



## Investigation Report

# Global Fund Grants to the Republic of Guinea Ministry of Public Health

GF-OIG-15-007  
31 March 2015  
Geneva, Switzerland

Non-compliant expenditures USD 416,183  
Proposed recoveries USD 416,183  
Categories

Fraud / Misrepresentation of information  
Collusion  
Mis-management Issues / Waste and abuse  
Non-compliance with laws / Grant agreements

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# I. Background and Scope

The Global Fund has issued twelve grants in Guinea to-date addressing all three diseases for a total commitment of USD 119.3 million and disbursements of USD 93.4 million. Four grants are currently active.

In July 2012, the Office of Inspector General (OIG) initiated an investigation into the portfolio's Round 6 HIV/AIDS grant. The grant was entered into in October 2007 (the "Grant Agreement") with the Ministry of Public Health, as the Principal Recipient, and closed December 2012.<sup>1</sup> Program objectives included improving STD/HIV/AIDS prevention services in high-risk groups, improving accessibility and quality of therapeutic care and monitoring of People Living with HIV/AIDS, and strengthening capacities and the partnership with organizations from civil society. The grant was implemented by the Programme National de Prise en Charge Sanitaire et de Prévention (PNPCSP), a Sub-Recipient, and a national program under the Ministry of Health in charge of health management and prevention STD/HIV/AIDS.

The investigation was initiated based on the results of a review completed in January 2012 by PricewaterhouseCoopers (PwC), the Local Fund Agent for Guinea, of the approximate USD 533,000 of expenditures of the grant's 29 Sub-sub-recipients involved during the grant's Phase 1, which ran from January 2008 to June 2010. The Sub-sub-recipients were largely NGOs and two United Nations (UN) agencies. The Local Fund Agent's review identified red flags for fictitious invoicing and indications that some NGOs were not legitimate. The Local Fund Agent classified as suspicious or fraudulent all of the GNF 1 billion (USD 190,000) of expenditures reviewed for 26 of the 29 Sub-sub-recipients. The three other Sub-sub-recipients—one international NGO and the two UN agencies<sup>2</sup>—received the largest allocations of Sub-sub-recipient funds, totaling GNF 1.88 billion (USD 343,000), but the Local Fund Agent did not classify any of these expenditures as suspicious or fraudulent. The Sub-sub-recipients were not utilized in the grant's Phase 2 and received no additional funds after July 2010.

The OIG's investigation focused on the Sub-sub-recipients' expenditures and the authenticity of certain Sub-sub-recipients managed by PNPCSP under the grant. In many cases, the OIG utilized the Local Fund Agent's previous and thorough efforts in attempting to validate the identity and existence of many Sub-sub-recipients. The OIG's investigation also included a limited review of PNPCSP's program expenditures during the entire grant period. PNPCSP had received USD 2.4 million of the grant's USD 10.1 million in total disbursements, as USD 7.7 million of the grant was disbursed directly to international suppliers.<sup>3</sup> During the investigation, the OIG also made limited inquiries, conducted limited analyses, and collected some data and documents related to two other Guinea grants active at the time, but these grants were not investigated.<sup>4</sup>

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<sup>1</sup> GIN-607-G04-H; Grant Agreement between the Global Fund to Fight AIDS, Tuberculosis and Malaria and the National Tuberculosis Control Program, Republic of Guinea (23 October 2007), Amended for Phase 2 (23 March 2011). The grant period started 1 January 2008 and closed on 31 December 2012, with its Phase 1 ending 30 June 2010.

<sup>2</sup> The World Food Program, UNICEF and SOLTHIS (Solidarité Thérapeutique & Initiatives contre le SIDA).

<sup>3</sup> Essentially all of the funds disbursed in the Grant to the Principal Recipient were passed through to PNPCSP.

<sup>4</sup> GIN-506-G03-T, a Round 5 tuberculosis grant, and GIN-607-G05-M, a Round 6 malaria grant. The Ministry of Health was the Principal Recipient for each of the three grants, but assigned grant implementation to different national programs.

## II. Executive Summary

The OIG's investigation confirmed serious misappropriation and fraud associated with 22 of the 26 Sub-sub-recipients that had been flagged with suspicious or fraudulent expenditures by the Local Fund Agent. The OIG's investigation identified four fictitious NGOs established by a PNPCSP staff member in order to access and embezzle grant funds. Nine other Sub-sub-recipients were found to have not carried out any program activities with the sum of grant funds received. In both cases, the 13 Sub-sub-recipients submitted falsified invoices and documentation to PNPCSP to justify their grant advances. The investigation further found situations of falsified invoices justifying grant expenditures in nine other Sub-sub-recipients. The OIG observed fictitious invoicing to be pervasive across the administration of the grant at the Sub-sub-recipient level, sometimes with PNPCSP involvement. Additionally, PNPCSP could not support two material expenditures it had made to suppliers.

The OIG's findings are described under four sub-headings: (1) shell NGOs created by PNPCSP's Communication Assistant to embezzle grant funds; (2) Sub-sub-recipients which did not carry out any grant activities for the sum of grant funds received; (3) instances of fictitious invoices/vendors justifying grant expenditures; and (4) PNPCSP unsupported expenditures. PNPCSP disbursed GNF 128.2 million (USD 26,023) to the shell NGOs and GNF 285 million (USD 60,953) to the non-performing Sub-sub-recipients. The total amount of transactions connected to the fictitious invoices is GNF 401 million (USD 78,355). Additionally, PNPCSP disbursed USD 250,852 in expenditures to one supplier for which it could not provide the OIG any information or supporting documents. Collectively, these findings total USD 416,183.

### A. Root Causes of Fraud

Fraud and the diversion or embezzlement of grant funds was pervasive across the grant's administration by PNPCSP at the Sub-sub-recipient level. The complicity of PNPCSP staff and local NGOs and the lack of a sufficient and robust system of internal controls and Principal Recipient oversight made the grant susceptible to fraud and loss of funds. Weak independent control systems allowed a PNPCSP staff member to create shell NGOs in order to embezzle grant funds; allowed PNPCSP to select and disburse grant funds to fictitious Sub-sub-recipients and to Sub-sub-recipients not performing any grant activities; and did not prevent or detect fictitious invoicing justifying grant expenditures from at least 22 or the 29 Sub-sub-recipients and sometimes involving PNPCSP staff. Wide-spread political turmoil and violence in Guinea during the grant's Phase 1 period hampered efforts by the Local Fund Agent to contemporaneously validate the Sub-sub-recipients' program activities.<sup>5</sup>

### B. Actions Taken

The OIG observed numerous issues and red flags from its limited investigation of PNPCSP expenditures in general (i.e., un-related to the Sub-sub-recipients) for the grant and limited review of expenditures under two other grants active at the time. This included poor supporting documentation, questionable tender and selection of local suppliers, possible fabricated supporting documentation, and invoice irregularities possibly involving program staff. Due primarily to the nature and types of expenditures, the passage of time and other factors, however, the OIG was unable to sufficiently substantiate or conclude on findings of fraud and misconduct regarding these red flags.

In response to the challenges of operating in Guinea and monitoring grant activity in country and the OIG's preliminary, interim and final findings and observations across the three grants investigated or reviewed, the Secretariat has been implementing measures to mitigate risks of misuse of funds.

In July 2012, the Secretariat invoked the Additional Safeguards Policy (ASP), which permitted it to restructure the grant portfolio by closing and consolidating certain grants and replacing the

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<sup>5</sup> Between 2008 and 2010, Guinea's government underwent significant transition and change in leadership as a result of a 2008 military coup, resulting in violent protests.

Ministry of Health as Principal Recipient. The treatment component of the Round 10 HIV<sup>6</sup> grant was consolidated with the Health Systems Strengthening (HSS) grant and the National AIDS Council (NAC) or Conseil National de Lutte contre le SIDA (CNLS) was appointed as the Principal Recipient. The Principal Recipient of the community outreach component of the Round 10 HIV grant<sup>7</sup> is the German Federal Enterprise for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)), an international partner organization (IPO). PNPCSP is now a Sub-recipient to CNLS for the Round 10 HIV grant<sup>8</sup>, operates with a zero cash policy (i.e., all disbursements are made directly to suppliers by CNLS) and does not have any Sub-sub-recipients.

Population Services International (PSI) replaced National Tuberculosis Program (PNLAT) as Principal Recipient of Phase 2 of the Round 9 Tuberculosis grant.<sup>9</sup> PNLAT is now a Sub-recipient of the grant and operating under a zero cash policy. The Round 10 Malaria grant<sup>10</sup> initially comprised two grants, one managed by the Catholic Relief Services (CRS) and one managed by the National Malaria Program (PNLP, Programme National de Lutte contre le Paludisme. As part of the restructuring, the PNLN grant was consolidated with the CRS grant, and CRS became the sole Principal Recipient of the grant. The PNLN is now a Sub-recipient of the grant, and is also operating under a zero cash policy.

ASP also permitted the Country Team to recruit an international Fiscal Agent and implement a “zero cash” policy. Since 2013, the Country Team retained Cardno to serve as the Fiscal Agent. The Fiscal Agent observes all procurements for non-health products conducted by the national programs whereas the procurement of health products is done through the Global Fund Pooled Procurement Mechanism (PPM). The Fiscal Agent also verifies and co-signs on all payments. Moreover, the Fiscal Agent observes the recruitment of staff engaged for Global Fund grant related work at the national programs to ensure the process is transparent.

### C. Agreed Management Actions

As a result of its investigative findings, the OIG worked closely with the Secretariat to formulate actions to be implemented as set out in Section 5:

- Based on the findings of this report, the Secretariat will finalize and pursue, from all entities responsible, an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.
- The Secretariat will require PNPCSP to demonstrate adequate internal controls by ensuring that background checks are conducted on staff and there are no conflicts of interests (e.g. the Local Fund Agent may be requested to oversee recruitments).
- The Secretariat will require that the Communication Assistant and the person(s) who were his direct supervisor(s) during the relevant period not be permitted to occupy any positions connected to the implementation of Global Fund grants going forward.

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<sup>6</sup> GIN-H-CNLS

<sup>7</sup> GIN-H-GIZ

<sup>8</sup> GIN-H-CNLS

<sup>9</sup> GIN-T-MSHP

<sup>10</sup> GIN-M-CRS

### III. Findings and Agreed Management Actions

#### 01 PNPCSP Created Shell NGOs in Order to Embezzle Grant Funds

The OIG's investigation confirmed that a number of NGOs, which were managed by PNPCSP as Sub-sub-recipients, were shell organizations ("Shell NGOs"). The OIG found that PNPCSP's Communication Assistant created four Shell NGOs to serve as Sub-sub-recipients in order to embezzle grant funds. These Shell NGOs did not perform any activities and were created for the sole purpose of improperly accessing grant funds. PNPCSP's Communication Assistant endorsed the disbursement checks although they were in the name of the Shell NGOs. In one instance, PNPCSP even attempted to conceal the fact that its Communication Assistant had endorsed a disbursement check by providing a falsified copy of the check to the OIG, which differed from the one obtained from the bank. The supporting documents for these Sub-sub-recipients were falsified, and neither the Sub-sub-recipient nor PNPCSP could provide proof that the goods/services paid for had been delivered. The Local Fund Agent's verification work confirmed that in all cases the vendors used by the Shell NGOs did not exist.

##### AAPS (Association d'Aide aux Personnes Séropositives)

In March 2010, PNPCSP disbursed GNF 28,875,000 (USD 5,804)<sup>11</sup> to AAPS to provide those living with HIV with training in dyes. These funds were supposedly used to purchase supplies for the training. The investigation found evidence to establish that AAPS had been created by PNPCSP's Communication Assistant using someone else's identity. A copy of the disbursement check obtained from the bank, indicates that although the check was in the name of AAPS, it was endorsed by PNPCSP's Communication Assistant.

Analysis of the supporting documents connected to the purchase of dyeing supplies indicates the strong likelihood they were falsified. For example, the purchase order created by AAPS and the invoice of Magasin High Tech, the winning bidder, contained the same spelling errors, e.g. "gans" instead of "gants" and "ciseau" instead of "ciseaux". A representative of AAPS stated he/she was not familiar with the supporting documents the OIG obtained from PNPCSP and that he/she did not sign the documents purportedly bearing his/her signature.

Vendor verification work by the Local Fund Agent confirmed that the vendors were fictitious. The phone number for Magasin High Tech was not functioning and the phone numbers of the other bidders were answered by someone who had no knowledge of the vendor and a car rental business, respectively.

##### AFEGUIPAS (Association des Femmes Guinéennes pour la Promotion de l'Assistance Sociale)

On 21 September 2009, PNPCSP disbursed GNF 48,809,500 (USD 9,801) to AFEGUIPAS to provide training to those living with HIV for two income-generating activities: dyeing and soap making. The evidence indicates AFEGUIPAS did not carry out these activities, and that it is a Shell NGO. The disbursement check obtained from the bank indicates PNPCSP's Communication Assistant endorsed the check. However, a copy of the same check obtained from PNPCSP indicates the President of AFEGUIPAS endorsed it, revealing PNPCSP's complicity by attempting to conceal PNPCSP's Communication Assistant's connection to the Sub-sub-recipient.

A review of the supporting documents showed irregularities suggesting they had been falsified. AFEGUIPAS conducted two tenders for soap making materials and dyes. The same three vendors submitted quotations for both tenders and the same vendor, Papeterie Moderne, won both tenders. All three vendors used the same format and had the same spelling errors in their quotations, e.g. "ciseaux" misspelled as "ciseau" and "plastiques" misspelled as "plastics".

Verification work conducted by the Local Fund Agent further confirmed the finding that the supporting documents had been falsified. When contacted by the Local Fund Agent, the phone

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<sup>11</sup> Disbursements to the NGO Sub-sub-recipients were made in local currency (GNF). The USD equivalent amount is shown for reference purposes and is based on foreign currency exchange rates in effect on the date of payment to the Sub-sub-recipient, unless stated otherwise.

number for Papeterie Moderne was answered by a different vendor who stated it did not sell the goods listed on the invoice, and the phone numbers of the other two vendors went unanswered.

#### AJFILD (Association des Jeunes Filles Leader pour le Développement)

In May and July 2009, PNPCSP disbursed GNF 24,280,000 (USD 5,156) to AJFILD to provide nutritional support and counseling to 20 families. The investigation found AJFILD did not procure the goods and that the activities were not carried out. As was the case of the other Shell NGOs, the disbursement check to AJFILD was endorsed by PNPCSP's Communication Assistant. AJFILD's phone number was also the same as AAPS', another Sub-sub-recipient which was confirmed to be a Shell NGO.

AJFILD organized two tenders for foodstuff, on 10 and 15 June 2009. The same three vendors bid for both tenders, which were won by Safricom. The Local Fund Agent was unable to reach Safricom at the phone number provided on its invoice, and the second vendor informed the Local Fund Agent that it sold motorcycles and not food. The third vendor had no contact information.

#### Espoir

Between May and July 2010, PNPCSP disbursed GNF 26,250,000 (USD 5,262) to Espoir to provide nutritional support and counseling to fifty people living with HIV. The investigation found evidence to establish that PNPCSP's Communication Assistant created Espoir using someone else's identity, and that the Sub-sub-recipient did not carry out any of the activities it purported to perform. The documents related to the activity were falsified. Specifically, Espoir provided documentation claiming to have distributed 125 units of foodstuff, though the invoices show it only purchased ninety units of foodstuff. The same handwriting appeared on both the vendor's invoice and the order form created by Espoir, indicating the same person created them.

The Local Fund Agent could not verify the existence of any of the vendors which had participated in the tenders for foodstuff. Moreover, the winning bidder's phone number was answered by an unrelated business.

## 02 Disbursed Grant Funds to Sub-sub-recipients Which Did Not Carry Out Any Grant Activities

Additionally, the investigation found that PNPCSP disbursed grant funds to nine Sub-sub-recipients (although not necessarily shell organizations), which did not carry out any grant related activities for the sums provided ("Non-Performing Sub-sub-recipients"). The invoices submitted by the Non-Performing Sub-sub-recipients to PNPCSP were either confirmed to be fake by legitimate vendors or were from vendors which were found to not exist.

#### AFAIGUI (Association des Femmes Agées Infectées et affectées par le VIH en Guinée)

In October 2009, PNPCSP disbursed GNF 24,435,000 (USD 5,038) to AFAIGUI to train those living with HIV in dyeing, an income generating activity. The investigation found the procurement documents had been falsified, and that the Sub-sub-recipient never carried out the activities.

Analysis of the tender documents in relation to the procurement of dyeing materials revealed similar irregularities to the tender documents of AAPS, a Shell NGO. Both the Shell NGO and AFAIGUI procured exactly the same goods and received quotations from vendors with the same spelling errors (e.g. "gants" misspelled as "gans" and "ciseaux" misspelled as "ciseau"). As in the case of the other Non-Performing NGOs, the dates of AFAIGUI's tender documents also lacked chronological sense. For example, the vendor's invoice is dated before the date on the quotation, and the delivery note indicates the goods were delivered on 25 August 2009, two months before PNPCSP's disbursement to the Sub-sub-recipient.

AFAIGUI's accountant stated he had neither seen nor had any knowledge of the supporting documents the OIG obtained from PNPCSP. He was also unable to provide other supporting documents to show AFAIGUI purchased and received the goods. Moreover, the Sub-sub-recipient

could not provide any documented proof that the training took place, including the names of the training participants.

The Local Fund Agent's verification work confirmed our finding that the procurement documents were falsified. The phone number listed for the winning bidder went to a vendor, which stated it did not sell the goods in question and that it never created an invoice for the amount at issue.

#### AGUIFOS (Association Guinéenne des Femmes et Orphelins Infectés et Affectés par le VIH/SIDA)

In October 2009, PNPCSP disbursed GNF 24,440,000 (USD 4,911) by check to AGUIFOS to provide training in embroidery for women living with HIV. The investigation found credible evidence to indicate PNPCSP falsified the supporting documents for these activities and that the goods were never procured.

Analysis of the supporting documents for the procurement of embroidery materials showed all three quotations submitted by different vendors to contain the same spelling error (e.g. "ciseau" instead of "ciseaux"). According to the supporting documents obtained from PNPCSP the goods were also purported to have been delivered on 26 August 2009, nearly two months prior the grant disbursement to AGUIFOS.

Attempts by the Local Fund Agent to call the vendor who supplied the goods found the number was out of service. The other vendors, which had nearly identical invoices, were also contacted. One of which was answered by a person who had knowledge of the vendor. The other vendor's phone number was out of service. Finally, a representative of AGUIFOS was unable to provide any supporting documents to show that the activity had been carried out.

#### AGUIP+ (Association Guinéenne des Personnes infectées et affectées par le VIH/SIDA)

In March 2010, PNPCSP disbursed GNF 28,875,000 (USD 5,804) by check to AGUIP+ to train those living with HIV in carpentry. The investigation found credible evidence to indicate PNPCSP falsified the supporting documents for these activities and that the goods were never procured.

Analysis of the supporting documents for the procurement of carpentry materials show all three quotations submitted by different vendors used the same format and contained the same spelling errors found on the purchase order from AGUIP+. The goods were also purported to have been delivered on 11 March 2010, over two weeks before the grant funds were disbursed to AGUIP+. The OIG concludes that it is unlikely AGUIP+ made this purchase prior to receiving the grant funds.

One of the vendors was found to have been fictitious in a prior bid. The Local Fund Agent visited the winning bidder's business and observed it was a small print shop which did not sell carpentry materials.

A representative of AGUIP+ stated that he had no knowledge of and had never seen the supporting documents for the said transaction, which the OIG obtained from PNPCSP. The representative of AGUIP+ also stated that he had no knowledge of the carpentry training. The Sub-sub-recipient was unable to provide any supporting documents in connection with the purchase of the carpentry materials, or information about the training itself. The representative of AGUIP+ also could not answer basic questions about the workshop participants and duration of the training.

#### AGV+ (Association Guinéenne des Veuves infectées et affectées par le VIH/SIDA)

Between October 2009 and July 2010, PNPCSP disbursed GNF 50,540,000 (USD 10,151) to AGV+ to provide nutritional support and training on soap making to those living with HIV. The investigation found credible evidence to indicate that PNPCSP falsified the supporting documents for these activities and that the goods were never procured.

A review of the supporting documents for the procurement of soap making materials showed the invoice of the winning bidder and the purchase order allegedly created by AGV+ contained the same format and spelling error (e.g., "gents" instead of "gants"). Additionally, analysis of the documents showed striking similarities across quotations and invoices supposedly from different vendors, such as the same faded and striped printing. This suggests the documents were, in the very least, printed with the same printer, which was low on colored ink toner. As in the case of all



the other Sub-sub-recipients described in this section, the goods were purchased before AGV+ received the first disbursement of grant funds.

A review of the supporting documents for the procurement of foodstuff also showed similarities between the purchase order, allegedly created by AGV+ and the winning bidder's invoice. The same format was used on both forms. The Local Fund Agent's work corroborated our finding that the transaction was likely fictitious. The Local Fund Agent attempted to call the vendor, from which the Sub-sub-recipient purportedly procured food but the phone calls went unanswered and there was no address on the invoice. Finally, neither PNPCSP nor AGV+ could provide any documented proof that the activities were carried out or the names of the participants.

#### AJDIDPE (Association des Jeunes Diplômés pour le Développement et la Protection de l'Environnement)

Between November 2009 and February 2010, PNPCSP disbursed GNF 24,000,000 (USD 4,827) to AJDIDPE to provide social and nutritional support to those living with HIV. GNF 1,800,000 was to pay three counselors for the social support of thirty individuals and the remaining GNF 22,200,000 was to go towards the purchase of foodstuff for the individuals.

Contact information for the three counselors who received the social support funds was not available, and the phone number for the winning food vendor was out of service. The other food vendors, which submitted quotations, could not be located by the Local Fund Agent. Of the thirty women listed as beneficiaries of the social and nutritional support, only eleven had phone numbers listed. The Local Fund Agent was only able to reach one person via the phone numbers provided, however that person identified himself as a doctor and stated that he did not receive food from AJDIDPE.

A representative of AJDIDPE could neither provide information about the social support to the thirty individuals nor the food that was procured. The investigation found additional credible evidence to support the finding that AJDIDPE was an inactive Sub-sub-recipient, PNPCSP's Communication Assistant was aware of this, and that AJDIDPE did not carry out any of the activities it claimed to have carried out.

#### Asfegmassi

PNPCSP disbursed GNF 64,110,500 (USD 14,659) in May 2008 to Asfegmassi to organize training to women living with HIV in income generating activities, such as yogurt production, sewing and dyeing. The investigation found the procurement documents connected to dyeing materials, sewing supplies, woodworking materials and yogurt making materials had been falsified. A review of the procurement documents showed irregularities, such as the same handwriting on different vendors' quotations and invoices, and the same format used by different vendors for quotations and invoices.

The Local Fund Agent attempted to contact the vendors connected to these procurements, but found the phone numbers of two vendors to be incomplete and that the contact information for two other vendors had been omitted from their quotations. In addition, over fifty calls made to a vendor, which purportedly sold yogurt making materials to the Sub-sub-recipient, went unanswered. This same vendor, which supposedly sold yogurt making materials to Asfegmassi had also previously submitted a quotation for sewing machines to the Sub-sub-recipient. Finally, the phone number of a vendor alleged by the Sub-sub-recipient to sell sewing machines was answered by a person who neither sold sewing machines nor knew of the vendor of in question.

The OIG's interviews of Asfegmassi's staff members further confirmed the finding that the procurement documents had been falsified. The Sub-sub-recipient's Coordinator stated that he created the invoices because the vendors were illiterate. A vendor used by Asfegmassi contrastingly stated that the Sub-sub-recipient often asked him to stamp blank invoices and confirmed that an invoice submitted by the Sub-sub-recipient to justify a purchase was not authentic. Asfegmassi staff also could not provide proof that the activities had been carried out.

#### FEG (Fondation Espoir Guinée)

Between October 2009 and August 2010, PNPCSP disbursed GNF 45,475,500 (USD 10,725) to FEG to carry out training on income supporting activities to those living with HIV. The investigation found credible evidence indicating the goods were not purchased and the activities were not carried out.

FEG received three quotations for a procurement of sewing equipment. The quotations contained the same spelling error (“mètre” misspelled as “mettre”) and used the same format. The Local Fund Agent’s verification work confirmed the procurement documents were falsified and that the vendors did not exist. The winning bidder’s invoice did not contain a valid phone number. Another vendor’s phone number was answered by a person who stated they did not sell sewing machines, and the third vendor’s phone number was out of service.

The tender documents for other goods and services, such as office supplies, media ad campaigns, and coffee breaks contained the same irregularities. Quotations were found to have been submitted by fake vendors, which were previously confirmed as fake by both the Local Fund Agent’s and OIG’s verification work. When questioned about the supporting documents, the General Secretary of FEG admitted to having created the invoices, but stated that he did so because the vendors were illiterate. It is noteworthy that FEG procured goods and services from a printing press, a newspaper and radio and television stations. It is improbable that such vendors were illiterate and would require FEG’s assistance to create their quotations and invoices. Moreover, FEG could neither show the OIG the goods it purportedly purchased, nor documented proof that it conducted the activities.

#### FENOSIGUI (Fédération Nationale des ONGs impliquées dans la lutte contre les IST/VIH/SIDA en Guinée)

On 5 August 2009, PNPCSP disbursed GNF 11,615,000 (USD 2,419) to FENOSIGUI to purchase computer and office equipment. The investigation found the supporting documents had been falsified by FENOSIGUI, the goods were not procured, and that the Sub-sub-recipient was inactive. The purchase order and the three quotations received had the same format and were all dated June 2009, 2 months prior to the date of PNPCSP’s disbursement of funds to the Sub-sub-recipient. Kariki Services was awarded the contract. The supporting documents further indicate that the goods were delivered over a month before FENOSIGUI received the Sub-sub-recipient disbursement.

A representative of FENOSIGUI claimed that the administrative secretary of FENOSIGUI created the documents and that they were not signed in his presence. OIG investigators were also told that FENOSIGUI no longer had an office and that the computers and office equipment were being stored at another NGO’s premises. The representative of FENOSIGUI led OIG investigators to a locked building, which he could not access. OIG investigators made an unannounced visit on the following day and were able to enter the premises, but noted that the goods FENOSIGUI supposedly procured from Kariki were not there.

It is also noteworthy that the Local Fund Agent had visited Kariki Services’ business premises and found that it was a small copy shop, which neither sold office equipment nor computers. Additionally, the delivery note for these items is dated 22 June 2009 though FENOSIGUI did not receive the disbursement funds until almost two months later.

#### ROSIGUI (Réseau des ONGs de lutte contre les IST / SIDA en Guinée)

PNPCSP disbursed GNF 11,615,000 (USD 2,419) to Rosigui by check dated 5 August 2009. Bank records indicate PNPCSP’s Communication Assistant endorsed the check. The funds were to be used to purchase a computer and office equipment. According to the supporting documents obtained from PNPCSP, Rosigui procured GNF 11,615,000 (same as the disbursement amount) worth of office equipment from Kariki Services. When questioned about this invoice, the owner of Kariki Services confirmed that he did not sell office equipment and that the invoice did not come from his business.

PNPCSP’s Communication Assistant admitted his connection to Rosigui during an interview with the OIG. He stated that he was the Administrative Secretary of Rosigui and that he signed the

purchase order. Indeed the quotation submitted by one of the vendors which did not win the bid appears to have also been created by PNPCSP's Communication Assistant. The quotation uses the same format and has the same spelling error as the purchase order created by PNPCSP's Communication Assistant. "Téléviseur" is misspelled as "télévisuer."

The dates on these documents also did not make chronological sense. The order form, which was dated 18 June 2009, pre-dates the date on the winning quotation, and was two and a half months before the date of PNPCSP's disbursement of funds to the Sub-sub-recipient.

With respect to proof that the goods were delivered, the President of Rosigui stated that when the disbursement was made to the Sub-sub-recipient, the funds were given to PNPCSP's Communication Assistant, who purchased supplies for Sub-sub-recipients. On the contrary PNPCSP's Communication Assistant denied any involvement in the procurement of goods for Rosigui. He stated that a "network" made the purchases and that he did not know where the goods were. These statements together with the irregularities found on the procurement documents and the fact that the vendor stated it did not sell goods to Rosigui, support our finding that the Sub-sub-recipient neither procured the goods nor carried out grant activities.

### 03 Fictitious Invoices/Vendors

In addition to the non-compliant expenditures identified above, this investigation identified 18 invoices connected to six fictitious vendors and 12 invoices which were confirmed as fictitious by legitimate vendors. See Annex B. All but one of these invoices was supporting expenditures paid by the Sub-sub-recipients; the one invoice was supporting a PNPCSP expenditure. The total amount of transactions connected to the fictitious invoices is GNF 401 million (USD 78,355).

### 04 Unsupported Expenditures

The OIG found two expenditures totaling USD 250,852, made by PNPCSP for which no supporting documents could be located to verify the purpose of such payments. On 23 December 2014, the OIG sent a formal letter to PNPCSP requesting information and supporting documents concerning the aforementioned expenditures. To date PNPCSP has neither acknowledged nor responded to the OIG's request for information. Where expenditures are found to be unsupported and a grant recipient fails to produce information to support such expenditures, the OIG shall make a negative inference that the goods or services at issue were not delivered or performed.<sup>12</sup>

#### Payment to the Central Pharmacy for Technical Support

PNPCSP's general account ledger indicated a payment of USD 177,110 was made from PNPCSP's Global Fund US dollar bank account On 12 February 2008 to the Central Pharmacy of Guinea, for the procurement of vehicles, a refrigerated chamber, generator, computer equipment and technical assistance. The OIG located a copy of a contract for USD 285,000 entered into between PNPCSP and the Central Pharmacy in 2008 (the month and day was not specified in the contract). The contract required the Central Pharmacy to submit implementation reports every three months to PNPCSP. According to the contract, the Central Pharmacy was to procure vehicles for USD 88,200, which would be paid for by direct disbursement from the Global Fund, and PNPCSP would make a payment of USD 3,300 at each trimester to the Central Pharmacy.

The investigation could not locate any documents to support a finding that the Central Pharmacy procured the vehicles or rendered any services for which it was contracted by PNPCSP to perform.

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<sup>12</sup> GIN-607-G04-H (Amended and Restated), Art. 9 states that 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"; Art. 13(a) states that "The Principal Recipient shall, and shall ensure that Sub-recipients shall maintain accounting books, records, documents and other evidence relating to this Agreement, adequate to show, without limitation, all costs incurred and revenues earned by the Principal Recipient for the Program and the overall progress toward completion of the Program ("Program Books and Records"). The Principal Recipient and Sub-recipients shall maintain Program Books and Records in accordance with the generally accepted accounting standards in the Host Country. Program Books and Records must be kept in the possession of the Principal Recipient for at least three years after the date of the last disbursement under this Agreement, or for such longer period, if any, required to resolve any claims or audit enquiries, or if required to do so by the Global Fund.

Moreover, the Secretariat's records do not indicate a direct disbursement of USD 88,200 for the purchase of vehicles during the relevant period. Finally, there appears to be no legitimate reason for the advance payment of USD 177,110 to the Central Pharmacy.

#### Service Charges Paid to the Central Pharmacy

The investigation found a bank wire transfer order from PNPSP to the Central Pharmacy for USD 73,742 dated 18 July 2011. There were no supporting documents or information available to indicate the purpose of this payment. The OIG learned from the Secretariat that in some cases a service charge amounting to 5% of the cost for goods may be paid to the Central Pharmacy. Nevertheless, a review of the Secretariat's records of disbursements for pharmaceuticals and related materials did not show any amounts during the relevant period to support the payment of a service fee to the Central Pharmacy.

## IV. Conclusion

The investigation found PNPCSP created at least four shell NGOs to serve as Sub-sub-recipients in order to embezzle grant funds, and that PNPCSP disbursed USD 26,023 to these Sub-sub-recipients. The investigation also found that PNPCSP disbursed USD 60,953 to Non-performing Sub-sub-recipients, which did not carry out any grant activities for the sum of the funds. Finally, the investigation found fictitious invoices amounting to USD 78,355 had been submitted by various Sub-sub-recipients to justify Sub-sub-recipient expenditures. Finally, the investigation found PNPCSP made USD 250,852 in unsupported expenditures.

These expenditures, totaling USD 416,183, have been determined to be non-compliant with the terms and conditions of the Grant Agreement and thus, eligible for reimbursement to the Global Fund.

## V. Table of Agreed Management Actions

No.	Category	Action	Due date	Owner
1.	Recovery of funds	Based on the findings of this report, the Secretariat will finalize and pursue, from all entities responsible, an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.	30 June 2015	Recoveries Committee
2.	Programmatic and Performance Risk	The Secretariat will require PNPCSP to demonstrate adequate internal controls by ensuring that background checks are conducted on staff and there are no conflicts of interests (e.g. the Local Fund Agent may be requested to oversee recruitments).	30 June 2015	Head of Grant Management Division
3.	Programmatic and Performance Risk	The Secretariat will require that the Communication Assistant and the person(s) who were his direct supervisor(s) during the relevant period not be permitted to occupy any positions connected to the implementation of Global Fund grants going forward.	30 June 2015	Head of Grant Management Division

# Annex A: Methodology

The Investigations Unit of the OIG is responsible for conducting investigations of alleged fraud, abuse, misappropriation, corruption and mismanagement (collectively, “fraud and abuse”) within Global Fund financed programs and by Principal Recipients and Sub-recipients, (collectively, “grant implementers”), Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers.<sup>13</sup>

While the Global Fund does not typically have a direct relationship with the recipients’ suppliers, the scope of the OIG’s work<sup>14</sup> encompasses the activities of those suppliers with regard to the provision of goods and services. The authority required to fulfill this mandate includes access to suppliers’ documents and officials.<sup>15</sup> The OIG relies on the cooperation of these suppliers to properly discharge its mandate.<sup>16</sup>

OIG investigations aim to: (i) identify the specific nature and extent of fraud and abuse affecting Global Fund grants, (ii) identify the entities responsible for such wrongdoings, (iii) determine the amount of grant funds that may have been compromised by fraud and abuse, and (iv), place the organization in the best position to obtain recoveries through the identification of the location or the uses to which the misused funds have been put.

OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts. Findings are established by a preponderance of credible and substantive evidence. All available evidence is considered by the OIG, including inculpatory and exculpatory information.<sup>17</sup>

The OIG finds, assesses and reports on facts. On that basis, it makes determination on the compliance of expenditures with the grant agreements and details risk-prioritized Agreed Management Actions. Such Agreed Management Actions may notably include the identification of expenses deemed non-compliant for considerations of recovery, recommended administrative action related to grant management and recommendations for action under the Code of Conduct for Suppliers<sup>18</sup> or the Code of Conduct for Recipients of Global Fund Resources<sup>19</sup> (the “Codes”), as appropriate. The OIG does not determine how the Secretariat will address these determinations and recommendations. Nor does it make judicial decisions or issue sanctions.<sup>20</sup>

Agreed Management Actions are agreed with the Secretariat to identify, mitigate and manage risks to the Global Fund and its recipients’ activities. The OIG defers to the Secretariat and, where appropriate, the recipients, their suppliers and/or the concerned national law enforcement agencies, for action upon the findings in its reports.

The OIG is an administrative body with no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the rights to it under the grant agreements agreed to with recipients by the Global Fund, including the terms of its Codes, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG also provides the Global Fund Board with an analysis of lessons learned for the purpose of understanding and mitigating identified risks to the grant portfolio related to fraud and abuse.

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<sup>13</sup> Charter of the Office of the Inspector General (19 March 2013), available at:

[http://theglobalfund.org/documents/oig/OIG\\_OfficeOfInspectorGeneral\\_Charter\\_en/](http://theglobalfund.org/documents/oig/OIG_OfficeOfInspectorGeneral_Charter_en/), accessed 01 November 2013.

<sup>14</sup> Charter of the Office of the Inspector General (19 March 2013) § 2, 9.5 and 9.7.

<sup>15</sup> *Ibid.*, § 17.1 and 17.2.

<sup>16</sup> Global Fund Code of Conduct for Suppliers (15 December 2009), § 17-18, available at:

[http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/), accessed 01 November 2013.

Note: Every grant is subject to the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

<sup>17</sup> These principles comply with the *Uniform Guidelines for Investigations*, Conference of International Investigators, June 2009; available at: <http://www.un.org/Depts/oios/pages/uniformguidelines.html>, accessed 01 November 2013.

<sup>18</sup> See fn. 16, *supra*.

<sup>19</sup> Code of Conduct for Recipients of Global Fund Resources (16 July 2012) available at:

[http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en/), accessed 01 November 2013.

Note: Every grant is subject to the STC of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

<sup>20</sup> Charter of the Office of the Inspector General (19 March 2013) § 8.1

Finally, the OIG may make referrals to national authorities for prosecution of any crimes or other violations of national laws, and supports such authorities as necessary throughout the process, as appropriate.

### Applicable Concepts of Fraud and Abuse

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. It does so under the mandate set forth in its Charter to undertake investigations of allegations of fraud and abuse in Global Fund supported programs.

As such, it relies on the definitions of wrongdoing set out in the applicable grant agreements with the Global Fund and the contracts entered into by the recipients with other implementing entities in the course of program implementation.

Such agreements with Sub-recipients must notably include pass-through access rights and commitments to comply with the Codes. The Codes clarify the way in which recipients are expected to abide by the values of transparency, accountability and integrity which are critical to the success of funded programs. Specifically, the Code of Conduct for Recipients prohibits recipients from engaging in corruption, which includes the payment of bribes and kickbacks in relation to procurement activities.<sup>21</sup>

The Codes notably provide the following definitions of the relevant concepts of wrongdoings:<sup>22</sup>

- “Anti-competitive practice” means any agreement, decision or practice which has as its object or effect the restriction or distortion of competition in any market.
- “Collusive practice” means an arrangement between two or more persons or entities designed to achieve an improper purpose, including influencing improperly the actions of another person or entity.
- “Conflict of Interest”: A conflict of interest arises when a Recipient or Recipient Representative participates in any particular Global Fund matter that may have a direct and predictable effect on a financial or other interest held by: (a) the Recipient; (b) the Recipient Representative; or (c) any person or institution associated with the Recipient or Recipient Representative by contractual, financial, agency, employment or personal relationship. For instance, conflicts of interest may exist when a Recipient or Recipient Representative has a financial or other interest that could affect the conduct of its duties and responsibilities to manage Global Fund Resources. A conflict of interest may also exist if a Recipient or Recipient Representative’s financial or other interest compromises or undermines the trust that Global Fund Resources are managed and utilized in a manner that is transparent, fair, honest and accountable.
- “Corrupt practice” means the offering, promising, giving, receiving or soliciting, directly or indirectly, of anything of value or any other advantage to influence improperly the actions of another person or entity.
- “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.
- “Misappropriation” is the intentional misuse or misdirection of money or property for purposes that are inconsistent with the authorized and intended purpose of the money or assets, including for the benefit of the individual, entity or person they favor, either directly or indirectly.

### Determination of Compliance

The OIG presents factual findings which identify compliance issues by the recipients with the terms of the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement. Such

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<sup>21</sup> Code of Conduct for Recipients of Global Fund Resources, section 3.4.

<sup>22</sup> Available at: [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en/) and [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/)

compliance issues may have links to the expenditure of grant funds by recipients, which then raises the issue of the eligibility of these expenses for funding by the Global Fund. Such non-compliance is based on the provisions of the STC.<sup>23</sup> The OIG does not aim to conclude on the appropriateness of seeking refunds from recipients, or other sanctions on the basis of the provisions of the Program Grant Agreement.

Various provisions of the STC provide guidance on whether a program expense is eligible for funding by the Global Fund. It is worth noting that the terms described in this section are to apply to Sub-Recipients as well as Principal Recipients.<sup>24</sup>

At a very fundamental level, it is the Principal Recipient's responsibility "to 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".<sup>25</sup>

In practice, this entails abiding by the activities and budgetary ceilings proposed in the Requests for Disbursement, which in turn must correspond to the Summary Budget(s) attached to Annex A of the Program Grant Agreement. While this is one reason for expenses to be ineligible, expending grant funds in breach of other provisions of the Program Grant Agreement also results in a determination of non-compliance.

Even when the expenses are made in line with approved budgets and work plans, and properly accounted for in the program's books and records, such expenses must be the result of processes and business practices which are fair and transparent. The STC specifically require that the Principal Recipient ensures that: (i) contracts are awarded on a transparent and competitive basis, [...] and (iv) that the Principal Recipient and its representatives and agents do not engage in any corrupt practices as described in Article 21(b) of the STC in relation to such procurement.<sup>26</sup>

The STC explicitly forbid engagement in corruption or any other related or illegal acts when managing Grant Funds: "The Principal Recipient shall not, and shall ensure that no Sub-recipient or person affiliated with the Principal Recipient or any Sub-recipient [...] participate(s) in any other practice that is or could be construed as an illegal or corrupt practice in the Host Country."<sup>27</sup>

Amongst prohibited practices is the rule that the Principal Recipient shall not and shall ensure that no person affiliated with the Principal Recipient "engage(s) in a scheme or arrangement between two or more bidders, with or without the knowledge of the Principal or Sub-recipient, designed to establish bid prices at artificial, non-competitive levels."<sup>28</sup>

The Global Fund's Code of Conduct for Suppliers and Code of Conduct for Recipients further provide for additional principles by which recipients and contractors must abide, as well as remedies in case of breaches of said fundamental principles of equity, integrity and good management. The Codes also provide useful definitions of prohibited conducts.<sup>29</sup>

The Codes are integrated into the STC through Article 21(d) under which the Principal Recipient is obligated to ensure that the Global Fund's Code of Conduct for Suppliers is communicated to all bidders and suppliers.<sup>30</sup> It explicitly states that the Global Fund may refuse to fund any contract with suppliers found not to be in compliance with the Code of Conduct for Suppliers. Similarly, Article 21(e) provides for communication of the Code of Conduct for Recipients to all Sub-recipients, as well as mandatory application through the Sub-recipient agreements.<sup>31</sup>

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<sup>23</sup> The STC are revised from time to time, but the provisions quoted below applied to all Principal Recipients at the time of the investigation.

<sup>24</sup> Standard Terms and Conditions (2012.09) at Art. 14(b):

[http://www.theglobalfund.org/documents/core/grants/Core\\_StandardTermsAndConditions\\_Agreement\\_en](http://www.theglobalfund.org/documents/core/grants/Core_StandardTermsAndConditions_Agreement_en)

<sup>25</sup> Id. at Art. 9(a) and Art 18(f)

<sup>26</sup> Id. at Art. 18(a)

<sup>27</sup> Id., at Art. 21 (b)

<sup>28</sup> Id. at Art. 21(b)

<sup>29</sup> Available at: [http://www.theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en](http://www.theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en) ; [http://www.theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForRecipients\\_Policy\\_en](http://www.theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en)

<sup>30</sup> Standard Terms and Conditions (2012.09) at Art. 21(d)

<sup>31</sup> Id. at Art. 21(e)



Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including expenses made by Sub-recipients and contractors.<sup>32</sup>

The factual findings made by the OIG following its investigation and summarized through this report can be linked to the prohibited conducts or other matters incompatible with the terms of the Program Grant Agreements.

#### Reimbursements or Sanctions

The Secretariat of the Global Fund is subsequently tasked with determining what management actions or contractual remedies will be taken in response to those findings.

Such remedies may notably include the recovery of funds compromised by contractual breaches. Article 27 of the STC stipulates that the Global Fund may require the Principal Recipient “to immediately refund the Global Fund any disbursement of the grant funds in the currency in which it was disbursed [in cases where] there has been a breach by the Principal Recipient of any provision of this (sic) Agreement [...] or the Principal Recipient has made a material misrepresentation with respect to any matter related to this Agreement.”<sup>33</sup>

According to Article 21(d), “in the event of non-compliance with the Code of Conduct, to be determined by the Global Fund in its sole discretion, the Global Fund reserves the right not to fund the contract between the Principal Recipient and the Supplier or seek the refund of the grant funds in the event the payment has already been made to the Supplier.”<sup>34</sup>

Furthermore, the UNIDROIT principles (2010), the principles of law governing the grant agreement, in their article 7.4.1, provide for the right of the Global Fund to seek damages from the Principal Recipient in case non-performance, in addition to any other remedies the Global Fund may be entitled to.

Additional sanctions, including with respect to Suppliers, may be determined pursuant to the Sanction Procedure of the Global Fund, for breaches to the Codes.

In determining what non-compliant expenditures are to be proposed as recoverables, the OIG advises the Secretariat that such amounts typically should be: (i) amounts, for which there is no reasonable assurance about delivery of goods or services (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery), (ii) amounts which constitute overpricing between the price paid and comparable market price for such goods or services, or (iii) amounts which are ineligible (non-related) to the scope of the grant and its approved work plans and budgets.

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<sup>32</sup> Id. at Art. 14

<sup>33</sup> Id. at Art. 27(b) and (d)

<sup>34</sup> Id.

## Annex B: Table of Fictitious Invoices

SSRs	Invoice date	OIG Finding	Vendor	Activity or Items	US\$	GNF
AFIAG	February 8, 2008	Fictitious Vendor: Business could not be located at address and/or not known by locals	Socom Guinee	Soap making supplies	5,007	21,175,000
AFIAG	February 8, 2008	Fictitious Vendor: Business could not be located at address and/or not known by locals	Socom Guinee	Sewing supplies	5,007	21,175,000
AFIAG	February 8, 2008	Fictitious Vendor: Business could not be located at address and/or not known by locals	Socom Guinee	Dyeing Supplies	5,007	21,174,999
AGDIED	February 15, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Amadou Kante	Foodstuff	2,253	11,200,000
AGDIED	November 11, 2009	Fictitious Vendor: Business could not be located at address and/or not known by locals	Amadou Kante	Foodstuff	2,254	11,200,000
APFE	February 24, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Ets Haba et Freres	Foodstuff	2,403	11,927,500
APFE	November 24, 2009	Fictitious Vendor: Business could not be located at address and/or not known by locals	Ets Haba et Freres	Foodstuff	332	1,648,392
EVSG	September 20, 2009	Invoice confirmed as fake by vendor	Kariki Services	Farming Supplies	4,920	24,415,000
FEK/FEVK	August 27, 2009	Fictitious Vendor: Business could not be located at address and/or not known by locals	Taibou-Taibou	Sewing Supplies	4,988	24,000,000
GSP	April 10, 2008	Fictitious Vendor: Business could not be located at address and/or not known by locals	Amadou Kante et Freres	Foodstuff	716	3,074,000
GSP	July 12, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Amadou Kante et Freres	Foodstuff	193	960,000
GSP	July 15, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Amadou Kante et Freres	Foodstuff	1,556	7,750,000
GSP	June 31, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Amadou Kante et Freres	Foodstuff	1,550	7,750,000
GSP	July 12, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Restaurant Le Timbi	Drinks and Bottled Water	2	8,000
GSP	July 12, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Restaurant Le Timbi	Drinks and Bottled Water	27	136,000
GSP	June 31, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Restaurant Le Timbi	Drinks and Bottled Water	14	72,000
GSP	June 31, 2010	Fictitious Vendor: Business could not be located at address and/or not known by locals	Restaurant Le Timbi	Drinks and Bottled Water	22	110,000
Maspfe 2008	July 22, 2008	Invoice confirmed as fake by vendor	Ajcad	Train Young Women in Design	2,983	13,350,000
Maspfe 2008	October 10, 2008	Fictitious Vendor: Business could not be located at address and/or not known by locals	Entreprise Menuiserie Moderne	Train Young People to be Carpenters	1,075	5,340,000
Maspfe 2008	October 21, 2008	Invoice confirmed as fake by LFA verification	MAS BBD Auto	Train Young People to be Mechanics	1,607	8,010,000
Maspfe 2009	September 11, 2009	Invoice confirmed as fake by investigation	Nelab Prestation	School Clothes and Supplies	6,420	31,742,000
Maspfe 2010	March 9, 2010	Invoice confirmed as fake by LFA verification	MAS BBD	Train Young People to be Mechanics	4,210	20,912,000
Maspfe 2010	March 12, 2010	Invoice confirmed as fake by LFA verification	Nelab Prestation	School Clothes and Supplies	1,812	9,000,000
PNPCSP	July 25, 2011	Invoice confirmed as fake by vendor	Kariki Services	Management Tools	15,302	102,000,000
REGAP+	June 22, 2009	Invoice confirmed as fake by vendor	Kariki Services	Office Equipment, Computer	2,416	11,615,000
REGAP+	March 11, 2010	Invoice confirmed as fake by vendor	Kariki Services	Office Supplies	1,619	8,045,000
UVGDP	July 19, 2010	Invoice confirmed having been falsified by PR	Ets Hann et Freres	Foodstuff	2,305	11,495,000
UVGDP	May 15, 2010	Invoice confirmed having been falsified by PR	Ets Hann et Freres	Foodstuff	2,355	11,695,000
<b>Total</b>					<b>78,355</b>	<b>400,979,891</b>

## Annex C: Summary of Subject Responses

The OIG provided PNPCSP an opportunity to review and comment on its findings prior to the finalization of this report. The OIG sent a statement of findings to NTCP on 27 November 2014, to which PNPCSP has commented. These comments were received on 9 December 2014.

PNPCSP stated that seven of the nine NGOs characterized as Non-Performing Sub-sub-recipients were in fact still active and were currently engaged in community activities aimed at fighting HIV/AIDS in Guinea. The OIG never asserted that Non-Performing Sub-sub-recipients were ghost entities, rather the OIG found the Non-Performing Sub-sub-recipients did not carry out any grant activities for which it received grant funds to implement.

With respect to the Shell NGOs, the PNPCSP stated that they were not responsible for verifying whether Sub-sub-recipients were legitimate NGOs. Although the Principal Recipient of the grant is the Ministry of Public Health, PNPCSP was for all intents and purposes a *defacto* Principal Recipient. The grant was primarily implemented by PNPCSP, which was responsible for the selection of the Sub-sub-recipients, as well as oversight of the Sub-sub-recipients' grant related activities. As a *defacto* Principal Recipient, the Grant Agreement required PNPCSP to ensure that no Sub-Sub-Recipient participated "in any practice that is or could be construed as an illegal or corrupt practice."<sup>35</sup> PNPCSP was also "responsible for the acts and omissions of its Sub-Sub-Recipients in relation to the Program as if they were acts and omissions of the Principal Recipient."<sup>36</sup>

With regards to the falsified invoices, PNPCSP stated that the transactions occurred over 3 years ago and that formal commercial transactions do not exist in Guinea. The investigation established that certain invoices had been falsified because either the vendors could not be located or legitimate vendors confirmed the invoices were not theirs. PNPCSP's comment does not address the fact that the LOCAL FUND AGENT could not locate certain vendors, phone numbers went unanswered and legitimate vendors confirmed that the invoices provided by the Principal Recipient were not authentic.

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<sup>35</sup> GIN-607-G04-H, Amended and Restated Grant Agreement between the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Ministry of Health of the Government of the Republic of Guinea (23 March 2011) Art. 21(b).

<sup>36</sup> *Id.* at Art. 14.