

Investigation Report

Global Fund Grants to Nigeria

Department of Health Planning, Research & Statistics

GF-OIG-16-015

3 May 2016

Geneva, Switzerland

Non-compliant Expenditure: US\$3,816,766

Proposed Recoverable Amount: US\$3,816,766

Categories – Fraud / Collusion /Corruption/ Non-Compliance with Grant Agreements

 **The Global Fund**

Office of the Inspector General

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I. Background and Scope

Late 2014, the Office of the Inspector General (OIG) initiated an investigation into the expenditures of the Nigerian Government's Department of Health Planning, Research & Statistics (DPRS), a sub-recipient of the National Agency for the Control of AIDS (NACA), the Principal Recipient for HIV/AIDS grants. The investigation was prompted by the findings of a Local Fund Agent's spot-check of US\$1,349,087 of DPRS expenditures from July 2012 to December 2013. The Local Fund Agent had classified as ineligible about two-thirds of the expenditures tested due to forged or missing supporting documentation.

The objective of DPRS was to support the establishment of the National Health Management Information System (NHMIS) at Global Fund-subsidized sites. DPRS' grant activities included the implementation and administration of a web-based reporting platform, the District Health Information System (DHIS), and training and support to the users of this system by staff and consultants. Under the current grant which began in 2010, DPRS spent a total of US\$4.03 million from 2010 until late 2014, representing about 1.2% of the US\$330.8 million NACA had received under grant NGA-H-NACA.¹

From 2010 to 2014, approximately 95%, or US\$3.82 million, of DPRS's total expenditures of US\$4.03 million related to delivery of its services. The remaining amounts related to internal office salaries and operations at a low risk of possible abuse. DPRS service delivery activities involved extensive travel throughout several states and some procurement of supplies. A total of 355 payment vouchers covered reimbursements or advances for training events, mentoring visits, meetings, professional development workshops, and purchases of fuel and stationery. OIG investigators inspected and analyzed supporting documentation for 202 of those vouchers totaling US\$2.93 million and conducted a further in-depth review of 730 individual receipts from 33 of the vouchers for hotels, fuel and stationery. The 202 vouchers reviewed were a representative sample of five years of service delivery, a cross-section of DPRS staff who received monetary advances or reimbursements for travel costs and procurements during that time, and a cross-section of locations where services had been delivered.

Nigeria, with an estimated 3.3 million people living with HIV, ranks second in global HIV burden behind South Africa; it represents one-fourth of malaria cases and one-third of malaria deaths in Africa; and is one of the 22 countries that shoulder 85% of the global tuberculosis burden. To date, the Global Fund has signed 24 grants and disbursed approximately US\$1.4 billion to defeat the three diseases in Nigeria.

The exchange rate used in this report is US\$1 = Nigerian Naira (NGN) 155. This rate was determined by taking the average rate from the rate used by Zenith Bank when a US\$ disbursement was made by NACA to DPRS.

¹ NGA-H-NACA was consolidated from four grants in September 2010—NGA-506-G07-H, NGA-506-G06-H, NGA-506-609-H, and NGA-S-10-G17-H—three of which were grants signed by other Principal Recipients, and from grant NGA-809-G12-S in 2013.

II. Executive Summary

The OIG investigation confirmed the Local Fund Agent's initial findings and found extensive evidence of systematic embezzlement of program funds, fraudulent practices and collusion by DPRS staff and consultants assigned to the Global Fund-financed program. The OIG found some form of irregularity or fraud in most vouchers reviewed (from 2010 to 2014). Seven of the ten staff and three consultants assigned to the program were involved or linked to the misappropriation of funds.

DPRS staff embezzled funds through a variety of means including, primarily:

- i) misrepresenting or inflating the amounts paid to hotel venues for meeting facilities and rooms;
- ii) inflating and/or falsifying receipts related to Daily Subsistence Allowance entitlements, transportation expense to and from the venue, fuel and stationery;
- iii) claiming expenditures for travel not taken. In some instances, DPRS staff colluded with and received kickbacks from hotels and suppliers;
- iv) inflating the number of attendees at a meeting or training or its duration.

The OIG found direct evidence that supporting documents for items such as airline tickets, boarding passes, hotel invoices, and fuel and stationery receipts were forged. For many expenses, DPRS staff also systematically fabricated supporting documentation by creating a system to replace documents that appeared too "fake." Reimbursements were also made to staff and consultants with little or no supporting documentation. Additionally, there is evidence that shows that there were transfers between two key DPRS staff and four other DPRS staff within the program, including payments to the Program Coordinator.

The OIG's inspection found that DPRS staff had fabricated or inflated more than half of the receipts. The OIG's deeper review of 202 payment vouchers, representing 57% of the total number of 355 and 77% of the total funds expended on service deliveries of US\$3,816,766, found some form of irregularity or fraud in most of them.

The DPRS implementation team—led by its Project Coordinator, Program Officer, Monitoring & Evaluation Officer and Assistant Accountant—repeatedly violated the Global Fund's Code of Conduct for Recipients by purposefully embezzling funds from the start. The OIG concluded that all expenditures for service delivery activities of US\$3,816,766 were not in compliance with the grant agreement.

Root causes

DPRS, as a sub-recipient under the grants, did not implement an effective system of internal controls to safeguard grant funds to ensure they were not misused or stolen. DPRS's Project Coordinator and Assistant Accountant—integral components of a functioning system of controls—were complicit in the schemes. These gaps exposed program funds to the risk of fraud.

NACA, as the grants' Principal Recipient, did not effectively monitor its sub-recipient's implementation and use of program funds. Although a limited oversight system was in place with NACA spot-checks conducted in 2012 and 2014, it was limited and proved ineffective in preventing or detecting misuse and fraud. NACA failed to either recognize or address the indicators and risks of fraud. Some indicators that were recognized went unchallenged or there was no follow-up. Furthermore, the Principal Recipient did not audit annually its sub-recipient, which is required under the grant agreement. The extent of the fraud would have been minimized and earlier risk mitigation would have been possible if the Principal Recipient, NACA, had had more oversight.

In spite of the low amounts of funds disbursed to DPRS relative to other sub-recipients, the Secretariat was still responsible for assessing NACA's oversight over DPRS and evaluating the increased risks presented by the recipient's weak oversight and lack of external audits of DPRS activities.

Secretariat actions

When it received the results of the Local Fund Agent's spot-check in September 2014, the Secretariat referred the matter to the OIG and ordered NACA to stop all disbursements to DPRS pending the results of the OIG investigation. DPRS halted further Global Fund program activities and received no further disbursements. In May 2015, to address wider issues across the portfolio, the Secretariat recruited and installed an external fiscal agent and required that all vendors, to the extent possible, be paid by bank transfer rather than cash via cash advances to staff. Training-related expenditures are now validated, red flags are reported, and compliance with more rigid procedures is monitored by the agent across the grant portfolio.

The use of DPRS in implementing Global Fund programs has been discontinued, and the Global Fund Secretariat is exploring alternative ways to support the National Health Management Information System under the new HIV grants.

Agreed Management Actions

The Global Fund Secretariat and the OIG have agreed on specific actions to address the governance, oversight, management issues and risks identified in this report for grants implemented by NACA. The actions are set out in detail in Section V, and include:

1. to finalize and pursue the recovery of the non-compliant expenditures identified in this report;
2. to take appropriate action towards the individuals identified in this report, including restricting those individuals from occupying any positions related to the implementation of Global Fund grants;
3. to ensure that routine Local Fund Agent spot checks of NACA's sub-recipients are expanded to include more tests and validations of training and travel-related expenditures.

III. Findings and Agreed Management Actions

Between 2010 and 2014, ten DPRS staff and four IT consultants specializing in Health Information Systems worked to implement Global Fund projects. The staff devoted 50% of their time to Global Fund activities, except for the DPRS Director, who devoted 25% of her time to Global Fund-related work.²

OIG investigators inspected and analyzed supporting documentation for 202 payment vouchers totaling US\$2.93 million in program expenditures by DPRS staff and consultants for the reimbursement of service delivery expense claims or associated advances. Investigators further reviewed in-depth 730 individual receipts from those vouchers for hotels, fuel and stationery. The OIG also conducted independent research and site visits to hotels and examined files from the computers used by the staff for the program.

Records showed how two officers were able to use their personal bank accounts to facilitate some of the embezzlements, share stolen program funds with others, and collect kickbacks from hotels and suppliers. For example:

- from 4 June 2012 to 30 November 2014, 71 transactions from the DPRS Global Fund Naira account were transferred to the Program Officer's bank account, totaling NGN94,455,499 (US\$609,390);
- from 18 December 2013 to 18 March 2014, there were nine transfers from the DPRS Global Fund Naira to the Monitoring & Evaluation Officer's account, totaling NGN9,097,123 (US\$58,691), related to service delivery activities.

Whilst some form of activity may have taken place and some of the receipts attached to the payment vouchers may reflect actual costs, the OIG's findings indicate that most receipts and payment vouchers misrepresent and overstate the duration, number of participants and/or related costs.

01 Fraudulent Service Delivery Expense Claims

The OIG found evidence that seven of the ten Global Fund implementing team members employed at DPRS and three consultants were involved in the embezzlement of program funds. This included both Project Coordinators, the Program Officer, Monitoring & Evaluation Officer, the NHMIS Officer, the Project Secretary, and the Assistant Accountant. The individuals provided falsified, fictitious and inflated invoices and receipts for the reimbursement of service delivery expenses for hotels, Daily Subsistence Allowance, transportation, fuel and stationery. More than half of the receipts analyzed had some form of irregularity or fraud. The individuals also misrepresented the number of days spent at the events and claimed expenses for trips or modes of travel not taken (e.g., air versus ground). Reimbursements were also made for unsupported and unaccounted for expenditures. The OIG found evidence that the DPRS Director approved expenses knowing that supporting documents contained information that was untrue and that DPRS consultants were overpaid Daily Subsistence Allowance.

The OIG found the following widespread fraudulent practices by DPRS staff: fabricating invoices, inflating the number of days traveled and expenditures incurred, claims for travel not taken, and colluding with suppliers. This makes it difficult to accept any travel claim at its face value.

The following examples describe the primary schemes in detail:

² Except for the position of Project Officer, all staff served continuously in their role for the entire 2010-2014 period. Two different individuals held the position of Project Officer over five years: one from 2010 to 2012 and the other from 2012 to the present.

Fraudulent Hotel Payments

The investigation found that the Program Officer and the Monitoring & Evaluation Officer colluded with at least five hotels to overcharge the program for training venues, rooms and associated costs. They also submitted falsified invoices and receipts as supporting documentation. The following represent some examples:

Fraudulent Hotel Payments by the Program Officer

Voucher 70/12 and 71/12. On 17 September 2012, DPRS paid NGN1,650,000 (US\$10,645) to KH Mgt. Integrated Service Ltd. as a deposit for hall rental and other anticipated charges at its Kwara Hotel for the Health Data Producers and Users (HDPU) meeting. On the same day, DPRS also transferred NGN9,014,770 (US\$58,160) to the Program Officer's personal bank account for him to use to pay other expenses, such as Daily Subsistence allowance associated with the HDPU meeting. After the event on 9 October 2012, the OIG has evidence to show that the Program Officer transferred NGN1,019,700 (US\$6,579) from his bank account to KH Mgt. Integrated Service Ltd, which the OIG concludes was for the balance owed to Kwara Hotel for the event.

To settle part of the expense advance, the Program Officer submitted a receipt from the Kwara Hotel dated 18 September for NGN5,207,840 (US\$33,599), which was allegedly the full amount paid to Kwara Hotel for hall rental, catering and accommodation for 90 people. However, the evidence shows that Kwara Hotel was only paid the initial deposit of NGN1,650,000 (US\$10,645) plus the amount transferred by the Program Officer of NGN1,019,700 (US\$6,579) for a total of NGN2,669,700 (US\$17,224). Thus, the Program Officer was reimbursed US\$16,375 more than the amount paid to Kwara Hotel. There is no evidence to show that the Program Officer repaid the excess funds to DPRS.

Voucher 97/12. On 28 November 2012, through voucher 97/12, DPRS reimbursed the Program Officer NGN12,718,664 (US\$82,056), by transferring the funds to his personal bank account, to cover the costs of simultaneous DHIS 2.0 training for users in four states. An analysis of the supporting documentation attached to voucher 97/12 found that the Program Officer had overstated the expenses claimed on the retirement document by NGN2,040,870 (US\$13,167), , and provided over inflated hotel invoices to support his claim.

Eden Hotel. One training session took place at the Eden Hotel, Akwa Ibom State from 11 to 17 November 2012. Supporting receipts for voucher 97/12 include an invoice from Eden Hotels, dated 18 November, for NGN1,326,500 (US\$8,558), for rooms and facilities, and a payment receipt dated 17 November for the same amount. There is no indication that there was a deposit paid or that any kind of separate payment was made to Eden Hotels. Interestingly, all the hotel bills for room charges have the same check-in and checkout time and the hotel did not issue these hotel bills.

Again, the OIG has evidence that on 28 November, NGN708,600 (US\$4,572) was transferred from the Program Officer's bank account to Eden Hotels, which the OIG considers to be the actual cost of the hotel facility and rooms for the training. The OIG concludes that the supporting invoice for Eden Hotel included in voucher 97/12 is forged, and the program was overcharged NGN617,900 (US\$3,986) and the funds diverted to the Program Officer.

When the OIG showed the invoice that had been submitted by the Program Officer for reimbursement, the Eden Hotel general manager stated that company logo on the documents shown to him was forged. He stated the signatures were not those of his staff, and Eden Hotel did not receive any money from the Ministry of Health (as it had received the funds from the Program Officer).

White Castle Hotel. A second training event took place at the White Castle Hotel, Anambra State between 11 and 17 November 2012. The hotel invoice and receipt supporting the payment made to White Castle Hotels were for NGN2,024,250 (US\$13,060) and dated 18 November 2012. There is no

indication of a deposit or that any kind of separate payment was made to the hotel. The Program Officer signed all the hotel room invoices as the guest, but according to the attendance sheets, he did not attend this training.

Further evidence shows a transfer of NGN765,400 (US\$4,938) made to White Castle Hotels on 28 November 2012, which would represent the actual cost of the hotel facility and rooms for the training. The OIG concludes that the Program Officer overcharged the program NGN1,258,850 (US\$8,122).

Ididie Hotels. A third training session took place at the Ididie Hotels in Bayelsa State from 11 to 17 November. The supporting documentation for the hotel costs includes two receipts totaling NGN1,551,500 (US\$10,010). The first receipt, dated 08 November is for NGN840,000 (US\$5,419) and the second, dated 18 November is for NGN711,500 (US\$4,590).

The Program Officer again signed all the hotel bills in lieu of the guests, but according to the attendance sheets and facilitator payments, did not attend the training. Furthermore, the report on the training states the trainees left at midday on 17 November. However, the guest invoices all reflect that the trainees stayed the night of 17 November and checked out on 18 November.

The Program Officer made a large cash withdrawal on 8 November, which may have been used to pay the attendees' Daily Subsistence Allowance and the hotel's first receipt of NGN840,000 (US\$5,419). They also show a transfer to Ididie Hotels for NGN547,380 (US\$3,531) on 16 November. The total amounts paid to Ididie Hotels is NGN164,120 (US\$1,059) less than the amount claimed paid by the Program Officer on the payment voucher of NGN1,551,500, and represents funds diverted to him.

Fraudulent Hotel Payments by the Monitoring & Evaluation Officer

Voucher 99/12. On 28 November 2012, through voucher 99/12, DPRS reimbursed the Monitoring & Evaluation Officer NGN8,701,930 (US\$56,141) for simultaneous DHIS 2.0 training expenses in three states, Niger, Ogun and Federal Capital Territory (FCT). Analysis of the supporting documentation attached to voucher 99/12 found that the Monitoring & Evaluation Officer had overstated the expenses claimed on the retirement document by NGN1,655,520 (US\$10,681), or 19% of the total voucher, and provided over inflated hotel invoices to support her claim. For example:

Conference Hotel. The training for Ogun State allegedly took place at the Conference Hotel on 12 to 17 November 2012. Supporting documents submitted by the Monitoring & Evaluation Officer to support her advance include an invoice from the hotel and receipt dated 17 November for 15 rooms, venue rental, and food for seven days for a total cost of NGN2,031,750 (US\$13,108).

The Monitoring & Evaluation Officer made a transfer of NGN1,321,210 (US\$8,524) to the Conference Hotel on 28 November, which would represent the actual cost of the hotel facility and rooms for the training, and is NGN710,540 (US\$4,584) less than the amount claimed by the Monitoring & Evaluation Officer of NGN2,031,750 (US\$13,108). Additionally, a template for the hotel invoice was discovered on the computer of the DPRS Assistant Accountant.

Global Village Hotel. Voucher 99/12 contains two receipts from the Global Village Hotel, both dated 18 November, totaling NGN1,493,000 (US\$9,632). The Monitoring & Evaluation Officer made a transfer of NGN548,020 (US\$3,536) to Global Village Hotel and Suites on 28 November 2012. The OIG surmises that this is the true cost for the hotel, meaning that the Monitoring & Evaluation Officer diverted the NGN944,980 (US\$6,097) for her own personal use, and that the supporting documents are fraudulent.

Voucher 15/14 and 16/14. On 9 January 2014, the Monitoring & Evaluation Officer received an advance from DPRS of NGN3,790,425 (US\$24,454) to cover costs of delivering DHIS training to

administrators from the North Zone States at Zecool Hotels, Kaduna State from 14 to 18 January 2014. Also on 9 January, DPRS paid a deposit of NGN1,640,193 (US\$10,582) to Zecool Hotels. On 18 January, Zecool Hotels invoiced DPRS its balance of NGN1,120,860 (US\$7,231).³

On 20 January, the Monitoring & Evaluation Officer transferred NGN99,777 (US\$644) to Zecool Hotels, which would represent the actual balance due to the hotel for the training, yet the Monitoring & Evaluation Officer claimed on supporting documentation in vouchers 15/14 and 16/14 the full amount due of NGN1,120,860 (US\$7,231). The OIG concludes that that the program was overcharged NGN1,021,083 (US\$6,588), the funds were diverted to the Monitoring & Evaluation Officer and that the invoice and retirement document are fraudulent.

Inflated Daily Subsistence Allowance and Transportation Expenses

The OIG found that the Program Officer and the Monitoring & Evaluation Officer also embezzled program funds through their personal bank accounts by underpaying the attendees for Daily Subsistence Allowance and transportation. For example:

Voucher 14/14 was for expenses associated with DHIS training for state administrators in the Enugu Zone, from 14 to 18 January 2014. On 9 January, the Program Officer received an advance payment of NGN3,489,070 (US\$22,510) to pay for the training expenses. Evidence supports the fact that the Program Officer transferred funds to some of the training attendees on 16 and 17 January. For a test sample of 12 names, the OIG found that the amounts of money the trainees had signed for was US\$5,640, but the amount transferred was US\$4,618, a difference of US\$1,022 (18%).

Vouchers 15/14 and 16/14 were for expenses associated with DHIS training for state administrators in the North Zone, from 14 to 18 January 2014. The supporting documentation includes 44 receipts for Daily Subsistence Allowance and transportation totaling NGN2,654,880 (US\$17,128). On 9 January, the Monitoring & Evaluation Officer received NGN3,790,425 (US\$24,454) from DPRS to cover expenses for the DHIS training. On 16 January, she received an additional NGN515,803 (US\$3,328). On 17 January, the Monitoring & Evaluation Officer transferred funds to individuals who attended the training for their Daily Subsistence Allowance and transportation. For a test sample of six names, the OIG found that the Monitoring & Evaluation Officer claimed for reimbursement NGN89,578 (US\$578) more than she had paid out to the attendees. In addition, an IT consultant, a facilitator for this training, signed a payment receipt for NGN162,467 (US\$1,048), but was not one of the individuals receiving a transfer payment from the Monitoring & Evaluation Officer.

Travel Claimed for Trips or Modes of Travel Not Taken

The OIG identified multiple vouchers in which claims for travel were made for trips or modes of travel not taken.

Voucher 38/13 for NGN1,625,572 (US\$10,488) related to disbursements for DHIS 2.0 training from 11 to 16 May 2013 in Kaduna and Zamfara States. The supporting documentation includes a Daily Subsistence Allowance and transportation payment receipt and a hotel room invoice for the program's Assistant Accountant. When the OIG interviewed the Assistant Accountant, he stated that he had never travelled as a facilitator. Therefore, the NHMIS Officer, fraudulently claimed NGN432,093 (US\$2,788), 27% of the total expense voucher, as reimbursement. The OIG found that the Assistant Accountant's name and signature were also on hotel room receipts, Daily Subsistence Allowance, transportation payment and attendance sheets, as a facilitator attached to three other training vouchers for which he did not attend.

³There is a minor error on the invoice as the stated deposit amount is NGN1,640,913 (US\$10,587). The amount of the deposit paid by DPRS was NGN1,640,193 (US\$10,582).

Voucher 63/13 represents an advance paid to the Global Fund Project Coordinator (Project Coordinator), the Program Officer and the Monitoring & Evaluation Officer, to attend the advanced level Health Information Systems Program Academy, developed by the University of Oslo, held in Lagos from 5 to 14 November 2013. Each received an advance of NGN568,120 (US\$3,665), which was transferred from the DPRS Global Fund account into their respective personal bank accounts.

The Health Information Systems Program coordinator at the University of Oslo informed the OIG that the cost to attend the Academy was US\$800, and that the preferred method of payment was through bank transfer to the Health Information Systems Program Nigeria bank account. He also provided documentation that showed only the Program Officer and Monitoring & Evaluation Officer attended the Academy, and that the Project Coordinator did not attend, although he had been paid NGN568,120 (US\$3,665) to cover his costs.

Evidence shows that the supporting documents submitted by the three DPRS staff related to the event were falsified and that they had inflated their actual expenses. Receipts allegedly from the Academy submitted by the three staff for the course fee were for US\$1,750 each, paid in cash, versus US\$800 each. Copies of one of the receipts in Word document format was found on the Monitoring & Evaluation Officer's employer assigned computer. Furthermore, air tickets submitted by the three as support appear to have been fabricated, as they are missing the IATA codes and do not have ticket numbers.

Voucher 100/12 totals NGN852,248 (US\$5,498) and relates to a retreat organized by NACA from 16 to 21 December 2012 at the Tinapa Lakeside Hotel, Calabar. The payment voucher and supporting documentation are associated with expenses incurred by four DPRS attendees to the conference: the Project Coordinator, the Program Officer, the Monitoring & Evaluation Officer and the Assistant Accountant.

During an interview, the Assistant Accountant admitted that he had not attended this event but submitted falsified documents to support the money advanced to him. The type, format and design of the forged documents submitted by the Assistant Accountant were identical to the supporting documents submitted by the other three staff members.

Voucher 7/13 documented the cost of holding DHIS training at the Dannic Hotel between 5 and 8 March 2013. During an OIG interview, the Program Officer admitted that he had driven, and not flown to the training and that his air tickets and boarding passes were forged. The OIG found that the air tickets and boarding passes for other individuals attending the training have the same fraudulent aspects and are likely to have been forged.⁴

The supporting documentation in vouchers 100/12 and 7/13 also include taxi receipts from the airport which, based on the admissions of the Assistant Accountant and the Program Officer, must also be fraudulent.

In voucher 82/12 for the Data Quality Analysis training, the amount claimed for transport was altered, from NGN6,000 to NGN16,000 by adding the numeral '1' to the number's front. The total expense claim was then altered from NGN26,500 to read NGN36,500.

Voucher 26/11, dated 3 June 2011, includes an invoice purportedly from the BIU Motel. The invoice (missing the hotel's letterhead) was found in a Word document on the Assistant Accountant's employer assigned computer. The managing director of BIU Motel substantiated the fraudulent nature of the receipt by confirming that the hotel had not done business with the Ministry of Health between 2010 and 2014. He further stated that the signatures on the documents shown to him were not those of BIU Motel's staff.

⁴ Fraudulent characteristics of forged air tickets includes: the same ticket numbers for all the tickets attached to the voucher, ticket numbers that do not include the airline code of the airline issuing the ticket, the tickets are electronic but the payment method is shown to be cash instead of card payment.

Refunds of Fraudulent Overcharges. In 2014, after learning the results of the Local Fund Agent’s review, several DPRS staff refunded DPRS a portion of some of their recent travel claims. The individuals had fraudulently claimed and received reimbursement for the cost of air flights for trips taken by car. The individuals refunded the difference in costs between the two modes of transportation.⁵

Inflated Number of Event Days and Related Costs

Voucher 42/13 corresponded to the costs of DPRS staff to attend the 56th National Council on Health approved by the Project Coordinator and the DPRS Director. This event was held in Lagos and according to the funding request submitted was to take place from the 23rd (a Friday) to 30th of August 2013. The request was for 12 people to attend the meeting for eight days for a budgeted amount of NGN2,938,387 (US\$18,957). Each of the 12 individuals received NGN241,696 (US\$1,559) for eight days of Daily Subsistence Allowance (hotel and food) and reimbursement of air transportation costs. The OIG found numerous issues with the travel claims for this event:

- From an internet search, the OIG found that the 56th National Council on Health started on 26 August and not the 23rd meaning that the attendees received three extra days of Daily Subsistence Allowance.
- Although the attendees were reimbursed for the equivalent for air transportation, which was unsupported, the payment voucher included fuel bills for two vehicles and Daily Subsistence Allowance for a DPRS driver.⁶
- There were hotel invoices from two different hotels for a total of only 11 (and not 12) persons.

Peter Demza Approval Signature

The OIG found that the signature of the supplier’s representative on numerous invoices or receipts for hotels, fuels and stationery supporting expenditure claims over a four-year period visually matched each other and was the same signature. The distinct signature was inserted on the invoice or receipt into the location reserved for the vendor’s manager or cashier. On the BIU Motel invoice associated with voucher 26/11, the signature appears directly above the typed name “Peter Demza”, who was represented on the invoice as the motel’s manager. The OIG concludes that the signature is forged and that the associated receipts and invoices are likely fabricated, as it is improbable that the same person, or person with the same signature, represented the various hotels, fuel stations and stationery vendors over a four-year period.

False Stationery and Fuel Receipts

The OIG conducted an in-depth review of 76 fuel receipts associated with six different vouchers and 126 stationery receipts associated with 17 different vouchers. Of the total 202 fuel and stationery receipts reviewed, the OIG found that 102 receipts (50%) had some form of fraud or irregularities. These irregularities included:

- i) use of the same signatures for the same person across receipts from different organizations, as exemplified by the “Peter Demza” signature mentioned above;
- ii) similar handwriting on receipts from different organizations;
- iii) out of sequence receipt numbers;
- iv) the unreasonable and excessive repeat purchases of motor oil and filters (purchased at every fill-up); and

⁵ In 2014, employees refunded NGN6,857,419 (US\$44,241) to the program.

⁶ In response to this finding, DPRS did not challenge that its staff commuted to the event by car rather than airplane. It also stated that there was a driver for the second car who was paid from another source of funds.

- v) fuel purchases that were on or near the same date for the same vehicle.

When interviewed, DPRS' driver informed the OIG that fuel station attendants usually provide him with blank receipts when filling the vehicle because they are generally unable to write, and he turns the blank receipts into the DPRS office. He could not explain why the receipts might indicate an excessive purchase of oil and filters. The Program Officer confirmed that petrol stations give blank receipts and initially said that he completes the receipts to match the budget rather than to reflect the actual amount of fuel, oil or filters purchased. He later retracted his answer.

Daily Subsistence Allowance and Transportation Payments to Consultants

The IT consultants were hired in 2010, at a rate of NGN100,000 (US\$645) for 10 consultancy days per month and received a mileage rate of NGN20 per kilometer. However, the consultants were paid at NGN39 per kilometer, and there is no explanation for this change.

The Program Officer prepared a single Excel spreadsheet each quarter to calculate the amount of salary plus additional expenses that was owed to each consultant. The OIG analyzed all 19 vouchers supporting salary and expenses paid to consultants and found that the consultants were overpaid by NGN2,941,155 (US\$18,975). For example, on the spreadsheet attached to voucher 78/12, the calculations for two of the three consultants' transport were double the amount of expenses they were entitled to, being NGN219,570 (US\$1,417) and NGN284,466 (US\$1,835), respectively. On most vouchers, the correct amount for transportation had been doubled, but in two cases, it had been quadrupled.

Repeat Use of the Same Supporting Documentation

DPRS staff would use the same documents to support different expense claims. In some instances, the date of the document used was changed to coincide with the later expense claim. For example:

The OIG reviewed the documents attached to vouchers claiming reimbursement for the Monitoring & Evaluation Officer's mentoring activities and found that the same documents had been used multiple times to support different vouchers. For example, the documents used to support vouchers 2/14, 3/14, 5/14, 6/14, and 7/14 were the same documents supporting vouchers 15/13, 16/13, 74/13, 75/13, and 78/13, respectively.

The meeting minutes used to support vouchers 93/12 and 75/13 were identical except the date was changed from "8/05/2012" to "8/05/2013". Moreover, the Monitoring & Evaluation Officer's monthly meeting minutes for January to September 2013 are used to support claims submitted in voucher 6/14. The text of the minutes documenting the meeting's discussions for the months of May and June were identical, except the date and the names of the individuals who opened and closed the meetings were changed.

The consultants' activity reports used as support that the activity took place were the same report on multiple vouchers. For example, the report for voucher 103/12 was identical to the report attached to 9/14 except for the change in date on the front cover from 2012 to 2013.

Unaccounted for or Unsupported Expenses

Voucher 82/12 represented the expenses associated with the quarterly Data Quality Analysis training for three states. The payment sheets indicate that 32 people were paid Daily Subsistence Allowance for this training in the amount of NGN4,584,140 (US\$29,575). However, the total amount of Daily Subsistence Allowance signed for by individual attendees is only NGN784,768 (US\$5,063), leaving US\$24,512 unaccounted for. The voucher further states that airfare and transportation total NGN914,507 (US\$5,900), whereas the amount of transportation costs signed for by the attendees is only NGN345,917 (US\$2,232), leaving US\$3,668 unaccounted for.

Vouchers 13/14 and 14/14 were for disbursements associated with DHIS training for state administrators in the Enugu Zone, from 14 to 18 January 2014. Documentation submitted by the Program Officer state that he paid Daily Subsistence Allowance and transport expenditure to the attendees totaling NGN2,679,238 (US\$17,285). However, the voucher's supporting documentation totaled only NGN2,214,030 (US\$14,284), a difference of US\$3,001.

Inconsistencies across Supporting Documentation

The OIG noted numerous inconsistencies in the data across supporting documentation for the same event, which further casts doubt on their authenticity. This also greatly increases the difficulty of determining with accuracy from supporting documents the event's components, such as its duration, exact number of attendees, and the costs attributable to Daily Subsistence Allowance, transportation, meals and rooms.

As previously described, vouchers 13/14 and 14/14 were for disbursements associated with DHIS training for state administrators in the Enugu Zone, from 14 to 18 January 2014. The voucher contains supporting documentation for the payment of Daily Subsistence Allowance and transportation to 31 attendees. The voucher also contains, however, supporting documents claiming hotel rooms for 37 attendees and attendance sheets containing 38 signatures.

As another example, vouchers 15/14 and 16/14 were for expenses associated with DHIS training for state administrators in the North Zone from 14 to 18 January 2014 and include 44 payment receipts for Daily Subsistence Allowance and transportation. Although the number of attendees and facilitators appear to total 44, the voucher contains receipts for 42 hotel rooms; the hotel charged for 45 rooms; the attendance sheets for the three training days have 40, 43 and 46 signatures; and the event's summary report lists 40 attendees.

Agreed Management Actions: Pursue the recovery of the non-compliant expenditures identified; Take appropriate action towards the individuals identified in this report, including restricting those individuals from occupying any positions related to the implementation of Global Fund grants.

02 Systematic Fabrication of Supporting Documentation

The investigation found that several DPRS staff systematically fabricated supporting documentation as needed in order to comply with the grant's documentation requirements in the event of an audit. After the Local Fund Agent spot check in 2012, where the findings included unsupported documentation for mentoring visits, DPRS staff produced reports and minutes of meetings for these claims. In 2014, after the Local Fund Agent spot-check found that DPRS staff forged travel and hotel documents, the Program Officer evaluated whether forged documents were authentic-looking or appeared too "fake" and would have to be replaced by other supporting documents.

Fabricated Hotel Invoices for Consultant Travel

The OIG reviewed hotel invoices attached to at least 33 payment vouchers from 2012 to 2014 totaling NGN129,466,378 (US\$835,267) supporting the trips and number of days' travel of DPRS' consultants. The invoices bore the names and signatures of the consultants.

The consultants, however, informed OIG investigators that as they were consultants and not DPRS staff, they were not required to, nor did they ever, submit hotel invoices and receipts as part of their claims for Daily Subsistence Allowance or transportation for mentoring visits to Local Government Authorities. They informed the OIG that they submitted only a report each quarter to the Program Officer detailing the work they had undertaken during the quarter, and that the report was used to

support their Daily Subsistence Allowance and transportation payments. They also claimed that their signatures on the invoices were forgeries.

Based on the evidence, the OIG concludes that DPRS staff fabricated the hotel invoices used as supporting documentation for the consultants' mentoring visits, some in collusion with the hotels, in an effort to comply with the grant's documentation requirements. Given the widespread practice of DPRS staff inflating and misrepresenting invoices for their own travel, the fabricated invoices likely overstate and do not accurately represent the travel and expenditures actually incurred for the consultants' activities.

Systemic Effort to Falsify and Evaluate Fabricated Travel Documentation in 2014

The OIG found evidence to suggest that following the Local Fund Agent's spot check in September 2014, which identified a large volume of unsupported travel documentation, DPRS staff attempted to manufacture supporting documentation for vouchers, intentionally creating fraudulent documents to attach to vouchers. The evidence also shows that the staff evaluated the appearance of the fraudulent documentation and removed and replaced documentation that appeared too "fake."

An Excel spreadsheet of 2014 vouchers was found on the Program Officer's employer assigned computer. It was created on 29 October 2014 and is replicated in Figure 1. For several of the vouchers listed, the column headed "issues" states: "Hotel receipt looks fake" or "air ticket looks fake". The column following the "issues" column is "REMARKS" and where the issue is a fake document, the "REMARKS" column states "Remove hotel receipt and attached [*sic*] report of evidence of work done."

Figure 1. Replicated copy of Excel spreadsheet listing and evaluating fabricated supporting documentation

VOUCHER NUMBER	TITLE	AMOUNT	issues	REMARKS
_001	SALARY /TOP UP	892,294	REPORTS ATTACHED	OK.
_002	M&E MEETINGS	1342500	REPORTS ATTACHED	OK.
_008	NACA RETREAT 2014	515,806	No report attached	Attached Reports.
_009	DHIS MENTORING (DAPO)	1,959,230	Hotel receipt look fake	Remove the Hotel receipt and attached report as evidence of work done
_010	DHIS MENTORING (ALUKA)	1,994,537	Hotel receipt look fake	Remove the Hotel receipt and attached report as evidence of work done
_011	DHIS MENTORING (JEROME)	1,955,627	Hotel receipt look fake	Remove the Hotel receipt and attached report as evidence of work done
12	FIRS	78,000	No receipt attached	Collect receipt from FIRS and attached
13	INTERMEDIATE TRAINING (Enugu)	3,489,070	HOTEL RECEIPT ATTACHED, individual payment not regular, Air ticket look fake.	Air Ticket and Payment voucher need to be changed

03 Unexplained Payments from Vendors, believed to be Kickbacks

The OIG has evidence which shows the Program Officer received monies directly from three DPRS vendors. The OIG could not find any legitimate explanation for these transfers. The inflated number of invoices found was related to these vendors and there is a close link in time between the payment to the vendor for a grant expenditure and the vendor's payment into the officer's bank account. The OIG concludes that the invoices provided by the vendors had been intentionally over inflated and that the excess money was paid to the Program Officer in the form of a kickback.

Dannic Hotels

There were five transfers from Dannic Hotels into the Program Officer's account, shortly after DPRS had paid Dannic Hotels a deposit for hall rental and group lunches. Of the US\$75,505 of program funds paid by DPRS to Dannic Hotels from 25 vouchers, Dannic Hotels kicked back US\$67,153 or 89% of those funds to the Program Officer.

Additionally, close review of the Dannic Hotel guest bills supporting vouchers 14/14 and 66/14, which are for two different periods, found several similarities. This included the time stamps for room charges on both sets of invoices are for the exact same time; the guest bills in voucher 14/14 are numbered from 11506 to 11543, with number 11528 missing and two bills with number 11527. The guest bills in voucher 66/14 go from number 11506 to 11546, again with the number 11528 missing and two numbers 11527. The OIG concludes that the Dannic Hotel guest bills for these two vouchers were fabricated by DPRS staff and are not authentic.

Lukman Busari Ajao Auto Mechanics (Lukman Busari)

On four occasions, there were transfers into Program Officer's bank account from Lukman Busari. Each of these transfers occurred shortly after Lukman had been paid from the Global Fund account by DPRS for vehicle servicing. These unexplained payments, believed to be kickbacks to the Program Officer, represent 40%-90% of the invoiced amount and resulted in the theft of US\$3,762 from disbursements made from DPRS to Lukman of US\$4,806.

Vichi Gate Hotel and Suites (Vichi Gate)

There was one transfer of NGN242,180 (US\$1,563) into the Program Officer's account from Vichi Gate on 19 May 2014. DPRS had paid Vichi Gate a deposit of NGN3,760,848 (US\$24,264), supported by voucher 68/14, on 6 May 2014 for hotel expenses related to a training event that took place from 11 to 16 May 2014. The Program Officer was responsible for paying the outstanding balance of NGN1,962,552 (US\$12,662), which he claimed in voucher 67/14.

The OIG showed the managing director and accountant from Vichi Gate the invoice used as the supporting documentation for voucher 68/14. The hotel employees advised that the Ministry of Health had not held an event at the hotel for the dates on the invoice shown and further concluded that the document had not been issued by the hotel, the signatures did not belong to staff members of the hotel and were therefore a forgery.

The OIG believes a Word document, which is very similar to the invoice submitted with voucher 68/14, was also used for another event, which took place from 9 to 15 March 2014. The Vichi Gate's accountant provided an invoice that appears to be the same as the document found on the Assistant Accountant's computer. Whilst the Global Fund did not pay for this event, the OIG surmises the Assistant Accountant used this document to create the invoice submitted as supporting documentation for voucher 68/14.

Furthermore, the OIG cannot establish the true length of the training and the number of attendees. The supporting documentation for voucher 68/14 includes hotel receipts indicating the training

participants stayed six nights. However, according to the attached report, the training concluded at mid-day on day five. The hotel invoice has a charge for accommodation for 60 participants; the attendance sheets indicate attendance for 58, 32, 57, 52 and 44 participants for each of the five days; there are 53 payment vouchers; and the report states that 57 people participated in the training. Based on the evidence presented, the OIG concludes that the supporting documentation for voucher 68/14 is fraudulent, the program was overcharged and the Program Officer received the benefit of the overcharge in the form of a kickback.

Agreed Management Actions: Pursue the recovery of the non-compliant expenditures identified; Take appropriate action towards the individuals identified in this report, including restricting those individuals from occupying any positions related to the implementation of Global Fund grants.

04 Fraudulent Procurement Expenses

The OIG analyzed the five vouchers for procurement that were included in the vouchers selected for review and found that all five expenditures were supported by documentation that had been created by DPRS staff to support the alleged expenditure. The OIG concludes that there was no tendering for these procurements and because the invoices were fabricated, the true cost of the procurement cannot be established.

Voucher 8A/10

Voucher 8A/10, for NGN169,300 (US \$ 1,092), is supported by a quotation purported to be from Abimor Global Resources Ltd. Quotations from the other alleged bidders, Jacofat Nigeria Enterprises and Agbeke Tokstol Enterprises, were not attached to voucher 8A/10. However, these, as well as the body of the document for Abimor, were found as Word documents on the employer assigned computer belonging to the Global Fund Implementing Team Support Staff (Support Staff). A blank letterhead of Abimor Global Resources Ltd. was found as a Word document on the computer assigned to the Program Officer.

The OIG found that the three companies were not registered. They also noted that the addresses provided on the supporting documents for Abimor Global Resources and Agbeke Tokstol Enterprises were private residences and the address for Jacofat Nigeria Enterprises did not exist.

The office address of Abimor Global Resources Ltd. is the same as that found on a curriculum vitae (CV) of an individual identified as a former intern at the Ministry of Health. This intern also signed the Abimor Global Resources quotation as a representative. In addition, the Program Officer transferred US\$108,534 to this intern between 2012 and 2014. The OIG could not determine the reason for these transfers.

Voucher 16/11

Voucher 16/11, for the printing of NHMIS forms valued at NGN1,695,237 (US\$10,937), includes quotations from YBF Nigeria and Bodca Nigeria Ltd. as well as the winning bidder, Linesworth Ltd.'s quotation and acceptance letter. A Word document of the body for the Linesworth Ltd.'s quote was found on the Program Officer's employer assigned computer, and an acceptance letter allegedly from Linesworth Ltd. was found on the Support Staff's computer as a Word document. The quotations for both YBF Nigeria and Bodca Ltd. are photocopied documents and internet research of these companies do not categorize them as vendors of stationery or printing services.

The OIG concluded that DPRS staff created the Linesworth quote, and that the quotations for YBF Nigeria and Bodca Nigeria Ltd. were not genuine. Therefore, this was a fraudulent procurement even

though there are delivery receipts for the forms and funds were paid directly to Linesworth from the Global Fund account.

Voucher 37/11

Voucher 37/11 for the servicing of the project vehicles, valued at NGN279,700 (US\$1,805) includes the quotations from Abdulkarem Abdulhahi Auto Engineer and Francis Okokwo Auto Mechanic, as well as that of the alleged winning bidder, Lukman Busari Ajao Auto Mechanics.

The quotes for all three companies were found as Word documents on the Program Officer's and Support Staff employer assigned computers. The OIG concludes that DPRS staff created all the supporting documents attached to this voucher to give the illusion that a competitive tender process had taken place.

Voucher 51/11

Voucher 51/11 for the purchase of computer equipment, valued at NGN591,500 (US\$3,816), includes the quotations from Dada & Dada Business Machine and NMT – Digitals as well as that of the alleged winning bidder Global Galore Ltd. The letterhead for Global Galore Ltd.'s quote was found as a Word document on the Support Staff's computer. The quotes for Dada & Dada Business Machine, NMT – Digitals and the body for Global Galore Ltd. were found as Word documents on the Program Officer's computer.

Furthermore, the OIG found no registrations at the Corporate Affairs Commission for Dada & Dada Business Machine. The OIG found a registration for Global Galore Ltd., but the company was only incorporated on 13 August 2012 after this transaction that occurred in October 2011. The OIG concluded that DPRS staff created all the supporting documents attached to this voucher as evidence that a tendering process had taken place, when it had not.

Voucher 80/13

Voucher 80/13 for stationery supplies valued at NGN340,765 (US\$2,198) includes the quotations from Jacofat Nigeria Enterprises and Valdiva Services Ltd. as well as the alleged winning bidder Academy Bookshop. As pointed out earlier in this section, the OIG found Jacofat Nigeria Enterprises to be fictitious. Therefore, the OIG considers the tendering process for this purchase fraudulent.

Academy Bookshop was registered with the Corporate Affairs Commission. However, a Word document body of a letter that exactly matches a letter allegedly sent from Academy Bookshop that is attached to the voucher with the subject "REQUEST FOR PAYMENT" was found on the Support Staff's computer. There is a store receipt for the items purchased and Academy Bookshop was paid directly from the Global Fund account.

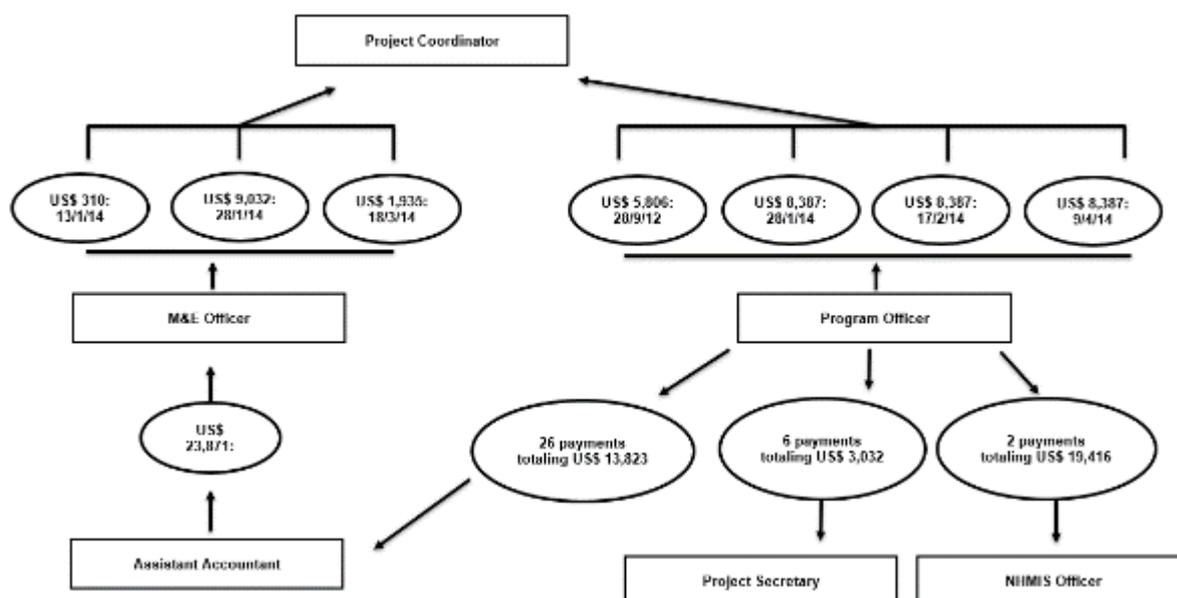
Fraudulent practices occurred in all five procurements and a total of US\$19,848 is non-compliant under the grant.

Agreed Management Action: Pursue the recovery of the non-compliant expenditures identified.

05 Sharing of Service Delivery Funds between DPRS Staff

The OIG has evidence that the Program Officer wired funds from his personal bank account into the accounts of the Project Coordinator and other DPRS staff, as illustrated in Figure 2.

Figure 2. Example of Funds Flows between DPRS Staff



The OIG has evidence that the IT consultants paid US\$52,818 into the bank account of the Program Officer. The OIG surmises that this money represents a kickback for funds disbursed to the consultants from inflated expenditure claims, as described throughout this report.

06 Lack of Principal Recipient Oversight

Under Article 13 (d) of the grant agreement,⁷ the Principal Recipient is obliged to ensure that its sub-recipients conduct annual audits of their revenues and expenditures. NACA conducted spot checks on DPRS for quarters ending in June, September and December 2012 and March 2014, but there were no annual audits conducted.

The June 2012 letter noted that DPRS manually recorded financial transactions and this was still an observation in the March 2014 letter. The December 2012 management letter noted that individuals receive a lump sum payment for group activities and the recommendation was that DPRS make direct payments through bank transfers and pre-paid ATM cards. This was rated as a high-risk item; however, there was no follow-up review to ensure that DPRS was complying with the recommendation.

In addition, NACA appears not to have questioned the fact that the Project Coordinator approved funding on behalf of the Program Director or that expenditures exactly matched the budgeted amount.

The OIG concludes that if NACA had conducted proper audits as required, had followed up on the findings of the spot checks and questioned why the Program Director was not approving funding, the fraudulent activities within DPRS would have been discovered sooner.

⁷ Grant Agreement NGA-H_NACA

Agreed Management Action: Ensure that Local Fund Agent spot checks include site visits to key training events on a regular basis. Ensure that a fiduciary agent will monitor all expenditure related to travel and training activities at the Principal Recipient.

IV. Conclusion

The OIG investigation found that seven out of ten DPRS staff members dedicated to the implementation of Global Fund grants and three IT consultants engaged in fraudulent practices to divert funds for their personal use. These fraudulent practices continued for five years due to ineffective oversight by NACA. Its failure to conduct the required annual audits and to follow-up on issues identified by its occasional spot-checks contributed to the perpetuation of the fraud.

The determination of the actual cost of the fraud to the program is not possible. Many factors complicate and render impractical the determination of which receipts are fraudulent. Many of the training events occurred four to five years ago, most expenses were paid in cash and are untraceable and unverifiable. Hotel suppliers colluded with staff to defraud the program and hotel staff would not cooperate with the investigation. Attendee lists representing the names and number of participants and facilitators are unreliable or missing and many are forged. For these reasons, the OIG reports only on non-compliant expenditures and does not propose a different recoverable amount representing embezzled losses of program funds.

The OIG concludes that all vouchers used to claim reimbursement for training events, meetings, mentoring visits, personal development and procurement are more likely than not to contain fraudulent documents and fictitious or inflated costs. Therefore, the OIG believes that all vouchers of this type are non-compliant.

The following table summarizes the non-compliant amounts by year:

Year	Non-Compliant Number of Vouchers	Non-Compliant Vouchers in NGN	Non-Compliant Vouchers in US\$
2010	30	58,943,010	380,277
2011	53	118,998,397	767,732
2012	94	168,047,471	1,084,177
2013	70	91,720,537	591,745
2014	108	153,889,379	992,835
Total	355	591,598,794	3,816,766

V. Table of Agreed Management Actions

#	Category	Agreed Management Action	Target 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.	1 April 2017	Recoveries Committee
2	Governance, Oversight & Management Risk	Take appropriate action towards the individuals identified in this report, including restricting those individuals from occupying any positions related to the implementation of Global Fund grants.	1 June 2016	Head of Grant Management Division
3	Governance, Oversight & Management Risk	The Secretariat will address and mitigate the risk of poor oversight by NACA, the Principal Recipient, of its sub-recipients and will expand the terms of reference of the Local Fund Agent's routine spot checks of sub-recipients to include intensified validation of training-related claims and expenditures. This will include random on-site validations of a sample of sub-recipient training events and meetings as they are held, and periodic post-event validations of invoices with suppliers and participants.	31 December 2016	Head of Grant Management Division

Annex A: OIG 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.⁸

DPRS accounted for their expenses for program activities by a voucher payment system. During the course of two missions to the offices of DPRS, investigators created digital copies of 400 voucher packages out of 409 that had been logged, nine vouchers, two from 2011, six from 2012 and one from 2014 were not scanned as they were not available.

Other investigative steps undertaken by the OIG involved employing a local representative to verify the existence and participation of vendors, which included hotels used for training events. The representative reviewed records filed with the Nigerian Government’s Corporate Affairs Commission to determine if companies were registered and to confirm that companies existed at the addresses provided on invoices and letters. The representative also visited selected hotels to determine if training events had taken place as claimed on vouchers.

While the Global Fund does not typically have a direct relationship with the recipients’ suppliers, the scope of the OIG’s work⁹ 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.¹⁰ The OIG relies on the cooperation of these suppliers to properly discharge its mandate.¹¹

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.¹²

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 Suppliers¹³ or the Code of Conduct for Recipients of Global Fund Resources¹⁴ (the “Codes”), as

⁸ Charter of the Office of the Inspector General (19 March 2013), available at: <http://theglobalfund.org/documents/oig/OIGOfficeOfInspectorGeneralCharteren/>, accessed 01 November 2013.

⁹ Charter of the Office of the Inspector General (19 March 2013) § 2, 9.5 and 9.7.

¹⁰ *Ibid.*, § 17.1 and 17.2.

¹¹ Global Fund Code of Conduct for Suppliers (15 December 2009), § 17-18, available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForSuppliersPolicyen/>, 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.

¹² 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.

¹³ See fn. 16, *supra*.

¹⁴ Code of Conduct for Recipients of Global Fund Resources (16 July 2012) available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen/>, 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.

appropriate. The OIG does not determine how the Secretariat will address these determinations and recommendations. Nor does it make judicial decisions or issue sanctions.¹⁵

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.

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.

01 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.¹⁶

The Codes notably provide the following definitions of the relevant concepts of wrongdoings:¹⁷

- “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

¹⁵ Charter of the Office of the Inspector General (19 March 2013) § 8.1.

¹⁶ Code of Conduct for Recipients of Global Fund Resources, section 3.4.

¹⁷ Available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen/> and http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/

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.

02 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 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.¹⁸ 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.¹⁹

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”.²⁰

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.²¹

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.”²²

¹⁸ The STC are revised from time to time, but the provisions quoted below applied to all Principal Recipients at the time of the investigation.

¹⁹ Standard Terms and Conditions (2012.09) at Art. 14(b):
<http://www.theglobalfund.org/documents/core/grants/CoreStandardTermsAndConditionsAgreementen>

²⁰ Id. at Art. 9(a) and Art 18(f).

²¹ Id. at Art. 18(a).

²² Id., at Art. 21 (b).

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.”²³

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.²⁴

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.²⁵ 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.²⁶

Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including expenses made by Sub-recipients and contractors.²⁷

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.

03 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.”²⁸

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.”²⁹

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.

²³ Id. at Art. 21(b).

²⁴ Available at: <http://www.theglobalfund.org/documents/corporate/CorporateCodeOfConductForSuppliersPolicyen> ; <http://www.theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen>

²⁵ Standard Terms and Conditions (2012.09) at Art. 21(d)

²⁶ Id. at Art. 21(e).

²⁷ Id. at Art. 14.

²⁸ Id. at Art. 27(b) and (d).

²⁹ Id.

In determining what non-compliant expenditures are to be proposed as recoverable, 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.

Annex B: Summary of Subject's Responses

On 5 January 2016, the OIG provided NACA with a copy of its statement of findings from this investigation. The OIG's statement of findings represented the full record of all relevant facts and findings considered in support of this final report. The NACA Program Director responded to the OIG's findings on 28 January 2016.

The OIG duly considered all points made by the respondents and appropriate revisions were made to its findings in this final report. The OIG then proceeded to the next stage of the investigation as per its Stakeholder Engagement Model.