularities had been detected similar to those in the HIV grant. In November 2009, the Secretariat froze all disbursements to the grants managed by UNDP. In February 2011, the Global Fund Board turned down requests for Phase 2 funding for the two Round 6 grants (one malaria, one TB). According to the Global Fund's website, the two Round 2 grants (one malaria, one TB) have reached their natural end.

The final investigation report did not include comments from the PRs (SENLS and UNDP) or the CCM. However, with respect to the CCM, the OIG said that the CCM had reviewed a draft of the report, that the CCM did not take issue with any aspect of the report, that the CCM expressed overall support for the report's findings, and that the CCM communicated its commitment to cooperate with the OIG.

Because the OIG investigation report did not contain any comments on the report from the PRs, GFO invited them to provide such comments to GFO. SENLS told GFO that it was satisfied with the way this article described the OIG's findings concerning SENLS, and did not provide any comments on the

investigation. UNDP, however, as indicated above, expressed serious concerns about the OIG report. We report on these concerns in a separate article in this issue of GFO.

The OIG investigation report on Mauritania, and all of the other OIG reports released on 31 October 2011, are available on the Global Fund website [here](#).

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