Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Cover note for the OIG Investigations Report (GF-OIG-11-002)
Geneva, Switzerland, 01 June 2011

STATEMENT FROM THE BOARD CHAIR ON THE INSPECTOR GENERAL'S (OIG) INVESTIGATIONS REPORT OF MALI MALARIA (1 & 6) AND TUBERCULOSIS (4 & 7) GRANTS

Dear Reader,

Beginning in February 2010, and continuing through until April 2011, The Global Fund's Office of the Inspector General (OIG) conducted an investigation of four grants in Mali. The results of this investigation are contained in the document "Final Report of Investigation of Mali Malaria (Rounds 1 & 6) and Tuberculosis (Rounds 4 & 7) Grants". The investigation is the result of much hard work by the OIG and a thorough and comprehensive analysis of these grants in Mali.

The Report sets out in great detail the results of the investigation and its ultimate findings and recommendations. The Report details how certain in-country individuals associated with the programs, and a number of suppliers and vendors providing goods and services to them, systematically defrauded The Global Fund and these programs over several years. Several individuals have been arrested by the Malian criminal authorities as a result of the incidents identified in the report, and are awaiting trial. The fact that this fraud was in part identified by an audit and fully uncovered through the vigilance of The Global Fund's own Inspector General's Office, as well as the fact that the perpetrators are now being brought to justice, will serve as a deterrent to others.

Several weaknesses were identified in the management of the grants and the OIG has proposed, and the Secretariat has taken, firm steps to improve grant management. The former recipients have been replaced. One grant has been terminated. The Global Fund is hopeful that the programs it supports in Mali will soon be fully restored and improved to combat its pandemics in the three diseases. These steps are a demonstration of The Global Fund's "zero tolerance to fraud" policy.

This case has in fact contributed to the largest reform of the grant management of The Global Fund since its inception. We believe that as a result, The Global Fund is now considerably stronger and better prepared to prevent and quickly detect fraud and misuse. We also believe that the Fund's internal processes and controls have also been improved as a result of this case.

By nature of its mandate, and in order to reach some of the world's most vulnerable populations, The Global Fund works in countries with weak institutional and control environments. In tackling mismanagement and corruption, the Fund is driven by two core principles – full transparency and zero tolerance of fraud.

The present Report, made public on The Global Fund's website, is a testament to The Global Fund's commitment to detect and vigorously investigate fraud affecting its grants and its commitment to true and full transparency.

It is important to stress the separation between the wrong doing of some individuals and the laudable efforts of the majority of the health work force in Mali. I would in particular like to thank President Amadou Toumani Touré of Mali for his unwavering support for the efforts of The Global Fund's Office of Inspector General to detect and end the fraudulent practices in these grants, and the Secretariat's efforts to strengthen the grant programs to prevent any further lapses in controls and ensure optimal grant performance.

The Global Fund's mission is to save lives and assist countries in building strong, sustainable health systems. Every dollar lost to corruption is a dollar lost in this struggle. The Global Fund will relentlessly protect its assets and it will do so in an unwavering commitment to the countries it serves.

Yours truly,

Martin DINHAM
Board Chair

THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

FINAL REPORT OF INVESTIGATION OF

MALI MALARIA (1 & 6) AND TUBERCULOSIS (4 & 7) GRANTS

AND A CASE STUDY ON THE ROLE OF THE SECRETARIAT, THE LOCAL FUND AGENT, AND THE COUNTRY COORDINATING MECHANISM IN FIDUCIARY OVERSIGHT AND GRANT MANAGEMENT

Investigations Report No.: GF-OIG-11-002

Issue Date: 01 June 2011

This report is partially redacted pursuant to the Global Fund Disclosure Policy and Board Decision Point GF/B23/DP26.

TABLE OF CONTENTS

I. Executive Summary 7

II. Background 15

A. Mali Grants Reviewed 15

1. Grants' Objectives, Activities, and Status 16

2. Planned Grant Expenditures 18

3. The Grant Implementers 19

4. Mechanics of Grant Implementation 22

B. OIG Investigative Unit 23

C. MoH and the OIG Audit 24

D. Mali Law Enforcement Actions Before and During Investigation 24

III. Methodology 26

A. Scope of Investigation 26

B. Investigative Process 27

1. Obtaining and Organizing Documentation 27

2. Document Analysis 28

3. Interviews 28

4. Limitations of the Investigation 29

C. Relevant Concepts of Fraud and Abuse 29

D. Due Process 30

E. Exchange Rate 31

IV. Investigation Analysis 31

A. Banking and Expenditure Fraud 32

1. DAF Engaged in Banking Fraud and Misappropriation of Funds 32

2. DAF, PNLP, and PNLT Committed Expenditure Fraud 37

3. Officials Assembled False Document Packages to Simulate Expenditures during Program Implementation 62

4. Correlation between Misappropriation from Bank Accounts and Expenditure Fraud and Unsupported Expenditures 86

5. Other Unsupported Withdrawals 87

B. Overcharging and Misappropriation of Funds 88

1. PNLT and Vendor Overcharged for Medical Equipment 88

2. PNLT and Vendors Overcharged for Computer Equipment 91
3. PNLT and Vendors Misappropriated Funds during Purchase of Motorcycles 94
C. Fraudulent Procurement 95
D. Inoperative Tuberculosis Laboratory 98
V. Fiduciary Control Weaknesses 100
A. DAF 100
1. Roles and Responsibilities of the DAF 100
2. GF Reviews of the DAF 101
3. DAF Oversight Weaknesses 102
B. External Audits 103
1. The Purpose of External Audits 103
2. Significant Delay of External Audit Reports 104
3. Significant External Audit Report Findings 105
4. External Auditors' Identification of Fraud 106
5. External Audit Reports Issued After OIG Involvement 106
C. Local Fund Agent 107
1. Background 107
2. Roles and Responsibilities of the LFA 107
3. GF Reviews of the LFA 110
4. Issues Raised by the LFA 110
5. The LFA Ability to Detect Fraud 114
6. The LFA Document Management 117
7. LFA on Technical Assistance 118
8. LFA Collaboration with the OIG 118
D. Country Coordinating Mechanism 119
1. Background 119
2. Roles and Responsibilities of the CCM 119
3. GF Reviews of the CCM 120
4. CCM's Focus on Fraud 121
E. Global Fund – Fund Portfolio Manager and Finance Unit 122
1. Background 122
2. Roles and Responsibilities of the FPM 122

3. The Roles and Responsibilities of the Finance Unit 123
4. The GF's Evaluation of the Grants 124
5. The Global Fund Secretariat's Ability to Detect and Respond to Fraud 128
VI. Loss to The Global Fund 132
A. GF's Right to Reimbursements 132
B. Methodology for Calculating Loss 133
C. Calculation of Loss 133
VII. Risk of Loss to Other Donors 136
VIII. Concluding Summary 138
IX. Recommendations 139
X. Annex 1 141
XI. Annex 2 148

Abbreviations

AGF	External Fiduciary Agent (Agence de Gestion Financiere)
CCM	Country Coordinating Mechanism
CFA	Malian Currency
DAF	Directorate of Administration and Finance (Mali MoH)
DR/PU	Disbursement Request and Progress Update
DRS	Directorate Regionale de Sante (Regional MoH Office)
FENASCOM	Fédération Nationale des Associations de Santé Communautaire du Mali
GPR	Grant Performance Review
LFA	Local Fund Agent
MoH	Ministry of Health (Mali)
OIG	Office of Inspector General (TGF)
PNLP	National Program for the Fight against Malaria
PNLT	National Control Program against TB and Leprosy
PR	Principle Recipient
PSI	Population Services International
PSM	Procurement and Supply Management Plan
SR	Sub-Recipient
GF	The Global Fund to Fight AIDS, Tuberculosis and Malaria
USD	United States Dollar

I. EXECUTIVE SUMMARY

This Report presents the results of a full investigation conducted between February 2010 and February 2011 by the Investigations Unit of the Office of Inspector General (OIG) of four Global Fund (GF) grants to Mali, namely Malaria Rounds 1 and 6 and Tuberculosis (TB) Rounds 4 and 7. Ultimately, the OIG has identified that USD 5.2 million, or 53 percent of the USD 9.7 million of grant funds OIG examined were lost due to fraud or violations of the grant agreement. USD 4.1 of the loss amount was due directly to fraud perpetrated by officials of the Principal Recipient, the accountant hired to oversee the program, and hundreds of suppliers who purported to provide goods and services to the programs that submitted false invoices to trigger payments of grant funds.

The OIG initiated this investigation following a series of reviews that were performed in 2009. First, findings by an external auditor hired by Mali's Ministry of Health (MoH) prompted the MoH to investigate the accountant hired to oversee the Malaria and TB programs (funded by the grants) and to find that he had forged checks for his own benefit and falsified corresponding bank statements. The fraud identified by the external audit was only a small fraction of the fraud ultimately identified by the OIG, through forensic investigation efforts and other means as detailed in this Report. Following the external audit, the OIG's own Audit Unit then audited the grants in October 2009, further finding serious and pervasive internal control deficiencies within the Malaria and TB programs' accounting and treasury functions. The initial loss identified by MoH totaled approximately USD 270,000 and additional MoH investigation in March 2010 identified an additional USD 34,000. As a result of these findings, the MoH reimbursed the GF USD 304,000 in March 2010.

The matter was referred to the OIG Investigations Unit for a comprehensive investigation of these grants based upon the serious indications of fraud that had been identified. The OIG commenced investigating the grants in February 2010 with the objectives of: (i) uncovering and identifying the specific and full nature, scope and extent of fraud and abuse of GF funds, (ii) identifying the participants in the schemes and responsible parties, and (iii) determining the amount and location of the fraud and loss in order to effectuate recoveries so that lost funds could be repatriated for use of the intended beneficiaries, namely the patients of the three diseases. The OIG examined USD 9.7 million of the approximate USD 13 million disbursed to the country in connection with these particular grants. This report does not address the OIG's ongoing investigation of Mali HIV grants (approximately USD 56 million), which were managed by a different Principle Recipient (PR) called, Haut Conseil National de Lutte contre le Sida (HCNLS). That investigation is presently ongoing and not yet complete. However, the OIG investigators are finding similar pervasive patterns of fraud in those grants as well.

a) Note on Methodology

The OIG conducted a deep investigation of the grant fund expenditures managed by two Principal Recipients (PRs), the National Control Program against TB and Leprosy (PNLT) and National Program for the Fight against Malaria (PNLP), in order to gain a clear and complete picture of the fraud and achieve the objectives identified above. Due to substantial deficiencies in the programs' accounting and record-keeping, as well as the absence of supporting documentation for numerous program withdrawals in contravention of the requirements of the GF Grant Agreement, OIG was required to expend significant time and resources recreating an electronic record of program disbursements and expenditures in order to adequately examine the grant expenditures to identify how grant funds were spent, and conduct a thorough review. Confirmation of the existence, or non-existence, of fraud would not have been possible without these steps and the true uses to which grant funds were put would continue to remain largely unknown. Conservatively, in this investigation, the OIG has identified more than 10,000 fake, fictitious or fraudulent documents that were used in, or submitted to, the programs.

Had a sufficiently robust system been in place to properly manage disbursements of grant funds, much of the fraud might have been identified earlier, and the investigation would have concluded much sooner. The OIG ultimately organized, scanned and computerized, and then analyzed over 50,000 pages of program documentation. The OIG investigators interviewed close to 1,000 individuals, including Malaria and TB program staff, third party vendors named in the documents submitted to trigger grant fund disbursements, as well as the staff of the structures responsible for program oversight, including the in-country fiduciary program supervisor (the LFA), the multi-stakeholder country-level coordinating body (the CCM), and GF staff.

b) Findings of Fraud and Abuse

As a result of its investigation, the OIG finds that between May 2004 (soon after the beginning of the first grant) and April 2010, senior officials and staff in the programs' financial management and implementing agencies (the Directorate of Administration and Finance (DAF), PNLT and PNLP)—with the active support or knowledge of the regional MoH offices (*Directorates Régionales de Santé*, or DRS), together with third party vendors—engaged in a widespread scheme to misappropriate GF program resources and funds, and defraud the Global Fund and the programs in the amount of at least USD 5.2 million, or 53 percent of the USD 9.7 million of grant funds OIG examined.[1]

The OIG finds that more than USD 4.1 million (at least 42 percent) of the funds investigated were lost through criminal acts of fraud and misappropriation perpetrated by the many participants. The schemes identified included significant and continuous efforts to: (i) misappropriate grant funds from program bank accounts through false statements, false documents, and unauthorized and improper transfers and embezzlements of grant funds,

[1] The OIG's investigation included a review of expenditures incurred up to 31 December 2009. SEC Diarra, the recently hired external fiduciary agent, has informed the OIG that it found further evidence of fraud—in particular over-charging for goods and services and over-representation of time spent on supervision missions— in documentation submitted by PNLP in the first quarter of 2010, after the OIG investigation began. However, this fiduciary agent failed to detect a plethora of fraudulent invoices that came into their possession at earlier points that later were proven false by the OIG.

including payments to the program accountant, (ii) fabrication of false supporting expenditure documentation, (iii) overcharging and widespread misappropriation of program assets, and (iv) through procurement practices that were found to be tainted by pervasive collusion, fraud, and other violations. In addition, the investigation has identified that at least USD 1.1 million (11 percent of the grant funds examined) of the funds investigated were lost in violation of GF Grant Agreement provisions, as withdrawals completely lacked supporting documentation (despite repeated opportunities and requests to provide such documentation). Finally, USD 120,000 (1 percent) of the funds investigated was lost as these monies were spent on a purported TB laboratory that sits idle, and virtually vacant, and does not conform to safety standards. Equipment, purchased more than one year ago, and intended to be used in this laboratory, sits unused in a warehouse.

OIG Calculation of loss to GF under Mali Malaria Rounds 1 & 6 and TB Rounds 4 & 7

Category	Description	USD	% of Funds Investigated
TOTAL FUNDS OIG INVESTIGATED		**$ 9.7 million**	**100%**
Findings of Fraud and Misappropriation			
1	Misappropriation from program bank accounts*	$ 1.3 million	13%
2	Fabrication of false supporting expenditure documentation**	$ 1.5 million	15%
3	Overcharging and misappropriation of program assets	$ 0.7 million	7%
4	Fraudulent procurement practices	$ 0.6 million	6%
		$ 4.1 million	**42%**
Other Findings of Loss			
5	Withdrawals lacking supporting expenditure documentation***	$ 1.0 million	10%
6	Construction of unusable laboratory	$ 0.1 million	1%
		$ 1.1 million	**11%**
TOTAL LOSS TO THE GF		**$ 5.2 million**	**53%**
Funds Repaid to GF in March 2010		**$ .3 million**	**3%**
TOTAL FUNDS OWED		**$ 4.9 million**	**50%**

*Category 1 includes cases of overlap with false and missing supporting expenditure documentation.
** Category 2 includes additional cases of false supporting expenditure documentation.
*** Category 4 includes additional cases of missing supporting expenditure documentation.

As a result of the PRs' breach of various provisions of the GF Grant Agreement, which trigger the remedies under Article 27 of the GF Standard Terms and Conditions, the OIG recommends that the GF be reimbursed in full for the loss to its grant funds. Since MoH reimbursed the GF USD 304,000 in March 2010, the net loss outstanding to the GF is USD 4.9 million.

An overview of the findings follows:

(i) Misappropriation from Program Bank Accounts

The USD 1.3 million embezzled directly from program bank accounts was perpetrated by employees and senior officials of the MoH DAF. These officials were responsible for the treasury and accounting functions of the programs and abused their authority to embezzle and steal program funds. As the MoH's external auditor discovered, the DAF accountant dedicated to managing GF grant funds, Individual A, forged checks to himself by falsifying approved signatory names on blank "bearer" checks which he then cashed. The DAF accountant also fraudulently endorsed third party checks to himself, thereby converting the funds for his own benefit.

The OIG also found that DAF staff made inappropriate withdrawals by circumventing internal controls, and that close to all of these withdrawals were either completely unsupported or were supported by documents that OIG has found to be fraudulent. In late 2007, Individual E inappropriately gave the DAF accountant, Individual A, power of attorney to undertake all banking transactions on the program bank accounts, thereby violating the most basic and universally accepted principle of segregation of financial duties. As a result, Individual E was detained by Malian authorities on charges of dereliction of duty in late 2009. In addition, OIG found that DAF staff wrote checks directly to the DAF accountant or handed him cash, in contravention of DAF policy. Finally, OIG found fraudulent or unsupported cash transfers made by the DAF registrar, Individual F.

Indeed, OIG noted a significant correlation between bank withdrawals misappropriated by the DAF and fraudulent expenditure documentation created by Malaria and TB program officials. Of all the bank withdrawals tainted by misappropriation directly from bank accounts, 34 percent also were tainted by fraudulent supporting documentation. In addition, another 55 percent of the tainted bank withdrawals were missing supporting documentation altogether.

The DAF accountant also took steps to conceal the forgeries and inappropriate transfers by tampering with the associated entries on the programs' bank statements. OIG found cases of entries covered with correction fluid, resulting in blank spaces on the bank statements. In those cases, the totals at the end of the statements either were also tampered with or did not tally correctly.

(ii) Fabrication of False Supporting Expenditure Documentation

The OIG found a wealth of evidence that officials within the PNLT, PNLP, and the DAF, individually and at times in concert with one another, created fake supporting documentation by either altering documents, such as invoices of real or non-existent businesses on their computers, or by coordinating with businesses to create the perception of a competitive procurement process and authentic contracting for goods or services, when in fact, such was not the case. Officials also falsified MoH "mission orders"—permissions to travel for trainings, supervision, or other activities—on their computers. Finally, officials fabricated *per diem* sheets which purportedly recorded program staff and training participants' receipt of daily allowances by forging signatures. Officials authenticated the fake documents with either scanned images of stamps and signatures or with stamps that should not have been in their possession, including stamps of businesses, the MoH, and DRS's.

A large number of program activities, such as trainings and supervision missions, were tainted by fraud and corruption, and payments for these events to alleged participants were triggered by forgeries. In fact, the OIG found that for most tainted activities, fraudulent and suspicious documents comprised the bulk of documents submitted to justify those activities. As a result, there is a strong basis to conclude that many of these activities may not have occurred at all.

The OIG also found that officials in the regional DRS's, tasked with program implementation outside of Bamako, Mali's capital, as well as local merchants who purportedly supplied goods or services, actively participated, or were otherwise complicit, in the fraudulent schemes. In certain instances, funds were sent directly to DRS bank accounts via wire transfers but the supporting documentation purportedly justifying their expenses was fraudulently produced by PNLT officials in Bamako. Several vendors admitted to either fabricating documents for officials, or providing officials with blank templates of their invoices.

(iii) Overcharging and Misappropriation of Program Assets

The OIG also found evidence that vendors of high-priced goods, such as medical equipment, computer equipment, and motorcycles exorbitantly overcharged or double-billed the GF programs. The OIG found that USD 660,000 in medical equipment charged to the TB Round 7 grant was improperly sole-sourced to a local Malian vendor who, in turn, procured the equipment in Europe and inflated the price by over 250 percent, or USD 270,000. The full amount of the medical equipment purchased was improper also because the purchase was made before the PNLT submitted a health product procurement plan to the GF, thus violating the Grant Agreement.

OIG also found that the TB Round 7 grant was overcharged for computer equipment by 250 percent, or USD 34,000. Finally, the OIG found that the program allegedly purchased the same motorcycles from two different vendors and that a PNLT official, Individual C, colluded with one of the vendors to resell some of the vehicles on the black market. Malian authorities have detained the vendors of medical equipment and motorcycles, and the computer equipment vendors have reportedly fled the country. In addition to these actions, these amounts should be recovered from PNLT and the vendors in question.

(iv) Withdrawals Lacking Supporting Documentation

In addition to the fraud described above, the OIG found that USD 1.7 million of bank withdrawals were not accompanied by any supporting expenditure documentation. Of this amount, USD 700,000 was tainted by misappropriation from bank accounts (discussed above). Of the remaining USD 1 million, over 70 percent was between 2 and 5 years old at the time of the investigation. Failure to maintain and produce documentation proving that funds were used for program purposes constitutes a violation of Article 13 of the GF Standard Terms and Conditions, a breach of the Grant Agreement, and a loss of grant funds that should be recovered.

(v) Fraudulent Procurement Practices

In addition to the fraudulent amounts already described, the OIG found that for an additional USD 600,000, the principles of fair, competitive procurement of goods and services, as required by the GF Grant Agreement, were not followed. In some cases, vendors who purportedly bid against each other belonged to the same family. In other cases, although the winning bidders asserted the legitimacy of their invoices and services, all vendors whose names appeared on competing bids stated that those documents were not authentic. As these transgressions violate the terms of the Grant Agreement and procurement rules, GF should seek to recover these amounts from the PR.

(vi) Funds used for an Incomplete, Unused and Unusable Laboratory

The OIG also notes that a laboratory for which TB Round 4 spent USD $120,000 in 2008 remains inoperative as of the date of issuance of this Report because it does not comply with World Health Organization (WHO) safety standards. The firm that monitors program expenditures and implementation in-country (the LFA) and the GF fund portfolio managers (FPMs) expressed concerns about delayed procurement for the laboratory during the grant's life. Given the complete absence of bidding documents, this laboratory was not procured properly. Although the OIG found other red flags in relation to this laboratory, Mali local law enforcement has taken over this matter and is pursuing it as part of their criminal investigation. The OIG has deferred to the Malian authorities to pursue this matter further.

c) Fiduciary Control Weaknesses

OIG finds that the grant programs suffered from serious fiduciary control weaknesses which prevented the fraud and abuse from being discovered at an earlier stage. In Mali, five structures—(1) the DAF; (2) external auditors; (3) a firm that monitors program expenditures and implementation in-country (the LFA); (4) a multi-stakeholder country-level coordinating body (the CCM); and (5) GF relevant Secretariat staff, including the grant managers and the Finance Unit—constituted the fiduciary framework that ought to have ensured that funds were used for their intended purposes. However, the OIG's review of key documents issued by these structures and interviews of key staff within them, indicates that—with the exception of one audit firm hired just before the OIG audit began—these individuals failed to consider the obvious risk that funds could be diverted away from their intended purposes, nor did they respond to indications of heightened risk in these specific projects when red flags emerged.

The OIG notes that, as a result of coordinating and consulting with the OIG, the GF Secretariat has asserted that it has adopted additional safeguards in 2010 and 2011 that respond in large measure to several of the observations made this Report. Therefore, this discussion of fiduciary control weaknesses may not necessarily apply to GF's current approach to fraud and abuse.

To begin, the OIG found that the DAF—the entity most directly responsible for the fiduciary aspects of the grants within the MoH—was itself implicated in the OIG's findings of fraud. OIG learned that the accountant hired to oversee grants had a prior financial criminal history. In addition, the DAF failed to implement proper segregation of duties and basic accounting tasks. The DAF accountant was afforded full access to the bank accounts, checkbooks and bank statements and was responsible for completing bank reconciliations (which were rarely in fact ever completed). The DAF accountant was also involved in collecting and maintaining supporting expenditure documentation as well as entering transactions into the accounting system. These incompatible roles constituted a clear violation of the universally accepted standards of segregation of duties, which thereby increased the risk of fraud which ultimately materialized. Although the LFA and the relevant Secretariat staff were aware that the DAF was weak and non-transparent beginning from the pre-assessment of the first grant (Malaria Round 1) through every year of the grants' implementation, this institution was repeatedly utilized to manage new grants and no one identified the DAF's systemic weaknesses as indicators of possible fraud and abuse.

The OIG found that the internal and external audit functions that the Programs were responsible for securing were severely delayed and did not identify risk of fraud, with the exception of the one 2009 audit. Over the life of these grants, the OIG found that the DAF's internal audit department performed only one audit, during the first year of the TB Round 4 grant. External audits were not performed in a timely manner for large portions of the Malaria Round 1 and 4 grants, and no external audits were performed at all on TB Round 7 until late 2010.

The LFAs (two oversaw the grants expenditures and implementation in-country over the course of the grants' lives) highlighted and communicated to the GF many of the same concerns as the audit reports. Concerns included: (i) the program staff's poor oversight of implementation, (ii) the programs' failure to properly and timely submit expenditure reports, (iii) the programs' failure to maintain adequate supporting documentation, and (iv) significant problems with the DAF as discussed above. However, despite making such observations, the LFAs also did not make the link—either explicitly or implicitly—that these issues were indicators of an elevated risk of fraud or misappropriation. Furthermore, they failed to notice obvious deletions (blanks on pages and inconsistent calculations) on bank statements submitted to them by the DAF, all of which concerned funds that the OIG ultimately found to have been misappropriated.

The OIG further uncovered no evidence indicating that the Mali multi-stakeholder country coordinating body, the CCM, raised the risk or possibility that grant funds were not being used for their intended purposes. Rather, interviews with the CCM and others relating to the CCM suggest that the CCM had neither the capacity, nor the self-perceived responsibility to identify such risks.

Finally, the relevant Secretariat staff, the grant managers and the Programme Finance Unit, lacked the means and the capacity to detect the risk of fraud and abuse, and they were not properly incentivized or prepared to respond appropriately to risk of fraud and abuse when it did appear. When concerns were brought to the attention of GF staff, primarily by the LFA, the GF staff failed to consider any of the concerns to be indicators of risk of fraud and abuse. The GF's subject-matter experts in finance, the Finance Unit, did not review either the external audits themselves or the LFA's summaries of the audits, but instead received summaries from the Secretariat managers, the programmatic experts. Although certain Secretariat staff responded to issues through Management Letters, bilateral conversations, introduction of conditions precedent, and in some cases non-disbursement of funds, the DAF and program offices were consistently "nonresponsive" to GF efforts. Once the OIG's review started, and the LFA began to raise concerns of fraud, the relevant Secretariat staff failed to respond appropriately to ensure that the GF identify the full extent of the risk. [redacted]

d) *Action by National Authorities*

Midway through the OIG's investigation, in the summer of 2010, the President of the Republic of Mali appointed a domestic judge to investigate and criminally prosecute the individuals implicated in the misappropriation of the Malaria and TB grant funds. The OIG has worked in close collaboration with the Investigating Judge, and has provided significant support to further assist his efforts. The OIG has shared its evidence and analyses with the Judge on an ongoing basis, provided the Judge with computer forensic support and capacity, the results of the OIG forensic efforts, and many relevant documents and records. As a result of the close collaboration between the OIG and the Investigating Judge, the Malian authorities have achieved substantial progress in their prosecution. To date, at least 15 individuals—primarily consisting of program managers, but also including business owners and bank employees—have been detained pending prosecution and trial in connection with the domestic investigation. The judge had not completed his review of the case at the time of this report's publication.

e) *The Next Steps*

Through this investigation, the OIG has also examined and identified the breakdown of fiduciary controls within the LFA, the Regional Team, the CCM and the Principal Recipients. As described more fully herein, neither the LFA the Regional Team or the CCM were focused on fraud and misappropriation risks, and many red flags were not heeded. The report, in the view of the OIG, presents a valuable resource for the OIG Sub-Committee of the Board (OIG Sub-Cie) and the reform working group (CRWG). There also may be some valuable lessons that can be learned, perhaps with wider application to other grant programs that heavily fund similar activities, through a close examination of the performance of these grants and the entities entrusted with fiduciary oversight of the grant expenditures.

f) Recommendations

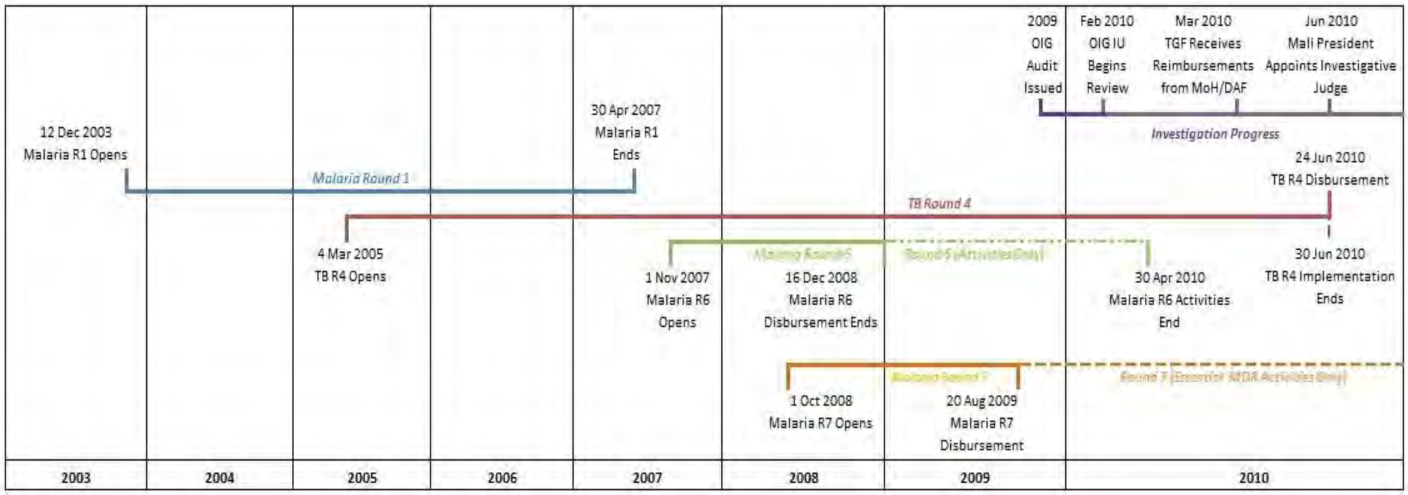
As a result of its investigation, and as more fully set forth at the end of this Report, the OIG recommends that the GF Board or Secretariat, as applicable: 1) make full effort to recover from all responsible parties, either directly or through entities in direct privity of contract, the USD 5.2 million (USD 4.9 outstanding) of grant funds lost as a result of the criminal acts and breaches of the Grant Agreement identified herein; 2) strengthen the Grant Agreement to require all PRs to record and maintain key expenditure information (such as vendor names) within an acceptable accounting system, and bar cash expenditures unless there is a critical need to utilize them; 3) require LFAs to routinely check for financial misappropriation and pay particular heed to training events, associated costs, activities, and expenses of high risk; 4) reconsider using the amount and pace of grant fund disbursements as a KPI for Secretariat staff, and place priority on the quality rather than the quantity of disbursements, as well as stress the importance of ensuring (through continuous monitoring) that grant funds are in fact used for grant purposes; [redacted]

II. BACKGROUND

A. MALI GRANTS REVIEWED

The OIG reviewed two Malaria and two TB grants to Mali. This section describes the grants' objectives, relevant grant parties, the character of expenditures incurred under the grants, and the process that programs ostensibly followed in spending grant funds during grant implementation.

Timeline of Grants and OIG Activities



1. Grants' Objectives, Activities, and Status

a) *Malaria Round 1*

The GF's first grant to Mali was Malaria Round 1, which started on December 1, 2003.[2] The grant supported a program that aimed to accelerate the implementation of Mali's national strategic plan to fight malaria, with the goal of reducing malaria morbidity and mortality by at least 35 percent by the end of 2005.[3] The planned activities under the grant were:[4] (1) Strengthening the capacity of correct case management and early detection in health facilities; (2) Prevention of malaria through vector control, chimio prophylaxis in pregnant women, and environmental control; (3) The establishment of integrated epidemiological surveillance/management of epidemics, follow-up, supervision, and evaluation of control activities; (4) Promotion of research and development aimed at improving the provision of services to roll back malaria; (5) Strengthening of the structural and managerial capacities of the National Malaria Control Program; (6) Strengthening and developing a lasting partnership with communities, and multi-sectoral collaboration; and (7) Increasing the use of insecticide treated nets at the community level targeting pregnant women and children under five through a social marketing approach.

Although the grant was initially intended to be spent in three years, its implementation was extended to April 2007. USD 2,592,316 had been spent on the grant by that date.[5]

[2] Mal-102-G01-M-00
[3] Mali Malaria Round 1 Grant Performance Report, p. 6
[4] Mali Malaria Round 1 Grant Agreement, Annex A
[5] See Global Fund Grant Portfolio available at http://portfolio .theglobalfund.org/Grant/Index/MAL-102-M-00?lang=en.

b) Malaria Round 6

The Malaria Round 6 grant, which started on November 1, 2007, aimed to contribute to the reduction of morbidity and mortality linked to malaria in Mali.[6] Planned activities were: (1) Procuring and distributing Artemisinin Combination Therapy (ACT); (2) Procuring and distributing Suplphadoxine-pyrimethanmine (SP) for Intermittent Preventive Treatment (IPT) to pregnant women; (3) Ensuring follow-up of ACT's pharmaco-vigilance through regular visits to sentinel sites and surveillance of resistance of malaria parasites to antimalarials (4) Organizing a cascading series of training sessions for service providers on diagnosis and treatment of malaria cases, on IPT/SP, and on nets re-treatment; (5) Strengthening capacity of the PNLP through recruiting additional staff; (6) Working with Malaria Research and Training Center, in international reference institute for research on malaria to carry out operational research activities that accompany implementation of malaria control strategies; (7) Strengthening the early warning system on malaria surveillance; (8) Carrying out communications activities in the framework of the new malaria control policy, including (i) advocacy addressing political leaders and partners, (ii) social mobilization targeting participants, and (iii) communication for behavior change in synergy with civil society.

The GF disbursed USD 2,555,989, or 77 percent of the committed funds under Phase I, as of December 16, 2008, the last date on which a disbursement was made. Activities continued to April 30, 2010, but between 2008 and 2010 the program made no additional requests for disbursements as the previous disbursements had not been spent.

As a result of the initial findings of fraud related to this grant, MoH reimbursed USD 41,540 to the GF on March 4, 2010, the last date of implementation under the grant. Currently there is no activity under the grant, Phase 2 of the grant has been approved but the agreement is not yet signed.[7]

c) Tuberculosis Round 4

The Tuberculosis Round 4 grant,[8] which started on August 1, 2005, aimed to strengthen case management of TB according to the DOTS Strategy, which combines appropriate diagnosis and registration of each person detected with TB, standardized multi-drug treatment, an individual patient outcome evaluation to ensure the patient is cured, and evaluation and monitoring of the program's performance. Planned activities under this grant were:[9] (1) Training of health workers from all sectors as well as community focal points, including training of trainers; (2) Support the supervision of staff involved in detection and treatment of TB cases; (3) Provision of microscopy equipment to public and private centers; (4) Provision

[6] MAL-607-G04-M
[7] The GF's Secretariat staff has informed OIG that the Secretariat plans to transfer the Principle Recipient (PR)
responsibility for this grant to PSI, an international non-governmental organization.
[8] MAL-405-G03-T
[9] Mali TB Round 4 Grant Agreement, Annex A, p.2

of logistics to ensure availability of drugs and microscopy quality control; (5) Implementation of awareness and social mobilization campaigns; (6) Establishment of partnerships and promotion of networks to support TB patients and their families; (7) Training of TB counselors in HIV voluntary counseling and staff from HIV testing centers in identification of TB co-infections (cross training); (8) Monitoring and evaluation; (9) Support to community focal points; and (10)Training program management.

By June 24 2010, the GF disbursed USD 5,073,300, or 75 percent of the planned grant amount, and on June 30, 2010 all implementation under the grant ended. As a result of the initial findings of fraud related to this grant, MoH reimbursed GF USD 189,042 on March 4, 2010.

d) Tuberculosis Round 7

Finally, Mali Tuberculosis Round 7 grant, which started on October 1, 2008, aimed to contribute to Mali's Strategic Plan to Stop TB by detecting at least 70 percent of anticipated new cases of the disease and to cure at least 85 percent of patients detected.[10] Planned activities under this grant were:[11] (1) Screening through a bacteriological examination of recognized quality; (2) Standardized and supervised treatment, accompanied by support for the patient; (3) Monitoring and evaluation and impact measurement; (4) Program administration and surveillance; (5) Contribution to strengthening the healthcare system; (6) Implementation of the new "Practical Approach to Respiratory Health (PARH),' initiative; (7) Strengthening the fight against tuberculosis in vulnerable groups; (8) Strengthening the laboratory network; (9) Strengthening public, public private approaches; (10) Promotion of the International Standard of TB Care ISTC; (11) Strengthening Advocacy/Communication/Social mobilization; (12) Strengthening community DOTS; and (13) Promotion and strengthening of operation research based on the program.

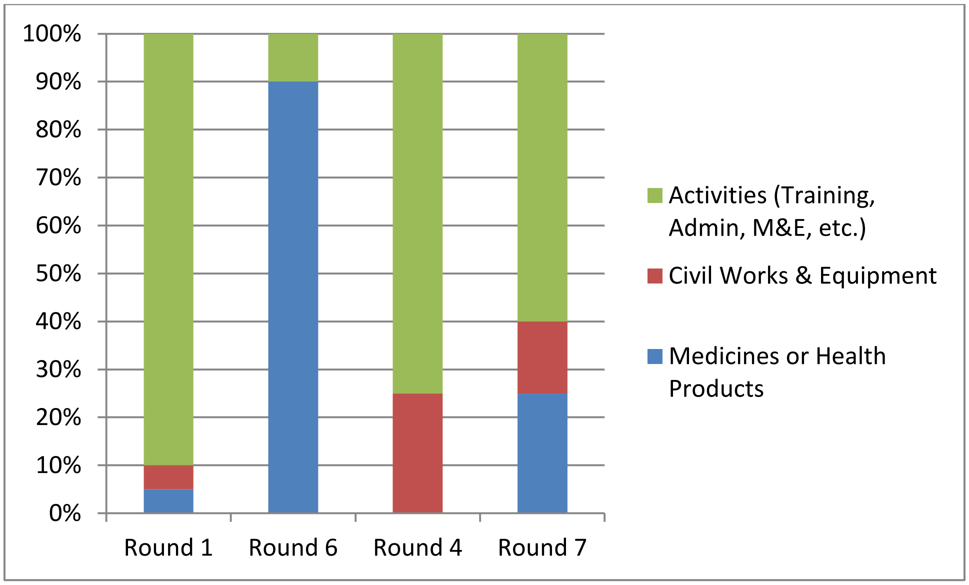
By August 20, 2009, GF disbursed €1,837,476, (USD 2,880,417) or 63 percent of the grant amount committed under Phase I. Funds have not been disbursed under this grant since that date, and there is no ongoing implementation activity since July 31, 2010 with the exception of "essential services" that entail multi-drug-resistance. Phase II of the grant has not yet gone through the Phase II Panel review and the Board approval.

2. Planned Grant Expenditures

The grants' planned activities translated into expenditures on: (i) medicines and medical equipment and other health products, (ii) civil works such as laboratories and equipment such as computers and vehicles, and (iii) activities, such as trainings of doctors, laboratory technicians, traditional healers; communication campaigns; technical assistance; monitoring and evaluation; human resources, and planning and administration. The chart below shows the breakdown per grant along these categories.

[10] MAL-707-G06-T
[11] TB Round 7 Grant Agreement, Annex A, p.3

Nature of expenditures under the Malaria and TB programs



Malaria Round 6 featured as the only grant for which a majority of the funds were committed to medicines or health products. The remaining grants committed a majority of funds to activities. Under Malaria Round 1, the budget dedicated 4.1 percent of the total budget to the procurement of pharmaceuticals and 5.2 percent of the total budget to the category health products, commodities and equipment. In TB Round 4, the grant committed no funds to health products or medicines. Instead, 25 percent was committed to infrastructure (construction of a laboratory) and other equipment (like the purchase and use of vehicles and computers), and the remaining 75 percent was committed to planning and administration, monitoring and evaluation, technical assistance, human resources, communication materials, and training. Under TB Round 7, health products and equipment, as well as medicines and pharmaceutical products accounted for 25 percent of the planned budget, infrastructure and other equipment for 14 percent, and the remaining 60 percent was committed to living support to the target population, training, communication materials, planning and administration, monitoring and evaluation, human resources, overheads, etc.

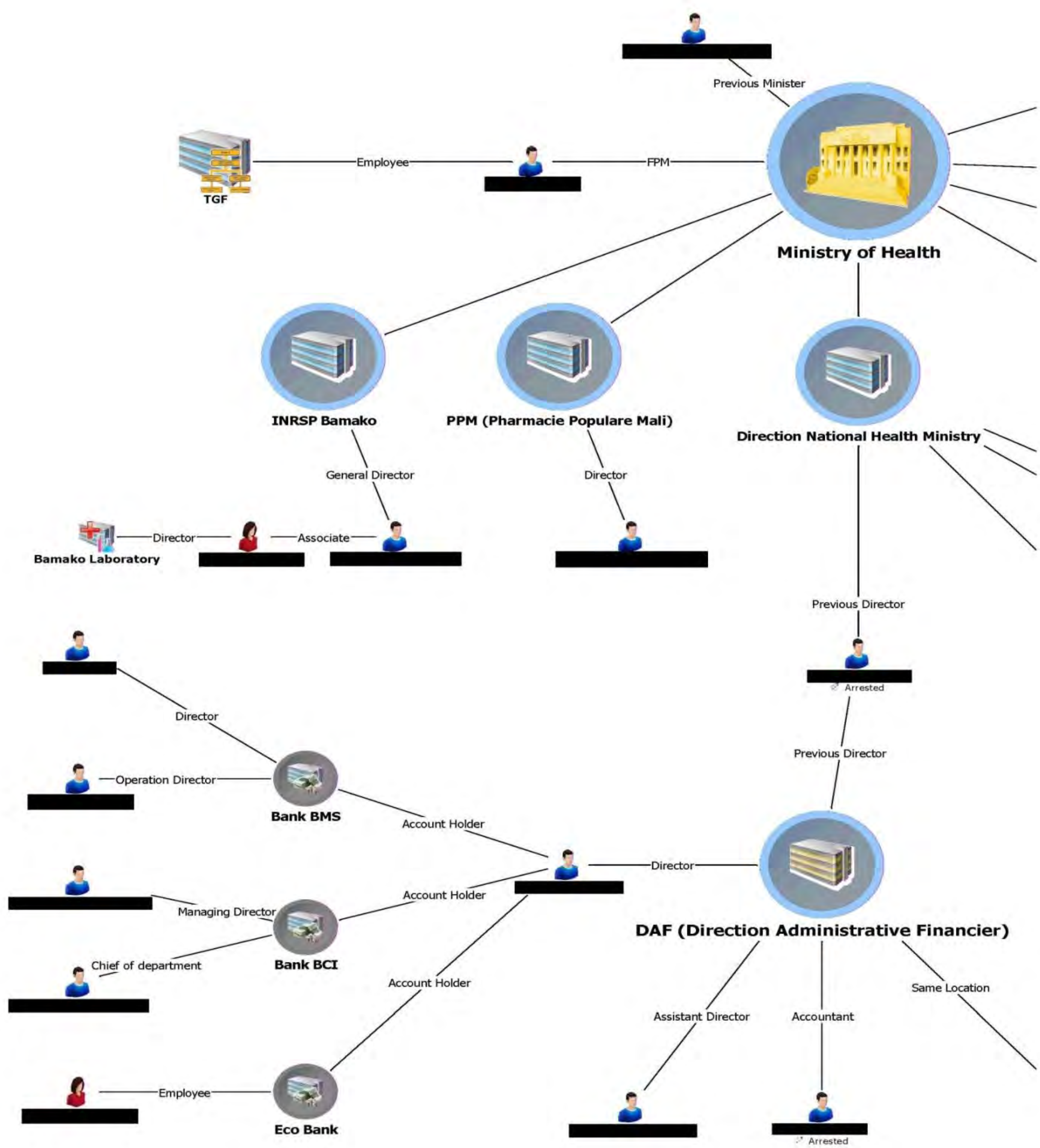
3. The Grant Implementers

The vast majority of the four grants were paid to the MoH.[12] Within the MoH, PNLP and PNLT were the grants' Principle Recipients (PRs), and they were tasked with managing program implementation. The DAF took responsibility for grant financial management and accountability. GF also engaged KPMG, and later the Swiss Tropical and Public Health Institute (Swiss TPH) as its Local Fund Agents (LFA) to oversee, verify and report on grant

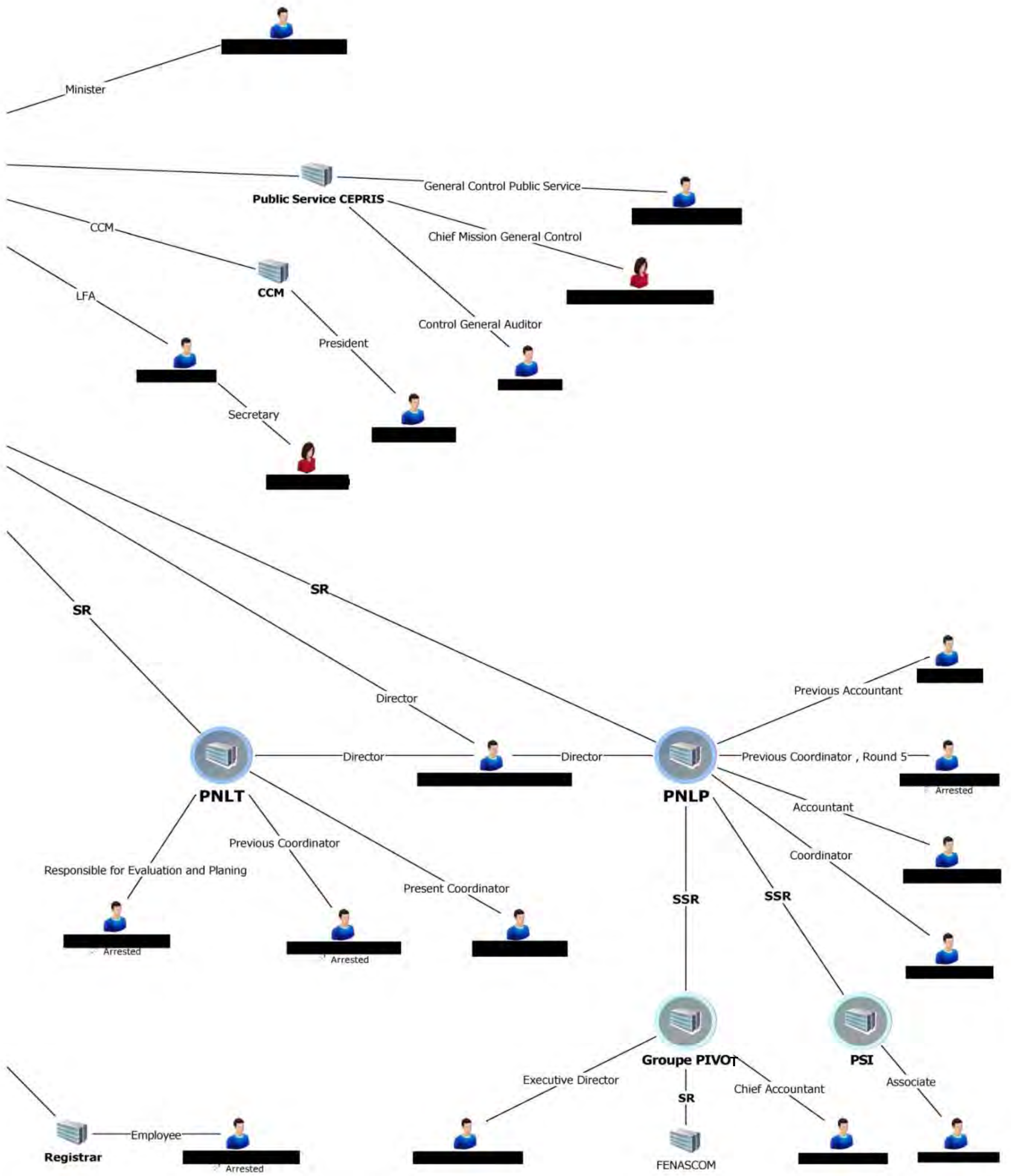
[12] Note that under Malaria Round 1, USD 900,000 was paid directly to PSI, an international non-profit organization based in Washington D.C., USA.

performance in country. The chart below provides an overview of the relevant entities and key persons within each:

Map of Relevant Entities and Individuals



T


[redacted]
Minister
Public Service CEPRIS
General Control Public Service
[redacted]
Chief Mission General Control
[redacted]
CCM
CCM
LFA
President
Control General Auditor
[redacted]
[redacted]
Secretary
[redacted]
[redacted]
SR
SR
Director
Previous Accountant
[redacted]
PNLT
Director
[redacted]
Director
PNLP
Previous Coordinator , Round 5
[redacted]
Arrested
Accountant
[redacted]
Coordinator
[redacted]
Responsible for Evaluation and Planing
Previous Coordinator
Present Coordinator
[redacted]
Arrested
[redacted]
Arrested
[redacted]
SSR
SSR
Groupe PIVOT
PSI
Executive Director
SR
Chief Accountant
Associate
Registrar
Employee
[redacted]
Arrested
[redacted]
FENASCOM
[redacted]
[redacted]

4. Mechanics of Grant Implementation

Unlike in most GF grants, the accounting and fiduciary functions of the grant management process were not performed within the structure of the implementing entity (*i.e.*, PNLT and PNLP) but were instead assigned to an outside entity, the accounting/financial arm of the MoH known as the DAF. The following summarizes the planned steps that were ostensibly followed to obtain funding a particular program activity:

1. PNLT and PNLP "program" heads were to prepare detailed budgets for the purchase of goods or services or for expenses associated with a particular training or supervision activity. The budget was submitted to the MoH and the DAF.
2. DAF and MoH officials approved the budget.
3. Upon approval, checks, dual-signed by DAF and MoH officials, were to be written out to third party vendors (for the purchase of goods and services) or to the DAF registrar, Individual F for the funding of training events.[13]
4. The DAF registrar, Individual F, was to withdraw the funds from the bank in the form of cash and remit those funds to program staff, who—in turn—was to sign a receipt, or "discharge" acknowledging receipt of the funds.
5. The programs were to spend the funds as per the approved budget plan and provide all receipts and other supporting documentation that would justify the withdrawal of the grant funds. For most withdrawals reviewed by OIG, the associated supporting documentation reflected expenditures on activities such as training events—held either in the capital, Bamako, or in the regions, or supervision missions by program in the regions.

   Supporting documentation provided to justify expenditures on activities typically consisted of:

   - A "mission order" from the MoH giving permission for program staff to travel as part of their work
   - Fuel receipts for travel by vehicle, (*i.e.*, for activities in the regions)
   - Hotel invoices recording overnight stays of staff, (*i.e.*, for activities in the regions)
   - Receipts for room rental for the event
   - Receipts of food and beverages purchases for event participants
   - Receipts for office supplies used to facilitate staff needs or participants' learning

[13] Direct payments were made for purchases of medical or other equipment. OIG also found evidence of wire transfers to DRS's for activities performed in regions. Further, according to internal DAF documentation reviewed by OIG, original internal processes set up at DAF dictated that the program accountant, Individual A, was not to receive cash other than his own salary payments.

- Media receipts recording advertisements and/or reporting on the event, and
- *Per diem* payments to staff, chauffeurs, and activity participants to cover their costs of time spent traveling and attending the event.

6. Program staff was to collect all supporting documentation evidencing appropriate expenditures was to be collected and submit it to the DAF accountant, Individual A, for input into the accounting system.

This process, while risky in that it stipulated the excessive handling of cash, was consistent with proper fiduciary internal control principles, which dictate that an organization's treasury and accounting functions should be segregated and that all withdrawals should be ultimately justified with supporting documentation. Segregation of treasury, expenditure documentation, and accounting duties helps prevent a conflict of interest by ensuring that individuals withdrawing funds are not also responsible for spending it and accounting for it.

B. OIG INVESTIGATIVE UNIT

The Office of Inspector General (OIG) Investigative Unit is responsible for conducting investigations of fraud, abuse, misappropriation, corruption and mismanagement (collectively, "fraud and abuse") that may occur within the Global Fund and by Principal Recipients (PRs), Sub-Recipients, (collectively, "grant implementers") Country Coordinating Mechanisms (CCMs), Local Fund Agents (LFAs), as well as third party vendors.[14]

OIG is an administrative body with no law enforcement rights. OIG does not have subpoena power, and cannot charge anyone with a crime. As a result, its ability to obtain information is limited to the rights the GF reserves vis-à-vis the entities under investigation and on the willingness of witnesses and other interested people to voluntarily provide the investigation with information. The OIG can, however, coordinate its efforts with law enforcement to obtain evidence and evidence collected by the OIG can be used by law enforcement to enforce violations of domestic law.

Despite OIG's administrative character, OIG establishes findings of fact upon uncovering "credible and substantive evidence" of that fact. This is a standard that is akin to the normally employed "more likely than not" (greater than 50 percent likelihood) administrative standard used by the community of International Financial Institutions (IFIs).[15]

OIG investigations aim to: (i) uncover the specific nature and extent of fraud and abuse of GF funds, (ii) identify the staff or private entities implicated in the schemes, and (iii) determine the amount of funds misappropriated. Upon concluding on its findings, OIG makes recommendations to the GF for recovery of losses, charges of misconduct of GF staff, and

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

[15] This standard is adopted by all International Financial Institutions (IFIs) for purposes of sanctioning vendors found to have engaged in fraud, corruption, collusion, and coercion in IFI-financed contracts.

sanctions of vendors, as appropriate. It also provides the GF Board with an analysis of lessons learned for the purpose of preventing future harm to grants due to fraud and abuse. Finally, OIG makes referrals to national authorities for prosecution of any crimes or other violations of national laws, and supports such authorities as necessary throughout the process.

C. MoH and the OIG Audit

This case arises out of audit activities conducted by the OIG Audit Team. The OIG began an audit of Malaria Rounds 1 and 6 and TB Rounds 4 and 7 grants in October 2009. Prior to the audit, the Malian MoH told OIG that it had discovered approximately USD 270,000 of misappropriation by the DAF accountant Individual A, over a period of two years, from August 2007 through September 2009.[16] OIG subsequently noted through its review of the AE2C audit report, issued in July 2009, that the auditor had identified a probably fraudulent Individual A check (indeed it did turn out to be fraudulent) and included a reference to this in its final report. MoH's internal review appears to have been initiated as a result of this external audit finding.

The OIG Audit Unit transferred the case to the OIG investigative team in February 2010 to focus on the specific nature and extent of the alleged fraud and other irregularities, the amount of funds misappropriated, and the possible implication of other staff or private entities. The DAF continued to conduct its internal investigation which culminated, in March 2010, in its reimbursement of USD 304,000 to the GF.

D. Mali Law Enforcement Actions Before and During Investigation

In response to the findings of fraud and misappropriation in GF grants, in the summer of 2010 Mali's president appointed an investigative judge to conduct further investigation of persons criminally implicated in misappropriating GF funds. OIG has provided interim findings and evidence to the judge on an ongoing basis. This evidence, along with the judge's own inquiries, has led to the detention and/or arrest of the following individuals. All individuals, except for the MoH Secretary General, Individual E who has since been released, are being detained pending prosecution and trial at the time of this Report's publication.

- Individual A DAF Accountant –Individual A has admitted to the allegations against him, claimed that he acted alone and that he was the only one who benefited from the embezzled funds.
- Individual B, PNLT Coordinator – Individual B is being held pending prosecution for theft of program funds.

[16] AE2C audit report dated September 19, 2009, p. 5

- Individual C, PNLT Director – Individual C is being held pending prosecution for theft of program funds.
- Individual D, PNLP Director – Individual D was charged for taking money from Individual A.
- Individual E, MoH Secretary-General – Individual E was arrested and detained because he signed a power of attorney authorizing the accountant to sign checks and withdraw money from different banks.
- Individual F, MoH Registrar – Individual F is in detention for writing checks to his own advantage; he denied any involvement and gave no explanations.
- Individual G, DAF Director – Individual G is being detained for misuse of public funds in connection with the purchase of medical equipment from Akama SA.
- Individual H, PNLT employee – Individual H is being held based on his confession of complicity in fraud at PNLT.
- Individual I, Owner of Akama SA – Individual I is being detained for his part in the alleged rigged procurement to supply medical equipment.
- Individual J, Business Owner – Individual J is being detained as a result of his part in a scheme to defraud the program related to the purchase of motorcycles.
- Individual K, Business Owner – Individual K is being detained as a result of his part in a scheme to defraud the program related to the purchase of motorcycles.
- Two bank employees (the Head of Operations and his assistant) at the *Banque pour le Commerce et l'Industrie* (BCI) and two others at *Banque Malienne de Solidarité* (BMS) were charged for malpractice.

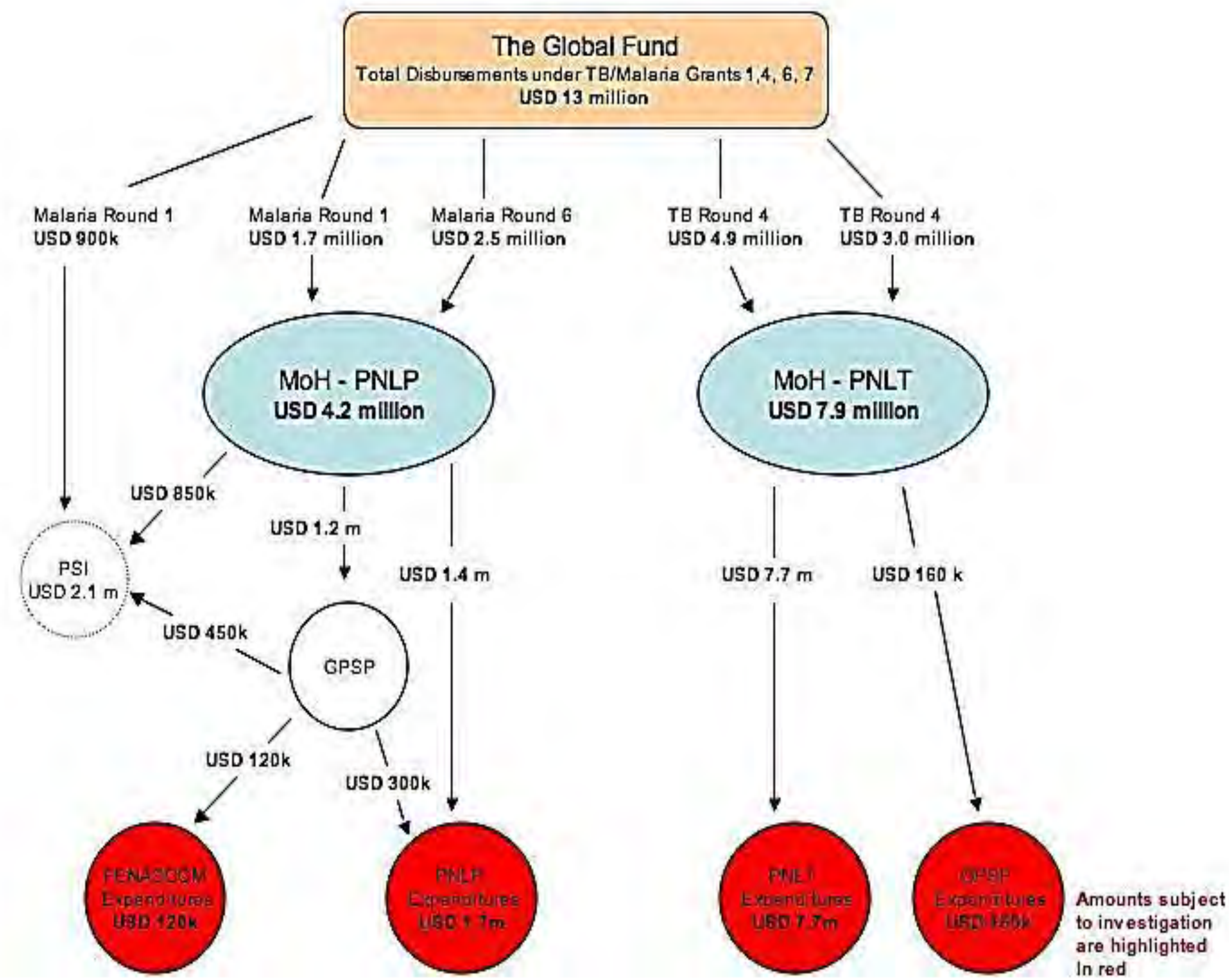
III. METHODOLOGY

A. SCOPE OF INVESTIGATION

OIG reviewed close to 75 percent of the expenditures under all four grants. As depicted in the chart below, of the USD 13 million that GF disbursed across the four grants, OIG's investigation focused on USD 9.7 million expended by the two main implementing agencies, PNLT and PNLP, and their sub-recipients. Expenditures incurred by PSI, which accounted for most medicines under the grants, were not reviewed as part of this investigation.

Given the distribution of funds and OIG's focus on PNLT and PNLP, the investigation reviewed USD 7.9 million of PNLT expenditures and USD 1.8 million of PNLP expenditures. PNLT therefore accounted for 84 percent of the expenditures OIG reviewed.

Scope of OIG Investigation



B. INVESTIGATIVE PROCESS

The OIG's investigation consisted of obtaining, organizing, and analyzing over 50,000 pages of program documentation, as well as interviewing close to 1000 individuals, among them businesses, grant implementation staff, staff of the Principal Recipients, LFA staff, external fiduciary agent (SEC Diarra) staff, CCM members, and the GF's Secretariat staff.

1. Obtaining and Organizing Documentation

Document collection began during the OIG Audit of the grants, in the fall of 2009. The Audit team (i) reviewed the accounting system used by the DAF to record program transactions and (ii) sampled expenditures to review underlying expenditure documentation. At that time, the OIG Audit Unit found that over 80 percent of USD 8.7 million of cash withdrawals made from the program bank accounts were not properly accounted for within the programs' accounting system, TOMPRO.[17]

On the heels of this finding, the DAF, with the help of the newly engaged external fiduciary agent, SEC Diarra, undertook an effort to reconstitute the program books and account for expenditure transactions based on available underlying documentation. This process ended in the spring of 2010, at which time the information was made available to the OIG Investigative Unit for further review.[18]

Despite the effort undertaken to complete the accounting books and records, the contents of the TOMPRO accounting system were insufficient for OIG's use in its investigation. The data captured in the accounting system was deficient in two principle ways: (i) it did not provide a clear link between a bank withdrawal on the one hand, and evidence of how the money was spent ("expenditures") on the other, and (ii) it did not identify the person or business ("vendors") who ultimately received program funds. [19]

As a result of these deficiencies, OIG expended significant time and resources to recreate an electronic record of program disbursements and expenditures that (i) completely accounted for banking transactions, (ii) properly captured and standardized vendor names for all expenditures, and (iii) appropriately linked expenditures and bank withdrawals. The OIG acquired, scanned, reviewed and data-captured over 50,000 pages of supporting expenditure documentation for the four grants under review. OIG also independently obtained bank

[17] BDO, November 2009 Report Section 5.2.1.1, p.13
[18] OIG notes that there still remained large volumes of still undocumented withdrawals as of this date as described throughout this report.
[19] In some instances, the check number was included in a comments field within Tompro but this process was not consistent. Further, the references would have to have been captured in a separate "check number" field within the accounting system to make them searchable in any reliable and consistent way.

statements for the five bank accounts and captured all transactional activity to its database for forensic analysis.[20]

2. Document Analysis

Since the initial fraud identified by the MoH related to check forgeries perpetrated by DAF accountant Individual A, OIG conducted a forensic accounting review of the activity in all bank accounts used throughout the life of the four grants. In addition to the acquisition of original bank statements, OIG also obtained canceled checks directly from the banks in order to verify the identity of check payees and, in some cases, to ascertain the legitimacy of the authorizations and endorsements.[21] OIG sought to identify instances in which check withdrawals were made by unauthorized parties (such as the program accountant), or whether checks written out to one person or entity were cashed by another.

The forensic accounting approach also sought to reconcile activity in the bank accounts to underlying supporting expenditure documentation submitted by the programs and maintained by the DAF. OIG reviewed the supporting expenditure documentation for irregularities or "red flags" of fraud, corruption, and collusion and for other procedural violations (*e.g.*, sole sourcing when a competitive bidding process was required).

OIG also reviewed grant documentation issued by organizations with an oversight function. In this context, OIG reviewed audit reports, LFA reports, CCM reports, and reports issued by the GF itself. Further, OIG interviewed the LFA and FPMs who oversaw the grants.

Finally, OIG forensically processed grant implementers' computers to search for any electronic files relevant to the investigation.

3. Interviews

Upon identifying suspicious documentation, OIG investigators followed up with interviews of program employees and vendors. OIG contacted vendors by phone or email and, where possible (*i.e.*, in Bamako) visited their premises. If physical contact with a vendor was made, the vendor was asked to confirm the validity of the invoices that bore the company's name, which the OIG presented to him. OIG investigators interviewed hundreds of business owners and vendors, as well as 33 officials.[22]

Several witnesses expressed concerns about being identified by name in this report, indicating that they fear retribution and retaliation if the information they provided was publicly

[20] Note that the original Round 1 Malaria bank account was replaced by another account at a different institution.
[21] OIG requested copies of all canceled checks greater than 1 million West African Francs (CFA) however none of the banks were able to provide a full record to OIG, citing the passage of time and archiving problems.
[22] In addition, OIG called close to 250 vendors who did not answer the phone.

attributed to them. OIG therefore refers to these individuals as "confidential witnesses," or more generically, and promised the confidential witnesses anonymity. Their information is included only when it has been corroborated by other witnesses or documents and thereby found to be credible.

4. Limitations of the Investigation

OIG's investigation was limited by a number of internal and external factors. Internal factors of time and resources led the team to make the following decisions:

- The investigation focused on the TB grants because, as of December 31, 2009—the date up to which OIG collected all grant information—TB accounted for 84 percent of the direct expenditures among the two programs and the scale of fraud in the TB program already uncovered at that time (that had been confirmed by DAF, along with additional withdrawal anomalies identified by a forensic review during the OIG audit) exceeded the fraud uncovered in the Malaria program by a factor of 10: CFA 506 million, as compared to CFA 46 million.
- OIG focused its analysis on DAF, PNLP and PNLT, and did not review the expenditures performed by PSI, which primarily accounted for most purchases of medicines under the grants.
- The investigation focused on expenditures incurred in Bamako.
- The forensic accounting component of the investigation was in part dependent on work undertaken by the DAF between November 2009 and March 2010. During this time, DAF employees reconstituted the accounting books and provided supporting documentation to the OIG team for bank withdrawals. In certain cases, OIG was able to independently confirm the withdrawal/documentation link but in others it was forced to rely on representations made by the DAF.

Furthermore, the initiation by Mali of a domestic criminal investigation into persons managing GF grants forced OIG to abridge its investigative follow-up on key officials and certain key vendors so as not to disrupt the integrity of the domestic criminal investigation. Mali's incarceration of key officials also made them unavailable to the OIG for interview; officials taking their place have reported to OIG that they were not aware of the activities that had gone on in the past.

C. Relevant Concepts of Fraud and Abuse

The Global Fund Code of Conduct for Suppliers provides the following definitions of relevant concepts of misconduct:[23]

[23] http://www.theglobalfund.org/documents/business/CodeOfConduct.pdf

"fraudulent practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a person or entity to obtain a financial or other benefit or to avoid an obligation;

"collusive practice" means an arrangement between two or more persons or entities designed to achieve an improper purpose, including influencing improperly the actions of another person or entity; and

"anti-competitive practice" means any agreement, decision or practice which has as its object or effect the restriction or distortion of competition in any market.

The International Financial Institution Anti-Corruption Task Force provides similar definitions.[24] Other relevant concepts of criminal law are:

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

"conspiracy" which means an agreement to do an unlawful act. It is a mutual understanding, either spoken or unspoken, between two or more people to cooperate with each other to accomplish an unlawful act.

D. DUE PROCESS

OIG has provided the Global Fund Secretariat, the LFA, and the CCM, an opportunity to review and comment its findings prior to the report's publication. The OIG invited each of these entities to supply a written response that would be appended to the report as an annex. The LFA has provided a response, appended hereto as an Annex. The CCM was provided with a

24 http://www.adb.org/Documents/Reports/IFI-TaskForce-on-Anticorruption/IFI-TaskForce-on-Anticorruption.pdf, signed by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, International Monetary Fund, Inter-American Development Bank, and World Bank. The definitions are:

- A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- A coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- A collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

copy of the report on 21 March 2011 and given more than 4 weeks to provide a response. Despite several reminders, including six emails, the CCM has not responded.

On 13 May 2011, at the Global Fund meeting of the Board, the Board passed a Decision Point authorizing the publication of this redacted Report on the website. On Tuesday, 17 May 2011, just prior to the posting of the report, the CCM contacted the OIG and requested an additional week to propose a response. The OIG held the posting of the report at the CCM's request, and waited another two weeks. However, no further response from the CCM was received, after an additional reminder.

Nevertheless, the OIG considered all comments submitted prior to the finalization of the report. All evidence uncovered in this investigation has been shared on a rolling basis with the Malian Investigative Judge appointed directly by Mali's president to investigate the matter.

E. Exchange Rate

This report describes amounts in United States Dollars (USD), with the West African Francs (CFA) footnoted where appropriate, for ease of reading. For the purposes of this report, the exchange rate from CFA to USD has been set as the average of the daily exchange rate from the period of 1 January 2005 to 31 December 2009, 0.002099936 USD to 1 CFA, or 476 CFA to 1USD. This value is an average of the published daily exchange rate for the years of 2005 to 2009, and was obtained by compiling a data set of the daily exchange rates for the period in question and calculating the average of those values. [25]

IV. Investigation Analysis

OIG's investigation found that, between May 2004 (soon after the beginning of the first grant) and April 2010, senior management and staff in the programs' financial management and implementing agencies (the DAF, PNLT, and PNLP)—with the active support or knowledge of the DRS's and third party vendors—engaged in misappropriation, fraud, mismanagement, and abuse of at least USD 5.2 million, or 53 percent of the USD 9.7 million of grant funds OIG investigated.[26] Fraud and misappropriation tainted USD 4.1 million (42 percent) of the funds investigated, and the schemes uncovered were: (i) misappropriation from program bank accounts through fraud and improper payments to the accountant and registrar, (ii) fabrication of false supporting expenditure documentation, and (iii) overcharging and

[25] Based on Historical Exchange Rates, "http://www.oanda.com/currency/historical-rates".

[26] OIG's investigation included a review of expenditures incurred up to 31 December 2009. SEC Diarra the recently hired external fiduciary agent has informed OIG that it found evidence of fraud—in particular over-charging for goods and services and over-representation of time spent on supervision missions— in documentation submitted by PNLP in the first quarter of 2010, after the OIG investigation began.

misappropriation of program assets. In addition, USD 1.1 million (11 percent) of the funds investigated were also lost in violation of Grant Agreement provisions because withdrawals altogether lacked supporting documentation and procurement practices were fraudulent. Finally, USD 120,000 (1 percent) of the funds investigated has not yet yielded the intended results, as it was spent on a TB laboratory that does not conform to safety standards and is therefore unusable. As a result, these funds were mismanaged.

A. Banking and Expenditure Fraud

1. DAF Engaged in Banking Fraud and Misappropriation of Funds

Through its detailed review of bank statements, canceled checks and discharge documents, the OIG identified the following evidence of fraud and misappropriation perpetrated by DAF staff:

DAF Banking Fraud and Misappropriation of Funds

The Scheme	CFA	USD
DAF accountant forged signatory names on blank "bearer" checks and cashed checks for his benefit.	145,602,785*	305,888.00*
DAF and MoH officials inappropriately made checks out directly to DAF accountant and documentation justifying the related expenditures was either fraudulent or missing.	167,842,258	352,609.00
DAF registrar cashed checks and inappropriately handed cash to DAF accountant; documentation justifying the related expenditures was either fraudulent or missing.	127,218,344	267,265.00
Documents evidencing cash given to DAF registrar inappropriately lacked a supporting discharge, included a discharge with no signature, or included a suspicious or prima facie forged signature; documentation justifying the related expenditures was either fraudulent or missing.	172,706,656	362,829.00

*CFA 144,272,467 was paid back to the GF.

OIG found evidence that the DAF accountant took steps to conceal some of these misappropriations by covering up bank statement entries with correction fluid. In December 2010, OIG provided a detailed list of al illicit banking transactions to the interim head of the DAF, for additional research and comment however none was received. The Interim head indicated that the DAF ceased its internal audit and investigation once the case was officially transferred to the Malian authorities around June 2010 and therefore that he had no additional information to provide OIG on these transactions.

a) DAF Accountant Forged Checks

In October 2009, the MoH brought to the attention of the OIG Audit team that an external auditor it had independently hired, AE2C, had discovered a number of program checks forged by DAF accountant Individual A. The MoH found that Individual A forged the signatures of authorized signatories to create "bearer" checks that lacked a payee name, thus making them payable to anyone who presented them for cashing. Indeed, Individual A subsequently confirmed this fraud scheme in a written confession obtained by Malian authorities. Overall, Individual A admitted to misappropriating 38 checks totaling CFA 140,272,467 in this way. As a result of these preliminary investigative findings, the MoH reimbursed the equivalent amount, USD 304,000, to the Global Fund on March 4, 2010.

Sample bearer check forged by DAF Accountant

In addition to the MOH's findings, OIG further identified instances in which the DAF accountant Individual A fraudulently endorsed checks to himself. In these cases, while checks were written out to third party individuals for what appear to be salary payments, they were subsequently endorsed by Individual A to himself. As is evident in the example below, the alleged endorser's handwriting and signature are identical despite the fact that the payees on each check are different. OIG identified 9 such cases, totaling USD 3,085.[27]

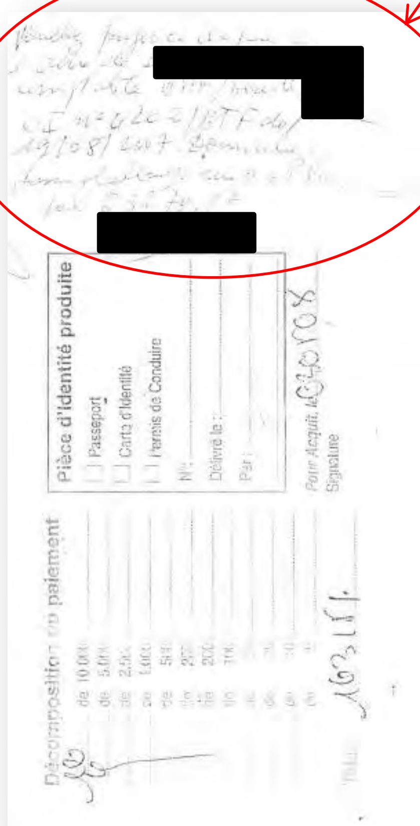
[27] CFA 1,468,359; None of these amounts have been reimbursed to GF to date.

Sample check #2625132 written out to Moussa Konyaté

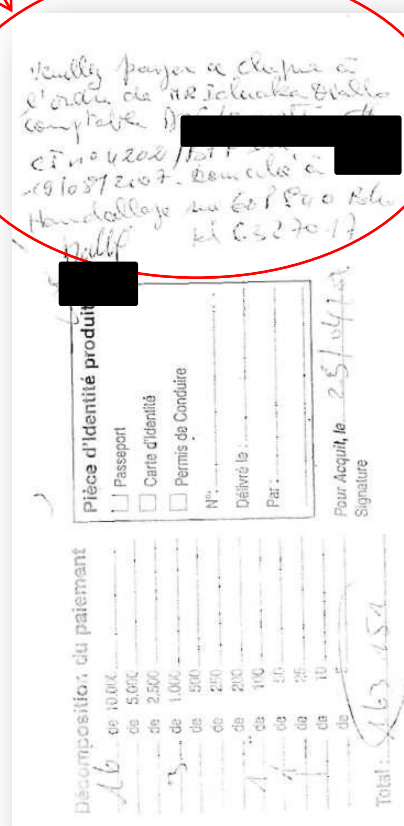
Sample check #2625128 written out to Modibo Diarra

Different endorsees, but endorser signatures are the same.

Purported endorsement by Moussa Konyaté



Purported endorsement by Modibo Diarra



b) DAF Staff Issued and Endorsed Checks to the DAF Accountant

MoH's internal investigation found that in late 2007, one of the signatories on the program bank account, the Secretary General of MoH, Individual E, gave full power of attorney to the DAF accountant to undertake banking transactions on the program bank accounts, as well as to obtain checkbooks, bank statements and canceled checks. The issuance of this power of attorney to the program accountant violated basic principles of segregation of duties and effectively negated any of the fiduciary controls that may have been in place. This fact led Mali authorities to detain and charge the Secretary General, Individual E, with dereliction of duty in late 2009. OIG understands that Individual E has since been released.

Although the DAF's internal control procedures should have ensured that no checks, other than his own monthly salary checks, be written out to the DAF accountant, OIG found 119 additional checks[28] written directly or endorsed (by authorized individuals[29]) to the DAF accountant. The total amount of these checks equals USD 352,609.[30] The DAF was unable to provide any supporting expenditure documentation for withdrawals that constituted over 67 percent of this amount. Further, OIG found that an additional 24 percent was supported by fraudulent expenditure amounts. In total, OIG found that over 91 percent of the checks written directly to or endorsed by Individual A, above and beyond those that he forged himself were supported by fraudulent documentation or were not supported at all. It can therefore be reasonably adduced that these funds were not used for legitimate program purposes.

c) DAF Registrar Remitted Checks to DAF Accountant

OIG also identified 38 instances totaling USD 267,265 in which checks were written to the DAF registrar Individual F (in accordance with established protocol) but where the signed discharge indicated that the cash was handed over to the DAF accountant.[31] As in instances in which checks were written directly to the DAF accountant, this cash should never have been remitted to the accountant and evidence of such a practice suggests a high likelihood that funds were misappropriated. Indeed, of these withdrawals, 50 percent or USD 133,794 was supported by documentation that OIG has confirmed as fraudulent.[32] The remaining 50 percent USD 133,471 was not supported by any documentation whatsoever.[33] It can therefore also be reasonably inferred that these funds were not used for legitimate program purposes.

[28] These checks are in addition to the forged checks described earlier.
[29] For example another DAF official.
[30] CFA 167,842,258
[31] CFA 127,218,344
[32] CFA 63,686,094
[33] CFA 63,532,250

d) DAF Registrar Cashed Checks but Provided Either no Discharges, no Signature on Discharges and Suspicious Signatures on Discharges

OIG also identified an additional 72 check withdrawals totaling USD 362,829 written out to DAF registrar Individual F which included anomalies such as missing discharge documents, and missing recipient signatures and suspicious signatures on the discharges that did exist. [34]

Anomaly on Decharge

Anomaly on decharge	CFA	USD	# of withdrawals
No Decharge	39,784,627	83,581	28
No Signature on Decharge	69,158,114	145,290	25
Suspicious Signature on Decharge	63,763,915	133,958	19
	172,706,656	362,829	72

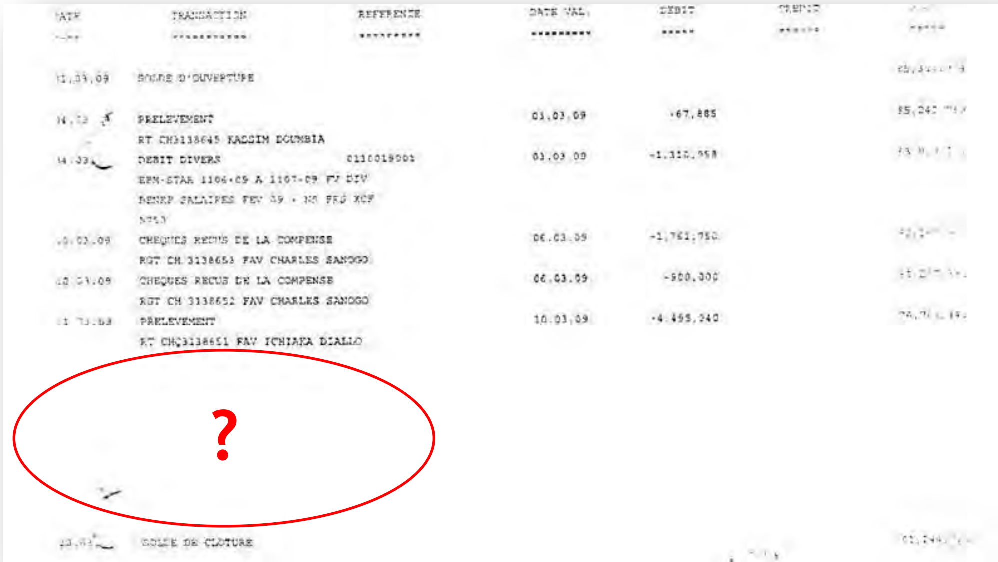
Of these 72 withdrawals, OIG found that 26 withdrawals totaling USD 217,285, or 60 percent were supported by documentation that OIG has confirmed as fraudulent.[35] Additionally, 32 of these anomalous withdrawals totaling USD 100,710, or 28 percent, were not supported by any expenditure documentation whatsoever.[36]

e) DAF Accountant Falsified Bank Statements

The LFA provided OIG with copies of the Malaria Rounds 4, 6 and 7 bank statements provided to it by the DAF during its routine reviews of the grants. That bank statements included obvious falsification: references to the DAF accountant's, Individual A's, name as the check payee, as well as entire transactions were manually deleted from the pages using what appears to be "correction fluid." In total, OIG identified 24 instances totaling USD 195,652 for which bank statements were falsified. Of this amount, only 14 checks totaling USD 121,002 were repaid to the GF as part of the USD 304,000 reimbursement in March 2009.[37]

[34] CFA 172,706,656
[35] CFA 47,937,761
[36] CFA 103,427,695
[37] CFA 93,130,686

Page from Malaria Round 4 Bank Statement with Entire Transactions Removed



DATE	TRANSACTION	REFERENCE	DATE VAL.	DEBIT	CREDIT	[illegible]
[illegible]	SOLDE D'OUVERTURE					[illegible]
[illegible]	PRELEVEMENT RT CH3138645 KASSIM DOUMBIA		03.03.09	-67,885		[illegible]
[illegible]	DEBIT DIVERS EPN-STAR 1106-09 A 1107-09 FV DIV REMB SALAIRES FEV 09 - NS FRS XCF [illegible]	0110019001	03.03.09	-1,31[illegible],958		[illegible]
[illegible].03.09	CHEQUES RECUS DE LA COMPENSE RGT CH 3138653 FAV CHARLES SANOGO		06.03.09	-1,761,750		[illegible]
[illegible].03.09	CHEQUES RECUS DE LA COMPENSE RGT CH 3138652 FAV CHARLES SANOGO		06.03.09	-900,000		[illegible]
[illegible]	PRELEVEMENT RT CH3138651 FAV ICHIAKA DIALLO		10.03.09	-4,495,240		[illegible]

?

[illegible]	SOLDE DE CLOTURE					[illegible]

2. DAF, PNLP, and PNLT Committed Expenditure Fraud

In the case of USD 2 million in withdrawals across all four grants, OIG found that supporting expenditure documentation, purportedly submitted for the purpose of proving that program funds were legitimately spent, in fact exhibited credible and substantive evidence of fraud. Of this, USD 500,000 overlapped with the cases of misappropriation of funds from bank accounts, discussed above. Officials within the PNLT, PNLP and DAF created fake supporting documentation by either doctoring documents, such as invoices of both real and non-existent businesses, on their computers, or by coordinating with businesses to create the perception of a competitive procurement process and authentic contracting for goods or services. Officials also doctored official MoH "mission orders," which provided permission to travel for trainings, supervision, or other activities. Finally, officials fabricated *per diem* sheets which purportedly recorded program staff and training participants' receipt of daily food and travel allowances by forging participant signatures. Program officials attempted to authenticate the fake documents through the use of fictitious stamps that should not have been in their possession.

a) Officials Created Fake Supporting Documents on Computers

OIG found false templates, fraudulent vendor invoices, fake receipts and other "vendor" documents on computers used by Individual C, the Monitoring, Evaluation and Planning Officer (Planning Officer) for the PNLT; Individual B, the PNLT Coordinator; and Individual A, the DAF accountant.

OIG identified close to 600 documents (images and word processing files) of templates of bids, invoices, and delivery receipts of 73 different independent vendors. The vast majority of these documents were found on the computers used by PNLT officials. The files included blank pages with vendor letterheads but no body, stamps or signatures; bidding documents missing stamps and signatures; invoices missing only stamps and signatures; and delivery receipt bodies missing vendor headers, stamps, or signatures. Program officials' computers also included 150 documents that resembled vendor invoices but included no information identifying a specific vendor (*i.e.,* no business header existed). Indeed, OIG was able to match these templates to actual documentation that was submitted as evidence that program funds being used for program activities.

These documents ought to have been issued by vendors to the program in exchange for payments for services and goods provided for the purpose of program implementation. Instead, program officials created the invoices on their own. Since these documents were fabricated by program staff, and not created by the actual vendor, it is highly unlikely that the goods and services listed in these invoices were ever actually provided.

OIG also found that the PNLT and DAF computers included over 200 documents resembling official MoH or regional DRS documents, including travel mission orders. Files identified by OIG included isolated scanned images MoH officials' signatures and stamps which were superimposed on the word processing files to give the appearance of a duly approved document. OIG was able to match these documents to expenditure documentation submitted by the program in support of alleged travel expenses. Again, given that these documents were fake, and there has been no other evidence that the travel approved by these documents ever occurred, there is a highly likelihood that it did not.

It should be noted that OIG found significant overlap between the computers used by both PNLT officials, Individual C, and Individual B. This fact allows for the reasonable inference that the two PNLT officials knew of the other's illegal practices and likely coordinated them.[38]

(i) Fake Vendor Bids, Invoices, and Delivery Receipts

The following is a list of vendor names that were found in the computer files DAF accountant Individual A, the PNLT Coordinator Individual B and the PNLT Planning Director, Individual C's computers.

[38] Upon reviewing the computers reportedly used by Individual C, OIG identified 107 suspicious documents bearing the names of 56 different vendors, as well as 12 documents resembling vendor invoices with no information identifying a specific vendor. Upon reviewing the computers reportedly used by Individual B, OIG identified 492 documents bearing the names of 43 different vendors, as well as 34 documents resembling vendor invoices with no information identifying a specific vendor.

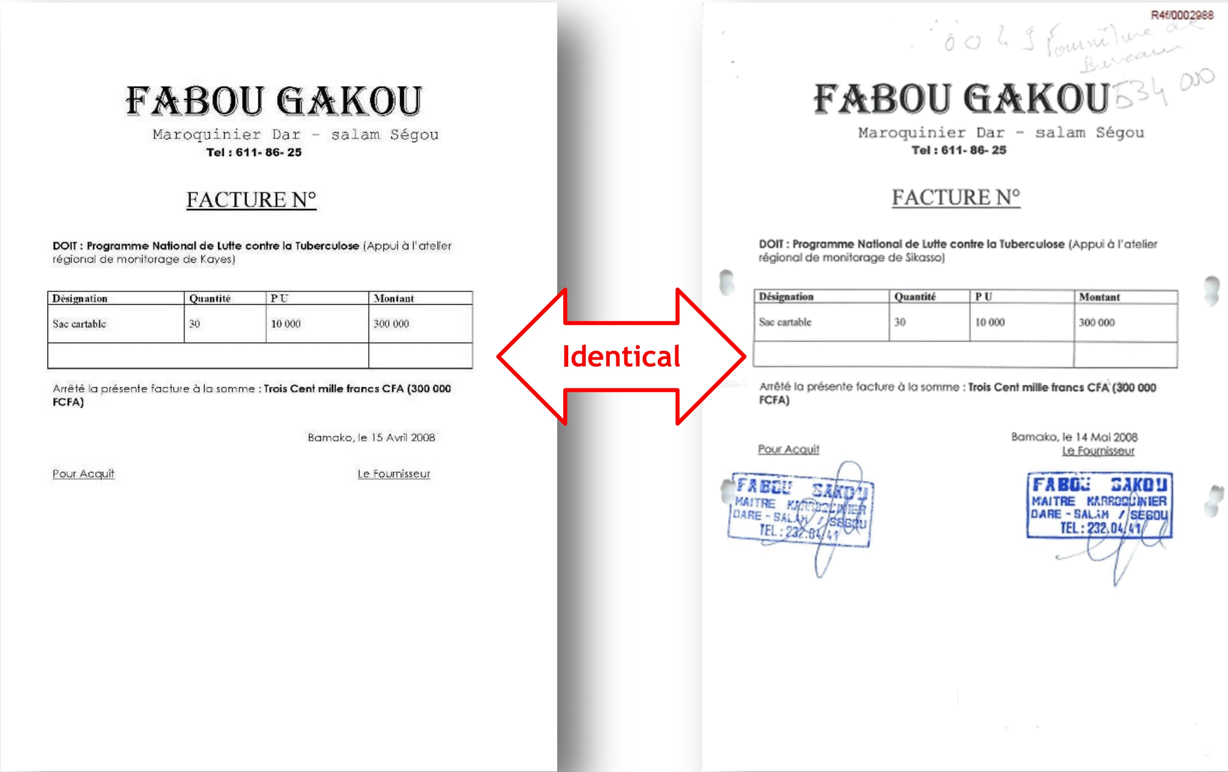
List of vendor names identified on computers reportedly used by Individual B and Individual C

17e CONFÉRENCE DE L'UNION RÉGION AFRIQUE OUAGADOUGU - BURKINA FASO	MME FALL FOUNÉMOUSSO DANSIRA
A.T.H.S. SARL	MME THERA FATOUMATA
ABDOU BAGAYAGO A.N. ALBATROS NEGOCE	OFFICE DE RADIODIFFUSION / TÉLÉVISION DU MALI ORTM
ABIBATA SANGARÉ	OUMAR DIALLO
AGENCE ECKELMANS / LOGEMENTS CAMPUS IRENA	OUSMANE DABO
ATAKARA AG ATLAGH	PAPETERIE ET DIVERS - CHEZ SOULEYMANE H. MAIGA
ATELIER DE COUTURE ABOUBACAR BACO- DJICORONI	RADIO FM SAHEL LIBERTE MARCHE KAYES
AWA TRAORE	RADIO KENEDOUGOU
B.C.H.Q BUREAU DE CONCEPTION ET D'EQUIPMENTS	RADIO RURALE PLATEAU KAYES
BERETE ISSIAKA	RADIO SIGUI FM LIBERTE MARCHE KAYES
BOUYA OIL	RADIO VOIX DES JEUNES
CREATION COUTURE	RAMATA SACKO
DÉPARTEMENT " EPIDÉMIOLOGIE, SCIENCES HUMAINES ET SANTÉ PUBLIQUE "	REGION DE SEGOU - DIOCESE DE SEGOU - CENTRE D'ACCEUIL ET D'HERBERGEMENT
DRAMANE COULIBAY TAILLEUR KALANBANCOURA	RELAIS AZALAI TOMBOUCTOU
EDITIONS - IMPRIMERIE DU MALI	RESEAU DES ETUDIANTES EN MEDECINE DE L'AFRIQUE DE L'OUEST (REMAO)
EGLISE CATHOLIQUE DU MALI DIOCESE DE SEGOU	RESTAURANT <<LA PAIX>> MME TRAORE HAOUA TAMBOURA
ESSE 3 SNC	RESTAURANT <<LA VIELLE MARMITE>> - CHEZ RAMATA SACKO
FABOU GAKOU	RESTAURANT <<LE BON PLAT>> - MME TRAORE HAOUA TAMBOURA
FONDAZIONE SALVATORE MAUGERI - WORLD HEALTH ORGANIZATION	RESTAURANT BIEN MANGER
GROUPE CO.M.ES	RESTAURANT DE LA FRATERNITE
HOTEL INDEPENDANCE	RESTAURANT FAIDA
HOTEL KAMANKOLE PALACE	RESTAURANT LA PAIX
HOTEL KAYES	ROYAL FM KATOUKAN
HÔTEL LES ALMADIES	SAHARA PASSION
HOTEL LES DATTIERS	SAHELIENNE DE VOYAGES SARL
HOTEL SPLENDIDE	SALIMATA COUTURE
INSTITUT CIBEMAG	SATALLITE
INSTITUT NATIONAL DE FORMATION EN SCIENCES DE LA SANTÉ (INFSS)	SEWA COUTURE
KONE AMENAGEMENT	SEYDOU DIALLO
LASSANA KANTE DIT JUMEAU - PEINTRE DÉCORATEUR	SIKA FM SIKASSO
LE GLOBE - DIALLO MORY OUSSOUBY	SOCIETE NOUVELLE D'ASSURANCE VIE
LE PROFESSIONNEL DE L'ELECTROMENAGER ET DE LA VIDEO	SPLENDID HOTEL
LIBRARIE PAPRTERIE DE LA CITE	STATION SOMAYAF
MALI - LOGISTIQUE SARL	TATA HOTEL SIKASSO
MALI ART DECOR	TOLERIE VEHICULE TOUT MARQUE BACO DIKORONI
MAMADOU KALOGA	WASSA BOUTIQUE - ARTICLES DIVERS
MME DIABATE KADIATOU SANGARE	

Illustrative examples that demonstrate how officials fabricated vendor documents for the purposes of justifying program withdrawals follow:

- **Fabou Gakou:** PNLT officials Individual Band Individual C fabricated a large number of documents, including bids, invoices, and delivery vouchers that bore the name of the vendor “Fabou Gakou.” The documents suggested that Fabou Gakou sold backpacks. OIG found 50 Fabou Gakou documents all created entirely on a word processing program: the headers did not include unique images that would have required scanning or artistic software.[39] OIG found identical matches to these documents in submissions justifying program expenditures:

Vendor invoice found on PNLT computers[40] **Identical invoice submitted[41]**



FABOU GAKOU
Maroquinier Dar - salam Ségou
Tel : 611- 86- 25

FACTURE N°

DOIT : Programme National de Lutte contre la Tuberculose (Appui à l'atelier régional de monitorage de Kayes)

Désignation	Quantité	P U	Montant
Sac cartable	30	10 000	300 000

Arrêté la présente facture à la somme : Trois Cent mille francs CFA (300 000 FCFA)

Bamako, le 15 Avril 2008

Pour Acquit Le Fournisseur

R4f0002988

FABOU GAKOU
Maroquinier Dar - salam Ségou
Tel : 611- 86- 25

FACTURE N°

DOIT : Programme National de Lutte contre la Tuberculose (Appui à l'atelier régional de monitorage de Sikasso)

Désignation	Quantité	P U	Montant
Sac cartable	30	10 000	300 000

Arrêté la présente facture à la somme : Trois Cent mille francs CFA (300 000 FCFA)

Bamako, le 14 Mai 2008

Pour Acquit Le Fournisseur

FABOU GAKOU MAITRE MAROQUINIER DARE - SALAM / SEGOU TEL : 232.04.41

Individual Band Individual C also fabricated purported bids of competing vendors, and OIG found that these also were submitted to create the appearance that Fabou Gakou contracts were obtained through a competitive procurement process.[42] The bids bore the names of vendors Mamadou Kaloga and Ousmane Dabo.[43]

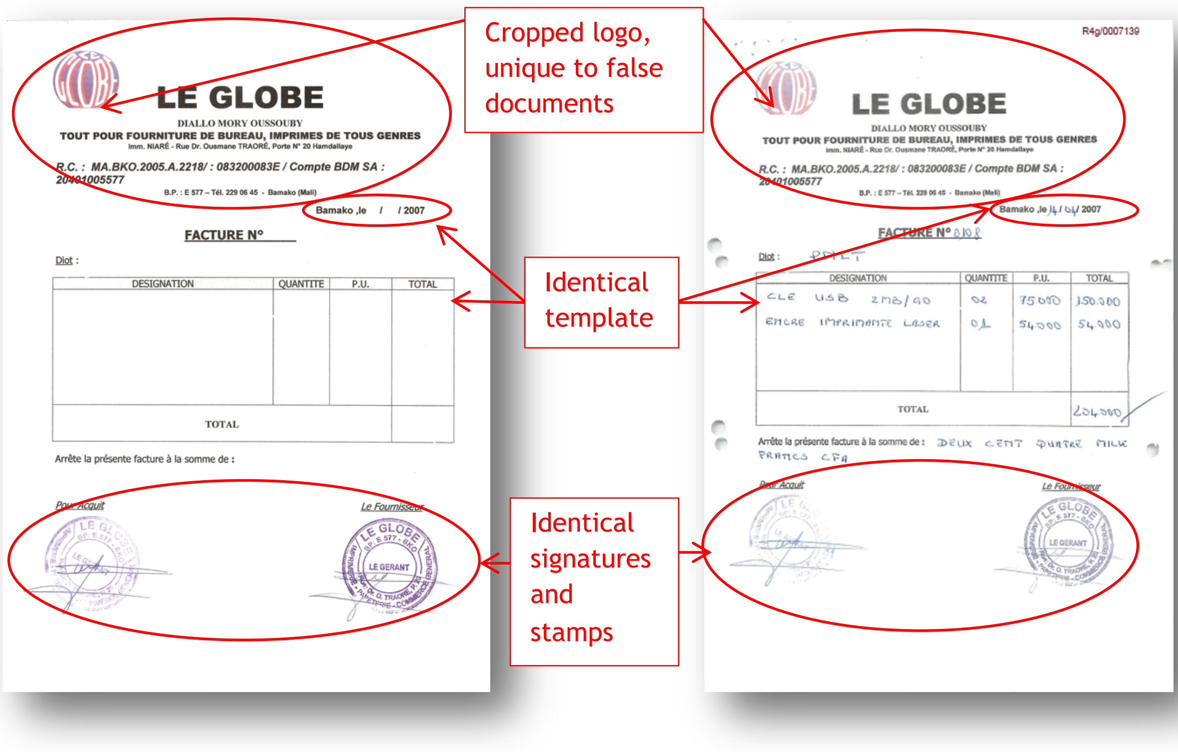
- **Le Globe:** Similarly, Individual C and Individual B fabricated documents bearing the name of vendor "Le Globe." OIG identified 44 documents purportedly evidencing the procurement and sale of office supplies by Le Globe.[44] A confidential witness informed OIG that this particular vendor had only ever entered into one transaction with the PNLT, further confirming that invoices related to this vendor are false. It

[39] Some of these documents may be duplicates.
[40] HD5:062242, p. 1
[41] R4f/2988
[42] Fabou Gakou bids, which were also found on the computer, were also used to support other winning bidders.
[43] 18 bidding documents bore Mamadou Kaloga's header and 4 bidding documents bore Ousmane Dabo's header.
[44] Some of these documents may be duplicates.

appears that the real header included a circular logo of the company. However, in the examples below, the vendor's circular logo appears cropped too closely, causing the bottom of the circle to be cut off.

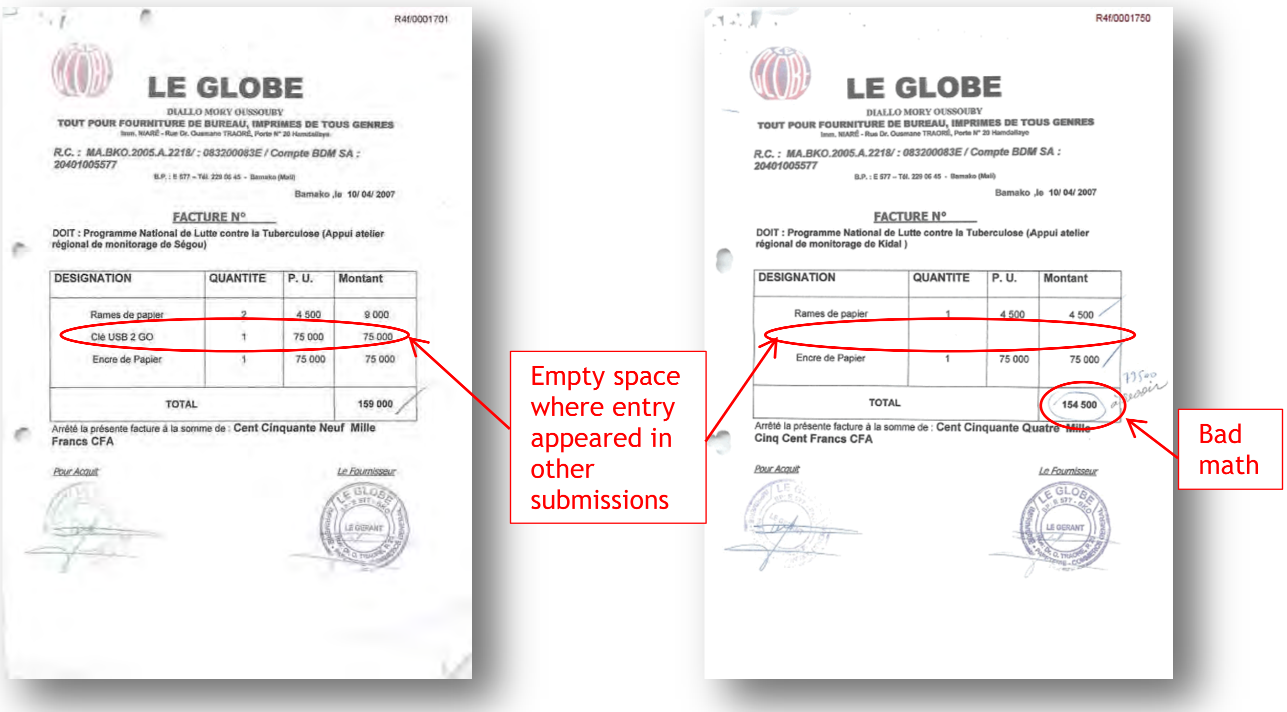
Example of Le Globe template on PNLT computer[45]

Identical submitted invoice with written-in charges[46]



45 HD5:08446.doc
46 R4g/7139

Le Globe invoices which show that the same template was used multiple times, sometimes with mathematical errors.[47]

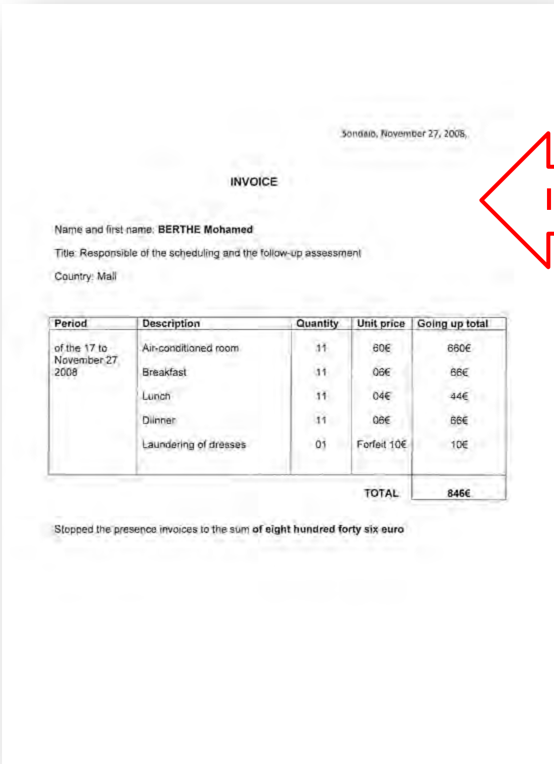


Individual B and Individual C also fabricated purported bids of competing vendors, and OIG found that these also were submitted to given the appearance that Le Globe contracts were obtained through a competitive procurement process. For example OIG found purported bids bearing the names of La Fleche and Aliou Traore in the supporting documentation that included Le Globe invoices. Upon contacting these vendors, OIG found the bids were false: Aliou Traore's owner informed OIG that his business had closed in 2006, whereas the bids made in the name of his company were issued in later years. The vendor La Fleche was found not to exist at all at the address listed, and the person at that contact address confirmed that no such business had ever existed there.

- **Fondazione Salvatore Maugeri:** Individual C and Individual B also fabricated invoices of businesses outside of Mali as well. For example, Individual C's computer held documents purportedly related to the Fondazione Salvatore Maugeri, a rehabilitation clinic located in Italy. A clinic representative confirmed to OIG that the invoice[48] shown below, representing Individual C's stay at the clinic for which the PNLT had submitted to justify the withdrawal, was not authentic.

[47] R4f/1701 and 1750
[48] R7/3054

Invoice template retrieved from Individual C's computer[49]



Sondalo, November 27, 2008,

INVOICE

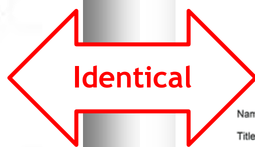
Name and first name: **BERTHE Mohamed**

Title: Responsible of the scheduling and the follow-up assessment

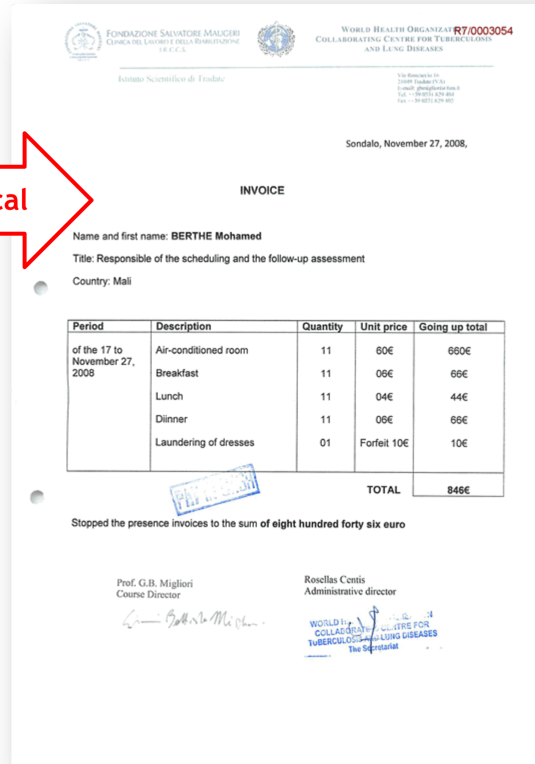
Country: Mali

Period	Description	Quantity	Unit price	Going up total
of the 17 to November 27 2008	Air-conditioned room	11	60€	660€
	Breakfast	11	06€	66€
	Lunch	11	04€	44€
	Diinner	11	06€	66€
	Laundering of dresses	01	Forfeit 10€	10€
			TOTAL	846€

Stopped the presence invoices to the sum **of eight hundred forty six euro**



Identical submitted invoice that hotel affirmed to be false[50]



FONDAZIONE SALVATORE MAUGERI
CLINICA DEL LAVORO E DELLA RIABILITAZIONE
I.R.C.C.S.

WORLD HEALTH ORGANIZATI R7/0003054
COLLABORATING CENTRE FOR TUBERCULOSIS
AND LUNG DISEASES

Istituto Scientifico di Tradate

Sondalo, November 27, 2008,

INVOICE

Name and first name: **BERTHE Mohamed**

Title: Responsible of the scheduling and the follow-up assessment

Country: Mali

Period	Description	Quantity	Unit price	Going up total
of the 17 to November 27, 2008	Air-conditioned room	11	60€	660€
	Breakfast	11	06€	66€
	Lunch	11	04€	44€
	Diinner	11	06€	66€
	Laundering of dresses	01	Forfeit 10€	10€
			TOTAL	846€

Stopped the presence invoices to the sum **of eight hundred forty six euro**

Prof. G.B. Migliori
Course Director

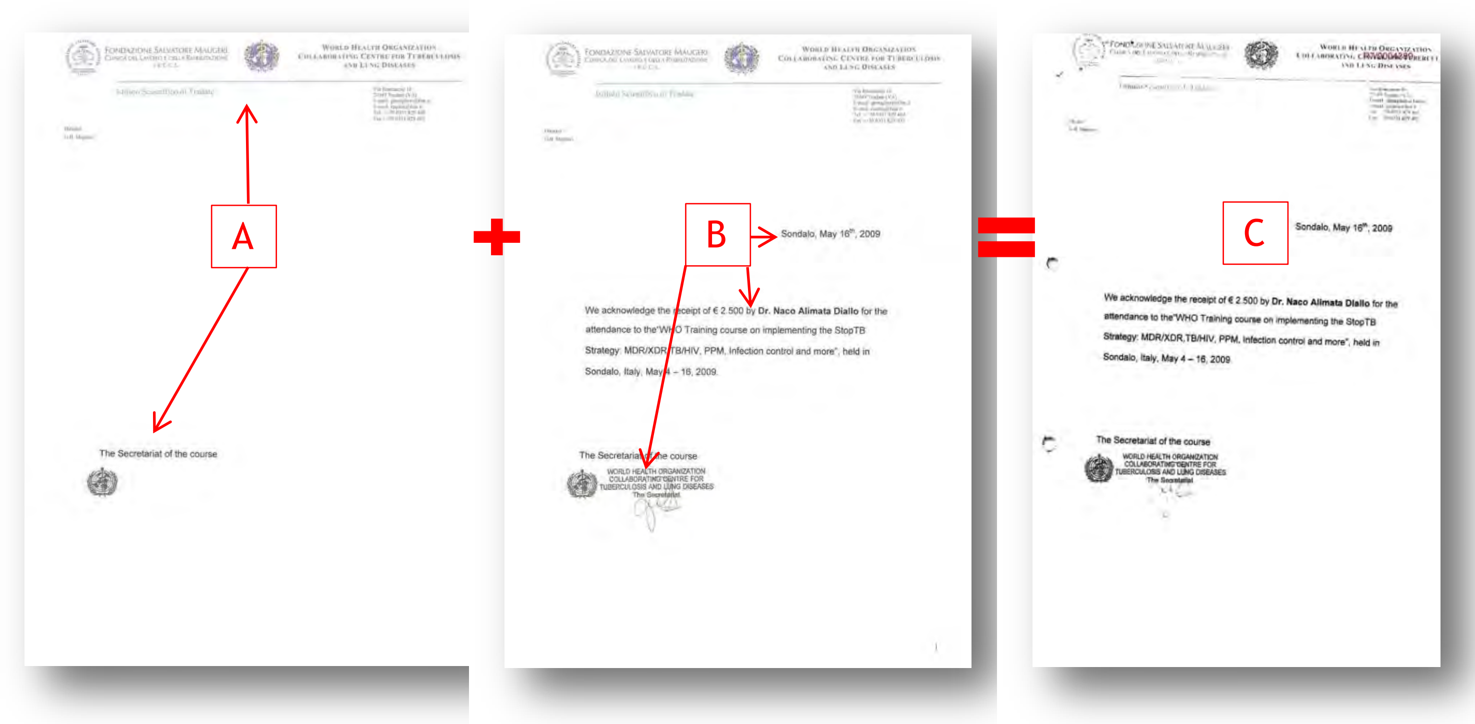
Rosellas Centis
Administrative director

WORLD H... COLLABORATING CENTRE FOR TUBERCULOSIS AND LUNG DISEASES
The Secretariat

49 HD2: Docs.Sondalo.docx.pdf
50 R7/3054

OIG further found a series of files that piece together how fictitious document were also created to justify Individual B's alleged stay at this same Italian clinic. The documents retrieved from the computer matched exactly the document submitted by the Program to the DAF as support for the expenditure.

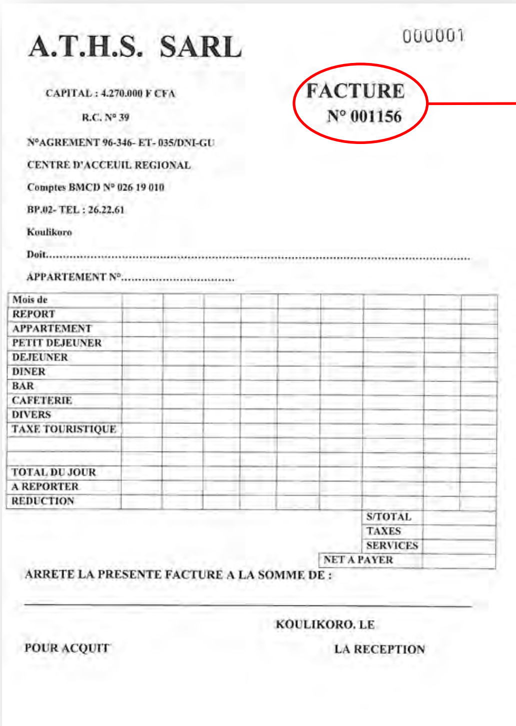
Empty template from computer[51] Populated image on computer[52] Submission for justify alleged expenditure[53]



- **A.T.H.S Sarl:** Individual C fabricated invoices with inflated room rental prices from a hotel named A.T.H.S. Sarl. OIG found copies of invoices for the hotel on Individual C's computer, and it was able to find identical matches among the supporting documentation submitted to justify payments. In the case of invoice number 001156, below, the invoice indicates a rooming price of CFA 15,000, however, a representative at A.T.H.S. Sarl informed the OIG that all rooms at the hotel cost CFA 9,500, and that the prices are always the same. The inauthenticity of the A.T.H.S Sarl invoices was further confirmed by the fact that OIG found the exact stamp shown on the document in a cache of fake vendor stamps, which were used by Individual C (to be discussed in greater depth below).

[51] HD2-Scan0016.tif
[52] HD2-Scan0016-copie.tif
[53] R7/4389

Invoice template retrieved from Individual C's computer[54]


000001

A.T.H.S. SARL

FACTURE
N° 001156

CAPITAL : 4.270.000 F CFA
R.C. N° 39
N°AGREMENT 96-346- ET- 035/DNI-GU
CENTRE D'ACCEUIL REGIONAL
Comptes BMCD N° 026 19 010
BP.02- TEL : 26.22.61
Koulikoro
Doit.........
APPARTEMENT N°.........

Mois de									
REPORT									
APPARTEMENT									
PETIT DEJEUNER									
DEJEUNER									
DINER									
BAR									
CAFETERIE									
DIVERS									
TAXE TOURISTIQUE									
TOTAL DU JOUR									
A REPORTER									
REDUCTION									

S/TOTAL
TAXES
SERVICES
NET A PAYER

ARRETE LA PRESENTE FACTURE A LA SOMME DE :

KOULIKORO, LE

POUR ACQUIT

LA RECEPTION

Identical invoice, submitted to justify expenditure, that hotel affirmed to be false and had a fake stamp[55]


R4e/0004030

A.T.H.S. SARL

FACTURE
N° 001156

CAPITAL : 4.270.000 F CFA
R.C. N° 39
N°AGREMENT 96-346- ET- 035/DNI-GU
CENTRE D'ACCEUIL REGIONAL
Comptes BMCD N° 026 19 010
BP.02- TEL : 26.22.61
Koulikoro
Doit.........
APPARTEMENT N°.........

Mois de
REPORT
APPARTEMENT
PETIT DEJEUNER
DEJEUNER
DINER
BAR
CAFETERIE
DIVERS
TAXE TOURISTIQUE
TOTAL DU JOUR
A REPORTER
REDUCTION

S/TOTAL
TAXES
SERVICES
NET A PAYER

ARRETE LA PRESENTE FACTURE A LA SOMME DE :

KOULIKORO, LE

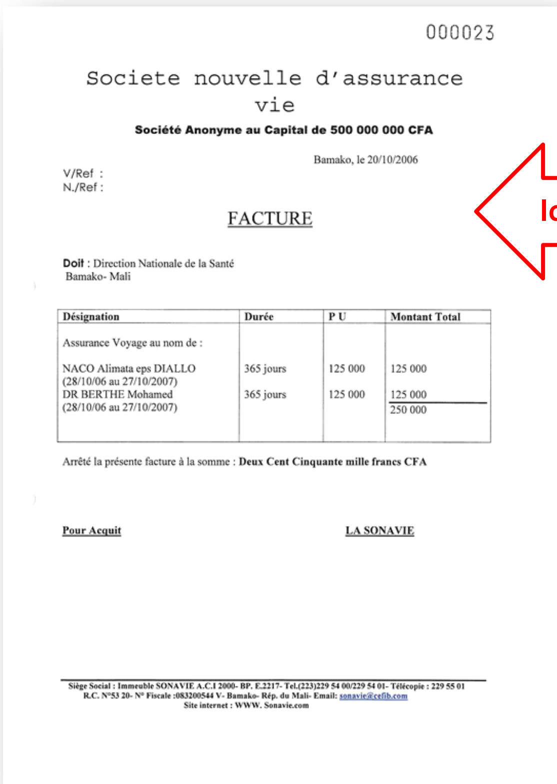
POUR ACQUIT

LA RECEPTION

[54] HD2Doxc.Facture7.doc.pdf
[55] R4e/4030

- **Societe Nouvelle d'Assurance Vie:** OIG found several invoices bearing the name of a trip insurance agency, Société Nouvelle d'Assurance Vie, on PNLT computers, which matched identically (save for the font used on the header) to the invoices submitted. In this case, however, the agency's Chief of Service Individual F and his assistant stated that the invoices were legitimate, and Individual F provided his signature, which matched the invoice. This either indicates that the invoice shown to the company was indeed legitimate or that the company staff was aware of the scheme, and misrepresented the facts to OIG.

Invoice template retrieved from Individual C's computer[56]



000023

Societe nouvelle d'assurance vie

Société Anonyme au Capital de 500 000 000 CFA

Bamako, le 20/10/2006

V/Ref :
N./Ref :

FACTURE

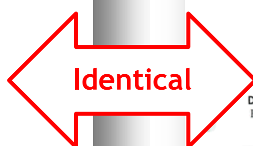
Doit : Direction Nationale de la Santé
Bamako- Mali

Désignation	Durée	P U	Montant Total
Assurance Voyage au nom de :			
NACO Alimata eps DIALLO (28/10/06 au 27/10/2007)	365 jours	125 000	125 000
DR BERTHE Mohamed (28/10/06 au 27/10/2007)	365 jours	125 000	125 000
			250 000

Arrêté la présente facture à la somme : Deux Cent Cinquante mille francs CFA

Pour Acquit LA SONAVIE

Siège Social : Immeuble SONAVIE A.C.I 2000- BP. E.2217- Tel.(223)229 54 00/229 54 01- Télécopie : 229 55 01
R.C. N°53 20- N° Fiscale :083200544 V- Bamako- Rép. du Mali- Email: sonavie@cefib.com
Site internet : WWW. Sonavie.com



Identical submitted invoice that company claimed to be legitimate[57]

R47/0000076

SOCIETE NOUVELLE D'ASSURANCE VIE

Société Anonyme au Capital de 500 000 000 CFA

Bamako, le 20/10/2006

FACTURE

Doit : Direction Nationale de la Santé
Bamako- Mali

Désignation	Durée	P U	Montant Total
Assurance Voyage au nom de :			
NACO Alimata eps DIALLO (28/10/06 au 27/10/2007)	365 jours	125 000	125 000
DR BERTHE Mohamed (28/10/06 au 27/10/2007)	365 jours	125 000	125 000
			250 000

Arrêté la présente facture à la somme : Deux Cent Cinquante mille francs CFA

Pour Acquit LA SONAVIE

SOCIETE NOUVELLE ASSURANCE VIE CHEF SERVICE FINANCIER

SOCIETE NOUVELLE ASSURANCE VIE CHEF SERVICE FINANCIER

Siège Social : Immeuble SONAVIE A.C.I 2000- BP. E.2217- Tel.(223)229 54 00/229 54 01- Télécopie : 229 55 01
R.C. N°53 20- N° Fiscale :083200544 V- Bamako- Rép. du Mali- Email: sonavie@cefib.com
Site internet : WWW. Sonavie.com

[56] HD5:09360.doc, p. 23 of 64
[57] R47/76

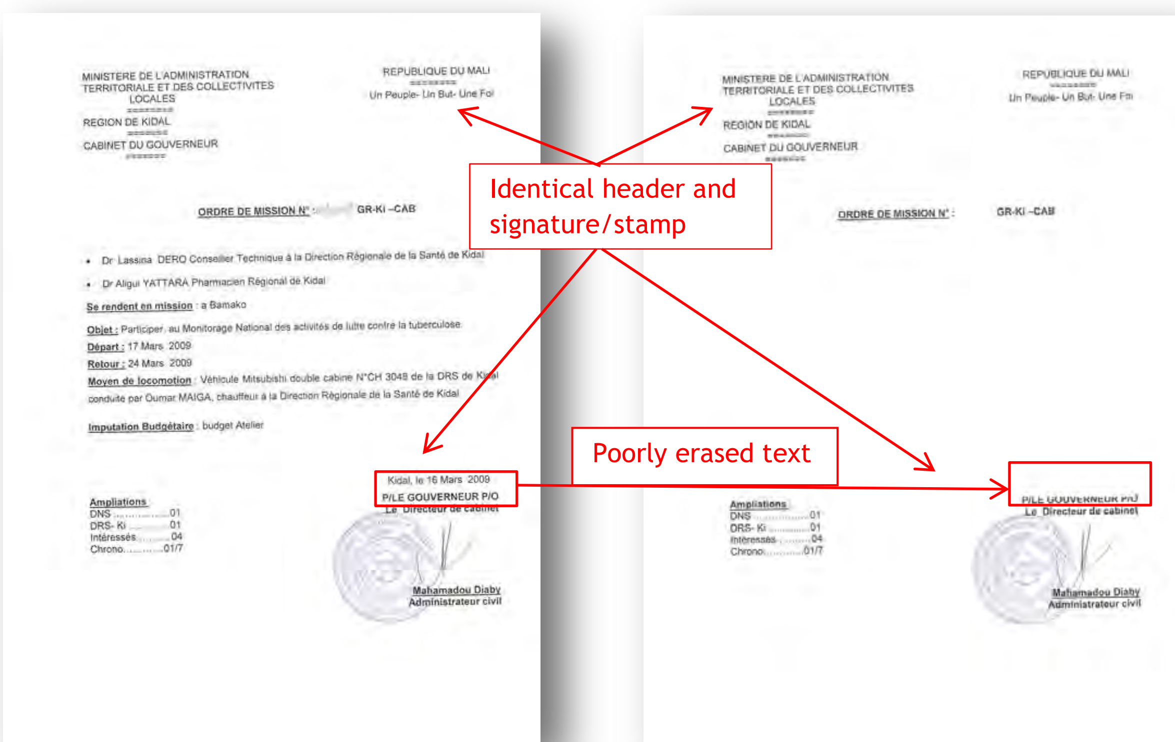
(ii) Mission Orders

The investigation identified that PNLT officials Individual C and Individual B were fabricating mission orders—approvals for in-country or international travel that should have originated either from the National MoH or from the DRS's—to justify program expenditures. Documents recovered from these individuals included scans of original mission orders, images of mission orders missing the body text, isolated images of only the signature and stamp, and word processor versions including only the body text of the mission orders. The LFA confirmed there was no legitimate reason for the PNLT to have un-signed, computerized versions of any MoH mission orders.

Based on the documents filed, it appears that PNLT officials scanned authentic documents and either electronically covered or erased the body to replace it with new text. In the example below, the signatory's title "P/Le Gouverneur P/O" appears cut off from the top as if it had been mistakenly covered or erased. This provides insight concerning the manner in which the document was altered.

Apparent original image of mission order[58]

Same mission order without body text—notice poor editing on signatory's title[59]



[58] HD2-Scan0014-Copie.tif
[59] HD2-Scan0014.tif

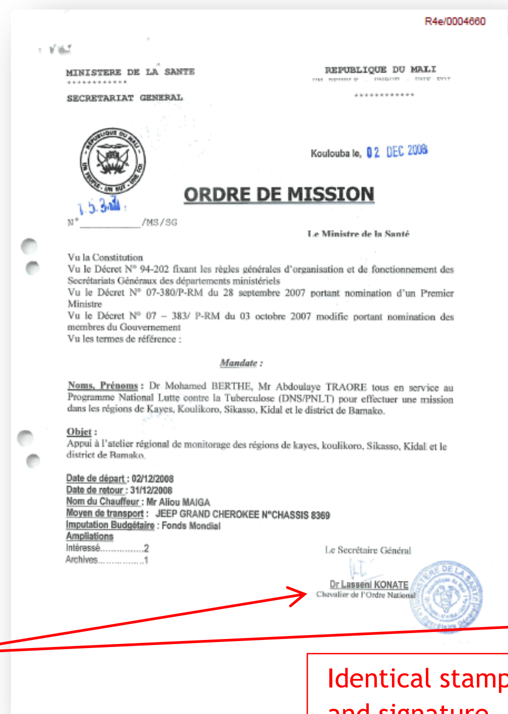
OIG also found images of entire blank pages which included isolated MoH signatures and stamps. Examples of these isolated images are provided below:

Isolated images found on PNLT computers of the signature of Dr. Nama Magassa, Le Directeur National de la Santé, PI, Le Chef de l'UPFIS[60]

Indeed, OIG found documentation submitted to justify withdrawals that bore these exact images of signatures and stamps. The most prevalent was the signature of Individual E. The images below illustrate this.

Examples of two submitted mission orders that included the same imaged signature of Dr. Lasseni Konate [61]

Isolated images found on PNLT computers of the signatures Dr. Lasseni Konate, Le Secretaire Général, Ministre de la Sante[62]



R4e/0004660

MINISTERE DE LA SANTE
SECRETARIAT GENERAL

REPUBLIQUE DU MALI

Koulouba le, 02 DEC 2008

ORDRE DE MISSION

N° 1534 /MS/SG

Le Ministre de la Santé

Vu la Constitution
Vu le Décret N° 94-202 fixant les règles générales d'organisation et de fonctionnement des Secrétariats Généraux des départements ministériels
Vu le Décret N° 07-380/P-RM du 28 septembre 2007 portant nomination d'un Premier Ministre
Vu le Décret N° 07 – 383/ P-RM du 03 octobre 2007 modifie portant nomination des membres du Gouvernement
Vu les termes de référence :

Mandate :

Noms, Prénoms : Dr Mohamed BERTHE, Mr Abdoulaye TRAORE tous en service au Programme National Lutte contre la Tuberculose (DNS/PNLT) pour effectuer une mission dans les régions de Kayes, Koulikoro, Sikasso, Kidal et le district de Bamako.

Objet :
Appui à l'atelier régional de monitorage des régions de kayes, koulikoro, Sikasso, Kidal et le district de Bamako.

Date de départ : 02/12/2008
Date de retour : 31/12/2008
Nom du Chauffeur : Mr Aliou MAIGA
Moyen de transport : JEEP GRAND CHEROKEE N°CHASSIS 8369
Imputation Budgétaire : Fonds Mondial
Ampliations
Intéressé................2
Archives.................1

Le Secrétaire Général
Dr Lasseni KONATE
Chevalier de l'Ordre National

R4e/0004357

MINISTERE DE LA SANTE
SECRETARIAT GENERAL

REPUBLIQUE DU MALI
UN PEUPLE – UN BUT – UNE FOI

Koulouba le, 23 JUIL 2009

ORDRE DE MISSION

N° 1033 /MS/SG

Le Ministre de la Santé

Vu la Constitution
Vu le Décret N° 94-202 fixant les règles générales d'organisation et de fonctionnement des Secrétariats Généraux des départements ministériels
Vu le Décret N° 07-380/P-RM du 28 septembre 2007 portant nomination d'un Premier Ministre
Vu le Décret N° 09-157/P-RM du 09 avril 2009 portant nomination des membres du gouvernement
Vu les termes de référence ;

Mandate :

Noms, Prénoms : Dr Mahamadou DIARRA médecin au CNAM et Mr Tièwary TRAORE technicien à l'INRSP pour effectuer une mission dans la région de Kidal.

Objet :
Supervision spécifique dans le cadre de la lutte contre la tuberculose.

Date de départ : 25 /07/2009
Date de retour : 09 /08/2009
Nom du Chauffeur : Mr Ousmane TRAORE
Moyen de transport : TOYOTA LAND CRUISER
Imputation Budgétaire : Fonds Mondial
Ampliations
Intéressé................2
Archives.................1

Le Secrétaire Général
Dr Lasseni KONATE
Chevalier de l'Ordre National

Identical stamp and signature

---

[60] HD2-Scan0004.tif (note also that this image includes a stamp identical to the stamps uncovered in a field, which allegedly belonged to Individual C) and HD2-Scan0005.tif
[61] R4e/4357 and R4e/4660
[62] HD2-Scan0002-Copie.tif; HD2Scan0010.tif

b) Officials Used Stamps to Authenticate Forged Documents

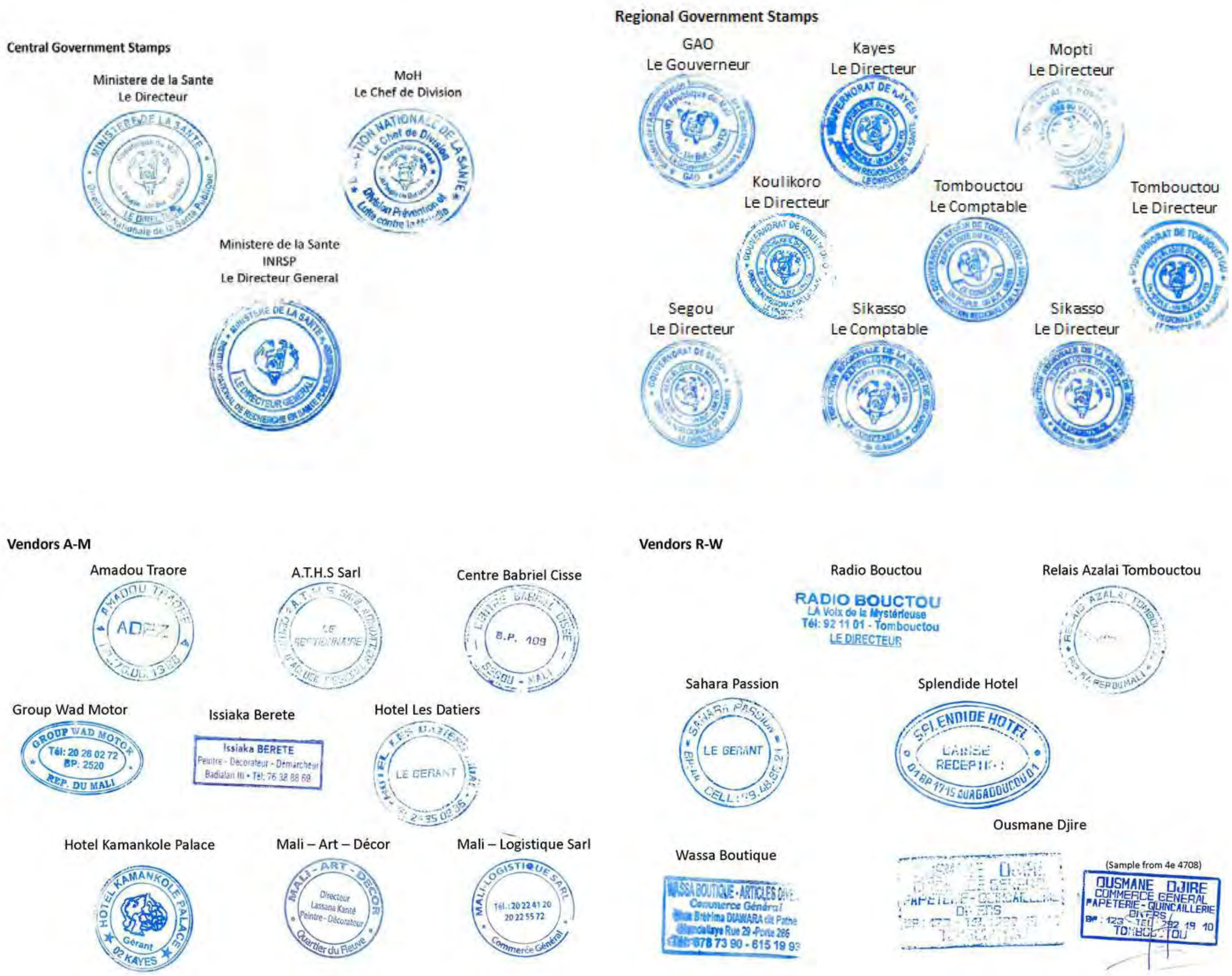
For a document to be considered authentic and legitimate in Mali, it must be stamped with the official stamp of the entity issuing the document and signed by an authorized individual. Stamps and signatures always appeared on supporting documents: vendors stamped and signed bids, invoices, and delivery receipts with their business's stamp; the MoH applied its stamps and signatures to mission orders; and regional DRS officials applied their stamps and signatures on the *per diem* sheets that recorded payments of daily allowances to staff and participants in relation to activities such as trainings or supervision missions.

OIG found that PNLT officials falsely attempted to legitimize fraudulent documentation by using stamps that they should not have had in their possession: stamps of vendors, MoH officials, and regional DRS's. Prints of these stamps were found on supporting documentation submitted to justify program expenditures. The documents included vendor bids, invoices, receipts, *per diem* payment records, arrival and departure confirmations, and mission orders. In many cases, documents bearing these stamps were also found on the hard drives of the computers reportedly used by PNLT officials Individual C and Individual B. The OIG is therefore unable to determine whether the activities, services, or goods referenced on the documents were ever delivered. However, in light of no other evidence that the services were delivered, a reasonable inference from the use of fraudulent documents and the circumstances is that they were not.

A confidential witness provided OIG with ink images of stamps owned and used by PNLT official Individual C. The witness reported to OIG that Individual H, of PNLT, had buried a bag of stamps belonging to Individual C in a field in Bamako. According to the witness, Individual H stated that, during the course of OIG's investigation, Individual C had instructed Individual H to take his collection of stamps from his office and destroy them, but that instead Individual H buried them in a field. Malian law enforcement has recovered the stamps, and the OIG took ink prints of all of the uncovered stamps, which are presently in the custody of Mali law enforcement.

The bag recovered from the field included stamps of 15 vendors from Bamako and 7 other regions, 9 DRS's, and 3 central government offices other than PNLT. There was no legitimate reason for the Deputy Coordinator of PNLT to have any of these stamps in his possession. It is unclear whether these stamps were misappropriated from the rightful owners or whether they were fake replicas.

Ink images of stamps buried in a field by Individual C's assistant



c) Officials Used Real Vendor Names in False Documentation

Since many of the forged documents ought to have been issued by independent vendors that supplied goods and services to the program in exchange for payments, OIG contacted the vendors directly to confirm the documents' authenticity. OIG contacted vendors when supporting documents bearing their company's name exhibited indicators of fraud such as similar formatting and spelling errors across different vendors' documents, or suspicious bidding patterns (*i.e.*, same three vendors always bidding against one another, and the same vendor always winning). In the case of 114 vendors, persons responding to the contact information provided on vendor documents (*i.e.*, phone number, address, or e-mail address) confirmed that the documents were not authentic. In a few cases, vendors admitted to fabricating false documents for the program, or simply handing program staff blank invoices. Since the documents did not actually belong to the vendors, the OIG is unable to ascertain whether the goods and services described in the documents were ever provided as part of program implementation. The PR has not provided any evidence that indeed these goods and services were in fact provided. Therefore, based on the evidence identified above, a conclusion can reasonably be reached that it is highly likely that indeed these goods and services were not, in fact, provided.

Vendors confirmed the inauthenticity of the invoices or bids in multiple ways: They either physically inspected bids or invoices presented by OIG and reported that they did not recognize all or parts (*i.e.*, the stamp, signature, body, header) of the documents, or they reported to the OIG that either (i) they do not run the business linked to the phone number provided on the document, (ii) their business does not sell the goods or services recorded on the invoice or bid, or (iii) their business was closed before the invoice or bid was issued.

Fifty six vendors (listed in the table below) attested that the invoices or bids presented to them were not authentic upon physical inspection.[63] The OIG secured physical inspections either by visiting the vendor premises and meeting with an individual who represented him or herself as the vendor manager or owner, or by sending e-mails with attached documents relating to the contact information presented on the vendor invoice or bid.

Vendors that confirmed, upon physical inspection, that documents were inauthentic.

Aissata Naba Ouattara	Librarie Papeterie Mahamet Diaby
Ali Badra Dao	Librarie Papeterie Tounkara Souleymane et Freres
Bali Consult SARL/BC Tech	Maiga Décor
B.E.P	Mamadou Sanogo
Bakary Berthe	Meguetan Tirage
Bittar Impression	Mohamed Moussa Camara
Boutique Articles Diver Chez Brehima Diawara Dit Pathe	Moussa Keita
Cantine Doree	Natcom Natou Communication
Cheickna Konare	Nefertiti Couture Bamako

[63] 24 vendors identified bids as false. The remainder, or 22, identified actual invoices as false.

Commerce General A Yessou	Omar Diarra
Commerce General Astou	Oumar Diaby
Décor Plus	Paperasse Service Sarl
Diarra Tosso	Papeterie de la Cite
Eckelmans	Pharmacie Officine Badgji Soussoko
Electro Sud Mali	Plus Infini
Etabliseement Kone & Freres	Salif Drame F. Commerce
Ets Egos Dicko	Seydou Diallo
Hotel Paris Liege	Sissoko Diawoye
Ibrahima Diabate	SM3
Impact Informatique	Societe Nouvelle d'Assurance Vie
Imprimerie Adama Doumbia	Socodif Sarl
Imprimerie Papeterie Cheik Fanta Mady	Souleymane Diarra
Kanu Burotic	Splendid Hotel
Konate Broulaye	Station Total Camp Digue
Lassana Kante Dit Jumeau	Station Total Pont Richard
Le Democrate Dechaine	Station Total Sam
Le Globe	U.N.I.T.E.L
Les Barons de la Capitale	Wassa Boutique Articles Diver

In many cases, the vendors OIG contacted were the same vendors whose names PNLT officials Individual C and Individual B used to create false documents on their computers, or whose stamps were in Individual C's cache:

- **Splendid Hotel:** A hotel representative confirmed that an invoice dated May 10, 2008 for a four day stay of PNLT's Individual B, costing €464, was false.[64] Indeed, a stamp bearing this hotel's name was in Individual C's cache and template invoices of this hotel were found on Individual C and Individual B's computers.
- **Les Barons De La Capitale:** The vendor confirmed that invoice #65 for USD 1,050 for alleged sketches during the 2009 World TB Day was false.[66] In addition to this confirmation of fraud from the vendor, OIG found that the stamp used on this fake invoice, bearing the name "Amadou Traore," was found among the stamps discovered in the cache of stamps belonging to Individual C. Subsequent to the confirmation of this false invoice directly with the legitimate vendor, the OIG identified an additional 5 fake invoices totaling USD 5,357 bearing this vendor's name along with the fake stamps.

[64] R4f/3076
[65] R7/2179
[66] CFA 500,000

Established businesses outside of Mali also corroborated the fraudulent nature of documents whose templates were on PNLT computers:

- **Ecklemans:** A manager at Agence Eckelman Ixelles, based in Bruxelles, Belgium, informed OIG that an invoice dated July 22, 2009 for € 2,170.54, bearing the name of Individual B, was false.[67] Indeed, the same invoice was found on Individual C's computer, along with a scanned image of what seemed like an original invoice (which included a blue bar down the left side of the page) and an image of the header and footer that seemed to be copied from the original (where the remnants of the blue bar remained only on the footer).[68]

Original scanned invoice from hotel, found on Individual C's computer[69]

Eckelmans

RECU LOYER

Pour le premier mois de location du bien : P2.2021 / L09A2021

de

[redacted] N° VCS : ***222/1004/17020***

44

MPTE FINANCIER N°: 001-3290351-90

Le 16/06/2009

Loyer immobilier appelé PH2	:	496.00
Loyer mobilier appelé PH2	:	44.00
Canon appelé PH2	:	2.38
Prov.consom.et chges app. PH2	:	96.50
frais de gérance loc.app.PH2	:	30.12

TOTAL RECU : 671.00 Euro

Journal/Document : CA1/200233

La somme est versée en O liquide
O chèque n°............................
O paiement électronique
O autre :..............................

Note importante :
Nous vous rappelons d'utiliser pour vos prochains paiements la communication suivante :

ATTENTION : N° VCS : ***222/1004/17020*** Loyer Mensuel: 0 Bef
sur notre compte SGB n° 210-0356333-07.

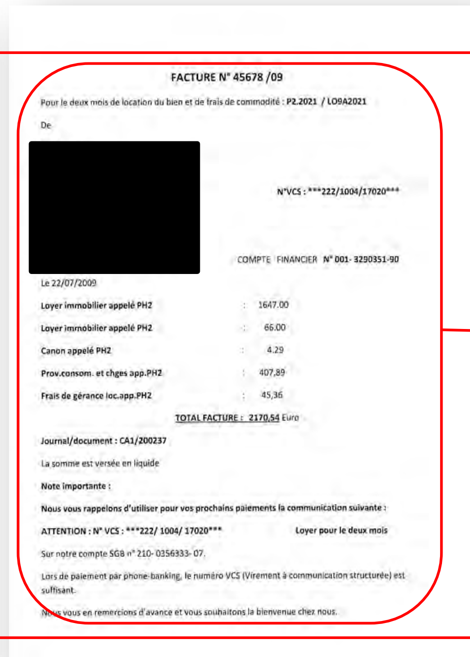
Lors du paiement par phone-banking, le numéro VCS (Virement à Communication Structurée) est suffisant.
Nous vous en remercions d'avance et vous souhaitons bienvenue chez nous.

Payé le 16/6/09
Banque, CCP, Caisse

CAMPUS IRENA

Boulevard du Triomphe, 131, Bte 113 accès 4 bis — 1050 Bruxelles (Ixelles)
Tél. : 02 646 01 83 • Fax : 02 646 07 11
TVA : BE 0465 978 316
E-mail : agence.ixelles@eckelmans.be — http://www.eckelmans.be

Invoice template retrieved from Individual C's computer[70]



FACTURE N° 45678 /09

Pour le deux mois de location du bien et de frais de commodité : P2.2021 / LO9A2021

De

[redacted]

N°VCS : ***222/1004/17020***

COMPTE FINANCIER N° 001- 3290351-90

Le 22/07/2009

Loyer immobilier appelé PH2	:	1647.00
Loyer immobilier appelé PH2	:	66.00
Canon appelé PH2	:	4.29
Prov.consom. et chges app.PH2	:	407,89
Frais de gérance loc.app.PH2	:	45,36

TOTAL FACTURE : 2170,54 Euro

Journal/document : CA1/200237

La somme est versée en liquide

Note importante :

Nous vous rappelons d'utiliser pour vos prochains paiements la communication suivante :

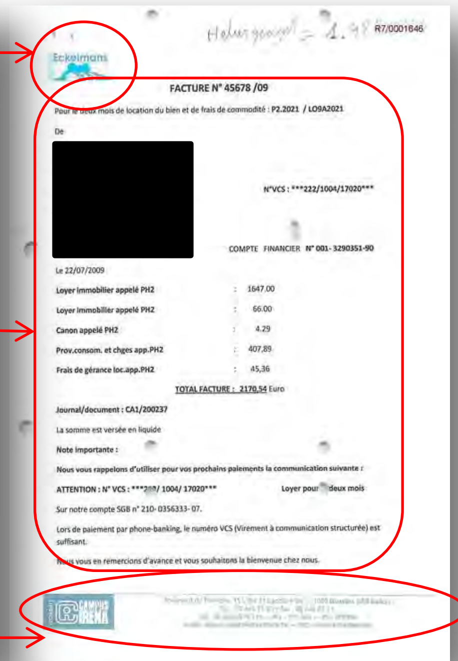
ATTENTION : N° VCS : ***222/ 1004/ 17020*** Loyer pour le deux mois

Sur notre compte SGB n° 210- 0356333- 07.

Lors de paiement par phone-banking, le numéro VCS (Virement à communication structurée) est suffisant.

Nous vous en remercions d'avance et vous souhaitons la bienvenue chez nous.

Identical submitted invoice that hotel confirmed was false[71]



R7/0001646

Eckelmans

FACTURE N° 45678 /09

Pour le deux mois de location du bien et de frais de commodité : P2.2021 / LO9A2021

De

[redacted]

N°VCS : ***222/1004/17020***

COMPTE FINANCIER N° 001- 3290351-90

Le 22/07/2009

Loyer immobilier appelé PH2	:	1647.00
Loyer immobilier appelé PH2	:	66.00
Canon appelé PH2	:	4.29
Prov.consom. et chges app.PH2	:	407,89
Frais de gérance loc.app.PH2	:	45,36

TOTAL FACTURE : 2170,54 Euro

Journal/document : CA1/200237

La somme est versée en liquide

Note importante :

Nous vous rappelons d'utiliser pour vos prochains paiements la communication suivante :

ATTENTION : N° VCS : ***2[illegible]/ 1004/ 17020*** Loyer pour [illegible] deux mois

Sur notre compte SGB n° 210- 0356333- 07.

Lors de paiement par phone-banking, le numéro VCS (Virement à communication structurée) est suffisant.

Nous vous en remercions d'avance et vous souhaitons la bienvenue chez nous.

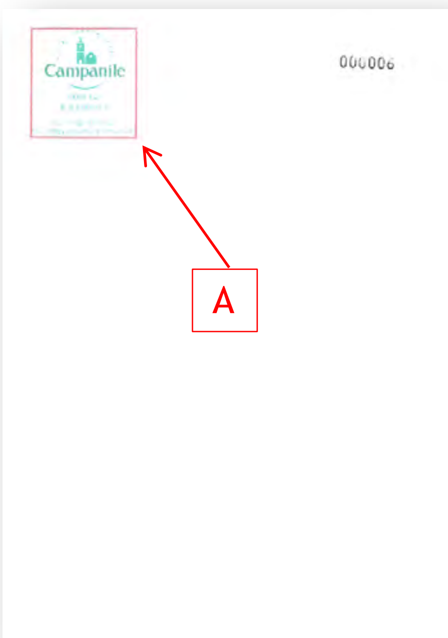
CAMPUS IRENA

---

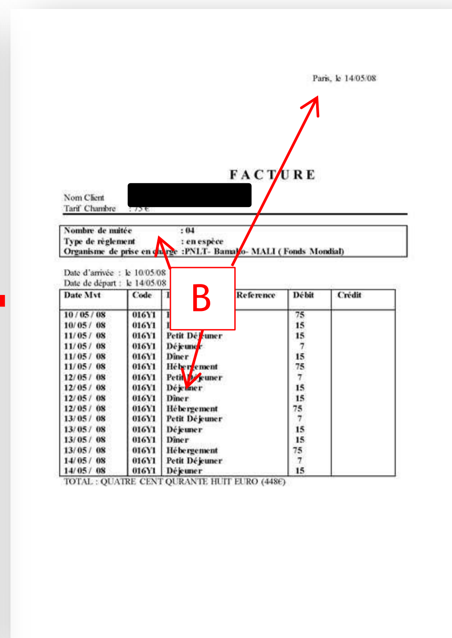
[67] R7/1646
[68] HD2 19.tif. and HD2 19-copie tif.
[69] Hd2 Scan19.tif
[70] HD2 19-copie.tif
[71] R7/1646

OIG checked with three other Paris hotels—the Splendid Hotel, the Hotel Campanile, and Hotel Paris Liege—regarding the invoices Individual B submitted for staying there. Upon inspecting the documents bearing their hotels' names, all of the hotels responded that the invoices were not issued by them. In the case of Hotel Campanile, the OIG found a blank sheet with only the hotel's logo in the trash bin under Individual C's desk. OIG also found a document Individual B's computer, which included the body of the same invoice.[72] The metadata for this file indicate that the file was created on February 1, 2008, a full three months before this invoice was submitted.[73]

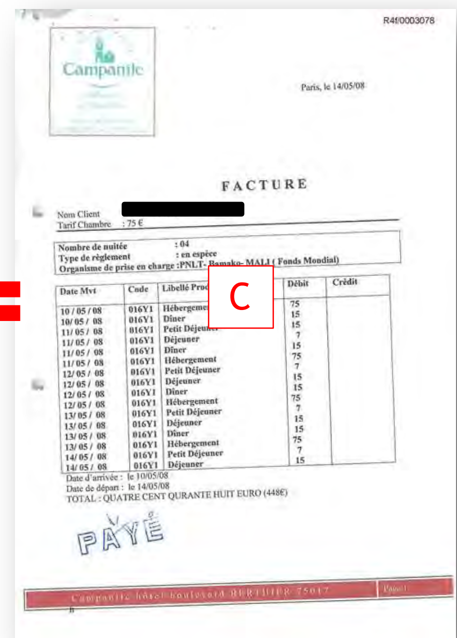
Hotel Campanile Logo found on blank sheet by Individual C's desk



Invoice body found on Individual B's computer[74]



Hotel Campanile invoice submitted with identical stamp and content, confirmed as false by vendor[75]



Certain vendors admitted to either cooperating with or handing out blank templates of their invoices to program officials:

- [redacted] Upon being shown an invoice dated November 20, 2008 bearing his company's name for the purchase of 4 reams of paper for CFA 20,000, the business owner told OIG that the invoice was false.[76] He stated that the template belonged to his business, but he did not recognize either the stamp or the signature. He ultimately

[72] HD5/4810.doc. The file also includes an invoice for Hotel Splendide.
[73] The file was last saved and printed by the user Individual C on June 11, 2008.
[74] HD5/4810.doc
[75] R4f/3078
[76] USD 42, R4a/1885

admitted that he had given out a blank invoice to someone in another shop who was not willing to give further information.

- [redacted] When the OIG showed the bid bearing the vendor's name to the business owner, he recognized the signature as that of his employee. The employee confirmed that he had produced the document, but only "in order to please someone who needed a bid."[77] He pointed out that the service for which the vendor bid—production of brochures—was not a service this vendor provides.

OIG also identified instances in which invoices purported to support PNLP expenditures were confirmed by vendors as fraudulent:

- **Three competing vendors all confirm fraud:** OIG identified an invoice[78] purportedly from vendor Mamadou Sanogo to PNLP on June 20, 2006 for rapid test kits totaling USD 2,941.[79] OIG also identified another invoice[80] from this same vendor dated December 12, 2006, that same year, recording the sale of entirely unrelated goods: paper, notepads, file folders, pens, copy cartridge, flip board and markers for USD 1,415.[81] When the business representative was shown both invoices, he stated that while the invoice headings belonged to his company, the content and the signatures were false.

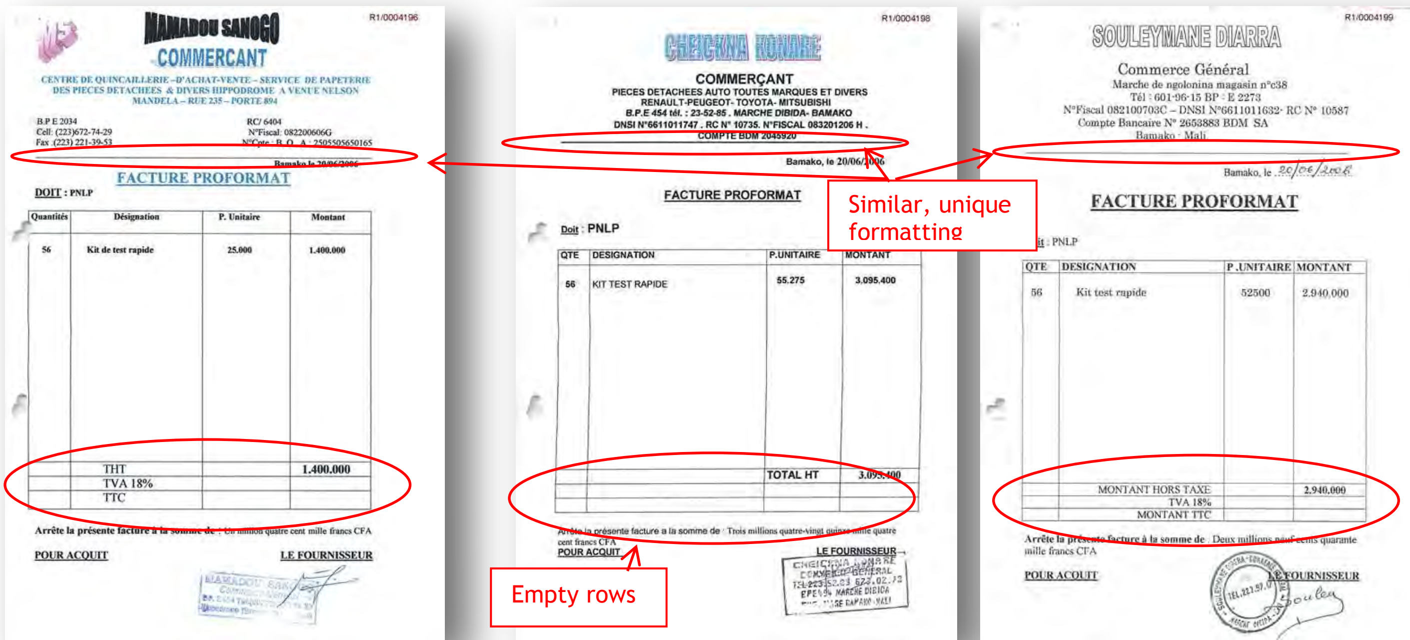
  In both cases—for the purchase of test kits and office supplies—OIG found bids that bore the names of the same two vendors—Cheickna Konare and Souleymane Diarra. These documents exhibited multiple red flags fraud: (i) the same group of vendors purportedly sold such diverse goods, (ii) the same group of vendors bid against each other in the vast majority of cases and the same vendor always won, and (iii) the wording, spacing, and format of the competing bids was similar: Note that in every case the invoice included five rows of identical spacing, even though Cheikna Konare did not utilize the last two rows at all.

[77] R4f/4174
[78] R1/4195
[79] CFA 1,400,000
[80] R1/90
[81] CFA 673,725

Mamadou Sanogo bid[82]

Similar, competing bid, confirmed as fake by vendor[83]

Similar, competing bid confirmed as fake by vendor[84]



The OIG met with the business owners of Cheikna Konare and Souleymane Diarra on February 22, 2010. Both confirmed that the bids bearing their companies' names were false. One pointed out that the heading was legitimate but the content, stamp and signature were false. The other also stated that he does not sell these types of products.

The OIG also contacted vendors whose names appeared on suspicious documents submitted by both PNLT and PNLP. The fact that documents exhibiting similar identical indicia of fraud appeared across both programs indicates either that the fraudulent schemes were being communicated across the PNLP and PNLT, or that the DAF—the only office to have access to both PRs' files—was creating these documents on its own.

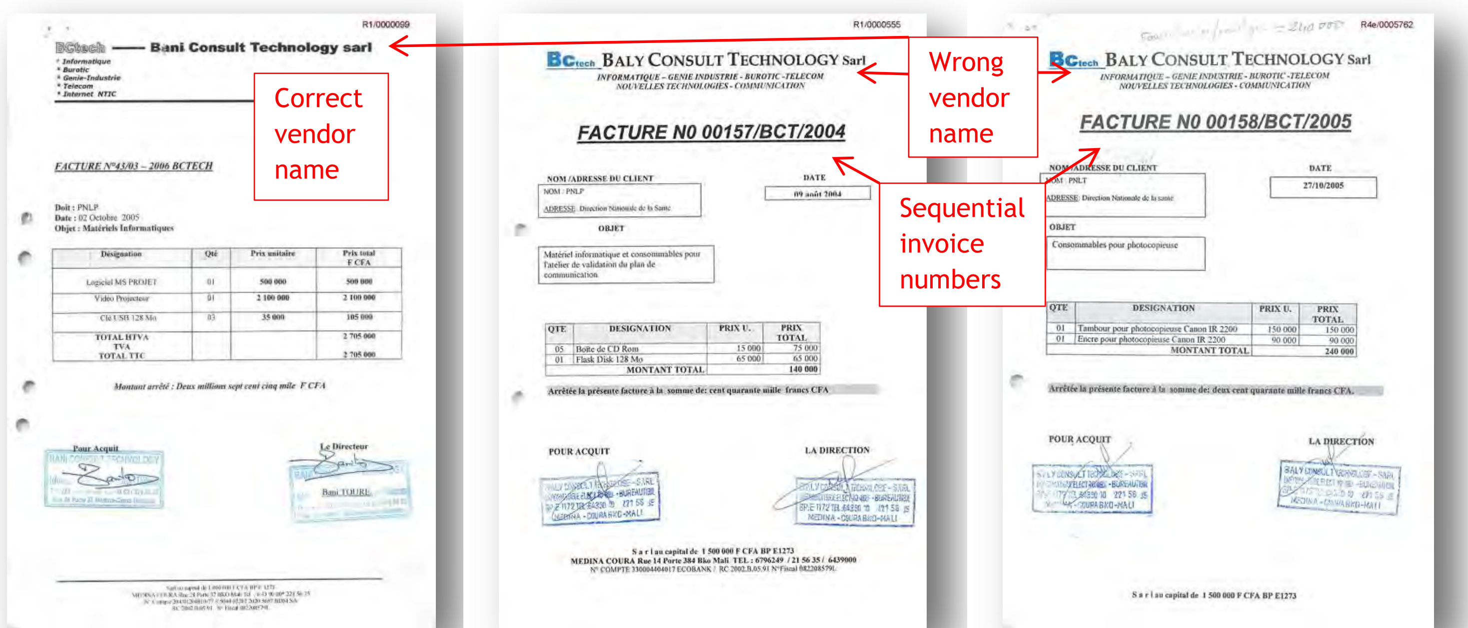
- **Station Total Camp Digue:** The OIG found that the largest number of receipts, 180 across all four grants, totaling USD 77,500[85] was allegedly issued by a Bamako gas station, Station Total Camp Digue, for fuel and car maintenance. OIG met with managers for Station Total Camp Digue, and showed them 22 invoices from both PNLP and PNLP files, ranging in years from 2004 – 2009.[86] The managers raised concerns that the invoices were not authentic. One stated that while the invoices appeared to

[82] R1/4196
[83] R1/4198
[84] R1/4199
[85] CFA 36,890,000
[86] R1/1920, R1/1976, R1/625, R1/633, R1/424, R1/4688, R1/2121, R1/3937, R6/1004, R1/4879, R1/4898, R1/4583, R1/4200, R1/4201, R1/4186, R1/4089, R1/4385, R4e/4122, R4e/5892, R4e/5876, R4e/2339, R4f/3387

belong to his station, the goods recorded did not: The station did not sell oil filters or gas filters as many of the invoices stated. He also identified red flags on the invoices, noting that it is impossible to purchase the exact amount of fuel more than once (*i.e.*, four receipts accounted for USD 281 in this case), as certain invoices state.[87] He stated his suspicion that someone outside the company was preparing the invoices. The other also stated the fuel prices on the invoices were wrong. This was confirmed by the vendor's mechanic. Furthermore, the managers also confirmed that fuel purchases were never made using tickets, as many of the invoices stated.

- **BC Tech/Baly Consult:** The OIG found that certain invoices submitted by PNLP and PNLT had multiple, but similar business names but included the same contact information. Using this contact information, the OIG learned that the company under this address was in fact named "BCTech - Bani Consult Technology", and that it had closed in 2006. The OIG met with the former Managing Director of the company who inspected all of the invoices, including dating back to 2004 and 2005, and identified them all as false. He asserted that while the invoices contained an accurate address for his business, the vendor name was false; the name of his company, derived from his own last name, was "Bani" not "Baly."

Document from PNLP files | Document found in PNLP files[88] | Document found in PNLT files[89]



[87] 133,858 liters each time, see R4a/998, 1006, 1014, 1016,
[88] R1/555
[89] R4e/5762

In 47 cases, vendors reported to the OIG over the phone that (i) they did not run the business linked to this phone number, (ii) their business does not sell the goods or services recorded on the invoice or bid, or (iii) their business was closed before the invoice or bid was issued.

Vendors which stated no such business exists, it sells other goods and services, or that the business had closed before the invoice date.

Alou Traore	Issa Guindo	Restaurant Djeli Bazounanaba
Amadou Ly	Kante Djibril	Restaurant Kati
ATHS Sarl	La Fleche	Restaurant Poussy
Balazan Imprim 1	Le Marina	Restaurant Tieba Coulibaly Markala
Bourama Kone	Librarie Papeterie De La Cite	S.M.D
Cantine De L'Espoir	Librarie Papeterie Koulikoro	Sahara Passion
Cifrecom Sarl	Lirabi	Serigraphie Imprimerie
Cisseoil Service	Mali Logistique Sarl	SO.DI.MA.P
Dia Imprim Services	Mamadou B. Keita	Souleymane Keita
EMAI	Mamadou Cisse Dit Bah	Souleymane Kone
Ets Benso	Micro Center	Station Cisse Gaz-Oil
General Couture	Mme Bah Kadia Nourou N'Diaye	Station Sodies Import Export
Hamadoun Amadou Maiga	Mme Sogoba Salimata Coulibaly	Station Star Oil
Hamady Kante	Nouvelle Papeterie	Station Total Marie
Hotel Restaurant Cafeteria Segou	Quincaillerie et Divers Ches Ousmane Coulibaly	Tata Hotel Sikasso
Ibrahima Diawara	Restaurant Ahouchel	

Examples include:

- **Mali Logistique Sarl:** The person answering the phone told the OIG that the business was closed in 2008. In addition a stamp bearing this vendors name was found in Individual C’s cache, and copies of this vendor’s invoices were found on Individual C’s desk.
- **Souleymane Kone:** The person answering the phone number provided on the vendor invoices stated that that he never sold any product to the Ministry of Health.
- **Bourama Kone:** The person answering the phone informed OIG that this business does not rent a conference room, as the invoice states.

d) Officials Forged Signatures on Supporting Documents

Another significant portion of the programs' supporting documentation consisted of *per diem* sheets. *Per diem* sheets were to be signed by all individuals eligible to receive a *per diem*, a daily allowance intended to cover the costs of either (i) travel and food for program staff and chauffeurs conducting a supervision mission outside of their base location, or (ii) time spent in training by training participants. Based on the OIG's document analysis, *per diem* payments accounted for at least USD 791,492 of total grant expenditures across all four grants (this amount does not include the related expenses such as hotel stays and fuel expenditures).[90]

The OIG found strong evidence that program officials across both Malaria and TB programs forged signatures of *per diem* recipients on the *per diem* sheets submitted to justify program expenditures. The OIG performed a signature analysis of all signatures appearing on every *per diem* sheet for Malaria Rounds 1, 6, and 7[91] in which it (i) identified names that repeated more than once across different *per diem* sheets, and (ii) compared the accompanying signatures across the two or more sheets.[92] Of the 2,271 *per diem* sheets reviewed, the OIG found at least 666 pages that contained at least one fake signature.[93] In addition to these discrepancies, the *per diem* sheets exhibited suspicious patterns and other indicators of forgery and fraud. Signatures accompanying names appeared either completely invented (*e.g.*, a smiley face, plus sign, etc.) or they appeared written in the same handwriting across the entire page listing multiple *per diem* recipients. The OIG identified an additional 289 *per diem* sheets with highly suspicious signatures.

In the example below, all signatures of alleged supervisors for the region of Koulikoro listed on the *per diem* sheets resemble the handwriting of PNLP Coordinator Individual D, whose authentic signature appears at the bottom.[94] As the right column demonstrates, every name on this page was matched to the same name on other *per diem* sheets. In every case, the signatures accompanying the names were different from the signatures on the suspicious page. In some cases (*i.e.*, the first three names) every page bearing the participant's name was accompanied by a different signature—raising suspicion about the authenticity of all of the signatures—and in others (*i.e.*, the last two names) signatures repeated across some of the *per diem* sheets—increasing the likelihood that the consistent signatures were authentic.

[90] CFA 376,759,192

[91] Since the number of documents for Round 4 exceeded the total number of documents provided under Rounds 1, 6, and 7, OIG did not complete this analysis for Round 4 due to time and resource constraints.

[92] OIG considered titles, names, locations, and roles to ensure that the names represented the same individual.

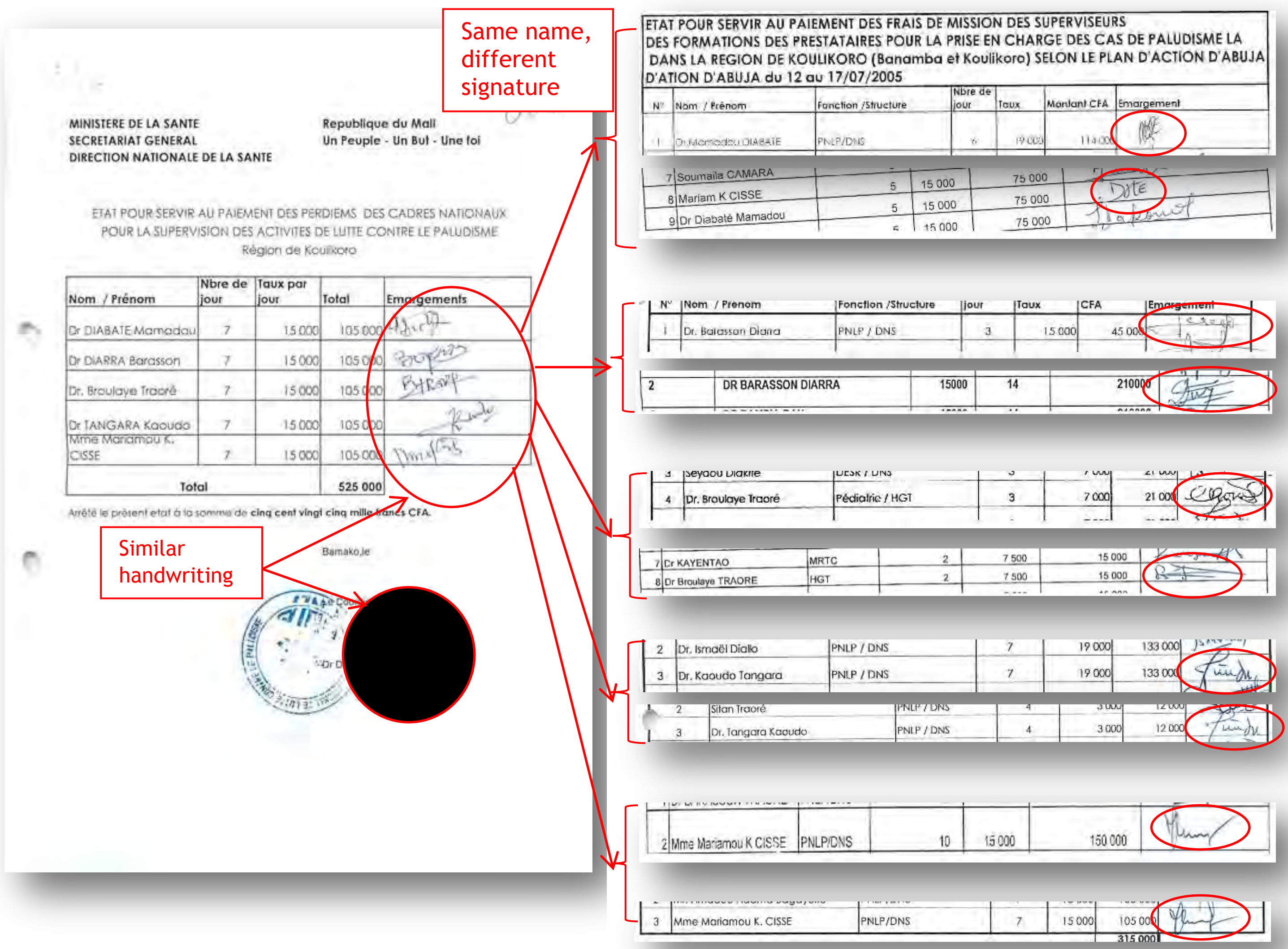
[93] Due to time restrictions, OIG did not review every single signature on a page, as some pages could include up to 30 names. Once OIG confirmed at least one fake signature, it categorized the entire sheet as tainted.

[94] OIG has determined that Individual D's signature is authentic because it resembles all other Individual D signatures across all PNLP documents.

Individual D is presently detained by Malian authorities on the basis of DAF accountant Individual A's statements that Individual A gave money to Individual D.

Per diem **sheet with signatures in handwriting similar to PNLP Coordinator Individual D (at bottom)[95]**

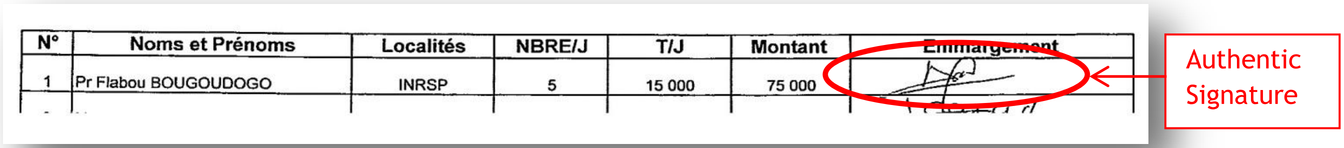
Conflicting signatures of the same individuals from other *per diem* sheets[96]



[95] R1/4981
[96] From top to bottom: R1/4185, R1/4697, R6/2844, R1/129, R1/1668, R1/4522, R1,1174, R1/1455, R1/4951, and R1/789

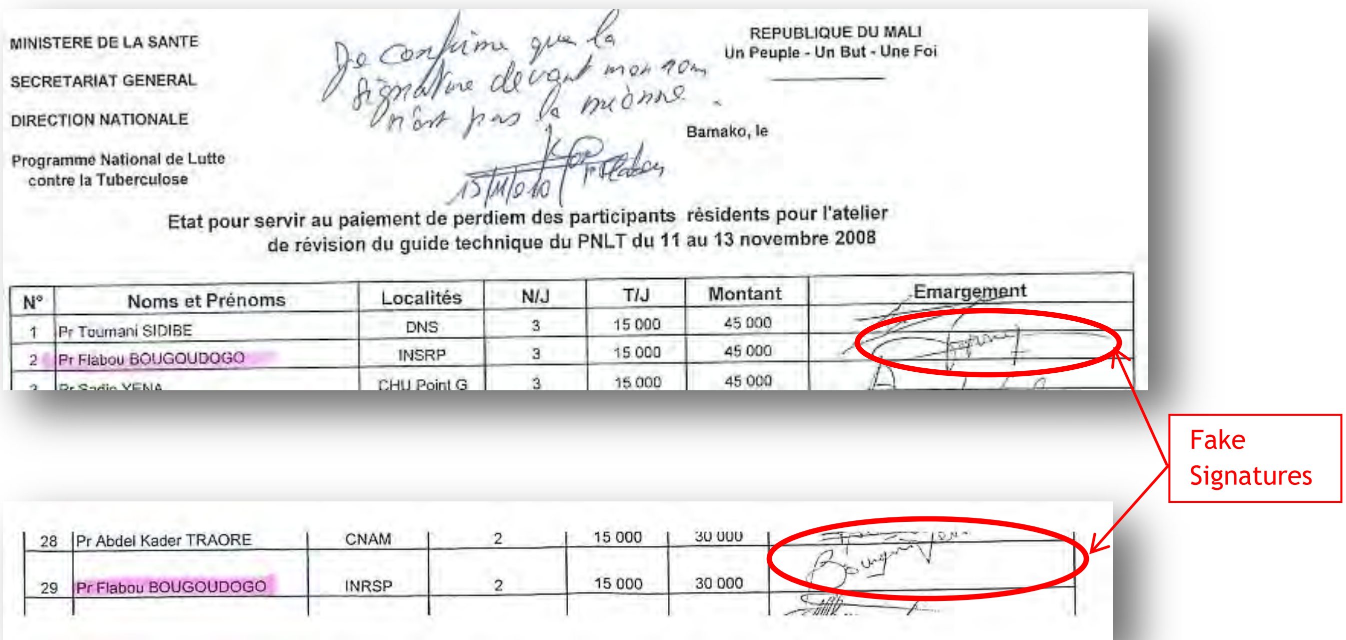
Indeed, the OIG was able to obtain confirmation from the General Director of the Malian National Health Laboratory, INRSP, that his signature was indeed forged on two documents.

Real signature as confirmed by Dr. Flabou Bougoudogo of INRSP[97]



N°	Noms et Prénoms	Localités	NBRE/J	T/J	Montant	Emmargement
1	Pr Flabou BOUGOUDOGO	INRSP	5	15 000	75 000	

Fake signatures which Dr. Bougoudogo confirmed were not his own[98]



MINISTERE DE LA SANTE
SECRETARIAT GENERAL
DIRECTION NATIONALE
Programme National de Lutte contre la Tuberculose

REPUBLIQUE DU MALI
Un Peuple - Un But - Une Foi

Je confirme que la signature devant mon nom n'est pas la même.
15/11/2010

Bamako, le

Etat pour servir au paiement de perdiem des participants résidents pour l'atelier de révision du guide technique du PNLT du 11 au 13 novembre 2008

N°	Noms et Prénoms	Localités	N/J	T/J	Montant	Emargement
1	Pr Toumani SIDIBE	DNS	3	15 000	45 000	
2	Pr Flabou BOUGOUDOGO	INSRP	3	15 000	45 000	
3	Pr Sadio YENA	CHU Point G	3	15 000	45 000	

28	Pr Abdel Kader TRAORE	CNAM	2	15 000	30 000	
29	Pr Flabou BOUGOUDOGO	INRSP	2	15 000	30 000	

For reasons of resources, safety concerns, and the availability of signatories, the OIG was not able to reach all of the individuals to confirm the authenticity of their signatures.[99] Often, however, circumstantial evidence—such as when fake vendor invoices accompanied the *per diem* to justify the same activity and withdrawal—allows for a reasonable conclusion that the signatures were false. Regardless, the OIG has not included in its analysis, or loss computation, those suspicious signatures that were not supported as false by some other piece of evidence. *As such, the loss amount could indeed be higher than presently calculated.*

[97] R4e/5321
[98] R7/2476 and R7/1659
[99] Therefore OIG was not able to establish with substantial and credible evidence each incident of forgery. At a minimum, therefore, conflicting signatures signified at least one was false (there is a 50 percent chance that each one is false).

3. Officials Assembled False Document Packages to Simulate Expenditures during Program Implementation

The false invoices, mission orders, and *per diem* sheets submitted did not appear in isolation from each other. In practice, these documents were submitted to justify a single withdrawal, which had been originally made in response to a proposed budget for a program activity. Consequently, documents justifying a single withdrawal usually reflected the diverse assortment of expenditures needed to perform a planned activity, such as the training of doctors in a region (*i.e.,* the collection of documents would typically include *per diem* sheets, fuel receipts, hotel invoices, food receipts, etc.).

The OIG was not always able to positively confirm fraud for each and every document within group of documents submitted to justify a single withdrawal/activity. For example, while the OIG may have proven with substantial and credible evidence that the hotel receipt was created on the program director's computer that the *per diem* sheets included forged signatures, the OIG might not have been able to prove to the same degree that the related food and fuel receipts—on their own, in isolation from the other documents—were fraudulent. In the vast majority of these cases, those documents exhibited strong red flags of probable fraud, such as formatting similarities across different vendor invoices, lack of contact information on invoices, date inconsistencies, etc. Furthermore, they aimed to justify the same withdrawal as the documents the OIG found to be fraudulent, further strengthening the suspicious nature all the documents in the submission. The OIG therefore considered documents with red flags as circumstantial evidence that further confirmed fraud.

This totality of the evidence, in turn, raised serious suspicion as to whether the activity alleged by the documents ever actually occurred. It is, in fact, unclear whether the fraudulent documentation was used to completely fabricate entire activities (*i.e.,* a training or supervision mission that never really occurred) or to inflate the price of real expenditures (*i.e.,* overcharge for a hotel room or fuel), or a combination of both (*i.e.,* send two people to a region for three days, but charge for five people for a week). Regardless, it is clear that GF funds were not used for their intended purpose in their entirety.

The OIG found 103 withdrawals, totaling USD 941,123[100] in which there existed at least one document that, on its own, was proven fraudulent with substantial and credible evidence, and which was accompanied by other documents exhibiting corroborating evidence of fraud.[101]

[100] CFA 447,974,548

[101] OIG notes that this amount is most probably understated. OIG typically halted investigative research on a particular withdrawal once one or several expenditures within that withdrawal were confirmed as fraudulent. There are likely additional red flags of fraud related to these tainted withdrawals that have not been identified and captured by OIG.

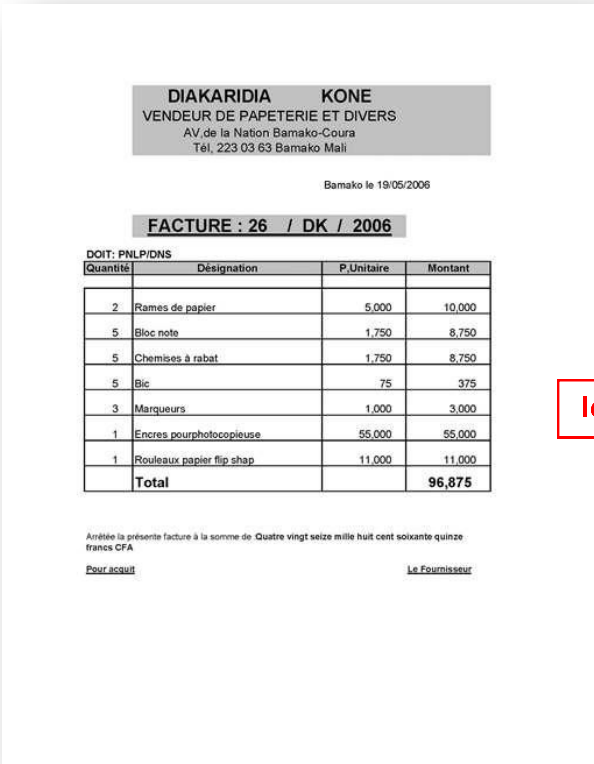
a) DAF Created False Supporting Documentation

The OIG reviewed the case of one alleged supervision mission for USD 10,504[102] allegedly performed by the Malaria PNLP program in May 2006, to eight districts over the course of 15 days. Every document supporting the withdrawal for this activity exhibited either evidence or red flags of fraud, and it appears that the DAF accountant played a central role in creating the fraudulent documentation:

- **Decharge made to DAF Accountant** Individual A**:** Banking records show that the DAF registrar Individual F withdrew USD 10,504 on June 23, 2006 by way of check # 1646507.[103] DAF discharge documents indicate that this amount was remitted to the DAF account Individual A, in contravention of established controls.
- **Invoice on DAF Accountant's computer:** The invoice purportedly supporting the purchase of office supplies was an identical match to an invoice found on DAF accountant Individual A computer.[104] This suggests that the expenditure was not incurred by PNLP at all and that Individual A likely retained the benefit of this amount by creating the fictitious documentation.

[102] CFA 5,000,000
[103] CFA 5,000,000
[104] The file name in which this document was found was "Facture_Fournisier_PNLP.xls" or as translated: "Vendor_Invoice_PNLP.xls"

Document found on Individual A's computer[105]



DIAKARIDIA KONE
VENDEUR DE PAPETERIE ET DIVERS
AV.de la Nation Bamako-Coura
Tél, 223 03 63 Bamako Mali

Bamako le 19/05/2006

FACTURE : 26 / DK / 2006

DOIT: PNLP/DNS

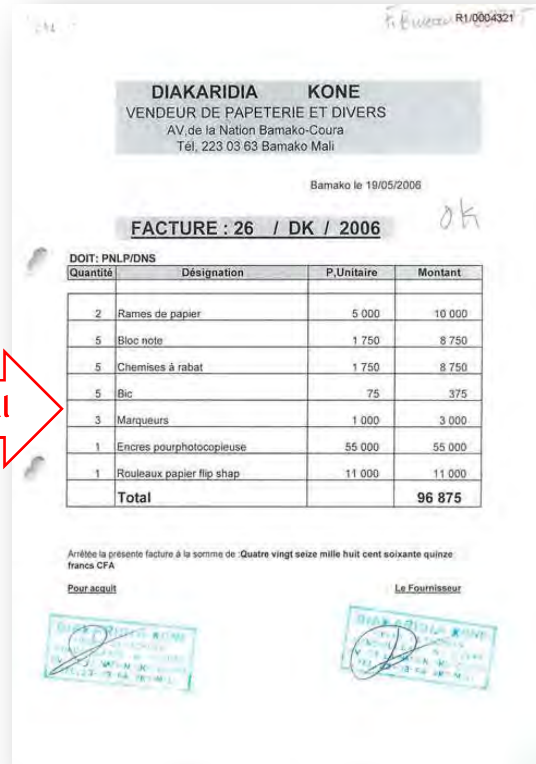
Quantité	Désignation	P.Unitaire	Montant
2	Rames de papier	5,000	10,000
5	Bloc note	1,750	8,750
5	Chemises à rabat	1,750	8,750
5	Bic	75	375
3	Marqueurs	1,000	3,000
1	Encres pourphotocopieuse	55,000	55,000
1	Rouleaux papier flip shap	11,000	11,000
	Total		96,875

Arrêtée la présente facture à la somme de Quatre vingt seize mille huit cent soixante quinze francs CFA

Pour acquit — Le Fournisseur

Identical

Document maintained by DAF in support of bank withdrawal[106]



R1/0004321

DIAKARIDIA KONE
VENDEUR DE PAPETERIE ET DIVERS
AV.de la Nation Bamako-Coura
Tél, 223 03 63 Bamako Mali

Bamako le 19/05/2006

FACTURE : 26 / DK / 2006

ok

DOIT: PNLP/DNS

Quantité	Désignation	P.Unitaire	Montant
2	Rames de papier	5 000	10 000
5	Bloc note	1 750	8 750
5	Chemises à rabat	1 750	8 750
5	Bic	75	375
3	Marqueurs	1 000	3 000
1	Encres pourphotocopieuse	55 000	55 000
1	Rouleaux papier flip shap	11 000	11 000
	Total		96 875

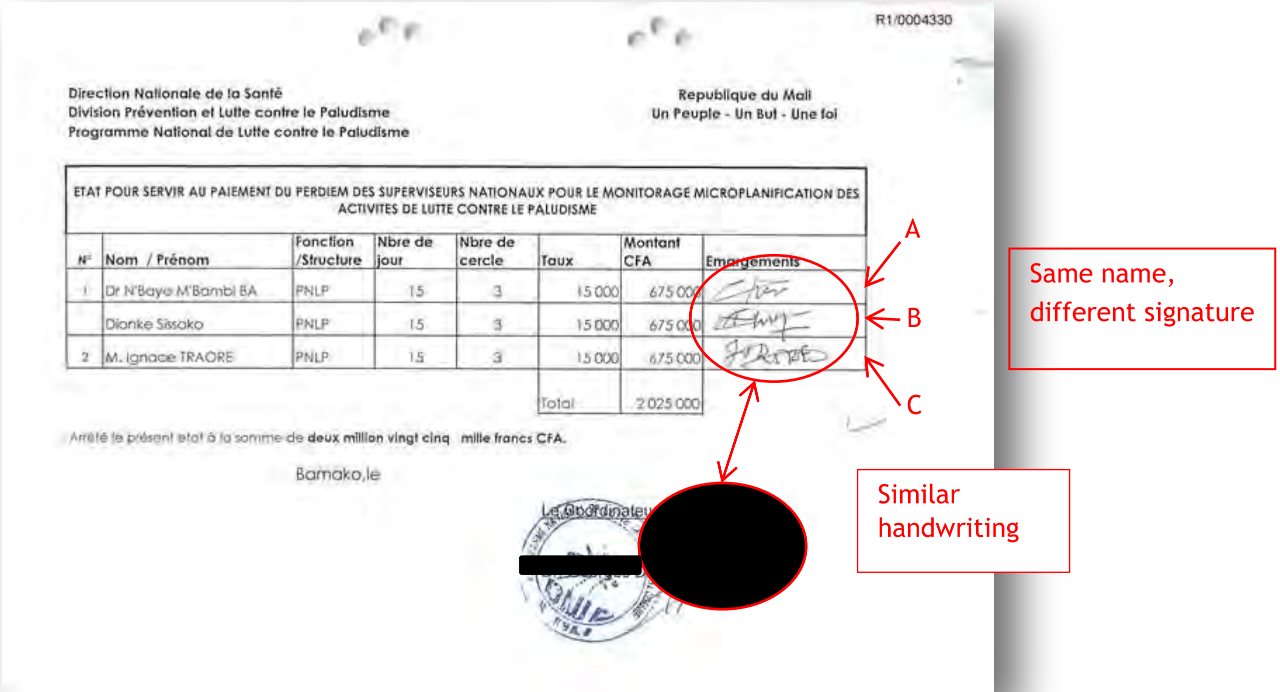
Arrêtée la présente facture à la somme de :Quatre vingt seize mille huit cent soixante quinze francs CFA

Pour acquit — Le Fournisseur

- **Fake Signatures:** Expenditure documents also included *per diem* sheets allegedly recording the receipt of *per diem* payments by the supervisors and chauffeurs. Based on OIG's signature analysis, it appears that all of the signatures on the *per diem* pages were forged. The handwriting on the page shown below, as well as on all the chauffer *per diem*, resembles the signature of Individual D, PNLP Coordinator.

105 HD10:214898.xls, Sheet FACT DK
106 R1/4321

Per Diem sheet bearing all fake signatures that appear written by PNLP Coordinator[107]



R1/0004330

Direction Nationale de la Santé
Division Prévention et Lutte contre le Paludisme
Programme National de Lutte contre le Paludisme

Republique du Mali
Un Peuple - Un But - Une foi

ETAT POUR SERVIR AU PAIEMENT DU PERDIEM DES SUPERVISEURS NATIONAUX POUR LE MONITORAGE MICROPLANIFICATION DES ACTIVITES DE LUTTE CONTRE LE PALUDISME

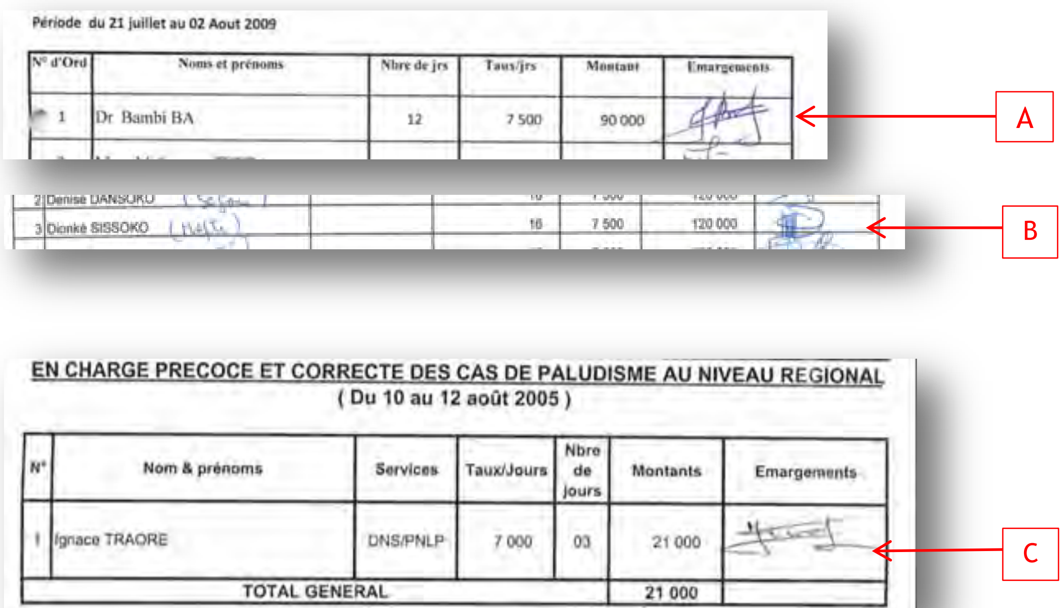
N°	Nom / Prénom	Fonction /Structure	Nbre de jour	Nbre de cercle	Taux	Montant CFA	Emargements
1	Dr N'Baye M'Bambi BA	PNLP	15	3	15 000	675 000	
	Dionke Sissoko	PNLP	15	3	15 000	675 000	
2	M. Ignace TRAORE	PNLP	15	3	15 000	675 000	
					Total	2 025 000	

Arrêté le présent etat à la somme de deux million vingt cinq mille francs CFA.

Bamako,le

Le Coordinateur [redacted]

Other *per diem* sheets with same names but different signatures:



Période du 21 juillet au 02 Aout 2009

N° d'Ord	Noms et prénoms	Nbre de jrs	Taux/jrs	Montant	Emargements
1	Dr Bambi BA	12	7 500	90 000	

2	Denise DANSOKO				
3	Dionké SISSOKO	16	7 500	120 000	

EN CHARGE PRECOCE ET CORRECTE DES CAS DE PALUDISME AU NIVEAU REGIONAL
(Du 10 au 12 août 2005)

N°	Nom & prénoms	Services	Taux/Jours	Nbre de jours	Montants	Emargements
1	Ignace TRAORE	DNS/PNLP	7 000	03	21 000	
	TOTAL GENERAL				21 000	

[107] R1/4330, as compared with R6/822, R1/1278, and R1/4430, from top to bottom.

- **Suspicious fuel and car parts invoices:**
    i. The supporting documentation included two different hand-written fuel receipts for exactly 1,788.57 liters each (an oddly identical and excessive amount) on two separate days, May 19, 2006 and May 21, 2006, priced at the same amount from two allegedly separate gas stations, although the handwriting on the receipt was identical.[108]
    ii. Two hand-written receipts for exactly the same amounts of car parts and oil, written out in exactly the same order in identical handwriting, for the same price, on two days that were two days apart: May 19, 2006 and May 21, 2006.[109]

In summary, this CFA 5,000,000 withdrawal was supported by (1) a fake invoice created by the DAF accountant, (2) fake *per diem* sheets with forged signatures apparently created by the head of PNLP and (3) fake handwritten fuel and car maintenance receipts, including receipts for impossibly large amounts of fuel. This case highlights the likely possibility that fraud was not only perpetrated in isolation, but that individuals within the DAF and the programs colluded to defraud the program. In fact, these materials constitute circumstantial evidence of this fact. Indeed, this conclusion is bolstered by Individual A's own admission that he gave illicit cash to Individual D.[110]

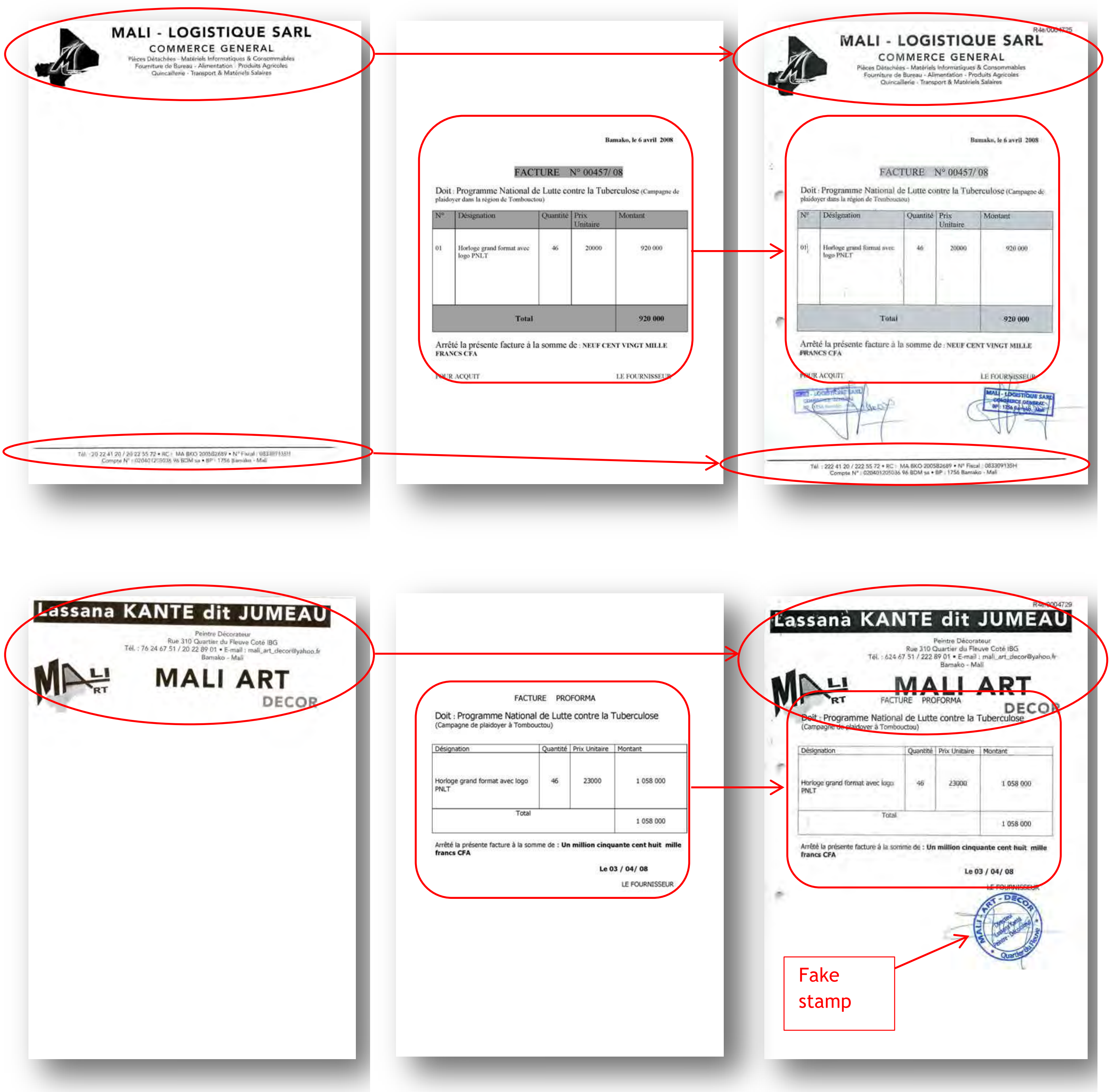
b) PNLT Created False Supporting Documentation

Under TB Round 4, OIG identified a check withdrawal by DAF registrar Individual F on April 14, 2008 in the amount of USD 8,315 that was intended to cover the costs of a community leadership advocacy campaign.[111] A large majority of related supporting documentation allegedly justifying expenses for this activity exhibited evidence and indicators of fraud:

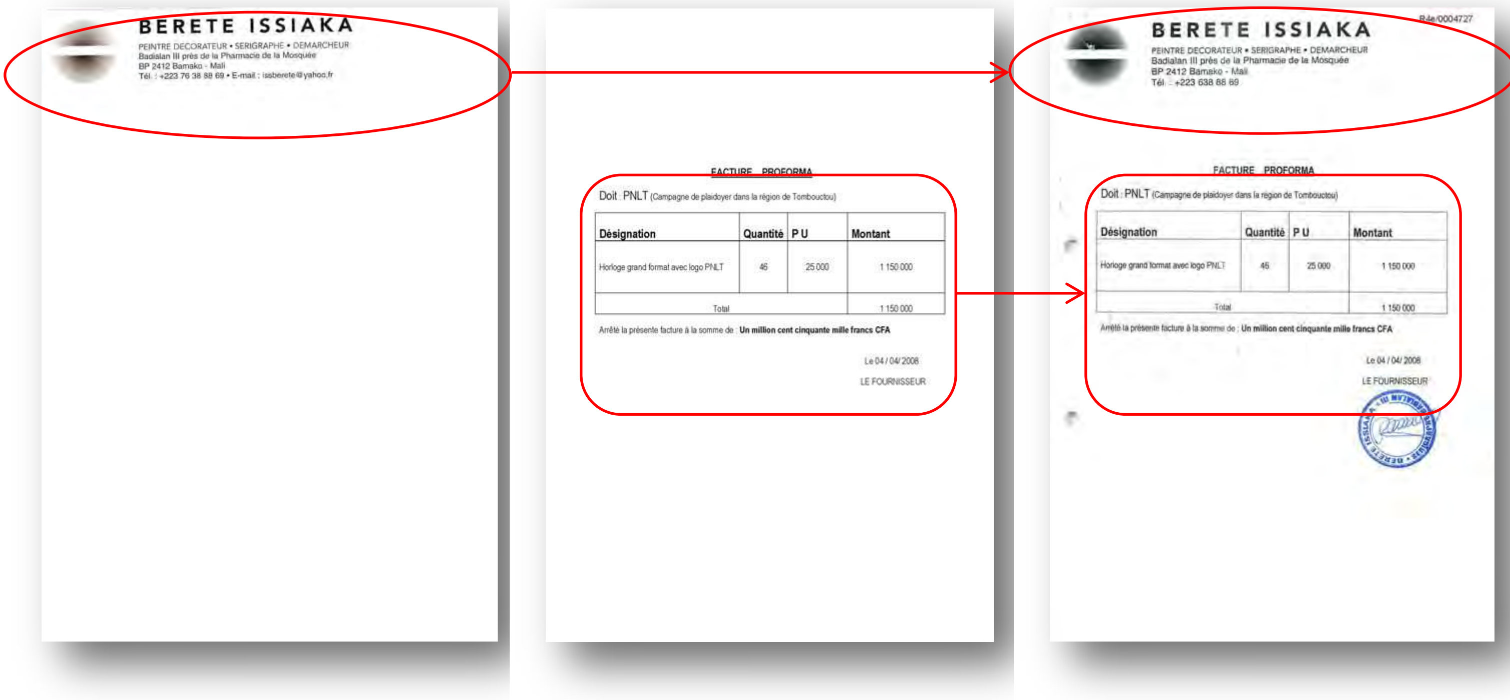
- **Vendor Bids and Invoices on PNLT Computers:** The OIG identified a file on Individual B's computer which contained separate templates of both the headers and the bodies of the bids and invoices submitted for a USD 1,933 charge from Mali Logistique and competing vendors Mali Art Décor and Issiake Berete.[112] The body templates were created on April 15, 2008, twelve days after the date listed on the invoice. In addition, the bid from Mali Art Décor included a stamp identical to the one found in Individual C's cache.[113] A person answering the phone provided on the bid bearing the name of Issiake Berete told the OIG that the business had been closed since 2003, whereas this bid was dated April 4, 2008.

[108] R1/4325
[109] R1/4324
[110] As disclosed by confidential government witness
[111] CFA 3,958,405 on check #2578445.
[112] CFA 920,000
[113] Individual C's stamp cache included stamps for the other two vendors—Issiaka Berethe and Mali Logistique—but they were shaped as rectangles, whereas the stamps on these pages are circular.

Header on Individual B's Computer[114] | Body text on Individual B's Computer[115] | Identical invoice & competing bids[116]



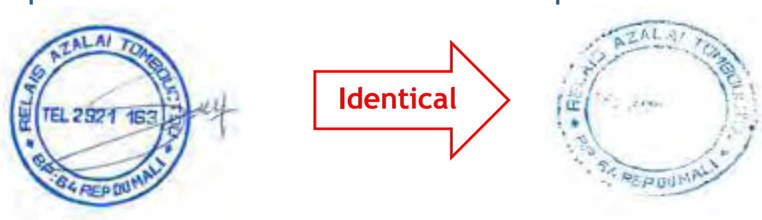
114 From top to bottom, HD2-Scan0007.tif; HD2-Scan0008.tif; and HD2-0009.tif
115 6225.doc (all three pages are in one document)
116 R4e/4725, 4727, 4729



- **Fake Vendor Stamps:** Stamps on the following vendor invoices matched the stamps recovered from Individual C's cache:

  (i) Four hotel receipts totaling USD 1,691[117] allegedly from Hotel Relais Azalai:[118]

  Stamp on Hotel Ralais Azalai invoices[119] Stamp from Individual C's cache



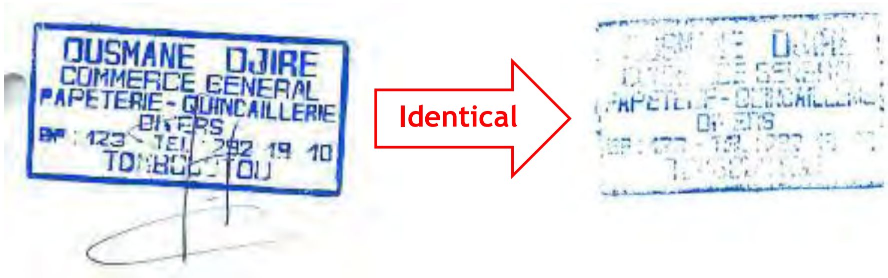
  (i) A USD 420 charge from Radio Bouctou for media coverage:[120]

  Stamp on Radio Bouctou invoice[121] Stamp from Individual C's cache

[117] CFA 805,000
[118] OIG also found these receipts on Individual C's desk.
[119] R4e/4744, 46, 48, and 50.
[120] CFA 200,000
[121] R4e/4722

(ii) Two food receipts from vendor Ousmane Djire in the amount of USD 374[122] and USD 690:[123]

Stamp on Ousmane Djire invoice[124] **Stamp from Individual C's cache**



- **Other red flags on vendor invoices:**
  - (i) An invoice from Ets Adama Souleymane Coulibaly for USD 368 for auto parts was suspicious because the vendor who answered to the phone number on the invoice stated that he does not sell auto parts.[125]
  - (ii) A confidential witness, deemed credible, has informed the OIG that all invoices issued by fuel station Station Total Point Richard are fraudulent. OIG found one invoice for USD 690 for this vendor among the supporting documentation for this withdrawal.[126]

- **Government stamps held by Individual C:** The OIG identified Tombouctou DRS documents totaling USD 1,744 that bore stamps identical to the stamps in Individual C's cache.[127] Examples of matches between the government documents and the stamps recovered from Individual C's cache follow:

[122] CFA 114,300
[123] CFA 178,000
[124] R4e/4708 and 4735
[125] CFA 175,000, p. R4e/4752
[126] CFA 328,600, p. R4e/4717
[127] CFA 830,000.00

(i) *Per diem* for participants, support staff, and regional facilitators, along with "arrival" and "departure" confirmations and transportation *per diem* charges were purportedly signed by le Comptable and le Directeur in Tombouctou. They matched Individual C's cache of stamps identically.

Stamps on transport *per diems*[128]

(ii) Further, the participant signatures accompanying many of the stamped pages were highly suspicious. Indeed, OIG found that seven of these names appeared in other *per diem* sheets and were accompanied with different signatures.[129]

Attendance Lists with signatures that appear to be written in the same handwriting[130]

R4e/0004711

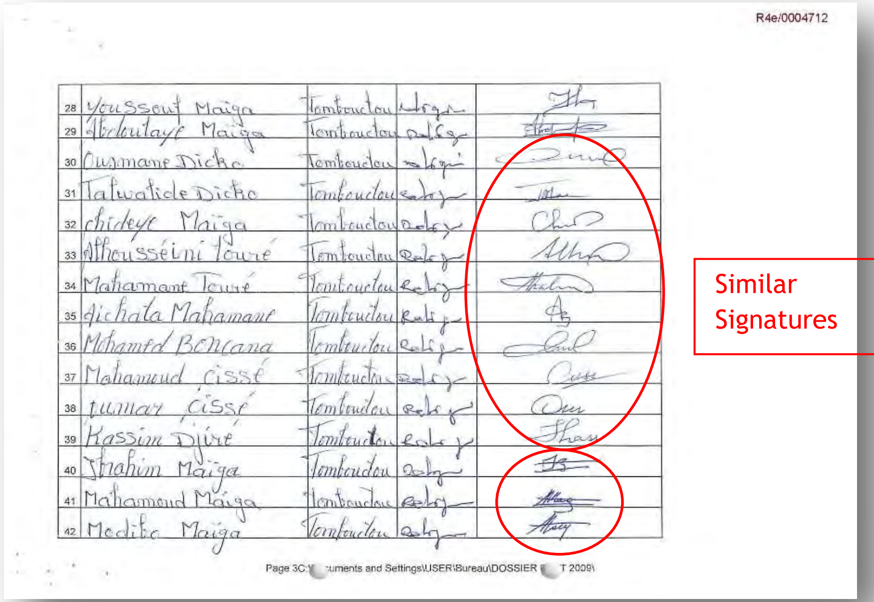
12	~~Chiedaye~~ Abdin Ag Aly	Tombouctou	[illegible]	Aly
13	Mohamed Maïga	Niafunké	[illegible]	[illegible]
14	Mahamane Touré	Niafunké	[illegible]	[illegible]
15	Moulaye HaiDara	Niafunké	[illegible]	[illegible]
16	Mohamed Dicko	Niafunké	[illegible]	[illegible]
17	Mahamane Sangaré	Goundam	[illegible]	[illegible]
18	yéhiya Traoré	Goundam	[illegible]	[illegible]
19	Aly Tounkara	Goundam	[illegible]	[illegible]
20	Mossa yattara	Goundam	[illegible]	[illegible]
21	Mahamane Tandina	Tombouctou	[illegible]	[illegible]
22	Moulaye HAIDara	Tombouctou	[illegible]	[illegible]
23	Moulaye ould Mohamed	Tombouctou	[illegible]	[illegible]
24	Fadimata walett Mohamed	Tombouctou	[illegible]	Fa
25	Tidou Maïga	Tombouctou	[illegible]	[illegible]
26	Zeina walett Mahamoud	Tombouctou	[illegible]	[illegible]
27	Mohamed Ag Mahamoud		[illegible]	[illegible]

Page 2C:\...cuments and Settings\USER\Bureau\DOSSIER ... T 2009\

[128] R4e/4742, 00, 02, 05, 37, 61, and 4696

[129] Since the sheet recorded names of participants and not PNLT staff, there existed 1) a likelihood that more than one person had the same name and 2) too little additional information (*i.e.*, profession, organization) to clearly establish that the same individual signed across two sheets.

[130] R4e/4711, R4e/4712



28	Youssouf Maiga	Tombouctou	[illegible]	
29	Abdoulaye Maiga	Tombouctou	[illegible]	
30	Ousmane Dicko	Tombouctou	[illegible]	
31	Talwatide Dicko	Tombouctou	[illegible]	
32	chideye Maiga	Tombouctou	[illegible]	
33	Alhousséini Touré	Tombouctou	[illegible]	
34	Mahamane Touré	Tombouctou	[illegible]	
35	Aichata Mahamane	Tombouctou	[illegible]	
36	Mohamed Bencana	Tombouctou	[illegible]	
37	Mahamoud Cissé	Tombouctou	[illegible]	
38	Oumar Cissé	Tombouctou	[illegible]	
39	Kassim Djiré	Tombouctou	[illegible]	
40	Ibrahim Maiga	Tombouctou	[illegible]	
41	Mahamoud Maiga	Tombouctou	[illegible]	
42	Modibo Maiga	Tombouctou	[illegible]	

Page 3C:\ ...uments and Settings\USER\Bureau\DOSSIER ... T 2009\

- **Double billing: The** OIG found that a check in this exact amount also was issued to the DRS of Tombouctou on March 27, 2008.[131] In its response to the Mali State auditors, the DAF confirmed that one of the schemes employed related to the multiple submission of the same activity budget for purpose of misappropriating the duplicate amount. It is highly likely, given the confirmed fraud and other red flags, that the budget for this Tombouctou training event was submitted twice and therefore that the funds were misappropriated. Again, because Individual A from the DAF handled the cash and PNLT officials created the fake documents, it is reasonable to conclude, based upon a preponderance of the evidence, that the parties acted in collusion with one another to misappropriate this amount.[132]

In another example of PNLT withdrawals tainted by fraud has to do with the alleged training of monitors in the region of Kayes during June 2009. DAF registrar Individual F withdrew USD 2,180 from the program bank account for this activity on January 29, 2009 via check #3138627.[133] Each of the documents allegedly supporting this withdrawal exhibited evidence of fraud.

---

[131] Check #2578359

[132] Draft of DAF's response to the State Auditor, "*Commentaires sur le Rapport Provisoire Issu du la Verification Effectuee par le Controle General Des Services Publics Portant sur les Subventions Allouees par le Fonds Mondial Pour la Lutte Contre Le Paludisme et la Tuberculose*" dated 3 march 2010, p. 6, which stated, "*Il s'agit là également de cas d'utilisation multiples par le comptable de la même requête pour sortir plusieurs fois des fonds pour un même activité.*"

[133] CFA 1,037,680

- **Documents found on PNLT computers:**
  (i) The alleged purchase of 20 backpacks for USD 420[134] was supported by a Fabou Gakou invoice,[135] with competing bids bearing the names of vendors Mamadou Kaloga[136] and Ousmane Dabo.[137] All of these invoices were found to be exact matches to the files found on the computer used by PNLT officials.

  (ii) Three invoices totaling USD 819,[138] which bore the name of Hotel Kamankole Palace, identically matched the invoices on the PNLT computers, and the stamp matched the stamp found in PNLT official Individual C's cache.[139]

  (iii) The mission order matched all characteristics of the multiple mission order files found on the PNLT computers.[140]

- **Fraud confirmation by vendor:** The alleged purchase of paper and office supplies for USD 208[141] was supported by a Le Globe invoice[142] with competing bids bearing the names of Oumar Diallo[143] and Aliou Traore.[144] The managers of Aliou Traore told the OIG on April 1, 2010, that a bid exactly matching the invoice in this submission was false and that the shop had been closed since 2006.[145] All of the vendors' invoices, albeit not identical to the ones submitted here, were found on the computers reportedly used by PNLT officials.

- **Fraudulent fuel invoice and excessive fuel:** Although the documents evidence the purported use of one vehicle and one chauffeur, the fuel invoice from Station Total Pont Richard for this expenditure recorded a single purchase of 446.97 liters of fuel. It is impossible for one vehicle to hold that amount of fuel at any one time. A confidential witness further informed the OIG that all invoices bearing this vendor's name were fraudulent.

- **No *per diem* sheets for participants:** Despite the fact that the purpose of the travel and hotel stays was to train monitors, the supporting documentation for this withdrawal included no *per diem* or sign in sheets recording the presence of monitors who were trained.

[134] CFA 200,000
[135] R4f/4078
[136] R4f/4081
[137] R4f/4082
[138] CFA 390,000
[139] R4f/4072-74
[140] R4f/4070
[141] CFA 99,000
[142] R4f/4083
[143] R4f/4087
[144] R4f/4088
[145] R7/1190

c) *Fraud in PNLP Supporting Documentation*

OIG also found cases of fraudulent expenditures submitted by the PNLP, as detailed below:

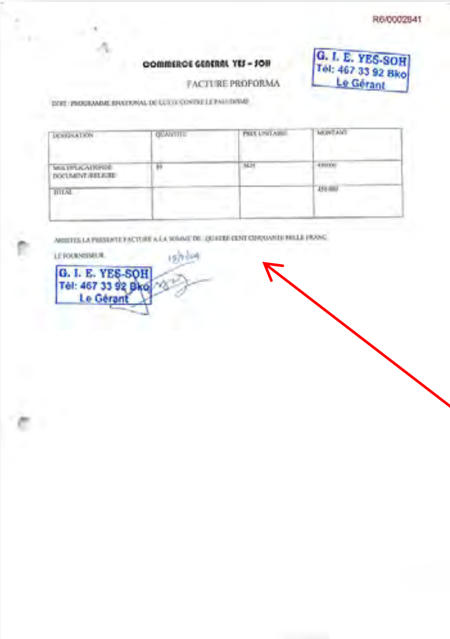
On September 15, 2008, a check[146] for USD 37,772[147] was issued to purportedly fund a "Study on the Quality of Care of Malaria Cases."[148] Activities allegedly included preparation of a protocol and questionnaire, validation, dissemination, and an investigative phase. The check was issued by DAF registrar Individual F and, according to four discharges issued between late 2008 and early 2009; the amount was given in cash to the former accountant of the PNLP.[149]

The OIG found the following indicators of fraud in the supporting documentation for this expense:

- **Fraudulent Bids:** The study included the costs of making copies as well as the purchase of food and drinks.[150] Documents evidencing six bidding processes were submitted, and all of the bids—from both the copy stores and the restaurants—resembled each other identically in terms of formatting, spacing, and language, with only the font style changing across the bids. The likelihood that six different vendors, supplying two extremely diverse services and goods, issued such strikingly similar invoices is small. Rather, it appears that one person produced all of the invoices him or herself.

[146] Check number 0154327
[147] CFA 17,979,297
[148] "Pièces justificatives de L'Etude sure la Qualité de la Prise en Charge des Cas de Paludisme," see Bates R6/2826.
[149] The funds were given to PNLP in four installments, first on November 6, 2008 in the value of CFA 5 million, then on November 28, 2008 in the value of CFA 5 million, then on January 19, 2009 in the value of CFA 5 million, and finally on February 3, 2009 in the value of 2, 979, 397.
[150] In January and February 2009

Competing bids for provision of copy services[151]


R6/0002841

COMMERCE GENERAL YES – SOH

G. I. E. YES-SOH
Tél: 467 33 92 Bko
Le Gérant

FACTURE PROFORMA

DOIT : PROGRAMME NATIONAL DE LUTTE CONTRE LE PALUDISME

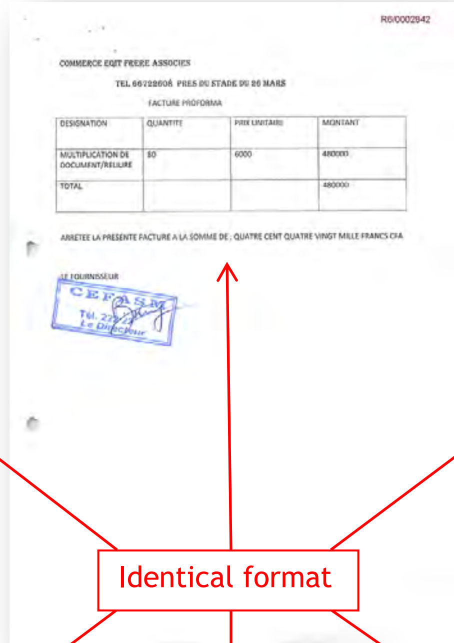
DESIGNATION	QUANTITE	PRIX UNITAIRE	MONTANT
MULTIPLICATION DE DOCUMENT /RELIURE	[illegible]	[illegible]	[illegible]
TOTAL			[illegible]

ARRETEE LA PRESENTE FACTURE A LA SOMME DE : QUATRE CENT CINQUANTE MILLE FRANC

LE FOURNISSEUR

15/[illegible]/09

G. I. E. YES-SOH
Tél: 467 33 92 Bko
Le Gérant


R6/0002842

COMMERCE EQIT FRERE ASSOCIES

TEL 66722608 PRES DU STADE DU 26 MARS

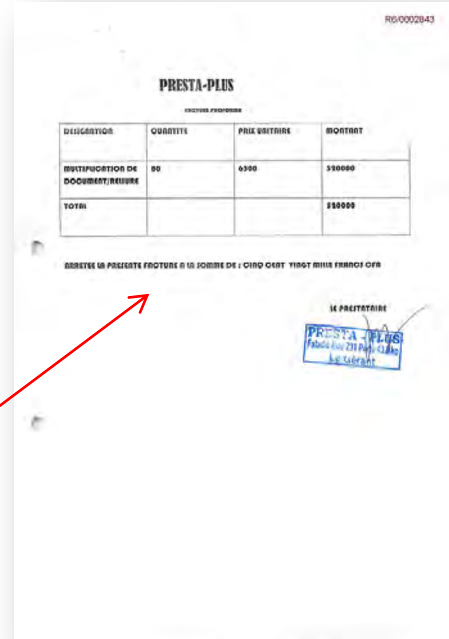
FACTURE PROFORMA

DESIGNATION	QUANTITE	PRIX UNITAIRE	MONTANT
MULTIPLICATION DE DOCUMENT/RELIURE	80	6000	480000
TOTAL			480000

ARRETEE LA PRESENTE FACTURE A LA SOMME DE ; QUATRE CENT QUATRE VINGT MILLE FRANCS CFA

LE FOURNISSEUR

CEFASM
Tél. 22[illegible]
Le Directeur


R6/0002843

PRESTA-PLUS

FACTURE PROFORMA

DESIGNATION	QUANTITE	PRIX UNITAIRE	MONTANT
MULTIPLICATION DE DOCUMENT/RELIURE	80	6500	520000
TOTAL			520000

ARRETEE LA PRESENTE FACTURE A LA SOMME DE : CINQ CENT VINGT MILLE FRANCS CFA

LE PRESTATAIRE

PRESTA - PLUS
[illegible]
Le Gérant

Identical format

Competing bids for provision of coffee and food[152]


R6/0002849

CANTINE FATY AND DILY

CANTINE
Faty and Dily
Tél: 220 60 97
Le Gérant

FACTURE PROFORMA

DOIT: PNLP

DESIGNATION	NBRE PARTICIPANT	NBRE/JRS	PRIX UNITAIRE	MONTANT
PAUSE CAFE/DEJEUNER	10	14	8000	1 120 000
TOTAL				1 120 000

ARRETTEE LA PRESENTE FACTURE A LA SOMME DE : Un Million Cent Vingt Mille francs CFA

15/01/09

LE RESTAURATEUR

CANTINE
Faty and Dily
Tél: 220 60 97
Le Gérant


R6/0002851

RESTAURANT HAOUCHEL

FACTURE PROFORMA

Doit: PNLP

designation	*nbre participant*	*nbre/jrs*	*prix unitaire*	*montant*
pause cafe/dejeuner	*10*	*14*	*9000*	*1 260 000*
total				*1 260 000*

Arrêtée la présente facture a la somme de : UN MILLION DEUX CENT SOIXANTE MILLE FRANCS CFA

13/01/09

Le Prestataire 6[illegible]


R6/0002850

« LA BONNE CUISINE »

Facture proforma

doit: Programme paludisme

designation	*nbre participant*	*nbre/jrs*	*prix unitaire*	*montant*
pause café/déjeuner	[illegible]	*14*	[illegible]	[illegible]
total				[illegible]

Arrêtée la présente facture a la somme de : un million cent quatre vingt dix mille francs cfa

[illegible]/01/09

Le directeur

RESTAURANT LA BONNE CUISINE

---

151 R6/2841-43

152 R6/2849-2851

These indicators of fraudulent bidding were further supported by vendor statements that indicated that the documents bearing their company's name were false: In two cases,[153] Commerce General Astou (CGA) bids bore a stamp and signature which the vendor had confirmed were false.[154]

Documents for Presta Plus, another alleged competing bidder in this group, also exhibited indicators of fraud: invoices from this vendor never appeared alike and the vendor allegedly sold items that are rarely sold by one company, namely paper supplies and auto parts.[155] Further the bid document did not include any contact information for this business, either address or phone number.[156] The same red flags appeared in relation to vendor G.I.E YES-SOH (G.I.E): G.I.E invoices also never appeared alike and the vendor allegedly sold items that are rarely sold by one company, namely office supplies and auto rentals.[157]

Different Headers for G.I.E. YES-SOH[158]

COMMERCE GENERAL G.I.E YES-SOH
Tel : 74 67 33 92

COMMERCE GENERAL A YESSO

GIE YES-SHO

LOCATION ET VENTE DE VEHICULES ET GROUPES ELECTROGENES

BAMAKOTEL : 20206097/4673399

[153] R6/2951 and R6/2947
[154] A company manager informed OIG that bid R6/2809 and invoice R6/2812 were false.
[155] R6/2843
[156] See R6/504, R6/1056, R6/2843,R6/2776, and R6/546
[157] The same stamp appeared across all the invoices, however.
[158] From top to bottom, R6/2783, 356, and 2770.

In the case of the food and drink expenditures, bids representing Restaurant Haouchel did not bear any stamp or contact information.[159] Invoices bearing this vendor's name—although different in appearance from the documents in this submission—were found among a pile of documents independently confirmed to be fraudulent on Individual C's desk. The OIG also identified other invoices bearing a different but similar name "Restaurant Ahouchel" with the same contact information, supporting that officials used this vendor's address and name as a basis for creating false documents. Lastly, when OIG called the contact number on other Restaurant Haouchel invoices, the person answering informed OIG that he did not run a restaurant.[160]

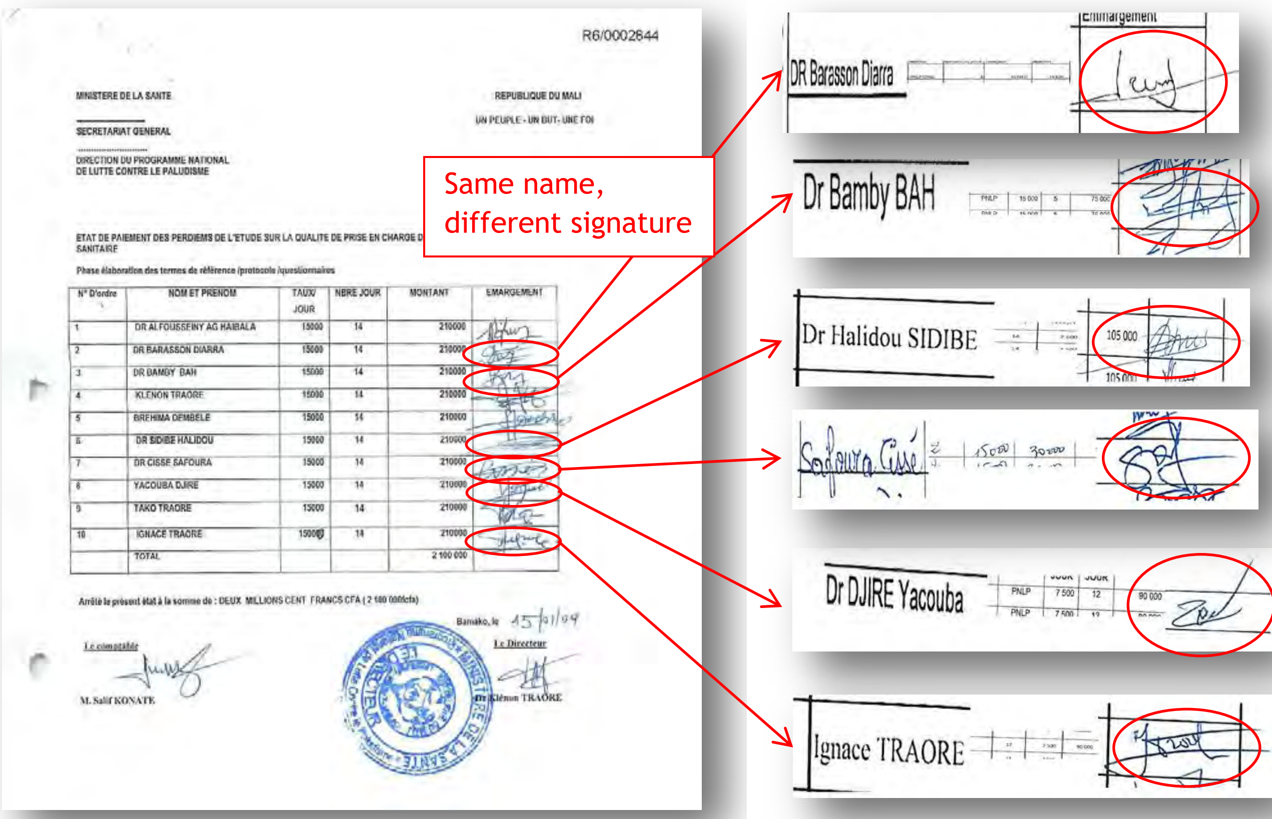
- **False Signatures:** The OIG found 17 names across the *per diem* sheets in this submission whose signatures did not match the signatures that appeared alongside the same names in other *per diem* from other submissions. This discrepancy, along with the generally suspicious appearance of most of the signatures, raises serious concerns that the signatures were forged.

[159] R6/2838 and R6/2851
[160] Contact number appears, for example, on R4f/4041.

In the case of R6/2844, for example, the OIG found that 6 out of the 11 names appearing on that page conflicted with other signatures appearing by these names. The names were: Barasson Diarra, Bamby Bah, Sidibe Halidou, Cisse Safoura, Yacouba Djire, Ignace Traore.

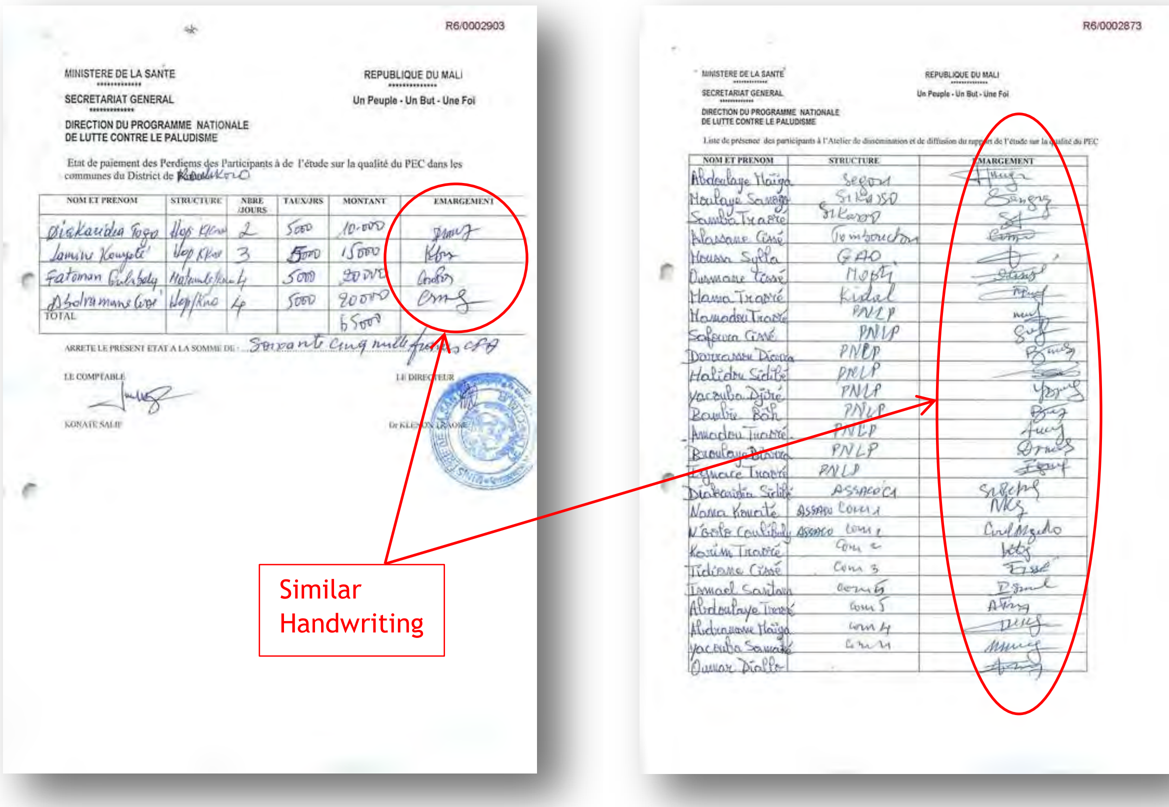
Per Diem Sheet R6/2844

Conflicting Signatures from other *Per Diem* Sheets[161]



Indeed, most signatures on *per diem* sheets submitted in support of this activity appeared inauthentic, particularly because the signatures seemed to share the same handwriting style. A few examples follow:

Examples of *per diems* with suspicious signatures[162]



- **Fraudulent and excessive fuel invoices:** The submission included two fuel invoices[163] and one vehicle maintenance bill,[164] and both fuel bills were issued in July 2009 from Station Total Camp Digue. One of the Station Total Camp Digue bills[165] recorded the sale of 481 tickets for a total of USD 5,565.[166] However, the OIG learned from the Director of Total Fuel's corporate office in Bamako that such fuel tickets cannot be purchased at local filling stations but must be done at the head office. These fuel receipts were therefore more than likely to be fraudulent. In addition, this expense included two Station Total Camp Digue invoices for excessive amounts of fuel (not tickets) totaling 1,414 liters[167] and 618 liters,[168] all in July 2009. It is virtually impossible to pump cars with such large volumes of fuel at one time.

[162] From left to right, R6/2903 and R6/2873.
[163] R6/2940, 2941
[164] R6/2932
[165] R6/2941
[166] Totaling CFA 2,406,810 or USD 5,565
[167] For CFA 770,913 or USD 1,620, at R6/2875. This invoice was also undated.

- **Suspicious hotel invoices:** The group of expenditures also included an undated invoice from a "Hotel Atlantique" in Gao.[169] OIG identified other receipts for a similarly named hotel in GAO, "Hotel Atlantide." OIG found a website for "Hotel Atlantide" that included the same phone number which appeared on this invoice, raising the suspicion that the invoice was fraudulent based on the name variation.

  In addition, three hotel invoices, dated September 30, 2009, were submitted bearing the name of the vendor Etablissements Hoteliers "SIBY," in Mopti.[170] When OIG phoned the number provided on the invoice, it was not in service. OIG also found identical copies of this hotel's invoices on the desk of Individual C of PNLT, among a group of documents that have been independently verified as fraudulent.

- **Expenses reported up to one year after funds given:** Although all funds were transferred to PNLT in cash by February 2009, most of the expenditures were dated July through October 2009, a report was issued in September 2009, and a delivery confirmation was issued on October 21, 2009, a full year after the budget for this expense was approved and all money disbursed.[171] Even accepting that the study took a year to conduct, the fact that the full amount was withdrawn up front, as opposed to in tranches throughout the year, is suspicious.

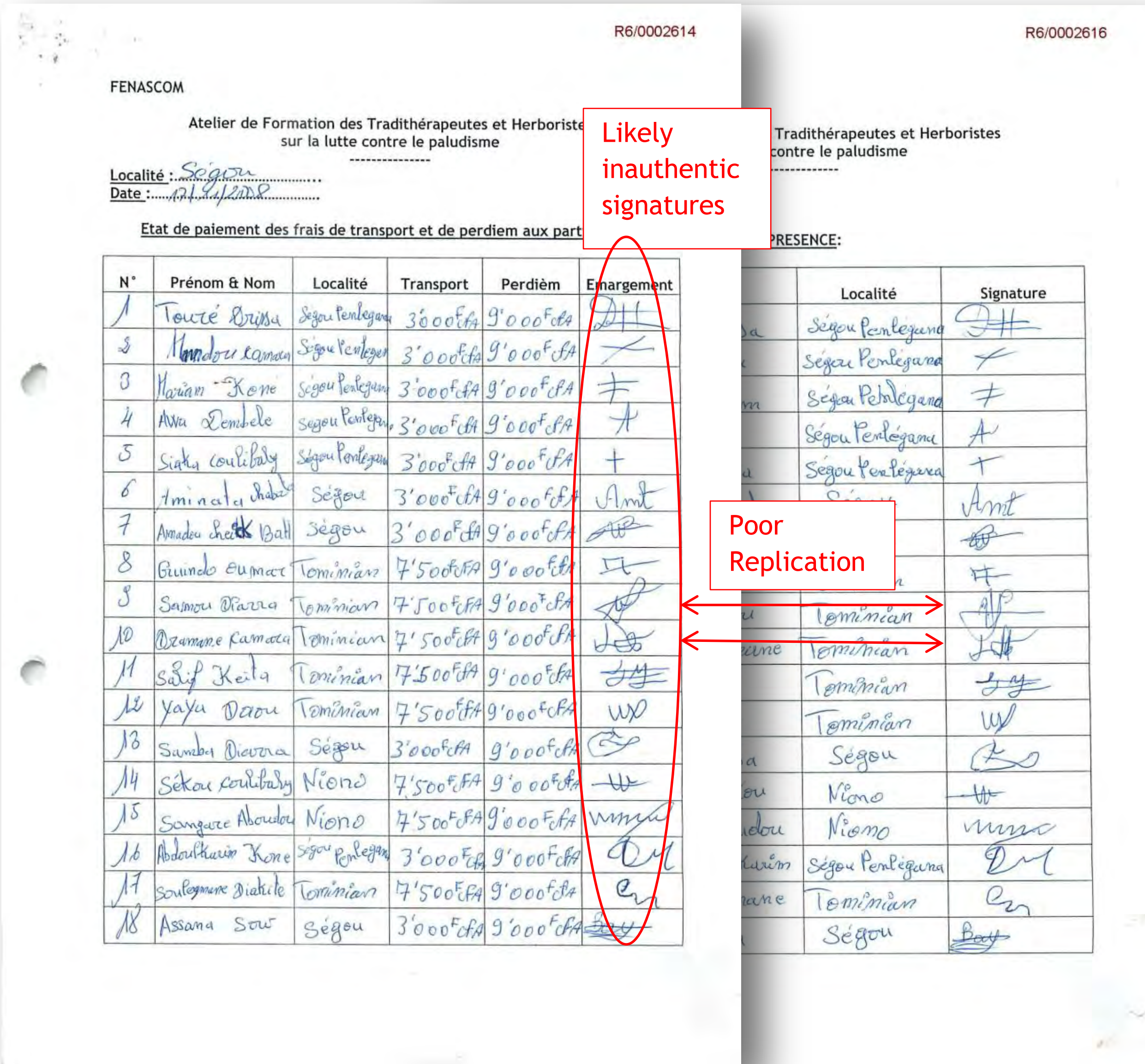
- **Invoices inconsistent with budget and reports:** The sum of the invoices provided in support of this withdrawal was deficient by USD 4,642 and there is no evidence that any of these funds were remitted to the bank account.[172] Furthermore, reports accompanying the invoices noted activities to which there seemed to be no corresponding invoices. For example, a Terms of Reference document discussed a training held on January 2–16, 2009 in Hotel Tombouctou. There was no invoice for either this hotel, fuel, or *per diem* in the supporting documentation.

As another example of fraud in PNLP withdrawals, in November 2008, the Malaria Round 6 SSR, FENASCOM, allegedly performed a training of traditional healers in Segou in the amount of USD 4,752.[173] The OIG identified the following evidence and red flags of fraud in this expense:

- **False Signatures:** The OIG identified likely forged signatures across the *per diem* pages. Overall, all of the signatures appeared to be inauthentic—in fact, in several cases it appeared that the signatory attempted to replicate the signature across a *per diem* sheet and a sign-in sheet but was unable to.

[168] For CFA 337,194 or USD 708, at R6/2940
[169] R6/2931
[170] R6/2900, 2901, and 2898
[171] Bordereau D'Envoi
[172] CFA 2,209,600; The sum of all invoices was CFA 15,769,797
[173] CFA 2,262,000

Example of suspicious signatures and signature inconsistencies across related *per diem* and sign-in sheet.[174]



R6/0002614

FENASCOM

Atelier de Formation des Tradithérapeutes et Herboriste
sur la lutte contre le paludisme

Localité : Ségou
Date : 17/11/2008

Etat de paiement des frais de transport et de perdiem aux part

N°	Prénom & Nom	Localité	Transport	Perdièm	Emargement
1	Touré Drissa	Ségou Pemleguana	3'000 FCFA	9'000 FCFA	
2	Mamadou Camara	Ségou Pemleguana	3'000 FCFA	9'000 FCFA	
3	Mariam Koné	Ségou Pemleguana	3'000 FCFA	9'000 FCFA	
4	Awa Dembele	Ségou Pemleguana	3'000 FCFA	9'000 FCFA	
5	Siaka Coulibaly	Ségou Pemleguana	3'000 FCFA	9'000 FCFA	
6	Aminata Diabate	Ségou	3'000 FCFA	9'000 FCFA	
7	Amadou Cheick Ball	Ségou	3'000 FCFA	9'000 FCFA	
8	Guindo Oumar	Tominian	7'500 FCFA	9'000 FCFA	
9	Samou Diarra	Tominian	7'500 FCFA	9'000 FCFA	
10	Dramane Camara	Tominian	7'500 FCFA	9'000 FCFA	
11	Salif Keita	Tominian	7'500 FCFA	9'000 FCFA	
12	Yaya Daou	Tominian	7'500 FCFA	9'000 FCFA	
13	Samba Diarra	Ségou	3'000 FCFA	9'000 FCFA	
14	Sékou Coulibaly	Niono	7'500 FCFA	9'000 FCFA	
15	Sangare Aboudou	Niono	7'500 FCFA	9'000 FCFA	
16	Abdoulkarim Koné	Ségou Pemleguana	3'000 FCFA	9'000 FCFA	
17	Souleymane Diakite	Tominian	7'500 FCFA	9'000 FCFA	
18	Assana Sow	Ségou	3'000 FCFA	9'000 FCFA	

R6/0002616

Tradithérapeutes et Herboristes
contre le paludisme

PRESENCE:

Localité	Signature
Ségou Pemleguana	
Ségou Pemleguana	
Ségou Pemleguana	
Ségou Pemleguana	
Ségou Pemleguana	
[illegible]	
Tominian	
Tominian	
Tominian	
Tominian	
Ségou	
Niono	
Niono	
Ségou Pemleguana	
Tominian	
Ségou	

- **Suspicious Hotel:** The expenditure included two invoices from Hotel Restaurant Cafétéria in Segou. Upon calling the hotel number provided on the invoice, the person on the phone stated that it did not have a conference room, despite the fact that one of the two bills charged USD 378 for it.[175] The invoices included additional red flags of fraud: (i) the phone number on the stamp did not match the numbers provided on the header; (ii) the format and spacing of the bill resembled other bills known to be

[174] R6/2614 and R6/2616
[175] CFA 180,000

fraudulently created, and (iii) the invoices included the objective of the expenditure, which a business would unlikely have included.

- **No *per diem* or fuel for Grant Implementers:** Despite there being a hotel invoice for this alleged training, which included the stay of a driver and four staff from FENASCOM, GP/SP, PNLP, and FEMATH, there were no documents recording *per diem* for these individuals and there was no invoice for fuel related to this alleged trip.

d) Regional DRS's were Involved in Fraudulent Activities

Regional DRS's also were complicit in fraudulent schemes perpetrated by the DAF and PNLT. OIG found instances in which the DAF transferred money directly to a DRS bank account via wire transfers, as opposed to via a bank withdrawal by the DAF registrar. In these instances, it is reasonable to expect to find supporting expenditure documentation provided by vendors in the field and sent to DAF by the DRS. In certain cases however, OIG found that such funds received by the DRS's were instead supported by fake documents produced by the PNLT management in Bamako.

The OIG also found cases in which the check, intended for a region, was written out to the DAF registrar Individual F, and the supporting documentation exhibited indicators of fraud perpetrated in Bamako by PNLT. In such cases, the funds never reached the region, and therefore it is unclear whether the regional staff was complicit in the misappropriation.

A detailed example of a fraudulently supported wire transfer to a DRS follows:

The OIG identified a USD 14,077[176] wire transfer directed to the DRS in the Sikasso Region,[177] which was intended "to organize an annual advocacy session at each regional level…at 2 mosques, one church and a high school."[178] The fact that money was moved via wire transfer indicated that the funds traveled from the DAF-controlled bank accounts directly to the region, presumably avoiding both DAF and PNLT staff.

Despite this direct financing to the field, the OIG found that most every supporting expenditure document in this group was produced by PNLT program officials in Bamako. The details of evidence of fraud in this case follow: [179]

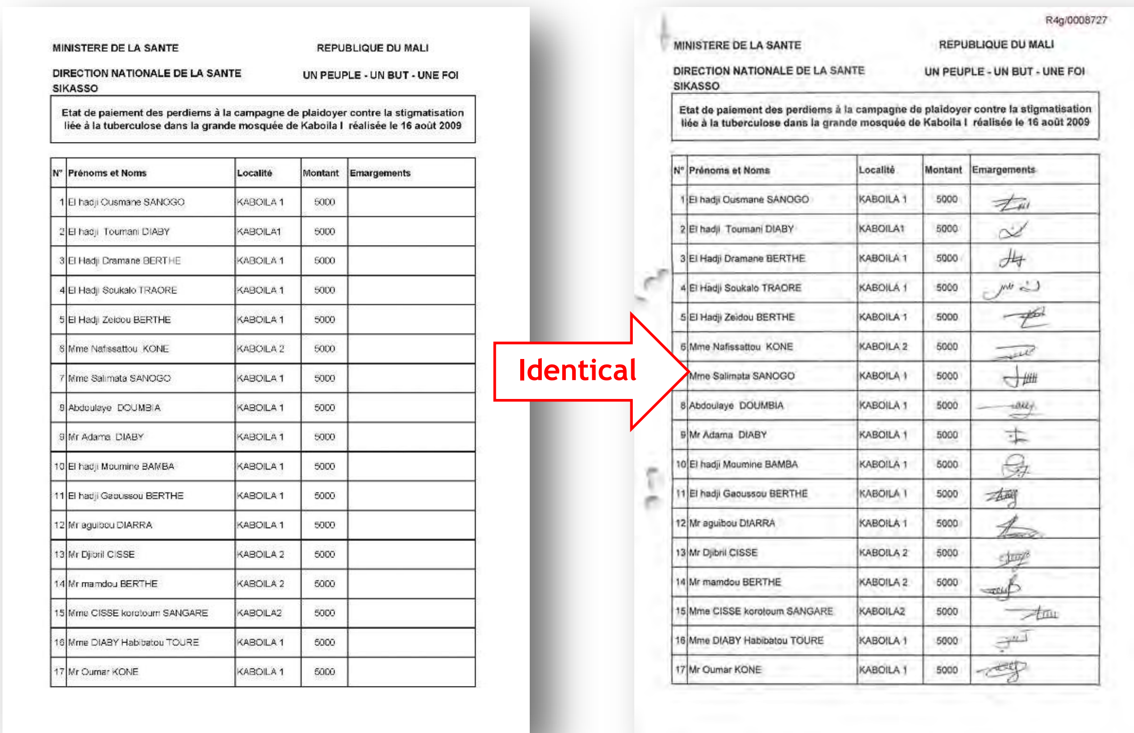
- ***Per Diem* Sheets on PNLT Computers and Fake Stamps and Signatures:** OIG found that 24 of the 26 *per diem* sheets submitted were identical to *per diem* sheets on the computer reportedly used by Individual B, one of the signatories of the overall budget for this expense. All of the *per diem* sheets for this withdrawal were accompanied by stamps that matched identically to the stamps found in Individual C's cache,

[176] CFA 6,700,830
[177] The fiduciary agent, SEC Diarra, confirmed that these funds were sent directly to the DRS in Sikasso.
[178] R4g/0008717
[179] R4g/0008713 – R4g/8798. Page count does not include rear sides of documents which are included in this Bates range.

specifically, stamps for the director of the Sikasso regional office of the DRS and the National Chief of Division for the PNLP. OIG also identified that at least 13 names on the *per diem* sheets with what appeared to include forged signatures, as they did not match the signatures appearing next to the same name on other unrelated sheets.[180] Indeed, all of the signatures on the *per diem* sheets appeared to be written in similar handwriting, indicating that they were not authentic. Finally, the approval signatures of the regional accountant and director were also forged.

***Per diem* sheet found in computer reportedly used by Individual B[181]**

Identical *per diem* sheet submitted with expense[182]



MINISTERE DE LA SANTE — REPUBLIQUE DU MALI

DIRECTION NATIONALE DE LA SANTE SIKASSO — UN PEUPLE - UN BUT - UNE FOI

Etat de paiement des perdiems à la campagne de plaidoyer contre la stigmatisation liée à la tuberculose dans la grande mosquée de Kaboila I réalisée le 16 août 2009

N°	Prénoms et Noms	Localité	Montant	Emargements
1	El hadji Ousmane SANOGO	KABOILA 1	5000	
2	El hadji Toumani DIABY	KABOILA1	5000	
3	El Hadji Dramane BERTHE	KABOILA 1	5000	
4	El Hadji Soukalo TRAORE	KABOILA 1	5000	
5	El Hadji Zeidou BERTHE	KABOILA 1	5000	
6	Mme Nafissattou KONE	KABOILA 2	5000	
7	Mme Salimata SANOGO	KABOILA 1	5000	
8	Abdoulaye DOUMBIA	KABOILA 1	5000	
9	Mr Adama DIABY	KABOILA 1	5000	
10	El hadji Moumine BAMBA	KABOILA 1	5000	
11	El hadji Gaoussou BERTHE	KABOILA 1	5000	
12	Mr aguibou DIARRA	KABOILA 1	5000	
13	Mr Djibril CISSE	KABOILA 2	5000	
14	Mr mamdou BERTHE	KABOILA 2	5000	
15	Mme CISSE korotoum SANGARE	KABOILA2	5000	
16	Mme DIABY Habibatou TOURE	KABOILA 1	5000	
17	Mr Oumar KONE	KABOILA 1	5000	

R4g/0008727

MINISTERE DE LA SANTE — REPUBLIQUE DU MALI

DIRECTION NATIONALE DE LA SANTE SIKASSO — UN PEUPLE - UN BUT - UNE FOI

Etat de paiement des perdiems à la campagne de plaidoyer contre la stigmatisation liée à la tuberculose dans la grande mosquée de Kaboila I réalisée le 16 août 2009

N°	Prénoms et Noms	Localité	Montant	Emargements
1	El hadji Ousmane SANOGO	KABOILA 1	5000	
2	El hadji Toumani DIABY	KABOILA1	5000	
3	El Hadji Dramane BERTHE	KABOILA 1	5000	
4	El Hadji Soukalo TRAORE	KABOILA 1	5000	
5	El Hadji Zeidou BERTHE	KABOILA 1	5000	
6	Mme Nafissattou KONE	KABOILA 2	5000	
	Mme Salimata SANOGO	KABOILA 1	5000	
8	Abdoulaye DOUMBIA	KABOILA 1	5000	
9	Mr Adama DIABY	KABOILA 1	5000	
10	El hadji Moumine BAMBA	KABOILA 1	5000	
11	El hadji Gaoussou BERTHE	KABOILA 1	5000	
12	Mr aguibou DIARRA	KABOILA 1	5000	
13	Mr Djibril CISSE	KABOILA 2	5000	
14	Mr mamdou BERTHE	KABOILA 2	5000	
15	Mme CISSE korotoum SANGARE	KABOILA2	5000	
16	Mme DIABY Habibatou TOURE	KABOILA 1	5000	
17	Mr Oumar KONE	KABOILA 1	5000	

180 Dr. Isack Mamby Toure, Dr. Aisatta Cisse, Modibo Maiga, Dr. Adama Diakite, Dr. Aliou Diallo, Mme Diara Nana Traore, Mr. Adama Berthe, El hadj Mamadou Toure, El hadj Sidi Sangare, Mme Salimata Traore, Mr. Sekou Samake, Mme Coulibali Salimata, Mr. Oumar Cisse, which appear on R4g 8749, 8751,and 8721 as well as multiple pages across Rounds 1,6, and 7.

181 HD3--Etat Atelier.xls. This file also contained *per diem* sheets for Kayes and Mopti, and a restaurant invoice from Mopti

182 R4g/8727

Per diem sheet submitted with expense[183]

Stamps found in Individual C's cache

R4g/0008731

84	El hadj Samba DICKO	WAYERMA	5000	
85	Mme Kone Baminata DIABY	KABOILA 2	5000	
86	Mr Lassina TRAORE	WAYERMA	5000	
87	Mr Bourama KONE	KABOILA 2	5000	
88	Mr Cheick Seydou HAIDARA	KABOILA 1	5000	
89	Mr Ioseni CISSE	KABOILA 2	5000	
90	Mr Tahirou BENGALY	WAYERMA	5000	
91	Mr Mamoutou SANOGO	KABOILA 2	5000	
92	Mr Sidi KANTE	WAYERMA	5000	
93	Mr Keletigui SANOGO	WAYERMA	5000	
94	Mr Bourama KONATE	KABOILA 1	5000	MBK/
95	Mr Mohamed BERTHE	KABOILA 1	5000	
96	Mr Fousseyni DIABATE	KABOILA 1	5000	
97	Mr Salif BAMBA	KABOILA 1	5000	
	TOTAL		485000	

Arrêté le présent état à la somme de: QUATRE CENT QUATRE VINGT CINQ MILLE (485 000) FRANCS CFA

Le Comptable

Mr Boukader YARO

Le Directeur Régional de la Santé

Dr Bocary KAMPO

Sikasso, le 27 Juin 2009

Le Comptable

Mr Boukadar YARO

Le Directeur Régional de la Santé

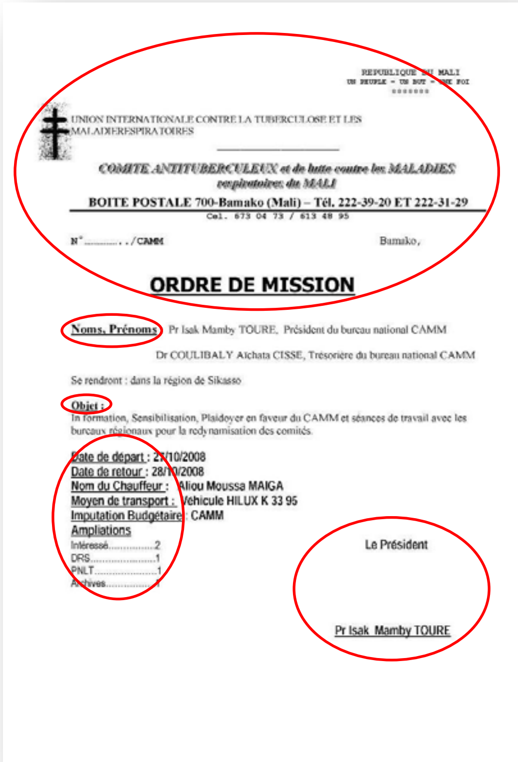
Dr Bacary KAMPO

---

183 R4g/8731

- **Fake Mission Orders:** The mission order supporting this transaction matched a computer file Individual B's computer, which contained a set of template Mission Orders. It appears that the templates were used to create numerous mission orders on various dates. The spacing and grammar present in the body of the template, which appears to be incomplete, suggests that the text of the template was designed to be modified and reused.

Mission Order on computer used by Individual B[184]



REPUBLIQUE DU MALI
UN PEUPLE – UN BUT – UNE FOI

UNION INTERNATIONALE CONTRE LA TUBERCULOSE ET LES MALADIERESPIRATOIRES

COMITE ANTITUBERCULEUX et de lutte contre les MALADIES respiratoires du MALI

BOITE POSTALE 700-Bamako (Mali) – Tél. 222-39-20 ET 222-31-29
Cel. 673 04 73 / 613 48 95

N°............./CAMM Bamako,

ORDRE DE MISSION

Noms, Prénoms Pr Isak Mamby TOURE, Président du bureau national CAMM
Dr COULIBALY Aïchata CISSE, Trésorière du bureau national CAMM

Se rendront : dans la région de Sikasso

Objet :
In formation, Sensibilisation, Plaidoyer en faveur du CAMM et séances de travail avec les bureaux régionaux pour la redynamisation des comités.

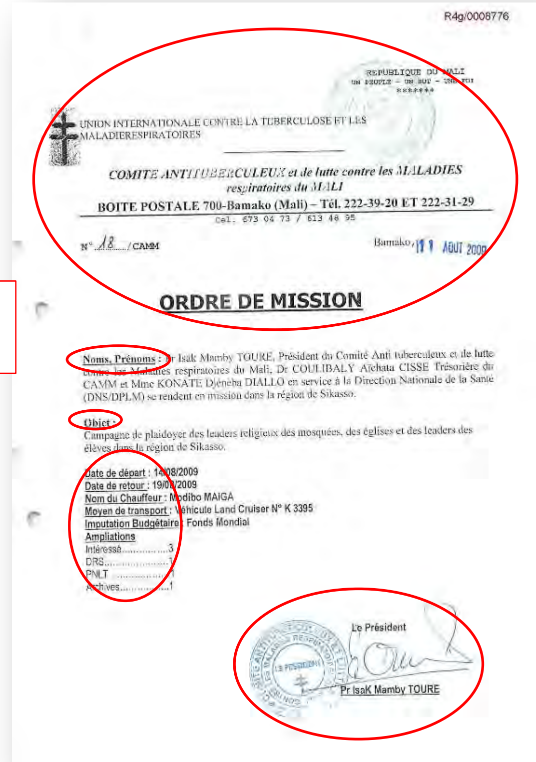
Date de départ : 27/10/2008
Date de retour : 28/10/2008
Nom du Chauffeur : Aliou Moussa MAIGA
Moyen de transport : Véhicule HILUX K 33 95
Imputation Budgétaire : CAMM
Ampliations
Intéressé..................2
DRS.........................1
PNLT........................1
Archives...................1

Le Président

Pr Isak Mamby TOURE

Same format

Identical Mission Order submitted with this expenditure[185]



R4g/0008776

REPUBLIQUE DU MALI
UN PEUPLE – UN BUT – UNE FOI

UNION INTERNATIONALE CONTRE LA TUBERCULOSE ET LES MALADIERESPIRATOIRES

COMITE ANTITUBERCULEUX et de lutte contre les MALADIES respiratoires du MALI

BOITE POSTALE 700-Bamako (Mali) – Tél. 222-39-20 ET 222-31-29
Cel. 673 04 73 / 613 48 95

N° 18 /CAMM Bamako, 11 AOUT 2009

ORDRE DE MISSION

Noms, Prénoms : Pr Isak Mamby TOURE, Président du Comité Anti tuberculeux et de lutte contre les Maladies respiratoires du Mali, Dr COULIBALY Aïchata CISSE Trésorière du CAMM et Mme KONATE Djénéba DIALLO en service à la Direction Nationale de la Santé (DNS/DPLM) se rendent en mission dans la région de Sikasso.

Objet :
Campagne de plaidoyer des leaders religieux des mosquées, des églises et des leaders des élèves dans la région de Sikasso.

Date de départ : 14/08/2009
Date de retour : 19/08/2009
Nom du Chauffeur : Modibo MAIGA
Moyen de transport : Véhicule Land Cruiser N° K 3395
Imputation Budgétaire : Fonds Mondial
Ampliations
Intéressé..................3
DRS.........................1
PNLT........................1
Archives...................1

Le Président

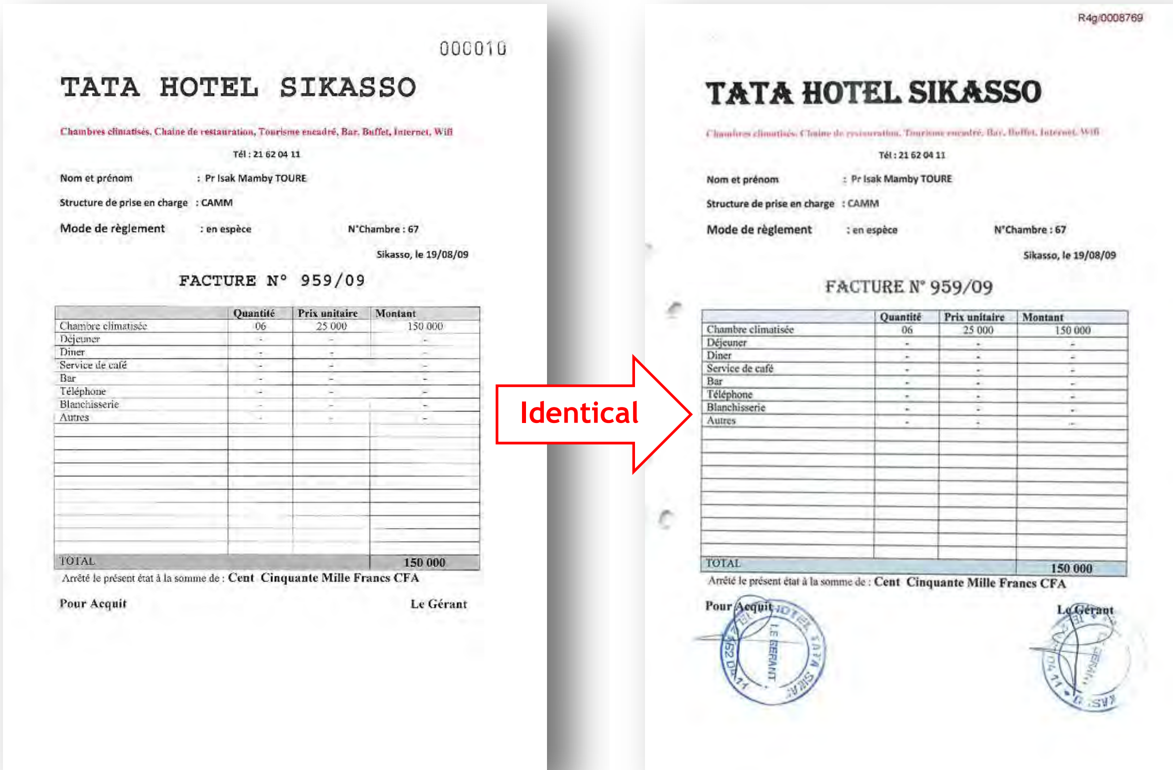
Pr IsaK Mamby TOURE

- **Fraudulent Vendor Invoices:** Invoices for vendors Bouya Oil, Tata Hotel Sikasso, and Mme Fall Founemouso identically matched fake invoice templates found on computers used by Individual C and Individual B.

184 HD3: ordre mission camm.doc p.3
185 R4g/8776

Document found on computers reportedly used by PNLT officials[186]

Identical invoice submitted under the expenditure[187]



The submission also included invoices bearing the name of vendors Le Globe, Oumar Diallo, and Aliou Traore all of which were associated with findings of fraud.[188] While these documents were not exact matches to known fraudulent documents, their appearance among a large number of other confirmed fraudulent documents increases the likelihood that they are not authentic.

- **Shortfall in invoiced expenditures:** The DAF provided the OIG with fake supporting documentation for USD 10,930[189] of this expenditure, leaving USD 3,154[190] unaccounted for.

[186] HD2 Docx.Hotel les Dattiers.docx.pdf p. 10
[187] R4g/8769
[188] R4g/8758, R4g/8765, R4g/8767
[189] CFA 5,202,590
[190] CFA 1,501,115

4. Correlation between Misappropriation from Bank Accounts and Expenditure Fraud and Unsupported Expenditures

As the evidence demonstrates, DAF and program officials circumvented several of the steps along the established expenditure process. To begin, the DAF failed to properly issue checks and transfer funds to the programs. Next, instead of collecting supporting documentation during program implementation, officials either fabricated documents or documents were completely missing. Finally, the DAF accountant concealed withdrawals in his accounting statements.

Indeed, the OIG observed significant overlap between the banking fraud and misappropriation at the DAF and the expenditure fraud perpetrated by the programs: Of the USD 1.3 million improperly withdrawn from the Program bank accounts by the DAF, close to 90 percent of it was either supported by fraudulent documentation produced by program staff (34 percent),[191] or it was not supported by any documentation whatsoever (55 percent).[192]

The characteristics of this overlap between fraud at the DAF and the programs provide insight about the nature and scale of coordination across the different institutions handling GF funds. In the case of overlap between DAF and PNLT, where the OIG found evidence of the DAF accountant inappropriately obtaining funds and PNLT directors producing fake invoices on their computers in support, it is reasonable to infer some level of coordination to misappropriate across the two institutions. In the case of PNLP, collaboration is likely to have occurred as well, given (i) admissions by DAF accountant Individual A to Malian law enforcement authorities that he had shared misappropriated money with PNLP director, Individual D, and (ii) the OIG's findings that Individual A produced fake vendor receipts for the same expenditure Individual D forged signatures (see Section IV.A.3.a, above).

The fact that over half of the withdrawals exhibiting evidence of misappropriation from bank accounts were also completely unsupported by any expenditure documentation whatsoever is also highly relevant. In these cases, it is also possible that DAF misappropriated funds without the knowledge or collaboration of any other institutions. The absence of documentation, which should have been produced as a result of program implementation, further undermines the likelihood that these withdrawals were used for their intended purposes. Certainly, the PR has not been able to prove otherwise to date.

[191] 34 percent of this amount also exhibited evidence of fraud in the supporting documentation and 55 percent of this amount was missing supporting documentation altogether.
[192] CFA 621 million

5. Other Unsupported Withdrawals

The OIG identified a total of 381 withdrawals totaling USD 1,746,573 that were unaccompanied by any supporting documentation.[193] Of this amount, USD 711,638 included evidence of banking fraud and misappropriation as previously described in this report. While the remaining unsubstantiated withdrawals of USD 1,034,935 were not made by or remitted to the DAF accountant and the OIG has not positively concluded that these withdrawals were fraudulent, over 70 percent were between 2 and 5 years old at the time of the investigation, having been withdrawn between 2004 and 2008. The length of time these advances have been outstanding raises serious concerns as to whether these funds were used for their intended purposes.

Unsupported Withdrawals by Year

Year	CFA	USD	# of withdrawals
2009	111,814,462	234,904	36
2008	147,125,873	309,088	69
2007	156,114,836	327,972	57
2006	54,234,704	113,938	20
2005	23,339,000	49,032	7
	492,628,875	1,034,935	2,174

Furthermore, nearly 25 percent of all unsupported withdrawals were made by the DAF registrar Individual F. While he was indeed authorized to make such withdrawals, his practice of remitting cash to the DAF accountant raises a serious concern that unsupported withdrawals made by Individual F (for which there was no anomaly in the discharge) also may have not been used for their intended purpose.

Notwithstanding any of the red flags described above, GF's Legal Services Unit has clarified in an internal memorandum dated November 13, 2010[194] that "failure to maintain or produce documentation for costs incurred as Program costs… constitute[s] a breach of [Article 13, Section (a) of the Standard Terms and Conditions (STC) of Global Fund Grant Agreements]" and that the PR "may be liable for repayment of grant funds whose uses are inadequately documented" according to Article 27 of the STC.[195] In light of this opinion and the fact that the totality of the evidence shows large scale fraud and misappropriation within the Mali grants, OIG has included withdrawals with no support in its overall loss figure.

[193] CFA 831,368,763. The AGF, SEC Diarra has calculated this amount to be CFA 727,318,083. Given the level of effort required, this amount has not been reconciled.
[194] "Response to OIG recommendations concerning grant agreement provisions"
[195] Answer to Issue 4, pp. 3-4.

B. Overcharging and Misappropriation of Funds

In addition to banking and documentation fraud, the OIG found evidence that vendors of high-priced goods, such as medical equipment, computer equipment, and motorcycles, exorbitantly overcharged or double-billed the program.[196] The OIG has also learned from confidential sources that the proceeds from some of these transactions were shared between the vendors and program officials.

Given the large amount of money related to these few transactions, Malian law enforcement has focused its domestic investigation on these vendors. The OIG has not pursued investigation of these transactions due to its commitment to respect the primacy of the domestic criminal investigation, but it has learned from its sources that the vendors in question have been detained or have fled the country.

1. PNLT and Vendor Overcharged for Medical Equipment

The OIG found that, by violating procurement rules, the TB program overpaid for certain medical equipment by over 200 percent, or around USD 270,000. This finding relates to four purchases of medical equipment under Round 7 in the amount of USD 658,329 from the vendor Akama-SA: [197]

Medical Equipment Overcharge

Invoice #	Date	Invoice Number	CFA	USD	Bates #	Competing Bids Present
1	N/A	001/08/DAF-MS	3,948,000	$ 8,294	R7/0004156	yes
2	N/A	002/08/DAF-MS	9,991,868	$ 20,991	R7/0004184	yes
3	June 10, 2009	003/06-09-MS-DAF	75,850,440	$ 159,350	R7/0004344	no
4	Sept. 16, 2009	005/07-09-MS-DAF	223,574,118	$ 469,694	R7/0004398	no

Prior to the involvement of local law enforcement in this particular case, the OIG met the owner of Akama SA at his place of business (which was also his personal residence). Akama-SA's owner was not able to provide OIG with evidence of an established business that handles medical equipment, as the owner was not able to point to any sales of medical equipment other than the four contracts under the TB project.

The owner did provide OIG with the identity of its supplier for one of the four contracts, a French company named Labo-Moderne. Labo-Moderne, in turn, provided the OIG with evidence of the invoices of sale to Akama-SA for only the equipment listed in Invoice 4.

[196] The OIG did not conduct a systematic pricing analysis for all expenditures under the grant. The incidents described below are cases which OIG focused on for other reasons, but found overcharging as a result. The scale of overcharging across the grant is therefore not discussed in this report.
[197] CFA 313,364,426

Comparing these prices, the OIG found that the profit margin secured by Akama-SA in the case of Invoice 4 amounted to USD 276,280.11, or an average of 238 percent of profit.[198]

Percentage Markup of Medical Equipment

Medical Equipment Reference Number	Quantity	Supplier Unit Price (Euros)	Supplier Unit Price (CFA) (conversion rate 1:656)	Akama-SA Invoice #4 Unit Price (CFA)	Difference in Price (CFA)	Percentage Mark Up
AR1240B	3	3501	2,296,656.00	6,760,000.00	4,463,344.00	**194%**
XE1820	3	508.5	333,576.00	686,000.00	352,424.00	**106%**
SML234	9	23.22	15,232.32	35,000.00	19,767.68	**130%**
INLMR	3	494.1	24,129.60	1,975,500.00	1,651,370.40	**509%**
RR1020	3	322.2	211,363.20	37,000.00	425,636.80	**201%**
MS3100	3	439.2	288,115.20	867,000.00	578,884.80	**201%**
ED350	3	614.7	403,243.20	1,214,000.00	810,756.80	**201%**
KL8690	6	3359.7	2,203,963.20	10,901,799.00	8,697,835.80	**395%**
GF3033	12	9252	6,069,312.00	9,087,527.00	3,018,215.00	**50%**
LB3650	3	227.7	149,371.20	450,000.00	300,628.80	**201%**
DHX200	3	304.2	199,555.20	1,136,000.00	936,444.80	**469%**
MIKRO200	3	999.9	655,934.40	2,155,500.00	1,499,565.60	**229%**
AH1110	3	194.4	127,526.40	385,000.00	257,473.60	**202%**

With such a mark-up, GF funds were not used to purchase medical equipment for a "reasonable price," as the Grant Agreement requires.[199] Assuming a reasonable profit margin of 30 percent, and assuming that the equipment listed in the other three invoices was actually delivered,[200] the OIG estimates that the program overpaid for all medical equipment purchased from this vendor by as much as USD 270,754.[201]

It should also be noted that two of the four purchases (Invoices 3 and 4) were sole-sourced, with no competitive procurement process. According to information obtained from a confidential witness, the head of the DAF, Individual G, made the call to bypass standard procurement procedures under the pretense that there was an urgent need to obtain the equipment. Individual G has since been detained by Malian authorities for his role in the Akama purchases. The OIG requested physically reviewed the medical equipment purchased under Invoice 4 from Akama in July 2010, it found that the equipment existed, but that it was still in its original boxes in a PNLT storage facility a full year after the purchase was made.

---

198 CFA 131,509,332.86
199 Article 18 of the TB Grant Agreement
200 Labo-Moderne informed OIG that it had not sold Akama-SA the equipment listed in invoices 1-3. Akama-SA, on the other hand, provided OIG with names of other vendors who told OIG that they also had not sold the equipment listed in invoices 1-3 to Akama-SA.
201 CFA 128,878,811.42

In the case of Invoices 1 and 2, the OIG found documents evidencing a procurement process, but all the bids exhibited indicators that the procurement process was likely not authentic. In both cases, the same two competing bidders, Etragfa.Sarl and Fayida.Sarl, allegedly submitted bids. Red flags of fraudulent bidding in these cases were:

- Alleged invitations to bid for both bids were issued on the same date, December 1, 2008.[202] It is unclear why PNLT chose to procure medical equipment in two different tenders on the same day, especially since the same vendors bid in both cases.
- The bid templates used by Etragfa Sarl and Fayida Sarl exhibited similarities in terms of the wording and the spacing of information.
- The Etragfa Sarl and Fayida Sarl bids were dated the same date—December 2, 2008—and the dates were written in the same handwriting. The related Akama-SA bids, as well as the resulting invoices, were not dated.
- The OIG phoned the number provided on the bids bearing the name of Etragfa Sarl. The person answering the phone stated that his business had not been in operation since 2008 and refused to meet with the OIG.
- The OIG met with the other bidder, Fayda Sarl, and found that it was not a commercial entity but rather a non-profit organization known as Fondation Fayida. The office that OIG visited did not appear to indicate capacity to sell medical equipment. The OIG showed the foundation's vice president the two bids relating to his business. Although the vice president asserted the bids were authentic, he was not able to produce a similar sample bid or invoice document to validate their authenticity.

Malaria Round 7's expenditures on Akama-SA medical equipment appear to have necessitated the DAF to engage in inappropriate transfers of funds between Malaria Round 4 and 7 accounts. The OIG identified a total of four unauthorized transfers between Malaria Round 4 and TB Round 7 bank accounts.[203] The transfers were:

Transfer of Funds

From	To	Date	Amount in CFA	Amount in USD
R7	R4	10/8/08	50,000,000	105,042
R7	R4	11/13/08	50,000,000	105,042
R4	R7	2/9/09	50,000,000	105,042
R4	R7	6/22/09	100,000,000	210,084

It appears that the last transfer of CFA 100,000,000, on 22 June 2009 from Malaria Round 4 to Round 7 was made to cover a negative balance in the Malaria Round 7 account in the amount of CFA 49,137,719, which was created by the payment of Invoice #3 to Akama SA in the amount of CFA 75,850,440 on 18 June 2009. Such transfers are in contravention of the Grant

[202] The invitations were both signed by Individual G, the DAF Director.
[203] There is no indication that DAF solicited approval from GF or otherwise notified GF about these transfers.

Agreement. It should be noted that these improper transfers were identified by the LFA at the time of their occurrence and properly communicated to GF Secretariat.

Regarding the other transfers, the OIG obtained two wire transfers, both from the 2008 transfers, and they all bore the signature of the Secretary General of MoH, Individual E, and the head of the DAF Individual G. The OIG discussed these unauthorized transfers[204] with Individual G.[205] Individual G was unable provide the reason for the transfers, but he stated that the heads of the PNLT program suggested to the DAF that the transfers be made.[206] The new external fiduciary agent, SEC Diarra, provided the OIG with evidence that transfers have since been made to restitute funds between these two accounts.[207]

Notwithstanding the multitude of findings above, the entire amount of medical equipment under Malaria Round 7 constituted a violation of the Grant Agreement because the PR failed to submit a PSM Plan to the Global Fund. As the Grant Agreement states:[208]

> *"The disbursement by the Global Fund or use by the Principle Recipient of Grant funds to finance the procurement of Health Products [including medical and laboratory equipment]… is subject to… the delivery by the Principal Recipient to the Global Fund of a plan for the procurement, use and supply management of the Health Products for the Program… and the written approval of the Global Fund of the PSM Plan…"*[209]

The LFA and GF Regional Team were aware of this violation at the time it occurred, however the LFA reported to the OIG that the funds spent on this procurement have not yet been paid back to GF.

2. PNLT and Vendors Overcharged for Computer Equipment

The OIG identified evidence that the TB Round 7 grant was also overcharged for computer equipment supplied by vendors ESIMAT and Groupe CO.M.ES by at least 246 percent or USD 34,000. This finding relates to three invoices for the purchase of computers and computer peripherals for which the same three companies always bid: ESIMAT, Groupe CO.M.E.S. and G-ICEF SARL:[210]

Computer Equipment Overpricing

Winning Vendor	Date	Invoice Number	CFA	USD	Bates #
Groupe CO.M.ES	12/31/2008	01/MS/09	9,900,000	20,789.37	R7/0000024

[204] The requests are dated November 7, 2008 and October 7, 2008.
[205] At the time of this conversation, Individual G was serving as the interim head of the DAF.
[206] Meeting with DAF official, 16 November 2010
[207] Meeting with SEC Diarra, 16 November 2010
[208] The Secretariat staff informed OIG of this fact on August 23, 2010.
[209] Annex A, Section B para. 4
[210] R7/0000002-R7/0000029

Groupe CO.M.ES	12/31/2008	002/MS/09	9,989,200	20,976.68	R7/0000103
ESIMAT	12/31/2008	020/2009	9,970,200	20,936.71	R7/0000070
		TOTAL	**29,859,200**	**62,720.76**	

A comparison between retail prices and the cost of goods in these invoices demonstrates that the goods listed also were not purchased for a "reasonable price." Assuming a reasonable profit margin of 30 percent above the standard retail price, and using the most expensive price listings from the year of the invoice,[211] it appears that the Program overpaid for this computer equipment by around CFA 16,000,000 or USD 34,000.[212] In one egregious case, ESIMAT sold a very high quality Epson V700 Image Scanner to the PNLT, whose 2008 retail price was USD 549,[213] for USD 3,646.95,[214] an increase of 664 percent.

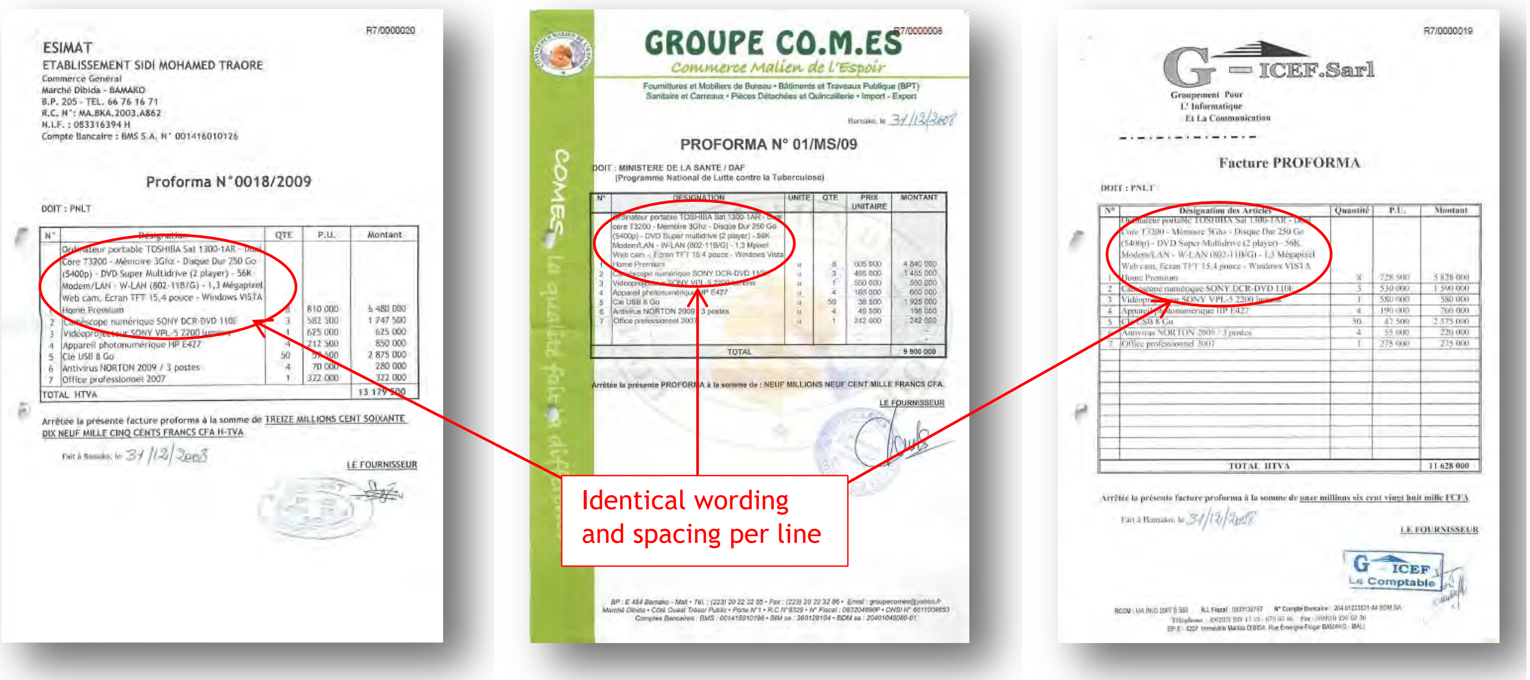
Items sold by Groupe CO.M.ES to PNLT[215]						
Item	**Units**	**Vendor Unit Price (CFA)**	**Vendor Unit Price (USD)**	**Retail Unit Price (USD)**	**Difference**	**Percentage Mark Up**
Toshiba Satellite Laptop	8	650,000	1270.46	730.00	540.46	174%
DVD Camcorder SONY DCR-DVD 110e	3	495,000	1039.47	471.55	567.92	220%
Sony VPL-5 Projector	1	550,000	1154.96	1050.00	104.96	110%
HP E427	4	165,000	346.49	129.00	217.49	269%
USB Key 8 Go	59	38,500	80.85	25.46	55.39	317%
Norton Antivirus 2009 (3 licenses)	4	49,500	103.94	69.99	33.95	149%
Office Professional 2007	1	242,000	508.18	499.00	9.18	102%
Memory Stick 1 Go DDRD	15	140,000	293.99	66.99	227.00	439%
Color Laser Print Drum	5	210,000	440.99	82.99	358.00	531%
Windows XP Professional SP3	6	295,800	621.16	152.04	469.12	409%
RJ45 Network Jack	15	77,500	162.75	36.40	126.35	447%
Intel Pentium IV processor	2	362,600	761.44	266.00	495.44	286%
Power Supply	10	38,750	81.37	61.52	19.85	132%
External Backup unit 3800db*	1	2,789,200	5857.14	**Comparative price could not be found.*		

[211] OIG obtained these prices from an internet search.
[212] Retail prices found generally included a profit margin for resellers in that price. However, most goods here received a markup of between 102 percent and 511 percent, even when accounting for a 30 percent profit margin above the retail price.
[213]http://reviews.cnet.com/scanners/epson-perfection-v700-photo/4505-3136_7-31779762-2.html?tag=rvwBody
[214] R7/0000070
[215] 01/MS/09 and 002/MS/09

Items sold by ESIMAT to PNLT						
Item	Units	Vendor Unit Price (CFA)	Vendor Unit Price (USD)	Retail Unit Price (USD)	Difference	Percentage Mark Up
Microsoft Office Edition 2007	13	504,200	1058.78	499	559.78	212%
Scanner Epson V700	1	1,736,700	3646.95	549	3097.95	664%
Exchange Server 2007	1	1,678,900	3525.58	699	2826.58	504%

It also appears suspicious that the ordering, wording, and spacing of words on the bids submitted by ESIMAT, Groupe CO.M.ES and G-ICEF SARL was identical:

Esimat bid **Groupe CO.M.ES bid** **G-ICEF SARL bid**

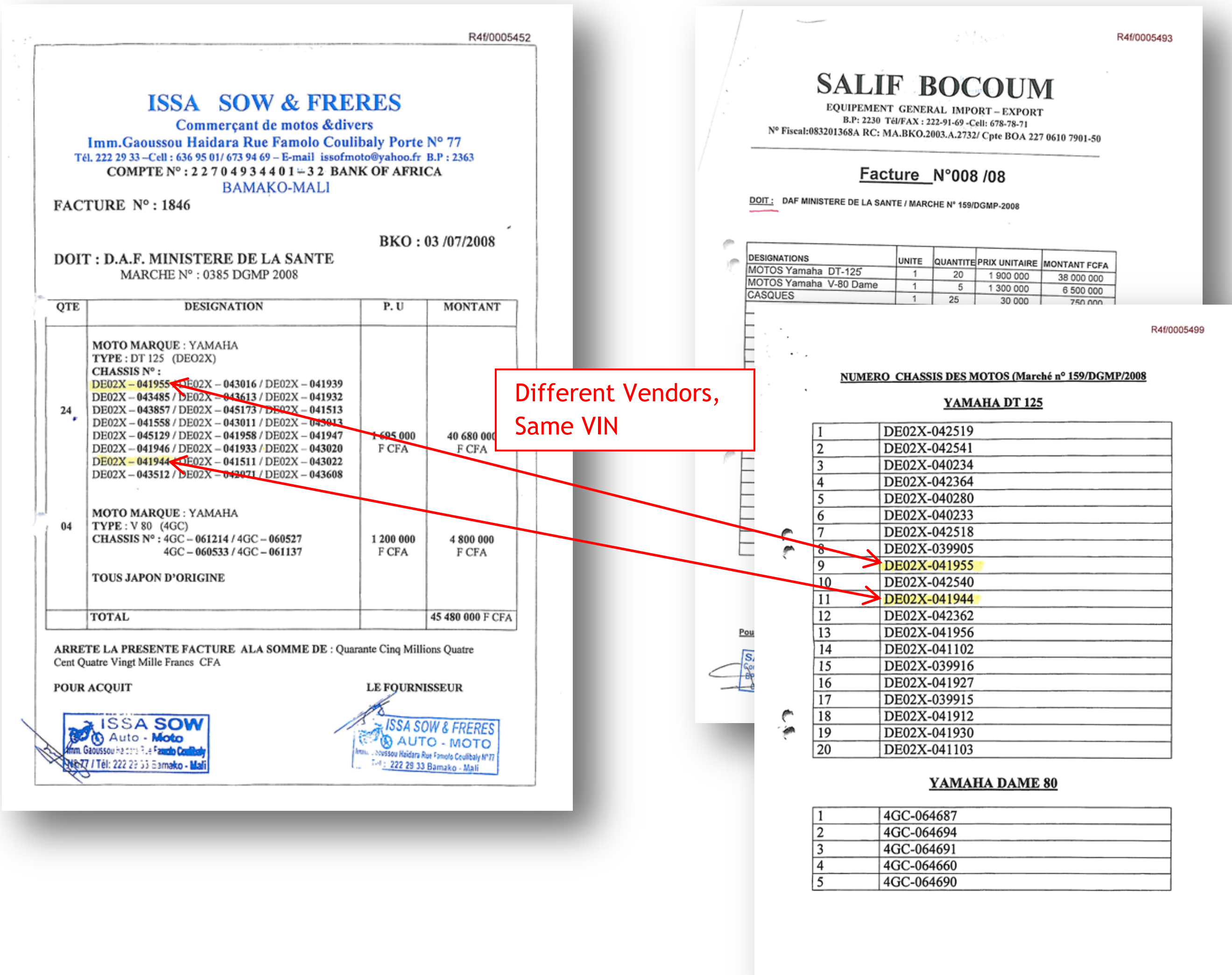


Sources have informed the OIG that the owners of these enterprises have fled the country upon Malian authorities' initiation of an inquiry into this matter.

3. PNLT and Vendors Misappropriated Funds during Purchase of Motorcycles

The OIG found that two invoices bearing the names of two independent motorcycle vendors, Issa Sow and Salif Bocoum, reported two separate sales of motorcycles that impossibly had the same Vehicle Identification Numbers (VINs).

Issa Sow invoice | **Salif Bocoum invoice**



R4f/0005452

ISSA SOW & FRERES
Commerçant de motos &divers
Imm.Gaoussou Haidara Rue Famolo Coulibaly Porte N° 77
Tél. 222 29 33 –Cell : 636 95 01/ 673 94 69 – E-mail issofmoto@yahoo.fr B.P : 2363
COMPTE N° : 2 2 7 0 4 9 3 4 4 0 1 – 3 2 BANK OF AFRICA
BAMAKO-MALI

FACTURE N° : 1846

BKO : 03 /07/2008

DOIT : D.A.F. MINISTERE DE LA SANTE
MARCHE N° : 0385 DGMP 2008

QTE	DESIGNATION	P. U	MONTANT
24	MOTO MARQUE : YAMAHA TYPE : DT 125 (DEO2X) CHASSIS N° : DE02X – 041955 / DE02X – 043016 / DE02X – 041939 DE02X – 043485 / DE02X – 043613 / DE02X – 041932 DE02X – 043857 / DE02X – 045173 / DE02X – 041513 DE02X – 041558 / DE02X – 043011 / DE02X – 043013 DE02X – 045129 / DE02X – 041958 / DE02X – 041947 DE02X – 041946 / DE02X – 041933 / DE02X – 043020 DE02X – 041944 / DE02X – 041511 / DE02X – 043022 DE02X – 043512 / DE02X – 042071 / DE02X – 043608	1 695 000 F CFA	40 680 000 F CFA
04	MOTO MARQUE : YAMAHA TYPE : V 80 (4GC) CHASSIS N° : 4GC – 061214 / 4GC – 060527 4GC – 060533 / 4GC – 061137 TOUS JAPON D'ORIGINE	1 200 000 F CFA	4 800 000 F CFA
	TOTAL		45 480 000 F CFA

ARRETE LA PRESENTE FACTURE ALA SOMME DE : Quarante Cinq Millions Quatre Cent Quatre Vingt Mille Francs CFA

POUR ACQUIT | LE FOURNISSEUR

ISSA SOW Auto - Moto Imm. Gaoussou Haidara Rue Famolo Coulibaly N°77 / Tél: 222 29 33 Bamako - Mali

ISSA SOW & FRERES AUTO - MOTO Imm. Gaoussou Haidara Rue Famolo Coulibaly N°77 Tél : 222 29 33 Bamako - Mali

R4f/0005493

SALIF BOCOUM
EQUIPEMENT GENERAL IMPORT – EXPORT
B.P: 2230 Tél/FAX : 222-91-69 -Cell: 678-78-71
N° Fiscal:083201368A RC: MA.BKO.2003.A.2732/ Cpte BOA 227 0610 7901-50

Facture N°008 /08

DOIT : DAF MINISTERE DE LA SANTE / MARCHE N° 159/DGMP-2008

DESIGNATIONS	UNITE	QUANTITE	PRIX UNITAIRE	MONTANT FCFA
MOTOS Yamaha DT-125	1	20	1 900 000	38 000 000
MOTOS Yamaha V-80 Dame	1	5	1 300 000	6 500 000
CASQUES	1	25	30 000	750 000

R4f/0005499

NUMERO CHASSIS DES MOTOS (Marché n° 159/DGMP/2008

YAMAHA DT 125

1	DE02X-042519
2	DE02X-042541
3	DE02X-040234
4	DE02X-042364
5	DE02X-040280
6	DE02X-040233
7	DE02X-042518
8	DE02X-039905
9	DE02X-041955
10	DE02X-042540
11	DE02X-041944
12	DE02X-042362
13	DE02X-041956
14	DE02X-041102
15	DE02X-039916
16	DE02X-041927
17	DE02X-039915
18	DE02X-041912
19	DE02X-041930
20	DE02X-041103

YAMAHA DAME 80

1	4GC-064687
2	4GC-064694
3	4GC-064691
4	4GC-064660
5	4GC-064690

The sale of motorcycles also appears to have led to other forms of misappropriation: Malian authorities recently detained the owner of Issa Sow on evidence that the owner had colluded with PNLT's Planning Director, Individual C, to re-sell two motorcycles on the black market and splitting the profit. In total, the loss on two motorcycles may have cost the program about USD 7,552.[216]

It should be noted that GF's progress reports noted concern about the delays in procurement of motorcycles. Neither the LFA nor the relevant Secretariat staff managing the grant at the time interpreted these delay as red flags of collusion, fraud, or other forms of misappropriation.

C. Fraudulent Procurement

The OIG also identified cases in which general principles of fair and competitive procurement were not followed. Article 18 (a) of the Grant Agreements for the four grants states that procurement practices must meet the following criteria:

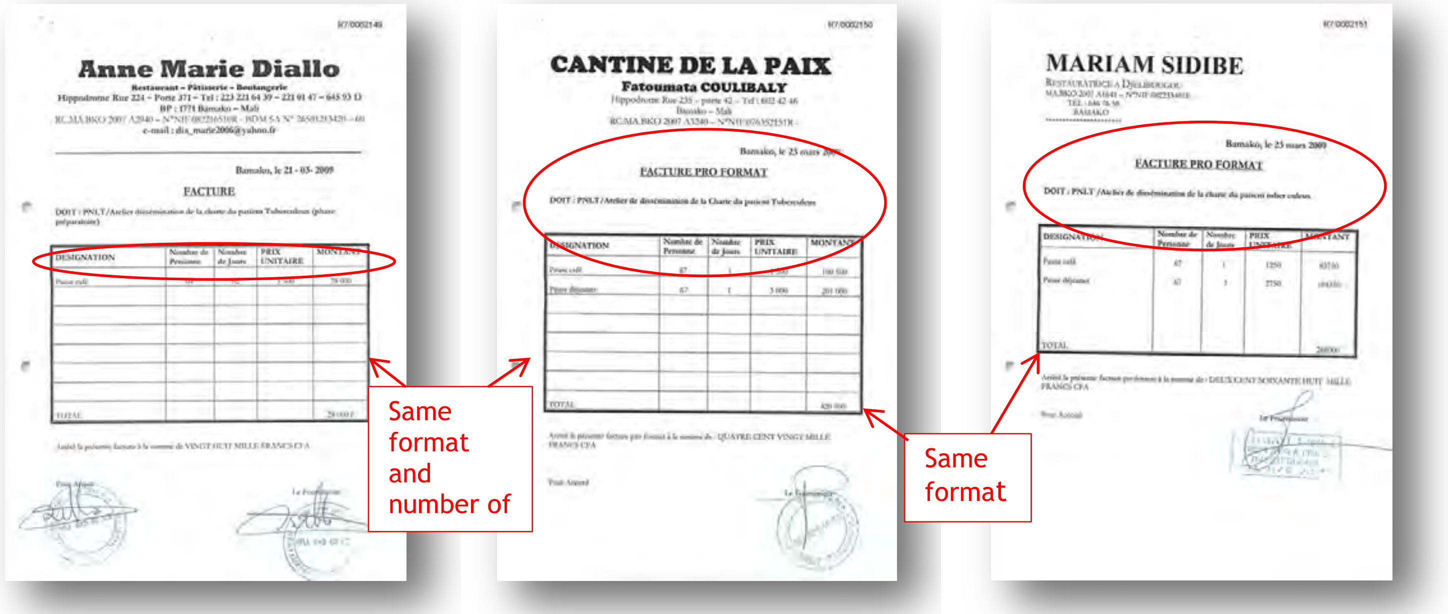
> *(a) Contracts should be awarded, to the extent practical, on a competitive basis.*
>
> *(c) Contracts shall be awarded only to responsible contractors that possess the potential ability to successfully perform the contracts.*
>
> *(d) No more than a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to obtain goods and services.*

The OIG identified multiple cases in which one or all of these provisions were violated.

A prevalent case of procurement violations relates to the vendor Anne Marie Diallo who appeared to have won at least 50 contracts worth USD 46,329 to provide food and drinks across Malaria Rounds 4, 6 and 7. Bids bearing this vendor's name typically were accompanied by alleged bids from the same two competing vendors, Cantine de la Paix and Mariam Sidibé. The OIG observed that the three bidding documents exhibited many similarities (see images below):

[216] CFA 3,595,000. The price, as according to these invoices averaged CFA 1,789,750 per motorcycle.

Images of the three competing bids related to expenditures signed by Individual B.



When OIG contacted the manager of Anne Marie Diallo, the manager told the OIG that the three businesses were run by one family.[217] When asked to demonstrate where and how the company produced invoices, none of the internet cafés to which she took the OIG could produce the templates (the café owner was away or computers were not operational). When asked roughly how many invoices were produced for the programs, the manager could not determine if it was ten, a hundred, or several thousand in number.

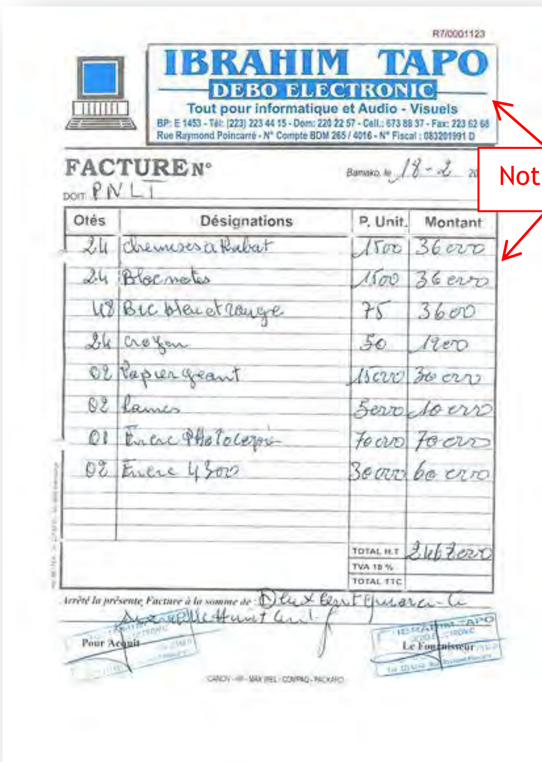
The OIG also found cases in which it was able to confirm that the competing bids were fraudulent but it was unable to gather sufficient evidence to conclude that the invoice relating to the winning bid was also fraudulent, or that the goods/services were not provided. Despite the existence of red flags in the winning bidder's documents, the OIG did not categorize these cases in its overall fraud amount but instead categorized them as procurement violations. An example of this scenario follows:

> A representative of the vendor Mohamed Moussa Camara Impact Informatic (MMCII) confirmed on March 30, 2010 that the signatures on six separate bids[218] bearing his company's name were false. A representative of the purportedly frequently competing vendor, Kanu Burotic, also stated the bids bearing his company's name

[217] Bidding between businesses owned by the same family members raises a strong concern that the bidding process was not genuinely competitive.
[218] R7/3271, R7/1124, R7/1863, R7/1124, R7/1863, R7/1934

were false and that his company never bid for or won anything to the programs.[219] When OIG contacted the vendor that regularly "won" against these two vendors, Ibrahim Tapo Debo Electric, the manager asserted that the documents bearing his company's name were authentic. When the OIG noted the discrepancy between the fact that the store appeared to be selling only electronics and the fact that the invoices recorded a sale of office supplies like pens and paper, the manager asserted that he obtained whatever supplies the customer wanted. He also stated that the signatures on the invoices may have belonged to any of a number of employees. The OIG obtained a blank invoice from this vendor, and it differed in appearance from all invoices submitted by this vendor under the grants.

Example of invoice submitted by winning bidder


R7/0001123

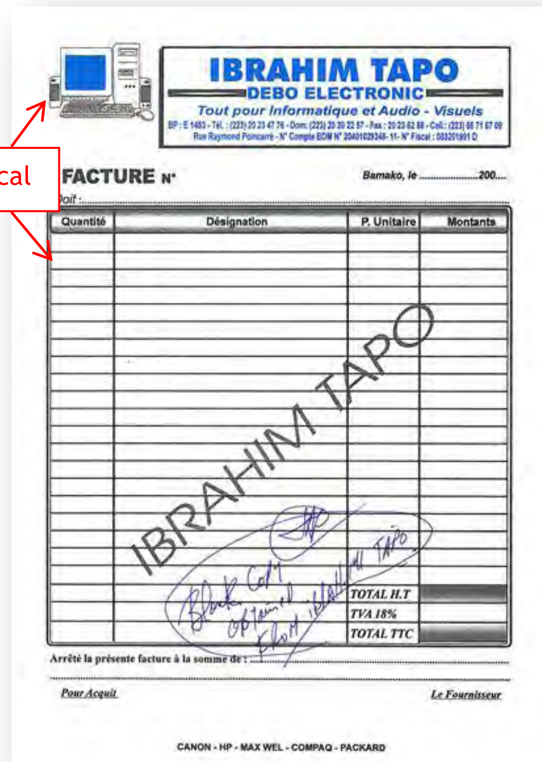
IBRAHIM TAPO
DEBO ELECTRONIC
Tout pour informatique et Audio - Visuels

FACTURE N°
Bamako, le 18-2-
Doit PNLT

Qtés	Désignations	P. Unit.	Montant
24	Chemises a Rabat	1500	36000
24	Bloc notes	1500	36000
48	Bic bleu et rouge	75	3600
24	crayon	50	1200
02	Papier geant	15000	30000
02	Lames	5000	10000
01	Encre Photocopie	70000	70000
02	Encre 4500	30000	60000
		TOTAL H.T	246800
		TVA 18 %	
		TOTAL TTC	

Arrêté la présente Facture à la somme de :
Pour Acquit
Le Fournisseur
CANON - HP - MAX WEL - COMPAQ - PACKARD

Invoice template obtained from winning bidder[220]


IBRAHIM TAPO
DEBO ELECTRONIC
Tout pour Informatique et Audio - Visuels

FACTURE N°
Bamako, le ....200....
Doit :

Quantité	Désignation	P. Unitaire	Montants
		TOTAL H.T	
		TVA 18%	
		TOTAL TTC	

Arrêté la présente facture à la somme de :
Pour Acquit
Le Fournisseur
CANON - HP - MAX WEL - COMPAQ - PACKARD

Winning vendors that were associated with bids confirmed to be fraudulent, as in the example provided above, were:

Ibrahim Tapo	Centre de la Bande Dessinee	AB Trading Sarl
Lalla O. Dicko	SM3	Ets Abdoul Karim Sidibe & Freres
Bama Impression	Souleymane Sacko	Labotech Service
Amadou Baba Konate & Freres	Union Service	

[219] R7/1933, R7/1127, R4a/62, R7/3349, R7/ 3270
[220] R7/1123

In total, OIG identified USD 685,770 in expenditures with tainted procurements.[221]

D. INOPERATIVE TUBERCULOSIS LABORATORY

The OIG also notes that USD 122,106 of GF funds was spent on the construction of an unusable (and virtually vacant) laboratory under TB Round 4.[222] The details of what transpired in this case are currently under review by Malian authorities, and therefore OIG has not been able to take its investigative work in this case to its conclusion.

PNLT had committed build a laboratory whose purpose was to enable reinforcing the quality assurance of the laboratory exams performed by the peripheral levels for detecting the new TPM+ patients; to perform the sensitivity tests to MDR patients under treatment; and to support the realization of tests performed within the national survey that was planned initially in Round 4.[223] A contractor by the name of Ecetram was retained for the construction and USD 51,435[224] in in funds for laboratory construction were first made to the contractor in June 2008. A second payment of USD 70,678[225] was made to the contractor in August 2008. By June 2009, the remaining USD 30,000 was pending a national contribution.

GF management reports began to register concerns in 2007 that construction of the laboratory was severely delayed due to procurement issues.[226] A transition memorandum between relevant Secretariat staff overseeing the grant also flagged the delay. In June 2010, the current Secretariat staff visited the laboratory and concluded that the laboratory did not meet minimum safety specifications, and was therefore unusable. He further noted that PR did not even anticipate the additional costs for ventilation equipment required for this type of laboratories, as per the WHO norms.[227] The laboratory equipment currently sits in a warehouse, and it is alleged that the equipment is no longer usable.

OIG's review of the laboratory identified the following: (1) there was no evidence that a competitive bidding process was undertaken to award the contract to a company named Ecetram, and (2) the design engineer whose name was appended to the laboratory design and drawings indicated to OIG that he had never been hired to design this particular laboratory, and that the floor plan appended to the contract was a plan he had made for an altogether different laboratory. OIG also interviewed the Head Director of the Institut National de

[221] CFA 326,426,765. Of this amount, CFA 37,721,700 (USD 79,247) is already included in the overall loss figure as the expenditure tainted by procurement anomaly was included in an expenditure grouping tainted by confirmed fraud.
[222] CFA 58,122,369
[223] Interview with Secretariat staff.
[224] CFA 24,483,044
[225] CFA 33,642,200
[226] Secretariat staff handover note and Grant Progress Report for Round 4.
[227] Interview with Secretariat staff.

Recherche en Sante Publique (INRSP), who stated that he had requisitioned the laboratory. He informed the OIG that the laboratory was not usable as it did not meet standards necessary to conduct testing of TB in a safe environment. He also stated that after he made the request for this laboratory to the MoH and insisted on certain standards for the laboratory, he was no longer invited to meetings regarding the planning and construction of the laboratory.[228] Since the resulting construction could not be safely used for the intended purposes, he informed OIG that he had hired an independent consulting firm to review the laboratory and recommend ways to have it meet safety standards. He is currently seeking USD 84,000 from GF to make the laboratory usable.

OIG visited the laboratory in the summer of 2010, and it indeed found that the construction was not being used and that the work was sub-par:

Photos of laboratory taken in the summer of 2010

[228] It should be noted that the Secretariat staff informed OIG that, during his own conversation with the Head Director during his initial visit to the laboratory a few months earlier, the Head Director had exhibited no interest in the lab and stated to the Secretariat staff that this was not his business.

V. FIDUCIARY CONTROL WEAKNESSES

In Mali, five structures—the DAF, external auditors, the LFA, the CCM, and the GF's own staff—constituted the fiduciary framework that ought to have ensured that funds were used for their intended purposes. However, the OIG's review of key documents issued by these structures, as well as interviews of key staff within these structures, demonstrate that none of them—with the exception of one external audit in 2009—uncovered the obvious risks and red flags that funds may have been diverted.[229] Lessons can therefore be learned about each fiduciary structure to strengthen the GF's fiduciary framework in future grants. This section outlines (i) the roles and responsibilities of each fiduciary structure; (ii) how GF perceived the robustness of each; (iii) issues identified over the life of the grants; and (iv) the structural weaknesses that may have prevented each from detecting fraud and abuse.

It should be noted that the OIG's observations only address fiduciary oversight of four grants in Mali between 2005 and mid-2010. The OIG recommends the following safeguards be implemented:[230]

- Reinforcing and prioritizing the mandate of firms that monitor expenditure in countries in order to enhance fraud prevention and detection;
- Consideration of strengthening the role of country coordinating bodies in grant oversight;
- Additional scrutiny of activities considered at higher risk of fraud, such as training
- Redirecting a proportion of all grants to assess and strengthen financial controls at country level;
- Increasing the number of the Fund's staff, including the FPM, responsible for financial management.

A. DAF

1. Roles and Responsibilities of the DAF

The DAF was assigned responsibility of managing the fiduciary aspects of the GF grants. This required DAF officials to jointly sign checks for program withdrawals, manage the program accounting, maintain program expenditure documentation and oversee procurement and contracting of larger vendor purchases.

[229] According to consulting group expert in the Mali grants, GMS, the initial findings by MoH were made using an audit system independently used by other donors. This auditing system had never to that date been utilized to review GF grants.
[230] See GF announcement from February 4, 2010, *available at* http://www.theglobalfund.org/en/announcements/?an=an_110209

2. GF Reviews of the DAF

The GF Secretariat was aware that the DAF was weak and did not perform up to standards since 2003. The Secretariat"s first assessments of the DAF can be found in the earliest Mali grant's GPR for Malaria Round 1. In its initial assessment of the DAF's functions by the LFA in 2003, no rating (*i.e.*, "x") was given to the financial management and systems, and the LFA gave procurement and supply management a "C1."[231] At the Grant Renewal Review of Malaria Round 1 in 2005, the GPR noted that the DAF, until recently, was "clearly inefficient in managing funds."[232] By summer of 2005, when the first TB grant (Round 4) started, the GPR for that grant recorded that the DAF needed to better coordinate with the PNLP to "clarify its internal procedures to improve long term financial transparency and the efficiency of its procurement procedures" and "execute optimum disbursements and procurements."[233]

Again in 2006, the LFA raised concerns that the DAF was delaying procurement for TB Round 4, and the LFA recommended: "It is necessary that the [DAF] clarify its internal procedures to improve financial transparency and good governance in the procurement process. This issue is crucial for the program's success."[234] Also, the LFA pointed out that a transfer of accounting responsibilities to the DAF, which occurred in 2006, resulted in delay of procurement: "Since this transfer of responsibilities, procurement procedures have been delayed (more than 6 months to buy 20 motorcycles, 4 months to select an auditor, etc.)." The LFA further observed that the DAF "lacks transparency and its staff is not experienced in managing the Global Fund grants."[235] By 2007, the LFA noted that procurement delays have been resolved, but "[DAF's] internal procedures are unchanged and inefficiencies remain."[236]

In 2008, the outgoing Secretariat staff issued a handover note that DAF "dealt with financial issues which resulted in important delayed [*sic*] especially regarding procurement [of motorcycles] and the building of the new TB laboratory which took more than 3 years to be completed."[237] In addition, the CCM and TB program had issued complaints about the DAF not providing an accurate overview of real expenses, which was delaying access to funding.[238]

The LFA's 2009 reports on the DAF continued to raise similar concerns:

> *The LFA continues to note the difficulties experienced by the PR's [DAF]… Their internal procedures are unchanged and inefficiencies remain as detailed in section LFA 1D-4.*[239]

[231] See Grant Performance Report, p. 4
[232] See Grant Performance Report, p. 29
[233] Grant Performance Report, p. 39
[234] DR5; MAL-405-GO3-T; November 2006
[235] DR4; MAL-405-GO3-T; August 2006
[236] DR8 Section 3; MAL-405-GO3-T; October 2007
[237] No other observations about the DAF were made in the Secretariat staff's handover notes.
[238] Interview with Secretariat staff
[239] DR 13 Section 1D2; MAL-405-GO3-T; October 2009

To date, the financial reporting process is not efficient at the [DAF] level. The PNLP does not have access to timely financial information on the program, and is not in a position to report financial information in a timely manner to the Global Fund. The capacity of the [DAF[to manage financially the Global Fund grant should be reinforced, with a dedicated person for Global Fund grants, and/or the responsibility placed at the level of the PNLP with adequate level of staffing.[240]

The weaknesses met in [DAF] accountancy need to be corrected by the reinforcement of the internal audit service.[241]

3. DAF Oversight Weaknesses

The OIG's review of the DAF reveals the following fiduciary weaknesses:

- **DAF Accountant had a history of financial crime**

As part of the LFA's initial recommendations stemming from the Malaria Round 1 grant, the DAF recruited a dedicated accountant to perform the accounting duties for all four TB and Malaria grants. Several confidential witnesses informed OIG that prior to being hired for the position at DAF, Individual A served several years in jail for embezzlement. The LFA also confirmed this information based on conversations with others in Bamako.

- **DAF failed to implement proper segregation of duties**

DAF accountant Individual A was responsible for a broad range of activities, largely incompatible with one another in terms of internal controls. He was not only responsible for collecting supporting expenditure documentation and inputting it to the accounting ledgers, but he also had access to checkbooks, bank statements and canceled checks.[242] The lack of oversight of Individual A and his ability to access information led to an environment in which he could easily misappropriate grant funds with little chance of being caught. Indeed, the MoH has confirmed that checks forged by Individual A date back to at least August 2007, a full two years before the external auditor AE2C uncovered the fraud.[243]

- **DAF failed to adequately perform basic accounting tasks**

The OIG's audit team found that the DAF had accounted for, within its accounting system, less than 20 percent of the USD 8.7 million under its stewardship which had been withdrawn and expended directly by the PNLT and PNLP programs. The OIG, along with the LFA and

[240] Id.
[241] Id.
[242] See Power of Attorney from Individual E to Individual A on November 20, 2007.
[243] The poor accounting at DAF, as well as the breakdown in controls, may amount to a violation of Article 7a of the Grant Agreements, which states, "The Principle Recipient shall maintain Agreement books and records in accordance with generally accepted accounting standards acceptable to the Host Country or in accordance with other accounting standards that the Global Fund and the Principle Recipient have agreed to in advance in writing."

external auditors, also found that Individual A had rarely completed any bank reconciliations, a basic but necessary accounting function, critical to identifying discrepancies between bank and book balances, throughout the entire life of both programs.

- **DAF did not maintain an adequate internal auditing function**

The OIG found that throughout the life of the four grants, the DAF's internal audit group performed only one internal audit (during the first year of Round 4). While the grant agreement does not formally require the completion of internal audits, the OIG notes that had more internal reviews been done, the possibility exists that the fraud may have been detected and the resulting loss mitigated.[244]

B. External Audits

1. The Purpose of External Audits

Article 13 of the Standard Terms and Conditions, states "The Principal Recipients shall have annual financial audits of Program revenues and expenditures conducted by an independent auditor" and "shall ensure that annual audits of the revenues and expenditures of each Sub-recipients of Grants funds are carried out." The PR is responsible for selecting "an independent auditor acceptable to the Global Fund," and the PR is to "furnish" the audit reports "within six months after the end of the period under audit."[245]

The GF Guidelines for Annual Audits of Principle Recipients' and Sub-Recipients Financial Statements explain the purpose of external audits:[246]

> *These annual audits are important parts of the assurance process regarding proper use of Global Fund money and provide the basis for decision-making on the disbursement of funds and the renewal of grants within the framework of Global Fund's performance-based funding principles. The audits are to provide the Global Fund with reasonable assurance that disbursed funds were used for the intended*

[244] The lack of audit reports amounts to a violation of Article 7b and d of the Grant Agreements, which states: "The Principle Recipient shall have annual financial audits conducted of the Program expenditures…[and] the Principle Recipient shall furnish… to the Global Fund an audit report for each audit … within six months after the end of the period under audit."

[245] Article 7 of the Mali grant agreements.

[246] OIG recognizes this policy may have been updated over the years, and so the auditors may not have been held to this standard over the life of the grants. Available at https://intranet.theglobalfund.org/sites/Operations/EAP/PrivateZone/Papua/Annual%20Reports/Guidelines%20for%20%20Annual%20Audits%20of%20Financial%20Statements%20_EXTERNAL%20USE.PDF

purposes in accordance with the Grant Agreement, the approved budget and the Performance Framework.[247]

2. Significant Delay of External Audit Reports

Upon initiation of the OIG's investigation, the Secretariat provided the OIG with copies of the following four external audit reports relating to the four grants:

- Round 1 – August 1, 2005 to February 28, 2007[248]
- Round 4 – August 1, 2005 to July 31, 2006[249]
- Round 4 – August 1, 2006 to August 31, 2007[250]
- Round 6 – November 1, 2007 to October 31, 2008[251]

During the course of the implementation of the four grants, both the LFA and the Secretariat noted that the DAF did not adequately ensure that external audits of the grants were being performed timely and in accordance with grant requirements. For example, the audit report for the period ending October 31, 2008 related to Malaria Round 6 was not issued until October 2009, over 10 months late. In another instance, the TB Round 4 external audit for the period August 1, 2006 to August 31, 2007 was tendered by the DAF on October 15, 2007 using a closed procurement process (*i.e.*, the DAF selected a short list of firms from which to solicit bids). The OIG contacted the winning bidder, SCAE, who notified the OIG that it submitted its bid on October 25, 2007, the public bid opening was done on October 30, 2007 and the DAF informed SCAE of its winning bid on January 17, 2008.[252] Despite this, SCAE reported to the OIG that it was not invited to commence its fieldwork until almost one year later, on December 15, 2008, as the DAF was unprepared and the books and records were not in a state in which they could be audited.

The Secretariat was proactive in following up on late audit reports and ensuring that the external audits be performed and submitted to the GF. For example, relevant Secretariat staff took the initiative to insert in the grant score card a condition precedent to be fulfilled prior to signing the Phase 2 grant agreement imposing the submission of the audit report covering Year 2 of the Malaria Round 6 grant. Also, in the Management Letters corresponding to the disbursements 12 and 13, Secretariat staff noted that any further disbursement under the TB Round 4 grant would be held until the submission of the overdue audit reports.

Although GF guidelines state that the GF "reserves the right to withhold disbursements to Principal Recipients or to terminate or carry out other sanctions against the Principal

[247] The GF Guidelines for Annual Audits of Principle Recipients' and Sub-Recipients Financial Statements, para. 2.3
[248] SOCAGIM SARL audit report dated August 23, 2007
[249] SEC Diarra audit report dated March 20, 2007
[250] SCAE audit report dated January 12, 2009
[251] AEC2C audit report dated September 18, 2009
[252] Email from Partner at SAEC to OIG; December 12, 2010.

Recipient which the Grant Agreement allows if the audited accounts are not provided to the Global Fund," the OIG uncovered no evidence of a discussion of termination or sanctions due to delayed audit reports on the part of the GF.[253]

3. Significant External Audit Report Findings

The OIG reviewed the 4 external audit reports provided and noted that they raised a number of issues consistent with those raised by the LFA over the years as well as those raised by this very investigation. The following are some of the significant findings concerning the LFA highlighted in the external audit reports:

- Bank reconciliations are not systematically prepared[254]
- Improper maintenance of bank check books[255]
- Improper segregation of duties around accounting and treasury[256]
- Lack of expenditure documentation[257]
- Procurement irregularity related to the purchase of motorcycles and general lack of procurement procedures[258]
- Improper inventorying of fixed assets[259]

While one might expect a longer list of findings from these external audit reports in light of the rampant fraud that has now been discovered, it is difficult to assess the quality of an audit without delving into the actual testing procedures performed by the external auditors. Without such additional detailed information, the OIG is not able to question the validity and effectiveness of the external audits as such. Overall however, the OIG found that three of the four audit reports were relatively well prepared and generally informative.[260] Further, as described below, OIG believes that the external audit report commissioned by the MoH was the catalyst for the identification of the banking fraud perpetrated by the DAF accountant Individual A.

[253] GF Guidelines for Annual Audits of Principle Recipients' and Sub-Recipients Financial Statements, para. 2.6
[254] AEC2C audit report dated September 18, 2009. SEC Diarra audit report dated March 20, 2007,; p. 36.
[255] Report on Internal Controls on the Malaria Round 6 grant issued by AE2C on September 10, 2009
[256] Id.
[257] LFA Comments on Audit Report" dated October 28, 2009 relating to Malaria Round 6 Audit report for the period ending October 2008. See also SEC Diarra audit report dated March 20, 2007, p.5.
[258] SCAE audit report dated January 12, 2009, p. 4. See also SEC Diarra audit report dated March 20, 2007, p. 33
[259] SEC Diarra audit report dated March 20, 2007; p. 11, 35.
[260] The OIG found the SOCAGIM-SARL audit report on PNLP for the period ending February 28, 2007 to be extremely light and devoid of any meaningful analysis.

4. External Auditors' Identification of Fraud

The OIG notes that while the MoH was proactive in its disclosure to the GF about the fraud perpetrated by the DAF accountant Individual A, it was actually an external auditor that discovered the fraud. In its report dated September 18, 2009, AE2C issued an unqualified opinion on the PNLT books and records as a result of a significant amount of unjustified expenditures. More specifically, AE2C included in the limitations section of its report, that one of those checks had been cashed by the program accountant, and that the DAF was performing an internal investigation of the matter.[261]

5. External Audit Reports Issued After OIG Involvement

Concurrent with the OIG's investigation, the GF received a number of outstanding external audit reports relating to Round 4, 6 and 7 grants. The audit reports, performed by the same external auditor and signed between December 2010 and January 2011, covered the following grants and time periods:

- Malaria Round 6, November 1, 2008 to October 31, 2009
- TB Round 4, August 1, 2008 to July 31, 2009
- TB Round 4, August 1, 2007 to July 31, 2008
- TB Round 7, August 1, 2008 to July 31, 2009

Not surprisingly, in light of the OIG's and local law enforcement investigations, the external auditor issued adverse opinions on each of the later audit reports, concluding that the books and records were in such a state that made it impossible to certify the financial statements. The reports issued after the OIG's investigation began shed little additional light on the fraud and accounting improprieties that plagued these grants but they do further confirm the OIG's conclusions relating to unjustified expenditures. These examples demonstrate the limitations of regular audit. Thorough and deep forensic investigation must take place to fully identify the nature and extent of the fraud, identify all responsible parties, the extent of the losses, as well as what happened to the lost funds.

[261] AEC2C audit report dated September 18, 2009, p. 5 states "Dans le lot d'avances ci-dessus, figure un cheque numero 0154323 emis le 28/07/2008 pour un montant de 2,500,000 et encaisse au profit de monsieur Individual A le 06 Aout 2008. A l'issue de notre intervention, des measures administratives ont ete prises a l'encontre du comptable en attendant les conclusions des investigations."

C. LOCAL FUND AGENT

1. Background

Under the Global Fund model, the LFA is the "eyes and ears" of the Global Fund on the ground, in-country. the GF engaged two organizations to fulfill the LFA function throughout the life of the four Mali grants. KPMG served as the LFA between 2005 and late 2008, until GF re-tendered the LFA position, resulting in a switch in to the Swiss Tropical and Public Health Institute (Swiss TPH).[262] Continuity of LFA operations in Mali nonetheless appears to have been maintained as KPMG's main consultant in Bamako, who performed most of the LFA tasks on site, was hired by Swiss TPH to perform the same functions. Most of the OIG's analysis focuses on the work of Swiss TPH, between 2008 and 2010.

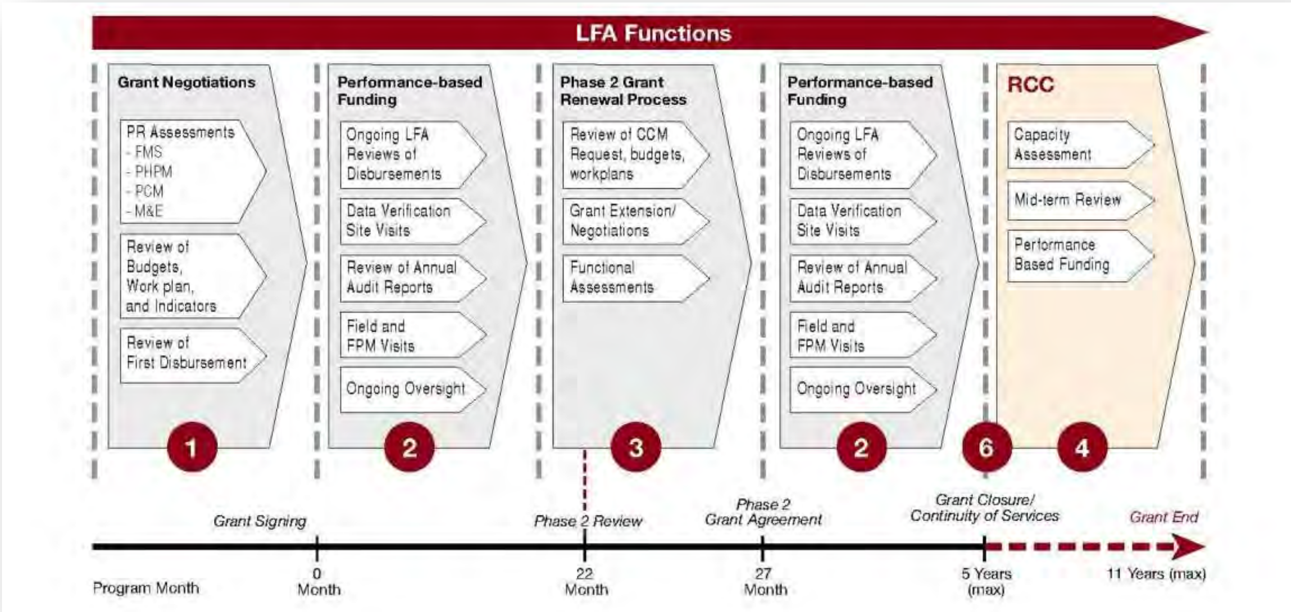
2. Roles and Responsibilities of the LFA

The roles and responsibilities of the LFA are described in the GF LFA Manual.[263] As the Manual's states, "The LFA is a crucial part of the GF's system of oversight and risk management."[264] The LFA is asked to:[265]

- Provide "informed and independent professional advice" regarding "the capacity of PRs to manage the implementation of activities funded under grants (including a PR's capacity to oversee implementation of activities by Sub-recipients),"
- Make recommendations regarding disbursement of grant funds,
- Review grant performance during the grant's renewal for Phase II, and, importantly,
- *Provide the Secretariat on an ongoing basis with relevant information on issues or risks which might affect grant performance.* (Emphasis added)

[262] The GF conducted a re-tendering across all grants that year.
[263] The most recent version is dated May 2008. OIG recognizes this policy may have been updated over the years, and so the LFA may not have been held to this standard over the life of the grants.
[264] LFA Manual, Section 6, p. 10
[265] LFA Manual, Section 6, p. 10

Schematic of LFA Functions from LFA Manual[266]



As a key fiduciary agent, the LFA is asked to undertake a number of activities which should alert the GF to risk of mismanagement, abuse, fraud, and corruption. Principles among them are:[267]

- A financial management (FM) assessment of the PR during grant negotiation,
- Ongoing progress reviews of the Disbursement Request and Progress Updates (DR/PUs),
- Enhanced financial reporting,[268] and
- Review of annual audits reports.

As part of the FM assessment,

> *The LFA is required to determine whether the PR has (or can access) financial management capacity and systems which: (i) Can correctly record all transactions and balances, including those supported by the Global Fund; (ii) Can disburse funds to Sub-recipients and suppliers in a timely, transparent and accountable manner; (iii) Maintains an adequate internal control system; (iv) Can support the preparation of*

[266] LFA Manual Section C, p. 33
[267] See Board Document entitled "Fiduciary Arrangements for Grant Recipients"
[268] Enhanced financial reports were only introduced in 2008, so the Secretariat staff was not responsible for this beforehand.

> *regular reliable financial statements; (v) Can safeguard the PR's assets; and (vi) Are subject to acceptable auditing arrangements.*[269]

As part of the ongoing progress review,

> *The LFA is required to receive and review the DR/PU, and having done so to complete the LFA Progress Review and Recommendation for Ongoing Disbursements form. This [includes]…[c]onfirmation that the bank account information is correct.*[270]

As part of enhanced financial reporting,[271]

> *The LFA [should] review the completed template at each reporting period to ensure… [f]inancial information has been correctly extracted from financial systems and records.*[272] *Three types of verifications can be performed by the LFA: 1) Bottom-up audit trail from recorded events in primary records to aggregated reports; 2) Cross-verifications of programmatic data with other sources of information – e.g., expenditures, inventory records; and 3) Spot-checks of actual delivery of services and/or commodities with beneficiaries.*[273]

Although the LFA "is not responsible for undertaking the audit of the PR", as part of its review of annual audits, it is required to provide:[274]

> *Timely and relevant advice to the Global Fund on… [i]ssues arising in the PR's audit report which may affect the grant; and [i]ssues arising in the Sub-recipients' audit reports which may affect the grant.*[275]

The LFA Manual draws a distinction between oversight and provision of technical assistance, which the LFA is not to perform:

> *Note that the LFA does NOT provide technical assistance or capacity building on core aspects of implementation to the PR or sub-recipients, as this would constitute a conflict of interest. Providing assistance or guidance in complying with Global Fund reporting requirements, for example, is not regarded as TA or capacity building.*[276]

---

[269] LFA Manual Section 1.4, p. 36
[270] LFA Manual, May 2008, Section 1.3, p. 42, *available at* http://www.theglobalfund.org/documents/lfa/LFA_Manual_en.pdf
[271] Enhanced Financial Reports were introduced by the GF in 2008
[272] LFA Manual, Section 2.3, p. 44
[273] LFA Manual, Section 3.3, p. 45
[274] LFA Manual, Section 7.1, p. 46
[275] LFA Manual, Section 7.4, p. 47
[276] LFA Manual, Section 6, p. 10

3. GF Reviews of the LFA

The FPMs the OIG interviewed reported that they were satisfied with both LFAs' performance. The GF performs periodic reviews of LFAs and rates LFA performance on the following indicators: (i) completeness, accuracy and clarity, (ii) analysis and consistency, (iii) practicality of recommendations, (iv) timeliness/responsiveness/communication, (v) revision of deliverables and (vi) clarification.[277] Swiss TPH, for example, scored a 3, or "meets the requirements" on all of these criteria.

4. Issues Raised by the LFA

Based on the OIG's review of DR/PUs and other reports submitted by the LFAs to GF, the OIG found that both KPMG and Swiss TPH raised numerous issues on multiple occasions highlighting significant risks within the Malaria and TB programs. Issues highlighted and communicated to GF included concerns about (i) the PR's oversight of its SRs, (ii) the PR's failure to properly and timely submit expenditure reports, (iii) the PR's failure to maintain adequate supporting documentation, and (iv) significant problems and issues with the DAF.

Despite making such observations, the LFA did not make the link—either explicitly or implicitly—that that these issues constituted indicators of fraud or misappropriation risk.

Some of the specific observations made by the LFAs were:

General control issues

- *Necessary supporting documents, records, and accounts are not systematically kept in respect of program activities including expenditures and program results reported via the periodic reports to the Global Fund.*[278]
- *Internal control procedures and audit arrangements are not adequate to ensure that grant assets are safeguarded against possible misuse and abuse.*[279]
- *Although the current reporting process is operating, we note that it is not sufficient. The issues that the MOH needs to address are as follows (a) some of the reporting takes place verbally, instead of in written form and (b) there is not a well-established system of communication between the Central level, the District Health Services and the Community. Without a formal communication system, staff turnover and loss of institutional knowledge are potential areas of risk.*[280]
- *The PR is managing both Rounds 4and 7 grants but should absolutely avoid any transfer of funds between the two programs. By respecting the reporting deadlines,*

[277] LFA Manual, May 2008, p.30
[278] LFA Comments on AE2C audit report; October 28, 2009, p.2
[279] Id.
[280] DR9 Section 1D5; MAL-405-GO3-T; February 2008

the PR should avoid situations of negative cash balance as happened at the end of Q14.[281]

Management of SRs

- *The PR is not closely monitoring SR activities. The LFA noted several instances where the relevant financial and programmatic information were not available at the PR level, and had to be obtained directly from both GPSP and the PPM. These difficulties have resulted in delays in the finalization of the LFA on-going progress review. The PR should improve the level of communication and coordination with Sub-recipients.*[282]
- *The LFA noted the PR is not closely monitoring SR activities. The first funds were disbursed to Groupe Pivot at the end of Q2. As stated in the conditions precedent for this grant, the PR should quickly demonstrate what tools and operating procedures are used to manage this entity, including the role of the Administrative and Financial Department (AFD) of the MoH.*[283]

Onsite Verification Issues

- *The LFA noted that some targets, which were supposed to have been monitored and tracked, were not reported on. Local staff at the District Health Center often waits for the coordination monitoring mission to compile the center's quarterly data, when they should have been compiling their own data. This confirms that the system in place is not effectively used to monitor and capture such information. The operations are entirely dependent upon the performance of the national central staff team.*[284]

Timeliness of Periodic Reporting and External Audits

- *The PR has not yet provided an audit report since end of August 2007. The audit reports should have been aligned with the PR fiscal year, and transmitted on 30th June 2008 (for the period until December 2007) and 30th June 2009 (for the fiscal year 2008).*[285]
- *The PR should work to report its quarterly results on time.*[286]
- *The PR should give its report to the LFA in line with Global Fund deadlines included in the Grant Agreement.*[287]
- *The PR should give its report to the LFA in line with GF deadlines included in the Grant Agreement. This report was due 15 September and submitted 03 November.*[288]

[281] DR12 Section 3; MAL-405-GO3-T; July 2009
[282] DR3; MAL-607-G04-M; August 2009
[283] DR3, MAL-708-G06-T; July 2009
[284] DR9 Section 3; MAL-405-GO3-T; February 2008
[285] DR12 Section 3; MAL-405-GO3-T; July 2009
[286] DR10 Section 3; MAL-405-GO3-T; November 2008
[287] DR5 Section 3; MAL-405-GO3-T; November 2006; Section 3

- *The PR should endeavor to submit its quarterly reports on a timely basis.*[289]
- *Almost two years after the project start, there has been no external audit of the program. PNLP does not have either an internal auditor verifying the use of funds.*[290]
- The PR should give its report to the LFA in line with GF deadlines included in the Grant Agreement. This report was due in May 2009.[291]

Accuracy of Reporting

- *As noted in LFA Sections 1C and 2, the PR made an error in reporting expenditures to date. The LFA recommends that the PR evaluate the financial controls that it has in place and ensure that financial entries and all final reports go through various levels of review to ensure that all financial information is correctly reported. Additionally as noted in LFA Section D #5, the PR should consider contracting external expertise for the financial management of this grant.*[292]
- *As noted in LFA Sections 1C and 2, the PR has made a mistake in reporting expenditures to date. LFA recommends that the PR evaluates the financial controls that it has in place and ensure that financial entries and all final reports go through various levels of review to ensure that all financial information is correctly reported. Additionally as noted in LFA Section D #5, the PR should consider contracting external expertise for the financial management of this grant.*[293]
- *The PR has made errors in the calculating cash reconciliation and expenditures to date. In conjunction with recommendation above, it is advised that the necessary safeguards be put in place so that these errors are not replicated in the future.*[294]
- *The report does not include a clear expenditure report. It is impossible to match the amounts reviewed by the auditor with the amounts reported by the PR in quarters Q1 to Q4 (end of September 2008). There are no clear links between the accounting and programmatic records and the financial and programmatic reports presented to the Global Fund;*[295]
- *The amount of unjustified expenses needs to be explained by the AFD.*[296]

Issues with the DAF (AFD)

- *AFD staff performance: AFD's information system with relation to the TB coordination Program needs strengthening as demonstrated by the following issues:*
    1. *The PR has not yet provided an audit report since end of August 2007.*

[288] DR5; MAL-405-GO3-T; November 2006
[289] Id.
[290] Id.
[291] Id.
[292] DR6 Section 3; MAL-405-GO3-T; February 2007
[293] DR5; MAL-405-GO3-T; November 2006
[294] DR5; MAL-405-GO3-T; November 2006
[295] LFA comments on Audit Report; MAL-607-G04-M; October 2009
[296] Id.

The audit reports should have been transmitted by the AFD at this date but the PNLT is unable to provide us information about this process.

2. The AFD staff is managing both Rounds 4 and 7 grants and the LFA noted a transfer of funds between the two programs. A situation the PR should absolutely avoid in the future. By respecting the reporting deadlines, the PR would avoid situations of negative cash balance.

3. The AFD staff met some problems of producing timely financial data for its own expenditures. Given this structure, it is extremely important for the PR to properly coordinate with its AFD staff to ensure a smooth reporting process. To date, the financial reporting process is not efficient.[297]

- *The PR suffers from a lack of communication with the AFD staff following both Rd4 and Rd7 grants. The PR has not submitted its report on time to the LFA since it is unable to collect the required financial information as soon as requested. Therefore, in order to avoid further delays, we recommend that the PR should be provided with financial technical assistance to accelerate the development of a strong system and facilitate communication, information and coordination between the PR and the AFD staff. Those improvements are crucial to ensure quality reporting and to avoid additional delays in providing reports. Currently, the PR is still not capable of implementing such a system.*[298]
- *The PR's AFD remains problematic. Some problems have been resolved, e.g., the procurement of motorcycles and vehicles, but others remain, e.g., the delay in the construction of the National Laboratory. Their internal procedures are unchanged and inefficiencies remain.*[299]
- *The LFA continues to note the difficulties experienced by the PR's AFD. Some problems are resolved (e.g., motorcycles and vehicles procurement) but others persist (e.g., financial reporting process, 2007/2008 audit report transmission). Their internal procedures are unchanged and inefficiencies remain as detailed in section LFA 1D-4.*[300]
- *Initially, the PR accountant located in the National Health Department (NHD) managed all financial transactions and payments for the TB program. This accountant managed his responsibilities reasonably well, and his procedures were generally both efficient and transparent. However, in January 2006, the MOH decided to transfer this role to the AFD staff. Since this transfer of responsibilities, procurement procedures have been delayed (more than 6 months to buy 20 motorcycles, 4 months to select an auditor, etc.). Further, AFD lacks transparency and its staff is not experienced in managing the Global Fund grants. The LFA recommends that the Global Fund Portfolio Manager discuss this issue with the PR, and consider transferring this role back to the PR accountant at NHD or identify another channel.*[301]

[297] DR 13 Section 3; MAL-405-GO3-T; October 2009
[298] DR 13 Section 1D4; MAL-405-GO3-T; October 2009
[299] DR8 Section 3; MAL-405-GO3-T; October 2007
[300] DR 13 Section 1D2; MAL-405-GO3-T; October 2009
[301] DR4; MAL-405-GO3-T; August 2006

- *The PNLP does not have the proper level of control on its bank account that is held by the MoH DAF. The PNLP has to go through the DAF for all payments, and does not receive information on movements happening on the bank account.*[302]
- *To date, the financial reporting process is not efficient at the AFD level. The PNLP does not have access to timely financial information on the program, and is not in a position to report financial information in a timely manner to the Global Fund. The capacity of the AFD to manage financially the Global Fund grant should be reinforced, with a dedicated person for Global Fund grants, and/or the responsibility placed at the level of the PNLP with adequate level of staffing.*[303]
- *The weaknesses met in the Ministry of Health Administrative and Financial Department (AFD) accountancy need to be corrected by the reinforcement of the internal audit service.*[304]
- *Expenditure on this grant is very low. As noted previously, this is due to two major issues: delays in procurement and the construction of the national laboratory. The PR has resolved the internal conflicts between the Administration and Finance Department and the National Health Division, and coordination between these two departments has improved. However, the PR still has not yet resolved its procurement issues. It is necessary that the AFD clarify its internal procedures to improve financial transparency and good governance in the procurement process. This issue is crucial for the program's success. It is strongly advised that the PR, in coordination with the CCM, mobilize the necessary resources to overcome both of these delays.*[305]

5. The LFA Ability to Detect Fraud

The OIG found that the LFA was provided with copies—not originals—of bank statements which had clear evidence of manipulation of funds, but that the LFA did not recognize or flag the manipulation in contravention of its responsibilities.[306] Had this been done, the banking fraud perpetrated by the DAF accountant could have been caught at the beginning, and much misappropriation could have been prevented, and significant fraud intercepted. Recovery of lost funds would also have been much easier. Earlier detection would have allowed the follow on investigation to have been closer to perpetration of the fraudulent activity, and the proceeds of the crimes more readily identifiable, and therefore, more easily recoverable.

[302] LFA comments on Phase 2 assessment report; MAL-607-G04-M; August 2009.
[303] Id.
[304] Id.
[305] DR5; MAL-405-GO3-T; November 2006
[306] The LFA reported to OIG that it was not permitted to obtain original copies of bank statements because the PR was a government entity.

Section C.3.1 of the LFA Manual requires LFA's to verify the accuracy and completeness of the PUDR prepared by the PR. This verification is to include assurance that the "bank account information is correct."[307]

As described previously in this report, one of the schemes employed by the DAF accountant, Individual A, related to the falsification of program bank statements for the purpose of hiding misappropriated amounts. The images below are examples, provided to the OIG by the LFA, of such falsified bank statements. In the first, although it was the practice of Ecobank to always disclose the identity of the check payee in the bank statement, Individual A's name is removed in the reference field for check # 3138611 and #FT3138613 in the amounts of CFA 3,808,770 and CFA 3,668,600, respectively. Based on its investigation, the OIG now knows that these checks were indeed withdrawn by the accountant Individual A and to this date, the DAF has been unable to provide any evidence as to the proper use of these funds. A thorough review of this bank statement could have prompted a question surrounding this omission.

[307] LFA Manual, Section C.3.1 p. 42

Page from Round 4 Bank Statement with Individual A's Name Removed

EXTRAIT DE COMPTE

DATE 11:32:30 01 FEB 2009 PAGE 1

DU 01.01.09 AU 31.01.09

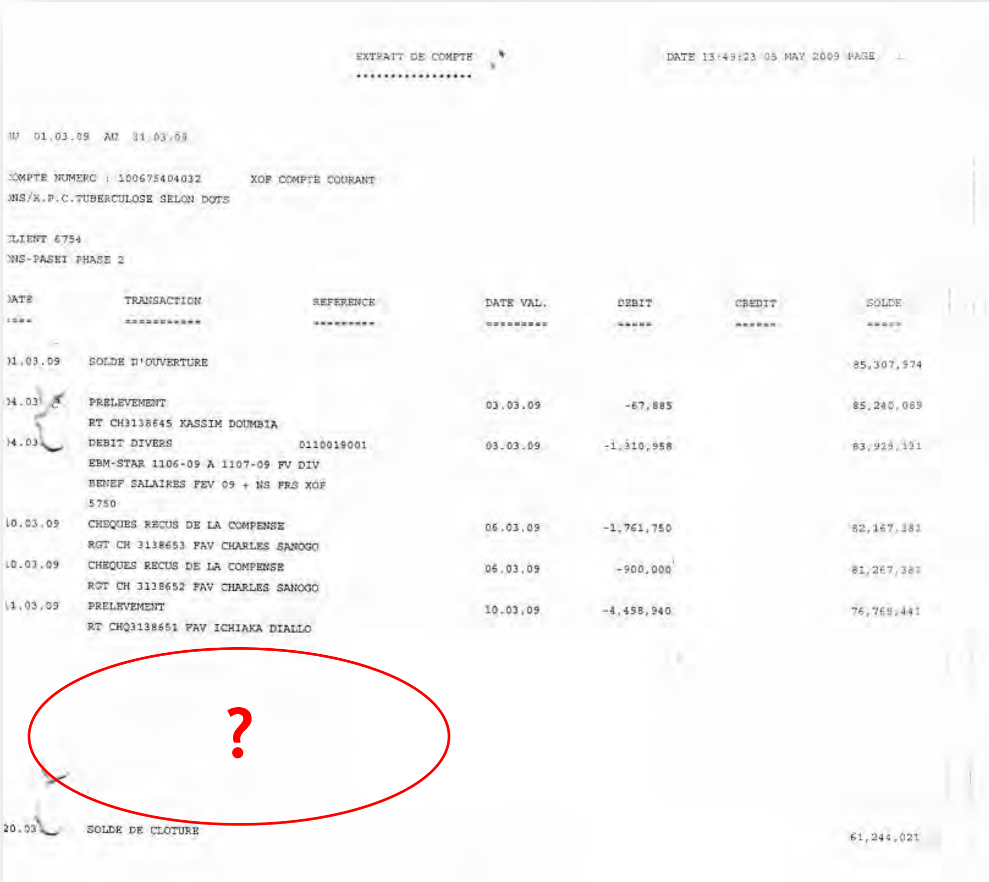
COMPTE NUMERO : 100675404032 XOF COMPTE COURANT
DNS/R.P.C.TUBERCULOSE SELON DOTS

CLIENT 6754
DNS-PASEI PHASE 2

DATE	TRANSACTION	REFERENCE	DATE VAL.	DEBIT	CREDIT	SOLDE
01.01.09	SOLDE D'OUVERTURE					269,871,015
09.01.09	PRELEVEMENT ? RT CHQ3138611		08.01.09	-3,808,770		266,062,245
09.0[illegible]	PRELEVEMENT ? RT CHQ3138613		08.01.09	-3,668,600		262,393,645
2.01.09	PRELEVEMENT PT CH2896347 FAV ICHIAKA DIALLO		09.01.09	-67,885		262,325,760
2.01.09	PRELEVEMENT PT CH2896348 FAV ICHIAKA DIALLO		09.01.09	-67,885		262,257,875
2.01.09	PRELEVEMENT PT CH2896349 FAV ICHIAKA DIALLO		09.01.09	-67,885		262,189,990
5.01.09	TRANSFERT 111110002 BCEAO - Bamako (CR) EBM-STAR 114-09 BMS SO DNS-RPC FV DRSP-KIDAL + NS FRS XOF2875 YR REF 7454-MS-DAF	FT0901500226	14.01.09	-162,875		262,027,115
5.01.09	TRANSFERT 111110002 BCEAO - Bamako (CR) EBM-STAR 113-09 BDM SO DNS-RPC FV RAOULT FOLLEROU MOPTI + NS FRS XOF 2875 YR REF 7447-MS-DAF	FT0901500224	14.01.09	-3,330,965		258,696,150
[illegible].01	SOLDE DE CLOTURE					258,696,150

The falsification in the second example below is much more flagrant. In this case, two entire transactions on the bank statement were removed from the statement provided to the LFA. The mere visual asymmetry of this bank statement page should have prompted the LFA to question the legitimacy of the document. Further, the existence of deleted transactions should have been clear based on the fact that the final amount added up to more than the amounts listed down the page.

Page from Round 4 Bank Statement with Entire Transactions Removed


EXTRAIT DE COMPTE   DATE 13:49:23 05 MAY 2009 PAGE 1

DU 01.03.09 AU 31.03.09

COMPTE NUMERO : 100675404032   XOF COMPTE COURANT
ONS/R.P.C.TUBERCULOSE SELON DOTS

CLIENT 6754
ONS-PASEI PHASE 2

DATE	TRANSACTION	REFERENCE	DATE VAL.	DEBIT	CREDIT	SOLDE
01.03.09	SOLDE D'OUVERTURE					85,307,974
04.03	PRELEVEMENT RT CH3138645 KASSIM DOUMBIA		03.03.09	-67,885		85,240,089
04.03	DEBIT DIVERS EBM-STAR 1106-09 A 1107-09 FV DIV BENEF SALAIRES FEV 09 + NS FRS XOF 5750	0110019001	03.03.09	-1,310,958		83,929,131
10.03.09	CHEQUES RECUS DE LA COMPENSE RGT CH 3138653 FAV CHARLES SANOGO		06.03.09	-1,761,750		82,167,381
10.03.09	CHEQUES RECUS DE LA COMPENSE RGT CH 3138652 FAV CHARLES SANOGO		06.03.09	-900,000		81,267,381
11.03.09	PRELEVEMENT RT CHQ3138651 FAV ICHIAKA DIALLO		10.03.09	-4,498,940		76,768,441
20.03	SOLDE DE CLOTURE					61,244,021

6. The LFA Document Management

In the hopes of gathering additional contemporaneous information and documentation on fraudulent transactions, the OIG met with the LFA (Swiss TPH) to review its internal working papers supporting testing performed on the DR/PUs.[308] In particular, the OIG sought to review the specific expenditures that the LFA tested as part of its responsibility of assessing the accuracy on the "actual expenditure" amounts included in the DR/PUs. The OIG found that while the LFA did maintain some photocopies of the supporting documentation it reviewed, it did not maintain adequate working papers documenting the nature and scope of its expenditure testing. The LFA was unable to adequately substantiate which expenditures it reviewed and the conclusions it drew on each item tested. Failure to maintain such documentation hindered the OIG's review and resulted in the inability to determine whether Swiss TPH had selected any of the fraudulent withdrawals for testing. Further, had Swiss TPH

[308] See LFA Record of Conversation, 16 December 2010.

maintained adequate documentation including a tracking mechanism of expenditures tested, the likelihood exists that it might have detected fraudulent withdrawals at a much earlier stage, in particular for those withdrawals for which there are still no supporting documentation to date.[309]

Section B.5.1 of the LFA Manual states that "LFAs are expected to establish and maintain their own, internal quality assurance system to ensure that the tasks undertaken and products delivered to the Global Fund are of an acceptable quality". The OIG believes that Swiss TPH failed in its responsibility to uphold basic quality assurance standards by failing to maintain adequate documentation supporting work performed. The OIG has discussed this issue with Swiss TPH and notes that Swiss TPH is currently working to strengthen its internal quality assurance system to ensure that adequate internal documentation is maintained for all work performed.

7. LFA on Technical Assistance

The LFA reported a lack of clarity as to when its role providing oversight ended and where technical assistance began. The LFA pointed to GF requests that the LFA guide the PR in preparing of reports, and both relevant Secretariat staff and the LFA voiced concerns that the LFA may have been playing too much of a technical assistance role, in contravention of the LFA manual.

8. LFA Collaboration with the OIG

The OIG notes that Swiss TPH has been open, transparent and fully cooperative with the OIG during both the initial internal audit phase and the current investigation.[310] The LFA has not only adequately and timely responded to all of the OIG's requests for information but it has also proactively provided information that has proven to be useful in the completion of the OIG's work. The LFA's detailed knowledge of program operations and its willingness to share information with the OIG in a full and frank manner has had a positive effect on the overall success of the OIG's work in Mali. The LFA should be commended for these efforts. It should also be noted, that after spending much time with the OIG investigators, the LFAs ability to detect fraud has markedly increased, and referrals to the OIG have increased significantly. The LFA has been right on a number of occasions recently where he has suspected fraud in not only this, but other programs under his firm's management. See Annex 3.

[309] In particular, the OIG notes that because Swiss TPH did not track the items that it tested, the likelihood exists that it requested documentation for an expenditure but never received it. Due to this lack of documentation, the LFA would not have been in a position to follow up with the PR in subsequent months as to the existence of the missing documentation. The OIG notes indeed, that most of the fraudulent withdrawals still have no supporting documentation to this day.

[310] The OIG did not contact KPMG for the purpose of this investigation.

D. COUNTRY COORDINATING MECHANISM

1. Background

The Country Coordinating Mechanism (CCM) is a country-level multi-stakeholder partnership, unique to GF's grant model, that includes representatives from the public and private sectors, including governments, multilateral or bilateral agencies, non-governmental organizations, academic institutions, private businesses and people living with the diseases.[311]

The Mali CCM was instituted in 2003. In 2005, the CCM's terms of reference were revised and the post of a permanent secretary was created. The CCM is composed of 19 multi-sectoral members. To this day, three presidents have overseen the CCM's function. The first (2003-2005 was a representative of the MoH, and the others were all representatives of international organizations (*i.e.,* WHO, USAID, and UN Fund for Children).[312]

Until February 2010, the CCM could receive funds from the PRs to cover operating cost. This is no longer permitted, however, and presently the CCM receives financial support (modest) from several donors (*i.e.,* USAID, WHO) and annual grants from the Global Fund.[313]

2. Roles and Responsibilities of the CCM

CCMs are responsible for (i) coordinating the development and submission of national grant proposals; (ii) nominating Principal Recipients; (iii) (importantly, for the purposes of this Report) overseeing implementation of the approved grant and submit requests for continued funding; (iv) approving any reprogramming and submitting requests for continued funding; and (v) ensuring linkages and consistency between Global Fund grants and other national health and development programs.[314]

Although CCMs have always been responsible for grant implementation oversight, GF did not emphasize this responsibility in the first several years of operation, as it was primarily focused on operationalizing the model and receiving grant proposals from CCMs.[315] Although CCM-related functions were managed with the Operational Partnerships and Country Support Unit, the GF only instituted a formal CCM Unit charged with overseeing CCM activities in 2008 and has been promoting oversight management tools such as a "dashboard" since late 2008.[316]

[311] http://www.theglobalfund.org/en/ccm/
[312] GMS Mali Dashboard report Dec 15, 2009
[313] CCM Funding Policy as of February 2010
[314] http://www.theglobalfund.org/en/ccm/
[315] As GF was a new funding mechanism and CCMs were also being created, the priority in the first years was to operationalize the model, which primarily consisted of applying for grants and obtaining minimum functionality.
[316] OIG has no opinion as to the ability of the Dashboard to uncover fraud or abuse of GF funds.

CCM oversight is increasingly becoming the focus of GF's Board and Secretariat, and in 2010, the organization began to prepare further guidelines to strengthen CCM oversight.[317]

At the time of the OIG's investigation, GF had issued a Guidance Paper on CCM Oversight.[318] It states:

> *Oversight ensures that activities are implemented as planned by providing strategic direction to principal recipients, ensuring policies and procedures are met, instituting financial controls (including independent audits), and following through on key recommendations.*[319]

While the guidelines do not explicitly require the CCM to identify and react to risk of fraud and abuse, they do hold the CCM responsible for knowing the answers question that would alert the CCM to fiduciary problems within the grant:[320]

> *· Finance. Where is the money? Is it arriving on time? Is it being distributed properly, and promptly? Who is benefiting?*
>
> *· Procurement. Are the drugs, bed nets, laboratory supplies, etc. going where they need to go? Are implementers getting them on time? Is the distribution system safe and secure? Are patients receiving them?*
>
> *· Implementation. Are activities on schedule? Are the right people getting the services they need?*
>
> *· Reporting. Are reports being submitted accurately, completely and on time?*
>
> *· Technical Assistance. Where are the grant implementation bottlenecks (e.g., procurement, human resources, etc.)? What technical assistance is needed to build capacity and resolve problems? What is the outcome of technical assistance?*

3. GF Reviews of the CCM

According to the GF Secretariat, the Malian CCM generally performed on par with most other CCMs throughout the grants' life.[321] As the GF began to focus on the quality of CCM oversight, it began to recognize that the CCM's oversight capacities were weak. In 2008, Mali's CCM volunteered for a GF-wide pilot exercise to initiate use of "dashboard," an information tool

[317] OIG has no opinion as to the strength of these new guidelines.
[318] Guidance Paper on CCM Oversight 202008-05; OIG recognizes this policy may have been updated over the years, so the CCM may not have been held to this standard over the life of the grants.
[319] Guidance Paper on CCM Oversight, p1
[320] Guidance Paper on CCM Oversight, p3
[321] Second Secretariat staff stated "CCM was not the worst and not the best." This was confirmed by a consultant hired to improve CCM oversight across the globe.

that aims to support CCMs in carrying out their oversight function.[322] The consultant engaged to introduce this tool reported that the CCM oversight function was weak: The CCM did not have (i) a subcommittee committed to oversight, (ii) procedures for oversight, (iii) an expert person committed to oversight, or (iv) sufficient resources for oversight.[323] Furthermore, the consultant noted that the CCM's ability to take action was stymied by a power struggle in which UN donors in-fought for power while government and civil society representatives remained unengaged.[324] Top-level engagement from the government was also reportedly lacking.[325] This, according to the consultant, severely undermined the CCM's ability to identify or react to any problems within the grants.

4. CCM's Focus on Fraud

The OIG uncovered no evidence indicating that the Mali CCM raised the risk or possibility that grant funds were not being used for their intended purposes. Rather, interviews with the CCM and others relating to the CCM suggest that the CCM neither had the capacity nor did it recognize its responsibility to identify such risks.

The OIG found that the CCM's oversight processes did not create opportunities for the CCM to identify risk of fraud or abuse of funds. As explained by the consultant who introduced the "dashboard" to the CCMs, the CCM only used information which the PRs supplied—specifically, the PR/DUs—to assess the progress of implementation of the grants.[326] Considering that the PR managers were directly involved in the fraud under the grants, the CCM's practice of not verifying the information produced by these entities against other sources of information—such as by reviewing external audit reports, LFA reports, and the National Information System on performance statistics, or by conducting on-the-ground spot-checking missions—significantly weakened its ability be alerted to the misuse of grant funds.

[322] This oversight tool provides CCM members with a highly visual, strategic summary of key financial, programmatic, and management information drawn from existing data sources (PUDR) for each Global Fund grant Principal Recipient. Description *available at* http://www.theglobalfund.org/en/ccm/guidelines/#dashboard. OIG issues no opinion as to the effectiveness of this tool.

[323] Report on Mali CCM.

[324] Interview with Grant Management Systems.

[325] Interview with Grant Management Systems.

[326] The CCM has the right to review LFA reports, independent audit reports, and to triangulate performance data from the PRs against the National Information System. It appears that the Mali CCM did not take advantage of these opportunities, however. Furthermore, as GMS noted in its report on Mali, the National Information System itself "continu[ed] to experience structural deficiencies" itself, which further complicated the CCM's ability to vet information from the PR against independent sources.

The OIG spoke with the CCM Chair about its role in ensuring that funds reach their intended purposes. At that time, the Chair stated with strong conviction that oversight was not part of the CCM's mandate, particularly when it came to identifying risk of fraud, misappropriation, or other abuse of funds.

E. Global Fund – Fund Portfolio Manager and Finance Unit

1. Background

Within the GF itself, two offices ("clusters") bear the core responsibilities for ensuring GF funds are appropriately used. The Country Programs Cluster houses the Fund Portfolio Managers (FPMs), the individuals responsible for managing grants.[327] In addition, the Finance Cluster supports the FPMs in many aspects of their work and provides financial management.

The Mali grants were managed until 2005 under the Western and Central Africa Team, and then under the Middle East and North Africa Team. In total, four individuals fulfilled the role of FPM for the Mali grants: the first from 2003-2005, the second between 2005 and 2008, the third for a few months in late 2008-mid 2009, and the fourth and current FPM from mid-2009 to present.[328] [redacted]

2. Roles and Responsibilities of the FPM

As the GF's HR vacancy notices for the FPM position state, the FPM's have the following responsibilities of overseeing grant implementation, managing program risk, among other responsibilities outlined below:[329]

> **Grant Negotiation**: Lead grant negotiation processes and manage various stages of the grant cycle and the Secretariat's cross-functional team;
>
> **Ongoing Grant Management and Disbursement:** Review and analyze disbursement requests, associated Local Fund Agent (LFA) reports, country and grant contextual information, deciding on appropriate amounts to be disbursed at regular intervals;

[327] FPMs are supported by Program Officers (POs).

[328] [redacted]

[329] Vacancy notice sent to the OIG by HR as source of official Secretariat staff responsibilities.

Manage the ongoing monitoring and assessment of grant implementation process and the key grant-related events;

Program Analysis and Management: Conduct in-depth programmatic and performance analysis, *identifying and managing risks* (emphasis added) including initiating actions in consultations with Team Leader and other teams;

LFA Management: Manage, supervise and evaluate the in-country LFA work, including the designated budgets and effective management of contracts for grant portfolios;

Information Management: Document and report grant implementation results and developments responding to information requests from internal and external stakeholders; Develop information profiles and updates on the grant portfolio and country-driven programs to address the three epidemics;

Global Fund Representation: Manage partnerships, discussions, and information sharing at country-level (government, non-governmental organizations, multilaterals, private sector etc.); mobilizing appropriate acceleration and scale-up efforts at country-level. Foster effective and participative Country Coordinating Mechanisms; ensuring appropriate governance of programs;

Policy and Strategy: Contribute to the development of the organization's strategy and policy, the development of operational policies, procedures and tools; and

Support and Supervision: Provide support to country team initiatives and events including the preparation of budget and work-plans; and supervises assigned staff.

3. The Roles and Responsibilities of the Finance Unit

As the GF's HR 2010 vacancy notices[330] for the position of Finance Analyst within the Program Finance Team state, the Finance Unit supports the FPM in the following ways:

Grant Signing and Extensions: Review financial and operational information (including budgets, work plans and financial management aspects of implementation) for new grant signing and grant extensions.

Financial Aspects of Grant Management: Advise the Country Programs Teams in relation to financial aspects of grant management. This includes participation in country visits, and giving financial inputs and guidance (written and verbal) to the Country Programs Teams and in-country actors.

Training and Analysis: Provide support on ad hoc projects in areas such as policy development, data analysis and training.

[330] OIG recognizes that the scope of responsibility may have evolved over the years. *Available at* https://intranet.theglobalfund.org/Careers/Vacancies/Finance Analyst G03 IRC553.doc

Compliance Reviews: Perform compliance reviews of grant disbursements, in particular liaising with Country Programs Teams to ensure quality of disbursement documentation.

Disbursement: Support the tracking and reporting of the disbursement process and assist in the design of tools to support the disbursement process.

Review EFRs: Review the quality of enhanced financial reports received from implementing countries and support the tracking and perform data analysis on enhanced financial reporting information received from implementing countries.

Knowledge Management: Supervise creation of appropriate financial knowledge management systems for supporting the grant management process.

4. The GF's Evaluation of the Grants

The OIG found that none of the core documents (*i.e.,* Grant Performance Reports, Management Letters), or internal documents (handover memoranda) [redacted] raised concerns of fraud and abuse throughout the life of the grants under review. Interviews with Secretariat staff further confirmed that the GF had inadequately considered risk of fraud and abuse on the grants.

a) Tuberculosis

The GF Secretariat staff who oversaw the TB program expressed views that the PNLT was "a model" program.[331] They viewed the staff at PNLT, particularly the Coordinator Individual B, as "exceptionally competent and motivated."[332] Secretariat notes record the program's expenditure rates to be good, including cost savings achieved.[333] Furthermore, both Secretariat staff stated that the Monitoring and Evaluation (M&E)[334] system, which PNLT staff developed and managed themselves by traveling on supervision missions to gather statistics for the program's performance indicators, was "the best in the country."[335] The Secretariat

---

[331] Secretariat staff quote. This view was confirmed by GMS, the consultant hired to strengthen CCM oversight capacity in 2008.
[332] Views expressed by both Secretariat staff.
[333] Secretariat staff handover note.
[334] As the Global Fund Monitoring and Evaluation Manual, explains,

> *[i]n the traditional grant cycle, funds are raised, then spent to implement activities, which then need to be reported in order to receive further funding. In the context of a grant funded by the Global Fund, any disbursement after the first one requires proof of performance. Then the cycle repeats itself until the grant comes to an end. M&E measures performance and produces the information that determines to what extent continued funding should be allocated. Performance Based Financing cannot be delivered without a reliable M&E system in place.*

The Global Fund Monitoring and Evaluation Manual, Module 1, p. 3 *available at* http://www.theglobalfund.org/documents/me/ME_Manual_Module_1_en.pdf
[335] Secretariat staff quote.

staff did note a few problems with the PNLT, primarily that the program was regularly delayed in submitting progress reports to the LFA, that reporting from the regions was not formalized sufficiently,[336] and that the program's document management system was very weak.[337]

Round 4: Despite registering concerns about the MoH in its Initial PR Assessment, the GF GPR records that the PNLT "appeared to meet the B1 level criteria" for financial management and systems. The GF noted that PNLT's prior experience with a large project (USD 2.3 million) from the Royal Netherlands Chemical Society "should help ensure that adequate financial programmatic and operational systems are implemented for the grant." The GPR stated that the LFA "did not observe any material weaknesses or reportable conditions" in the internal controls.[338] Upon making its decision to continue in Phase II of the grant in 2007, the GF noted that the MoH had "demonstrated good programmatic progress and sound financial management activities;" that "all technical staff members at the central level have the necessary skills to effectively implement and manage the grant;" that there is a good working relationship with the CCM and other partners; and that technical teams were undertaking regular supervisory visits at the regional and community level.[339] In 2008, when handing over management of the grant the FPM on the grant wrote of the PNLT, "[t]he team responsible for programmatic management of the grant/programme is very competent, dynamic and deployed all efforts to overcome any hurdles faced during the implementation."[340] The GPR also noted, in relation to PNLT, that the DAF needed to better coordinate with the PNLT to "execute optimum disbursements and procurements" and that it "need[ed] to clarify its internal procedures to improve long term financial transparency and the efficiency of its procurement procedures."[341]

The last performance rating for TB Round 4, as of November 2010 was B1, or "adequate" because the PR had reached the target numbers on the grant's performance indicators at between 60-89 percent.[342] Indicators of performance included, but were not limited to:

[336] Secretariat staff handover note, TB Round 4 discussion.
[337] Secretariat staff referred to their findings in December 2009 when they visited the PNLT office. Obtaining documents the Secretariat staff asked for was rarely possible, and often program staff came to meetings without documents.
[338] Grant Performance Report, p. 5
[339] Grant Performance Report, p. 39
[340] Secretariat staff handover note, Round 4 discussion.
[341] Grant Performance Report, p. 39
[342] Grant Performance Report, p. 42

Score	Tuberculosis Round 4 Performance Indicators
108%	The number of health staff trained on DOTS
100%	The number of laboratory technicians trained in TB microscopy at the regional or national level
120%	The number of TB patients receiving nutritional support
120%	The number of opinion leaders sensitized on TB through specific one-day sensitization sessions
0%	The number of TB program managers trained or having participated in an international seminar

Round 7: In its Initial Assessment for the next TB grant, Round 7, PNLT scored an A2 overall, with an A2 for both institutional and programmatic areas, as well as financial management and systems.[343] When the second FPM was handing over management of Mali, Round 7 had just begun. The FPM handover note mentioned, "[g]iven the PR's strong performance in the Round 4 grant, we do not anticipate any major issues that will impede grant success."[344] The last performance rating for this grant, as of November 2010 was B2, or "Inadequate but Potential Demonstrated" because the PR had reached the target numbers on the grant's performance indicators at between 30-59 percent.[345] Indicators of performance included, but were not limited to:[346]

Score	Tuberculosis Round 7 Performance Indicators
100%	Number of laboratory technicians from private and public sectors trained in TB microscopy at the regional or national level
95%	Number of smear positive cases of tuberculosis that successfully complete treatment
25%	Number of health agents trained in DOTS
0%	Number of MDR cases treated according to international WHO guidelines

b) Malaria

In contrast to the TB program, the GF perceived the PNLP, the PR for managing the malaria grants, as substantially weaker. The first manager of PNLP, who oversaw Round 1, was replaced before Round 6 began because performance under Round 1 was perceived to be so weak.[347] Even after this transition, FPMs reported that the PNLP program staff appeared unengaged and exhibited low capacity.[348] The program's expenditure rates were very slow, and the M&E system was weak.[349]

Round 1: Upon grant initiation, the GF's GPR recorded concerns that the MoH accounting software did not have sufficient security and expenditures were "not always clearly identified

[343] Grant Performance Report, p. 4
[344] Secretariat staff Handover Note, TB Round 7 discussion.
[345] Grant Performance Report, p. 27
[346] Grant Performance Report, p. 27
[347] Interview with Secretariat staff.
[348] Interview with Secretariat staff.
[349] Interviews with Secretariat staff. GMS confirmed these views.

and the regional financial systems are manual and the reports often late."[350] Also, the assessment noted that the CCM was "not functioning effectively."[351] No rating (*i.e.*, an "x") was given to the background, financial management and systems, the institutional and programmatic areas. Procurement and supply management was rated at "C1."[352] At the Grant Renewal Review for Phase 2, the GF noted that while one of the two SRs, PSI, was meeting its targets and demonstrating management capacity, the PNLP was "very weak in management and was behind schedule on both disbursement and targets."[353] Finally, it noted that "technical management at the National program is also weak (limited resources and high turn-over.)"[354] In the handover note, the second Mali FPM stated about Round 1 that it "got a conditional GO at phase 2 because of underachievement and serious issues around the information system and data collection resulting in difficulties to inform the indicators included in the performance framework. PSI acted a SR for procurement and distribution of LLITNs which contributed to saving the grant from a NO GO."[355]

Upon the grant's completion, the GF Secretariat gave the grant an overall performance rating of B1, or "Adequate," because the PR had reached the target numbers on the grant's performance indicators at between 60-89 percent. Indicators of performance included, but were not limited to:

Score	Malaria Round 1 Performance Indicators
120%	The number of the providers at the district level and CSCOM trained for the management of the malaria cases in the framework of the PCIME (3 trainers per region: Kayes, Sikasso, Bamako, Koulikoro and Mopti)
32%	The number of traditional practitioners trainers trained to promote essential family practices concerning malaria (7 trainers per region: Sikasso, Bamako and 15 per district: Kayes, Mopti)
13%	The number of community workers trained across 7 districts
100%	The number of agents having received training in management of epidemics in the sentinel sites at risk
120%	Number of bednets distributed to pregnant women and children under five
96%	Percentage of simple or severe malaria cases in children under five correctly managed at health facilities

Round 6: Due to low expenditures on this program, the GF Secretariat noted that the program was underperforming. At handover, Secretariat staff noted, "[t]his program has experienced significant reporting delays, and the PR is several months late in submitted its second disbursement request/first program update. As such, there is no information on spent rate or programmatic progress. The PR has informed the LFA that it has a sufficient drug

350 See Grant Performance Report, p. 4
351 See Grant Performance Report, p. 4
352 See Grant Performance Report, p. 4
353 See Grant Performance Report, p. 28
354 See Grant Performance Report, p. 29
355 Secretariat staff Handover Note, discussion of Malaria Round 1.

stocks to continue planned treatment and for this reason has not submitted further disbursement requests. Procurement is the main activity of this program."[356]

The GF's last performance rating of the grant, as of November 2010, was B1, or "adequate," meaning that the PR had reached the target numbers on the grant's performance indicators at between 60-89 percent. Indicators of performance included, but were not limited to:

Score	Malaria Round 6 Performance Indicators
100%	The number of traditional practitioners trained on malaria (2 per district)
91%	The number of people reached by home visits and educational talks
9%	The number of trainers trained at the regional and district level on malaria care and treatment delivery
34%	The number of uncomplicated malaria cases treated with ACT among children under five in health facilities with supplies

5. The Global Fund Secretariat's Ability to Detect and Respond to Fraud

The OIG interviewed the Secretariat staff who oversaw the Mali Malaria and TB grants and reviewed key documents given to, and issued by, relevant Secretariat staff. On this basis, the OIG found that GF Secretariat staff appear to have lacked the means and the capacity to detect to risk of fraud and abuse, and that they were not properly incentivized or prepared to respond appropriately to risk of fraud and abuse when it did appear. These observations primarily pertain to the GF staff's actions between 2005 and mid-2010.

- **Relevant Secretariat Staff did not recognize concerns raised by LFA as risk of fraud and abuse of funds**.

Despite having received multiple warnings of fiduciary concerns (discussed above) from external audit reports and the LFA throughout the life of the grants, the relevant Secretariat staff told the OIG that they never considered that these warnings could constitute an indication that funds were at risk of fraud, misappropriation, or other abuse. Instead, the staff presumed that the problems were due to weak institutional capacity on the part of the grant implementers. For example, a relevant Secretariat staff mentioned that delays by the DAF in procuring motorcycles and the laboratory were "odd" and that the official "never understood why," but that official expected it was due to "weak capacity." Similarly, when another Secretariat staff identified that the PNLT document management system was practically non-existent; the official considered only that this was due to weak capacity. As a result, a consultant was hired to provide technical assistance to the PNLT in document management. In neither case did the Secretariat consider that the problems might indicate that the programs may not be performing properly.

[356] Secretariat staff Handover Note, entire discussion of Malaria Round 6.

- **The subject-matter experts on finance in the GF did not have access to external audits or LFA reports on the audits.**

When external audit reports were issued, the GF followed a practice by which the LFA—a finance expert—reviewed the audit reports and summarized them for the GF. FPMs, the programmatic experts, then received the audit reports and the LFA summaries of these reports. Relevant Secretariat staff informed the OIG that they reviewed the LFA summaries and provided further summaries of the LFA findings to the Finance Unit—the finance experts within the GF Secretariat. In effect, the GF Secretariat's subject-matter experts in finance, the Finance Unit, did not review either the external audits themselves or the LFA's summaries of the audits, but instead received summaries from the FPMs. Consequently, the subject matter experts on finance, depended on reports from the programmatic experts to alert them to any financial issues in the grants. The OIG notes that since 2011, external audit reports are submitted to the Finance Unit directly.

- **The GF did not adopt appropriate mitigation measures to fiduciary risks in the grants.**

The GF did not adopt sufficient mitigations measures to indications of heightened fiduciary risk in the grants. When issues were brought to the relevant Secretariat staff's attention, the staff had the option of raising such matters though Management Letters (MLs) issued to the grant implementers, bilaterally discussing matters at the ministerial level or at the CCM, and—if applicable—withholding disbursements on any amounts found to be inappropriate. Secretariat staff informed the OIG that for most concerns, such as systemic control weaknesses, delayed procurement, and delayed reporting, they raised such matters in the MLs and in bilateral discussions. However, they pointed out that the grant implementers were notoriously "very slow" and "nonreactive" in responding to these concerns. Although program staff would respond to the Secretariat via e-mail in some cases, the issues were rarely addressed in practice and the LFA would raise the same matters again during the next DR/PU cycle. As an example, the Secretariat recommended to the CCM that it should hire a competent manager in 2009, but the CCM has not yet done this as of the publication of this Report. The non-responsiveness of the Mali staff to Secretariat concerns could have alerted the Secretariat that such means of addressing risk were inadequate.

This lack of reactivity translated into extended fiduciary risks for the GF: although the institution was aware of the DAF's weaknesses from the beginning of its engagement with Mali in 2003, its efforts to strengthen the DAF through MLs, etc., bore little result, and the serious problems persisted through 2010.

The OIG also notes that the GF Secretariat did not adjust its mitigation measures up front, when evaluating the grants, in response to the inherent risk that expenditures on activities such as trainings carry. Whereas presently, as a result of this case, the GF requires detailed plans of specific trainings, prior to 2010, only training packages were reviewed.[357]

- [redacted]

[redacted]

[redacted]

> [redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

- **Staff received no training in risk management.**

The Secretariat staff did not recall that the trainings they received when joining the GF raised the subject of risk management, particularly risk of fraud or corruption. There was no guidance given to the relevant Secretariat staff—either through training, policy, or managerial guidance—on how to assess the level of risk in a grant and how to identify red flags that funds may be misappropriated.

- **The hand-overs of Mali grants between the relevant Secretariat staff did not ensure thorough due diligence.**

When the relevant Secretariat staff took over Mali, they were not alerted to any concerns that would have raised red flags of fraud or abuse by their predecessors.[359] One official indicated that, at the time of receiving the Mali portfolio, the official worked with an interim manager on ongoing matters in Mali, but focused primarily on negotiating HIV Round 8—a new grant to Mali. In terms of reviewing performance of the Malaria and TB grants, the Secretariat staff reviews were limited to a limited overview of the grant documents to the previous year and did not review LFA or audit reports for the life of the programs. The official also stated that they relied heavily on the LFA for ongoing on-the-ground information.

Furthermore, the OIG found that the document management system left behind by previous Secretariat staff made it difficult for both the succeeding staff and the OIG to find relevant documents. In several instances, the Secretariat staff asserted it did not know key information about the grants prior to 2009—when they took over—such as how the GF reacted to concerns raised by the LFA prior to 2009. Obtaining such information took several weeks.

[358] OIG's interview of the Finance Unit confirmed this policy.
[359] Secretariat staff Handover Note

VI. LOSS TO THE GLOBAL FUND

A. GF'S RIGHT TO REIMBURSEMENTS

Article 27 of the GF's Standard Program Grant Agreement establishes the GF's right to demand repayment of from the PR of any funds not used for the Program's intended purposes as well as for other violations of the terms of the Agreement:[360]

> *Notwithstanding the availability or exercise of any other remedies under this Agreement, the Global Fund may require the Principal Recipient to immediately refund to the Global Fund any disbursement of the Grant funds in the currency in which it was disbursed in any of the following circumstances: (i) this Agreement has been terminated or suspended; (ii) there has been a breach by the Principal Recipient of any provision of this Agreement; (iii) the Global Fund has disbursed an amount to the Principal Recipient in error; or (iv) the Principal Recipient has made a material misrepresentation with respect to any matter related to this Agreement.*

Article 20 of the GF's Standard Program Grant Agreement (Agreement) establishes that the PR is liable for any loss or theft of cash or items purchased with Grant funds:

> *The Principal Recipient shall be solely liable for the loss or theft of, or damage to any and all items purchased with Grant funds (including those in the possession of Sub-recipients), and, immediately upon any such loss, theft or damage, shall replace such items at its own expense in compliance with the procurement requirements set forth in Article 18 and Article 19 of this Agreement. In addition, the Principal Recipient shall be solely liable for the loss or theft of any cash in the possession of the Principal Recipient or any of its agents or Sub-recipients and shall have no recourse to the Global Fund for any such loss or theft.*

Furthermore, the Agreement explicitly forbids engagement in corruption or any other illegal acts when managing Grant Funds:[361]

> *The Principal Recipient shall not, and shall ensure that no Sub-Recipient or person affiliated with the Principal Recipient or any Sub-recipient… participates in any other practice that is or could be construed as an illegal or corrupt practice in the Host Country.*

[360] Available at
http://www.theglobalfund.org/documents/lfa/BeforeGrantImplementation/Standard_Form_Grant_Agreement.pdf
[361] Article 21 of GF's Standard Program Grant Agreement

B. Methodology for Calculating Loss

Given the legal provisions of its Grant Agreement, the GF has the right to demand restitution of its grant funds for a diverse variety of reasons. They include—but are not limited to: (i) misappropriated, defrauded, and corrupted funds; (ii) funds used in contravention of required procedures (*i.e.*, procuring health products before submitting and receiving approval for a Procurement Supply Management plan[362]); (iii) funds unsupported by documentation;[363] and (iv) funds that have been wasted.[364] OIG has found losses in each of these categories.

It should be noted that, in determining loss due to fraud and other forms of misappropriation, the OIG adheres to a strict standard of evidence that inevitably results in the exclusion of funds tainted by weaker evidence of the same. The OIG has only counted withdrawals tainted by "credible and substantive evidence," of fraud and abuse.[365] Thus, it should be noted that the OIG did not include in its calculation of loss those withdrawals which the OIG found to be tainted only by red flags of fraud (OIG did not pursue all red flags due to time and resource constraints) or other abuse (*i.e.*, fraudulent procurement).[366] This conservative approach actually understates the potential true value of the true scale of fraud in the projects.

C. Calculation of Loss

As a result of its investigation, the OIG has calculated total loss of funds across the four program grants to be at least USD 5.2 million. In addition to this amount, OIG identified an additional USD 606,523 in program expenditures tainted by procurement irregularities or

[362] This is a violation of Article 19 of the Standard Program Grant Agreement
[363] This is a violation of Article 13 of the Standard Program Grant Agreement
[364] This is a violation of Article 9 of the Standard Program Grant Agreement, which states, "The Principal Recipient shall ensure that all Grant funds are prudently managed and shall take all necessary action to ensure that Grant funds are used solely for Program purposes and consistent with the terms of this Agreement."
[365] OIG counted an entire withdrawal in its calculation of loss when at least one document (among many) supporting this withdrawal exhibited credible and substantive evidence of fraud.
[366] Red flags included: anomalies in signatures between the same individual across different training events; supporting documentation dated prior to or well after the date of the bank withdrawal; undated vendor invoices; vendor invoices with no address or contact information; handwritten receipts; inconsistencies in *per diem* amounts paid and length of missions; instances of excessive fuel purchases on a single receipt (*e.g.*, 1000 liters of fuel on one receipt); instances in which the phone number or email address listed on a vendor invoice are not operational; instances in which the invoices from the same purported vendor have markedly different formats; instances in which two different vendors share strikingly similar invoice formats; instances in which the same vendor purportedly provides a wide range of goods across different invoices (*e.g.*, The same vendor providing fuel, office supplies and meeting room rentals); the similar appearance of vendor bids or invoices (*e.g.*, same spacing, font, number of columns and rows, identical wording, identical spelling or grammatical errors); identical stamps, signatures, and contact information across different vendors; and unrealistic pricing or diversity of goods reported on invoices.

procurement fraud. The table below summarizes the categories that make up this amount and a brief summary of each category is provided thereafter.

CALCULATION OF LOSS

Category		Description	CFA	USD
Findings of Fraud and Misappropriation				
1	Withdrawals tainted by misappropriation from program bank accounts			
1.a		With fabrication of false supporting expenditure documentation	220,606,840	$ 463,460
1.b		With missing supporting expenditure documentation	338,739,888	$ 711,638
1.c		Other	47,092,295	$ 98,933
			606,439,023	**$ 1,274,032**
2	Withdrawals tainted by fradulent supporting expenditure documentation only		**714,926,807**	**$ 1,501,947**
3	Overcharging and misappropriation of program assets			
3.a		Computer equipment and motorbikes	16,000,000	$ 33,613
3.b		Ill-procured medical equipment from vendor AKAMA SA	313,364,426	$ 658,329
			329,364,426	**$ 691,942**
4	Expenditures tainted by procurement collusion, fraud, or other violations		**288,705,065**	**$ 606,523**
		Total Fraud and Misappropriation	**1,939,435,321**	**$ 4,074,444**
Findings of Loss Other than Fraud				
5	Withdrawals with no supporting expenditure documentation only		**492,628,875**	**$ 1,034,935**
Mismanagement and Waste				
6	Construction of unusable laboratory		**58,122,369**	**$ 122,106**
		TOTAL LOSS TO THE GF	**2,490,186,565**	**$ 5,231,484**
Funds Repaid to GF in March 2010			**140,272,467**	**$ 303,897**
		TOTAL FUNDS OWED		**$ 4,927,587**

<u>Category 1.a – Withdrawals tainted by misappropriation from program bank accounts and fabrication of false supporting expenditure documentation</u>

This amount represents cases for which OIG identified fraudulent activity both within the banking transaction as well as in the expenditure documentation purported to support the withdrawal. Fraudulent activity in the withdrawal included (i) checks forged by DAF accountant Individual A; (ii) checks written directly to the DAF accountant Individual A; (iii) checks cashed by the DAF registrar but ultimately remitted to the DAF accountant Individual A; (iv) checks cashed by the registrar for which no evidence exists that funds were remitted to the programs (*i.e.*, suspicious signature of discharge or lack of discharge altogether); (v) checks for which the related bank statements were falsified. These banking anomalies were coupled with further evidence that the expenditure documents supporting the withdrawals were fraudulent, either as confirmed directly by the vendor or as found on officials' computers.

Category 1.b – Withdrawals tainted by misappropriation from program bank accounts and missing supporting expenditure documentation

This amount represents cases for which the withdrawal was tainted consistent with Category 1 above but for which the DAF was unable to provide any supporting documentation whatsoever.

Category 1.c – Other

In these cases, the OIG noted that the bank withdrawal evidenced the same anomalies as in categories 1.a and 1.b but that the OIG's standard of proof would not allow for the categorization of the expenditure as fraudulent. Notwithstanding this fact, the OIG notes that many of the expenditures in this category exhibited strong indicators (or red flags) of fraud and moreover some of these withdrawals have already been confirmed by MoH as fraudulent and reimbursed.

Category 2 – Withdrawals tainted by fraudulent supporting expenditure documentation only

In these cases, the OIG did not identify an anomaly with the banking transaction but did confirm fraud in respect of the purported expenditures related to the withdrawals. As previously noted, the OIG's methodology was such that if one or more individual expenditures within an activity were confirmed as fraudulent, then the entire activity was considered tainted and the entire withdrawal was quantified as loss. The OIG notes that most of the withdrawals in this category were made by DAF registrar, Individual F, or were payments made to regional DRS's.

Category 3.a – Overpricing of computers and double-charging of motorbikes

This category represents overpricing identified by the OIG related to the purchase of computers as well as the cost of two motorbikes that were double-charged to the program.

Category 3.b – Ill-procured medical equipment from AKAMA SA (inclusive of gross over-pricing)

This category includes four individual purchases from AKAMA SA for medical equipment. The OIG found that MoH made these purchases without having filed the requisite PSM with the GF. Further, the purchases were made on a sole-source basis, purportedly due to the urgency in the need for the equipment. The OIG found that the soul-source justification was not plausible as the equipment was still unused and in its original boxes at the time of the OIG's investigation more than one year later. Lastly, the OIG found that the price paid was grossly inflated.

Category 4 – Other expenditures tainted by procurement Collusion, fraud, and other violations

This category includes expenditures for which the OIG determined that the procurement process was flawed or otherwise corrupted. This includes cases for which the OIG was able to prove that the competing (losing) bids related to a tender were fraudulent but conversely, the OIG was unable to prove that the winning bid was fake and was likely not able to conclude as to whether the good or service was actually provided to the program. In these cases, it is likely that the Programs suffered some loss (either through over-pricing or complete failure to provide the good/service) but the OIG was unable to determine the loss amount. For this reason, the amount related to these expenditures has not been included in the overall loss amount.

Category 5 – Other withdrawals with no supporting documentation

Article 7a of the Mali Grant Agreements, states "The Principle Recipient shall maintain accounting books, records, documents, and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred by the Principle Recipient under the Agreement and the overall progress toward completion of the Program."

Indeed, the GF's Legal Services Unit has clarified in an internal memorandum[367] dated November 13, 2010 that "failure to maintain or produce documentation for costs incurred as Program costs…constitute[s] a breach of [Article 13, Section (a) of the Standard Terms and Conditions (STC) of Global Fund Grant Agreements]" and that the PR "may be liable for repayment of grant funds whose uses are inadequately documented" according to Article 27 of the STC.[368] In light of this opinion and the fact that the totality of the evidence shows large scale fraud and misappropriation within the Mali grants, the OIG has included withdrawals with no support in its overall loss figure.

Category 6 – Construction of unusable laboratory

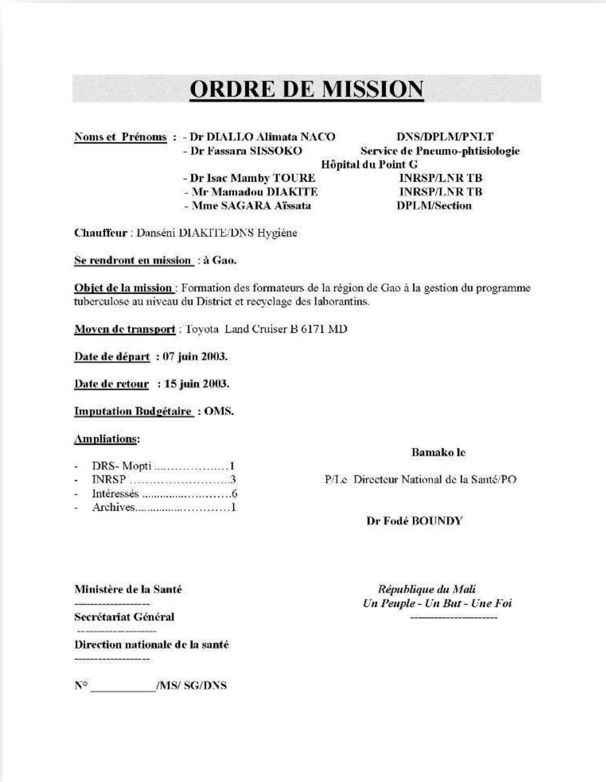
As described in this report, this category relates to the costs associated with the construction of a substandard laboratory that has not been used by the program since its construction in early 2008.

VII. Risk of Loss to Other Donors

Through its investigation, OIG found multiple mission order templates, dating 2002-2004, which named other donors—the World Health Organization (WHO) and KNCV—as the funding source. These documents exhibited similarities to the mission orders the OIG identified as fraudulent in relation to GF finding. Although the OIG did not pursue investigating these documents, which do not fall within its mandate, there exists a high probability that these documents were created for improper purposes.

[367] "Response to OIG recommendations concerning grant agreement provisions"
[368] Answer to Issue 4, pp. 3-4.

Sample mission order template from PNLT computer with the WHO as the funding source[369]



ORDRE DE MISSION

Noms et Prénoms : - Dr DIALLO Alimata NACO DNS/DPLM/PNLT
- Dr Fassara SISSOKO Service de Pneumo-phtisiologie Hôpital du Point G
- Dr Isac Mamby TOURE INRSP/LNR TB
- Mr Mamadou DIAKITE INRSP/LNR TB
- Mme SAGARA Aïssata DPLM/Section

Chauffeur : Danséni DIAKITE/DNS Hygiène

Se rendront en mission : à Gao.

Objet de la mission : Formation des formateurs de la région de Gao à la gestion du programme tuberculose au niveau du District et recyclage des laborantins.

Moyen de transport : Toyota Land Cruiser B 6171 MD

Date de départ : 07 juin 2003.

Date de retour : 15 juin 2003.

Imputation Budgétaire : OMS.

Ampliations:

- DRS- Mopti 1
- INRSP 3
- Intéressés 6
- Archives.........................1

Bamako le

P/Le Directeur National de la Santé/PO

Dr Fodé BOUNDY

Ministère de la Santé

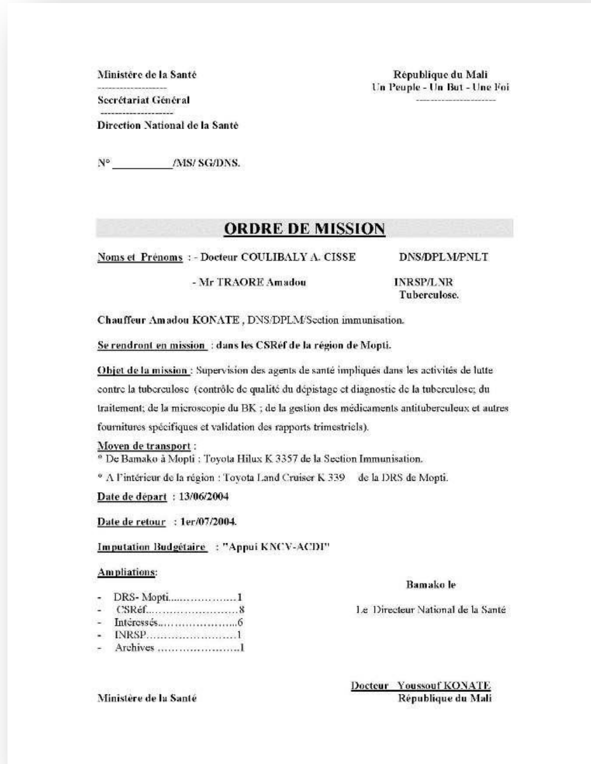
Secrétariat Général

Direction nationale de la santé

N°__________/MS/ SG/DNS

République du Mali
Un Peuple - Un But - Une Foi

Sample mission order template from PNLT computer with KNCV as the funding source[370]



Ministère de la Santé

Secrétariat Général

Direction National de la Santé

N° __________/MS/ SG/DNS.

République du Mali
Un Peuple - Un But - Une Foi

ORDRE DE MISSION

Noms et Prénoms : - Docteur COULIBALY A. CISSE DNS/DPLM/PNLT
- Mr TRAORE Amadou INRSP/LNR Tuberculose.

Chauffeur Amadou KONATE , DNS/DPLM/Section immunisation.

Se rendront en mission : dans les CSRéf de la région de Mopti.

Objet de la mission : Supervision des agents de santé impliqués dans les activités de lutte contre la tuberculose (contrôle de qualité du dépistage et diagnostic de la tuberculose; du traitement; de la microscopie du BK ; de la gestion des médicaments antituberculeux et autres fournitures spécifiques et validation des rapports trimestriels).

Moyen de transport :
° De Bamako à Mopti : Toyota Hilux K 3357 de la Section Immunisation.
° A l'intérieur de la région : Toyota Land Cruiser K 339 de la DRS de Mopti.

Date de départ : 13/06/2004

Date de retour : 1er/07/2004.

Imputation Budgétaire : "Appui KNCV-ACDI"

Ampliations:

- DRS- Mopti....................1
- CSRéf.........................8
- Intéressés......................6
- INRSP..........................1
- Archives 1

Bamako le

Le Directeur National de la Santé

Docteur Youssouf KONATE
République du Mali

Ministère de la Santé

The OIG also found templates of vendor invoices for which it did not identify corresponding documents in GF expenditures. There exists a risk that these documents were used to support disbursements from other donors as well.

Further, evidence has been gathered that GAVI may well have been a victim of the same schemes as identified through this investigation and report, as Malian press articles report that medical officials and accountants in the region of Segou were arrested for similar schemes in late 2010.[371]

[369] HD3 OrMisKoul(ii).doc
[370] HD3 Ordre de Mission.doc; KNCV is an abbreviation for Royal Netherlands Chemical Society.
[371] Article available at http://www.maliweb.net/category.php?NID=68336

VIII. CONCLUDING SUMMARY

The OIG finds that between May 2004 (soon after the beginning of the first grant) and April 2010, senior officials, identified herein, and staff in the programs' financial management and implementing agencies (the Directorate of Administration and Finance (DAF), National Control Program against TB and Leprosy (PNLT) and National Program for the Fight against Malaria (PNLP))—with the active support or knowledge of some of the regional MoH offices (*Directorates Régionales de Santé,* or DRS), together with third party vendors and suppliers—engaged in a widespread and pervasive scheme to misappropriate Global Fund program resources and funds, and defraud the Global Fund and the programs at issue of at least USD $5.2 million, or 53 percent of the USD 9.7 million of grant funds OIG examined.[372] The OIG finds that more than USD 4.1 million (42 percent) of the funds investigated were lost through criminal acts of fraud and financial misappropriation. The schemes identified included: (i) misappropriation and theft of grant funds from program bank accounts through false bank statements, false and fictitious documents and unauthorized and improper transfers and embezzlements, including direct payments to the accountant, (ii) fraud through the fabrication of false supporting expenditure documentation, (iii) overcharging and widespread misappropriation of program assets, and (iv) procurement practices tainted by pervasive collusion, fraud, and other grant agreement violations. In support of the scheme, more than 10,000 fraudulent documents were used.

In addition, the OIG investigation has identified that at least USD $1.1 million (11 percent of the amounts examined) of the funds represent a loss in violation of GF Grant Agreement provisions as withdrawals altogether lacked supporting documentation (despite repeated opportunities and requests to provide such documentation), and because funds were spent on a TB laboratory that sits idle, and virtually vacant, and does not conform to safety standards. The equipment purchased for the laboratory has sat in boxes in a storage shed for more than a year, and is possibly now unusable.

The OIG finds that the LFAs were derelict in their responsibilities to provide proper financial oversight and was negligent in failing to identify, and give notice to the GF and OIG, of the pervasive fraudulent invoicing scheme, and notice of the plethora of false documents that were submitted to trigger payments from the programs. Further, the LFAs failed to identify the risk that many of the training events financed through program funds did not occur, and were associated with pervasive fraudulent billing; and that numerous withdrawals made by the registrar and accountant went unsupported and unjustified for years on end. Notwithstanding these facts, the OIG commends the current LFA for its recent excellent

[372] OIG's investigation included a review of expenditures incurred up to 31 December 2009. SEC Diarra, the recently hired external fiduciary agent, has informed OIG that it found further evidence of fraud—in particular over-charging for goods and services and over-representation of time spent on supervision missions— in documentation submitted by PNLP in the first quarter of 2010, after the OIG investigation began.

cooperation with the OIG and its recent vigilance to examine for, and detect, fraud after spending time with OIG investigators discussing the methods to identify fraud.

The OIG further finds that approximately [redacted] Finance Units, failed in their management responsibilities of the programs for failing to maintain an actual awareness of the activities of the grant programs, including whether the financed events actually occurred; for failing to identify that many of the activities financed by program funds did not happen, and/or were tainted by pervasive fraud, theft, embezzlement, loss, undocumented expenditures, and fraudulent practices; and for failing to properly monitor the PR, SRs, and vendors doing business with the program.

The OIG finds that the Principal Recipients, PNLT and PNLP, and the many officials of these entities identified in the Report, intentionally and knowingly caused severe losses of program funds, through fraud, embezzlement, theft and undocumented and unsupported expenditures, and failed to provide adequate and responsible financial management and oversight.

The OIG finds that the Country Coordinating Mechanism (CCM) was also derelict in its oversight responsibilities, and did not provide sufficient and proper fiduciary oversight of the grant programs, despite its obligation to do so.

The OIG commends the action taken by the national authorities of the Republic of Mali and the commitment to the pursuit of justice in prosecuting all responsible parties of the fraud, including the arrest of at least 13 responsible people, and welcomes the close cooperation with the OIG provided to date.

IX. Recommendations

OIG makes the following recommendations as a result of the findings of this investiatigation:

A: That the Secretariat seek to recover, from all parties responsible for the financial misappropriation of GF grant funds, including through all possible legal means, all outstanding losses that the Global Fund and the grant programs suffered as a result of the pervasive fraud, misappropriation, criminal offenses, and breaches of the grant agreement identified herein,-an amount currently identified as US$4.9 million.

B: That the Secretariat condition any further disbursement to the Republic of Mali on a full commitment by the national authorities to pursue criminal charges and criminal prosecutions against all responsible parties for the fraud and misappropriation, and to support all further work of the OIG on its investigations in Mali.

C: Effective immediately, the Secretariat should strictly prohibit the use of cash withdrawals from Program bank accounts by all entities and individuals vested with responsibility, custody, or control over GF grant funds, unless absolutely necessary.

All recipients of grant funds, in particular third party vendors, should be paid directly by check or wire transfer as a method to purchase goods and services for GF programs.

D: Principal Recipients and Sub-Recipients should be required to establish a list of authorized vendors that is thoroughly and adequately vetted, from whom programs can safely purchase goods and services. Purchases from vendors outside this list should only be made in exigent circumstances, and through secure and verifiable means. As a condition of the grant agreement, payments to these authorized vendors must be properly accounted for in the books and records and in particular that the name of the authorized vendor be captured in the accounting system.

E: Special conditions to the grant agreement should be immediately established in all grant programs which allow for funds to be used for "training events." In such circumstances, a separate rider to the grant agreement should be appended requiring all PRs and SRs to establish quarterly training and supervision schedules to be submitted to the LFA as a condition of allowing invoices for the expenditures to be honored. Further, the agreement with, and the Terms of Reference of, the LFA should be amended to require the LFA to conduct regular unannounced visits to such events and activities on a quarterly basis, and institute other viable measures to ensure that the training events occur, and the invoices submitted in connection with the events, are legitimate.

F: The Board should reconsider using the amount and pace of grant fund disbursements as a KPI for Secretariat staff, and place priority on the quality rather than the quantity of disbursements, as well as stress the importance of ensuring (through continuous monitoring) that grant funds are in fact used for grant purposes.

[redacted]

X. Annex 1

[redacted]

From: [redacted]
Sent: Friday, 18 March 2011 17:57
To: [redacted]
Cc:
Subject: Re: Mali: TB and Malaria

[redacted]

thanks again for having given us the opportunity to consult on Tuesday 16 March 2011 in camera the draft report of the OIG investigation into the TB and Malaria grants in Mali and for providing us with the hard copy of the pages 113 to 117 (findings relating to the LFA).

Please note that since January 2010, the former Swiss Tropical Institute (STI) has changed its name and acts now as Swiss TPH (Swiss Tropical and Public Health Institute). We thus would welcome if Swiss TPH is being used at the level of the report and not STI.

As institution mandated with LFA services in Mali since end of 2008, we were invited to provide short comments on OIG findings relating to the LFA services.

We observe that the investigative report lists two main critics in relation to the LFA. They are:

1. The LFA did not detect at the level of the bank statements clear evidence of manipulation of fund and did not flag manipulation in contravention of its responsabilities

2. "The OIG sought to review the specific expenditures that the LFA tested as part of its responsability of assessing the accuracy on the actual expenditures ... The OIG found that while the LFA did maintain some photocopies of the supporting documentation it reviewed, it did not maintain adequated working papers documenting the nature and scope of its expenditure ttesting. The LFA was unable to adequately substantiate which expenditures it reviewed and the conclusions it drew on each item tested..."

On 15 and 16 December 2010 the OIG visited the Swiss TPH in Basel and the two main observations were discussed with the OIG team. A"Record of Conversation" underlined the results of these exchanges. In consequence, we do have not to add further aspects than those listed at the level of the "Record conversation" dated 27 December 2010.

With regard to interal quality assurance system so to ensure adequate internal documentation, the Swiss TPH would like to stress that a) a risk assessment system by Principal Recipient is in place since January 2011 as well as b) internal guidelines for the verification of PU/DRs which have been finalised in the last quarter of 2010 and are in use since. In this context we also scan in Mali all invoices since March 2010 that the LFA considers as not eligible as supporting documentation of the PU/DRs and we use the new Swiss TPH checklist that allows us to structure our controls.

Last but not least we welcome that the draft OIG investigative report refers to the open, transparent and full cooperation of the LFA with the OIG and the substantial increase in the LFA's ability to detect frauds. Against a background that LFAs are often substantially critisized for the quality of their work, we highly commend these remarks.

Best regards

[redacted]

[redacted]
Senior Public Health Specialist
Swiss Centre for International Health, Swiss Tropical and Public Health Institute

investing in our future
The Global Fund
To Fight AIDS, Tuberculosis and Malaria

Record of Conversation

Participants:

- Swiss Tropical and Public Health Institute: [redacted]
- TGF OIG: [redacted]

Date: 15 and 16 December 2010
Location: STI Headquarters: 57 Socinstrasse, Basel Switzerland

****

On December 15 and 16 2010, OIG Investigators [redacted] met with representatives of the Swiss Centre for International Health of the Swiss Tropical and Public Health Institute ("Swiss TPH") to discuss various issues relating to Swiss TPH's role of Local Fund Agent ("LFA"). Persons met included [redacted], Swiss TPH's team member on the ground in Bamako, [redacted] Financial Specialist based in Basel and [redacted], Public Health Specialist based in Basel.

Challenge of LFA "dual" roles

The STI team noted that in many situations, it was being forced into what it felt were difficult and possibly incompatible roles in the fulfillment of its duties as LFA[1]. Swiss TPH noted that it was having difficulty fulfilling both the role of "auditor" and that of "technical assistant" / guidance institutions. The main challenge lies in the fact that Swiss TPH is tasked, in large part, with ensuring a constructive working relationship with the PR particularly in the preparation of reporting to TGF (eg. the PUDRs). This process, which according to [redacted] often turns in a handholding exercise, can be rendered quite difficult in those instances in which he is required by TGF to also follow up on problems/issues that he has raised to the Secretariat. Swiss TPH notes that since it appears that LFAs are being asked more and more to act as auditors, and in some cases even forensic auditors (a role initially not attributed to a LFA), this has an automatic confrontational effect on the "constructive relationship" that must be forged to act as an effective technical advisor.

Swiss TPH notes in general that the Terms of Reference of the LFA needs to be made clearer and that saying that the LFA should be the "eyes and ears" is not sufficient. This observation specifically applies to services related to the verification of program implementation such as the review of procurement process of PRs, hiring/contracting of staff and consultants or Sub-Recipient's operations.

[1] This issue was raised by all three STI staff at various times during the 2 day discussion

12/27/10
Page 1 of 6

investing in our future
The Global Fund
To Fight AIDS, Tuberculosis and Malaria

Expenditure Testing

[redacted] stated that one of the main purposes of OIG's visit to Swiss TPH was to review its internal working papers to better understand the nature and scope of its expenditure testing. In particular, [redacted] noted that the goal was to determine whether Swiss TPH's testing had included any of the expenditure transactions that are now known to have been fraudulent. [redacted] stated that expenditure testing was performed on the basis of bank statements provided by the DAF. [redacted] reviewed the statements for the relevant PUDR period and ensure that the amount included on the PUDR as "actual expenditures" matched the total withdrawals on the bank statement during that same period. The process was then to select withdrawals from the bank statement covering approximately 50% of total value and request the PR to provide the supporting documents substantiating those withdrawals.

[redacted] stated that he did not maintain any internal working papers identifying the specific expenditures reviewed as part of the PUDR reviews. [redacted] did provide OIG, however, with a binder of supporting expenditure documents that he stated were provided by the PR as part of his expenditure testing. [redacted] stated that while these documents could serve as the basis for determining some of the transactions tested by the LFA, that it could not be considered as a substitute for clear and well-documented working papers evidencing work performed. [redacted] stated that the creation and maintenance of internal working papers is a basic quality assurance concept, which should have been in place, despite not being specifically spelled out in the LFA manual. [redacted] further noted that the LFA's failure to document and track its expenditure testing in a systematic fashion may have resulted in its inability to properly follow up on requests for which no documentation was ever received.

[redacted] further noted OIG's view that Swiss TPH should have identified the flagrant bank statement forgeries. [redacted] noted that some of the cases where merely the name of withdrawer was removed seemed less obvious but those instances in which entire sections of bank statements were whited-out should have raised suspicion, even based on a cursory review. [redacted] indicated that with the benefit of hindsight, the forgeries were indeed glaring but that at that time, given that short amount of time given to LFA's to complete the PUDR review, as well as the multitude of tasks to complete, that the forgeries probably did not jump out at him.

[redacted] noted that many of the bank transactions not whited-out evidenced that [redacted], the DAF accountant, withdrew money from the bank accounts. With the benefit of hindsight, [redacted] indicated that indeed this would appear to be an internal control violation and a segregation of duties issue. However, at the time, [redacted] was advised by the DAF that when the regisseur [redacted] was not available[2], that [redacted]

[2] [redacted] further indicated that [redacted] was virtually never present at any of the meetings in which the LFA participated. These were almost always attended by [redacted]

12/27/10
Page 2 of 6

investing in our future
The Global Fund
To Fight AIDS, Tuberculosis and Malaria

was authorized to act in his stead for such banking operations. [redacted] indicated that the practice of accountants withdrawing program funds was rampant across the region within TGF grants. So, the mere fact that [redacted] was withdrawing bank funds himself was not in and of itself a glaring red flag.

[redacted] indicated that Swiss TPH takes a holistic view of the PUDR testing and it is not clear to them what, if any, audit-type testing needs to be done. He indicated that additional clarification on the audit testing to be performed by LFA's would be helpful. As a general comment also, [redacted] indicated that in light of all of the developments of the last year, it was clear that LFAs should be asked to perform "ex-ante" verifications, not merely "ex-post". This in turn requires however clear guidance from the side of the Global Fund on which expenditures should be verified "ex-ante". Swiss TPH also stated that over 2010, internal guidelines for the verification of PU/DRs have been elaborated for LFA teams in the 18 countries where the Swiss TPH acts as LFA. These PU/DR guidelines provide instructions on how to document the testing of expenditures and they are now in use.

[redacted] also indicated his view that the PUDR is currently a "disbursement" tool when in fact it should probably also be used as a "verification" tool in line with more standardized testing procedures to be performed by the LFA.

Bank Withdrawals and Vendor Payments

[redacted] voiced his view that the practice of many PRs to withdraw program funds in cash and spend that cash for vendor services was problematic and no longer really necessary. PRs have historically taken the position that their countries operated on a cash basis and that it would be unduly burdensome to write checks to local vendors. [redacted] stated his view that today, all second tier regional cities in Mali had major banking institutions and that writing checks to vendors for even small purchases should not pose a problem. Enforcing the use of bank checks instead of cash would greatly mitigate the risk of misappropriation. [redacted] further stated that requiring the use of "check barre" which precludes the use of the check as bearer instrument and also precludes any endorsements on the check.

Training Events

[redacted] stated his view that given the high risk associated with such expenditures, TGF should typically not be in the business of funding training events or only in those cases where a clearly documented need for training is given. His view is that trainings are best handled by bilateral institutions operating in country including WHO, USAID, UNICEF which actually have a presence on the ground and can better control the quality of the trainings. In [redacted]'s view, TGF activities could be effectively limited to salaries for certain lab workers, medecines/equipment and certain monitoring activities. Limiting to

12/27/10
Page 3 of 6

Investing in our future
The Global Fund
To Fight AIDS, Tuberculosis and Malaria

these activities would enable TGF to achieve much of its core mission and would also enable the linking of specific activities to back-end indicators, something which is not always possible at the moment.

CCM

[redacted] noted that in general, he felt that the CCM was a sub-optimally operating entity, in particular insofar as overall grant supervision. He stated that the [redacted] Project had trained the CCM, a USAID funded management consultant entity, engaged to assist CCM's in improving oversight. The [redacted] Project champions a tool called the "Dashboard" which is meant to distill grant information in a useable form and present it to CCM's in a simple and clear fashion. [redacted] indicated that despite being trained on this tool, the CCM did really implement it and use it as a management tool.

[redacted] further described an episode in which a member of the CCM, the head of the [redacted], proposed the to replace the DAF by an AGF as part of the Round 6 Malaria proposal. [redacted] provided OIG with signed minutes to the meeting in which [redacted] made his presentation. Those minutes indicate that the CCM approved the Round 6 proposal with the AGF stipulation. [redacted] further noted that the actual final CCM proposal to TGF excluded any mention of the use of an AGF and instead endorsed the use of the DAF. [redacted] provided OIG with the name of another CCM member who may have additional insight into the issue: [redacted]; [redacted]

Finally, [redacted] brought up the issue of a $10,000 Round 7 payment to the CCM for which OIG has not seen any supporting documentation to date. [redacted] questioned the appropriateness of such a payment in the first place. [redacted] noted that he believed that such payments might actually have been approved by TGF. He notes in particular a budget line in the Round 6 Malaria proposal submitted to TGF, which clearly indicates that such financial support was to be provided to the CCM. While there does not appear to be a specific budget line in the Round 7 proposal, he believes that it may nonetheless have been approved by TGF.

Groupe Pivot

[redacted] indicated that much of the expenditure documentation recently reviewed related to Groupe Pivot exhibited serious red flags of fraud. In particular numerous examples came to light vendor invoices and pro-forma's seemingly created on the same computer.

External Auditors

[redacted] stated that the feasibility of the selection of external auditors by an independent entity (e.g. CCM) and not the PR should be explored. He further stated his belief that external auditors should not hail from the same country. External auditors from

12/27/10
Page 4 of 6

investing in our future
The Global Fund
To Fight AIDS, Tuberculosis and Malaria

neighboring countries would provide much more independent assessments, largely more free of internal pressures. [redacted] noted that it is common knowledge in that part of the world that external audit opinions can and often are "paid for". In fact, he noted that gasoline tickets are the "common currency" for such exchanges.

External Fiduciary Agent

[redacted] stated his view that putting in place an external fiduciary agent may be an effective element in mitigating mismanagement and fraud. In his view, SEC Diarra, the AGF on the HIV grant and the tail end of the Malaria and TB grants, is a reputable firm that is likely not involved in any fraudulent behavior. [redacted] noted that SEC Diarra had been extremely cooperative with OIG during its investigation, providing answers to all requests in a prompt and open manner. [redacted] further noted that SEC Diarra completed a monumental task in reconstituting the Malaria and TB books over the last year.

[redacted] commented that in his view, in order to maintain the utmost independence, which the AGF should be paid directly by TGF and not by the PR.

Raoul Follereau

During the week prior to this meeting, [redacted] had asked [redacted] for clarification or any information related to payments made from the Round 4 and 7 grants to an entity named Raoul Follerau. OIG had noted that this entity appeared to be related to the treatment to leprosy in Mali. [redacted] further noted that this entity did not appear to be an approved SR to the PNLT and therefore was unsure why it would receive funds directly from the grant bank accounts. [redacted] also noted that the name "Raoult" on the wire transfer orders and bank statements was actually misspelled. [redacted] agreed to pursue this research further in Bamako including contacting representatives of this entity to determine its participation, if any, in approved grant activities.

Communication between the LFA and OIG

[redacted] raised the question of formalizing the channels of communication between the LFA and OIG. Currently, the LFA is meant to report to the Secretariat and there are no clear guidelines on how LFA-OIG communications are to be conducted. The protocol between the OIG and the Global Fund secretariat as of May 2010 remains a draft version and has not officially been endorsed.

Swiss TPH Presentation

On 16 December, [redacted] presented OIG with a slideshow presentation outlining Swiss TPH's role as LFA for TGF grants including suggestions on how to possibly strengthen that role and make it more effective. In particular, the slide show addressed the issue of

12/27/10
Page 5 of 6

The Global Fund
To Fight AIDS, Tuberculosis and Malaria

clarifying the role of the LFA including whether it should take an "auditor" role or more one of "technical assistance".

****

The below attendees confirm that this record of conversation accurately reflects the nature and substance of discussions held on 15 and 16 December 2010:

OIG | **SWISS TPH**

[redacted]

[redacted]

[redacted]

12/27/10
Page 6 of 6

XI. ANNEX 2

Global Fund Secretariat Response to Mali Investigation Report 19 April 2011

The Secretariat thanks the OIG for the impressive work undertaken with this investigation.

The Secretariat notes that it has commented, on 14 March 2011, on the draft version of the investigation report. The Secretariat understands that the OIG has shared a draft version of the investigation report with the CCM in Mali, and is awaiting comments.

In reaction to early information from the OIG, the Secretariat terminated, in December 2010, a Tuberculosis grant to the Mali Ministry of Health, while ensuring the continuation of treatment for those thirteen patients under treatment at the time of suspension. At the same time, two Malaria grants (to the Ministry of Health and the non-governmental organization “Groupe Pivot”) were suspended. Alternative implementation arrangements – under a new Principal Recipient – were identified and are currently under negotiation.

At the time of termination (TB) and suspension (Malaria), the procedures in the “Additional Safeguards Policy” were invoked by the Executive Director. In essence, this makes any material managerial decision in Mali subject to the Secretariat’s approval, thereby intensifying fiduciary control.

The Secretariat will make every effort to recover the lost grant funds.

The OIG commends the LFA for its excellent cooperation with the OIG during the investigation and its increased vigilance. The Secretariat will ensure that the current quality of LFA oversight is maintained in the future.

The Secretariat notes the importance of the suspended Principal Recipients for the national response to Tuberculosis and Malaria, and will work, predominantly through partners, to ensure that these entities receive adequate technical assistance to enable them to resume responsibilities for grant management.

The Secretariat will apply lessons learned from the investigation, when negotiating the grants from the approved Round 10 applications. Particular emphasis will be placed on increased scrutiny of cash-based transactions, training plans and other budget lines the OIG identified as particularly vulnerable to misuse.