



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

**FINAL INVESTIGATION REPORT OF SUB-
RECIPIENT PADAKHEP MANABIK UNNAYAN
KENDRA (PMUK)–BANGLADESH**

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I. EXECUTIVE SUMMARY

1. This Report by the Office of the Inspector General (OIG) of the Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund) provides the results of an investigation conducted between May 2011 and March 2012 by the Investigations Unit of the OIG of Padakhep Manabik Unnayan Kendra (PMUK), a non-governmental organization (NGO) that received US\$5.2 million in Global Fund financing as a Sub-Recipient (SR) and Sub-Sub Recipient (SSR) under several Global Fund grants in Bangladesh. The OIG investigated PMUK expenditures in its role as SR financed under HIV/AIDS Rounds 2, 6, and a Rolling Continuation Channel (RCC) as a result of irregularities found in multiple audits performed first by the Principal Recipient (PR) Save the Children USA (SCUSA), and then confirmed by the OIG Audit Unit. The OIG Investigations Unit was referred the matter by the OIG Audit Unit after an OIG audit and several audits by the PR. The OIG Investigation identified a number of further acts of misappropriation, which are identified herein. Beyond what was identified through these audits, the OIG investigation has identified a fraud scheme that was executed from 2004-2009 that resulted in at least a loss of grant funds in the amount of US\$1, 894,426, or 52% of the funds disbursed to this entity. Because the investigation is continuing with respect to other entities and recipients in Bangladesh, this report is final only as it concerns PMUK. Other parties will be addressed in the final report on Global Fund grants to Bangladesh, as necessary and as appropriate.

2. As a result of its investigation efforts, the OIG finds that the nature, extent, and prolonged continuation of the fraudulent scheme perpetrated by PMUK, coupled with PMUK's efforts to continuously interfere with efforts by SCUSA and the OIG to investigate the grants, presents a significant risk that the full amount disbursed to PMUK in its role as SR in the years 2004-2009—US\$3,625,428 was misappropriated, and that the full amount may be subject to repayment to the Global Fund. This amount should be recovered unless PMUK can justify that the funds were used in furtherance of grant purposes, as required by the Grant Agreement between the parties.

3. Notwithstanding the uses of amounts of grant funds that remain unknown, the OIG identified that between November 2004, the first months that PMUK received Global Fund financing, through and including December 2009, approximately, PMUK engaged in a scheme to divert at least US\$1,894,426¹ or 52%, of the US\$3,625,428² of Global Fund grant funds disbursed to PMUK as an SR under the HIV/AIDS program in this time period, from program purposes. To conceal this diversion, PMUK fabricated documents for submission to SCUSA, the Management Agent (MA) during this time period, including a set of manufactured books and records to justify withdrawals that never actually took place, and then withdrew funds separately. The fictitious books and records included: (i) fabricated and falsified bank statements; (ii) accounting journals maintained for recording the false program expenditures and activities in detail; (iii) falsified bids and invoices for purchases of services and goods by third party vendors that did not in fact occur; and (iv) copies of cheques allegedly issued to vendors that were never actually issued or presented for payment. All of these documents were created to attempt to justify the expenditures as having a legitimate program purpose, when in

¹ BDT 127,429,347

² BDT 244,601,839

fact, they did not occur as presented, and PMUK instead withdrew the funds and diverted them to unknown locations. The minimum losses sustained by the program have been calculated to be US\$1,894,426 under this aspect of the scheme, which constitutes the amount of fabricated documentation but which did not in fact occur, with PMUK instead withdrawing the funds and diverting them to unknown locations.

4. While the diversion of the program funds was well-concealed through a scheme of creating documentation that appeared on its face generally complete and mutually consistent, upon closer examination, indicators of fraud were evident. For example, typographical and arithmetic errors appeared on the forged bank statements provided by PMUK. In addition, vendors who allegedly provided goods and services under the program confirmed in several instances that the bids and invoices bearing their companies' names were not authentic, that the vendors never provided the services/goods, and that these entities never actually received the money.

5. Besides concealing the diversion through fraudulent books and records, PMUK also actively attempted to thwart any discovery of the scheme by systematically undercutting efforts by SCUSA and the OIG to audit and investigate the funds. From at least September 2010 through June 2011, PMUK repeatedly refused first SCUSA's external auditors, and then OIG investigators, access to genuine National Credit and Commerce Bank (NCC Bank) bank statements. In addition, in June 2011, PMUK staff attempted to withhold electronic records from the OIG by misrepresenting their availability, by denying the OIG access to the records, attempting to remove records from the OIG's possession, and intentionally avoiding OIG investigators.

6. Finally, since July 2011, when the OIG uncovered and shared with relevant parties evidence of this fraudulent scheme, PMUK has nevertheless continued to defy efforts by SCUSA and the Global Fund to safeguard Global Fund funds. First, it did not accept termination as an SR and acted aggressively in response. Second, it contested SCUSA's efforts to take over management of PMUK's Drop-In-Centers (DICs) and Sub-Sub Recipients (SSRs) by threatening the Country Director with expulsion.

7. The OIG has not identified the current location of the misappropriated sums, nor has PMUK responded to this report to identify the uses to which these funds were put. Indeed, PMUK has not commented substantively on the report at all, while having been provided a copy of the document well in advance of release. As described in more detail herein, PMUK has interfered with the investigation and failed to cooperate fully with it. In that regard, the OIG has followed due process by providing the relevant entities, the subjects, PMUK's managing officers, the Bangladesh CCM and the Secretariat with copies of the report well in advance of release, allowing full opportunity to comment. Comments received were taken into consideration prior to finalizing the report.

8. The OIG makes recommendations contained in the Conclusion at the end of the Report.

II. GENERAL MANAGER'S COMMENTS

III. OIG INVESTIGATION

9. The Investigations Unit of the OIG is responsible for conducting investigations of fraud, abuse, misappropriation, corruption and mismanagement (collectively, “fraud and abuse”) that may occur within the Global Fund and by PRs and SRs, (collectively, “grant implementers”), Country Coordinating Mechanisms (CCMs), Local Fund Agents (LFAs), as well as third party vendors.³

10. OIG investigations aim to: (i) uncover the specific nature and extent of fraud and abuse of Global Fund funds, (ii) identify the staff or private entities implicated in the schemes, and (iii) determine the amount of funds misappropriated. OIG investigations establish findings of fact upon uncovering “credible and substantive evidence” of that fact. This standard that is akin to the “more likely than not” (greater than 50 percent likelihood) administrative standard used by the community of International Organizations and Multilateral Institutions.⁴

11. The OIG is an administrative body with no law enforcement powers. It cannot issue subpoenas or conduct criminal prosecutions. As a result, its ability to obtain information is limited to the rights the Global Fund reserves vis-à-vis the entities contractually and on the willingness of witnesses and other interested parties to voluntarily provide information. The OIG can, however, coordinate with law enforcement to obtain evidence if the need arises.

12. Upon concluding its findings, the OIG makes recommendations to the Global Fund for recovery of losses, administrative action in relation to misconduct of Global Fund staff, and sanctions/debarment of vendors, as appropriate. It also provides the Global Fund Board with an analysis of lessons learned for the purpose of preventing future harm to grants due to fraud and abuse. Finally, the OIG makes referrals to national authorities for prosecution of any crimes or other violations of national laws, and supports such authorities as necessary throughout the process.

A. RELEVANT CONCEPTS OF FRAUD AND MISAPPROPRIATION

13. The Global Fund Code of Conduct for Suppliers provides the following definition of the relevant concept of misconduct:⁵

“Fraudulent practice” means any act or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a person or entity to obtain a financial or other benefit or to avoid an obligation.

14. The International Financial Institution Anti-Corruption Task Force provides similar definitions.⁶ Another relevant concept of criminal law is:

³ *The Global Fund Charter and Terms of Reference for the Office of the Inspector General*, available at <http://www.theglobalfund.org/documents/oig/TheCharter.pdf>

⁴ See *Uniform Guidelines on Investigations*, available at <http://www.un.org/depts/oios/pages/uniformguidelinesenglish.pdf>

⁵ <<http://www.theglobalfund.org/documents/business/CodeOfConduct.pdf>>

“Misappropriation” means the intentional, illegal use of the property or funds of another person for one's own use or other unauthorized purpose, particularly by a public official, a trustee of a trust, an executor or administrator of a dead person's estate, or by any person with a responsibility to care for and protect another's assets (a fiduciary duty).

B. EXCHANGE RATE

15. This report describes amounts in United States Dollars (US\$), with the Bangladesh Taka (BDT) being noted where appropriate, for ease of reading. For the purposes of comparison and conversion the exchange rate BDT 67 to US\$1 has been utilized, unless otherwise specified.⁷

C. DUE PROCESS

16. Prior to this Report's publication on the OIG's website, the relevant substantive sections of this Report have been made available to relevant entities for comment, including the PMUK, the Bangladeshi CCM, Save the Children, the Global Fund Secretariat and the Global Fund Legal Unit, consistent with the procedures of the Global Fund and the due process requirements upon the OIG. No entity has challenged the substance of the report. PMUK was provided a PDF copy of the draft report, and was allowed an extension of time to review it. PMUK responded, but did not provide substantive comments. SCUSA had one substantive comment concerning the precise role of SCUSA in the grant programs. This change was accepted.

⁶ <http://www.adb.org/Documents/Reports/IFI-TaskForce-on-Anticorruption/IFI-TaskForce-on-Anticorruption.pdf>, signed by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, International Monetary Fund, Inter-American Development Bank, and World Bank. The relevant definition is: - A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

⁷ Based on historical exchange rates, <<http://www.oanda.com/currency/historical-rates>>. Strikes a balance between the average rates between November 2004 and March 2011 (66.63) and the average rates between August 2005 and March 2011 which reduces the effect of the sharp decline in the BDT rates during late 2004-early 2005, (67.35).

IV. BACKGROUND: HIV/AIDS GRANTS IN BANGLADESH

17. To date, Bangladesh has received five HIV/AIDS grants from the Global Fund, as indicated in the table below. In total, US\$82 million has been committed to various entities in Bangladesh for HIV/AIDS programs.⁸ PMUK was a sub-recipient under each of these grants.

List of Global Fund HIV/AIDS Grants to Bangladesh⁹

HIV/AIDS Grant Round	Grant Title and Number	PR	Total signed Amount (USD)	Phase and Status	PMUK as SR
2	Prevention of HIV/AIDS Among Young People <i>BAN-202-G01-H-00</i>	MOF	19.6 million	Phase II - Closed	Yes
2/RCC	Expanding HIV/AIDS Prevention in Bangladesh <i>BAN-202-G11-H-00</i>	MOHFW	3.35 million	RCC I - In Progress	Yes
2/RCC	Expanding HIV/AIDS Prevention in Bangladesh <i>BAN-202-G12-H-00</i>	SCUSA	26.8 million	RCC I – In Progress	Yes
2/RCC	Expanding HIV AIDS Prevention in Bangladesh <i>BAN-202-G13-H-00</i>	ICDDR'B	12.2 million	RCC I – In Progress	Yes (and ongoing)
6	HIV Prevention and Control among High-Risk Population and Vulnerable Young People in Bangladesh <i>BAN-607-G08-H</i>	MoF	20.2 million	Phase II - Closed	Yes

18. The Round 2 HIV/AIDS Grant: “Prevention of HIV/AIDS among young people in Bangladesh” commenced in March 2004 and was closed in November 2009. Upon inception, the grant was approved to the upper-ceiling value of US\$ 19.7 million. The Economic Relations Division (ERD), of the Ministry of Finance (MoF), of the Government of Bangladesh (GoB) was the PR for this grant due to Bangladeshi regulatory restrictions, while the actual implementing entity was the National AIDS/STD Programme (NASP)¹⁰, which operates under the Ministry of Health and Family Welfare (MOHFW) of the GoB. NASP is responsible for coordinating all stakeholders and development partners involved in HIV/AIDS program activities in Bangladesh. SCUSA was appointed Management Agent under contractual agreement with the MOHFW in this case.

⁸ <http://portfolio.theglobalfund.org/en/Grant/List/BAN>

⁹ Global Fund external website, 13 April 2012.

¹⁰ <http://www.bdnasp.net/>

19. The Round 6 HIV/AIDS Grant: “HIV Prevention and control among high risk population and vulnerable young people in Bangladesh” commenced funding in May 2007, and was consolidated into the RCC in December 2009. Here the ERD of the MoF was the PR, the MOHFW remained the implementing entity, and SCUSA was engaged as the Management Agent for the grant.¹¹

20. The remainder of the Round 2 grants was rolled over into the RCC grants, which began in December 2009. Initially, the Ministry of Health and Family Welfare functioned as PR under these Round 2 grants, however the PR-ship changed hands under the RCC grants. RCC grants were available only to those PRs who were invited by the CCM to apply, as the purpose of the RCC structure was to facilitate streamlined access to continued funding for strong performing grants that reached the end of Phase 2. Under the RCC, SCUSA shifted status from MA to PR.¹² NASP also again became a PR under Phase I of the RCC,¹³ as did the International Center for Diarrheal Disease Research, ICDDR’B.

A. PMUK’S INVOLVEMENT IN GLOBAL FUND GRANTS

21. PMUK has received a total of US\$5,195,139 from the Global Fund. It received the majority of funding, US\$5,167,235, for HIV/AIDS. Within the HIV/AIDS program, US\$4,820,889 of this was disbursed directly to PMUK in its role as an SR under Rounds 2 and 6 and the RCC. Besides serving as SR under the HIV/AIDS grants managed by SCUSA, PMUK also functioned as an SSR under other portions of these grants and received US\$211,781,¹⁴ and as an SR under another HIV/AIDS PR, the ICDDR’B, where it received US\$134,564.

22. Besides its engagement on the HIV/AIDS portfolio, PMUK also served as SR under a Tuberculosis grant managed by the Bangladesh Rural Advancement Committee (BRAC), under which it received US\$27,904.¹⁵

Summary of Global Fund Funds which PMUK Received in Total¹⁶

Disease Type	Principle Recipient / Management Agent	PMUK’s Role	Period of Disbursements	BDT	Exchange Rate	USD
HIV/AIDS	SCUSA	SR	Nov-04 to Jul-11	n/a	n/a	4,820,889
HIV/AIDS	SCUSA	SSR of BWHC	Nov-04 to Jul-11	14,189,345	67	211,781
HIV/AIDS	ICDDR’B	SR	Dec-09 to Apr-12	9,823,197	73	134,564
Tuberculosis	BRAC	SR	Sep-10 to Sep-11	1,926,389	69	27,904
Total						5,195,139

¹¹ Agreement for Management Services Agency between MOHFW GoB and SCUSA (Save the Children Federation Inc. Bangladesh Country Office), 13 March 2007

¹² At the time of this report’s publication, the Bangladesh office of SCUSA has changed name to Save the Children International (SCI). SCUSA, which is headquartered in Washington DC, USA, however, remains PR, and it outsources responsibilities to SCI-Bangladesh. For ease and consistency, this report continues to refer to SCI as SCUSA.

¹³ At the time of the publication of this report, the status of NASP as PR is under discussion for Phase II financing.

¹⁴ PMUK was also engaged as a Sub-Sub Recipient (SSR) for the implementation of Package 908, intended for “Expanding provision of Essential Services to Street, Hotel and Residence Based Female Sex Workers” under the SR Bangladesh Women’s Housing Cooperative (BWHC).

¹⁵ <http://portfolio.theglobalfund.org/en/Grant/List/BAN>

¹⁶ Note that exchange rates differ, as the numbers were provided to the OIG by the PRs and each PR has reported the US\$ equivalent using different exchange rates.

23. The OIG’s investigation focused on the largest funding bundle, the US\$4.8 million, which SCUSA had disbursed to PMUK in its role as SR under the HIV/AIDS program. This financing was intended to finance two “packages” of services. Package 904 was intended to finance “Advocacy for creating enabling environment and reducing stigma and discrimination.” Package 907 was intended to finance “Expanding provision of Essential Harm Reduction Services for Injecting Drug Users.” The table below summarizes the Global Fund-financed bank accounts the OIG reviewed and into which the entire US\$4.8 million was paid.

List of Global Fund-Financed Accounts held by PMUK

Round	Pack-age	Bank Name	Account Title	Account Number (Valid)	Dates Used
R-2	904	National Credit and Commerce Bank Ltd.	Save the Children USA Fund	#0400082 #0010505054 #0325000313	Nov-04 to Sep-05 Dec-05 to Dec-07 Jan-08 to Nov-09
R-6	904	National Credit and Commerce Bank Ltd.	GF-904-R6, Scalling Up	#0325000975	Feb-08 to Dec-09
R-6	907	National Credit and Commerce Bank Ltd.	IDU-GFATM-Round 6	#0325000948	Jan-08 to Dec-09
R-2	904	Dutch Bangla Bank Ltd.	HIV/AIDS, GF 904 (R-2)	#0148120..0752	Nov-09 to Oct-10
R-6	904	Dutch Bangla Bank Ltd.	HIV/AIDS, GF 904 (R-6)	#0148120..0764	Nov-09 to present
RCC	904	Dutch Bangla Bank Ltd.	GFATM 904 HIV-AIDS RCC	#0148120..1006	Apr-10 to Jan-11
R-6	907	Dutch Bangla Bank Ltd.	GF-907	#0148120..0776	Oct-09 to Jan-11
RCC	907	Dutch Bangla Bank Ltd.	GFATM 907 HIV-AIDS RCC	#0148120..1018	Apr-10 to present

Addresses:

National Credit and Commerce Bank Ltd. Dhanmondi Branch, Quality Center, 744, Sat Masjid Road, Dhanmondi, Dhaka
Dutch Bangla Bank Ltd. Ring Road Branch, BAitul Aman Tower (1st Floor), 840-841, Ring Road, Adabor, Dhaka-1207

24. Besides receiving financing from the Global Fund, PMUK has received funding from other donors for the implementation of programs in the areas of micro-finance; agriculture; education, child development and gender issues; health, sanitation and nutrition; and prevention of HIV/AIDS. PMUK’s website at the time of investigation listed 14 international (financing and other) donors:¹⁷

25. In addition, governments, commercial, not-for-profits as well as public sector entities such as GoB, Bangladesh Bank, Concern Worldwide, Grameen Trust, Practical Action of Bangladesh and SCUSA, among others, also support or have supported PMUK.

26. The President of the PMUK Executive Committee is also a principle—CEO and Legal Representative—at an organization named Kranti Associates,¹⁸ which also reports receiving funds from the World Bank, ADB, IFAD, and the Government of Bangladesh.

B. PREVIOUS REVIEWS AND AUDITS OF PMUK

27. Irregularities surrounding PMUK’s financial management had begun to come to light in mid-2009: In June of that year, SCUSA identified as part of its SR monitoring visit¹⁹ a number

¹⁷ See July 2011 PMUK official website www.padakhep.org. This information is no longer available on PMUK’s website. The same information was repeated in PMUK’s response on SCUSA’s Financial Monitoring Report (issue date of the Report 3 May 2010) dated 12 May 2010.

¹⁸ Available at http://www.bizearch.com/company/Kranti_Associates_322954.htm on 13 April 2012.

¹⁹ SCUSA’s Internal Audit was conducted on 17 June 2009. See Internal Audit Follow-Up Report Padakhep SR 7 February 2010.

of financial irregularities at PMUK, such as the absence of supporting documentation for certain transactions and weak financial management.²⁰

28. In response, in December 2009, SCUSA's Assurance and Risk Management Unit conducted a follow-up review of various activities and transactions undertaken by PMUK in the time period from October until December 2009, prior to the commencement of the consolidated RCC grant (December 2009).²¹ As a result of SCUSA's review, a draft report was issued and shared with PMUK in February 2010. PMUK disagreed with the findings of SCUSA's report and informed the Global Fund Secretariat about its position.²² SCUSA then engaged its Global Audit and Risk Services Unit to conduct further follow-up reviews of PMUK in March and April of 2010.²³ The final version of SCUSA's report relating to PMUK was issued in May 2010 and shared with the Global Fund. It identified irregularities in printing and furniture purchases, as well as related-party transactions; payments for activities which did not take place; and fabricated documents within tender/procurement processes.²⁴

29. Further sampling undertaken by SCUSA in late April 2010 indicated that one of the procurements for furniture had potentially been fabricated.²⁵ PMUK provided invoices, delivery documents and cheque payments as supporting documentation for the payment made to the winning bidder; however this bidder confirmed that it had never submitted a bid, that it never issues quotations on letterhead pads, as provided in PMUK's documentation, and that it had never issued the delivery receipt for the goods.²⁶ The reviewers found no record of the payment of the US\$12,581²⁷ in the vendor's ledgers.

30. As a result of SCUSA's findings, SCUSA engaged A. Wahab and Co. Chartered Accountants (A. Wahab) to conduct a third party audit of PMUK. This audit took place in September 2010 and consisted of an institutional and capacity review of PMUK.

31. A. Wahab's audit report, issued in November 2010, identified several areas of concern. The auditors listed US\$32,713²⁸ in disallowed costs that had been charged to the program, having identified, among other findings, that (i) a set of documents related to the engagement of consultants were fabricated, and (ii) payment to Padakhep Printing, a sister company, for advocacy materials was in excess of fair market value and followed a procurement process which was not carried out at arm's length.²⁹

32. Furthermore, the A. Wahab report noted that PMUK had not given the auditor access to (i) PMUK's financial information beyond the transactions identified by SCUSA; (ii) PMUK's procurement-related documentation for purchases that were within A. Wahab's Terms of Reference, but fell beyond the scope of SCUSA's original audit which preceded A. Wahab's

²⁰ Memorandum dated 21 March 2011 from Artashes Mirzoyan to Jonathan Brown. Subject: "Notification of financial management irregularities and "disallowable" expenses at SR level under Bangladesh Round 2 RCC HIV grant: Bangladesh".

²¹ 21 March 2011 memorandum, supra n.20

²² Response of Padakhep Management Regarding Internal Audit Follow-up Report 22 February 2010.

²³ PMUK's response on SCUSA's Financial Monitoring Report (issue date of the Report 3 May 2010) dated 12 May 2010.

²⁴ SCUSA Sub recipient monitoring review report, 3 May 2010.

²⁵ Padakhep Review Vendor Visit Report, 28 April 2010. Vendor: OTOBI, Additional Findings Package 907

²⁶ 28 April 2010 Padakhep Report, supra n.25

²⁷ BDT 842,952

²⁸ BDT 2,191,750

²⁹ These findings had earlier been reported by SCUSA as well.

engagement; and (iii) key documents needed to confirm the existence of employment contracts and whether the salaries charged to the program were solely for the performance of duties related to Global Fund financed programs.³⁰ The report went on to state:³¹

“Management of PMUK would give better impression on organization’s (sic) control environment if it could demonstrate more openness during this review exercise. Management’s constant refusal to provide information on NCCBL bank- related transactions and denying authorization to confirm bank statement (sic) with the bank indicates that there could be serious anomaly (sic) in NCCBL bank related transactions. This also makes management’s commitment towards transparency questionable.”

A. Wahab’s report included the following recommendation³²:

33. “In our opinion, initiatives should be taken to further investigate PMUK transactions through NCCBL bank with particular focus on confirming that the bank statements provided to auditors in the past are checked and verified with the bank to make sure that they were genuine.”

34. PMUK challenged A. Wahab’s findings and complained about A. Wahab auditors’ unprofessional manner during their visit as well as about not being given an opportunity to formally respond to the report.³³ A. Wahab and SCUSA both denied the assertions made by PMUK.³⁴

V. OIG EFFORTS

35. In May 2011, the OIG commenced a routine program audit in Bangladesh of various PRs and SRs who have been, or remain, implementers of Global Fund supported programs. PMUK was selected as one of those SRs to be subjected to audit. As SCUSA had provided the Global Fund Secretariat with the various audit reports, who then forwarded these to the OIG, the Audit Team was on notice of the patterns of irregularities and obstruction occurring at PMUK prior to initiation of the audit. Indeed, upon conducting its initial review, the OIG audit team identified additional red flags at an early stage of its sampling of several high-value transactions at PMUK under 907 package and 904 package activities. As a result, the matter was referred to the OIG’s Investigations Unit, who initiated an investigation of PMUK.

36. As part of the OIG investigation, two missions were conducted in May and July 2011. The first mission focused on gathering relevant supporting documents on a sample of transactions for further analysis. Due to the large number of vouchers and transactions, a threshold of US\$1,000 was placed upon the transactions identified for collection, unless additional circumstances existed which warranted obtaining transactions below this threshold (e.g., evidence of procurement splitting, multiple payments to single vendor, suspicious elements visible on the face of documents etc.). The second mission, which took place in July 2011, focused on recovering original bank account transactional records (account statements

³⁰ A Wahab and Co report dated 7 November 2010

³¹ A Wahab and Co report dated 7 November 2010, page 3

³² A Wahab and Co report dated 7 November 2010, page 3

³³ Email correspondence between PMUK, SCUSA and A. Wahab, December 2010.

³⁴ Email correspondence between PMUK, SCUSA and A. Wahab, December 2010.

and cancelled cheques) from NCC Bank and on interviewing key PMUK staff and multiple vendors who had been identified through the analysis of PMUK's procurement documentation.

A. INTERFERENCE WITH OIG EFFORTS TO OBTAIN NCC BANK STATEMENTS AND OTHER GLOBAL FUND RECORDS

37. As part of its review, the OIG requested that PMUK assist the OIG in obtaining copies of statements for Global Fund-financed bank accounts directly from the banks, specifically from NCC Bank, in relation to which the A. Wahab auditors had experienced difficulty. Again, as A. Wahab auditors had experienced earlier, the OIG also witnessed systemic efforts by PMUK to prevent the OIG from obtaining the genuine bank statements from NCC Bank. The details of these efforts are outlined below:

38. On 26 May 2011, the OIG placed a request with PMUK's senior management to provide the OIG with the authorization to collect the NCC Bank statements pertaining to the Global Fund-financed activities directly from the bank. On 29 May 2011, the OIG was provided with an authorization letter signed by a PMUK official³⁵ requesting NCC Bank to provide the OIG with access to said accounts.³⁶

39. Upon presenting the authorization letter to the bank on 30 May 2011, a representative of NCC Bank informed the OIG that requested information could not be provided before 1 June 2011 as the IT person with access to relevant information was not in the office on that day. On 1 June 2011, when the OIG called NCC Bank to enquire about the readiness of PMUK's bank statements, NCC Bank's official³⁷ informed the OIG that PMUK had revoked its approval for the OIG to access the bank information. The NCC Bank official further stated he could only show the letter of revocation to the OIG on 2 June 2011 between the hours of 11:00 and 12:00 at the bank's offices. The bank official, who asserted protection of client's interest, refused to provide the OIG with both the copy of PMUK's revocation letter and the contact information for his supervisor.³⁸

40. On the same day, the OIG followed up with a visit to a senior PMUK official³⁹ to enquire about the denial of access to bank statements. However, the PMUK official said that he was unable to meet with the OIG until later in the evening.⁴⁰ Consequently, the OIG was not able to obtain the records on that day.

41. On 2 June 2011, the OIG again visited NCC Bank at the proposed time between 11:00 and 12:00. Here, another senior NCC Bank official⁴¹ told the OIG that he was unaware of any developments regarding PMUK's bank statements and informed the OIG that the senior bank official who previously informed the OIG that access had been revoked⁴² was away. He then made a call, and left a message. Within a few minutes, the OIG representative received a call

³⁵ PMUK Executive Director

³⁶ Authorization Letter from PMUK to NCC Bank, 28 May 2011.

³⁷ VP and Branch Manager

³⁸ OIG internal note by auditors

³⁹ Individual A

⁴⁰ OIG internal note by auditors

⁴¹ Deputy Branch Manager

⁴² VP and Branch Manager

from a PMUK official⁴³ asking the OIG representative to meet at the PMUK official's office between 16:30 and 17:30 that day to discuss the issue of OIG's access to PMUK's bank statements, and asked the OIG representative to leave the NCC Bank.⁴⁴ The OIG had no choice but to accede to the demand.

42. At the meeting between the OIG and the PMUK official that same day,⁴⁵ the PMUK official stated that confusion among NCC Bank's management was the reason behind the OIG's difficulties in accessing PMUK's statements at the NCC Bank and that the PMUK official would arrange that the NCC Bank provide the information to the OIG no later than on 6 June 2011.

43. On 4 June 2011, the OIG had another meeting with a senior PMUK official⁴⁶ at PMUK's offices to obtain additional Global Fund records maintained on electronic media. Here, again, the OIG witnessed explicit efforts to frustrate the investigation. Upon requesting and receiving the permission of a senior PMUK official to obtain the records, the investigators began to seek out the relevant staff, only to be told that they had gone to lunch and were not available in the building. A visit, however, to the administration office uncovered that the staff were in fact present, and appeared flustered and otherwise occupied. The OIG was initially denied access to this office, but upon insisting upon the right of entry, the OIG witnessed a relevant staff member running and locking himself in another room. Again, PMUK staff requested the OIG to leave the area, but the OIG refused.

44. After some time, OIG team members were given permission to begin to retrieve the requested records, however the head OIG investigator was asked to speak again with the senior PMUK official. Here, the official alleged that the OIG had not complied with an earlier agreement to begin work only after office hours. This, however, had not been agreed to at any earlier meeting, and the OIG informed the PMUK official of this. During the OIG leadership's meeting with the senior official, PMUK staff again ordered the OIG team members to leave the room where record collection was ongoing. As the OIG team leader returned to this room upon hearing this news, it witnessed a PMUK staff member leaving the office with some of the relevant records. The OIG recovered these records immediately.⁴⁷ Ultimately, the OIG collected the records and returned them two days later.

45. The OIG effort to obtain original bank statements from NCC Bank continued: On 6 June 2011, an OIG representative called a PMUK official⁴⁸ to enquire on the status of accessing bank statements at NCC Bank. The PMUK official informed the OIG representative about having written a letter to the OIG on this issue as well as about PMUK's concerns over the OIG's audit procedures. The PMUK official highlighted that these concerns needed to be discussed prior to any access by the OIG to PMUK's accounts directly through the NCC Bank. Indeed, when another OIG representative called a senior NCC official,⁴⁹ he informed him that NCC Bank could not help the OIG with this matter.

⁴³ Executive Director

⁴⁴ OIG internal note by auditors

⁴⁵ Executive Director

⁴⁶ Executive Director

⁴⁷ Post-Mission Report, Bangladesh, 13 June 2011.

⁴⁸ Executive Director

⁴⁹ VP and Branch Manager

46. On 6 June 2011, the OIG received a letter of complaint from PMUK in an email copied to a number of parties including the Health Secretary of MOHFW of GoB and SCUSA officials, alleging the inappropriate manner in which the OIG collected relevant records at PMUK's premises and arguing that the access sought by the OIG at NCC Bank was beyond what PMUK was legally bound to provide to the OIG.⁵⁰ On 15 June 2011, the Global Fund responded refuting the allegations and requesting that PMUK provide the OIG with immediate access to Global Fund grant-related accounts at NCC Bank.⁵¹ SCUSA followed up with a letter demanding the same of PMUK on 16 June 2011.⁵²

47. On 18 June 2011, a PMUK official wrote to the OIG mentioning receipt of both SCUSA's letter from 16 June 2011 and the Global Fund's letter to MOHFW. He expressed willingness to resolve the issue regarding the OIG's inability to access PMUK's bank statements directly from NCC Bank.⁵³

48. On 19 June 2011, the OIG met with the PMUK official⁵⁴ and obtained the bank statements pertaining to Global Fund financed activities from the NCC Bank on the same day. Upon obtaining the genuine bank statements from NCC bank, it immediately became apparent that the statements did not match alleged copies of the same, which PMUK had provided to SCUSA as part of its reporting requirements over the years, and which PMUK had submitted as evidence of proper expenditures to the OIG. A detailed discussion of the OIG's findings follows.

49. It also bears mention that the OIG interviewed senior PMUK management who oversaw the grant funds throughout the period at issue. In interviews, PMUK management denied knowledge of the schemes, and did not identify any additional individuals involved in management of Global Fund money. This, considered in the context of the continued efforts to frustrate the OIG's ability to gather bank statements and Global-Fund related records, further demonstrates a lack of good faith on the part of PMUK to cooperate with the OIG or address the misconduct in its organization.

VI. INVESTIGATIVE ANALYSIS

50. The OIG investigation has determined that, from the first months that PMUK received Global Fund financing in November 2004, up to, through and including December 2009, PMUK diverted at least US\$1,894,426⁵⁵ or 52%, of the US\$3,625,428⁵⁶ of Global Fund grant funds disbursed to PMUK in its role as an SR under the HIV/AIDs program in this time period to non-program purposes. In addition, PMUK undertook significant effort to conceal the diversion by fraudulently maintaining and submitting to SCUSA a set of fictitious and manufactured books and records to justify withdrawals that never actually took place. These fabricated books and records included, at least: (i) falsified bank statements; (ii) fictitious accounting journals maintained for recording the false program expenditures and activities in detail; (iii) falsified

⁵⁰ Letter sent by email was signed by the Executive Director of PMUK, Mr. Iqbal Ahammed

⁵¹ Email from the Fund Portfolio Manager to Secretary of MOHFW and Country Director of SCUSA, 15 June 2011

⁵² PMUK'S email to OIG on 18 June 2011

⁵³ Email from Executive Director to OIG auditor on 18 June 2011

⁵⁴ Executive Director

⁵⁵ BDT 127,429,347. Based on blended/actual rates: see Table of Minimum Loss, *infra* paragraph 81

⁵⁶ BDT 244,601,839. See Table of Minimum Loss, *infra* paragraph 81

bids and invoices for the purported purchase of services and goods by third party vendors that did not in fact occur, and (iv) fictitious copies of cheques allegedly prepared for vendors that were never actually issued or presented for payment.

51. While the diversion scheme was well-concealed, with fabricated documentation that was generally complete and mutually consistent, red flags, or indicators of fraud, did exist. For example, unusual typographical and arithmetic errors appeared on the fake bank statements provided by PMUK. Vendors who allegedly provided goods and services under the program also confirmed in several instances that the bids, invoices, and cheques bearing their companies' names were not authentic, that the vendors never provided the services/goods, and that they never received the funds.

A. DIVERSION OF FUNDS AND CONCEALMENT OF THE SCHEME

52. As part of its regular grant management process, SCUSA required PMUK to report on a regular basis on the technical and financial aspects of its Global Fund projects. PMUK was to provide reports on a quarterly and monthly basis⁵⁷ and either submit, or make available for review, supporting documentation for any receipt or expenditure of grant funds. As part of its reporting documentation, PMUK regularly submitted sections of what were allegedly copies of true and legitimate bank statements, reflecting the deposits and withdrawals on the Global Fund-financed accounts.⁵⁸

53. Since SCUSA obtained all documents including bank statements directly from PMUK, SCUSA reviewers and auditors viewed a set of consistent documents that purported to reflect program-related expenses. On the one hand, supporting documentation indicated actual program expenses, such as vendor invoices for goods or services and copies of cheques issued to these vendors. On the other hand, the bank statements reflected these same expenses as withdrawals from the program bank account. A set of accounting "cheque books" also reflected this same universe of expenses/withdrawals, and further purported to confirm the flow of money for program purposes.

54. It was not until the OIG was able to obtain copies of the program's bank statements directly from NCC Bank that it became clear that the universe of documents— bank statement copies, accounting journals, bids and invoices, and cheques—did not accurately reflect the majority of withdrawals that were contained in the genuine bank account statements. It was clear that documents had been created to support the appearance of purported legitimate program expenses that did not in fact occur.

⁵⁷ SCUSA's Revised Protocol for Disbursement of Funds to Padakhep, 2010.

⁵⁸ NCC Bank statements for account number 0010505054 as provided by PMUK to SCUSA within 904 (Round 2) and RCC financial reports; NCC Bank statements for account number 0011598005 as provided by PMUK to SCUSA within 904 (Round 6) financial reports; and NCC Bank statements for account number 0011586007 as provided by PMUK to SCUSA within 907 (Round 6) financial reports.

1. PMUK FORGED BANK STATEMENTS

55. PMUK held multiple bank accounts for the Global Fund-financed programs it oversaw. Between November 2004 and December 2009, it held its funds with NCC Bank, and after this date, it moved its accounts to Dutch Bangla Bank (DBB Bank).⁵⁹ The OIG found that, PMUK concealed the genuine bank statements maintained at NCC Bank, and instead created and produced its own versions of these statements, which were in fact fictitious. The OIG did not find evidence of this practice in relation to DBB Bank accounts.

56. Below is a table of all Global Fund-financed PMUK bank accounts under packages 904 and 907 for the HIV/AIDS program. Note that in the case of NCC Bank, PMUK often reported different account numbers on its forged bank statements than the NCC Bank actually used. The OIG was able to establish that the accounts were the same on the basis that (i) the deposits matched, (ii) NCC Bank officials confirmed this, and (iii) there were formal records that the account number for the same account changed, but PMUK continued to use the old number in its forged statements.

Round	Package	Bank Name	Account Title	Account Number (Valid)	Dates Used	Account Number (Fake)
R-2	904	National Credit and Commerce Bank Ltd.	Save the Children USA Fund	#0400082 #0010505054 #0325000313	Nov-04 to Sep-05 Dec-05 to Dec-07 Jan-08 to Nov-09	#0400082 #0010505054 #0010505054
R-6	904	National Credit and Commerce Bank Ltd.	GF-904-R6, Scalling Up	#0325000975	Feb-08 to Dec-09	#0011598005
R-6	907	National Credit and Commerce Bank Ltd.	IDU-GFATM-Round 6	#0325000948	Jan-08 to Dec-09	#0011586007
R-2	904	Dutch Bangla Bank Ltd.	HIV/AIDS, GF 904 (R-2)	#0148120..0752	Nov-09 to Oct-10	
R-6	904	Dutch Bangla Bank Ltd.	HIV/AIDS, GF 904 (R-6)	#0148120..0764	Nov-09 to present	
RCC	904	Dutch Bangla Bank Ltd.	GFATM 904 HIV-AIDS RCC	#0148120..1006	Apr-10 to Jan-11	
R-6	907	Dutch Bangla Bank Ltd.	GF-907	#0148120..0776	Oct-09 to Jan-11	
RCC	907	Dutch Bangla Bank Ltd.	GFATM 907 HIV-AIDS RCC	#0148120..1018	Apr-10 to present	

Addresses:

National Credit and Commerce Bank Ltd. Dhanmondi Branch, Quality Center, 744, Sat Masjid Road, Dhanmondi, Dhaka
Dutch Bangla Bank Ltd. Ring Road Branch, BAitul Aman Tower (1st Floor), 840-841, Ring Road, Adabor, Dhaka-1207


57. Over a period of 5 years, beginning at the grants' inception, PMUK systematically produced falsified bank statements and provided these false statements to SCUSA in order to create the appearance that Global Fund grant expenditures were supported by documentation. A comparison of the bank statement versions provided by PMUK against the versions produced by NCC Bank shows that the two were not the same.

⁵⁹ PMUK was required to change banks as part of the requirements under the RCC.

As the image below shows, the statements differed in layout and the style of the document headers; there were inconsistencies in the dates and amounts of the withdrawals between the statements; and there were different values for account balances of allegedly identical time periods.

NCC Bank-provided statement (top) vs. PMUK statement provided to SCUSA (bottom)

Genuine Statement from NCC Bank

 NCC Bank Limited Dhanmondi Branch Quality Centre (1st Floor), 744 PADAKHEP MANABIK UNNYAN K-STD 11/B IQBAL ROAD MOHAMMADPUR DHAKA		Account Number : 0010505054 Statement Date : 7/21/2011 Statement Period : 1/1/2006 to 10/30/2008 Account Type : SHORT TERM DEPOSIT Account Currency : BDT				
Date	Description	Reference	Value Date	Debit	Credit	Balance
07/01/08	INWARD CLEARING	5262002	07/01/08	10,000.00		480,296.90
	INWARD CLEARING	5262031	07/01/08	10,000.00		470,296.90
	CHEQUE WITHDRAWAL	5181103	07/01/08	47,750.00		422,546.90
08/01/08	INWARD CLEARING	5262020	08/01/08	10,000.00		412,546.90
	INWARD CLEARING	5262018	08/01/08	10,000.00		402,546.90
14/01/08	INWARD CLEARING	5262012	14/01/08	10,000.00		392,546.90
15/01/08	INWARD CLEARING	5262029	15/01/08	10,000.00		382,546.90
17/01/08	INWARD CLEARING	5262024	17/01/08	10,000.00		372,546.90
21/01/08	INTERNAL TRANSFERS	10505003	21/01/08		100,000.00	472,546.90
	INWARD CLEARING	5262016	21/01/08	10,000.00		462,546.90
22/01/08	INTERNAL TRANSFERS	34	22/01/08	50.00		462,496.90
29/01/08	INWARD CLEARING	5181117	29/01/08	6,500.00		455,996.90
30/01/08	INWARD CLEARING	5181120	30/01/08	6,500.00		449,496.90
	INWARD CLEARING	5181124	30/01/08	6,500.00		442,996.90


Different dates

Different header

Different withdrawals

Different balance

Forged Statement from PMUK

 National Credit and Commerce Bank Ltd. ন্যাশনাল ক্রেডিট এন্ড কমার্স ব্যাংক লিমিটেড				
ACCOUNT STATEMENT FOR THE PERIOD 01/01/2008 TO 31/03/2008 DATE : 03/04/2008 BRANCH : 011 DHANMONDI BRANCH ACCOUNT No. : 0 010505 054 NAME : PADAKHEP MANABIK				
DATE	DESCRIPTION	REFERENCE	VALUE DATE	AMOUNT
03/01/2008	BALANCE BROUGHT FORWARD - CREDIT	BDT		10,117,301.98
	CHEQUE WITHDRAWAL	5262443	03/01/2008	60,000.00 DR
	INWARD CLEARING	5262439	03/01/2008	38,082.00 DR
	INWARD CLEARING	5262438	03/01/2008	225,600.00 DR
	INWARD CLEARING	5262442	03/01/2008	56,925.00 DR
	BALANCE CREDIT	BDT		9,736,694.98
05/01/2008	CHEQUE WITHDRAWAL	5262448	05/01/2008	170,000.00 DR
	INWARD CLEARING	5262440	05/01/2008	17,135.00 DR
	INWARD CLEARING	5262441	05/01/2008	1,208,075.00 DR
	BALANCE CREDIT	BDT		8,341,483.98
09/01/2008	INWARD CLEARING	5262447	09/01/2008	100,000.00 DR
	INWARD CLEARING	5262446	09/01/2008	10,000.00 DR
	INWARD CLEARING	5262444	09/01/2008	2,250.00 DR
	INWARD CLEARING	5262445	09/01/2008	42,750.00 DR
	BALANCE CREDIT	BDT		8,186,483.98
10/01/2008	CHEQUE WITHDRAWAL	5262449	10/01/2008	350,000.00 DR
	BALANCE CREDIT	BDT		7,836,483.98
15/01/2008	CHEQUE WITHDRAWAL	5262450	15/01/2008	75,000.00 DR
	BALANCE CREDIT	BDT		7,761,483.98
17/01/2008	INWARD CLEARING	5263006	17/01/2008	30,000.00 DR
	CHEQUE WITHDRAWAL	5263005	17/01/2008	59,800.00 DR
	BALANCE CREDIT	BDT		7,671,683.98
21/01/2008	CHEQUE WITHDRAWAL	5263007	21/01/2008	110,000.00 DR
	BALANCE CREDIT	BDT		7,561,683.98
28/01/2208	CHEQUE WITHDRAWAL	5263008	28/01/2208	20,000.00 DR
	BALANCE CREDIT	BDT		7,541,683.98
31/01/2008	INTERNAL TRANSFER	10505003	31/01/2008	552,639.00 DR
	BALANCE CREDIT	BDT		6,989,044.98

Withdrawals were not made on the same dates in the same amounts. Also, while the false statement represented a balance of BDT 7 million at 31 January 2008, the NCC provided statement shows a balance of BDT 442k at 30 January 2008.

58. The OIG showed the versions of the bank statement provided by PMUK to senior NCC Bank staff to obtain their assessment of the statements' authenticity. The NCC Bank officials confirmed that the PMUK-provided statements were not issued by NCC Bank, and are indeed illegitimate.⁶⁰

59. From close inspection of the false bank statements, it is possible to see indications of falsity, demonstrating on its face that the bank may not have produced the statements. Most importantly, the PMUK-produced statements contained arithmetic errors. In addition, there were spelling and formatting errors:

Error	Fabricated PMUK-Produced Bank Statement ⁶¹												
<p>Addition Error: 12/10/2006 Balance Credit should be 20,005,775.23</p>	<table border="1"> <tr> <td>BALANCE CREDIT</td> <td>BDT</td> <td></td> <td>5,905,775.23</td> </tr> <tr> <td>12/10/2006</td> <td>OUTWARD CLEARING</td> <td>12/10/2006</td> <td>14,100,000.00</td> </tr> <tr> <td>BALANCE CREDIT</td> <td>BDT</td> <td></td> <td>20,255,775.23</td> </tr> </table>	BALANCE CREDIT	BDT		5,905,775.23	12/10/2006	OUTWARD CLEARING	12/10/2006	14,100,000.00	BALANCE CREDIT	BDT		20,255,775.23
BALANCE CREDIT	BDT		5,905,775.23										
12/10/2006	OUTWARD CLEARING	12/10/2006	14,100,000.00										
BALANCE CREDIT	BDT		20,255,775.23										
<p>Misspelling: "Brought Forward" as "BROUGHT FORWARD"</p>	<p>ACCOUNT STATEMENT FOR THE PERIOD 13/09/2006 TO 29/12/; BRANCH : 011 DHANMONDI BRANCH ACCOUNT No. : 0 0105</p> <table border="1"> <thead> <tr> <th>DATE</th> <th>DESCRIPTION</th> <th>REFERENCE</th> </tr> </thead> <tbody> <tr> <td>13/09/2006</td> <td>BALANCE BROUGHT FORWARD - CREDIT</td> <td>BDT</td> </tr> <tr> <td>01/10/2006</td> <td>INTERNAL TRANSFER</td> <td>10505003 (</td> </tr> <tr> <td></td> <td>BALANCE CREDIT</td> <td>BDT</td> </tr> </tbody> </table>	DATE	DESCRIPTION	REFERENCE	13/09/2006	BALANCE BROUGHT FORWARD - CREDIT	BDT	01/10/2006	INTERNAL TRANSFER	10505003 (BALANCE CREDIT	BDT
DATE	DESCRIPTION	REFERENCE											
13/09/2006	BALANCE BROUGHT FORWARD - CREDIT	BDT											
01/10/2006	INTERNAL TRANSFER	10505003 (
	BALANCE CREDIT	BDT											
<p>Date Formatting Error: Date is formatted differently twice on same line</p>	<table border="1"> <tr> <td>BALANCE CREDIT</td> <td>BDT</td> <td></td> <td>24,076,385.23</td> </tr> <tr> <td>12/11/2006</td> <td>INWARD CLEARING</td> <td>5861476</td> <td>12/112006 42,750.00 DR</td> </tr> <tr> <td>BALANCE CREDIT</td> <td>BDT</td> <td></td> <td>24,033,635.23</td> </tr> </table>	BALANCE CREDIT	BDT		24,076,385.23	12/11/2006	INWARD CLEARING	5861476	12/112006 42,750.00 DR	BALANCE CREDIT	BDT		24,033,635.23
BALANCE CREDIT	BDT		24,076,385.23										
12/11/2006	INWARD CLEARING	5861476	12/112006 42,750.00 DR										
BALANCE CREDIT	BDT		24,033,635.23										

⁶⁰ ROC: Manager of NCC Dhanmondi Branch, OIG Interoffice Memo 1 August 2011.

⁶¹ 2006-10-12 Padakhep Oct Dec 2006.pdf, page 5.

67. Based on a comparison of the accounting journals against the NCC bank statements,⁶⁴ it is possible to determine that PMUK began manufacturing fictitious books and records—and diverting Global Fund monies—at the time it assumed its role as SR. In the image below, the genuine bank statement records an original deposit of BDT 1,000 (US\$15), which was likely used to open the bank account on 9 November 2004. The first Global-Fund financed deposit of BDT 12,000,000 (US\$179,104), from SCUSA, appears on 28 November 2004. The accounting journal accompanying these early days demonstrates that PMUK made its first withdrawals on 9 January 2005—five payments of BDT 961,940 (US\$14,357) each to five SSRs. The genuine bank statement reflects these payments as well. The accounting journal then goes on to record a withdrawal of BDT 852,759 (US\$12,728) on the same day. This withdrawal, however, does not appear on the genuine NCC-produced bank statement. Therefore, it is reasonable to conclude this is a false entry and a falsified withdrawal. This act occurred in January 2005, as part of the initial transactions in the program.

Genuine NCC-Bank statement, first transactions in 2004-2005

National Credit & Commerce Bank Ltd.
Statement of Account

Name & Address:
PADAKHEP MANABIK UNNYAN KENDRA
HOUSE#548,ROAD#10,BAITUL AMAN HOUSING SOCIETY,
ADABAR,MD-PUR,DHAKA
DHAKA

Customer Code: 6893
Account no:0460082
Date range: 1/1/2001 - 12/29/2005
Opening Balance: -8,31,906.00
Page No: 1

Date	Description	Debit	Credit	Balance
11/09/2004	CASH DEPOSIT		1,000.00	8,30,906.00
11/26/2004	CHEQUE DEPOS		1,20,00,000.00	1,11,69,294.00
12/29/2004	EXCISE DUTY			1,11,66,594.00
1/11/2005		7,500.00		
	CLEARING INW	9,61,940.00		
	CLEARING INW	9,61,940.00		
	CLEARING INW	9,61,940.00		
	CLEARING INW	9,61,940.00		
	CLEARING INW	9,61,940.00		
1/11/2005	TRANSFER DR.	60,00,000.00		
2/09/2005	CHEQ. WITHDRAW	2,87,625.00		
2/19/2005	CLEARING INW	9,61,940.00		
3/13/2005	CLEARING INW	70,000.00		
3/24/2005	CHEQ. WITHDRAW	21,000.00		
8/11/2005	CHEQUE DEPOS		4,00,000.00	
8/17/2005	CLEARING INW	18,75,000.00		
8/17/2005	CLEARING INW	7,79,294.00		

Corresponding accounting journal for first transactions

January 05

FOR THE MONTH OF 20

No.	Date	Particulars	Debit	Credit	Balance
46	11/09/04	BDT to SCUSA		12000000	
47	11/26/04	BDT to SCUSA		120000000	
48	12/29/04	BDT to SCUSA			
49	1/11/05	BDT to SSRs	961940		
50	1/11/05	BDT to SSRs	961940		
51	1/11/05	BDT to SSRs	961940		
52	1/11/05	BDT to SSRs	961940		
53	1/11/05	BDT to SSRs	961940		
54	1/11/05	BDT to SSRs	961940		
55	1/11/05	BDT to SSRs	961940		
56	1/11/05	BDT to SSRs	961940		
57	1/11/05	BDT to SSRs	961940		
58	1/11/05	BDT to SSRs	961940		
59	1/11/05	BDT to SSRs	961940		
60	1/11/05	BDT to SSRs	961940		
61	1/11/05	BDT to SSRs	961940		
62	1/11/05	BDT to SSRs	961940		
63	1/11/05	BDT to SSRs	961940		
64	1/11/05	BDT to SSRs	961940		
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68	1/11/05	BDT to SSRs	961940		
69	1/11/05	BDT to SSRs	961940		
70	1/11/05	BDT to SSRs	961940		
71	1/11/05	BDT to SSRs	961940		
72	1/11/05	BDT to SSRs	961940		
73	1/11/05	BDT to SSRs	961940		
74	1/11/05	BDT to SSRs	961940		
75	1/11/05	BDT to SSRs	961940		
76	1/11/05	BDT to SSRs	961940		
77	1/11/05	BDT to SSRs	961940		
78	1/11/05	BDT to SSRs	961940		
79	1/11/05	BDT to SSRs	961940		
80	1/11/05	BDT to SSRs	961940		
81	1/11/05	BDT to SSRs	961940		
82	1/11/05	BDT to SSRs	961940		
83	1/11/05	BDT to SSRs	961940		
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90	1/11/05	BDT to SSRs	961940		
91	1/11/05	BDT to SSRs	961940		
92	1/11/05	BDT to SSRs	961940		
93	1/11/05	BDT to SSRs	961940		
94	1/11/05	BDT to SSRs	961940		
95	1/11/05	BDT to SSRs	961940		
96	1/11/05	BDT to SSRs	961940		
97	1/11/05	BDT to SSRs	961940		
98	1/11/05	BDT to SSRs	961940		
99	1/11/05	BDT to SSRs	961940		
100	1/11/05	BDT to SSRs	961940		
		Payments	5600000		
		Balance	63,77,294		
		Total	1,19,77,294		

In the first months of the grant, PMUK withdrew 5 payments to SSRs, which appear on the genuine NCC-produced bank statement and on the PMUK-produced accounting journal. However, the journal also records a BDT 852,256 withdrawal on the same day that does not appear on the genuine bank statement—and therefore is fraudulent.

⁶⁴ The OIG was not provided with a copy of the PMUK-produced forged bank statement for this month.

3. PMUK FABRICATED SUPPORTING DOCUMENTATION

68. PMUK also produced a set of fake supporting documentation to further attempt to provide the appearance of legitimacy to the fictitious bank statements and accounting journals that were created to disguise the diversions. Among the false supporting documentation were fake vendor bids and invoices, as well as copies of cheques allegedly issued to vendors. These supporting documents were intended to justify expenses for purported goods and services, including purchases of medical and health supplies, printing related stock, equipment, and fittings. However, these expenses in fact did not exist and were not incurred.

69. In this regard, PMUK had on file and in its possession, and provided to the OIG, a set of documents allegedly evidencing purchases of services or goods in furtherance of program purposes. These included documents recording alleged competitive procurement process (i.e., three allegedly competing bids from three different vendors), the rendering of services or delivery of goods (i.e., an invoice from the selected vendor), and the payment for the goods or services (i.e., a copy of a cheque, allegedly issued to the vendor).

70. The OIG collected a sample set of document bids, invoices, and cheques⁶⁵ relating to procurements of goods and services dated between September 2006 – April 2011. The OIG identified 30 cases, totaling US\$249,600, for this period in which the payments for goods and services did not actually appear on the genuine statements collected at NCC Bank. Rather, these expenses appeared only on the fabricated bank statements, pertaining to Rounds 2 and 6, packages 904 and 907.

71. Upon contacting the vendors and bidders whose business names appeared on these procurement documents, there were several incidents in which the vendors were unable to verify the authenticity of the documents:⁶⁶

- In the case of two purchases of equipment from CARE & Fair for a total of US\$9,970,⁶⁷ the CARE & Fair's representative confirmed that it had provided several of the items listed in the invoice to PMUK, but not all. The representative further stated that the bid, challan (delivery receipt), bill, money receipt, and work order were all false and that he never received the full amount of money. Competing vendors also confirmed that the bids bearing their company's name were also not authentic.
- In the case of a US\$1,690⁶⁸ equipment purchase from Green Power, the Green Power representative confirmed that whereas it had submitted a bid, it had not received the work order, provided the items, or received the cheque payment. The invoice, cheque, and money receipt were all fake.

⁶⁵ See supra para. 33 regarding sample selection methodology used. The OIG conducted vendor verifications before it was able to obtain the genuine bank statements from the NCC Bank.

⁶⁶ The OIG was unable to reach all vendors as some were not reachable or had ceased being in existence. Also, some vendors confirmed that the documents bearing their vendor logos were authentic.

⁶⁷ BDT 396,354 and BDT 271,610

⁶⁸ BDT 113,230

- In the case of 4 printing purchases from vendor Purabi totaling US\$76,413,⁶⁹ a representative of this vendor informed the OIG that all the documents bearing the vendor's name were not authentic, that no such printing services were rendered, and that the vendor had never received payment.⁷⁰

72. Attached to the procurement documents in PMUK's files were copies of cheques that had allegedly been issued to the vendors. As the comparison of the fictitious documents/purported "statements" with the genuine bank statements below demonstrates, it is more probable than not that real cheques, issued by NCC Bank, were used and populated with false information for purposes of creating false supporting documentation. However these cheques were never provided to the vendor, and thus never presented to the Bank for payment. In the image below, whereas the forged bank statement registered that cheques #5362311-15 were presented to the bank for payment within a week of one another, the genuine bank statement provided by NCC Bank did not register these cheques at all, illustrating that they were never in fact presented for payment. Rather, the cheques were used as means to further the perception of program expenditures that, in reality, were not in fact occurring.

Genuine NCC Bank-provided statement

Fictitious PMUK-produced bank

Date	Description	Debit	Credit	Balance
3/12/2008	3/12/2008 CASH 0000000005		81,700.00	81,700.00
3/13/2008	3/13/2008 CLS-Interest 0005362310	61,700.00		20,000.00
3/13/2008	3/13/2008 GACH 0000000005		14,000.00	34,000.00
3/13/2008	3/13/2008 CLS 0000000005		6,771,000.00	6,805,000.00
3/13/2008	3/13/2008 CLS-Interest 0005462316	7,000.00		6,798,000.00
3/13/2008	3/13/2008 TRANSFER 0005181128	4,000,000.00		2,798,000.00
3/13/2008	3/13/2008 CLS-Interest 0005181130	1,400,000.00		1,396,600.00
3/13/2008	3/13/2008 TRANSFER 0005181130	34,200.00		1,362,400.00
3/13/2008	3/13/2008 TRANSFER 0005181130		2,710,000.00	4,072,400.00
3/13/2008	3/13/2008 ATM Fee 0400000000	50.00		4,071,850.00
3/13/2008	3/13/2008 TRANSFER 0011589005	4,400,000.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005181126	2,800.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457515	10,000.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457526	10,000.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457513	10,000.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457532	10,000.00		0.00
3/13/2008	3/13/2008 TRANSFER 0011589005		95,800.00	95,800.00
3/13/2008	3/13/2008 CLS-Interest 0005457537	10,000.00		85,800.00
3/13/2008	3/13/2008 CLS-Interest 0005181910	10,000.00		75,800.00
3/13/2008	3/13/2008 CLS-Interest 0005457515	10,000.00		65,800.00
3/13/2008	3/13/2008 CLS-Interest 0005181132	66,400.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457511	10,000.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457526	10,000.00		0.00
3/13/2008	3/13/2008 TRANSFER 0005457526	75.00		0.00
3/13/2008	3/13/2008 ATM Fee 0401100009	800.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457526	10,000.00		0.00
3/13/2008	3/13/2008 CLS-Interest 0005457526	10,000.00		0.00

Date	Description	Debit	Credit	Balance
3/13/2008	3/13/2008 INTERNAL CLEARING		28,152.00	28,152.00
3/13/2008	3/13/2008 BALANCE CREDIT		5,473,437.00	5,501,589.00
3/13/2008	3/13/2008 CHECK WITHDRAWAL	180,000.00		5,321,589.00
3/13/2008	3/13/2008 BALANCE CREDIT		20,000.00	5,341,589.00
3/13/2008	3/13/2008 CHECK WITHDRAWAL	3,000,000.00		2,341,589.00
3/13/2008	3/13/2008 BALANCE CREDIT		4,226,437.00	6,568,026.00
3/13/2008	3/13/2008 CHECK WITHDRAWAL	200,000.00		6,368,026.00
3/13/2008	3/13/2008 BALANCE CREDIT		6,000,437.00	12,368,463.00
3/13/2008	3/13/2008 INTERNAL CLEARING		61,700.00	12,430,163.00
3/13/2008	3/13/2008 BALANCE CREDIT		3,994,737.00	16,424,900.00
3/13/2008	3/13/2008 INTERNAL CLEARING		24,500.00	16,449,400.00
3/13/2008	3/13/2008 INTERNAL TRANSFER		2,500.00	16,451,900.00
3/13/2008	3/13/2008 BALANCE CREDIT		198,174.00	16,650,074.00
3/13/2008	3/13/2008 CHECK WITHDRAWAL	3,383,863.00		13,266,211.00
3/13/2008	3/13/2008 BALANCE CREDIT		40,000.00	13,306,211.00
3/13/2008	3/13/2008 CHECK WITHDRAWAL	3,383,863.00		9,922,348.00
3/13/2008	3/13/2008 BALANCE CREDIT		90,000.00	10,012,348.00
3/13/2008	3/13/2008 CHECK WITHDRAWAL	1,210,813.00		8,801,535.00
3/13/2008	3/13/2008 BALANCE CREDIT		150,000.00	8,951,535.00
3/13/2008	3/13/2008 INTERNAL CLEARING		14,000.00	9,065,535.00
3/13/2008	3/13/2008 BALANCE CREDIT		67,280.00	9,132,815.00

Note: Cheques # 5362311-5362315 do not appear on genuine statement but do on the fraudulent one—they were never genuinely cashed.

73. Below is an image of a cheque that was never registered as having been presented for payment in the genuine NCC-presented bank statements. As the image shows, two senior

⁶⁹ BDT 1,140,986; BDT 2,327,812; BDT 1,460,672; and BDT 190,189

⁷⁰ As these expenditures appeared also to have been fabricated in the forged bank statements, they are not separately counted as loss.

PMUK officials stamped and signed the cheque, and a “paid” stamp was also added to further register that it had been handed to the vendor, CARE & Fair, when this did not actually occur.

Sample: Cheque located within PMUK vouchers not identified on the genuine bank statements



4. PMUK WITHDREW GRANT FUNDS FOR UNKNOWN PURPOSES

74. By maintaining a set of forged bank statements, books and records, PMUK was able to disguise their withdrawals of program funds. These diversions amounted to at least US\$1,894,426⁷¹ or 52%, of the US\$3,625,428⁷² disbursed into the actual NCC bank accounts. As none of the documentation provided by PMUK related to these withdrawals, the withdrawals were effectively made for unauthorized purposes, and are yet unknown.

75. These withdrawals were made through cashed cheques and wire transfers. Of the small sample of cheques which the OIG was able to collect at NCC Bank, it appears that these cheques were either “bearer” cheques, lacking a payee name, or cheques made to PMUK in general. In both cases, anonymous persons could withdraw the funds. The remainder of the diversions were made through wire transfers to the PMUK corporate account.

76. None of the “hidden” withdrawals were supported by any documentation which PMUK provided as evidence of proper program-related use. Thus, as the withdrawals were evidently concealed, it is highly likely that the funds were not used for program purposes. This amount constitutes the OIG’s calculation of minimum loss through diversion by PMUK.

⁷¹ BDT 127,429,347. See Table of Minimum Loss, infra paragraph 81

⁷² BDT 244,601,839. See Table of Minimum Loss, infra paragraph 81

B. ACTIVITIES AFTER DECEMBER 2009

77. The OIG also reviewed PMUK statements for its accounts after December 2009, which were maintained at a different bank, Dutch Bangla Bank. Here, evidence of bank statement fabrication was not found. However, 23 suspicious payments to vendors were identified, with a value of US\$85,545⁷³ during this same period. Losing bidders related to these procurements informed the OIG that the bids submitted in their names were false. The OIG attempted to substantiate these allegations but was unable to identify sufficient credible and substantive evidence that these procurements were falsified.

78. Given the absence of further corroborating evidence at this time, the OIG makes no finding regarding these transactions, and is not including these transactions in the calculation of minimum loss.

VII. LOSSES TO THE GLOBAL FUND

79. Article 20 of the Global Fund's Standard Terms and Conditions (STCs) of the grant agreement establishes that the PR is liable for any loss or theft of cash or items purchased with grant funds:⁷⁴

"... the Principal Recipient shall be solely liable for the loss or theft of any cash in the possession of the Principal Recipient or any of its agents or Sub-recipients and shall have no recourse to the Global Fund for any such loss or theft."

80. Given the legal provisions of the STCs of the grant agreement, the Global Fund has the right to require restitution and repayment of misappropriated grant funds on a number of bases. They include, but are not limited to the fact that the funds at issue constitute: (i) misappropriated, defrauded, and corrupt funds; (ii) funds unsupported by documentation;⁷⁵ and (iii) funds that have been wasted.⁷⁶

81. Based upon the foregoing, the OIG's investigation has identified that fraud, mismanagement and unsupported expenditures identified in its investigation of PMUK resulted in losses to the Global Fund. The amount of loss incurred by the Global Fund is US\$1.89 million and is established as:

- The US\$3,625,428 amount, which is the total amount of Global Fund funds disbursed into PMUK's accounts held at NCC Bank from November 2004 until December 2009, during which time PMUK maintained doctored sets of documents including entirely falsified bank statements;
- Less US\$1,356,661, which constitutes the total amount of withdrawals PMUK recorded within its doctored set of records (forged bank statements, accounting journals, or supporting documents) which also appear on genuine

⁷³ BDT 5,731,515

⁷⁴ Program Grant Agreements between Economic Relations division of the MoF of GoB and the Global Fund for Rounds 2 and 6, Grant Agreement between SCUSA and the Global Fund for the RCC grant.

⁷⁵ Violation of Article 13 of the STCs of the grant agreement

⁷⁶ Violation of Article 9 of STCs of the grant agreement, which states: "The Principal Recipient shall ensure that all Grant funds are prudently managed and shall take all necessary action to ensure that Grant funds are used solely for Program purposes and consistent with the terms of this Agreement."

NCC bank statements and are presumed to be valid expenditures used for program purposes;

- Less \$ 374,341, which constitutes the transfers from the NCC bank accounts to the new DBB bank accounts.

Table of Minimum Loss to Global Fund Resulting from PMUK Fraudulent Activities

Description	COMBINED			
	CNT	BDT	FX	USD
Total inflows from SCUSA to PMUK's bank accounts with NCC		244,601,839	67.4684	\$ 3,625,428
Less potentially legitimate grant-related transactions –				
(1) transactions appearing in both genuine and fake bank statements of NCC	397	91,531,758	67.4684	\$ 1,356,661
(2) transfers of grant funds to new Dutch-Bangla bank accounts	4	25,640,734	68.4957	\$ 374,341
Equals minimum loss to the Global Fund		127,429,347	67.2654	\$ 1,894,426

82. Indeed, at this time it is unknown to what purposes the misappropriated US\$1.89 million in withdrawals were put. The totality of circumstances in this case—the fact that PMUK falsified and fabricated its books and records, and then took active steps to obstruct the discovery of the fraud—indicates that it is more likely than not that these funds were not used for program purposes. Indeed no evidence has been identified that the funds were used for program purposes. Regardless, and in the alternative, as PMUK has not presented the Global Fund or SCUSA with genuine documentation justifying these withdrawals, despite repeated requests to do so, the Global Fund may require recovery on the basis that these withdrawals were made in the absence of supporting documentation.⁷⁷

83. It should be noted that, in determining loss due to fraud and other forms of misappropriation, the OIG adheres to a strict standard of credible and substantive evidence. As such, the OIG has not included in its calculation of loss those withdrawals which matched across the fraudulent and genuine bank statements but the OIG found to be tainted only by circumstantial evidence of fraud on the face of the supporting documentation relating to these withdrawals. The OIG was unable to pursue all investigative leads and indicators of fraud due to time and resource constraints. Given PMUK's conduct of creating false documents and efforts to hide and conceal the scheme, however, there exists a real and profound risk that the actual funds diverted from program purposes well exceeds the US\$1.89 million figure identified above. Thus, the OIG terms this amount "minimum loss."

84. The OIG considers PMUK's systemic and still-ongoing lack of cooperation vis-à-vis the PR, SCUSA, and the OIG to constitute a sufficiently strong aggravating factor such that the Global Fund could fairly demand significantly larger sum for repayment. Indeed, PMUK incorporated this entire amount of Global Fund money into its fraudulent scheme over a period of 5 years by including it in the books and records it fabricated to conceal diversion.

⁷⁷ Violation of Article 13 that of the STCs of the grant agreement.

VIII. RESPONSE TO OIG FINDINGS

85. Upon learning of the fraudulent scheme described above, the Global Fund Secretariat and the Principal Recipient in this case, SCUSA, both took swift action to protect Global Fund funds while the OIG investigation has been ongoing.

86. The OIG first debriefed SCUSA and the Secretariat verbally on its findings on 23 August 2011.

87. SCUSA terminated its contract with PMUK on 25 September 2011. It also advised the BWHC, a SCUSA SR under which PMUK functioned as SSR, to terminate its relationship with PMUK on 9 October 2011.

88. In response, PMUK aggressively opposed the termination. On 27 October, 2011, PMUK management sent a letter to the MOHFW alleging that “Save the Children USA, most illegally, unprofessionally and in-transparently terminated subgrants... of PMUK without issuance of any reasons and not following due process.”⁷⁸ PMUK expressed refusal to honor the termination of the agreement, and ultimately brought a case in arbitration against SCUSA in which it alleged for wrongful termination and made claims of the equivalent of US\$14.23 million⁷⁹ in damages against SCUSA.

89. In relation to SCUSA’s efforts to have PMUK terminated as an SSR under BWHC, on 15 October 2011, PMUK informed SCUSA that it “decline[s] to follow [SCUSA’s] instructions and will abide by the contract.”

90. Furthermore, PMUK refused SCUSA access to the elements of the program which SCUSA attempted to take over to ensure program continuity—Drop-In-Centers (DICs) and oversight of the SSRs under PMUK. After SCUSA made requests to PMUK to hand over the DICs and SSRs, on 11 January 2011, PMUK issued a letter to SCUSA refusing hand-over and “change of the status quo.” It also threatened the SCUSA Country Director with expulsion from the country: “If you continue to behave the way you are which smells of an anti- Bangladeshi bias, we will take of (sic) the matter with the Government to have you declared Persona-non-grata.” A copy of the letter is provided below:

⁷⁸ Letter from PMUK to the Minister of MOHFW and CCM Chair, entitled: Application for Necessary Initiative for Justice against the Arbitrarily, Unilateral, & Abrupt Termination of Sub-Grants 84044879D and 84044879G by Save the Children Principal Recipient (PR) of the Global Fund.

⁷⁹ This amount takes the sum total of the damages listed in the complaint and calculates the US\$ equivalent value by using the most current exchange rate of BDT 80: USD\$ 1.



Padakhep Manabik Unnayan Kendra

January 11, 2011

Mr. Michael McGrath
Country Director
Save the Children
Bangladesh Country Office
House No 1 A (2), Road No. 91
Gulshan - 2, Dhaka
Bangladesh

Reference: BDCO/HIV/AIDS/2012/2 dated January 08, 2012

Subject: Handing Over of Drop in Centers

Gentleman,

It is with the deepest of regret, I bring to your notice that you are acting with impunity and with gross ulterior motive against Padakhep. It appears that you have no respect and regard for Bangladesh, its laws, culture and its sovereignty.

You are well aware that a dispute has arisen in respect to your purported cancellation of our contract with you and the matter is sub judice before an Arbitration Tribunal created under the Arbitration Act 2001.

Notwithstanding the same, you choose to send the reference letter received by us on January 09, 2012 around 11.45am though the Tribunal was due to sit at 6.30pm and tribunal did sit.

We would like to categorically inform you that as long as the matter is pending before Arbitration, we will not change the status and a status quo will be maintained by us.

If you continue to behave the way you are which smells of an anti-Bangladesh bias, we will take of the matter with the Government to have you declared Persona-non-grata.

Please amend your behavior towards Bangladesh and be respectful towards our laws, culture and sovereignty.

A.B.M. Siddique
President

CC to:

1. PS to Honorable Minister, Ministry of Health and Family Welfare, Government of Bangladesh and Chairperson, Bangladesh Country Coordination Mechanism (BCCM)
- ✓ 2. Mr. Artashes Mirzoyan, Fund Portfolio Manager, the Global Fund, Geneva, Switzerland,
3. Mr. Abu Nomaan Hossain, Country Team Leader, LFA,
4. Dr. Abdul Waheed, Line Director, National AIDS/STD programme,
5. Dr. Amzad Ali, Acting Director, HIV/AIDS Sector, Save the Children,
6. Mr. Iqbal Ahammed, Executive Director, PMUK

91. In late October and early November 2011, the Secretariat issued letters to the CCM,⁸¹ NASP,⁸² and other key donors⁸³ calling for support for SCUSA's termination of PMUK. When the CCM did not issue a statement of support, the Secretariat again appealed to the CCM on 31 January 2012 to fully endorse SCUSA's decision to terminate the contract with PMUK. On 2 February 2012, the CCM met and put to a vote its support for SCUSA's termination. A conclusion of positive support for SCUSA was issued in the 72nd minutes of the CCM:⁸⁴

“Following extensive participatory discussion, CCM endorsed the actions taken by Save the Children and the Save Children's plans to ensure continued services to those who had been served by the DICs directly managed by PMUK by taking over direct responsibility for these DICs.”

92. At the time of issuance of this Interim Report, the dispute over the termination of PMUK is the subject of arbitral proceedings between PMUK and SCUSA.

IX. CONCLUSIONS AND RECOMMENDATIONS

93. The OIG recommends that all losses under the grants be recovered from PMUK, including at least the identified loss of US\$1,894,426, and for all further amounts that PMUK cannot justify were used in furtherance of grant programs and consistent with the grant agreement. In that regard, the full amount of the funds disbursed between 2004 and 2009 amounts to US\$3,625,428. To date, PMUK has not yet been able to justify proper use of these funds. The Global Fund's Legal and Compliance Unit have confirmed its agreement with an initial loss calculation of US\$1,894,426.

94. The OIG recommends that PMUK, its principals, and all entities managed by its principals, be debarred from receiving any Global Fund financing, going forward, including an entity in which the principals of PMUK currently also retain significant direct or beneficial ownership interests.

95. The OIG further recommends that the other donors funding PMUK in Bangladesh be notified of the result of this case and be provided with this report, including the identities of the principals.

96. The OIG recommends that the case be transferred to the appropriate national authorities in Bangladesh for further criminal and civil action, as deemed appropriate.

X. ACRONYMS

BDT	Bangladeshi Taka
BRAC	Bangladesh Rural Advancement Committee
CCM	Country Coordinating Mechanism
DBB	Dutch Bangla Bank
DFID	UK Department for International Development
DICs	Drop in Centers
FHI	Family Health International
FPM	Fund Portfolio Manager (Global Fund Secretariat)
GoB	Government of Bangladesh
HR	Human Resources
ICDDR'B	International Centre for Diarrhoeal Disease Research, Bangladesh
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
LFA	Local Fund Agent
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MOHFW	Ministry of Health and Family Welfare
MoU	Memorandum of Understanding
NASP	National AIDS/HIV Control Program
NCC	National Credit and Commerce Bank
NGO	Non-Governmental Organization
OIG	Office of the Inspector General
PBF	Performance Based Funding
PMUK	Padakhep Manabik Unnayan Kendra
PO	Purchase Order
PR	Principal Recipient
RCC	Rolling Continuation Channel
RoC	Record of Conversation
SCUSA	Save the Children USA
SR	Sub-Recipient
SSR	Sub Sub-Recipient
US\$	United States Dollars
VAT	Value Added Tax