



THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Diagnostic Review of Global Fund Grants to Georgia

GF-OIG-11-016

3 August 2012

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EXECUTIVE SUMMARY

1. This diagnostic review of the Global Fund grants to Georgia sought to identify and share good practices, identify key risks to which grant programs were exposed, and make recommendations for risk mitigation where weaknesses and gaps were identified. It took place in September 2011.
2. The review covered the four active grants under the newly-established NGO “Global Projects Implementation Center” (GPIC). GPIC became the Principal Recipient for Global Fund grants to Georgia in March 2011, following the Georgia Health and Social Projects' Implementation Center that had managed the grants from the commencement of funding to Georgia in 2003. This report covers grant management under the new PR, and only makes reference to the former to the extent that findings are applicable to it.
3. This report presents 8 “Critical” recommendations¹ and 23 categorized as “Important”. 8 other recommendations have been offered to management that are “Desirable” in order to address minor control weaknesses or non-compliance.
4. Key achievements included the following:
 - Universal access to antiretroviral therapy, prevention of mother-to-child transmission of HIV/AIDS, diagnosis and treatment of all forms of tuberculosis, and near-elimination of malaria in Georgia;
 - Global Fund-supported grants in line overall with national disease programs and strategic plans as well as with normative recommendations from WHO, UNAIDS and other international agencies; and
 - The majority of program targets in the three disease portfolios are consistently met. LFA on-site data verification confirms a high consistency between data reported by the Principal Recipient, Sub-Recipients and Sub-Sub-Recipients.
5. The institutional arrangements in place to support the grant programs could, however, be strengthened further in order to safeguard grant resources. Specifically, the Principal Recipient’s oversight function should be differentiated from its management function. GPIC would benefit from having an independent Board of Directors to provide oversight to its programs. GPIC’s operations manual should be finalized, taking into consideration the findings identified in this review.
6. GPIC’s management of Sub-Recipients should be strengthened to better safeguard grant resources by: (i) Aligning grant agreements between GPIC and Sub-Recipients with the Grant Agreement GPIC has signed with the Global Fund; and (ii) Undertaking and documenting monitoring visits and ensuring regular review of Sub-Recipient accountabilities.
7. Pharmaceuticals and health products were procured using Voluntary Pooled Procurement. However, controls over the procurement of non-health products (undertaken directly by the PR and constituting some 60% of purchases) could be strengthened further to ensure that all procurements are undertaken in a transparent manner.
8. HIV program effectiveness has been constrained by the current legal environment concerning illegal drugs. Round 2 grants supported the development of a draft law to decriminalize drug addiction. However, adoption of the law has been pending in Parliament since 2007. This has weakened the implementation of programs for injecting drug users, particularly methadone substitution therapy, and their ability to achieve targets.

¹ Recommendations are categorized as: “Critical”, “Important” and “Desirable”. Definitions are in Annex 2

Diagnostic Review of Global Fund Grants to Georgia

9. In-country oversight of program activities has scope for strengthening. The CCM should provide greater financial and programmatic oversight over grant implementation. The LFA approach should be more explicitly risk-based, with its resources allocated to areas of highest risk. The LFA outputs should at all times be evidence-based.

10. The review concluded that while the PR has put in place controls to safeguard Global Fund resources, not all of these were working optimally. Recommendations to mitigate the risks identified are listed in Annex 2. Jointly with the Secretariat, the OIG will assess progress in implementing recommendations and the effectiveness of established controls in safeguarding Global Fund resources.

MESSAGE FROM THE GENERAL MANAGER



10 YEARS
OF IMPACT

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31 July, 2012

MESSAGE FROM THE GENERAL MANAGER

I would like to thank the Office of the Inspector General for its thorough and insightful work on the Diagnostic Review of the Global Fund Grants in Georgia.

The diagnostic review was conducted in September 2011 and covered four grants now managed by the Global Projects Implementation Center, worth a total of US\$ 35,578,306. The Global Projects Implementation Center, which is an NGO, became the Principal Recipient for Global Fund grants to Georgia in March 2011.

The review found significant achievements by Georgia in the fight against the three diseases, such as universal access to antiretroviral therapy and to tuberculosis' diagnostic and treatment, and near-elimination of malaria. The majority of program targets, according to the review report, have been consistently met.

The review identified institutional arrangements that could be strengthened in order to better safeguard Global Fund resources. To that effect, the report makes 49 recommendations, including a call for the Country Coordinating Mechanism to provide greater financial and programmatic oversight over grant implementation.

Following the completion of the diagnostic review, the Country Coordinating Mechanism and the Global Projects Implementation Center, in close collaboration with the Global Fund Secretariat, have taken immediate steps to address the review's recommendations. They have also adopted interim mitigation measures - which will be in place until the most important recommendations are fully implemented.

Jointly with the Office of the Inspector General, the Secretariat will assess progress in implementing recommendations.

Diagnostic reviews by the Office of the Inspector General are an essential form of quality control for the Global Fund. The Office of the Inspector General plays an indispensable role in helping us all achieve our mission of effectively investing the world's money to save lives.

Yours sincerely

MESSAGE FROM THE COUNTRY COORDINATING MECHANISM

მიდსთან, ტუბერკულოზსა და მალარიასთან
პრემიის გლობალური ფონდის პროექტების
სახელმწიფო საკოორდინაციო საბჭო
- შიდა პროგრამებს კრიზის სახელმწიფო საკოორდინაციო საბჭო -
- ტუბერკულოზის პროგრამების კრიზის სახელმწიფო საკოორდინაციო საბჭო -



Country Coordinating Mechanism
for Projects of the Global Fund to Fight
AIDS, Tuberculosis and Malaria in Georgia
- One National AIDS Coordinating Authority -
- One National Tuberculosis Coordinating Authority -

01-01/443

25 June 2012

To: Mr. John Parsons

Inspector General

Office of the Inspector General

The Global Fund to Fight

AIDS, Tuberculosis and Malaria.

Dear Mr. Parsons

First of all let me express my deep gratitude for sharing final Draft Diagnostic Review Report on the grants to Georgia, which includes our comments in the Management Action Plan and additional comments from the Global Fund Secretariat in the Management Action Plan.

Please be informed that following developments happened in Georgia since OIG diagnostic review visits and with that almost all recommendations provided in the final draft report are addressed:

- a. On 18 June 2012, Government of Georgia adopted a new Decree № 220 regarding creation of the CCM, One National AIDS/TB/Malaria Coordinating Authority, which includes revised CCM regulations according to new CCM Guidelines.
- b. Agreement on Privileges and Immunities of The Global Fund to Fight AIDS, Tuberculosis and Malaria was signed on 12 October 2011 and ratified by the Parliament of Georgia on 22 May 2012
- c. Law on Narcotics, Psychotropic Substances, Precursors and drug assistance, which was elaborated with The Global Fund Round 2 HIV grant support was endorsed by the Parliament of Georgia on 22 May 2012
- d. GPIC Operations Manual, 5th revision, incorporates all recommendations issued by the OIG, TGF Secretariat and the LFA. It was elaborated with Technical Assistance and submitted to The Global Fund.

Herewith we want to raise an issue regarding information published in the Office of the Inspector General Progress Report for April 2011- October 2011 and proposed Plan and Budget (GF/B25/3, Board Information,). Document states that, "PRs and CCMs submit documentation a number of months after the audit has closed when this should have been made available to the audit team at the initiation of the audit. To date, the OIG has been forced to return to some countries (e.g., Ethiopia, Georgia, Nigeria) in 2011 to complete document review".

Diagnostic Review of Global Fund Grants to Georgia

On 27 September, 2011, at the debriefing to CCM, OIG team explicitly thanked CCM and PR for the best collaboration and timely provision of all requested information. Therefore information mentioned in the Office of the Inspector General Progress Report for April 2011- October 2011, is confusing and not acceptable from our side. Herewith we would kindly request you to make a written public comment on this issue.

Let me reassure you that Georgia stays committed to continue its successful efforts in fighting the three diseases, in effective implementation of the GF's funded programs and in the process of strengthening the whole health system in the country.

I would like once again express on behalf of the Country Coordinating Mechanism of Georgia my sincere appreciation to the Global Fund for all the support provided to our country for the last years.

Respectfully,



Sandra Elisabeth Roelofs

Chairperson of the CCM

MESSAGE FROM THE INSPECTOR GENERAL



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The Global Fund to Fight AIDS, Tuberculosis and Malaria

26 June 2012

MESSAGE FROM THE INSPECTOR GENERAL

HE Mrs. Sandra E. Roelofs
Chair of the Country Coordinating Mechanism
Director/Founder
Charity Humanitarian Organization "SOCO"
144 Tsreterli Ave.
119 Tbilisi
Georgia

Your Excellency Mrs. Roelofs,

The Inspector General thanks the Country Coordination Mechanism, in particular the Chairperson, HE Mrs. Sandra Roelofs, for the encouraging steps taken to address the findings of the diagnostic review, and for the message from the CCM indicating its gratitude and commitment.

The CCM raises an important question regarding the availability of documentation at the time of the diagnostic review. It is correct that my team thanked the CCM and the PR during the debrief in September for their collaboration and the provision of information, most of which had been made available on time. It is also correct that an additional review of outstanding documents and ultimately investigatory work became necessary in the subsequent weeks and months.

The ongoing support from the CCM to these processes has been most helpful.

Kind regards,

John Parsons
Inspector General

Diagnostic Review of Global Fund Grants to Georgia

INTRODUCTION

What was the review about?

11. As part of its 2011 audit plan, the OIG undertook a diagnostic review of the Global Fund grants to Georgia. The review sought to:
- Assess whether the controls in place were adequate to safeguard Global Fund resources;
 - Identify systemic risks and challenges;
 - Identify measures to mitigate such risk; and
 - Identify and document good practice.

12. The review covered the four active grants, as summarized below:

Grant type	Round	Grant number	Grant Amount
Malaria	6	GEO-611-G09-M	USD 577,747
TB	6	GEO-611-G10-T	€1,151,024
HIV/AIDS	SSF	GEO-H-GPIC	€20,212,705
TB	SSF	GEO-T-GPIC	€11,395,529

Whom did the review consider?

13. The Georgia Health and Social Projects' Implementation Center (GHSPIC), a government entity, was the sole Principal Recipient (PR) for Global Fund grants to Georgia from the commencement of funding to Georgia in 2003 until March 2011. Global Fund grants were managed by a dedicated unit at GHSPIC. From April 2011, the newly-established NGO "Global Projects Implementation Center" (GPIC) took over as the sole PR for Global Fund grants to Georgia. GPIC is run and managed by the personnel of the previous PR. This report covers grant management under the new PR, GPIC, and only makes reference to the former PR, GHSPIC, to the extent that findings are applicable to them.

14. There is one Sub-recipient (SR) for the TB grants (the National TB Centre), and one for the Malaria grant, the National Centre for Disease Control and Public Health (NCDCPH). The main SR for the HIV/AIDS grants is the Infectious Diseases, AIDS and Clinical Immunology Research Centre (IDACRC) which receives 57% of grant funds.

15. The Country Coordinating Mechanism (CCM) carries out the role of coordination with other programs and development initiatives. The CCM oversees the overall implementation of Global Fund grants to Georgia and ensures proper coordination between different sectors. The Local Fund Agent (LFA) is Crown Agents.

PROGRAM ENVIRONMENT

What is the context within which programs are implemented?

16. Despite relatively low prevalence rates, HIV/AIDS is an important public health concern in Georgia. A cumulative 2,797 HIV positive cases have been reported as of April 2011. 74% of cases were reported among men and the epidemic remains concentrated among most at risk groups. Injecting drug use and/or sexual contact with injecting drug users is still the lead route of HIV transmission (over 70% in 2009), although heterosexual transmission is on rise.² Georgia has successfully contained HIV prevalence at below 5% among female sex workers (1.44%) and injecting drug users (1.99%). However, the latest BSS indicated that HIV prevalence among MSM in Tbilisi exceeded 6%.³

17. Despite universal access to antiretroviral therapy, effectiveness of HIV treatment is jeopardized by late detection of HIV cases. Almost half (45%) of patients present with clinical signs of AIDS or a CD4 count less than 200/mm³. The AIDS incidence is growing (from 0.36 per 100,000 population in 2000 to 5.4 in 2009). This places Georgia among the countries with the highest incidence of AIDS in Europe.

18. Tuberculosis re-emerged as an important public health problem in Georgia from the early 1990s and its burden remains high. The DOTS strategy was introduced in 1995 and scaled-up to universal coverage in 1999. TB case notification rate is the 5th highest among the 55 countries of the WHO European Region (131 per 100,000). Despite the visible success of the national program, MDR-TB remains a serious concern. Georgia is one of the 27 MDR-TB high burden countries globally with an MDR-TB prevalence of 10-11%.

19. An estimated 16% to 22% of PLWHA in Georgia have active TB. From 2006, Georgia started routine HIV testing of TB patients and increased the coverage of HIV testing from 13% in 2006 to 46% in 2008. In 2007, Georgia adopted the TB/HIV strategic plan of action to intensify TB case finding among PLWHA and routine screening for HIV among TB patients. Patients have universal free access to both ART and anti-TB treatments. In 2008, 58% of patients in need had access to both TB and HIV treatment; this increased to 67% in 2009.

20. Malaria reappeared in Georgia in 1996 after a 25-year malaria-free period, but effective malaria control activities (indoor residual spraying, prompt treatment of confirmed cases) have decreased malaria incidence and active foci since 2003. A new national malaria elimination strategy and action plan was launched in 2008, with the goal of eliminating *P. vivax* malaria by 2013. No autochthonous cases were reported in 2010. In 2011, NCDCPH reported only one autochthonous case.

² http://www.ecdc.europa.eu/en/publications/Publications/101129_SUR_HIV_2009.pdf

³ http://www.moh.gov.ge/index.php?lang_id=GEO&sec_id=68, accessed 17 October 2011

KEY ACHIEVEMENTS

- What have the PRs achieved?
21. A number of key achievements, brought about by the work of the PR and local partner implementing organizations, should be noted in Georgia.
 22. Georgia has achieved universal access to ART, PMTCT, diagnosis and treatment of all forms of Tuberculosis, as well as bringing the country close to Malaria elimination.
 23. The Global Fund grants are overall in line with national disease programs and strategic plans and follow up-to-date recommendations from WHO, UNAIDS and other authoritative international agencies.
 24. Grants are well-designed overall and respond to local epidemiological, political and social contexts. However, specific components need to be refined for better effectiveness and efficiency (e.g. needle exchange, food vouchers for TB patients, Malaria communication, etc.).
 25. LFA on-site data verification (OSDV) confirms a high consistency between data reported by the PR and the registries and databases of SRs and SSRs. Data accuracy reported to the Global Fund was rated A in 27 out of 31 indicators, with a margin of error under 10%.
 26. The majority of program targets in the three disease portfolios were met consistently.
 27. HIV and TB surveillance systems established through Global Fund grants were integrated into routine health statistics and serve as the primary source for HIV and TB data published in annual statistics reports by the Ministry of Health.
 28. The Government of Georgia has increased domestic funding for HIV from GEL 643,000 (approximately USD 387,000) in 2005 to GEL 2.5m (USD 1.5m) in 2010 and covered approximately two thirds of the cost of the national TB response in 2011.

RISKS

Institutional Arrangements

Do institutional arrangements support the grant program effectively?

29. GPIC would benefit from having a functioning, independent Board of Directors to provide oversight to its programs. An appropriate oversight structure, independent of its staff would provide oversight to GPIC's strategies, governance matters, operations overall program performance etc. At the time of the review, there was no independent mechanism to which the Executive Director (ED) reports. GPIC's charter provides for the ED to report to the other six founder members. However, five of the six are GPIC staff and report to the ED.

30. The Charter requires the founder members to provide oversight. However, because the founder members are also staff, they are involved in making decisions that directly affect them. Consideration should be given to developing a conflict of interest policy to guide staff who are currently involved in making policy decisions that directly affect them.

31. GPIC's operations manual should be finalized, taking into consideration weaknesses identified in this review (detailed under Annex 2). At the time of our review, GPIC's operations manual was still in draft and our review identified gaps in financial, programmatic, HR and procurement policies. The PR is considering the appointment of a consultant to assist with the finalization of the manual.

32. The institutional arrangements in place to support the grant programs can be strengthened further in order to safeguard grant resources. Specifically, the oversight function should be differentiated from the management function, a clarification requested also by the Secretariat.

How effective have the grant programs been in achieving results?

Public Health Programming

33. All the Global Fund supported programs are aligned to the disease specific national programs as well as international norms (UNAIDS, WHO).

34. There are also national policies, guidelines and Standard Operating Procedures on ART, PMTCT, MST, which are regularly updated. The national TB program provides supportive supervision and has data quality control and feedback mechanisms in place.

35. The current legal environment has meant that the implementation of IDU and MST-related programs, including their ability to achieve set targets, has been weakened. Broad consultation with the CCM and other stakeholders should be initiated on how program activities that are affected by Georgia's legal context can be adjusted to remain effective.

36. Consideration should be given to instituting Provider-Initiated Testing and Counseling (PITC) services at primary healthcare facilities as a possible way of addressing the late diagnosis of HIV/AIDS patients. Such services are included in the 2010-2015 National Strategic Policy but have not yet been rolled out.

37. Consideration should be given to revising food voucher values for first-line and MDR-TB patients in order to avoid any potential negative effect on adherence. This will address the risk that the significant difference in value of food voucher incentives provided to first-line and MDR-TB patients is causing first-line patients not to adhere to their treatment in order to qualify for the higher value vouchers. Consideration is currently being given to revising the value of TB vouchers for first-line patients. The PR is holding consultations to hand over this activity to the MOH.

38. The Global Fund and USAID are co-funding HIV prevention interventions among FSWs and MSM. However, the current reporting system leaves room for potential duplication in the reporting of results. GPIC should consider shifting to a six-digit coding system for outreach, VCT and STI services, thereby facilitating integrated management of USAID and the Global Fund program data. The Secretariat has included the requirement to develop an electronic system for reporting non-cumulative results for MARP indicators as a special condition under the HIV SSF grant, and expects that this database will allow accurate monitoring of MARP clients served using the Unique Identifier Code (UIC) system as well as collecting information on funding sources to distinguish between the Global Fund and USAID funded programs.

39. In addition, RTI and GPIC should consider organizing periodic joint field monitoring to Tanadgoma Centers for on-site data verification.

40. Annual field monitoring plans and standard operating procedures should be developed to support data verification processes. This will address the lack of evidence at GPIC and its SRs (with the exception of the national TB Centre) that data at implementation level was verified and address data collection and verification from the Abkhazia region.

41. In coordination with NCDCPH, consideration should be given to developing an independent review mechanism for data entry into the AIDS patient database. This will address the risk of data inaccuracies relating to new HIV/AIDS patients due to the lack of an independent verification mechanism.

42. Until 2010, a 15-digit code was used to identify patients. In October 2011 the government adopted a regulation requiring the use of name-based patient registration in programs supported by the government. The Secretariat is concerned that confidentiality may be at risk due to name-based data collection and reporting from the SDP to the head office. A protocol for communicating new HIV cases registered from NCDCPH to the IDACIRC should be established.

43. The Global Fund supported programs set up i.e. their being aligned to disease specific national programs ensures that they contribute to national targets, reduce the risk of duplicity and this underpins their sustainability. However, unless the restrictive legal environment is addressed, this may affect the success that the programs have seen to date.

44. Data verification needs to be strengthened, as highlighted also in the recently completed external Data Quality Audit. This noted that although no significant data discrepancies were noted, there was a need to have a written strategy for quality control and feedback to service delivery points.

Are the controls in place adequate to safeguard funds disbursed to SRs ?

Sub-Recipient Management

45. All except two SRs were selected by GHSPIC and re-contracted by GPIC. The two SRs were selected by the CCM with the involvement of the GPIC as part of the proposal writing process. This process was not documented. The CCM should develop an SR selection policy that clearly defines the roles of all relevant stakeholders. Specifically, good practice would imply that the CCM should not be involved directly in the SR selection process in order not to prejudice the ability of the PR to assess the capacity of and manage the SRs, rather providing selection criteria and oversight to the process. The SR selection processes should follow the established policy and be documented.

46. GPIC's management of its SRs should be strengthened to better safeguard grant resources. This can be achieved by strengthening its oversight of SRs. It needs to undertake structured SR site visits with proper documentation maintained of work carried out during monitoring visits and the review of SR accountabilities. This would address the lack of evidence that SR accountabilities were comprehensively reviewed as evidenced by some incomplete SR accountabilities and financial returns noted. SR monitoring visits were also noted to be infrequent and undocumented. There was also no site visit plan and no defined methodology or terms of reference for SR field visits.

47. GPIC should also review its sub-grant agreements with SRs and align them to its Grant Agreement with the Global Fund. (See details in Annex 2.) Amendments should be made to address gaps identified between the obligations borne by GPIC under the Grant Agreement and those reflected in its agreements with the SRs.

Was Procurement and Supply Chain Management adequate to safeguard resources?

Procurement & Supply Chain Management

48. Pharmaceuticals and health products are procured using Voluntary Pooled Procurement (VPP). However, non-health related products are procured directly by the PR.

49. At the time of the review, GPIC had developed draft procedures to guide procurement processes. Prior to finalizing these procedures, GPIC should review its procedures to ensure that they are aligned to good procurement practice. Specifically, consideration should be given to:

- Limiting the interaction between bidders and the members of the tender committee;
- Publishing of bid awards;
- Establishing an independent complaints handling mechanism to handle bidders' queries in a timely manner;
- Not listing the budgets in tender announcements and bidding documents;
- Reducing the thresholds for single source procurements etc.

50. These procurement procedures should be fully operationalized to ensure that all procurements are undertaken in a transparent manner.

Are the funds managed effectively?

Financial Management

51. At the time of the OIG review, the PR was in the process of installing an ERP system with an option of having a more integrated solution between PR and SR records. Once fully operational, this ERP is also expected to bring together programmatic, financial and procurement and supply chain management related data. The LFA was expected to commission an IT specialist in early 2012 to verify that the ERP meets these requirements.

52. GPIC should comply with conditions laid down in the grant agreement in order to strengthen the control environment within which grants are implemented. Specifically, income incidental to program activities should be accounted for and reported. Approximately USD 81,000 of grant-related income (tender fees and penalties) held by GHSPIC that were not used for grant-related purposes should be refunded to the Global Fund or reprogrammed for implementation activities following approval from the Global Fund.

53. Program funds should not be used to pay taxes. At the time of the OIG review, GPIC's claim for VAT reimbursement (amounting to approximately USD 179,000) had been rejected by government.⁴ In October 2011, the Secretariat signed a Privileges and Immunities agreement with Georgia, which is expected to address such tax issues in the future.

54. There is a need for greater segregation of duties and independent reviews by officials independent of record keepers. Significant gaps were identified in the processing of payments at GPIC, with some staff members (e.g., the Executive Director) approving their own transactions.

55. There was a need to ensure that the approved activities in the work plan and budget were implemented in practice. For example, according to the approved work plan and budget for GEO-T-GPIC, first-line and MDR-TB patients were budgeted to receive monthly food parcels valued at EUR 10 and EUR 12.50 each. However, these patients are actually receiving monthly food vouchers valued at GEL 15 (approximately EUR 6.50) and GEL 25 (approximately EUR 11) each.

56. GPIC's financial management systems can be further strengthened by implementing the recommendations above. Additional work is being undertaken by the OIG to resolve a number of issues identified which relate to financial management and procurement.

Was oversight adequate?

Country Coordinating Mechanism

57. The CCM is governed by government decree, the requirements of which were found to be inconsistent with the Global Fund's CCM guidelines. This may impair the independence of CCM members. At the time of our review, the CCM's governance documents were still under development. The CCM should finalize the CCM governance documents taking into consideration the CCM guidelines and standards.

⁴ The OIG was informed that subsequent to the review, in November 2011, this was successfully appealed. On 21 December 2011, the Secretariat was informed that 93.8% of the VAT refunds in dispute had been refunded, with the outstanding balance of GEL 27,000 to be refunded in 2012.

58. The CCM's oversight of program activities should be strengthened. The CCM was not actively engaged in financial and programmatic oversight of PR activities over grant implementation. There was no oversight plan in place and site visits were infrequent and not documented.

Local Fund Agent

59. The LFA's approach to financial verification needs to be more consistently risk-based. LFA assessments and reviews would have been expected to document some of the issues identified in this review. The LFA should ensure optimal, risk-based allocation of its resources. Following the diagnostic review, the LFA has completed and submitted a country risk profile, and hired a part-time procurement expert.

60. LFA's outputs should at all times be evidence-based. The LFA endorsed the transition to the new PR at a time when a detailed assessment had not been undertaken. The LFA's conclusion that the "CCM is very engaged and active in oversight" is inconsistent with OIG observations.

61. There is a need to ensure that the Global Fund's Budgeting Guidelines are considered by the LFA in its review and verification work. LFA budgetary reviews should be impeccable and avoid the approval of ineligible costs.

The Global Fund Secretariat

62. The recent HIV/AIDS and TB Round 10 grant consolidation processes for transitioning to Single Stream of Funding (SSF) disrupted grant implementation and resulted in a funding gap. The SSF process needs to be better streamlined to minimize disruptions to program activities and grant implementation.

63. There is a need for the Secretariat to have a more effective strategy for mitigating procurement risks for non-health related supplies, which constitute over 60% of procurements undertaken by the PR. The Secretariat should develop an effective risk minimization strategy to address non-health related procurements.

What happened after the Review?

Events Subsequent to the Diagnostic Review

64. In November 2011, in collaboration with the relevant stakeholders in Georgia, the CCM and PR, working with the Global Fund Secretariat and LFA, identified and commenced implementation of measures to address the findings and risks identified during the diagnostic review. This report has been updated to reflect measures taken and reported to the OIG.

65. Interim risk mitigation measures undertaken following the diagnostic review include:

- Further development of the PR's draft Operational Manual and iterations with specific focus on the PR's governance mechanism, financial management and SR management;
- Requirement for the PR to strengthen controls over food voucher distribution;
- Ongoing monitoring of the status of Conditions Precedent and Special Conditions to the grant agreements;
- Strengthening the LFA terms of service and overall team functioning;
- Effecting case-by-case LFA review and monitoring of the PR's procurement activities for both health and non-health goods and services for values equal to or exceeding USD10,000 prior to contract award; and
- Strengthening the skills set and staffing of the LFA in-country team with an on-site procurement expert to conduct ongoing review and monitoring of procurement activities.

What happens next?

Conclusion

66. While the PR has put in place controls to safeguard Global Fund resources, not all of these were working optimally. Recommendations to mitigate the risks identified are listed in Annex 2.

67. Jointly with the Secretariat, the OIG will assess progress in implementing recommendations.

ANNEX 1: ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral Therapy
BSS	Bio-behavioral surveillance survey
CCM	Country Coordinating Mechanism
DOTS	Directly Observed Treatment, Short-Course
FSW	Female Sex Worker
GDF	Global Drug Facility
GEL	Georgian Lari
GLC	Green Light Committee
GOG	Government of Georgia
IDACIRC	Infectious Diseases, AIDS and Clinical Immunology Research Centre
IDU	Intravenous Drug User
LFA	Local Fund Agent
HIV	Human Immunodeficiency Virus
MARP	Most At Risk Population
M&E	Monitoring and Evaluation
MLHSA	Ministry of Labour, Health and Social Affairs of Georgia
MSM	Men having Sex with Men
MST	Methadone Substitution Therapy
NCDCPH	National Centre for Disease Control and Public Health
NEP	Needle Exchange Program
NTP	National Tuberculosis Program
OI	Opportunistic Infection
OSDV	On-Site Data Verification
PLWHA	People Living With HIV and AIDS
PMTCT	Prevention of Mother-To-Child-Transmission of HIV
PR	Principal Recipient
PUDR	Progress Update and Disbursement Request
QA/QC	Quality Assurance/Quality Control
RBM	Roll Back Malaria
SDP	Service Delivery Point
SR	Sub-recipient
SSR	Sub-sub-recipient
STI/STD	Sexually Transmitted Infection/Sexually Transmitted Disease
TA	Technical Assistance
UNODC	United Nations Office on Drugs and Crime
UNAIDS	Joint United Nations Programme on HIV/AIDS
USAID	United States Agency for International Development
USG	United States Government
WHO	World Health Organization

Diagnostic Review of Global Fund Grants to Georgia

ANNEX 2: MANAGEMENT ACTION PLAN

Audit recommendations have been prioritized so as to assist management in deciding on the order in which recommendations should be implemented. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. The categorization of recommendations is as follows:

- **Critical:** There is a material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization interests, erode internal controls, or jeopardize the achievement of aims and objectives. It requires immediate attention by senior management.
- **Important:** There is a control weakness or noncompliance within the system, which presents a significant risk. Management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal controls, or undermine achievement of aims and objectives.
- **Desirable:** There is a minor control weakness or noncompliance within the system, which requires remedial action within an appropriate timescale. The adoption of good practices would improve or enhance systems, procedures and risk management for the benefit of the grant programs.

INSTITUTIONAL ARRANGEMENTS

Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
Oversight mechanism (Important Priority)					
The lack of oversight raises the risk that GPIC staff are not held accountable for decisions they make.					
1. The Global Projects Implementation Centre (GPIC) does not have a functioning, independent Board. At the time of the review, GPIC had set up an Advisory Board.	<ul style="list-style-type: none"> • GPIC should create an appropriate oversight structure that is independent of its staff. The ED should be accountable to this body. It should oversee the GPIC's strategies, governance matters, operations, etc., in relation to overall program performance. It should also cover financial and 		No longer applicable. According to revised operations manual (OM), GPIC has a Supervisory Board (SB), independent of its staff that provides oversight to GPIC's strategies, governance matters, operations overall program performance etc. The Executive Director is accountable to SB.	GPIC	
2. There was no independent mechanism which would hold the Executive Director (ED) accountable. GPIC's charter provides for the ED to report to the other					

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>six founder members. However, five of the six are GPIC staff and report to the ED.</p>	<p>programmatic oversight over the grants as approved in the work plan and budget.</p>		<p>The OM, which considers weaknesses identified in this review has been endorsed by the Global Fund with a few recommendations.</p> <p>Secretariat comment: This recommendation is still applicable. The GF Secretariat notes progress made with regards to the amendments to the Operations Manual, with further refinements to be effected regarding the Supervisory Board, as communicated to the PR in March 2012. A revised Operations Manual (4th version) was received by the GF Secretariat on 7 May 2012. The Secretariat will assess whether the necessary provisions are fully and adequately reflected in the revised Operations Manual.</p>		<p>2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>Decision-making (Important Priority) Inadequate segregation of duties and the lack of a conflict of interest policy represents a lack of controls to safeguard against the risk of errors and fraudulent activities.</p>					
<p>3. At the time of our review, there was no conflict of interest policy in place to address potential conflicts of the founders, who were involved in making policy decisions that directly affected them, e.g., their remuneration.</p> <p>4. The majority of staff members report directly to the ED. He is heavily involved in day-to-day operational decision-making.</p>	<ul style="list-style-type: none"> • GPIC should develop a conflict of interest management policy to address potential conflicts of the founders. Where there are perceived or actual conflicts, the policy should provide for decision-making being delegated to a body independent of the founders. • Decision-making should be more devolved to other directors and managers in the organization. 		<p>Accepted. A draft conflict of interest (COI) management policy is in place and this will be finalized. Policy decision making has been allocated to the Supervisory board, which will finalize COI.</p> <p>No longer applicable. Centralization of the decisions at the level of the ED in the day-to-day work of the GF grants is not practiced at GPIC. The 3 program directors are accountable for their programs. The ED is involved only when the decision cannot be solved at the level of the program directors such as issues with ministries or stakeholders. This is clearly spelt out in the their respective terms of reference in the</p>	<p>GPIC Supervisory board</p>	<p>July 2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			<p>revised OM.</p> <p>Secretariat comment: The requirement to develop a conflict of interest policy is part of the refinements that the Country Team requested the PR to include in the Operations Manual.</p> <p>The recommendation to de-centralize decision making is still applicable. The GF Secretariat proposed to partially mitigate the identified risk by hiring a Deputy Executive Director with clear TORs. The Secretariat will assess whether the necessary provisions are fully and adequately reflected in the revised Operations Manual.</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>Lack of policies and procedures (Critical priority) The lack of policies and procedures raises the risk that staff may not have adequate guidance on grant resource utilization and program implementation.</p>					
<p>5. GPIC's Operations Manual (Version 2) did not provide guidance on treasury management, foreign exchange management, asset management, advances, per diems and cell phone usage etc.</p> <p>6. GPIC does not have detailed HR policies in the Operations Manual on recruitment, staff retention, performance appraisal, promotion, disciplinary and grievance procedures.</p> <p>7. The OIG also identified gaps in GPIC's procurement policies outlined in the Operations Manual (detailed below).</p>	<ul style="list-style-type: none"> The Operations Manual should be updated to ensure that it is comprehensive and provides adequate guidance to staff. 	<p>The Secretariat latest draft contained some guidance on treasury management, foreign exchange management, asset management and per diems.</p> <p>However, the guidance on these sections is not complete and the GF continues to work with the PR and LFA to improve the manual sections in question.</p>	<p>No longer applicable: GPIC's operations manual has been finalized and endorsed by the Global Fund with a few recommendations.</p> <p>The weaknesses identified in this review were considered in preparing the final OM. The revised OM provides guidance on treasury management, foreign exchange management, asset management, advances, per diems and cell phone usage etc. Procurement policies have also been revised.</p> <p>Secretariat comment: This recommendation is still applicable. While some revisions were made in the</p>	<p>GPIC</p>	<p>2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			<p>Operations Manual, the recommendations have not been fully addressed.</p> <p>Upon receipt of a revised Operations Manual from the PR, the Secretariat will address whether the necessary provisions are fully and adequately addressed in the revised document.</p>		
<p>Sub-optimal human resourcing (Critical priority) The lack of adequate human resources in key functional areas will affect GPIC's ability to implement program activities optimally.</p>					
<p>8. GPIC's human resources were not optimally assigned with some departments being under-resourced, e.g., finance, whereas others were over-resourced, e.g., Procurement. Six vacant positions at GPIC remain unfilled, though the organization prepared and received funding for them.</p>	<ul style="list-style-type: none"> GPIC should review its human resource requirements and fill vacant positions to ensure that resources are allocated optimally across departments to enable them fulfill their mandate. 	<p>During a recent country mission the FPM and the PO confirmed that the recruitment process started: TORs and a VN have been prepared. An option may be to outsource the recruitment process to an independent company to ensure more objectivity.</p>	<p>Accepted. A financial specialist was hired in February 2012. The recruitment process for the rest of the vacant positions has started.</p> <p>Secretariat comment: The Secretariat will continue to monitor the filling of other vacant positions within the PIU.</p>	<p>GPIC</p>	<p>July 2012</p>

PUBLIC HEALTH ASPECTS

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>Lack of evidence of OSDV/Monitoring by the PR (Important priority) The lack of proper documentation to evidence visits to SRs raises the risk that SR site visits may not be undertaken or that such visits may not meet the PR's set verification standards and objectives.</p>					
<p>9. GPIC and its SRs (with exception of the national TB Centre) do not perform regular and documented verification of data at sub-national/regional level. Accordingly, adequate assurance is not obtained that program activities took place at the sub-national levels. The OIG noted that there are no field monitoring plans or standard written operating procedures to guide the verification process.</p>	<ul style="list-style-type: none"> GPIC and the SRs should undertake regular and documented verification of data at the level to confirm that reported activities took place and to assess program quality. To facilitate this, consideration should be given to the development of annual field monitoring plans and standard operating procedures (including checklists). 	<p>These recommendations are addressed as a Special Condition in both the TB and HIV SSF grants and taken into consideration in the M&E System strengthening action plan as part of the M&E plan.</p>	<p>Partially accepted. GPIC undertakes regular monitoring visits. A report is written after each monitoring visit and shared with the SR. Copies of these reports were presented to the OIG and shared with the Global Fund staff. The TB Center's experience will be shared with other SRs.</p> <p>Secretariat comment: The Secretariat requested that the TORs and scope of these visits as well as the reporting forms be annexed to the Operations Manual. The Secretariat will assess whether the necessary provisions are fully and adequately included in the revised</p>	<p>GPIC and its SRs</p>	<p>June 2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			Operations Manual. The LFA and the Secretariat will continue to monitor the fulfilment of this recommendation on an on-going basis.		

HIV program related issues

Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
Co-funding (Risk of double counting of results) – Critical priority The lack of a system to differentiate results by donor raises the risk of double counting of results for the programs funding by multiple donors.					
10. The Global Fund and USAID are co-funding HIV prevention interventions among FSWs and MSM. Although separate documentation is available to validate and disaggregate VCT data reported to the two donors, the available records on the Global Fund-supported outreach sessions (also co-funded by USAID) are less specific. The current reporting system leaves room for potential overlap between Global	<ul style="list-style-type: none"> GPIC should consider shifting to a six-digit coding system for outreach, VCT and STI services, thereby facilitating integrated management of USAID and the Global Fund program data. In addition, RTI and GPIC should consider organizing periodic joint field monitoring to Tanadgoma Centers for on-site data verification. 	Development of electronic system for reporting on non-cumulative results for the MARPs indicators by July 2012 is included as a Special Condition to the GEO-H-GPIC grant. This database will allow accurate monitoring of the MARPs clients served using the Unique Identifier Code system (UIC). At the same time	Partially accepted: The Global Fund funds about 50% of HIV prevention interventions among FSWs and MSMs. Free STI treatment services for target population are fully funded by the Global Fund. There is a possibility of overlap (within 10%) for number of VCTs performed. This is because this service is related to high risk groups and services to these groups are	GPIC/RTI/NC DCPH	June 2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
Fund with USAID data.		<p>this database should include/collect information on the funding sources to distinguish between the GF and USAID funded programs.</p> <p>For HIV, till 2010, a 15 digit code was used to identify patients. From October 2011 the government required to use a name based registration for programs that are supported by the government. TORs of the DB and data entry manual is available.</p> <p>For outreach, GPIC started consultation with USAID. An e-DB could be established. Clients will be entered thanks to a coding system. GPIC has no funding for the creation of the e-</p>	<p>anonymous. However the data reported to the Global Fund and USAID is disaggregated.</p> <p>From 2012 USAID stopped funding HIV prevention activities for FSW and MSM in Zugdidi and Telav. Therefoew, going forward these activities are fully funded by the Global Fund. To avoid further misunderstanding, GPIC and RTI have started negotiations to establish an e-database that will facilitate integrated management of program data. Furthermore the relevant reporting will be developed to monitor accuracy of data reported by implementing organization to RTI and GPIC.</p> <p>As envisaged by National HIV M&E</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
		<p>DB. Discussions are held on whether USAID could support the creation of the e-DB. The joint monitoring visits with USAID will start as of Jan 2012.</p>	<p>Plan the HIV National web portal will be housed at the NCDCPH from 2012 and contain the following information: (i) data from surveys and surveillance; (ii) up-to-date registration information or a contact list of organizations involved in HIV programs and M&E; (iii) data on available resources; (iv) inventory of HIV research and researchers; (v) information on ongoing major HIV state of donor financed projects; (vi) information on HIV capacity building activities; and (vii) information on HIV M&E advocacy and communication activities</p> <p>Secretariat comment: The LFA and the Secretariat will</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			monitor progress in implementing this recommendation.		
Verification of data (Important priority) The lack of a mechanism to verify new patient data raises the risk that errors made in the database may go undetected.					
<p>11. The OIG noted that data on new patients at the IDACIRC was not independently reviewed when entered, which raised the risk of input errors. While HIV confirmatory tests were undertaken at the NCDCPH, no formal protocol was in place for communicating new HIV cases registered to the AIDS Centre.</p> <p>12. At the Research Institute on Addiction proper documentation was not maintained to evidence field monitoring and data quality control processes.</p>	<ul style="list-style-type: none"> IDACIRC should establish an independent review mechanism for data entry into the AIDS patient database, and in coordination with NCDCPH, develop a protocol on communicating registration results. The Research Institute of Addiction should strengthen documentation of field monitoring and data quality control process by putting in place standard checklists to support the on-site data verification process at central or sub-national levels. 	<p>The clinical DB is in IDACIRC premises which reports to NCDC. Both DBs were based on 15 digit code. However, the government requested using ID number / name of patients.</p> <p>The protocol for communicating test results between the two institutions is currently being developed.</p>	<p>Accepted: Based on the OIG comments during its mission to Georgia, data quality assurance protocols have been updated to ensure accuracy at all levels of data collection, data entry and analysis. The protocol is being tested and responsible personnel will be trained to facilitate its rapid implementation.</p> <p>The AIDS Center and NCDCPH are working on developing appropriate protocol for communicating new HIV cases between the two institutions. The protocol takes into account Georgian legislation and regulations with regard to HIV/AIDS and will be in place</p>	<p>AIDS center/ NCDCPH</p> <p>GPIC</p>	<p>June 2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			<p>after ministerial approval.</p> <p>GPIC has updated the existed monitoring forms and relevant checklists for SRs monitoring purposes and a similar format will be requested to be used for the respective SSRs monitoring. See paragraph 9</p> <p>Secretariat comment: The LFA and the Secretariat will monitor progress in implementing this recommendation.</p>		
<p>Restrictive legal environment to IDU program (Critical priority) The restrictive legal environment affects grant programs implementation and may result in a failure to meet set targets.</p>					
<p>13. The Criminal Code of Georgia prosecutes production and trade of illegal drugs (article 260, Criminal Code) as well as purchase, use or possession without evidence of a medical prescription (article 273)⁵. The Round 2 grant</p>	<ul style="list-style-type: none"> GPIC, in conjunction with the CCM, should continue advocacy for adoption of the draft legislation on drug addiction and ensure more active engagement of other stakeholders, e.g., UN and other bi- and 	<p>GPIC contributed to a law on addiction, in 2009, that has not yet been adopted by the parliament. The CCM is aware of the issue. Harm Reduction groups are lobbying this</p>	<p>Accepted. Advocacy efforts to influence and motivate senior-decision makers is being coordinated by the CCM. In 2012, additional efforts are on agenda to ensure support of relevant governmental</p>	<p>CCM/GPIC</p>	<p>Ongoing</p>

⁵ Criminal code of Georgia. http://www.parliament.ge/_special/kan/files/673.pdf (accessed 25/09/2011)

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>supported development of a draft law to decriminalize drug addiction. However, adoption of the law has been pending in the Parliament since 2007. This complicates program implementation related to IDU and MST.</p>	<p>multilateral agencies.</p>	<p>matter; however, the policy of the Ministry of Interior is repressive.</p> <p>The PR and CCM can obtain comprehensive assistance in line with the Global Fund Strategy Framework 2012-2016 (Strategic Objective 4. Promote and protect human rights; Strategic Actions 4.2 Increase investments in programs that address human rights-related barriers to access and 4.3 Integrate human rights considerations throughout the grant cycle).</p>	<p>structures (including line ministries) and to lobby the adoption of the draft Law by the Parliament of Georgia.</p> <p>Secretariat comment: The LFA and the Secretariat will monitor progress in implementing this recommendation.</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>Needle exchange program (NEP) under-achievement against targets (Important priority) Unless the program is reprogrammed, the current legislative program will affect the implementation of the needle exchange program and its ability to meet set targets.</p>					
<p>14. The restrictive legal environment has had the following impact:</p> <ul style="list-style-type: none"> It has affected the ability of the NEP to achieve set targets. The component is consistently reporting under-achievements. The NEP program in Georgia provides for exchange on a strict one-for-one needle basis. It is not being implemented as intended. 	<ul style="list-style-type: none"> The PR and the Georgia Harm Reduction Network should consider revisiting the NEP model to explore a Needle and Syringes Program model, in which services would not be provided on a strict one-for-one exchange basis. 	<p>The PTF (Prevention Task Force) raised this issue on 22 Dec 2011 with all stakeholders. Needle exchange does not take place because of the restrictive legislative environment. According to the national criminal law “any person carrying a used syringe where trace of narcotic can be detected might be arrested”.</p> <p>Although with delay, following a recommendation from the Secretariat, the PR is considering opening another NEP in Tbilisi bearing in mind the higher concentration of IDUs in the capital city.</p>	<p>Accepted: The existing strict law on drugs creates difficulties to reach IDUs. Under the R10 grant, the Peer Driven Intervention (PDI) model will be used to expand the target coverage.</p> <p>Furthermore new NEP has been opened in Poti (port town) located in the high-risk region of Samegrelo. This is the second place with the highest spread of HIV after capital).</p> <p>The target will be revised and the methodology adjusted as part of the HIV Pahse 2 program application.</p> <p>Secretariat comment: Although with delay, following a</p>	<p>GHRN</p>	<p>June 2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			<p>recommendation from the Secretariat, the PR is considering opening another NEP in Tbilisi bearing in mind the higher concentration of IDUs in the capital city. By 2 May, the CT received no update on a new NEP in Tbilisi. The LFA and the Secretariat will continue to monitor progress in implementing this recommendation</p>		
<p>Sexually Transmitted Infections (STI) challenges (Desirable) The lack of guidelines and protocols for STI management amongst Female Sex Workers (FSW) and Men having sex with Men (MSM) may affect the quality of services offered under the two programs.</p>					
<p>15. There are no agreed service packages or MLHSA-approved guidelines and protocols for STI management amongst Female Sex Workers (FSW) and Men having sex with Men (MSM).</p> <p>16. The national STI guidelines and protocols for general clinical practice are not fully utilized in STI</p>	<ul style="list-style-type: none"> • CCM and MLHSA should agree on a standard package of HIV and STI services. • The CCM, GPIC and SR should ensure use of the STI guidelines and protocols for STI management amongst Female Sex Workers (FSW) and Men having sex with 		<p>Accepted: The STIs management National Protocols and Guidelines are updated and approved by MoLHSA (http://www.moh.gov.ge/files/gaidline/protokoli/80.1.pdf) on 24 AUG 2010, Order # 282, where STI management for MARPs is addressed as well.</p>	GPIC/ SR	June 2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
management amongst Female Sex Workers (FSW) and Men having sex with Men (MSM).	Men (MSM).		<p>GPIC will enhance monitoring of SR/SSR to ensure that STI clinics (Healthy cabinets for MARPS) follow above mentioned guidelines.</p> <p>Secretariat comment: The Secretariat will assess whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation.</p>		
<p>Late diagnosis (Important Priority) The late diagnosis of the HIV patients will affect the success of the overall HIV program.</p>					
17. According to the surveillance data from IDACIRC, around 45% of newly diagnosed HIV patients presented to the health care system with CD4 cell count < 200. Operational Research indicates that the median time from first medical encounter (that should	<ul style="list-style-type: none"> Appropriate plans should be put in place for significant scale-up of voluntary counseling and testing. 		Accepted Early detection of HIV positive individuals is one of the priorities set by the National Strategic Plan of Action. Based on the mentioned research two major steps to decrease late HIV diagnosis has	MOHLSA CCM GPIC SRs	End 2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>have triggered HIV testing) to HIV diagnosis was 26 months.</p>			<p>been set as increasing HIV testing coverage of most-at-risk populations and increasing HIV testing services in primary healthcare.</p> <p>Implementation of provider initiated HIV testing and counseling in primary healthcare started in 2011 within the National AIDS Program. Currently Ministry of Health in collaboration with NCDCPH, GPIC, AIDS Center and other stakeholders is developing a new design of the National AIDS Program which includes among other things, scale-up of HIV testing and counseling services in primary healthcare.</p> <p>The WHO country office is also supporting activities in that direction, which includes development of</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			<p>continued medical education curricula on HIV testing and counseling for healthcare professionals and update of the national guidelines on clinical indications for HIV testing and counseling.</p> <p>Secretariat comment: An external mission to assess the clinical management of HIV is being organized by the Secretariat to take place in 2012.</p>		

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TB program-related issues

Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>Food voucher values (Important priority) The discrepancy between food vouchers of first-line and MDR-TB patients may result in patients defaulting on their treatment in order to qualify for the more expensive food vouchers.</p>					
<p>18. There was a discrepancy between the value of the financial incentives provided to first-line and MDR-TB patients for improved treatment adherence, viz., GEL 15 (USD 9) and GEL 100 (USD 60), respectively. No operational research is available on the potential impact of the different voucher values on treatment outcomes.</p>	<ul style="list-style-type: none"> GPIC, in consultation with the SR, should consider conducting operational research to establish whether the difference in value between food vouchers for first-line and MDR-TB patients has any effect on adherence. 		<p>Partially Accepted: Studies in EECA Region demonstrated that food supplements are instrumental for enhancing adherence. The big difference between value of incentives/enablers given to sensitive and MDR patients is explained by the severity and duration of second line treatment.</p> <p>In 2003- 2005, with the support of other donors than the Global Fund, sensitive patients in Georgia received a food basket (Oil, sugar, Wheat flour) valued at GEL 13. This served as the base for Global Fund supported program patient support for sensitive cases.</p>	GPIC/ NTP	July 2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			Based on international experience for MDR TB control, which envisages severe and very long treatment, the NTP in consultation with partners, budgeted 25 GEL per week for MDR patient in TGF program. Within existing budget, the PR is considering increasing the price of vouchers for sensitive TB as from 15 to 20 GEL to diminish the gap.		

Malaria program related issues

Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
Malaria surveillance (Desirable) The lack of standard operating procedures may result in poor quality of services related to Malaria being offered.					
19. A standard operating procedure and checklist has not been developed for Malaria monitoring and data quality control, as recommended by WHO.	<ul style="list-style-type: none"> NCDCPH should develop standard operating procedures on malaria surveillance and documentation of the fieldwork in 	Under the grant GEO-304-G02-M-00, in 2006, a manual called "Malaria Epidemiologic Surveillance" has been produced and distributed to all	See Secretariat comment Secretariat comment: The LFA and the Secretariat will monitor the	Secretariat	2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
	areas such as surveillance monitoring, indoor residual spraying, etc.	entomologists and public health facilities. It covers all aspects of malaria control according to the WHO recommendations. It will be updated to be in line with the latest epidemiological data and malaria elimination.	fulfillment of this recommendation.		

FINANCIAL MANAGEMENT & CONTROL

Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
Disclosure of income incidental to program activities (Important priority)					
Income incidental to program activities should be disclosed and accounted for in accordance with the grant agreement.					
20. The OIG noted that that tender fees were not being recorded and accounted for in accordance with the grant agreement. At 24 October 2011, the amounts collected amounted to approximately USD 4,000.	<ul style="list-style-type: none"> GPIC should ensure full disclosure to the Global Fund of all income earned from program activities, and ensure their use solely for grant purposes. 	The Georgian Law decree N1 states that bidding fees are transferred to the central budget of Georgia and are not refundable under any circumstances.	No longer relevant. All income has been fully disclosed to the Global Fund.		
21. In addition to the above, the OIG noted that under the previous PR (GHSPIC),	<ul style="list-style-type: none"> Given that the 	The decree of the President N2440-IIC stipulates that all			

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>approximately USD 100,000 of tender fees, and USD 96,000 of contractual penalties relating to the period 22 March 2010 to 25 March 2011, were paid to the State Treasury and not disclosed or accounted for to the Global Fund. Documentation of contractual penalties relating to the period prior to 22 March 2010 was not readily available.</p>	<p>former PR (GHSPIC) no longer exists, the CCM should lodge a claim with the State Treasury for the recovery of income incidental to program activities. Once received, these funds should either be refunded to the Global Fund or reprogrammed to grant implementation activities following approval by the Global Fund.</p>	<p>sanctions, penalties are transferred to the Government budget for all governmental entities (as was GHSPIC)</p>	<p>Not applicable: Since GHSPIC was a Governmental entity, all procurement were done undertaken in accordance with state procurement regulations. Under these regulations, tender fees and contractual penalties were state funds.</p> <p>Secretariat comment: The LFA and the Secretariat will monitor the fulfillment of this recommendation.</p>	<p>Secretariat</p>	<p>2012</p>
<p>Rejected claim for VAT refund (Important priority) Failure to recover VAT from government implies that there will be less program money to fight the three diseases.</p>					
<p>22. Under the Georgian Tax Code, GPIC is entitled to VAT refund on goods and/or services purchased with grant funds, on a reimbursement basis. GPIC claimed VAT reimbursement from the Georgian Revenue Service on 22 August 2011, for an amount of GEL 294,912</p>	<ul style="list-style-type: none"> GPIC should provide a written explanation to the Global Fund about the nature of and reason for the rejected claim and consider appealing the decision. 		<p>No longer relevant. While GPIC's claim for VAT reimbursement was initially rejected by government, it was subsequently appealed successfully against on 7 November 2011 and the VAT refunded.</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>(approximately USD 179,000). The claim was rejected on 2 September 2011. At the time of the OIG review, this had not been successfully appealed.</p>			<p>Secretariat comment: The LFA and the Secretariat will closely monitor the fulfillment of this recommendation.</p>	Secretariat	2012
<p>Approval process during payments (Important priority) The lack of adequate capacity in the Finance department weakens the overall finance function and the control environment within which payments are effected.</p>					
<p>23. With regard to the approval process for payments, the OIG noted that:</p> <ul style="list-style-type: none"> • The finance department was understaffed. An additional staff member was in the budget, but has not been recruited; • Independent financial checks were not performed over transactions directly executed by the finance manager; • The finance department was not 	<ul style="list-style-type: none"> • GPIC should ensure that controls over the processing and approval of payments are strengthened by ensuring staff members are not approving their own expenses; and by establishing different thresholds for payment approval. • The capacity of GPIC's finance department should be 	<p>During the Regional Team's recent visit to Georgia on 20-23 December 2011 the PR informed the FPM and the PO that one additional finance officer would be hired in Feb 2012.</p>	<p>No longer relevant: One additional finance officer was hired in February 2012.</p> <p>Not applicable: All transactions are executed with minimum 2 level authorizations.</p> <p>Secretariat comment: The LFA and the Secretariat will monitor the</p>	Secretariat	2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
<p>adequately resourced to ensure proper segregation of duties; and</p> <ul style="list-style-type: none"> Some staff members were able to approve their own expenses. 	<p>enhanced through the recruitment of a finance officer, as provided for in the budget.</p>		<p>fulfillment of this recommendation.</p>		
<p>Work plan and budgets (Important priority) Failure to follow the approved work plan and budget raises the risk that the program may not meet its set objectives.</p>					
<p>24. Discrepancies were noted between the approved activities in the work plan and budget, and those implemented in practice. For example, according to the approved work plan and budget for GEO-T-GPIC, first-line and MDR-TB patients were budgeted to receive monthly food parcels valued at EUR 10 and EUR 12.50 each. However, these patients are actually receiving monthly food vouchers valued at GEL 15 (approximately EUR 6.50) and GEL 25 (approximately EUR 11) each.</p>	<ul style="list-style-type: none"> GPIC should ensure that activities are implemented in line with approved work plans and budgets. 		<p>Not applicable: These represented savings on vouchers. The PR obtained economies on the voucher's value since the NTP Management objected having an immediate increase of the value of voucher for sensitive patients. As already mentioned above, PR is considering increasing value from 15 to 20 GEL.</p> <p>For MDR-TB, the difference of EUR 1.50 covered currency fluctuations. In cases where it represented savings, the funds were re-invested into the program. There is</p>	<p>Secretariat</p>	<p>2012</p>

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
			<p>no deviation from program activities in the work plan.</p> <p>Secretariat comment: The LFA and the Secretariat will monitor implementation of the management actions as indicated by the country stakeholders.</p>		

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SUB RECIPIENT MANAGEMENT

Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
Gaps in sub grant agreements (Important priority) The lack of comprehensive sub grant agreements implies that SRs may not have adequate guidance on how grant funds should be spent.					
25. The obligations borne by GPIC under the Grant Agreement were not fully reflected in its agreements with the SRs, e.g., the obligation relating to Taxes and Duties and the obligation relating to recording and accounting for program-related income.	<ul style="list-style-type: none"> GPIC should review its sub-grant agreements with SRs with a view to identifying obligations under the Grant Agreement that have not been reflected in these agreements. Retroactive amendments should be made in respect of gaps identified. 		<p>No longer relevant: The SR's agreements have already been amended by the PR and reviewed by the LFA.</p> <p>Secretariat comment The LFA and the Secretariat will monitor the fulfillment of this recommendation.</p>	Secretariat	2012
SR monitoring visits (Critical priority) The lack of proper documentation to evidence visits to SRs raises the risk that SR site visits may not be undertaken or that such visits may not meet the PR's set verification standards and objectives.					
26. While there are provisions in the Operations Manual at least for semi-annual monitoring visits to verify SR activities, the OIG did not see evidence that such visits took place. There is no defined methodology or terms of	<ul style="list-style-type: none"> GPIC should develop an annual, risk-based site visit plan with terms of reference. Structured, regular site visits should be carried out according to the site visit plan. Proper 	These recommendations are addressed as a Special Condition in both TB and HIV SSF grants and taken into consideration in the M&E System strengthening	<p>No longer relevant: The PR has developed an annual visit plan for each grant. Checklists have been elaborated and are in use. The report on findings and recommendations is</p>		

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
reference for the field visits, and no site visit plan.	documentation should be maintained of work carried out during monitoring visits. GPIC may wish to consider use of checklists in achieving this objective.	action plan as a part of the M&E plan.	sent to the relevant SR by e-mail with the PR following up implementation of recommendations. Secretariat comment The LFA and the Secretariat will monitor the fulfillment of this recommendation.	Secretariat	2012
Review of SR returns (Important priority) The lack of proper guidance for the verification of SR accountabilities may affect the quality of accountability verification.					
27. GPIC's review of SR accountabilities and financial returns was inadequate as evidenced by SRs submitting photocopies of their records. Originals are often not presented to the PR, nor verified during monitoring visits. Detailed analyses of supporting documentation were not undertaken, e.g., checking patient log books signed upon receipt of food vouchers against patient clinical records.	<ul style="list-style-type: none"> • GPIC should document its review of SR accountabilities and returns. GPIC may wish to consider the use of checklists in achieving this objective. • In addition to regular SR audits, GPIC should perform reconciliations of key financial and programmatic data submitted by SRs to original source 	Financial monitoring visits have not been happening regularly and this is partially attributable to the understaffing of the finance department. To mitigate the related risks, the GF recommended to the PR to conduct semi-annual audits of sub-recipient expenditures, including the review of the	No longer relevant: During monitoring visits that will be undertaken by GPIC program and finance staff, reconciliations of key financial and programmatic data submitted by SRs to original source documents will be performed. Secretariat comment: The recommendation is still relevant. Financial	GPIC	2012

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Risk	Recommendation	Secretariat comment	Management action	Responsible party	Due date
	documents. This may be performed during monitoring visits, on a sample basis, using a risk-based approach.	original receipts for the audit of sub-recipients in 2009-2010. The audits did take place.	monitoring visits have not been happening regularly and this is partially attributable to the understaffing of the finance department. To mitigate the related risks, the GF recommended to the PR to conduct semi-annual audits of sub-recipient expenditures, including the review of the original receipts for the audit of sub-recipients in 2009-2010. The audits did take place. The LFA and the Secretariat will monitor the fulfillment of this recommendation.		

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Risk	Recommendation	Management action	Responsible party	Due date
Authority of tender committee to meet bidders (Important priority) The failure to align procurement policies to best practice implies that procurement processes may not be fair, transparent and result in value for money.				

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Risk	Recommendation	Management action	Responsible party	Due date
<p>28. Electronic bidding procedures in GPIC's Operations Manual provide opportunities for the Tender Committee to meet bidders prior to the contract award. The Committee is authorized to invite a bidder to provide clarifications on their bids. There is also an opportunity for the Committee to approach bidders to request samples. Such opportunities may disadvantage international bidders due to cost implications. Also, the Committee's judgment may be impaired through familiarity or otherwise, thus removing the level playing field which is vital for transparent procurement.</p>	<ul style="list-style-type: none"> In line with international best practice, interaction with bidders should be limited. Requests for clarification, and the bidders' responses, should be made in writing, in hard copy, by email or similar, without a face-to-face meeting. The Manual should be amended accordingly. 	<p>N/R no longer relevant: Operations Manual has already been amended accordingly</p> <p>Secretariat comment: The Secretariat will assess whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will closely monitor the fulfillment of this recommendation.</p>	<p>Secretariat</p>	<p>2012</p>
<p>No publication of bid awards or protest mechanism (Desirable) The lack of a complaints handling mechanism implies that bidders do not have a mechanism through which to raise concerns they may have about a bidding process.</p>				
<p>29. Bid awards are not published. This is not a requirement in the Manual. There is no independent protest mechanism in place that allows bidders to protest and have their protests handled in a timely manner. Publication of bid awards, and having an independent protest mechanism, act as effective</p>	<ul style="list-style-type: none"> In line with international best practice, the PR should ensure publication of the bid award in an appropriate media. Such publication should include: (a) names of bidders; (b) bid prices; (c) evaluated prices of each bid; (d) the names of rejected bids with the reasons thereof; and (e) the name of the winning bidder and the final total contract price. 	<p>Partially accepted: The Manual has already been amended and states how the publication of the bid awards should be done, which includes: (a) names of bidders; (b) bid prices; and (e) the name of the winning bidder and</p>		

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Risk	Recommendation	Management action	Responsible party	Due date
fraud deterrents.	<ul style="list-style-type: none"> Consideration should be given to publishing procedures to follow in case of protest/complaints relating to the bidding process. 	<p>the final total contract price. Full information is available at web portal.</p> <p>Secretariat comment: The Secretariat will assess whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation.</p>	Secretariat	2012
<p>Publishing of technical proposals (Desirable) The failure to align procurement practices to best practice may affect future bidder confidence in the processes.</p>				
30. The Operations Manual provides for bidders' technical proposals to be made public after the electronic reverse auction ⁶ . The publication of such data, which may be confidential to qualified bidders, might impede their participation and is not considered international best	<ul style="list-style-type: none"> The requirement that bidders' technical proposals should be made publicly available should be removed from the Manual and not enforced. Bidders should be allowed to make 	<p>No longer relevant: The requirement that bidders' technical proposals should be made publicly available has been removed from the Manual.</p> <p>Bidders are now</p>		

⁶ A reverse auction is an electronic auction where suppliers bid online against each other for contracts against a published specification.

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Risk	Recommendation	Management action	Responsible party	Due date
<p>practice.</p> <p>31. Bidders are not allowed to make amendments to the technical proposals after being uploaded to the PR's e-procurement portal. This may be punitive in the event that bidders make a submission before the deadline.</p>	<p>amendments to submitted technical proposals up to the submission deadline.</p>	<p>allowed to make amendments to submitted proposals up to the submission deadline.</p> <p>Secretariat comment: It should be assessed whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation.</p>	<p>Secretariat</p>	<p>2012</p>
<p>Specification of target prices in bidding documents (Important priority) The failure to align procurement practices to best practice may impact GPIC's ability to attract bidders in the future.</p>				
<p>32. The PR specifies the budget/target price in tender announcements and bidding documents. This is inconsistent with best practice and carries with it certain risks. If the target price is set too high, there is an opportunity for over-profiting by suppliers. If it is set too low, bidders may not respond. This may have contributed to the high</p>	<ul style="list-style-type: none"> GPIC should not specify target prices/budgets in tender announcements and bidding documents. The manual should be amended accordingly. 	<p>No longer relevant: The Operations Manual has already been amended accordingly.</p> <p>Secretariat comment: It should be assessed whether the necessary provisions are fully and adequately</p>	<p>Secretariat</p>	<p>2012</p>

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Risk	Recommendation	Management action	Responsible party	Due date
numbers of failed bids (circa 30%).		included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation.		
Bid preparation period (Desirable) The limited bid period may be a disincentive to potential service providers to bid.				
33. The Operations Manual stipulates a very short time period for preparing bids, i.e., ten days for National and 20 days for International Competitive Bidding.	<ul style="list-style-type: none"> In line with international best practice, the GPIC should allow at least three weeks of bid preparation period for National and at least five weeks for International Competitive Bidding. The manual should be updated accordingly. 	No longer relevant: The Operations Manual has already been amended accordingly. Secretariat comment: It should be assessed whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation.	Secretariat	2012
Stipulation of additional contractual conditions (Desirable) The failure to align its contracting to best practice implies that procurement processes may not be fair, transparent and result in value for money.				
34. The Operations Manual allows	<ul style="list-style-type: none"> Unless in very exceptional 	No longer relevant:		

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Risk	Recommendation	Management action	Responsible party	Due date
<p>GPIC to change conditions in the contract after the tendering process. This is not in line with best practice and carries with it certain risks. A successful bidder may renege on signing a contract if additional conditions render the contract unattractive, or request a higher price. Opportunities exist also for the deal to be manipulated in favor of a preferred bidder.</p>	<p>circumstances arise, GPIC should not stipulate additional conditions in the contract following bid opening. The manual should be updated accordingly.</p>	<p>The Operations Manual has already been amended accordingly.</p> <p>Secretariat comment: It should be assessed whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation.</p>	<p>Secretariat</p>	<p>2012</p>
<p>Thresholds (Important priority) The failure to align procurement policies to best practice implies that procurement processes may not be fair, transparent and result in value for money.</p>				
<p>35. The PR stipulates the following thresholds in its Operations Manual for single source procurement methods, which are not in line with international best practice. The thresholds for single source are very high, i.e., EUR 40,000 instead of USD 5,000.</p>	<ul style="list-style-type: none"> The thresholds should be revised in line with international best practice. 	<p>Partially accepted and no longer relevant: The threshold for single source has been revised and amended to EUR 10,000 instead of EUR40,000</p> <p>Secretariat comment: The Operations Manual has been amended accordingly.</p>	<p>Secretariat</p>	<p>2012</p>

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Risk	Recommendation	Management action	Responsible party	Due date
		The LFA and the Secretariat will monitor the application of this recommendation.		
Transparency in bid evaluation (Important priority) The lack of transparency in procurement implies that procurement processes may not be fair, transparent and result in value for money. It will also become a disincentive for potential service providers to bid.				
36. There is lack of sufficient transparency in the bid evaluation process. Bid evaluation criteria are weighted, however, justifications for weightings are not documented. Tender Committee members award scores to the different evaluation criteria, however, justifications for the scores are not documented.	<ul style="list-style-type: none"> • The Tender Committee should provide justifications for the weightings awarded to different evaluation criteria. • Tender Committee members should provide justifications for scores awarded during bidding evaluation. 	No longer relevant: The Operations Manual has already been amended accordingly. Secretariat comment: It should be assessed whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will closely monitor the fulfillment of this recommendation.	Secretariat	2012
Stakeholder and experts participation (Desirable) The lack of technical experts may result in procurements that do not meet requirements.				
37. The Tender Committee wholly comprises GPIC employees, and SRs on whose behalf procurements are primarily undertaken have limited participation.	<ul style="list-style-type: none"> • As SRs are key stakeholders in procurement, the PR should ensure their full participation (including being able to cast votes) when tenders are being conducted on their behalf. 	Partially accepted: The Operations Manual has been amended accordingly, which states "If necessary, relevant		

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Risk	Recommendation	Management action	Responsible party	Due date
<p>While it is documented in the manual that experts and consultants may attend and have consultative votes at Tender Committee meetings, there was no evidence of their participation and/or voting in such meetings. When experts provided feedback through consultation, such feedback was sometimes not taken into account.</p>	<ul style="list-style-type: none"> When expert feedback is warranted, their inputs should be evidenced throughout the bidding process, including having a consultative vote at tender evaluation. 	<p>professionals will be invited to the committee as experts and consultants and they will have a consultative vote. If necessary, representatives of SR will be shared with the technical documentation of bids and requested to provide their professional opinion regarding bid compliance with the technical request, Anonymity will be preserved.”</p> <p>Secretariat comment: It should be assessed whether the necessary provisions are fully and adequately included in the revised Operations Manual. The LFA and the Secretariat will monitor the fulfillment of this recommendation</p>	<p>Secretariat</p>	<p>2012</p>

GOVERNANCE & PROGRAM OVERSIGHT

CCM oversight of grant programs

Risk	Recommendation	Management action	Responsible party	Due date
Governance (Important priority) The lack of CCM guidelines aligned to the Global Fund affects the effectiveness of the governance structure.				
<p>38. The CCM was established by decree, passed by the Minister of Labor, Health and Social Affairs on 1 May 2005 (the Decree). The Decree provided directions on strategy, objectives, membership, and conduct of the CCM. It is commendable that the CCM in Georgia acts as a national mechanism for coordinating donor and government resources against the diseases. These were found to be inconsistent with the CCM Guidelines and may impair the independence of the CCM. For example:</p> <ul style="list-style-type: none"> • The Decree established a mechanism for the national coordination of HIV/AIDS and TB only. There is no national coordinating mechanism for Malaria; • According to the decree, CCM membership is subject to approval of the Minister of Labor, Health and Social Affairs. This is inconsistent with the CCM 	<ul style="list-style-type: none"> • Detailed CCM guidance should not be established by government decree, but rather be provided in the CCM's governing document which should be a document approved by the CCM and tailored for Global Fund grants. 	<p>Partially Accepted: The CCM new decree has been already developed and endorsed by the CCM. It is expected that Government will endorse in spring 2012. The new decree incorporates most of recommendations in this report.</p> <p>Accepted. This will be considered in the CCM new decree.</p> <p>Not applicable: The NGO coalition nominates their representatives to the</p>	<p>GoG CCM</p> <p>GoG CCM</p>	<p>September 2012</p> <p>September 2012</p>

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Risk	Recommendation	Management action	Responsible party	Due date
<p>Guidelines and may impair the independence of CCM members. CCM decisions may be subject to political interference; and</p> <ul style="list-style-type: none"> The Decree stipulates annual rotation of non-government representatives on the CCM. This is inconsistent with Requirements of the CCM Guidelines, as it imposes restrictions on NGOs to select their own representatives. 		<p>CCM.</p> <p>Secretariat comment: It should be assessed whether the new CCM decree includes the necessary provisions in line with this recommendation.</p>		
<p>39. At the time of the review, the CCM's governing documents were still under development.</p>	<ul style="list-style-type: none"> The CCM should accelerate the finalization of its governance documents which should at a minimum include policies on rotation of office bearers, PR selection, roles and responsibilities of members, conflict of interest management and oversight. 	<p>Partially accepted: CCM new decree has already developed and endorsed by the CCM. It is expected that Government will endorse in spring 2012.</p> <p>Secretariat comment: It should be assessed whether the new CCM governance documents include the necessary provisions in line with this recommendation.</p>	GOG/ CCM	September 2012
<p>CCM standards not adopted (Critical priority) The non-adherence to CCM guidelines implies that basic critical requirements of the CCM may not be met.</p>				
<p>40. At the time of the review, the following Standards of the Global Fund's CCM</p>	<p>While voluntary, the Standards in the Global Fund's CCM Guidelines</p>	<p>Accepted: CCM website, which is</p>	CCM	September 2012

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Risk	Recommendation	Management action	Responsible party	Due date
<p>Guidelines have not been adopted:</p> <ul style="list-style-type: none"> • There was no formal communication strategy in place for sharing information with stakeholder constituencies, or with the PR; • The CCM does not have an annual work plan. <p>Standards represent important criteria considered vital for effective CCM performance based on accumulated Global Fund experience.</p>	<p>constitute good practice. The CCM may want to:</p> <ul style="list-style-type: none"> • Publish and follow a communication strategy for sharing information with stakeholder constituencies and the general public. • Ensure equal gender representation. • Publish and follow an annual work plan, which provides a schedule of CCM meetings, key oversight activities, and important events. 	<p>under the construction. It will provide comprehensive information about CCM activities including annual work plan, which provides a schedule of CCM meetings, key oversight activities, and important events.</p> <p>Secretariat comment: The LFA and the Secretariat will closely monitor the fulfillment of this recommendation.</p>		
<p>SR selection (Desirable) The lack of a documented SR selection process may result in an SR selection that is not fair and transparent.</p>				
<p>41. The CCM is directly involved in SR selection. There is presently no detailed, transparent, documented, SR selection process.</p>	<ul style="list-style-type: none"> • The CCM should ensure that a transparent, documented SR selection process, approved by CCM, is in place and complied with. The CCM should aim to provide oversight of the SR selection process, rather than being directly involved in the selection process. 	<p>Not Applicable: All SRs except two have been selected via competitive bidding procedure by GHSPIC, and re-contracted by GPIC. Those two SRs for two HIV new components were selected by the CCM with participation of</p>		

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Risk	Recommendation	Management action	Responsible party	Due date
		<p>PR, in accordance with the SR eligibility criteria and participation status during proposal development process.</p> <p>OIG response: The CCM should not be involved in SR selection processes but should provide policy and oversight to this process.</p> <p>Secretariat comment: The LFA and the Secretariat will closely monitor the fulfillment of this recommendation to ensure that in cases the CCM gets involved in SR selection for the purposes of determining implementation arrangements for a disease program, the SR selection process is done in an open, transparent and competitive manner</p>	CCM	Future SR Selection

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Risk	Recommendation	Management action	Responsible party	Due date
		excluding any conflict of interest.		
PR oversight (Important priority) The lack of effective CCM oversight will affect the control environment within which grants are implemented.				
42. The CCM does not have an oversight plan, which is in breach of Requirement 3 of the Global Fund's CCM guidelines. The CCM is not engaged in active oversight of PR activities over grant implementation. 43. CCM meetings are held regularly and include grant updates from PR. However, the format of CCM meetings does not allow in-depth review of individual financial and programmatic grant performance.	<ul style="list-style-type: none"> The CCM should prepare and follow an oversight plan for all financing approved by the Global Fund. CCM oversight of PR activities should be extended to reviews of PUDRs, PR work plans, monitoring and evaluation plans and annual PR audits. Consideration should be given to establishing (technical and oversight) sub-committees within the permanent structure of the CCM. 	Accepted: The CCM will prepare and follow an oversight plan. Partially Accepted: The CCM will carry out its oversight activities as recommended in CCM guidelines. Secretariat comment: The LFA and the Secretariat will monitor the fulfillment of this recommendation.	CCM Secretariat	June 2012
Donor coordination (Desirable) The lack of effective donor coordination at the program level may result in program overlaps and double funding.				
44. The OIG found that donor coordination occurs at a national, strategic level, but not at a program level. The risk of funding overlap is not adequately addressed.	<ul style="list-style-type: none"> To strengthen coordination primarily among HIV donors, the CCM should facilitate the development of integrated budgets and/or plans that reflect actual domestic and donor allocations to reduce the risk of funding overlap. 	No longer relevant: CCM members and all donors are requested to provide detailed description of all programs. Secretariat comment:	CCM Secretariat	

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Risk	Recommendation	Management action	Responsible party	Due date
		The LFA and the Secretariat will monitor the fulfillment of this recommendation.		

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LFA OVERSIGHT OF GRANT PROGRAMS

Risk	Recommendation	Management action	Due date
<p>Risk-based verifications not undertaken (Important priority) The lack of risk based verifications implied that LFA work was not directed at the activities that had the potential of affecting program success.</p>			
<p>45. The LFA's approach to financial verification has not been risk-based, as recommended in the LFA Manual. Such an approach involves carrying out an assessment of the key risks of fraud/mismanagement, and tailoring the verification work to address these risks. Although the LFA's recent risk assessments and reviews identified some key risks, the OIG found no evidence that these resulted in the tailoring of the LFA's verification work to the risks identified.</p>	<p>The LFA should adopt a risk-based approach to financial verification, which entails:</p> <ul style="list-style-type: none"> • Identification of weak control systems and risks of fraud/mismanagement at the PR, SRs and SSRs; and • Tailoring of the LFA's assessment and verification work to address the risks identified, which may require additional verification work. 	<p>The LFA believes we already utilize a risk-based approach when undertaking financial verification. In all PU/DRs and PR Assessments, as well as Training Plan Reviews, the LFA has flagged all problems related to mismanagement, as well as identifying key potential risk areas. The following are examples of typical risk areas we focus on in our PU/DR reviews:</p> <ol style="list-style-type: none"> a. Factors that infringe fulfillment of programmatic targets for the given period b. Reasons for late procurements that lead to non-achievement of targets c. Reallocation of funds from one period to another without TGF approval and verification of PR/SRs' explanations of variance between actual expenditure against budget. d. Ways in which SRs reflect and separate distribution of supplies procured via TGF and other donors in their reports e. Tracking grant Conditions Precedent and Special Conditions that are due for fulfillment or outstanding from previous periods. f. Tracking the PR's management of 	<p>End April 2012</p>

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Risk	Recommendation	Management action	Due date
		<p>implementation of the new ERP, including verifying system security, internal control procedures, appropriate staff training and involvement in work process.</p> <p>g. In depth verification of the expenditure for training and technical assistance related activities, including verifying existence of sufficient supporting documents</p> <p>It is worth noting that the LFA finalized its risk assessment for the new PR in the first week of September 2011. OIG arrived in the second week of September. Therefore OIG did not have the opportunity to see any evidence of LFA findings resulting in any tailoring of the LFA's verification works to the risks identified.</p> <p>The LFA will ensure the 2012 Country Risk Profile update is completed early in 2012 to enable the LFA to link this profile to our reviews (especially PU/DRs, procurement reviews and on-site data verifications) and to tailor our review methodology accordingly</p> <p>OIG response: The LFA's implementation of a risk based approach was subsequent to the OIG visit and as noted by the OIG did not see evidence of its implementation</p>	

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Risk	Recommendation	Management action	Due date
		in the work of the LFA.	
Identified gaps in LFA assessments and reviews (Critical priority)			
The identified gaps in LFA assessments and reviews affected the effectiveness of the LFA's oversight to program implementation.			
<p>46. The LFA's assessment of the new PR in March 2011, and its subsequent risk assessments and reviews, were commendable in identifying some of the key issues and risks. However, the OIG noted that inadequate LFA resourcing, particularly for IT and PSM, meant that:</p> <ul style="list-style-type: none"> • Some key issues remained unidentified. For instance: <ul style="list-style-type: none"> - GPIC's transition to an integrated enterprise resource planning (ERP) system has increased reliance on IT , and exposed grant funds to specific IT related risks not identified by the LFA; - The LFA's reviews and assessments failed to identify a large number of procurement gaps. • The LFA reached some debatable conclusions. For instance, the LFA concluded that the "CCM is very engaged and active in oversight", whereas the OIG found the CCM not be actively engaged in the oversight of grant implementation. 	<ul style="list-style-type: none"> • The LFA should ensure optimal, risk-based, allocation of resources (level of effort, staff numbers, qualified staff, etc.) to grant reviews and assessments. • The LFA should be more detailed and comprehensive in their reviews, and ensure adequate internal quality reviews. • The LFA should institute measures to maintain its independence and objectivity, e.g. staff rotation. 	<p>The LFA has resolved the problem of insufficient resourcing, having hired 3 additional staff members for its Georgia team, including a national PSM Expert.</p> <p>With regard to IT expertise, the LFA would submit that while this expertise was not requested by the Global Fund, our International PSM Expert (Bertrand Chenin) has an IT/ computer science background and brought extensive experience advising on ERP implementation. During the PR Assessment, the LFA met with the developers and the International PSM Expert did a walk-through of different scenarios to see that it was addressing key issues. The system was not operational at the time and therefore it was not possible to identify and comment on some of the risks.</p> <p>The LFA will review the functionality of the ERP system as soon as testing is finished. There is a need to ensure LFA work plan includes scope to check or review the internal verification of information that is transferred into the system. It is also necessary for the LFA to be given read-access rights to the system to see what is happening in the</p>	complete

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Risk	Recommendation	Management action	Due date
		<p>system as it becomes operational.</p> <p>The LFA's TOR does not envisage review of CCM operations, other than review of their funding request.</p>	
<p>LFA's endorsement of new PR transition (Important priority) The LFA is the ears and eyes and not the mouth of the Global Fund. Its failure to respect this key principle may be construed as endorsing country actions which is against Global Fund principles.</p>			
<p>47. The OIG noted that at the December 2010 CCM meeting, at which the transition to the new PR was approved, the LFA endorsed the transition at a time when a detailed assessment had not been undertaken.</p>	<ul style="list-style-type: none"> • The LFA should refrain from giving opinions on matters of grant implementation and management. • The LFA should institute measures to maintain its independence and objectivity, e.g. staff rotation. 	<p>The LFA believes this is a misunderstanding. Nobody asked the LFA about their opinion on the transition issue. The LFA can only assume that CCM minutes were not recorded correctly, or were written later and misconstrued.</p> <p>The LFA attended only 2 meetings of CCM: the first time at the request of the Global Fund and the second time during the OIG visit. During the meeting in question, the CCM was discussing the VPP mechanism (i.e. whether to adopt it or not) and during this discussion the Finance Expert (Nana) was asked to comment on one question which arose during the discussion. No questions on the transition were addressed to the LFA.</p> <p>The issue of transition to the new PR (GPIC) was discussed with the CCM Secretariat during the new PR assessment carried out in February 2011, as the LFA felt there were a number of issues that needed to be</p>	<p>n/a</p>

Diagnostic Review of Global Fund Grants to Georgia

Risk	Recommendation	Management action	Due date
		<p>resolved prior to transition (e.g. the way in which the grants were recorded in the budget, the release and transfer of accounts, etc.) and that it was important that the CCM, the previous PR GHSPIC, GPIC, the Ministry of Health and TGF addressed these issues. These were discussed, in light of the decision that the CCM had made, but it was clearly noted this was dependent on the assessment and Global Fund decision to accept the new PR. We wrote to the Ministry of Health (copied to the Global Fund) to move the situation forward, and our CCT representative (Tristan Burton) met with the Deputy Minister of Health, to ensure internal government processes were in place in light of moves to divert funds to another entity to control Global Fund programs.</p> <p>The LFA is well aware that we are the ears and eyes of TGF but not the mouth, and that we had no remit or right to officially endorse such a transition. The LFA will continue to ensure its objectivity through strengthening the role of the Team Leader and through quality assurance of inputs by CCT.</p> <p>OIG response: The CCM record states that the LFA provided an opinion on the suitability of the GPIC as a PR. If the record was wrong, the LFA should request that this be corrected.</p>	

Diagnostic Review of Global Fund Grants to Georgia

Global Fund's Secretariat Oversight of Grant Programs

Risk	Recommendation	Management action	Due date
<p>Non-health procurement risks not mitigated (Important priority) The lack of a strategy for non-health procurements leaves the program exposed given that over 60% of the procurements are non health related.</p>			
<p>48. The Secretariat has need of a more effective strategy for mitigating procurement risks relating to non-health related supplies, which constitute over 60% of procurements undertaken by the PR.</p> <p>Existing risk minimization strategies (e.g. VPP mechanism, LFA review of the PSM Plan, Conditions Precedent in grant agreements, etc.) primarily address health related supplies.</p>	<ul style="list-style-type: none"> The Secretariat should develop an effective risk minimization strategy to address non-health related procurements. 		
<p>Disruptions caused by SSF transitioning (Important priority) The disruption of programs through SSF transitioning may affect the program's ability to meet set objectives and targets.</p>			
<p>49. The HIV/AIDS and TB Round 10 grant consolidation processes for transitioning to SSF resulted in a 2-3 months funding gap between April-June 2011. HIV/AIDS patients went without food vouchers during this period. Stock-outs of STI drugs and diagnostic test-kits were also reported, e.g., in Tanadgoma. The LFA's review and verification activities were affected due to the additional burden placed on their resources.</p>	<ul style="list-style-type: none"> In order not to disrupt implementation of grant programs, the Country Programs Cluster should ensure that it reviews its existing grant processes in order to facilitate the negotiation and signing of approved grants on a timely basis. 		