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The Office of the Inspector General

Country Audit of Global Fund Grants to the Republic of Haiti

Audit Report No: GF-OIG-09-13

Issue Date: 1 October 2010

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Acronyms

3TC	Lamivudine (ARV)
ABC	Abacavir (ARV)
ART	Anti-retroviral Therapy
ARV	Anti-retroviral
AZT	Zidovudine (ARV)
BCC	Behaviour change communication
CCM	Country Coordinating Mechanism
CCM	Comité de Coordination Multi-sectoriel
CDC	Centers for Disease Control and Prevention (USA Government Department of Health and Human Services
CDS	Centres pour le Développement et la Santé (ONG)
CDT	Centre de Diagnostique et de Traitement
CDV	Centre de Dépistage Volontaire
CHAI	The Clinton Foundation HIV/AIDS Initiative
COI	Conflict of Interest
COS	Continuation of Services
CP	Conditions precedent
D4T	Stavudine (ARV)
DDI	Didanosine (ARV)
DOTS	Directly Observed Treatment, Short course (Traitement sous supervision directe, Chimiothérapie de courte durée)
DPM/MT	The National Drug Regulatory Authority (a directorate in the Ministry of Health (MSPP)
DS	Départment Sanitaire, the departmental hub of the MSPP in the 10 departments
EFV	Efavirenz (ARV)
EMMUS	Enquête Mortalité, Morbidité et Utilisation des Services
EOI	Expression of Interest
FDC	Fixed dose combination
FHI	Family Health International (SR)
FOSREF	Fondation pour la Santé Reproductive et l'Education Familiale
FSGB	Fondation Sogebank (Principal Recipient)
GHESKIO	Groupe Haïtien d'Etude du Sarcome de Kaposi et des Infections Opportunistes (ONG)
HAART	Highly Active Anti-retroviral Treatment
HAS	Hôpital Albert Schweitzer (SR)
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HUEH	Hôpital de l'Université de l'Etat Haïtien
ICC	International Child Care (NGO/SR)
ICC	International Child Care (ONG)
IDA	International Dispensary Association

IEC	Information, Education and Communication (also see: BCC)
IMA	Interchurch Medical Assistance
INCOTERMS	Standard trade definitions most commonly used in international sales contracts. Devised and published by the International Chamber of Commerce
IND	Indinavir (ARV)
INGO	International Non-governmental Organization
IST	Infections Sexuellement Transmissibles
IT	Information Technology
ITN	Insecticide treated net
LFA	Local Fund Agent
M&E	Monitoring and Evaluation
MDR-TB	Tuberculose Multi-Résistante
MESI	Monitoring and Evaluation Surveillance Interface
MOU	Memorandum of Understanding
MSPP	Ministère de la Santé Publique et de la Population
MSPP (MOH)	Ministry of Health (and Population)
NGO	Non-governmental Organisation
NVP	Nevirapine (ARV)
OI/STI	Opportunistic Infections/Sexually Transmitted Infection
OIG	Office of the Inspector General (The Global Fund)
ONG	Organisation Non Gouvernementale
P(S)A	Procurement (Service) Agent
PCIMAA	"Prise en Charge Intégrée des Maladies de l' Adolescent et de l' Adulte"
PCIMAA	Prise en Charge Integrée des Maladies de l' Adolescent et de l' Adulte
PEPFAR	the U.S. President's Emergency Plan for AIDS Relief
FPM	Fund Portfolio Manager
PFSCM	Partnership for Supply Chain Management (procurement service agent based in the US, contracted by SCMS and /VPP)
PIH	Partners in Health (NGO/SR)
PMTCT	Prevention of Mother to Child Transmission (vertical)
PNLT	Program National de Lutte contre la Tuberculose
PQR	Product Quality Price database (TGlobal Fund)
PR	Primary recipient
PR	Principal Recipient/
PRM	Price Reporting Mechanism (TGlobal Fund)
PROMESS	Central pharmaceutical store, known as PROMESS (Program on Essential Medicine and Supplies)
PSI	Population Services International
PSM	Procurement and Supply Management
PTME	Prévention de la transmission mère-enfant
QA	Quality Assurance
QC	Quality Control

RCC	Rolling Continuation Channel
SCMS	Supply Chain Management Services (here the PEPFAR implementing partner)
SDP	Service Delivery Point (hospital, clinic etc.)
SIDA	Syndrome de l'Immunodéficience Acquise
SIPSE	Système de Planification et de Suivi-Evaluation
SNEM	Service National d'Eradication de la Malaria
SOP	Standard Operating Procedure
SR	Sub-recipient
SR	Sub Recipient/Sous-Recipiendaire
TA	Technical Assistance
TB(C)	Tuberculosis
GF	The Global Fund
TOR	Terms of Reference
TPM+	Tuberculose pulmonaire à microscopie positive (negative: TPM-)
USAID	The U.S. Agency for International Development
VCT	Voluntary Counseling and (HIV) Testing
VDH	Volontariat pour le Développement d'Haiti (ONG)
VPP	Voluntary Pooled Procurement (The Global Fund)
WHO	World Health Organization

I. Executive Summary

Introduction

1. As part of its 2009 work plan, the Global Fund's Office of Inspector General (OIG) carried out an audit of all Global Fund grants in the Republic of Haiti through Round 8 in 2009. Between Rounds 1 and 9, Haiti had applied for funding from the Global Fund in the amount of US$338 million, of which US$214 was approved and US$145 million had been disbursed as of the time of the completion of this audit.

2. The purpose of the audit was to assess the adequacy of the internal control and programmatic systems in managing the Global Fund grants in Haiti. The audit objectives were to (i) assess the efficiency and effectiveness of the management and operations of the grants; (ii) measure the soundness of the systems and procedures in place to safeguard Global Fund resources; and (iii) identify and assess any risks to which the Global Fund grants are exposed, as well as the adequacy of the measures to mitigate them.

3. The OIG audit was conducted between 2 November 2009 and 6 December 2009, by a team of 15 auditors and covered all of the active as well as closed grant programs in the country since the inception of the Global Fund supported programs on 1 January 2003. As such, the audit covered the performance of the Principal Recipients, Sub Recipients, Country Coordinating Mechanisms, and the Local Funding Agent (LFA).

4. This Executive Summary does not detail all of the findings of the audit, nor all of OIG's recommendations and observations. The purpose of the summary is to provide an overview and context of the audit, and is not intended as a full recitation of the audit results. It is strongly recommended that the report be read in its entirety in order to gain a full comprehension and appreciation of the scope, nature and extent of the audit, including its findings and important observations.

Contextual background

5. By way of background, the OIG noted that notwithstanding a history of limited government capacity, violence and poverty, as well as poor infrastructure, Haiti was able to achieve some success in the implementation of its programs. Haiti's national TB program (hereinafter referred to as "PNLT") is a public private partnership where the Ministry sets the policies and acts as the main implementer. It has achieved significant success since gaining access to external funding in 1967. The TB program however suffered through periods of funding uncertainty.

6. Despite a high Malaria disease burden, Malaria has been relatively easier to treat since Chloroquine mono treatment continues to remain effective despite a reduced efficacy in other parts of the world. As a result, reported fatalities are low.

7. Haiti's HIV/AIDS program (PNLS) is the latest of the three programs supported by Global Fund. Anti-retroviral therapy (ART) only became available in country in 2004. At the time of the audit, the program was almost exclusively supported by donor

funding, the two main donors being the Global Fund and the United States President's Emergency Plan for AID Relief (PEPFAR).

Achievements and challenges

8. The OIG recognizes the difficult operating environment now presented in Haiti, and the significant program achievements that have been made through the private public partner relationship to fight the three diseases. The program achievements were attained through heavy reliance on the well performing SRs as well as the development partners e.g. PEPFAR.

9. The major achievements noted by the Ministry of Health were: (i) its ability to access relevant expertise at all levels for program implementation; (ii) the effective dissemination and implementation of its policies and procedures throughout the country; and (iii) the strengthening of its relationships with the private sector especially with ICC, Care, CDS and PIH in connection with the fight against TB.

10. The Global Fund supported programs contributed towards the results in the following table:

Disease	**Achievements**
HIV/AIDS	• As per WHO 2007 report, HIV prevalence rate decreased from 3.1% in 2001 to 2.2.% in 2007; • From an estimated 36,000 people needing ARV therapy, 13,215 were on ART of which 9,552 were supported by the Global Fund finaced program; and3,510 HIV positive pregnant women had received the complete course of ARV prophylaxis as part of the PMTCT intervention.
Tuberculosis	• The treatment success rate increased from 72% in 2001 to 81.7% in 2007 • There was a marked improvement in case detection and treatment with 25,061 cases of new smear-positive TB cases detected and treated.
Malaria	• 290,671 Bed nets were distributed or sold; and • There was a lowered mortality rate noted in some regions e.g. the North East region where there was one Malaria related death from the 1,304 people treated

11. It should be noted, however, that these achievements may have been even greater had the significant growth in Global Fund supported programs over the years not outstripped the PR's capacity to manage the increased funding.

The Fondation Sogebank (the Foundation)

12. By way of short background, Sogebank Foundation, a non-profit foundation formed in 1993 by the shareholders of the Societe Generale Haitienne de Banque (Sogebank), has served as the Principal Recipient (PR) to the Global Fund grants since the inception of the Global Fund programs in Haiti. The Foundation had 38 sub-recipients implementing the programs which received approximately 82% of the total amount of grant funds disbursed in country. Of these 38, the audit focused on six,

namely Groupe Haitien d'Etude du Sarcome de Kaposi et des Infections Opportunistes (GHESKIO); Foundation pour la Sante Reproductive et l'Education Familiale (FOSREF), Program de Sante et Information (PSI/Haiti); Partners in Health (PIH); Ministry of Health and Population Malaria Program (PNCM/MSPP); and Ministry of Health and Population TB Program (PNLT/MSPP).

13. The audit identified the following significant performance issues with the PR:

(a) The PR did not comply with the grant agreement and this weakened the control environment within which the grants were implemented. The PR did not fulfill 16 of the 23 conditions precedent required for funding, which resulted in delays in disbursements and disruption in program implementation. Key procurement and supply chain management related conditions were not fulfilled namely the lack of an approved PSM plan for health products; the failure to follow established procedures requiring selection of best value proposal and the selection of entities that had not submitted bids, resulting in the failure to achieve best value for money for all purchases.

(b) The PR used US$ 767,994 of program funds for activities that were not in the approved budgets and not related to program activities, including making donations to organizations not involved in the fight against the three subject diseases; making payments to a senior member of the PR's management team in the amount of US$ 120,000; and transfers to bank accounts not related to the program, in the amount of US$ 193,602.

(c) The PR increased staff salaries between 26 and 238% without Global Fund approval and without a stated basis, a requirement for deviations greater than 10% of the established budget amount. The increases were also applied retrospectively for several months and resulted in amounts higher than for those in comparative positions in other like international institutions (i.e. UNDP).

(d) The PR withdrew US$ 89,750 from program funds to cover "an end-of-project staff compensation scheme," which was not in the work plan, not approved by the PR's Board of Directors, nor the Global Fund.

(e) The PR made excessive remuneration to its Executive Director, including the provision of a monthly car allowance in the amount of US$ 1,232 despite the fact that he maintained a foundation vehicle already; the payment of quarterly bonuses in the amount of US$ 3,333 out of program funds contrary to the terms of his employment which allowed for an annual bonus based upon performance.

(f) The audit revealed significant weaknesses in the PR's financial and administration manual in control environment areas, such as human resource, procurement, and financial policies.

(g) The PR's accounting records were five months behind schedule, and proper bank reconciliations had not been prepared-resulting in an increased risk of errors going undetected.

(h) The PR extended "loans" from program funds to its staff despite the fact that its regulations forbid this practice.

(i) There were a large number of inter grant transfers by the PR made with the intention to cover cash shortages among the different grants.

(j) The PR lacked an approved PSM plan and the PR did not have an alternative procurement related planning mechanism which resulted in the execution of procurement in an ad hoc manner. This resulted in the risk of stock outs and the routine implementation of emergency orders. The Global Fund supported programs had to rely heavily on PEPFAR to prevent actual stock outs of essential ARVs and laboratory commodities.

(k) The PRs inability to retain a third party procurement agent that jeopardized disbursement of funds and delayed the provision of supplies for program implementation, including a circumstance in which the SRs were forced to turn to SCMS to avoid stock outs of life saving drugs.

(l) The PR's purchases at inflated prices resulted in a loss in excess of US$ 1 million as reflected by the procurement by the SRs from reputable sources at lower prices than paid by the PR, and the PRs failure to use the prices negotiated by the Clinton Foundation.

(m) The PR lacked a proper logistics management information system at the central level. The procedures for quantification and forecasting of ARVs could not be validated. The availability of quality-assured OI/STI drugs e.g. cotrimoxazol, penicillin, anti-fungals for timely treatment (STI) or treatment/prophylaxis of infections in AIDS patients, was not adequate at the service level. This was mainly because of poor /non-validated tools for quantification and forecasting at central level and generally, poor inventory management practices at SR level.

14. As a result of the foregoing, the OIG is unable to provide assurance that the PR's capacity is adequate to safeguard the Global Fund resources deployed in country, based upon the severe shortcomings in the areas of governance, financial management, procurement, and supply chain and grant management. The OIG recommends another PR (or PRs) be identified expeditiously. The Foundation should also reimburse US$ 1,509,229 to the Global Fund which comprises of (i) non justified overhead costs transferred from the Global Fund program funds of U$S 767,994; (ii) amount advanced to Diaspora Challenge for US$8,500 and (iii) amount to be recovered from the SRs based on External Audit reports for US$ 732,735.

UNDP as a co-PR for Round 1 HIV/AIDS

15. UNDP was the Principal Recipient for the Round 1/Phase 1 HIV/AIDS program. This grant was transferred to the Sogebank Foundation under Phase 2. UNDP's Office of Audit and Investigations conducted audits of the Global Fund supported programs. However, UNDP has declined to provide access to the OIG of the audit report, and has offered only abbreviated summaries devoid of factual detail. For the audit conducted by OAI in Haiti, the OIG was able to do no more than meet with UNDP and discuss issues in general concerning performance and past implementation of Global Fund HIV grants.

16. Despite the OIG's request, UNDP did not provide any supporting documents, other than the Financial Statement related to the grant. The OIG notes that there is a difference between the balance of funds disbursed by the Global Fund and the amount of funds claimed as received in UNDP's financial records. The OIG also notes a US$ 519,326 difference between balances of UNDP and those from the SRs. As such, the OIG has concerns over the thoroughness of the grant closure process in light of such discrepancies. Appropriate reimbursements should be sought.

Country Coordinating Mechanism

17. The CCM, currently chaired by the Prime Minister of Haiti, has suffered from frequent turnover of staff, mainly government officials that are rotated in and out of the CCM on a fairly regular basis. This has impacted the effectiveness of the CCM leadership. The OIG is pleased to note that the CCM vice Chairs and members have remained fairly stable and committed to performing their roles with the support of development partners.

18. The CCM has been successful in obtaining funding from the Global Fund under Rounds 1, 3, 5, 7, 8, and 9, and has requested US$338 million in grant proceeds, and has received approval for the commitment of US$214 million. The OIG notes that since 2009, the CCM has made great strides in its oversight role through the establishment of ad hoc committees formed to track program implementation issues.

19. A review of the sustainability of the CCM Secretariat revealed the lack of an effective fund raising strategy to mobilize funds. The Secretariat has been getting funds from the PR and their SRs. There is a need to de-link the Secretariat from receiving donations and loans from the PRs and SRs, and thereby assure their independence and objectivity.

20. The CCM followed transparent processes for the selection of PRS until Round 8 when evidence could not be identified that the CCM followed a transparent process. According to CCM minutes, the appointment was as a direct appointment based on a claim of a need to "build the capacity" of the Ministry of Health, the proposed new PR. The existing PR had not developed a transition plan or an exit strategy enumerating the conditions under which the PR function should revert to the Ministry of Health.

21. Significantly, the audit identified a communication breakdown between the different in country stakeholders, in that the audit revealed that communication between the PR, CCM, LFA, SRs and the development partners was poor, a circumstance that threatens the effective management of programs funded by donors.

Local Fund Agent oversight

22. KPMG was selected as the LFA for Haiti from the inception of Global Fund grants. KPMG thereafter worked through local subcontractors, Merove-Pierre until 2007, and then PAGS, an arrangement that was approved by the Global Fund Secretariat. The LFA was frustrated in its efforts to gain access to information from the PR, and from some SRs, and that this circumstance had negatively impacted upon its ability to effectively execute its mandate. The OIG commends the LFA for its spirited efforts to fulfill its function and carry out its work in the face of opposition from the PR, including failing

to cooperate in providing required and requested information.

23. However, the OIG audit did not see evidence that the work of the LFA was informed by a risk assessment of the Haiti grants, and that the necessary oversight was effected by the LFA in order to safeguard Global Fund resources deployed in country. The OIG reviewed a sample of the assessments and PUDR reviews that the LFA undertook, and noted that there are a number of issues that the LFA should have identified and disclosed to the Global Fund Secretariat that were missed. For example, the LFA did not review budgets as part of the grant negotiation, compliance issues or completion of the PQR.

24. In early 2009, the Global Fund Secretariat expressed dissatisfaction with the quality of work undertaken by the LFA, and sought assurances that KPMG would undertake measures to strengthen its performance. On 29 October 2009, the Global Fund provided notice to KPMG that its contract for LFA services would be terminated effective 31 March 2010 because it had not properly addressed the poor performance issues that had been previously identified.

Development Partners

25. The development partners played a significant role in supporting Global Fund program implementation, including efforts to strengthen the CCM's roles and responsibility. A number of partners displayed considerable goodwill and commitment towards the programs in an effort to ensure that the program goals were achieved, and some partners even provided technical support.

Global Fund Secretariat

26. A 2009 change in the Secretariat's personnel responsible for Haiti programs significantly contributed to the marked program performance improvement. In particular, the new team identified solutions to resolve long outstanding weaknesses, including the critical lack of capacity of the PR to satisfactorily perform its various important roles. In October 2009, Secretariat representatives, including members form the Country Programs, Finance and Strategy, Performance and Evaluation Clusters, conducted a mission to Haiti that identified a number of deficiencies of the PR that critically needed to be addressed. The risks and deficiencies had been present for some time, and vigilance by prior Secretariat officials could have intercepted these problems earlier.

27. The OIG notes that there has not been a systematic process in place in the Secretariat to monitor recommendations resulting from missions or LFA reviews, and follow up actions that were made on an ad hoc basis pose a risk that important identified issues could remain unresolved. The OIG recommends that the Secretariat establish a mechanism to follow up recommendations from the LFA and mission reports to ensure that they are acted upon, and done so in a timely manner. The Secretariat's comments and responses are reflected in Annexes 1 and 2.

The Earthquake

28. The catastrophic earthquake suffered by Haiti in January 2010 occurred soon

after the OIG audit was completed. Obviously, the earthquake puts program implementation at risk. After the earthquake, the Global Fund Secretariat initiated immediate action to ensure a continuity of treatment, including an emergency authorization of US$800,000 for ARV provisions for six months. As a result, antibiotics and other health supplies could be brought into Haiti in close cooperation with Global Fund partners through the Dominican Republic.

29. Going forward, it is possible, and indeed understandable, that the devastation caused by the earthquake could well impact the implementation of some of the OIG's recommendations. The OIG stands ready to engage with local stakeholders to identify the best way forward to action key recommendations, and strengthen the control environment with which Global Fund grants are being implemented.

30. After the earthquake, the Global Fund Secretariat invoked the Additional Safeguard Policy (ASP) to address the inadequate systems in place to safeguard grant funds. These inadequacies were confirmed by the OIG audit. The ASP is part of this risk-management strategy, which can be invoked in full or in part, based on risks identified in the country where a particular grant or group of grants is being implemented.

31. At the time of finalising this report, the Secretariat was in the process of identifying suitable replacement PRs, and mobilizing technical assistance to strengthen country structures. Haiti has also sought participation in the Voluntary Pool Procurement (VPP) mechanism, and the Global Fund is exploring the possibility of expanding the VPP contract to cover other necessary services such as customs clearance, supply management, warehousing and distribution.

Audit recommendations and the way forward

32. Subsequent to the country audit, the Foundation, in a letter to the Global Fund dated 26 May 2010, resigned from its role as PR for all Global Fund supported-programs in Haiti. In line with the ASP, the Global Fund Secretariat appointed UNDP Haiti and PSI to be the new PRs to replace the Foundation in managing the Global Fund supported-grants in Haiti.

33. As a result of this, some of the recommendations (those that related to the Foundation) have been overtaken by events. However, the ethos of some recommendations can still be taken into account by the new PRs as they establish their relevant systems. The OIG therefore fully supports the CCM decision to request the new PRS to implement these recommendations in cases where they are applicable.

II. Introduction

Overview

34. The Office of Inspector General (OIG), as part of its 2009 work plan, carried out the audit of Global Fund grants to the Republic of Haiti. The purpose of the audit was to assess the adequacy of the internal control and programmatic systems in managing the Global Fund grants in Haiti. The audit objectives were to:

(a) assess the efficiency and effectiveness in the management and operations of grants;
(b) measure the soundness of systems, policies and procedures in safeguarding Global Fund resources; and
(c) assess any risks that Global Fund grants are exposed to and adequacy of measures taken to mitigate them.

35. Haiti had applied for funding from the Global Fund amounting to US$ 338 million. The approved funding to Haiti amounted to US$ 214 million and US$ 145 million had been disbursed to the country at the time of the audit. The Round 8 Malaria and Round 9 TB were still under negotiation at the time of the audit. Fondation Sogebank was the Principal Recipient (PR) since the inception of the grants in Haiti. UNDP was a co- PR but only for the Round 1 HIV/AIDS Phase 1 grant. The details of the grants are provided in the table below:

Grant number	Round	Total funding request US$	Approved funding Phase 1 and 2 US$	Total funds disbursed US$
HIV/AIDS				
HTI-102-G02-H	1	203,388,148	6,140,386	6,140,386
HTI-102-G01-H	1		108,794,515	89,801,034
HTI-506-G05-H	5	18,821,754	18,821,754	18,821,754
HTI-708-G06-H	7	15,000,000	6,199,554	3,047,687
		237,209,902	**139,956,209**	**117,810,861**
Malaria				
HTI-304-G03-M	3	14,431,557	14,431,557	13,632,508
Negotiation Process	8	45,000,437	33,402,457	-
		59,431,994	**47,834,014**	**13,632,508**
Tuberculosis				
HTI-304-G04-T	3	14,034,665	14,034,665	13,682,901
Negotiation Process	9	27,669,547	12,260,870	-
		41,704,212	**26,295,535**	**13,682,901**
Total		**338,759,204**	**214,498,854**	**145,126,270**

Scope and methodology

36. The OIG audit covered all the active and closed grants of Haiti since the inception of the Global Fund supported programs. It covered all aspects of the management and operations of the grant programs, i.e. Principal Recipients, Sub Recipients (SRs), Country Coordinating Mechanism (CCM), and the Local Fund Agent (LFA).

37. At the time of the audit, Sogebank Foundation was the sole PR. In addition, there were 38 sub recipients (SRs) implementing the programs supported by the Global Fund that received about 82% of the total funds disbursed to the country. Of the 38 SRs, the audit covered six, namely Groupe Haïtien d'Etude du Sarcome de Kaposi et des Infections Opportunistes (GHESKIO), Fondation pour la Santé Reproductive et l'Education Familiale (FOSREF), Program de Sante et Information (PSI/Haiti), Partners in Health (PIH), Ministry of Health and Population Malaria Program (PNCM/MSPP) and Ministry of Health and Population TB Program (PNLT/MSPP). The OIG's selection of SRs to review under this audit was based on cost materiality i.e. significance of amounts disbursed to the SRs.

38. The areas covered the following:

(a) *Compliance:* whether structures, systems and processes complied with the firmly established Global Fund policies, procedures and guidelines as well as in-country laws;

(b) *Internal control*: whether the internal control structure was adequate in ensuring that grant assets were adequately safeguarded against misuse and abuse;

(c) *Financial review*: whether best value for money was achieved through the use of the funds that were provided to the country and funded through Global Fund grants. This analysis also involved a process of verification that program funds were used economically, efficiently and effectively; and

(d) *Grant management*: whether the systems, processes and controls in place were efficient and effective in supporting the execution of grant objectives.

Report Structure

39. This report is presented by functional areas such as the environment within which programs were implemented; grant management by PR; systems that support program management; procurement and supply management; and oversight functions. The functional areas may be broken down into specific functional areas. Good internal control practices or significant achievements found during the audit are mentioned in the report, but they are not discussed in depth given that the purpose of the audit was to identify significant risks and operational, management and financial administration issues that needed to be addressed.

40. The recommendations have been prioritized. However, the implementation of all recommendations is essential in mitigating identified risks and strengthening the internal control environment in which the programs operate. The prioritization has been done to assist management in deciding on the order in which recommendations should be implemented. The categorization of recommendations is as follows:

(a) *High priority*: Material concern, fundamental control weakness or non compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization's interests, significantly erodes internal control, or jeopardizes achievement of aims and objectives. It requires immediate attention by senior management;

(b) *Significant priority*: There is a control weakness or noncompliance within the system, which presents a significant risk and management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal control, or undermine achievement of aims and objectives; and

(c) *Requires attention*: There is minor control weakness or noncompliance within systems and remedial action is required within an appropriate timescale. Here the adoption of best practice would improve or enhance systems, procedures and risk management for the benefit of the management of the grant programs.

41. The Annex 1 of this report is the Global Fund comments and responses to this Draft Audit report.

III. Fondation Sogebank

Background

42. The Fondation Sogebank (the Foundation) was formed as a non for profit foundation on 5 March 1993 by the shareholders of the Société Générale Haïtienne de Banque (Sogebank). The Sogebank Foundation was formed to promote philanthropy in the Haitian private sector and mobilize financial, material and human resources to enable the implementation of initiatives of collective interest.

43. The Foundation is governed by a Board of seven members, with five members coming from the Sogebank board and two belonging to the Foundation's senior management. The Foundation also has six management advisors. The Foundation has a steering committee with five members which provides strategic directions to the Foundation. The Foundation has a Centre for Project Management that is responsible for managing the financial and programmatic aspects of grants. This centre is headed by the Foundation's Executive Director and has three units i.e. the administration and finance unit, the programs unit and the procurement and supply management unit.

44. The Foundation has signed five grant agreements with the Global Fund and was working with 38 Sub Recipients (SRs) at the time of the audit to implement the grants. The table below provides details of the grants signed between the Global Fund and the Foundation as well as related disbursements:

Round Number	Grant agreement	Grant amount US$	Grant disbursements US$
1	HTI-102-G01-H-00	153,593,597	89,801,034
3	HTI-304-G03-M	14,431,557	13,632,508
3	HTI-304-G04-T	14,034,665	13,682,901
5	HTI-506-G05-H	18,821,754	18,821,754
7	HTI-708-G06-H	6,199,554	2,450,766
	Total	**207,081,127**	**138,388,963**

Achievements and challenges

45. The program achievements were achieved with heavy reliance on well performing SRs and development partners e.g. PEPFAR.

HIV/AIDS

46. The Global Fund supported programs contributed towards the following:
(a) The Ministry of Health was able to access relevant expertise at all levels for program implementation. The Ministry established policies and procedures that were well disseminated and implemented throughout the country;
(b) A 2007 WHO report showed that HIV prevalence decreased from 3.1% to 2.2.%;
(c) Out of the 36000 people needing ARV therapy, 13,215 were under ART in 2009 of which 9,552 were supported by the Global Fund; and
(d) 3,510 HIV positive pregnant women had received the complete course of ARV prophylaxis as part of the PMTCT intervention.

Tuberculosis

47. The Global Fund supported programs contributed towards the following:
(a) The Ministry of Health was able to strengthen its relationships with the private sector in the fight against TB e.g. with ICC, Care, CDS and PIH;
(b) The Ministry established policies and procedures that were well disseminated and implemented throughout the country;
(c) The DOTS regime was shortened to 6 months;
(d) The treatment success rate increased from 68% in 2001 to 70% in 2007; and
(e) There was a marked improvement in case detection and treatment with 25,061 cases of new smear-positive TB cases detected and treated.

Malaria

48. The Global Fund supported programs contributed towards the following:
(a) The Ministry of Health was able to access relevant expertise at all levels for program implementation. The Ministry established policies and procedures that were well disseminated and implemented throughout the country;
(b) 290,671 Bed nets were distributed or sold; and
(c) There was a fall in the mortality rate noted in some regions e.g. the North East region where there was one Malaria related death from the 1,304 people treated.

49. The OIG noted that there had been a major growth in program activities and this growth had outstripped the PR's capacity to manage the program effectively. For example the control over the financial management and grant management aspects had become constrained over time and was inadequate to safeguard Global Fund resources. There was a need for the CCM in its oversight role to review the current institutional arrangements vis a vis capacity to manage the multiple grants and identify ways to strengthen capacity.

50. The Foundation had poor communication with the key stakeholders involved in the implementation of the Global Fund supported programs e.g. SRs, the CCM, LFA and development partners. For example the LFA did not receive all the necessary documentation from the PR to enable it undertake its work effectively, the PR did not respond to communications highlighting implementation challenges from SRs, and the PR did not provide the CCM with information to enable it undertake its oversight role effectively etc. This had made a significant impact on program implementation since the PR depended almost entirely on the SRs for the implementation of activities.

Institutional arrangements

The Foundation's oversight is provided by a seven member Board of Directors. The Foundation also has six management advisors and a steering committee that provides strategic direction to the Foundation. The Foundation does not have an internal audit unit that would help strengthen the control environment within which programs are implemented.

51. The Foundation has been audited on an annual basis since the inception of the grant. The last audit was dated 30 June 2009 for the period which ended on 30 September 2008. The OIG was not provided with any evidence that the selection of the External Auditor was approved by Global Fund Secretariat. There was no mechanism in place to ensure an effective follow up of audit recommendations. In consequence audit recommendations had not been followed up.

52. The Foundation CNM did not have an internal audit function in place. Although having an internal audit unit is not a mandatory requirement from the Global Fund, it helps strengthen the control environment within which programs are implemented. This is especially commended since all the PRs have SRs and regional offices that an internal audit unit should periodically visit.

Recommendation 1 (Significant)
The PR should establish an internal audit function to review SRs and program implementation in the regions.

53. The Foundation has followed Sogebank's financial and administration procedures manual since the inception of the grant. The Foundation's operations have grown significantly in recent years which call for an equivalent capacity increase to handle the growth. This growth affected the Foundation's control environment and resulted in the need to change policies and procedures in place so that they remained relevant to address any emerging risks. For example, the human resource policies in place were inadequate to guide key areas such as recruitment, performance evaluation, and staff salary changes. A comprehensive review of the policies should be undertaken to provide adequate guidance to staff.

54. The Foundation made some changes to address emerging pressing issues. Because the reviews were not all encompassing, this 'band-aid' solution did not address critical functional areas and contributed to the weaknesses noted by this audit in the control environment. The OIG was provided with several notes reflecting proposed changes to policies and procedures to deal with emerging challenges that arose over time. The OIG could not establish the author of the policies, if the proposed policy changes were ever approved nor if they were communicated to staff for implementation.

Recommendation 2 (High)
In order to strengthen the control environment within which the programs are being implemented, the PR should ensure that its policies and procedures adequately address the risks identified in the control environment within which the grants are implemented and provide adequate guidance to all stakeholders involved in program implementation. The policies should be enforced in order to strengthen the control environment within which the programs are being implemented.

Compliance with grant agreement

The Foundation has signed grant agreements with the Global Fund which set out the conditions that it is obliged to comply with. The OIG noted that these conditions were not always met and this resulted in risks to and in some cases loss of program assets.

55. The grant agreement requires that the Foundation should comply with the grant agreement and the laws and regulations of Haiti. The conditions stipulated in the grant agreement ensure that the control environment is adequate to safeguard Global Fund investments. The OIG's review of PR compliance with the grant agreement are identified in the following paragraphs.

56. The grant agreement stipulates that all funds provided by the Global Fund should be used in accordance with the approved grant agreement and for purposes of the program as set out in the approved work plan and budget. Exceptions to this should be with the prior approval of the Global Fund. The OIG noted consistent failure by the PR and the SRs to comply with approved work plans and budgets and for which the there was no evidence that the Foundation obtained approval for expenditure that was not in the approved budget.

57. This resulted in expenditure of US$767,994.95 which the OIG classifies as ineligible. E.g. the funds were used to make donations to organizations that were not implementing program activities, additional payments were made to some staff and Board members, money transfers were made to unidentified accounts etc. These funds should be refunded to the Global Fund.

58. The grant agreements required that the PR cooperate with the CCM and LFA to accomplish the purposes of the agreement. The OIG noted instances where the Foundation did not cooperate with the LFA and the CCM and this affected its ability to make the necessary changes to strengthen the programs.

59. The OIG noted that the Foundation had 23 conditions precedent to disbursements attached to the grant agreements signed with the Global Fund. Although the CPs should have been completed by 31 March 2009, at the time of the audit, this was not the case i.e. only seven had been fulfilled i.e. 30%, five were partially fulfilled i.e. 21%, nine were not fulfilled i.e. 40%, and implementation of two was ongoing i.e. 9%. This resulted in the delay of the second disbursement to the Foundation by the Secretariat and disrupted services.

60. The grant agreement requires that the Foundation submits its periodic reports within 45 days and an annual report to the Global Fund within 90 days of the period end. However, from a sample of 17 reports reviewed, the Foundation submitted their periodic reports to the Global Fund beyond the due dates required by the grant agreement in all but one case. The delays in some cases were up to three months after their due date. In consequence, delayed reporting affected the Global Fund's ability to release timely disbursements.

61. The Foundation did not insure the assets procured under the grants. The grant agreement stipulates that the "PR shall maintain where available at reasonable cost, all risk property insurance on program assets and comprehensive general liability insurance with a financially sound and reputable insurance company. The insurance coverage shall be consistent with that held by similar entities engaged in similar businesses". Failure to insure assets exposes the Global Fund assets to risk of loss.

62. The OIG noted several aspects of non compliance with regard to the conditions set in the grant agreement with regard to the procurement of goods and

services. The areas of non compliance noted were (i) the PR did not have an approved PSM plan and so all procurement of health products under the grants had in effect been approved by the Global Fund; (ii) the PR did not comply with established procurement policies and procedures; and (iii) the failure to follow laid down procedures resulted in the failure of the program to consistently achieve value for money from the purchases. The estimated loss (details are in the PSM section) is at least US$ 1 million.

Recommendation 3 (High)
The PR should comply with the conditions stipulated in the grant agreement. Full compliance would strengthen the control environment within which Global Fund programs are implemented.

Human resource related matters

There has been a steady increase in the Foundation's staff numbers and salaries as the Global Fund supported programs increased over time. The OIG sought but was not provided with the basis for the increases. The staff increases resulted in overlaps in roles. The OIG also reviewed the Executive Director (ED)'s remuneration package. The OIG noted that contrary to corporate governance best practice, the Board did not institute proper measures to regulate the salary and benefits paid to the ED. Contributions from program funds towards salary payments should be reasonable i.e. in comparison with salaries made to people undertaking similar work in the country and in consideration of the fact that the primary purpose of grant funds is for the intended beneficiaries and for the benefit of those affected by the three target diseases, and in that regard, for implementation of program activities.

63. At the time of the audit, the Foundation had 52 staff on its payroll to manage the Global Fund programs, 30 of whom were in the Finance and Administration department. The OIG noted that the staff numbers increased steadily in proportion with funding increases, but the additional staff did not necessarily translate into increased grant management capacity or efficiency. The number of staff recruited was not commensurate to the increase in work load generated by increases in grants resulting in overlaps in the tasks allocated to staff e.g. in the Finance department. A job analysis[1] should be undertaken to determine the proper number and skill sets required by the Foundation to deliver its mandate. *The job analysis will inform the Foundations decisions on (i) appropriate number of staff required to deliver its mandate to the Global Fund; (ii) skill sets required to undertake the work; and (iii) the value of the job and the reasonable amount to pay the job holder etc.*

Recommendation 4 (High)
The PR should prepare job descriptions that :

- *reflect in detail the different responsibilities that are executed by the people in those positions. Performance should be measured against the job descriptions;*

[1] Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization

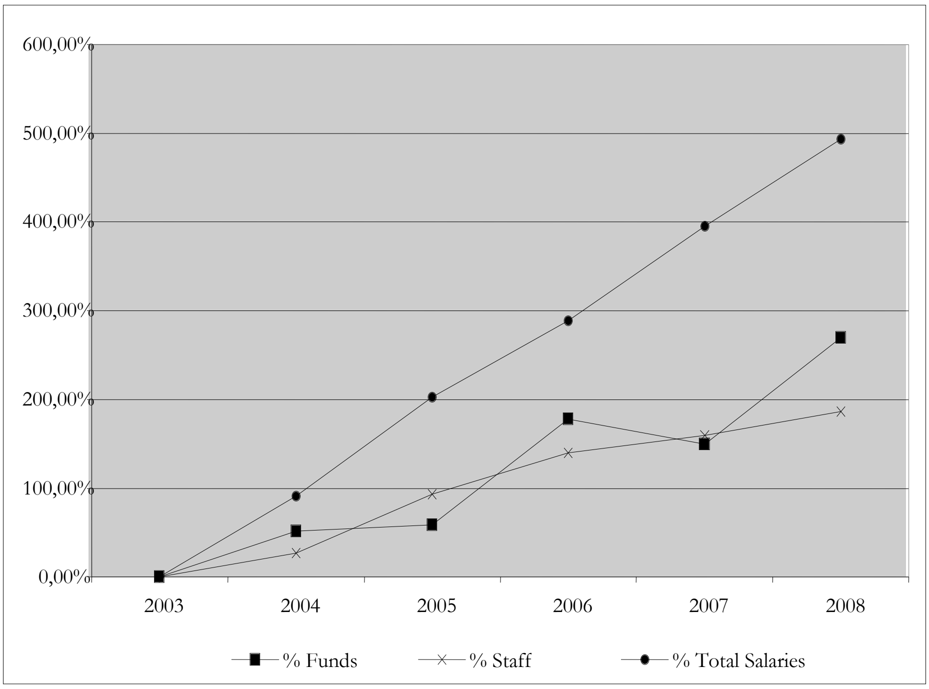
- *show who a staff member is responsible to and who they should be reporting to. While this may be reflected on the organization chart, it should also be mentioned in the job description for clarity;*
- *be signed by a management level member of staff and the job holder as evidence of commitment to meeting the terms that have been laid out; and*
- *be reviewed at the time of renewing the contracts for staff to ensure that they are up to date and reflect any changes in work that may have arisen over time.*

64. At the end of the 2008, the OIG noted that the Foundation withheld US$ 89,750 under what was referred to as an 'end-of-project staff compensation scheme'. This compensation scheme was an additional staff cost to be financed entirely by the Global Fund and the amounts payable were equivalent to 1/12th of total annual staff salaries. The establishment of this scheme was irregular since it was additional to approved staff costs and was not approved by the Foundation Board of Directors. The OIG also noted that such a payment was duplicative in nature since when determining the staff salary scales, consideration was given to the fact that staff were contract workers. Approval was not sought from the Global Fund for such payments. The LFA asserts that they brought this scheme to the Secretariat's attention in April 2010. which were not brought to attention by the LFA. This amount should be refunded to the Global Fund.

65. The Foundation did not have a proper procedure in place for revising staff salaries. The Foundation has since 2003 given its staff annual salary increases. These increases ranged from 26% and 238% and were applied retrospectively for several months. The Foundation's management could not provide justification for them. The OIG auditors requested production of staff performance evaluations. None were provided. It was evident that no staff performance evaluations had been undertaken and no reference was made to rates of inflation. The basis for the increases applied could also not be supported. The OIG did not see evidence of approval of these increases by the Global Fund.

66. The salaries were also noted to be relatively higher than those paid to other people in equivalent positions in other organizations. The OIG undertook an analysis of the salary increments compared with the increases in staff numbers and funds managed on behalf of the Global Fund. This analysis revealed that the increases in salaries paid were in even greater proportion than increases in staff members and in the funds managed over the years. This information is illustrated in the graph below. Again the Global Fund was not asked to approve such increases in salaries.

Comparative graph of increases in total salaries



67. The OIG reviewed the Executive Director (ED)'s remuneration package and noted that he was provided with several benefits from program/grant funds in addition to his salary i.e. a monthly housing allowance, participation in the Sogebank's insurance scheme, an quarterly bonus, use of a company car, as well as a petrol and telephone bill allowance. This review also revealed the following issues:

(a) The petrol and telephone bill allowance was supposed to be set by the Executive Committee on the basis of his needs. However this audit revealed that no limits for petrol and telephone allowances were set by the Executive Committee. While the petrol consumption was based on petrol coupon, for telephone bill, he received reimbursement for USD5,620 for such allowances from August 2007 to December 2008.

(b) Also, despite having a foundation vehicle, the ED received a monthly car plan allowance amounting to US$1,232. The ED also received a monthly security allowance amounting to US$508. These costs were not in line with his contract and were paid out of grant funds.

(c) Instead of getting an annual bonus based on performance as was stipulated in his terms of employment, the ED was paid a quarterly bonus of US$3,333 and was not linked to meeting specific performance criteria. This was paid from program funds.

68. Such payments appear excessive, when compared to the similarly situated management officials in like institutions and other comparable Global Fund supported grant projects e.g. UNDP, and diverted funds from fighting the three diseases. While the Global Fund cannot direct what salaries the Foundation pays its staff, contributions from program funds towards salary payments should be reasonable, freeing up funds for the implementation of program activities.

Recommendation 5 (Significant)

(a) The PR's governance body should establish a proper process for revising staff salaries that are reasonable, in line with accepted and comparable amounts for like positions in other donor supported programs. Salary revisions should be driven by performance evaluations and inflation data and be based on empirical data in order to ensure that they are reasonable. Salary increases that are to be financed from grant funds should be expressly approved by the Global Fund <u>prior</u> to their execution.

(b) Good corporate governance requires that the governing body sets and monitors all remuneration of its directors. The Board should review the remuneration of the ED and ensure that it remains in line with his contract, and that it is reasonable and fully justified. The use of program funds to pay staff bonuses should cease.

(c) The Board should also revisit the need to have the end of project compensation scheme. This is duplicative in nature given that high staff salaries are paid to compensate for the limited contract periods. The amounts deducted from the program funds to cover the compensation scheme should be refunded.

(d) The salaries paid by the Global Fund should be in line with sector levels. The contribution to salaries from program funds should be revised to reflect this and release funds to fight the three diseases.

69. The OIG reviewed the staff human resource files and noted the following:

(a) Some Foundation staff did not have contracts laying out the terms under which they were employed. Contract renewals were not undertaken in a timely manner. As a result, staff worked for the Foundation without documented terms of employment in place. This exposes the Foundation to risk in the event that there is a dispute with staff on employment terms;

(b) Two Sogebank employees were transferred to the Foundation in 2007. These staff did not have contracts with the Foundation and continued to be payed by the bank. Sogebank then invoiced the Foundation for these costs and their salaries were paid from grant funds; and

(c) Some staff files did not contain job descriptions for the positions the staff members filled. For the job descriptions seen on file, most descriptions were not signed by the job holders as a commitment to undertaking the tasks assigned to them in the description.

Recommendation 6 (Significant)

Staff contracts should be renewed on a timely basis. Personnel files should contain a comprehensive record of the staff details i.e. contracts, recruitment documents, academic qualifications, references, contracting, performance evaluations, job descriptions, training etc.

Financial management

<u>Financial management structure and systems</u>

The Foundation followed Sogebank's financial and administration procedures manual since its establishment. However, these policies became inadequate as reflected by the frequent changes made to accommodate the increases in funding to the Foundation and its related operations. The Foundation made changes to address emerging pressing issues. But these were not all encompassing and did not address critical functional areas. This contributed to the weaknesses noted by this audit in the control environment, led to losses in program funds and in other cases poor value for money being received on transactions undertaken.

70. The finance department was headed by a Financial Director (FD) with an accounting and budget director reporting to him. The department has three accountants. The OIG noted that only one of the five people in this department could use the accounting software, ACCPAC. There was no segregation of duties since all the posting, checking and reporting was done by one person and therefore exposing theintegrity of the system and its financial data to risk. It is imperative that the Foundation takes steps to correct this immediately.

Recommendation 7 (Significant)
The PR should ensure that its financial management system has appropriate checks and balances to assure the integrity of financial data. This may be by developing the current financial system further i.e. by extending its functionality and training staff or acquiring a new financial management system. Some key success factors that should be considered in selecting a financial management system include:

- *Functionality: the ability of the system to produce information in the form in which it is required and in a timely manner;*
- *Flexibility of the system i.e. the ability to modify the FMS to support its changing business practices;*
- *Usability of the system: Adequate training and appropriate user support should be provided to the users of the FMS, based on the level, responsibility and roles of individual users, to enable the users of the systems at all levels to understand, operate and maintain the system.*
- *Internal control i.e. Appropriate internal controls should be applied to all system inputs, processing, and outputs to ensure resource use is consistent with policies and reliable data are obtained, maintained, and disclosed in reports.*
- *Backup and security of financial data;*
- *System should have a multi currency recording capability as well as the ability to handle large numbers;*
- *Ability to carry out self-diagnostic checks for integrity etc.*

71. At the time of the audit i.e. November 2009, the accounting records were not up to date i.e. accounting entries were completed until 30 June 2009 with five months transactions still outstanding. The Foundation did not prepare proper bank reconciliations. Instead of preparing bank reconciliations, the accountant simply traced cheque payments and bank transfers to their respective entries in the bank statements. This increased the likelihood of errors going unnoticed and not being corrected on a timely basis.

72. The Finance department also had significant delays in verifying SR expenditure which in turn affected the disbursements process. This also contributed to tardy reporting to the Global Fund and affected the Secretariat’s disbursement of funds to the country.

Recommendation 8 (High)
The PR should ensure that it has adequate controls in place to strengthen its finance function and safeguard program resources. This should include strengthening its staff capacity, utilization of its accounting package, maintaining up to date financial records, preparation of bank reconciliations, timely review of accountabilities, strengthening of management control e.g. through the review of financial transactions by independent senior officials etc. This will strengthen the internal control environment within which grants are implemented.

73. As already mentioned, the Foundation followed Sogebank's financial and administration procedures manual which was in some aspects irrelevant and outdated given the changes in the Foundation's operating environment. Staff did not have adequate guidance on key aspects of financial management and this contributed to the weaknesses that are identified in the paragraphs below.

Recommendation 9 (High)
The PR should document its financial management policies in a manual. The policies and procedures should at least cover the following:

- *Disbursement of funds and accountability;*
- *Records management including security of records;*
- *Maintenance of proper books of accounts, chart of accounts and preparation of periodic management accounts and reporting;*
- *Budget preparation, tracking and analysis;*
- *Assets management including inventory management;*
- *Charging of administration and overhead costs;*
- *Bank and cash management;*
- *Accounting for contributions in kind;*
- *Allocation of responsibilities and authorities;*
- *Guidelines for controlling expenditures including setting approval thresholds for financial transactions;*
- *Safeguarding and utilization of assets etc.*

<u>Overheads</u>

74. Overall, the funds received by the Foundation from the Global Fund were spent as follows: human resources at 41%; training at 6%; medicines at 20%; infrastructure and equipment at 13%; planning and administration 12% (including overheads at 10%); monitoring and evaluation at 3%; and others 5%.

75. The administration costs for the grants funded by the Global Fund were, in the OIG's view, high and this reduced the funds that were available to fight the three diseases. An overhead 'cap' is usually placed on overhead costs by the funders to ensure that costs remain reasonable and funds are used to meet program objectives. It is usually in the best interests of the respective donor to set a cap on overhead rates i.e the maximum acceptable to them to be paid as overheads.

Recommendation 10 (High)

The Global Fund should issue written guidelines and regulations on the amount and percentage of acceptable overhead costs, including fees, salaries, bonuses, incentives and expenses, including for any PRs and Sub-recipients. This will ensure that the funds are used for program purposes, and not diverted for other purposes and non-program recipients. This will also mitigate reputational risk which would arise from publicity of such extreme diversion of funds. All future grant agreements signed should require PRs to justify and get prior approval from the Global Fund for all fixed overhead charges made from the program funds.

76. The OIG also noted that under the administration budget line, the Foundation deducted 10% of program's total operating costs as fixed overheads between 2003 and 2009. No fixed overhead charge had been made in 2009 due to a lack of funds. These funds were transferred to a special Foundation bank account that was managed by the Foundation's Board of Directors. The OIG noted the following irregularities for these transactions:

(a) There was no justification for the overhead percentage charged i.e. 10%. The Foundation did not have documented procedures for the allocation of overhead/administration costs to projects;
(b) In addition to charging the 10% overhead fee, the Foundation still charged the Global Fund for typical overhead related costs like fuel etc; and
(c) There were no third party supporting documents for these typical overhead related costs.

77. The OIG obtained the bank statements for this account and classified the payments made by type. Based on the review of the scanty information provided, the OIG established that the payments were not related to the programs funded by the Global Fund. This was in contravention of the Global Fund grant agreement that stated that all funds should be used for implementing program related activities. The table below provides a summary of the transactions recorded in this statement that were not related to program related activities and that should now be refunded.

Details	**Number of transactions**	**Amount US$**
Payments to the Foundation staff. Justification for the payment was not provided.	7	19,800
Semi-annual withdrawals of US$ 10,000 by a senior member of the Sogebank management team .	12	120,000
Payments to related parties e.g. Sogesol and other entities that were not implementing program activities.	20	110,403
Donations to various organizations and individuals	42	144,509
Transfers to other accounts for which the OIG was unable to establish identity of the recipients	8	193,602
Total		**767,994**

Recommendation 11 (High)
All overhead charges made from the Global Fund grant funds and not used for program related activities should be refunded. PRs should provide justification for all future overhead charges and seek prior approval from the Global Fund for the charge.

Travel advances

78. The Foundation provides advances for travel related to implementation of program activities. Upon their return to office, staff are required to account for the advances received and a statement is prepared to establish the amount recoverable or refundable by the staff member. The OIG obtained an aged schedule at 31 December 2008 and this is provided below:

	2005 US$	2006 US$	2007 US$	2008 US$	Total US$
Managers	570	5,935	8,408	12,255	27,168
Other workers (drivers, and others)	0	35	113	4,582	4,730
Total travel advances not accounted for	570	5,970	8,521	16,837	31,898

79. The financial policies require staff to account for advances taken within five working days. However, the table above clearly demonstrates that this control is not operational. This table also shows that the biggest culprits are managers (with 85% of unaccounted for balances). At the start of the OIG's audit, US$ 18,032 of the balance above had been accounted for and/or refunded by staff. The failure to provide timely accountabilities for travel advances exposes grant funds to the risk of loss, misappropriation and misuse.

Recommendation 12 (Significant)
The Foundation's Financial Director should enforce the advances policy. Staff with outstanding advance balances should not receive additional travel advances. The Financial Director should recover the outstanding 2008 advance balance i.e. US$ 13,866 from the respective staff salaries.

Borrowing of program funds

80. The Foundation lent program funds to its staff. The total staff loans made in 2008 and 2009 was US$ 75,891 and US$ 39,347 respectively. Some staff received additional loans before clearing the earlier loans, an anomalous circumstance as the Foundation explicitly forbids its SRs to engage in this practice. The availability of funds to give private staff loans points to either an ineffective cash forecasting process since the program has extra funds to lend out, or the possibility that funds will not be available for program activities when needed. Management should prohibit the payment of staff loans from grant funds for all of the reasons set forth above.

81. The OIG's audit revealed two invoices totaling US$ 8,500 relating to services provided by Dr Anthoine Augustin to the "Diaspora Challenge fund" projects and HIV/AIDS Integrated Community Health Program. These invoices were paid from the Global Fund Round 1 HIV/AIDS Account whereas the services invoiced were not related to the Global Fund programs. According to the Foundation's Financial Manager, this payment was considered by the Foundation to be a loan that would be offset from the Foundation's fixed overheads. Grant funds from the Global Fund should only be used for program related activities. Lending of funds creates a risk that funds could well be unavailable when required for project implementation.

82. The OIG also noted that there were a large number of inter grant transfers. These were made to cover cash shortages that arose among the different grants. These transfers were made without the approval of the Global Fund, and are contrary to the well established principles of good financial management. The inter-grant borrowings were halted once the Global Fund warned the Foundation against them.

Recommendation 13 (High)
Grant funds should not be used to cover non program related activities e.g. staff loans and other loans. This will ensure that funds are available for the purposes of the program and to implement program activities when such is needed. The US$ 8,500 advanced to the Diaspora Challenge fund project and HIV/AIDS Integrated Community Health Program should be refunded.

<u>Other expenditure related issues</u>

83. The OIG reviewed three consultancy contracts as set out in the table below:

Consultant	**Details**	**Amount US$**
Geo-Consultants	Creating a national map of services offered in the fight against STD/HIV/AIDS	79,420
Geo-Consultants	Fast extension of HIV/AIDS treatment services to Haiti	25,000
Consortium Institut Haïtien de l'Enfance / Solutions S.A. (IHE / SOLUTIONS)	The design and implementation of a national system of monitoring and evaluation for malaria, tuberculosis and AIDS programs	193,359

84. The OIG's review of these contracts identified the following issues:

(a) For the two contracts awarded to Geo-Consultants (for the national map) and IHE/Solutions consortium, the OIG noted that they submitted their two bids 5 and 7 days after the bid opening date i.e. 10 August 2005 and 29 December 2008 respectively. These two bids should have been disqualified from the bidding process.

(b) In the case of the IHE Consortium, there were several inconsistencies with the dates. The bid close date was 22 December 2008. The bid opening meeting minutes were dated 15 January 2009 yet the evaluation happened on 29 December 2008, the purported date when IHE submitted its bid. The consultancy contract was signed on 30 December 2008 with a start date of 5 January 2009.

(c) The second contract to Geo- Consultants amounting to US$ 25,000 contract was awarded without following a competitive process. The Foundation's management considered this to be an extension to the first contract.

(d) The three agreements concerned provided for the payment of a start-up advances equivalent to 40% of the total contract value. These payments were effected to service providers without obtaining performance guarantees from them. This created a financial risk to the program in the event that contractors failed to provide satisfactory services.

(e) Moreover, the OIG noted delays in the execution of the services provided for in these three contracts as detailed in the table below. The contracts had a penalty clause which was not applied despite the delays having been excessive. At the time of the audit, the final payment for the IHE/Solutions supply contract had not been effected and penalties could still be imposed. The estimated penalty payments are provided in the table below:

Consultant	Date set by contract for completion	Estimated date of completion	Delays in days	Estimated Penalties in US$
Geo- Consultants	14/02/2006	1/03/2007	377	9,980
Geo- Consultants	30/11/2007	30/06/2008	210	1,750
Consortium IHE / Solutions	30/06/2009	Ongoing at 30/11/2009	At least 150	9,668

Recommendation 14 (Significant)
Procurement of goods and services should follow laid down procedures and procurement best practice. Procedures for drawing up supply contracts exist and should be applied. Penalties should be imposed on the contractors referred to above.

85. The OIG reviewed the insurance taken out on motor vehicles utilized by Foundation, and noted the following issues:

(a) There was only evidence that 10 out of the 14 cars were insured;
(b) For the ten cars that were insured, the insurance had expired at the time of the audit i.e. they had coverage up to 21/10/2009 and this insurance had not been renewed at the time of the audit i.e. November 2009. Payment of premiums generally occurred from 18 to 102 days after their due date leaving the Foundation susceptible to loss in the event that the vehicles were involved in an accident ;
(c) The insurance of some of the vehicles was in different names e.g. “Save the Children/Fondation Sogebank” and “FOCAS/ Fondation Sogebank” and not in the name of the Foundation. This raised the risk that the Foundation would be unable to recover its funds in the event of a loss since the beneficiary known to the insurance company was arguably not the same.
(d) One of the cars i.e. IT 02106 insured by the HIV program was not recorded in the Foundation’s fixed asset register. The FD could not explain this anomaly.

Recommendation 15 (Significant)
All Global Fund assets should be properly insured. Insurance should be in the name of the Foundation to ensure that compensation reverts to the appropriate party in the event of the loss or accident of the motor vehicle.

86. The approved budget under Round 1 and 3 included the refurbishment of the sanatorium by the Ministry of Health and Population. The Foundation took over the renovation project from the Ministry of Health on the grounds that it was urgent and required better control. The project was budgeted at US$ 871,511 with the Foundation contributing US$ 25,865, and the balance coming from the Global Fund. The Foundation’s 2007/2008 annual report did not give credit to the Global Fund for its contribution to this project. This project was presented as though it was funded entirely by the Foundation.

87. The OIG's review of expenditure related to this project noted the following:

(a) That the process for acquiring materials from Le Flamengo Import export SA valued at US$ 12,890 was not competitive. The Foundation prepared the internal requisition to pay for the materials on 4 December 2008 whilst the quotations from the other two bidders were dated 5 December 2008.

(b) In some cases, there was no supporting documentation for payments to workers. Cheques were drawn up e.g. cheque 210 amounting to US$ 15,082 but there was no breakdown to show how the funds were paid out to the workers. The OIG noted that the documentation relating to payments improved after March 2009 when the engineer was changed.

(c) The OIG noted that there was no evidence on file that some materials paid for were actually received e.g. the materials from CHM Matériaux in June 2009 valued at US$ 19,611 and in September 2009 for US$ 14,460.

88. The Foundation provided blackberries to three of its directors. An analysis of Digicel invoices in 2008 showed an increase in the cost of use of the three blackberries from US$ 435 in January 2008 to US$ 3985 in November 2008 representing an 814% increase. There was no justification provided for this increase. The Foundation did not have policies in place to control telephone costs.

Recommendation 16 (Significant)
The PR should ensure that proper controls are instituted to control telephone usage costs. Proper supporting documentation should be maintained for all expenditure incurred.

Sub recipient (SR) grant management

The Foundation implemented most program activities through SRs but did not have adequate policies and procedures to guide SR management. The OIG visited six SRs and noted cross cutting weaknesses in the internal control environment in which programs were being implemented. This arose from (i) inadequate guidance by the PR to its SRs on what were acceptable practices when implementing the Global Fund programs; and (ii) the PR's weak oversight, as demonstrated by the Foundation's inability to enforce laid down policies. The weak internal control environment undermines the ability of the SRs to safeguard resources, and as a result, exposes the GF resources to loss, mismanagement and/or misuse of funds.

89. The OIG audit covered 6 of the Foundation's 38 SRs. The SRs selected for review were Groupe Haïtien d'Etude du Sarcome de Kaposi et des Infections Opportunistes (GHESKIO), Fondation pour la Santé Reproductive et l'Education Familiale (FOSREF), Program de Sante et Information (PSI/Haiti), Partners in Health (PIH), Ministry of Health and Population Malaria Program (PNCM/MSPP) and Ministry of Health and Population TB Program (PNLT/MSPP). All these entities were non governmental organisations (NGOs) with the exception of the Ministry of Health.

<u>Cross cutting issues</u>

90. The grant agreement signed between the Global Fund and the Foundation requires the latter to ensure that its SRs are audited on an annual basis. At the time of the audit, the OIG noted that the following SRs had outstanding audit reports for the years 2007 and 2008:

Year	SR	R1 HIV	R5 HIV	R3 Malaria	R3 TB
2007	MSPP	x	x	x	x
	PIH				x
2008	MSPP		x		
	FEBS	x			
	HAS	x	x	x	x
	SAVE		x		

X = Outstanding audit report

91. The SRs were obliged to have their books of accounts audited annually. The SR audit reports were sent to the Foundation for their information and to inform their decision making. The OIG did not see evidence of the Foundation following up on the issues raised in the audit reports. The costs without adequate supporting documents listed in the external audit reports are summarized below :

	2004 US$	2005 US$	2006 US$	2007 US$	2008 US$	Total US$
MARCH	1,137	1,084	23,408	17,244	86	42,959
CARE-HAITI		51,671	19,851			71,522
FOSREF		1',144				1,144
HAS		41,798	10,789	14,601		67,188
PSI		25,886	19,238	24,483		69,607
CDS		267	693			960
ICC CAT		1,077	109,602	6,774		117,453
FEBS			13,996	10,706		24,702
POZ			11,184		3,534	14,718
AOPS				125,700		125,700
CECOSIDA				680		680
FHI				45,043		45,043
SAVE				139,223		139,223
MDE				8,321	3,088	11,409
Espoir Anais					427	427
Total	1,137	122,927	208,761	392,775	7,135	732,735

Recommendation 17 (Significant)
The PR should ensure that all its SRs are audited in accordance with its grant agreement with the Global Fund. Action plans should be developed and implemented to address weaknesses identified within SRs. All SR questioned costs should be followed up and recoveries made for all unsupported expenditures.

92. There were no policies and procedures provided to SRs to guide their procurement of goods and services. A review of the procurement processes undertaken by most SRs showed that some contracts awarded did not conform to best practices.

For example most of the procurements, irrespective of size, were undertaken through the Request for Quotation (RFQ) method. In cases where tenders were floated, the OIG noted that the processes were marred by irregularities e.g. accepting bids after the bidding period thus making the process non transparent and unfair. The SR irregularities are covered in the sections below for the respective SRs.

93. The OIG also noted that most of the SRs audited made full advance payments before the goods and services were delivered. This was without having performance guarantees and bonds to secure the advances. This raised the risk of loss of funds in the event that the service provider failed to deliver the procured goods or services. . For example, GHESKIO paid a 100% advance to IDA in August 2003, whichamounted to US$ 166,856. The delivery that was made in January 2004 was US$10,598 short and the OIG did not see evidence that this shortage was followed up and resolved. With regard to building work, the OIG also noted that the Foundation did not deduct retentions on the invoices as is standard practice for construction work in order to ensure the quality of work done.

94. The OIG noted that the SRs did not have goods received notes and/or delivery notes to evidence the receipt of goods. Some instances were noted where a goods delivery note showed that full delivery had taken place yet in actual fact the goods were received in instalments. Some delivery notes were not signed by the pharmacy department as evidence that the stock was actually received. Examples are given under the respective SR sections below.

Recommendation 18 (Significant)
The PR should establish and implement comprehensive procurement policies and procedures. These policies should include:

- *procurement thresholds for the different procurement methods;*
- *the controls over the payment of advances on procurements undertaken; and*
- *the deduction of retentions on construction work.*

95. All SRs had their chart of accounts aligned to the budget titles lines defined by the Foundation. However, the sub accounts were sometimes not properly set up and in some instances e.g. in GHESKIO there were no linkages to the main chart of accounts. The accounting system could only provide information by these budget lines and not by objective and activity. This information was prepared in MS Excel but it could not be reconciled to the information from the accounting software. A proper accounting system should have a chart of accounts that provides a logical structure through which each accounting transaction can be sorted and thus allow management to manipulate data into information as they wish.

Recommendation 19 (Requires attention)
The PR should ensure that SR charts of accounts are able to classify information to suit their reporting needs. In cases where the chart of accounts cannot be aligned to provide required information, alternative software e.g. MS Excel can be used. However, this information should be reconciled to the information contained in the accounting software.

96. The OIG noted that the Foundation only prepared and approved detailed budgets for SRs for their first year of operation. The second year budgets were

dependent on the first year actual expenditure and were adjusted to reflect the actual amount spent in the first year. The overall changes by budget lines in the second year were significant in some cases (over 100% of the initial allocations).

97. The OIG also noted cases where the Foundation made significant changes to individual SR budgets without reverting to the SRs e.g. as was the case in GHESKIO's Round 3 Malaria Round 7 HIV budgets. This process weakened budgeting as a cost control mechanism since the budgets were adjusted to fit expenditure as opposed to being used as tools to control expenditure. There were also no actual against budget expenditure analyses carried out.

98. There were frequent budget reallocations where funds from one budget line were moved to cover other costs. In some instances, the budget was changed to cover items that were not included in the approved budgets by the Foundation. These SR budget allocations were not always approved in advance by the Foundation. The need to frequently adjust budgets points to an ineffective budget preparation and review system. It also defeats the purpose of budgeting as a cost control mechanism.

Recommendation 20 (High)
A proper budgeting framework for SRs should be established that covers proper preparation (backed by proper work plans and reasonable costs) eligible expenditure per grant agreement and proposal, cost ceilings, budgetary reallocation justification, reviews and approvals etc.

99. Statutory deductions were not effected in compliance with the laws of Haiti which raises the risk of penalties. The OIG noted that some of the SRs were splitting salaries in order to pay less tax. Staff declared 50% as their salary and this was taxed progressively (at an average tax rate 20%) and the rest was declared as a monthly expense contribution which was taxed at a flat rate of 10%. The grant agreement signed with the Global Fund requires the PR and their SRs to comply with country laws.

Recommendation 21 (High)
The PR should ensure that all SRs comply with the country laws in accordance with the grant agreement. Specifically the splitting of salaries to avoid paying taxes should be stopped.

100. The OIG noted that three of the SRs audited charged 10% as overhead costs i.e. GHESKIO, FOSREF and PSI. This overhead was charged with the full knowledge of the Foundation. The SRs could not provide proper justification for this 10% overhead charge nor were any supporting documents provided to support these payments.

Recommendation 22 (High)
The practice of charging a fixed overhead rate against grant funds should be discouraged. Administration overheads should be analyzed and charged to the grants at cost. The PR should ensure that all overhead charges made from the Global Fund and not accounted for and/or used for non program related activities are refunded. The SRs should provide justification for all future overhead charges and seek prior approval from the PR for the charge.

101. All SRs opened two bank accounts as per the agreement signed with the Foundation. Most of these bank accounts were closed at the completion of phase 2 of grants with the exception of the PIH bank accounts.

Recommendation 23 (Requires attention)
The conditions stipulated in the SR agreements should include a requirement to close bank accounts at the end of the grant term. This will limit the exposure of the programs accounts to possible misuse.

102. All the SRs audited had established vehicle monitoring controls. They had vehicle mileage log books, travel monitoring sheets and fuel consumption sheets. However the OIG noted that none of the SRs analysed the data collected on vehicle usage as a cost control measure i.e. the computation of fuel consumption per kilometre and comparing this with set standards. This would help management assess the reasonableness of fuel consumption.

Recommendation 24 (Requires attention)
All SRs should periodically analyze vehicle costs and make comparisons with vehicle set standards to assess reasonableness of vehicle consumption.

<u>PSI</u>

103. The Foundation signed three agreements with PSI. The first contract for the HIV R1 Phase 1 grant was signed with Population Service International (PSI), the international NGO. The other two agreements were signed with Program de Sante et Information (PSI Haiti), a local NGO. The OIG could not establish the relationship between the two PSI entities apart from them having the same acronym. A review of the articles of association of PSI-Haiti revealed that the two organisations were different, although they were presented to the Foundation as being related organisations.

Recommendation 25 (High)
The PR needs to review the legal frameworks of its SRs in order to ensure that the organizations it contracts with have the power and authority to commit and to use the funds as stipulated in the agreements signed.

104. PSI-Haiti's activities under the Global Fund program include a social marketing component. At the time of the audit, US$1,266,926 had been generated as program income from the sale of bed nets. The income generated by PSI-Haiti was not returned to the Foundation but was used to procure an additional 100,000 additional bed nets valued at US$ 562,196. There was no evidence that this purchase was approved by the Foundation, the CCM nor the Global Fund. Because this purchase was not in the approved work plan and budget, it contravenes the conditions set out in the grant agreements.

105. The OIG also noted that the income was not held in a separate bank account but was commingled with funds from other donors in PSI-Haiti's operational account. The commingling of funds is not a problem per se if the entity is able through its financial records to separate the funds by donor. However, PSI Haiti's financial records could not separate the funds in the operational account by donor. In fact at the time

of the audit, this operational account balance was less than the program income balance. This means that program funds had been used to cover other costs.

106. The OIG also noted that the operational bank accounts in which PSI-Haiti banked donor's funds was not an income generating account. This is contrary to the grant agreement that stipulates that program funds should be banked on an interest generating account.

107. PSI Haiti does not have an effective system in place to monitor the sale of bed nets related to social marketing. PSI Haiti could not provide the OIG with evidence that the health products reached their intended users. There was no mechanism in place to follow up suppliers and ensure that they complied with maximum prices previously agreed upon. This resulted in products being sold at higher than recommended prices. For example during the OIG's visit to Jacmel, the bed nets were being sold at higher prices than the recommended price i.e. at HTG280 (US$ 7) as opposed to between HTG160 (US$ 4) and HTG200 (US$ 5);

Recommendation 26 (High)
(a) In accordance with the grant agreement signed with Global Fund, the PR should ensure that all income generated from program activities is recorded accurately, and properly reported to the Global Fund. The Foundation should present to the Global Fund through the CCM a work plan on the proposed use of program generated income for approval before it is spent.

(b) The PR should obtain reconciliations from all its SRs of program income. All income generated from program should be refunded to the PR pending approval for relocation to activities.

(c) The PR should require PSI to establish a mechanism for the monitoring of its social marketing activities to ensure that they meet the objectives for which they were set up.

(d) The PR should ensure that all SRs either maintain separate bank accounts, or have accounting systems that can isolate transactions by funding source. SRs should be encouraged to maintain program funds on interest bearing accounts.

<u>Ministry of Health</u>

108. All the SRs audited with the exception of the Ministry of Health programs had administrative, accounting and finance policy manuals. The Foundation provided the Ministry with a project and financial management manual specifically for the sanatorium renovation project. However, this manual was not comprehensive and did not provide adequate guidance on the financial management function. Such a manual is required since the Ministry has made certain exemptions to its policies in order to accommodate the programs funded by the Global Fund in its finance functions e.g. delegation of authority. The policies would therefore contextualise the additional 'checks and balances' that should be put in place in order to ensure that these exemptions do not weaken the control environment.

109. The OIG reviewed the processes in place for the payment of salaries at the Ministry of Health. The OIG noted that the Ministry had consistently made errors in its tax computations for the period January to December 2008. This exposed the Ministry to the risk of penalties. The OIG also noted that most payrolls for the Malaria program were not reviewed and approved by a senior official independent of the preparer.

Recommendation 27 (High)
(a) The PR should require the Ministry of Health to document and memorialize in a manual its financial management policies as they relate to Global Fund programs. Such a manual will provide guidance on how grant funds should be managed, and strengthen the control environment within which the programs are being implemented. The policies and procedures should at least cover the exemptions required with regard to public expense procedures, regulations applicable to the delegation of authorisation of expenses etc.

(b) The Ministry should compute tax deductions in accordance with relevant tax regulations.

110. The Ministry of Health purchased 16 Olympus binocular microscopes through a competitive bidding process and the tender was awarded on 23/03/2009 to Pluripharm for US$29,760. The evaluation report states that the contract was awarded to Pluripharm on the understanding that the stock was available. This supplier in October 2009 demanded and received full payment before they were prepared to deliver the binoculars. This payment was not secured with a performance guarantee. At the time of the audit (November 2009) i.e. almost 8 months after contract award, the binoculars had not been received.

111. The OIG reviewed the following supply contracts for technical equipment and motor vehicles:

Payment date	**Supplier**		**Amount US$**
3/05/2007	Haitian Tractor and Equipment Company SA	SDMO 80 Kw diesel tri-phase Generator with 4045TF250 4 cylinder engine	17,393
10/04/2007	Universal Motors SA	A Nissan Patrol	32,500
17/09/2007	Hinoto SA	4 Toyota pick-ups	94,000

112. The technical specifications for the procurement of the generator included a brand name which limited competition. The equipment supplied by the selected service provider, Haïtian Tractor and Equipment Company SA did not meet the technical specifications laid out in the bid documents, and therefore was rejected by the technical evaluation committee. However, on submitting the report to the Foundation to seek a 'no objection', the Foundation overruled the committee's decision and selected Haïtian because it had a lower price. These circumstances undermined the credibility of the bidding process.

113. In the case of the purchase of cars from Universal Motors and Hinoto SA, the RFQ method was used. However the specifications did not describe the car that the Ministry was looking for. The only specification that was provided was a 4x4 car.

Without a proper definition of the specifications, the criterion used to evaluate the quotations received is questionable.

114. With regard to the Hinoto contract, the OIG noted that Hinoto was selected on the basis that they had the vehicles in stock. Hinoto received full payment (US$ 94,000) on 17/09/2007 without providing a security in the form of a performance guarantee. Three pick-ups were delivered 7 months later i.e. in May 2008 and the last one was delivered 16 months later i.e. on 21/01/2009. There were no provisions for penalties in the contract.

115. The Ministry appointed Fondation Fhadimac to undertake a national survey on the prevalence of malaria and dengue fever for US$ 100,066. The service provider was not selected through a competitive process. This transaction was not cleared by the Foundation. A full payment was made to the service provider upon signature of the contract without them providing a performance guarantee as security.

Partners in Health (PIH)

116. All PIH's expenses are authorised by PIH head office in Boston i.e. medicine purchases, salaries and overheads. These costs are included in the internal audit department scope of review at least once a quarter. However the OIG noted that PIH's head office (Mirebalais) in Haïti that was responsible for processing the payment of expenses for the 11 sites did not have all of the documents to support payments: e.g. purchase orders, estimates obtained for purchases, goods receipt/delivery notes etc. These documents were retained at the 11 sites and, as a result, the head office's decisions were based on an incomplete set of documents.

Recommendation 28 (Requires attention)
PIH should ensure that complete documentation is provided to the head office to enable it to properly validate expenditure.

117. PIH procured all its health products from IDA without following a competitive process. PIH Haiti management explained that this was based on a decision made by PIH Boston to always buy from IDA because "they offered high quality products at competitive prices and with reasonable delivery dates". The documentation supporting all purchases was not available at the local office. In consequence the OIG could not validate the assertions made by the PIH Boston office. In the OIG's view proper procurement procedures should be followed in the identification of service providers.

118. The OIG's audit of salaries revealed the risk of double payment of employees by PIH. A review of PIH's November 2008 payroll (3,055 staff) revealed people with identical names paid from different sources i.e. by different funders i.e. Child survivor, PEPFAR and PIH. The PIH management acknowledged that there was a risk of making double payments to staff.

119. The OIG audit also revealed the purchase of 127 tyres valued at US$ 21,844 in September 2009. It is inconceivable that all the tyres were used on the one vehicle allocated to the Global Fund. Appropriate reimbursement should be made.

Recommendation 29 (Requires attention)

PIH should prepare a staff salary allocation schedule by funder. This schedule should on a monthly basis be reconciled to the monthly payrolls to ensure that the risk of double salary payments is mitigated. Any double payments made should be reimbursed.

GHESKIO

120. GHESKIO has an internal audit department. However, the effectiveness of this department was undermined by its involvement in pre-auditing expenditure. This means that they are involved in day to day operations of the organisation. Such operational activity can impair the independence and objectivity with which the internal audit function does its work.

121. GHESKIO did not maintain comprehensive staff files. The OIG also noted that GHESKIO allocated staff salaries across its different donors. However, this organisation could not provide justification for the allocation of salaries by donors. This allocation was also not approved by the Foundation.

Recommendation 30 (Significant)
The Internal audit function should not be involved in the day to day activities of the program (e.g. pre audits) since this would impair their objectivity and independence. GHESKIO should also strengthen internal controls over salaries by maintaining comprehensive staff files and providing justification and receiving approval from the Foundation for the allocation of salaries by donor.

122. In cases where best practice procurement was not followed, GHESKIO was required to obtain prior clearance in the form of a 'no objection' from the Foundation. The OIG reviewed the clearances sought from the Foundation and noted that some of them were obtained after purchase orders had been signed. In other cases, the 'no objection' found on file had no connection to the purchase under which it was filed against e.g. a 'no objection' notice dated 31/03/2008 drawn up in the context of HIV Round 5 was used to justify 2008 purchases for HIV Round 1.

123. The explanation provided for this was that the purchases were emergency purchases or that the Foundation was slow in providing clearance. For example, GHESKIO made an ARV order to IDA valued at US$ 202,004 on 20/12/2005. GHESKIO made a 100% down payment on 29/12/2005. The 'no objection' from the Foundation was sought on 20/12/2005 i.e. the date of making the order and was only granted by the Foundation on 27/03/2006.

124. GHESKIO procured its ARVs from only IDA and Maison Apollon. The selection of these two suppliers did not follow a competitive process. The OIG noted that the Foundation provided GHESKIO with a 'no objection' to proceed with these procurements for half of the ARV and drug related procurements samples reviewed. Moreover one of the ARV orders amounting to US$ 11,760 to the Maison Apollon was dated 19 February 2003 which was before the start of the agreement signed with the Foundation.

125. The OIG noted the following payments that did not have third party supporting documentation i.e. for which there were no invoices, delivery notes and goods received noted.

Date	Type of supply	Suppliers	Amount US$
25/06/07	Anti tuberculosis purchase	PROMED	12, 902
25/09/08	Anti tuberculosis purchase	DISPROPHAR	66, 850
			79,752

Recommendation 31 (significant)
Proper third party supporting documentation should be maintained to support all program expenditure. Going forward and in line with the laid down policy, GHESKIO should apply and obtain 'no objection' for all relevant procurements.

126. GESKIO contracted some radiology and laboratory examinations to third parties. There was no information on file to show how these entities were selected. The OIG noted that there were no contracts drawn up with these organisations specifying the conditions under which they would work. The invoices that were submitted contained a large number of patients (some 700 patients) but there was no evidence that these numbers were verified by GHESKIO before payments were effected. For example one doctor was paid US$ 118,809 under the Round 3 Tuberculosis grant for tests undertaken but she did not have a contract nor was there any evidence on file that this SR verified her charges before payments were effected.

127. GHESKIO invoiced and received payment for undertaking viral analysis of patients in its laboratories. The services invoiced at US$ 200 per patient in October and November 2008 amounted to US$ 69,600. GHESKIO sought a 'no objection' from the Foundation on 23 December 2008 and by the time of the audit (i.e. almost one year later) had not received a response. The OIG sought documentation to justify the US$ 200 charged per patient. The project coordinator explained that direct costs e.g. reagents used were charged at US$120 and indirect costs e.g. of salaries, equipment depreciation etc amounted to US$ 80. However, the Coordinator could not justify how the rates had been arrived at.

Recommendation 32 (Significant)
GHESKIO should provide justification to the Foundation on the computations of their patient charges for viral analysis. The Foundation should review the assumptions made in the cost computation template periodically to ensure that all costs relating to the laboratory are accurately captured. The costing model should be reviewed periodically to reflect any changes that may impact on the assumptions applied. The rates charged by GHESKIO should also be compared with the rates charged by other similar laboratories to ascertain that the rates charged by GHESKIO are reasonable and justified.

128. The OIG reviewed three contracts relating to GHESKIO's construction work i.e. the IMIS closure, construction of the radiology room and the installation of solar energy lamps and noted the following:

(a) Although the contracts were large i.e. over US$ 50,000, GHESKIO used the RFQ method to identify the construction companies. This method was inappropriate because it limited the number of prospective bidders and therefore the process cannot be said to have been transparent and fair.

(b) There was no evidence on file to show that the technical ability of the construction companies was considered. The only information on file points to a financial evaluation. However, in one case (i.e. Expert Concept) the successful bidder's estimate was missing and the selection process sheet was not attached to the file.

(c) For the installation of solar energy lamps, the order to the supplier Axxium was dated 28/11/08 while estimates from the other bidders were dated 01/12/08 with the selection sheet bearing the date 03/12/08. This indicates that a proper selection process was not undertaken.

(d) All three contractors received start up advances of up to 60% of contract sums without providing security to GHESKIO in the form of performance guarantees. No retention was made on invoices as a guarantee for the quality of work delivered.

129. The OIG reviewed the salary payments effected by GHESKIO and noted that two employees working for the Tuberculosis project also received remuneration under the HIV project between January to December 2005, for the same services. This situation remained undetected for a whole year. Recoveries were subsequently made.

FOSREF

130. FOSREF did not have a financial management system for capturing, analysis and reporting of financial transactions. For all the SRs audited, FOSREF was the only SR that did not have appropriate logistics management software for its drugs. FOSREF used MS Excel to record its transactions which is a manual system that is susceptible to errors. This system also lacked checks and balances and so errors may have remained undetected.

Recommendation 33 (Significant)
FOSREF should obtain proper accounting and logistics management software for the recording and reporting of financial and logistics information for decision making.

131. The OIG noted instances where FOSREF did not follow competitive processes to identify suppliers. An example was the sole sourcing of emergency purchase of AIDS test kits. FOSREF's justification for sole sourcing was that there was only one supplier of these test kits. The SR in this case should have followed the international competitive bidding process in obtaining the kits. The OIG also did not see evidence that the local prices for kits were compared with what was available internationally to ensure that they were getting value for money.

132. FOSREF undertook procurements at the end of the program i.e. in December 2008 in order not to lose its funding. Proper procurement procedures were not followed. The quotations received had January 2009 dates and the comparative price

sheet, the requisition and order were all dated 30/12/2008. The supplier that was selected presented their estimate on 14 January 2009 which was after payment of the order had been effected. One of the contracts was regularised later on by signing a service contract in 2009, although all payments had taken place in December 2008. It is apparent that the procurement process documents were falsified in order to make the end of year cut off.

133. The OIG reviewed a sample of expenditure incurred at FOSREF and noted the following:

(a) There was no third party supporting documentation to support the purchase of 200 Health/Training Kits valued at US$ 2,000;

(b) There was a sharp increase in rent from US$1,200 in February 2008 to US$ 3,200 in May 2008. Management could not provide a plausible explanation for the sudden sharp rent increase. The OIG noted that the Global Fund resources were used to cover the rent for one month that should have been paid by another funder because the latter's funds had run out.

(c) Motor vehicle insurance costs were charged to funders based on the project to which the vehicle was allocated. However when Global Positioning Systems (GPS) were purchased, their costs were charged in a haphazard manner which resulted in some funders carrying the costs of vehicles that were not under their programs. For example, the Global Fund program has one vehicle but it was charged with the GPS costs for two vehicles.

134. All the above issues point to internal control weaknesses noted across the SRs. This arose from (i) inadequate guidance by the PR to its SRs on what were acceptable practices when implementing the Global Fund programs; and (ii) the PR's weak oversight as demonstrated by the Foundation's inability to enforce laid down policies as listed below. A weak internal control environment undermines the ability of the SRs to safeguard resources and as a result exposes the GF resources to loss, mismanagement and/or misuse.

Recommendation 34 (High)

(a) The Foundation should establish and implement comprehensive grant management procedures that cover all areas of grant management for the SRs. Reference to this manual should be made in the grant agreement that SRs are obliged to comply with. The Foundation should undertake periodic visits to its SRs to ensure that the set policies have been implemented. The policies and procedures should at least cover the following:

- *Disbursement and accountability;*
- *Programmatic and financial reporting (including formats);*
- *Budget tracking and analysis;*
- *Maintenance of accounting records;*
- *Monitoring and inspection of SR and SSR performance;*
- *Guidance on internal and external auditing;*
- *Assets management including inventory management;*
- *Charging of administration and overhead costs;*

- *Accounting for contributions in kind;*
- *Identification and reporting on social marketing; and*
- *Procurement policies.*

(b) The PR should have an established threshold for overhead costs incurred by the SRs. This will ensure that funds are used for their intended purposes in fighting the three diseases.

IV Procurement and supply chain management (PSM)

Introduction

135. The OIG reviewed the PSM arrangements for the Global Fund supported programs in Haiti. It was reported in the Haiti Country Partnership Assessment (CPA)[2] that commodities and pharmaceuticals combined, accounted for 23% of spending for all rounds and components. Most of the procurement was undertaken under the HIV grant.

136. Since the inception of the Global Fund supported programs, procurements were undertaken by different entities i.e. (i) decentralized procurements at SR level with or without the requirement to obtain a 'no objection' from the PR; (ii) centralized procurement by the PR; and (iii) purchasing through a Third Party Procurement Agent. Prior to 2007, procurements were decentralized at SR level. From 2007, the Foundation undertook consolidated procurement for Round 5 and RCC-1 supplies. In 2009, the Foundation opted to use a third party procurement agent (TPPA) and eventually was required by the Global Fund to join the Voluntary Pooled Procurement (VPP) in 2009.

137. A number of SRs received funding from the Global Fund and PEPFAR. The work of the two programs was complementary but, on closer examination, their coverage was quite confusing with drugs sometimes being provided by one, two or both. In the sites that the OIG visited, it was difficult to identify which donor was funding VCT, ARV, PMTCT and/or OI/STI. Where supplies overlapped, the inventory management systems in place were inadequate to separate the drugs by funder. The SRs found the task of reporting separately for the drugs onerous. For example, the OIG found an SR that was convinced that all their ARVs were funded by PEPFAR whereas the supplies present in the pharmacy were actually funded by the Global Fund.

Planning

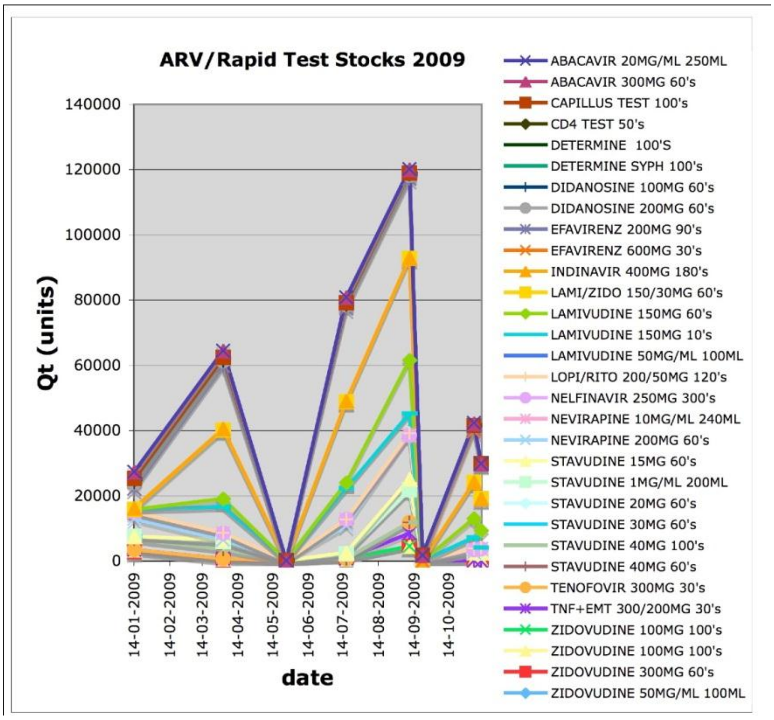
The Foundation had been unable to write a PSM plan that met the Global Fund criteria. Arguably, the absence of an approved PSM plan has jeopardized timely disbursements for procurement in the past two years and resulted in serious potential drug stock outs. Procurement by the Foundation was on an ad-hoc basis and was in an ongoing emergency mode. Due to the current 'emergency' mode of PSM systems, a stable PSM cycle at the central level and a dependable supply system was not available to the Global Fund supported programs. At the time of the OIG audit there was a shortage of HIV rapid test kits for which the PR had to process an unplanned emergency procurement with a local supplier.

138. The OIG did not see evidence that the PR effectively planned for this important function. Procurement by the Foundation was on an ad-hoc basis and was in an ongoing emergency mode. The continuous negotiations with the Global Fund Secretariat on what constituted an acceptable PSM plan did not allow the PR to break out of this deadlock. As a result, supplies were not dependable. Potential stock-outs occurred at all levels e.g. in May and September 2009. The larger SRs providing HIV/AIDS drugs had to fall back on the PEPFAR program to avoid continuing stock outs

[2] Haiti Country Partnership Assessment, PCA report November 2009

of essential ARVs and laboratory commodities. Emergency orders became routine of HIV and TB drugs.

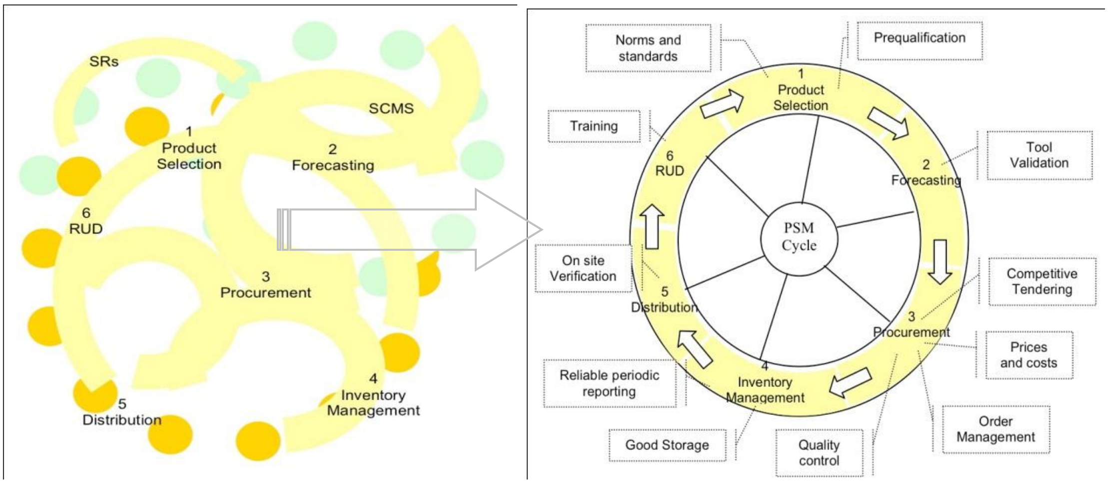
139. The graph below show the stock positions at the different times of the year: This shows that stocks were exhausted in May and September 2009. However, as already mentioned, the PEPFAR program provided drugs to cover the shortfall.



140. The current Global Fund policy requires all PRs to prepare a PSM plan for each grant. This plan describes how a PR will adhere to the Global Fund's procurement and supply management requirements. However, since the inception of the Global Fund programs in Haiti, the OIG noted that none of the PSM plans submitted by the PR were approved by the Global Fund Secretariat. In cases like this, disbursements related to health products should be withheld by the Global Fund. However these disbursements had to take place in order for the programs to continue and to avoid stock outs.

141. The failure to establish an acceptable PSM plan meant that the Global Fund did not approve the PR's proposed PSM capacity assessment to procure health products as well as forecasts of health products. There was also no basis for monitoring PSM activities and this resulted in proposed plans not being followed e.g. the need for 7000 microscopes were forecast in the PSM plan for R3 Malaria/Tuberculosis. However, only 100 microscopes were purchased.

142. Due to the lack of adequate PSM plans for the grants in past years, the current PSM cycle for the different grants was fragmented and performed poorly with regard to providing timely program inputs. This is illustrated in the graphics below which provide an impression of the current PSM situation (left) alongside a stable PSM cycle (right):



Quantification and forecasting

143. With regard to forecasting, there was no Inventory Management System (IMS) in place to provide data for quantification and forecasting. The procedures for quantification and forecasting of ARVs needs were laborious and cumbersome to validate. Consolidated projections per year depended heavily on timely and reliable data input from SRs, and beyond the level of SRs, there was inadequate data. The programs had to resort to telephone, email or visiting the SRs to manage information gaps. This does not represent systematic planning and appears untenable and unsustainable if programs are to expand rapidly.

144. The PR compiled an incremental forecast for ARVs and OIs needs for 2009-2011 based on past consumption data. However, the OIG noted that the supporting schedules to the computations contained contradictory information about the number of cases per year eligible for ARV treatment. This was especially so in the sites that were funded by PEPFAR and the Global Fund.

145. In October 2008 a Memorandum of Understanding (MOU) was signed with USAID to harmonize the PSM procedures between the Foundation and PEPFAR (SCMS) in order to avoid duplication and improve HIV/AIDS supplies to jointly funded NGO sites. Under this partnership, the PR committed to regularly supply all sites with their projected and approved quantities of ARVs. USAID committed to complement the services of the PR in sites where the annual Global Fund targets (number of cases on treatment) were going to be exceeded in the following calendar year. The Foundation and SCMS agreed to keep a buffer stock to cater for unanticipated increases in demand.

146. From the audit, the OIG did not see evidence of this collaboration taking off except for the borrowing of drugs at service level in order to avoid stock outs and probably without the knowledge of the PR and by changing regimens. It was also evident that unless the parallel PSM systems really integrate and are closely coordinated between the PR and SCMS at the patient service level (sites, numbers and treatment protocols), the accurate forecasting of real needs in the Global Fund PSM plans for the consolidated HIV grant and thus managing the entire PSM system would remain difficult.

147. The ties with PEPFAR funding in the regions are essential to sustain and expand care and improve referral services in the rural areas where the Global Fund provides support to voluntary counseling and testing for HIV (VCT) and prevention of mother to child transmission (PMTCT).

148. The PR should conform to the existing Memorandum of Understanding with PEPFAR and more actively coordinate its activities with PEPFAR's Supply Chain Management System (SCMS). This includes amongst other things what, where and which ARVs are needed in what quantities are required to avoid overlap, or gaps. The PR should also seek to harmonize reporting systems in order to reduce the inventory management administrative burden. The two streams should be truly complementary and ideally should be handled physically in one and the same logistics system.

149. The PR was unable to leverage on the work already happening at a local level by other stakeholders e.g. SCMS. SCMS under PEPFAR was supporting the preparation of national plans for all HIV commodities (including antiretroviral medicines, opportunistic infection (OI) drugs, rapid test kits, laboratory commodities and equipment). SCMS had installed at some treatment sites a new ARV dispensing tool that enabled sites to maintain electronic records of basic patient information including ARV and OI regimens, consumption data, and stock information.

Recommendation 35 (Significant)
The PR in collaboration with specialized institution e.g. CHAI Haiti should identify and implement a validated software tool to support the quantification and forecasting process. There should also be better collaboration with SCMS *to harmonize the semi and annual projections of service delivery needs. In the meantime, the PR should develop protected excel templates and where possible, web-based tools for timely data collection. The quarterly PSM data collected i.e. case loads, treatment protocols, consumption rates and stock-outs should be coordinated with the collection of programmatic M&E data.*

Product selection

150. While there has been important progress in scaling-up pediatric AIDS treatment over the past year, the OIG learnt that the ARV treatment needs of children were not given adequate attention. MSF has called for much more effort to be placed on PMTCT in order to eliminate any avoidable infections. Such strategies include the provision of triple ART to all HIV-positive pregnant women and introducing ways to protect the child throughout the breastfeeding period. (MSF http://utw.msfaccess.org/background/challenges)

Recommendation 36 (Significant)
The PR should update its procurement list of ARVs including its fixed dose combinations to sustain a tenofovir based 1st line treatment protocol. This should include specific paediatric fixed dose formulations. The product selection should be harmonized across funders and should be undertaken in collaboration with the four main HIV SRs and SCMS*. There is also an urgent need to evaluate and consolidate the list of OI, STI drugs and 'other drugs'.*

PR procurement capacity

151. The Foundation employed five pharmacists that are knowledgeable in pharmaceutical inventory management. At the end of each quarter they compiled, processed, analyzed, corrected and prepared reports from a barrage of manually filled excel sheets. This process was normally tardy and prone to errors. It should be automated to improve efficiency and robustness of the data processing.

152. These staff also conducted supervisory visits to the SR offices to validate data received. Most SRs were visited at least once a year although targeted follow-ups of up to 3 or 4 visits a year were reported as well. In 2009 they provided a wider coverage to SRs i.e. 28 in total by September 2009. There were segregation of duties issues arising with the pharmacists being involved with procuring, managing stock levels at SR level and also supervising the SRs.

153. The OIG noted that these visits were more focused on the verification of quantified needs than on stock management practices. The coverage was also not representative of the SR base with some of the smaller sites that were probably more problematic receiving fewer visits.

154. The OIG reviewed the resultant field reports and noted the following:

(a) The report format were not standardized thus providing differing details on the visits and making comparison difficult;
(b) A proper schedule was not in place to ensure the comprehensive coverage of all SRs over a period of time;
(c) A formal report covering the Foundation's main conclusions and recommendations was not shared with the SRs nor were they given advance notification of when follow up reviews would be undertaken;
(d) The reports contained many useful recommendations for which the OIG did not see evidence of follow up at Foundation and SR level;
(e) There was no functional link between the supervisory work done by the procurement section and the programmatic M&E field visits; and
(f) The reports were not circulated externally e.g. to the Ministry of Health or CCM to inform decision making.

Procurement processes followed

155. The Foundation's Procurement Manual provided for SRs to seek a 'no objection' for all their procurements. Some SRs had to change their procurement procedures to comply with the PR's manual[3]. With regard to this, the Haiti CPA report[4] stated that "*…some PR procurement procedures have created bureaucratic hurdles for SRs that have negatively impacted program performance (e.g. letters of non-objection)*" and "*Non-objections to purchase outside of the PR procurement process are difficult and time consuming to obtain*". In practice there were 'no objections' provided by the Foundation. Several instances were noted where the procurement procedures were flaunted without the PR's objection.

[3] Haiti Country Partnership Assessment, PCA report November 2009
[4] Five Year evaluation , November 2009

156. The procurement of health commodities, particularly pharmaceutical products and laboratory supplies by SRs was often procured without competition through selected qualified suppliers such as IDA Foundation. However, the CPA report brought together the PR, some SRs, and the LFA in raising concerns about some SRs' capacity to manage the significant sums they were receiving from both the Global Fund and PEPFAR. The work done under the various SRs under SR management reflects the weak procurement practices noted by the OIG. The Foundation's capacity to provide appropriate oversight over the SRs' procurement was also questionable.

157. The OIG reviewed a sample of procurement files and noted that there was no evidence of a competitive process followed in the identification of suppliers. The Foundation in most instances directly appointed suppliers without obtaining quotations. Examples of procurements that were reviewed that did not follow proper procurement procedures are detailed below:

(a) The procurement of ARVs in December 2007 and August 2008 for a value of US$ 831,579 and US$ 337,807.97 that was divided between two local suppliers namely Disprophar and Appolon. In this case, the purchase order was issued after the invoice i.e. the PO was issued on 27/12/2007 and yet the invoice issued by the supplier was dated 18/12/2007;

(b) The procurement from PROMESS of microscopes for ARVs and OI in 2005 amounting to US$86,019.60 where the vendor supplied less microscopes than contracted for resulting in an overpayment of USD$ 15,688. This amount had not been recovered at the time of the audit.; and

(c) The procurement of ARVs on December 2008 from Disprophar amounting to US$1,571,926. In this case, the PR explained that the supplier was acting as procurement agent. However the procurement agent contract was only signed one month later in January 2009;

158. The documentation on file was inadequate with missing invoices or invoices dated before purchase order dates and lack of documentation on file to confirm deliveries. The Foundation also normally advanced 100% to the supplier before receipt/inspection of supplies and this was without obtaining performance securities to secure funds advanced. The OIG observed that for the procurements of 100 Microscopes in 2005 through PROMESS, the PR paid 100% upfront i.e. US$86,019.60 However, the supplier delivered only 80 microscopes amounting to US$71,127.54 and did not return the balance i.e. US$15,688.14. There was no performance security in place against which this amount could be deducted.

159. In 2007, PROMESS paid US$755,381.21 for the procurement of ARVs and OI. The statement issued by the supplier showed that ARVs and OIs worth US$676,586.82 were delivered and the balance of $78,794.39 was still outstanding. The PR explained that they did not accept some ARVs and OI because the expiry dates were short i.e. only one year of use left. However, no documents to support the PR explanation were submitted to the OIG.

Recommendation 37 (Significant)
The PR should refund the two amounts that correspond to the balances that still have not been returned by PROMESS i.e. US$15,688.14 and $78,794.39.

160. The OIG undertook a comparison of unit prices reported by the PR against those prices obtained by the SRs when the latter was still procuring for the programs. Based on the information entered in the Price and Quality Reporting mechanism, the prices that the SRs obtained were on average better than those obtained by the Foundation. Because the Foundation bought in greater quantities than the SRs, one would have expected their prices to be lower.

Recommendation 38 (Significant)

(a) The Global Fund should work with local stakeholders to identify alternative longer term options for the PR which include:

- *Issuing a new international competitive tender for a qualified procurement agent, but with specific technical assistance written therein for capacity building of the Ministry of Health; and*
- *Analysing the risks and related benefits and making a decision on whether to decentralise procurement back to the larger SRs. This may be the strongest incentive for them to improve inventory management and efficiency and increase accountability. Such a decision would have to be backed with stronger oversight at PR level.*

The selection of TPPA

Despite several attempts to do so the Foundation had not been successful in retaining the services of a third party procurement agent. This increasingly jeopardized disbursement of funds for procurement which subsequently delayed supplies and resulted in a deteriorating situation on the ground. In 2009, the PR was eventually requested by the Secretariat to use the VPP mechanism. At the time of the audit, some aspects relating to these arrangements had not been firmed up e.g. warehousing.

161. In 2007, the Foundation consolidated the procurements undertaken by the PR and SRs in order to gain economies of scale from the bulk purchases and improve quality assurance of medicines. It was also envisaged that the centralization of procurement would help the PR have better financial oversight over PSM activities, and to better forecast and coordinate supplies with the other donors (e.g. PEPFAR) therefore streamlining and reducing the risk of duplication.

162. Plans to consolidate procurement and appoint a TPPA started as far back as 2005/6, when the MOH expressed an interest in launching PROMESS as the national procurement agent[5]. No assessment was undertaken of PROMESS at the time. The collaboration with PROMESS was however cancelled in June 2008 due to PROMESS' inability to provide the pharmaceutical products on timely basis [6] and weaknesses in their financial management. A comparison of prices offered by PROMESS and those offered by IDA revealed that the prices were up to 30% above IDA prices[7]. PROMESS was also unable to return the balance of funds advanced to them.

163. The Foundation started the process to identify another TPPA to replace

[5] PR Assessment report John Snow Inc., September 2002.
[6] Repeat PR Assessment HIV Round 7, KMPG 05 June 2008.
[7] Repeat PR Assessment HIV Round 7, KMPG 05 June 2008.

PROMESS by launching an Expression of Interest (EOI). The Foundation sought a TPPA for (i) procurement of the pharmaceutical products; (ii) receipt of the products and execution of customs formalities; (iii) warehousing the procured pharmaceuticals in adequate storage and maintaining an adequate inventory management system; and (iv) assistance in distribution of the pharmaceuticals.

164. Out of the 18 invites, only five local companies responded to the bid. This was probably due to a clause that required bidders to have local registration and obtaining authorization from the Ministry of Health to handle pharmaceuticals. The OIG also noted that SCMS-Haiti sought clarifications which were ignored by the PR[8)]. Only two companies were found to be technically responsive i.e. Pharmatrix and Disprophar. The contract was awarded to Disprophar based on cost. The OIG however noted that Disprophar had in the intervening period been the main supplier of emergency procurements.

165. The OIG review of the procurement process of the TPPA revealed the following anomalies:

(a) The tender procedure did provide for a pre-qualification step to validate the assertions that were contained in the proposals e.g. the QA systems and the required pharmaceutical expertise in place;
(b) The evaluation criteria were not provided in the bid documents to the potential bidders;
(c) The evaluation criteria were also too broad to guide the transparent evaluation of bids. It also did not make reference to the applicable WHO guidelines[9] as a tool for prequalification;
(d) The criteria included obtaining an authorization from the Ministry of Health to handle pharmaceuticals. The timing provided was inadequate to find a local partner and obtain such clearance and may have contributed to the failure of international agents to submit bids; and
(e) The evaluation committee consisted of three Foundation employees without the involvement of other key stakeholders like the Ministry of Health or an independent party.

166. Disprophar was in principle found to be adequate on paper but in reality lacked a full time pharmacist, did not have operational SOPs nor did they have experience in undertaking competitive tendering for medicines. Disprophar's distribution systems were not yet in place and there was no assurance that they would ensure continuous, safe and effective delivery of health products. In other words Disprophar was not a qualified party to execute the contract.

167. A contract was signed with Disprophar but the contract was terminated two months later by the Global Fund Secretariat team citing that TPPA had a conflict of interest since it was the authorized distributor in Haiti for CIPLA, Ranbaxy, Gilead and Aurobindo. The OIG noted that almost all the supplies by Disprophar were from the companies that it represented. The Global Fund recommended that the PR to procure through the Voluntary Pool Procurement (VPP) and evaluate possibilities to do storage

[8] SCMS wrote a letter asking for more details to make a good proposal (e.g. number of sites, location, no cases etc.) but never got a reply, only heard informally that they were not considered admissible.
[9] Interim guidelines available since 2003; in 2007 published by the WHO (A Model Quality Assurance System For Procurement Agencies; WHO/PSM/PAR/2007.03)

and distribution through PROMESS.

National procurement and supply management systems

168. From the inception of the program, there has been talk among key stakeholders of centralizing the procurement function for health products and to streamline other initiatives to support the national agenda. The development partners committed to support PROMESS as centralized procurement agency[10]. The Global Fund supported this initiative and encouraged MOH "to take a leading role in the development of one single procurement system"[11]. However at the time of the audit, no capacity assessment had been undertaken to assess areas for support nor were capacity development initiatives identified for the transition process.

169. The CPA report stated that "*Failure of a project is a failure for the whole country program. Everyone should be prepared to help, from the CCM to the PR to SRs*". Clearly, the Global Fund through its PR should have been working in collaboration with development partners to help the Ministry of Health strengthen the national structures and plans. However, the PR did not embrace the opportunity as evidenced by the hostility among key stakeholders with hardly any commitment seen in working to strengthen national systems.

Recommendation 39 (High)
The CCM with the support of the Ministry of Health should spearhead the development of a master PSM plan for all grants describing the combination of systems 'which are' with the systems that 'ought to be'. This should be used to identify gaps and measures that will need to be undertaken to strengthen capacity in the relevant entities.

Logistics management information system

170. The stocks at the central level were still kept in different warehouse locations and there was no integral management information system to control stock movements[12]. A review of the records maintained at the central level revealed that the PR lacked safety stocks and did not have a proper system to track the expiry of drugs. Records were maintained at the central level for SR stock levels. However, there was limited visibility of stock movements below SR level.

Recommendation 40 (Significant)
(a) The PR should procure a logistics management information system at the central level to manage stocks and the transfer of product batches. The possibility of including stock levels at SR level using available IT technologies should also be explored.

[10] LFA PSM Assessment RCC-1, December 2009: In the context of a global plan regarding women and children's health, led by The Canadian International Development Agency (ACDI), WHO, UNICEF, and UNFPA have developed an action plan with four parts…it takes into account rules with respect to registration issues, development of storage capacities at department level, and strengthening the capacity of PROMESS.
[11] TGlobal Fund mission report, March 2009.
[12] Repeat PR Assessment Round 7, 5 June 2008: the stock management of drugs and other health products has potential for inaccuracy since the inventory is not in one central location and is instead spread to the sub-recipients and suppliers used in Round 5. While the stock conditions at PROMESS, Disprophar and Apollon are adequate, the PR must ensure sound operation of stock control at sub-recipient sites.

(b) The PR should proceed with the SCMS proposal to formalize a distribution system between central and dedicated depots in the departments with a clear separation of the responsibilities for the management of the inventories, storage practices and transport of health commodities.

Quality assurance

171. The regulator's (DPM/MT) primary responsibility is to ensure the quality, safety, and efficacy of locally manufactured and imported pharmaceuticals and medicines. Ideally, medicines regulation (norms and standards) should remain separated and independent from corporate service responsibilities (procurement, supply). At the government level the Global Fund structure should seek to support and develop an efficient technical regulatory system in the Ministry of Health (DPM/MT) to improve all aspects of drug quality and assurance controls.

172. The OIG also noted that the PR was not completing the PQR on a timely basis. The OIG did not see evidence of this being identified and followed up by the LFA or the Secretariat.

Recommendation 41 (Significant)
(a) The Global Fund should work with other stakeholders to support further capacity building of DPM/MT to ensure a national QC mechanism in future for medicine consignments sampled at point of import and randomly in the field.

(b) In the meantime, the PR should seek collaboration with the regional drug testing laboratory in Jamaica (CRDTL) and formalize a service agreement for analytical testing of medicines, condoms and impregnated bed nets.

(c) The PR should systematically enter data in the PQR database for each order and ensure accuracy and completeness of these entries according the invoices paid. The LFA should periodically be allowed to verify correctness.

(d) The Ministry of Health should assess the capabilities and support further capacity building of DPM/MT to expedite product registrations.

Field Observations

173. The OIG undertook field visits and observed that inventory tools were not always completed accurately by the SRs. The sites visited were a small sample and while they cannot be used to generalize any conclusions, they are indicative of the stock management practices at SR level.

174. At several units it was not clear which medicines were supposed to be in stock, given that stock cards were not being maintained. In general data before 2009 were not readily traceable or records were absent. Staff members at SR offices and sites responsible for stocks were not always the ones which had attended the training sessions for the proper use of the tools. In some instances the staff did not have the prescribed stock keeping tools e.g. stock cards with nurses resorting to maintaining records in rudimentary forms. Some of the records maintained revealed that there

were sometimes considerable gaps in time in the manual track of stocks with data missing.

175. The OIG applied the inventory management assessment tool (IMAT) tool developed by MSH. This tool examined the effectiveness of stock monitoring and record-keeping practices in warehouses and helped the OIG identify suggestions for improvement. In some sites, the records maintained were very poor and therefore the tool could not be applied. In sites where reliable data were available, computations of stock data available at sites were calculated and these revealed the following:

(a) On the quality of the record-keeping system, the proportion of records that were accurate was 46-75% of records tested;
(b) On average, 3-15% of selected products were not available i.e. they had stock outs;
(c) With regard to physical stock variation, there was on average 1-3% disparity between the quantities recorded and physical stock present; and
(d) At the time of the audit, SRs were holding 77-88% of the full range of products in stock.

Recommendation 42 (significant)
The Procurement section of the PR should also undertake quality assurance of storage facilities. The supervisory visits to sub recipients and all sites should be strengthened and frequency of inventory management training sessions increased. Enforcement of recommendations in visit reports and training attendance should become more mandatory for sub recipients.

Conclusion on the Foundation as PR

176. The OIG notes that the Foundation as PR requires substantial capacity development in the areas of governance, procurement and supply chain management, financial management and grant management if it is discharge effectively its role as PR. The OIG cannot provide assurance that the capacity at the Foundation is adequate to safeguard the resources from the Global Fund. The possibility of identifying alternative entities to manage these grants should be considered.

V. Service delivery, monitoring and reporting

Introduction

In two of the three programs i.e. Malaria and TB, the Global Fund has been the main source of external assistance. In the third program, i.e. HIV/AIDS, the inputs of the Global Fund and of PEPFAR have been complementary to each other even at the level of service implementation. All three program interventions have the active involvement of both the public and private sector. The contribution of private (NGO) actors has been proportionate to gaps in the public system and has as a consequence been different for the three programs.[13]

Malaria (Funded under Round 3)

177. Haiti's efforts to control malaria go as far back as the 1960s-1970s when the Service for National Malaria Eradication (Fr: Service National d'Eradication de la Malaria - SNEM) even envisaged eradication of the disease. In 1998, with the absence of further external funding, SNEM was closed down. The malaria control program became inactive until the start of the Global Fund program in August 2004. The Global Fund program picked up from where SNEM had stopped in the fight against malaria.

178. The support of the Global Fund has largely been to reinforce existing core functions and capacities in the Ministry of Health in two areas (i) Diagnosis and treatment; and (ii) Prevention with priority given to pregnant women and under-fives. Charges for diagnosis and treatment for these groups were dropped, in conformity with the national strategic plan.[14] The Global Fund's Five-year evaluation likewise concluded that '*... the scale-up in malaria programs in Haiti is recent and so far does not seem to have had a major impact on the prevalence of malaria and the general importance of the disease*.'

179. All malaria related interventions have as in the past been implemented exclusively by the Ministry of Health. SRs have been involved to a much smaller extent than for TB and HIV and only to fill specific gaps where the Ministry lacked capacity. For example GHESKIO was contracted to undertake research and monitoring of resistance to chloroquine. Malaria diagnosis and treatment is routine in all of the country's over 700 service delivery points, including the dispensaries.

180. It is however noteworthy that in Haiti malaria is relatively easier to treat than in other geographic locals since the chloroquine mono treatment is still effective.[15] Also the reported case fatality is low and it is thus difficult to demonstrate significant improvements in reported case fatality. For example, in the North East region, for the period October 2008 to September 2009, out of 10,911 slides examined, 1,304 positive cases were identified. Twenty of these patients were hospitalized and one died. Likewise for the whole country in 2006, there were 32,739 cases reported, with 32 deaths. The 'real' mortality may of course be higher and was in 2006 estimated at 741

[13] See pages xx in the Procurement (PSM) chapter for the number of SRs in the various rounds and the specific SR competences.
[14] Ministère de la Santé Publique et de la Population, Plan Stratégique 2009-2013 de Lutte contre la Malaria
[15] See, for example, http://www.medscape.com/viewarticle/707750.

(WHO, World Malaria Report 2008).

181. All the above notwithstanding, the Global Fund's Five-year Evaluation report, for which Haiti was a country case study, emphasizes the impact of the disease burden on the people of Haiti. It states '*While malaria prevalence may not be higher than about 5 percent, nearly 12 percent of people who sought health care in the past 30 days that did not require an overnight stay reported that they did so because of malaria. This was far greater than visits related to HIV and TB that stood at less than 1% each. The percentage in the Region of Grand Anse (24.6%) was more than double that in other regions. It was lowest in Aire Metropolitaine (4.9%).*' The same study stated that '.. *Household expenditures for malaria are more than ten times the expenditures for HIV or TB and yet were about one tenth of the expenditures on other health conditions, which gives a good idea of the household burden of the three diseases in comparison with all other health conditions that affect a household.*' [16]

182. The Round 3 Malaria grant provided for the provision of impregnated bed nets. However, the OIG noted that the distribution of nets under this Round was limited. However, there are plans under the Round 8 grants to reach universal household coverage. PSI in its final report states that of the 373, 157 nets received for the five year period, 315,311 (84.5%) were sold and 52,500 (13.8%) were distributed free.[17] "The agreed upon indicator '*number of insecticide treated bed nets sold and distributed*' gave PSI the freedom to initially focus on social marketing more than on free distribution with free distribution starting only in 2008.

183. There were concerns raised that poor people could not afford the nets sold through social marketing. While in 2007 4.2% of pregnant women and 3.7% of children under five slept under a treated bed net, these percentage coverage had by 2009 to 17.8% for pregnant women and 18.3% for under-fives.[18] Although this data is encouraging, it does not show whether the poorest segments of the population have benefited from the program.[19]

Tuberculosis (Funded under Round 3)

184. Haiti's national TB program (PNLT) was established as early as 1967. Since then the program has had access to external funding, although there were periods where this funding was uncertain. The tuberculosis program is a good example of a public-private sector partnership in which the Ministry sets the policies and is also the main implementer. The Ministry's work is supplemented, where necessary, by the private sector e.g. the Ministry has given some NGOs the mandate to oversee some health regions. One of these NGOs i.e. the International Child Care (ICC) even maintains the data bank for the TB program for the whole country on behalf of the Ministry of Health.

[16] Five-year Evaluation of the Global Fund to fight AIDS, Tuberculosis, and Malaria, Haiti Impact Evaluation Report, August 26th 2007 (Draft), Table 5.21, page 221. Idem Table 5.28, page 228.
[17] PSI, Rapport technique final du projet « Réponse d'Haïti à la malaria Round 3 », 13 Octobre 2009
[18] PSI, MALARIA Etude TRaC de Suivi et d'Evaluation sur les Déterminants de l'utilisation des Moustiquaires imprégnées d'insecticides par les femmes enceintes et les enfants de moins de 5 ans. Deuxième Passage, Septembre 2009
[19] The approved Round 8 malaria program seeks to achieve universal household coverage in malaria transmission areas; to that effect PSI will conduct a national distribution campaign of (free) impregnated bed nets.

185. The support from the Global Fund ran from August 2004 till September 2009. The support went mainly towards improvement and expansion of the Directly Observed Treatment Short (DOTS) course. This intervention included amongst other things, enlarging the cadre of laboratory technicians. The funding contributed to the national TB priorities in decreasing the incidence of smear-positive pulmonary tuberculosis from 180/100,000 inhabitants to 120/100,000 inhabitants and to decrease the TB case fatality rate among treated patients from 10% to 6%.

186. The latest estimates (i.e. in 2009) showed a decrease in the incidence of smear-positive pulmonary tuberculosis to 132/100.000.[20] A recent study[21] demonstrated that the treatment success rate increased from 72% in 2001 to 81.7% in 2007. The case detection of sputum positive cases also improved to 62%. However the case detection is still under the desired minimum of 70%. It is however noteworthy that there were remarkable differences in case detection across the ten regions, with five regions in fact surpassing the critical 70% detection rate. This suggests that similar improvements could be gained by the remaining regions, if lessons learned in the successful regions could be replicated across the rest of the regions.

187. One main concern is that the case fatality rate remains high i.e. at 5.42% which has been attributed largely to the high proportion of patients co-infected with HIV i.e. 22%. A related concern is the default rate of 6.63% which has not shown any signs of decreasing. This is despite the considerable efforts to retain patients, through the well established system of volunteer health workers/ 'accompagnateurs'. It is also noteworthy here that there are significant differences in the fatality and default rate across the regions. As recommended above, the good practice behind the success in some regions should be replicated across the regions that are not doing as well.

188. The Global Fund program has been implemented through the national structures set up by the Global Fund. For example, service delivery sites throughout the country use the same registers.

HIV/AIDS (Rounds 1, 5 and 7 and RCC 1)

189. Haiti's HIV/AIDS program (PNLS) is the 'youngest' of the three programs supported by the Global Fund. Anti-retroviral therapy (ART) only became available from 2004. The number of people on ART has steadily increased and by March 2009 stood at 26,500[22]. The number of sites offering services has likewise increased, but the range of services offered at the various sites are different. There are far more sites offering Voluntary Counseling and Testing (VCT) than there are offering ART, Prevention of Mother to Child Transmission (PMTCT) and opportunistic infection (OI) treatment. The table below shows the increase over time (2005 – March 2009) in the number of sites offering the different services:

[20] Ministère de la Santé Publique et de la Population, Program National de Lutte contre la Tuberculose (2009) Plan Stratégique 2009-2015. Avril 2009

[21] D'Meza, Richard (2009) Program National de Lutte contre la Tuberculose Evaluation des résultats de traitement de 2007 et du dépistage de 2008. Septembre 2009

[22] For general reference see, for example, Pape. J.W. (2009) Successes and Challenges in the fight against AIDS in Haiti. Power Point presented at Caribbean Health Research Council and Scientific Conference. St. Lucia, April 24, 2009. http://www.chrc-caribbean.org/files/Lectures/Dr.%20Jean%20W%20Pape%20-%20Feature%20Lecture.pd

Year	VCT	PMTCT	Palliative care	ART
2005	79	73	35	25
2006	108	80	47	32
2007	128	88	64	39
2008	132	98	82	47
March 2009	141	108	79	48

Sources: MESI, http://www.mesi.ht/mesi/index.aspx;
MSPP, PNLS (2009) La Situation du VIH dans nos institutions de Soins

190. The HIV/AIDS program is to a large extent supported by donor funding. The two major donors at the time of the audit were the Global Fund and PEPEFAR. The Ministry set the HIV/AIDS policies and was also the main implementer of program activities. Service delivery sites throughout the country used the same registers. The program is also supported by SRs comprised of international and local (Haitian) NGOs (in conjunction with their university partners abroad).

191. The HIV prevalence has decreased from 3.1% to 2.2%. The estimated number of people needing ART stood at 36,000 but this number was due to change to 86,000 people due to the new treatment protocol that changed the need for patients to start ART when their CD4 cell count decreased to 350.

192. The contribution of the Global Fund to this program was considerable as detailed below:

(a) 11,890 patients were on ARVs at the end June 2009 which surpassed the targets set.
(b) The number of HIV positive pregnant women receiving a complete course of ARV prophylaxis, as part of the PMTCT intervention, was 4,072 the end of June 2009.
(c) The number of ART centers financed using Global Fund resources was 33 at the end of June 2009.

Technical and management capacity - role of in-country technical partners

Appointing only one PR with well over 40 SRs demands that the PR takes on an effective management role. This is a tall order for any organization that has stepped into this role without having prior experience. This is more so when the SRs include the Ministry that regulates the programs and SRs that have the experience and authority coming from time-proven performance in the subject area for example ICC for TB, GHESKIO for HIV/AIDS and PIH for access to care. Haiti has a long list of ‘strong SRs’ and they are widely acclaimed to be the programs’ greatest assets. Therefore in line with the fifth principle of the Paris Declaration, there is a need to have an increased focus on mutual accountability and shared responsibility in order to have sustainable services.

193. In 2007, the Ministry of Health decided to take direct responsibility for all key functions such as coordination, drug procurement, training, monitoring and evaluation and data management. The capacity and the roles of various actors were assessed through the OIG’s field visits to five of Haiti’s ten regions. These are illustrated in the

paragraphs below alongside the five principles of the Paris Declaration[23] namely (i) national ownership, (ii) alignment (iii) harmonization, (iv) managing for results; and (v) mutual accountability.

National ownership

194. The three programs funded by the Global Fund are in line with national priorities as laid out in the Strategic Plans for each disease.[24] [25] [26] At implementation level, the regional directors are responsible for the three programs, with SRs providing support as required. On the other hand, it is notable that at regional level, human and other resources are scarce. The Ministry therefore depends on the SRs to execute its mandate e.g. by depending on the SRs for transport for its field trips.

195. In all three regional offices visited the Ministry staff emphasized the importance of coordination and cherished their own key role as conveners of quarterly coordination meetings with development partners, for the three Global Fund programs. The malaria program has a multi-stakeholder committee (CONASIS) that consists of the Ministry of Health, World Health Organization (WHO) and NGOs. The committee meets on a quarterly basis and takes technical decisions e.g. development of treatment protocols.

196. This private public collaboration, with the private sector filling public sector capacity gaps is a positive step. However the dependence by national programs without building of internal capacity often leaves the national programs in a weaker position. In some instances, if unchecked, the private sector sometimes may take over the role of the national programs. Specifically the activities for policy setting, quality assurance and regulation should be led by the Ministry of Health and strengthened by the private sector. This is admittedly easier said than done, but at the very least there ought to be awareness that current actions must be balanced looking to the future.

Alignment

197. The registers and other data collection instruments developed by the Ministry of Health are used throughout the country. Different programs have different indicators and targets and the data for reporting on these is derived from the Ministry's routine data collection instruments. However this calls for different compilation and analysis, which is not part of the Ministry's work. The additional compiling of data to report on specific programs is undertaken by SRs and this process is parallel to the Ministry's own reporting process.

198. Although there was alignment in terms of the use of the Ministry's forms and registers, there is a major difference in the way in which data is captured, processed, analyzed and stored at implementation level. The difference is particularly evident in

[23] http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html
[24] Ministère de la Santé Publique et de la Population, Plan Stratégique 2009-2013 de Lutte contre la Malaria
[25] Ministère de la Santé Publique et de la Population, Program National de Lutte contre la Tuberculose, Plan Stratégique 2009-2015. Avril 2009
[26] Ministère de la Santé Publique et de la Population, Program National de Lutte contre les IST/VIH/SIDA, La Situation du VIH dans nos institutions de Soins. Mai 2009

the statistics departments of the service delivery sites. For example the HIV/AIDS data handling was electronic and by designated staff while in sharp contrast other program and mainstream service data was maintained manually. The HIV/AIDS data requirements are both new and substantial when compared to the tuberculosis and malaria programs which have been around longer. This creates scope for improvement by aligning the rest of the programs and mainstream services to the standards set by the HIV/AIDS program.

Harmonization

199. The Global Fund terminology currently speaks of ‘rounds’ although a single stream of funding is in prospect. In their design and implementation the rounds are projects rather than programs. This is apparent, amongst other things, in the predefined targets and finite duration of the rounds. At the same time it is uncontested that the nature of the three diseases demands a certain level of funding consistency and continuity.

200. There is a tension between the project modality of the Global Fund programs and a future-oriented programmatic focus. The project modality concentrates on achieving predefined targets at the level of outputs, while a truly programmatic modality would also focus on other OECD-DAC criteria such as (continued) relevance, efficiency and sustainability. The latter focus would take lessons learned from the implementation of prior Rounds and use this information to inform new funding opportunities in the relevant national programs. No evidence of this was seen.

201. The Global Fund design i.e. based on Rounds and the performance based funding model, makes it difficult for the country to have comprehensive information on aid flows so as to enable partner authorities to plan. On the other hand the OIG noted that the national stakeholders, notably the Ministry of Health, were counting on their proposals always being honored and so did not seek other means for funding their programs. The rejection of the Round 8 tuberculosis proposal came as a shock to the country and had negative impacts as shown in the case study below.

Case study 1: Impact of the closure of the Global Fund grants on the TB grant

Like all projects the TB Round 3 grant had a defined duration. The Round 8 proposal was not granted and the Round 9 proposal received a 2B score and will take time to materialize. The Round 3 grant ended in September 2009 and at the time of the audit, there was a funding gap within the TB program. The Ministry of Health informed the OIG team that SRs were already withdrawing from the program. This would definitely affect not only the momentum that the programs had gained but also the implementation of programs at service site level. Services provided by SRs at the regional level will also be affected e.g. data collection and support to the Ministry’s supervision teams.

The OIG visited several institutions that were previously implementing the Global Fund supported programs. The staff in all the institutions visited had been served notice of termination. These institutions included places with a high incidence of tuberculosis, for example, in Ouanaminthe in the North East region. The consequences seemed especially serious in the distant places that have low staff complements. These mostly comprise of the new DOTS centers which the Global Fund program helped to create. The staff who were dismissed were mostly the support staff that had been trained as laboratory technicians. All this represents wastage of valuable program inputs.

Another consequence of grant termination was the shortage of laboratory staff as was observed in Gebeau, in the Grande Anse region. Even though some auxiliary staff had decided to stay and work as volunteers, it was evident that follow up of defaulters and of contacts of sputum-positive patients was grinding to a halt. Such follow-up is at the heart of the Global Fund supported TB program. At the time of the audit, the laboratory reagents were no longer available.

202. The Global Fund supported malaria program faced similar repercussions to the TB program although to a lesser extent. Specifically, the treatment interventions in the malaria program were less dependent on external support. In the malaria program, free testing and treatment was cancelled. The OIG noted that different regions and institutions used different strategies to re-introduce user fees, and this was done gradually.

Recommendation 43 (High)
The MOH should develop a sustainability plan with strategies to address the event that external funding becomes unavailable. The sustainability plan should tackle how the three diseases can leverage additional funding. It should be discussed with all stakeholders such as donors, MoH, and MOEF with a view of getting buy-in and alternative sources of funding. The external support to the three programs should be designed bearing in mind that the funding is temporary.

203. There is a high degree of harmonization between the Global Fund and PEPFAR programs under the HIV/AIDS program. The OIG noted that not only were the SRs co-funded, but the support at all levels was harmonized to an extent of almost being intertwined. For example, a clinic's ARVs were paid by one donor and its HIV-related laboratory inputs were supported by another donor. Similarly, VCT for key units at the University Hospital were funded by PEPFAR, with the Global Fund covering VCT in the remaining units in the same hospital. In the North East region, two priority service sites were funded by the Global Fund and PEPFAR was coming on board to cover the three additional sites in another, under-served part of the same region. FOSREF's Global Fund Lakay project covered the day-to-day support and home visits to HIV positive clients and once clients are eligible for ARV treatment, they are referred to a PEPFAR funded clinic.

204. Harmonization in the HIV/AIDS program had gone as far as creating interdependence between the two key donors where if one donor fails to meet their obligation e.g. in cases of potential stock outs, another donor stepped in to fill the gap. Such a high degree of harmonization is of course in the best interests of the national program and the patients. It however makes attribution of the results to donors a futile exercise and creates the risk of double counting of results since both funding agencies have a legitimate claim to the results. Because the OIG was in no position to assess the PEPFAR program data, it could not substantiate the risk that double attribution does in fact occur.

205. The OIG noted that the harmonization that has taken place so far has been informal and there was a need to formalize these arrangements to strengthen what was already in place. The harmonization as described above demands close interaction, not only with relevant actors in the Ministry of Health but also with the Principal Recipient (Sogebank Foundation) and other funding agencies. It should cover to the extent possible, common arrangements at country level for planning, funding, disbursement, monitoring, evaluating and reporting on government and donor activities.

Recommendation 44 (Requires attention)
(a) The focus of the monitoring should shift from attribution of results by program to measuring the performance of the national program. This will give more insight into the relative importance of the Global Fund programs than the mere achievement of targets. It will also help to assess the cumulative results of multiple Global Fund rounds, as part of the HIV/AIDS program.

(b) Evaluations of the Global Fund and PEPFAR programs should recognize the reality of interdependence between the two programs. Because it may be difficult to separate the effects of the two programs, consideration should be given to having joint evaluations of the programs.

(c) Joint programming, which has thus far taken place informally, should be formalized with pooled funding as in a sector-wide approach.

206. As is the case with all other donor projects, the Global Fund monies are used to pay top up allowances. The argument for paying top up allowances was for the programs to retain professional staff for program implementation. The OIG was not provided with justification for such payments i.e. who was paid, how much and by whom (there were concerns raised that there may be double and/or triple dipping).

207. Staff motivation is a key determinant of any program's success. However, top up allowances have undesirable side-effects for the public sector. These allowances are often not sustainable and can be disruptive to services once they cannot be paid. For example. The OIG came across one case where the staff of a HIV/AIDS unit in Anse Hinault (Grande Anse region) went on strike when the SR was no longer able to pay these allowances thus disrupting services for three months. Remarkably, neither the Ministry's regional director nor the PR had been notified. This is also evident in the TB program whose support expired in 2009, and the program could not retain its staff at the old pay scale.

208. An even bigger problem created by top up allowances is the barrier created by these payments between 'projects' and for mainstream services that do not pay such allowances which no amount of health systems strengthening can able to bridge. It also creates the risk of 'migration' of staff from where they may be most needed to the programs that are able to pay more.

Recommendation 45 (Significant)
The CCM should spearhead a dialogue between government and development partners on the development of a transparent allowance system that aims to bridge gaps between externally funded projects and non-subsidized mainstream services. The

proposals should be driven by all stakeholders and should be all inclusive and sustainable.

209. In previous paragraphs, the OIG discussed the issue of harmonization between donor-funded programs and singled out the example of coordination between PEPFAR and the Global Fund. The OIG learned during its stay in Haiti of substantial new and country-wide support for malaria from the Carter Foundation[27] and for HIV/AIDS under the so-called CHAMP project funded by USAID[28].

210. In the wake of the January 2010 earthquake there are of course even more significant additional funds coming into the country which may call for shifts in resource allocations. The OIG is not aware of mechanisms that allow or even encourage PRs and CCMs to adjust Global Fund supported programs in the face of such developments, and to allow countries to reprogram funds to other areas where they may be used more effectively. The OIG notes that the failure to utilize such opportunities creates risks that reduce the relevance and optimal use of Global Fund resources.

Recommendation 46 (Significant)
The Global Fund should prepare guidance for situations where the environment within which Global Fund supported programs changes and affects the programs as proposed. The Secretariat should work with the Technical Review Panel and a country CCM, the Ministry of Health and the PR to take timely action to address how substantial new funding in one or more of the Global Fund domains can be engaged to maximize opportunities of added value so that the risk of duplication and inefficiency are addressed.

Managing for results

211. The Global Fund supported programs follow the performance based funding model that relies heavily on the monitoring and reporting of results against agreed upon targets. The Global Fund supported programs are therefore subjected to close monitoring. There is a heavy focus on results and are will be demonstrated in what follows, the focus sometimes shifts to achieving predefined results and not necessarily optimal results. Key aspects like efficiency and sustainability were ignored when developing the original proposals and are not emphasized once implementation is underway.

212. Each grant signed with the Global Fund came with its own objectives and indicators. Over time, the indicators especially those relating to the HIV/AIDS Rounds, were re-defined to give them more clarity. This resulted in multiple monitoring systems[29], in rapid succession, and with each system increasing complexity. This is not conducive to creating ownership and interest in the data generated. The latest monitoring and evaluation plan for the RCC-1 grant has 152 pages and comes with a

[27] http://www.cartercenter.org/news/features/h/hispaniola/2009-tour.html
[28] See for example http://www.fhi.org/en/AboutFHI/Media/Releases/res_Haiti_CHAMPS.htm
[29] Also see Visser-Valfrey, M. et al (2009) Summary Report, UNAIDS Second independent Evaluation 2002-2008; Country Visit to Haiti, page 12

134 page manual.[30] The OIG noted that the quest for 'ideal monitoring systems' may become self-defeating unless funding agencies agree to reduce their data demands and comply with national monitoring systems.

213. The OIG also noted that there is a disconnect between the managers of the programs (PR) and the implementers (SRs). The focus of implementers i.e. health care staff is clearly on the daily routine of caring for and reporting on individual patients. The health care workers do not step back to ask themselves questions at an aggregate level e.g. on service outcome, trends that are evolving from the data etc. The PR on the other hand aggregates the data but does not analyse it nor disseminate it to stakeholders for decision making. The Foundation was often not in a position to influence changes since they are not engaged at the implementation level. An example is provided in the case study below.

Case study 2: Importance of analyzing data for decision making

Several indicators taken *in combination* can suggest trends which individual indicators fail to show. For example, the need for patients, once diagnosed, to adhere to the prescribed treatment is well known. From the reports submitted by the SRs, the OIG noted that there was an unexplained gap between the diagnosed patients and those who started treatment. Many diagnosed patients decline treatment for various reasons, one being the proximity of the referral clinic. For example in the South East region, there is only one referral clinic in Jacmel. This is a six to nine hours drive on bad roads from the three peripheral clinics. Altogether, out of the 162 cases which tested positive in the quarter to September 2009, only 38 (23%) accepted referral for treatment.

The table below shows the treatment acceptance rate by patients diagnosed as HIV positive in this region. This information was obtained from the South East region supervision report of September 2009:

Clinic	Percentage of patients accepting referral after testing HIV positive excluding pregnant women	Percentage of pregnant women accepting PMTCT after testing HIV positive
Belle Anse	8/26 (31%)	2/6 (33%)
Anse à Pitres	8/49 (16%)	1/9 (11%)
Thiotte	19/62 (31%)	0/10 (0%)

In the above example, the OIG extensively interviewed staff responsible for PMTCT and it was related that pregnant women often were in denial about their HIV positive status and therefore refused the treatment. This points to the need to strengthen the communication campaign about HIV. It is also a good area for research and comparison with regions that are doing well e.g. GHESKIO that has a high PMTCT treatment acceptance rate.

The OIG also visited a clinic where the concept of 'Prise en Charge Integrée des

[30] FSGB Plan Suivi et Evaluation Projet HIV Consolidé RCC-1, Phase 1 2009-2011. Document révisé Novembre 2009

Maladies de l' Adolescent et de l' Adulte (PCIMAA)' translated to mean 'Integrated Management of diseases of the Adolescent and adult' was being piloted for HIV/AIDS. The PCIMAA concept was central to the Round 7 HIV/AIDS proposal and implementation had just started at the time of the audit. In this concept it is not the patients, but the blood samples and the drugs that move. The patient receives care at a clinic near his or her home, from qualified staff. Although the number of HIV/AIDS patients may be small for any clinic the PCIMAA approach addresses the need for decentralized care. The OIG notes that dependence on distant facilities poses additional demands on logistics and coordination. For example at the time of the audit, there was a stock out of reagents at the Mont Organisé Health Centre, a PCIMAA pilot clinic.

The OIG concludes that the data generated, if properly analyzed, has potential to guide the programs and make improvements to sub-optimal performance noted. The case of three distant clinics in the South East region points to the need to further decentralize provision of HIV/AIDS treatment. This decision should be made at PR level but would be implemented by the Ministry of Health at regional level calling for close collaboration between the three parties.

Mutual accountability

214. The OIG found little evidence of mutual accountability as evidenced by both the PR and SRs failing to foresee mishaps such as potential stock-outs and interruptions of services and to cushion the programs against them. There are noteworthy exceptions where some SRs took personal responsibility for continuity of services for example the ICC in the South East region. The OIG did not see evidence that the PR's actions were guided by the insight that national programs have an inherent obligation to provide sustainable services. So although the programs score high on the first four principles of the Paris Declaration the same cannot be said for the fifth one, of mutual accountability.

Case study 3: Impact of lack of funding on the programs

This case study addresses the question "what happens when the funding taps are turned off due to the failure to fulfill conditions precedent to disbursement or at the end of the grant?" It shows the impact of erratic funds flow and/or consequences of a grant expiring without having put proper measures having been put in place to address the 'fall out'.

This has greatly affected services especially with regard to stock outs. Other impacts were (i) SRs having to dismiss their staff. This included staff that had recently been trained abroad at considerable cost. (ii) SRs have had adapt to the stock ruptures which of course came with their own risks especially for patients on ART. Patients had to change their medication or were required to visit their clinic at shorter intervals which increased the risks of diminished treatment adherence. (iii) The staff in one SR in Anse Hinault, Grande Anse went on strike for three months and this disrupted the ART program. This was because they had not been paid.

At the time of the audit, the SRs expressed concern about the lack of information about the problems to enable them plan better and were in a limbo over whether and, if so, when the situation they were in would be resolved. There were repeated concerns about whether SRs would be able to honor their obligations towards their patients. The effect of lack of funding is severe with potential long term repercussions for the programs.

Recommendation 47 (High)
The Global Fund should communicate with the CCM any concerns that may affect the funding to the country e.g. the non-fulfillment of CPs. This will help the country make contingency plans if the flow of funds is interrupted and if stock disruptions arise. In cases where proposals are not honored the Global Fund Secretariat should provide guidance to the country on how they can ensure continuity of service.

Monitoring and evaluation

The PR has effectively monitored the accuracy of the data reported by the SRs and in making amendments where there were inaccuracies. The OIG concludes that the data reporting systems are functional and adequate.[31]

215. The Foundation has a program unit headed by an epidemiologist. This unit has a data manager and seven project officers (mostly medical doctors) responsible for data verification and validation. Each project officer has been assigned a number of SRs to monitor so that action points for individual SRs are followed through.

216. The PR has a strict routine and a tight schedule to verify the reports submitted by the SRs on a quarterly basis. Timely submission of SR reports is crucial, and this is dependent on the timely arrival of the data from the service sites. The service sites are the 'weakest link' in the chain. With the absence of electronic communication, service sites have to be physically visited and data manually extracted from their registers. It is clear that both SRs and PR devote considerable time, effort and resources to their monitoring and reporting obligations.

217. The PR also validates a sample at the level of the service delivery points. A sample of some 100 out of a total of over 600 sites per year is selected for data validation and assessment of performance against targets for the three disease programs across all SRs and regions. The results of the validation visits are discussed with the individual SRs. The validation visits have demonstrated that there are still misunderstandings in the interpretation of certain indicators.

218. The OIG commends the thoroughness and professionalism with which the above validation is undertaken. However there are still some areas in this process that can be strengthened further:

(a) This process does not provide feedback nor add value to the decision makers at the Ministry of Health. This data quality assurance process does not cover assessing the service sites but revolves around the data trail followed by the SRs after they pick information from the service sites. The information collected is not shared with the Ministry of Health's regional director and his staff.

[31] This view is supported by the revised On Site Date Verification reports submitted to the Secretariat in December 2009: *LFA On-site Data Verification* for the Round 3 tuberculosis and malaria grants made by the Global Fund to Fight AIDS, Tuberculosis & Malaria to Fondation Sogebank in Haiti. December 2009

(b) Both validation and verification exercises exclusively focus on data accuracy. There is little attention given to quality of service delivery. There is also no analysis of data e.g. what the trends in data over time show, why there are positive and negative deviations from targets and lessons implied. This information can help management identify best practices and may and may reveal gaps in service delivery that need to be addressed.

(c) The verification and validation processes do not enforce learning among SRs. For example this information is not shared with fora where it would be used for strengthening the programs e.g. the SR Forum (This is a thematic committee of SRs, under the CCM).

(d) The PR's competence in this unit is under-utilized[32] since it does not seriously analyze data. This is because the unit's time is spent following up the large number of SRs with limited time dedicated to analyzing data and 'stepping back' to understand what the numbers are saying.

219. The indicators that were selected were to measure performance of the programs supported by the Global Fund. They did not reflect the national program context nor do they take into account the work of other relevant donor-funded programs such as the PEPFAR. The indicators were also overlapping with different indicators and targets set up for the different grants e.g. the HIV/AIDS programs under Rounds 1, 5 and 7. However, the recent consolidation of the grants under the RCC-1 created an opportunity to amalgamate the indicators under the various grants and remove any ambiguities in the indicators.

220. It is difficult to isolate the results by Round without the taking into consideration contributions of other stakeholders e.g. PEPFAR and other Rounds. One of the concerns raised in the Technical Review Panel report under the Round 9 proposals was the country's absorption capacity when implementing multiple concurrent rounds[33].

221. The indicators were mainly project type output indicators tracking inputs rather than performance related outcomes. The indicators selected provided an emphasis on numbers without paying attention to the qualitative aspects with 'measurability' taking precedence over qualitative aspects. Notably, the prevention indicators were predominantly output indicators e.g. number of people that attended IEC meetings. These indicators did not measure the outcome level of meetings i.e. internalization of the messages and whether this resulted in behavior change.

222. The indicators are proposed by the country and these are reviewed by the LFA and the Global Fund for appropriateness before they are incorporated into the M&E frameworks. The quality of LFA and Global Fund advice on indicators was of questionable quality as evidenced by the indicators that the country was allowed to

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[32] See, for example: Guerre, Stéphanie (Power Point Presentation, undated) Le Système de Suivi et Évaluation du Program Malaria en Haïti. Fondation Sogebank.
http://www.undp.org.cu/documentos/malaria%20presentation%20Haiti.pdf
[33] http://www.theglobalfund.org/documents/board/20/Global Fund-BM20-09_TRP_ReportToBoard_and_Annexes1-5-6.pdf: 5.34

take on. One area that was noted to be inadequate was that some indicators did not indicate the denominator to which the numbers related. For example the indicator '*Number of pregnant women who have completed the process of pre-test counseling, testing and post-test counseling*" could have been improved by giving it as a proportion of the clinic's catchment population. The OIG's site visits confirmed that most clinics have such estimates at hand. Without a proper denominator the current reference is simply the target set at the time of project formulation, which reduces monitoring of project performance to a 'number' game.[34]

223. There was also no evidence that the results of past grants are being used to inform future grant proposals and indicators. One such example is the Malaria Round 8 grant that had not started at the time of the audit. The question that begs itself is what evidence is available from the Round 3 grant that 80% saturation of the population with mosquito nets, which is the plan, would contribute to the eradication of malaria. This can only depend on the full use of these mosquito nets by the targeted population. Bed-net utilization studies by PSI have been at the community level, but have not assessed utilization at the level of the household. In the light of such critical missing information for the Round 3 grant, one may not be able to support the assertions made on malaria eradication.

224. Areas of specific interest lie in understanding the interface between output and outcome, for all three programs, along the continuum of prevention-to-care. Studies should be undertaken to establish the relationship between the two e.g. in malaria jointly with CDS on the utilization of impregnated bed nets; and for HIV/AIDS, with GHESKIO on the effectiveness of mobile phone alerts for patients on ART. Another study could cover the acceptable levels of user fees. The results of such studies would provide evidence of the effectiveness of past strategies and inform future decision making.

225. The Global Fund support has, in combination with support from PEPFAR, increased the access to safer blood than was the case before. The 'number and percentage of safe blood units produced and screened for HIV and hepatitis' has been one of the indicators for reduction in the risk of HIV/AIDS infection. All but one of the ten departments now have at least one blood bank with the risk of donor blood being infected with HIV or hepatitis B reducing but not being removed. [35]

226. In the current system donated blood is tested using the traditional ELISA test. This test does not capture fresh cases of infection when blood donors are still in the window period. In order to reduce this risk i.e. of the window period, one has to test for the virus' antigen. These tests are not yet available in Haiti, but equipment for testing the HIV antigen (P24 test) is in the work plan and has been ordered. Monitoring of the risk and contributing to further risk reduction should, however, have been brought up in the progress reports to the Global Fund. No mention is made of such risks.

[34] The OIG's DRC audit had a similar remark and raised a more fundamental concern: if targets are set according to what is feasible, they may be achieved and yet 'represent a mere drop in the ocean vis à vis the number of people in need'.

[35] Source: Dr M.M.Cauvin, Croix Rouge, Port au Prince

Recommendation 48 (Significant)

(a) The PR should move its M&E processes along from just verification and validation of data to analysis and interpretation of data for decision making. This should include the interpretation of data and trends over time, especially trends signifying gaps in service delivery. This information should be shared with key stakeholders to inform decision making, identify lessons learned and allow horizontal learning though the sharing of best practices.

(b) Future proposals to the Global Fund should limit the number of output type indicators. The indicators should be reviewed to ensure that they are meaningful beyond the project level. All of the above could of course be part of a joint programming effort.

Case study 4: The opportunity of a uniform database for the three diseases; the case of SIPSE[36]

The Global Fund has supported the development of a national monitoring system for the three disease programs This system was at an advanced stage of design at the time of the audit. The OIG had the opportunity to witness the presentation of this 'Modèle de Système Intégré de Planification, de Suivi-Evaluation' (SIPSE) as proposed by the Consortium IHE/SOLUTIONS, after a year of intensive consultation with all stakeholders. This system starts from information needs that are formulated in the form of indicators in a log frame through to outputs and then outcome/effects. While outputs are still expressed as 'numbers' the outcomes are expressed as proportions, which will help stakeholders identify gaps in service delivery.

In the OIG's opinion, the implementation of 'SIPSE' will ensure that reported results not only are correct, but also are meaningful at the level of service delivery sites provided conscientious efforts are made from the start to involve the service providers in the generation and analysis of the data of their own institutions. Data should also be analyzed and shared with stakeholders for decision making. The SIPSE may help bridge the divide between externally funded projects and mainstream health services.

[36] Ministère de la Santé Publique et de la Population (MSPP)/Cellule de Planification et de Suivi Évaluation (CPSE), Conception et Mise en Place d'un Système de Planification et de Suivi-Evaluation (SIPSE) pour les Programs Malaria, Tuberculose et SIDA. IHE/SOLUTIONS, Octobre 2009

VI. UNDP as Principal Recipient

Background

227. UNDP was the Principal Recipient for the Round 1/Phase 1 HIV/AIDS program. This grant was transferred to the Sogebank Foundation under Phase 2. The table below provides details of the grants signed between the Global Fund and UNDP as well as related disbursements:

Round Number	Grant agreement	Grant amount US$	Grant disbursements US$
1	HTI-102-G02-H-00	6,140,386	6,140,386

228. UNDP implemented the grants activities through SRs. The PR has contracted 10 SRs. The total disbursements to SRs were US$ 5,166,589 (84%) of the total amounts disbursed by the Global Fund to UNDP as at June 2009.

Scope of the audit

229. Audits of UNDP are guided by the single audit principle which states that *"The United Nations Board of Auditors and the appointed External Auditors of the specialized agencies and of the International Atomic Energy Agency retain the exclusive right to carry out external audit of the accounts and statements of the United Nations Organizations. If special reviews are required, governing bodies should request the appointed External Auditor to carry out specific examinations and to issue separate reports to them on the results"*.

230. The financial regulations and rules of the United Nations give the UN's external auditors the exclusive right to audit the accounts and statements of the UN. The UN's external auditors comprise three members appointed by the General Assembly, each of whom is the Auditor General (or officer holding the equivalent title) of a Member State. The three members of the Board have joint responsibility for the external audit of the United Nations and its funds and programs. The auditor's report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. Comparable principles apply to the specialized agencies of the UN system.

231. Whilst the Global Fund can access the generalized reports of the work undertaken by the UN Board of Auditors, UNDP has advised the Global Fund OIG that its policy does not allow the Global Fund access to the reports of the Office of Audit and Investigations (internal audit reports covering Global Fund programs) on the basis of the single audit principal and its policy on confidentiality. UNDP asserts that internal audit reports are confidential and may only be disclosed to member states in limited situations. Since the Global Fund is not a member state, it is not eligible to review such reports, and has not been provided with any such report.

232. The OIG have held several discussions with UNDP to seek appropriate access to program sites, records and audit reports. This has culminated in some improvements in the arrangements for access. For this audit, however, the UNDP only allowed the OIG

to meet with them and discuss issues relevant to the past implementation of the Global Fund HIV Grants but they did not provide any supporting documents other than Financial Statement related to this grant. The audit was therefore limited to only the close out process of grants and covered the confirmation by the SRs of amounts received and spent by UNDP and the fund balance. It was not able to cover UNDP's management of the Global Fund grants as PR, and constitutes a serious gap in the OIG's audit.

Findings

There was a difference between the balance of funds disbursed by the Global Fund and UNDP's financial records. The OIG also noted differences between the UNDP balances and those from SRs and these remained unreconciled. The OIG questions the thoroughness of the grant closure process given that the grants were closed with such glaring errors remaining unresolved. UNDP should reconcile the funds received with its program expenditure and the balance held at the end of the grant period. Any funds unaccounted for should be refunded. Such issues should have been identified by the LFA.

233. The HIV/AIDS grant for Round 1 phase 1 operationally ended in 2005. However, the OIG noted that the grant was only closed in mid 2009. There was no reconciliation of the closing balances i.e. taking into account amounts received and spent. The OIG audit revealed that the UNDP statement shows a deficit at grant closure of US$1,320,951. The OIG's calculations showed a deficit of US$ 503,103. This discrepancy should be investigated and resolved.

234. There was a difference between the balance of funds disbursed by the Global Fund and UNDP's financial records. On further investigation, the OIG noted that this arose because UNDP did not capture the last disbursement made by the Global Fund amounting to US$ 474,848. The OIG questions the thoroughness of the grant closure process especially with regard to having closed the grant with such glaring errors in its records remaining unresolved.

235. The OIG reviewed the confirmations received by UNDP from the SRs at the end of the project and noted the following issues:

(a) There was no agreement on where the documentation relating with the program implementation period was to be kept. Four out of the 10 SRs retained their original supporting documents; one submitted the supporting documents to UNDP and the status of records of the other five could not be established.

(b) UNDP did not provide the SRs with guidance on what was to be done with the outstanding fund balances at the end of the Phase 1 grant. Some SRs transferred the Phase 1 grants to their phase 2 accounts while others were still holding the balances on their accounts at the time of the audit.

(c) The OIG noted that some SRs used the Phase 1 grant fund balances post the grant expiry date. These were UCC (US$ 96,665) and IHE (US$ 102,163). There was no evidence that these expenditures were approved by the PR.

236. At the time of the audit i.e. four years after grant expiry, the OIG noted that

UNDP had not reconciled the balances transferred to its SRs with their expenditure and outstanding balances. There were differences noted between the balances confirmed by the SRs and the balances in UNDP's records as detailed in the table below:

	UNDP US$	SR US$	Over (under) stated US$
HAI/02/008-CPFO	112,311.74	107,785.86	4,525.88
HAI/02/009-FEBS	111,490.68	112,999.00	(1,508.32)
HAI/02/010-FOSREF-JEUNE	1,308,439.34	1,135,694.59	172,744.75
HAI/02/011-FORREF-LAKAY	617,104.77	546,840.36	70,264.41
HAI/02/012-UCC	478,479.63	790,388.00	(311,908.37)
HAI/02/013-POZ CESAC	237,692.90	255,948.00	(18,255.10)
HAI/02/014-POZ TELEPHONE BLUE	736,502.34	264,535.00	471,967.34
HAI/02/015-VDH	1,281,724.35	1,179,767.00	101,957.35
HAI/02/016-WOLD RELIEF	192,697.42	84,950.00	107,747.42
HAI/02/017-IHE	47,831.69	126,041.00	(78,209.31)
Total SRs	5,124,274.86	4,604,948.81	519,326.05

Recommendation 49 (Requires attention)

(a) UNDP should reconcile the funds received with its program expenditure and balances held at the end of the grant period. UNDP should have this reconciliation audited and the result should be submitted to the Global Fund together with the audited financial statement. Reimbursement should be made as appropriate.

(b) UNDP needs to investigate the difference between funds disbursed to SRs based on UNDP record and funds received by SRs based on SRs records. Any un accounted for advances held by SRs should be recovered.

VII Oversight

Background

237. As part of the Global Fund grant architecture, the Global Fund's programs are overseen by a Country Coordinating Mechanism (CCM) established in each country. A Local Fund Agent (LFA) provides assurance on programs to the Global Fund Secretariat on the implementation of grant programs. These fiduciary arrangements place reliance on effective oversight arrangements. The entities responsible for oversight of Global Fund grant programs are:
- (a) Country Coordinating Mechanism (CCM);
- (b) Principal Recipients (PRs) over Sub-recipients (SRs);
- (c) Local Fund Agent (LFA); and
- (d) Global Fund Secretariat.

Country Coordination Mechanism

At the time of the audit the CCM was chaired by the Secretary to the Prime Minister. However the frequent changes of government officials in that position meant that the CCM did not have a stable chair and this impacted the effectiveness of the leadership provided to the CCM. The OIG noted that from 2009, the CCM had made great strides in its oversight role when ad hoc committees were established to follow program implementation issues. A review of the sustainability of the CCM Secretariat revealed a lack of an effective strategy to mobilize funds for the CCM. The CCM followed transparent processes for the selection of PRs and SRs up to Round 7. However, under Round 8, the OIG did not find evidence that the CCM followed a transparent process in the selection of the PR.

238. As per the Global Fund policy, the CCM is a country-level public-private partnership which:
- (a) coordinates the development of grant proposals to the Global Fund based on priority needs at the national level;
- (b) selects one or more appropriate organizations to act as the PR for the Global Fund grant;
- (c) monitors the implementation of activities under Global Fund approved programs, including approving major changes in implementation plans as necessary;
- (d) evaluates the performance of these programs, including that of PRs in implementing a program, and submits a request for continued funding prior to the end of the two years of initially approved financing from the Global Fund; and
- (e) ensures linkages and consistency between Global Fund assistance and other development and health assistance programs in support of national priorities, such as SWAps.

<u>Composition of the CCM</u>

239. The recently reconstituted membership of the Haiti CCM complies with the Global Fund requirements for representation. The CCM comprises of 28 members with representation from the various institutions as required by the Global Fund i.e. 7 members (25 %) from government, 3 members (11%) from academic/education sectors, 3 members (11 %) from NGOs and CBOs, 3 members (11 %) from People Living with Diseases, 3 members (11 %) from religious/faith-based organizations, 4 members (14 %) from bilateral or multi-/bilateral development partners, 1 (3 %) from the private sector and 4 members (14%) from other sectors i.e. journalists, youth, women and health lecturers.

240. The CCM was chaired by the Secretary to the Prime Minister at the time of the audit and is currently chaired by the Prime Minister. The frequent change of government officials has meant that the CCM has not had a stable chair and this has impacted on the effectiveness of the leadership provided to the CCM. However, the OIG is pleased to note that the CCM Vice chairs and its members have been fairly stable and have been committed to performing their roles with support from development partners.

241. The CCM has a conflict of interest policy incorporated in its CCM Manual. The CCM has held regular meetings especially in 2009 when meetings were held on a monthly basis. The CCM has a secretariat that manages its daily relationships and information flows, and performs its core functions relatively well. The development partners support the CCM's operational costs.

242. The OIG noted that the CCM faced serious funding issues in the period under review. The OIG noted that in the absence of funding, the CCM received support from the PR and SRs which can impact the independence and objectivity with which it executed its roles. Prior to 2009, the CCM received some US$ 270,000 and US$26,500 of program funds from the PR and their SRs. In 2009, the CCM was cautioned by the Secretariat against using program funds to cover its operations and now its main source of income was the Global Fund's annual contribution to CCMs amounting to US$ 43,000. At the time of the audit i.e. November 2009, the CCM had not received its allocation for 2009 and the CCM resorted to borrowing money from SRs. The use of program resources for meeting CCM costs represents ineligible expenditure and should be refunded.

243. A review of the sustainability of the CCM Secretariat revealed the lack of an effective strategy to mobilize funds for the CCM. There is a need to put a stop to the Secretariat receiving donations and loans from the PRs and SRs and therefore assure their independence and objectivity in the execution of their work. Development partners in most countries are usually interested in supporting the CCM but this and other sources of support requires a clear plan to create an effective Secretariat to attract sustainable funding.

Recommendation 50 (Significant)

The CCM should in collaboration with the development partners develop a fundraising strategy for the CCM Secretariat. The CCM should not borrow program funds for its operations. All funds borrowed should be refunded.

Roles of the CCM

244. The CCM has been successful in attracting funding from the Global Fund under Rounds 1, 3,5,7 8 and 9. The country has requested for US$ 338 million and has received commitments of US$ 214 million. The OIG noted that from 2009, the CCM had made great strides in its oversight role. Ad hoc committees were established to follow up program implementation issues.

245. The CCM followed transparent processes for the selection of PRs and SRs up to Round 7. However, the OIG did not find evidence that the CCM followed a transparent process in the selection of the PR under Round 8. Based on the CCM meeting minutes, the selection was by direct appointment. The reason provided was that there was a need to build the capacity of the new proposed PR i.e. the Ministry of Health. The CCM minutes show that the selection of the Foundation to remain PR was by vote.

Recommendation 51 (Significant)
(a) The process for selection of PRs should be more transparent and systematic. Proper evaluations should be carried out for all PRs that are to be retained. Procedures for change of PR should be developed and operationalized.

(b) The PR in collaboration with the CCM and development partners should carry out a needs assessment to identify the gaps in the Ministry of Health that need to be strengthened in order to take over the PRship from the Foundation. A capacity development plan should be developed with the full engagement of the Ministry of Health and development partners in order to adopt a more sustainable approach to implement capacity development interventions. The CCM should monitor, through a Committee, the progress of the implementation of the Capacity Development Plan.

(c) The CCM should develop a transition plan listing the conditions under which PRship should revert to the Ministry of Health, provision of an exit strategy, time time-bound milestones of what needs to be put in place in order to transition the PRship etc. This plan should be monitored by the CCM.

246. The OIG noted that there was a communication break down between the different key stakeholders in the country. At the time of the audit, the communication between the PR, CCM, LFA, SRs and/or the development partners was poor and this threatened the effective management of the programs funded by the Global Fund. The OIG noted various written communication from SRs in to the Foundation concerning serious program challenges that were not responded to. The LFA did not have full access to documentation to undertake its work as is required by the grant agreement. The OIG was also privy to the tense relationship between the PR and the development partners as reflected in the OIG audit exit meeting with the development partners.

Recommendation 52 (Significant)
The CCM should develop a communication strategy for the dissemination of CCM decisions and for regular sharing of information on grant implementation status with

all CCM members and relevant stakeholders, in keeping with the Global Fund principle of transparency. This should take into account lessons learned from the past communication breakdowns among the stakeholders. The CCM should ensure that each implementer respects their respective obligations within the mechanism established for sharing of information.

Local Fund Agent

KPMG was the LFA for Haiti from the inception of the Global Fund grants. The Global Fund Secretariat in early 2009 expressed dissatisfaction about the quality of work undertaken by the LFA and sought assurance on measures that KPMG would take to improve performance. On 29 October 2009, the Global Fund gave KPMG notice that the contract for LFA services would be terminated on 31 March 2010. The reason given was that KPMG had not properly addressed the performance issues highlighted by the Global Fund.

247. KPMG was the LFA for Haiti from the inception of the Global Fund grants. At the time of the audit, the Global Fund had issued KPMG with a letter terminating their contract. The Global Fund signed a contract for the LFA arrangement with KPMG based in San Francisco, United States of America. KPMG worked through local subcontractors under KPMG's supervision. This arrangement was approved by the Global Fund Secretariat. KPMG has had two local firms since the inception of the grants i.e. Merove-Pierre Audit Firm up to 2007 and then PAGS thereafter.

248. The LFA as 'eyes and ears' of the Global Fund locally should play a crucial part in the Global Fund's system of oversight and risk management. The LFA's key roles are to

(a) assess the key capacities and systems of PRs before grant signing and at other stages of grant implementation;
(b) provide independent and continuous oversight through verification of implementation by grant recipients throughout the lifetime of a grant and to make recommendations to the Global Fund on disbursement amounts and adjustment to grant implementation arrangements;
(c) carry out on-site data verification visits;
(d) review the CCM Request for Continued Funding for Phase 2 of the grant and make a recommendation on funding for year three onwards of the grant;
(e) provide country updates on key issues and events that impact grant implementation and pose risks to grant resources, and
(f) carry out other services as requested by the Global Fund such as support for country visits by the Global Fund staff and consultants, grant consolidation and closure.

249. The LFA has verified 81 Progress Updated/Disbursement Requests (PUDRs), undertaken 17 assessments of PR capacity in M&E and PSM and undertaken 4 onsite data verification and five on site PSM assessment.

250. The OIG noted that the LFA had restrictions on accessing information from the PR and from some SRs and this impacted its ability to effectively execute its mandate. For example, the PR and some SRs refused to allow the LFA to conduct the OSDV. The

Global Fund Secretariat should be informed of all restrictions experienced by the LFA in the execution of their work and they should be remedied immediately.

Quality of work done

251. The OIG reviewed a sample of the assessments and PUDR reviews that were undertaken. The OIG noted that there were a number of issues identified in the OIG's audit that should have been identified by the LFA and flagged to the Global Fund Secretariat. For example the assessments and PUDR reviews did not highlight the serious weaknesses noted in the PR's accounting system and internal control structure.

252. The LFA is required to provide the Global Fund Secretariat on an ongoing basis with relevant information on issues or risks which might affect grant performance (Section 6 of the LFA Manual). The OIG did not see evidence that the work of the LFA was informed by a risk assessment of the Haiti grants and that the necessary oversight activities were undertaken by the LFA to safeguard the Global Fund resources in Haiti. Such risk profiling would be useful to the Global Fund especially in the development of country specific terms of reference for the LFA.

253. About 80% of the expenditure happened at the SR level meaning that the risk was also probably spread in that proportion between the PR and SRs. However the OIG noted that hardly any work was done by the LFA at SR level. The LFA attributed their inability to do work at this level to their scope of work as described in the work orders received from the Global Fund Secretariat.

254. The review of the LFA's work revealed some instances where the LFA role was inadequate in providing assurance to the Global Fund:

(a) Some the recommendations relating to the risks identified did not provide appropriate recommendations to the Global Fund for decision making. An example is the selection of Disphophar as a third party procurement agent when this company was the agent for many of the pharmaceutical suppliers in Haiti and so had a conflict of interest. The LFA recommended that the Global Fund approve Disphopar's appointment but closely monitor the latter's activities. This was not an effective mitigating action to address the risk identified.

(b) The verification of the budgets at grant negotiation was inadequate as reflected by the large overhead costs that remained undetected until the OIG audit. Budgets also lacked sufficient detail to control expenditure etc.

(c) The OIG noted instances where the LFA failed to notify the Secretariat about issues that may have affected decision making. For example, the verification of the data entered in the Price and Quality Reporting was inadequate and the program lost over US$ 1 million due to high prices arising from a flawed procurement process. The LFA also did not highlight to the Global Fund that the CPs had not been met and therefore the PR continued to receive funding.

(d) The OIG has already raised some concerns on the indicators that the PR was allowed to use. The LFA reviewed and cleared these indicators as part of the grant negotiation process.

255. The OIG noted that KPMG did not closely monitor nor follow up issues raised by the local LFA representative. The challenges faced by the local LFA in accessing information should have been taken up by the KPMG office and resolution sought with the Global Fund's involvement.

Termination of the LFA contract

256. The Global Fund Secretariat had concerns about the LFA's performance from as far back as October 2006. Some of the areas of concern raised were:

(a) Delays in submitting a *request for continued funding* and the related Phase 2 assessment report which frustrated the Global Fund's ability to make timely decisions and affected the program's ability to receive funding and implement its activities.

(b) With regard to Disprophar's appointment as TPPA, the LFA commended their appointment for the HIV grants. However, the Global Fund Secretariat's visit in March 2009 revealed that (i) Disprophar's written procurement procedures were not compliant with the Global Fund guidelines; (ii) At the time, Disphrophar did not have proper distribution systems in place to ensure continuous, safe, effective delivery of health products on behalf of the PR; and (iii) Disphrophar was the authorized distributor in Haiti for CIPLA, Rambaxy, Gilead and Aurobindo. Their work as the TPPA represented a conflict of interest that was not mitigated through the provision of additional controls.

(c) The LFA undertook OSDV for the three diseases and rated all three C i.e. that were no data systems in place. However, the Secretariat team during its visit found that the OSDV was not performed by an M&E expert as required and that the weak collaboration between the LFA and PR meant that some aspects that could have been explained and removed from the reports were not discussed.

(d) On 25 September 2009, the Secretariat requested a re-assessment of the Round 8 documents since the budget review undertaken was inadequate to enable the Secretariat to do further analyses and that some of the information relating to the tax burden provided by the PR was misleading.

257. In October 2009, the Secretariat communicated its dissatisfaction to KPMG citing the following concerns: (i) the lack of local presence and inappropriate skill set of local accounting team; (ii) Poor quality of deliverables; and (iii) delays in the submission of deliverables. KPMG responded and proposed changes to the structure and approach to work as LFA in Haiti. The Global Fund Secretariat, on 29 October 2009 gave KPMG notice that the contract for LFA service would be terminated on 31 March 2010. The reason given for this was that the proposal provided by KPMG did not provide sufficient assurance that the Global Fund's information and risk management needs in Haiti would be met.

Role of development partners

258. It was evident that the developments partners had played significant roles in supporting the Global Fund program implementation including strengthening the CCM roles and responsibility. For example, as mentioned in the preceding paragraphs, USAID through SCMS has provided support to the Global Fund supported programs to avoid the ARV stock-outs due to delays in ARV procurement.

259. The OIG noted that various development partners displayed considerable good will towards the Global Fund supported programs and were committed to working with stakeholders to ensure the Global Fund achieved its goals. Some development partners were willing to provide input or collaboration especially through the provision of technical support. The Secretariat should continue to nurture this good relationship.

The Global Fund Secretariat

260. The OIG observed that a change in 2009 of the Secretariat's personnel contributed significantly to putting the Haiti programs back on track to. The new team identified solutions to resolve long outstanding weaknesses, and the existence of a lack of capacity within the current PR to perform its roles. In this connection the Global Fund Secretariat conducted a mission to Haiti in March 2009 and this consisted of members from the Country Programs Cluster, Finance Cluster and the Strategy, Performance & Evaluation Cluster. This mission identified a number of deficiencies which need to be addressed by the PR. The OIG commends this Country Team approach since it provides good oversight of a country's programs. The OIG noted however that the risks identified could have been identified much earlier in the program and resolved had such a mission happened earlier.

261. Moreover the OIG noted that there had been no systematic process in place to monitor various recommendations from the joint mission and /or LFA reviews. Follow-up of actions appeared to be on an ad hoc basis. The OIG noted that a number of issues remained unresolved at the time of the audit. This posed the risk that some recommendations may not be implemented. There is a need for the Secretariat to establish a mechanism for following up recommendations from the LFA and mission reports in order to ensure that these are actioned timeously in order to strengthen the control environment and improve programs.

262. The OIG noted that the Secretariat did not have comprehensive records with regard to some of the earlier grants e.g. with regard to the HIV grant managed by UNDP. As already mentioned, the OIG further noted that the work undertaken to close the Round 1 was deficient and left many unreconciled balances at the end of the grant.

Recommendation 53 (Requires attention)
The Secretariat should establish a mechanism for the tracking and follow up of recommendations arising from its missions and the LFA reviews in order to ensure their timely clearance.

263. The Global Fund has decided to invoke the Additional Safeguard Policy (ASP) on Haiti. The ASP is part of the Global Fund's risk-management strategy, which is

invoked when the existing systems cannot ensure accountable use of Global Fund financing and suggest that Global Fund resources could be placed in jeopardy without the use of additional measures.

264. In OIG's view, the listing of Haiti as an ASG country ensures better management of the risks represented in the country e.g. stronger monitoring and through the greater involvement of the Secretariat's team in its management. The conditions that countries on the ASP list are obliged to comply with would have to be reviewed to come up with appropriate mechanisms that address the specific risk in the country.

265. At the time of writing this report, the Global Fund Secretariat was in the process of identifying suitable PRs and mobilizing technical assistance in the event that it is required. With regard to procurement and supply management, Haiti has been signed up to use the Voluntary Pool Procurement (VPP) mechanism. The Global Fund is also exploring the possibility of extending the VPP contract to cover other services like customs clearance, supply management, warehousing and distribution.

Annex 1: Global Fund Secretariat Comments and Responses

The Secretariat takes this opportunity to express its appreciation for the quality of the work performed by the OIG, which results in an overall very comprehensive report which provides useful information on the Global Fund financed Grants in Haiti.
The Country Team would like to thank the Office of the Inspector General (OIG) and in particular the Team that conducted the audit for their collaboration during the whole audit process.

Overall Findings and Recommendations of the Audit Report
Overall, the Global Fund Secretariat concurs with the OIG recommendations presented in the audit report. The OIG audit report provides further strong evidence on concerns and issues that had been previously identified by the Secretariat and reinforces the risk mitigation strategy developed and implemented by the Country Team during the past 18 months.

Some recommendations, which are linked to the Public Health aspect of the audit, are more general in nature and not necessarily tied to the implementation of ongoing grants but rather linked to future applications. Accordingly, it is delicate for the Secretariat to agree on precise completion dates for Recommendations 38, 39, 40, 41 and 44 while in principle there is no disagreement on their soundness.

Conditions Precedent and Special Conditions
The OIG report highlights that the PR was slowed to address and adequately fulfill the numerous Conditions Precedent and Special Conditions included in the various Grant Agreements.

The Secretariat would like to highlight that most of the issues identified during the March 2009 mission were addressed through Conditions Precedent and Special Conditions included in the Consolidated Grant Agreement HTI-102-G01-H-00 signed on 2 April 2009. The significant amount of conditions included in this Grant Agreement was meant to normalize certain irregularities as well as promote corrective actions from the PR.

The Secretariat paid particular attention to the fulfillment of those conditions and sent numerous official communications to the PR to stress the importance of completing these conditions in a timely and quality manner. Promoting transparency, the Secretariat also ensured to keep the Country Coordinating Mechanism (CCM) informed of the situation and progresses achieved in the fulfillment of the conditions, as they were prerequisite to the disbursement for the program.

Local Fund Agent (LFA)
The Secretariat agrees with the recommendations concerning the LFA. In 2009, after flagging numerous poor quality deliverables received form the LFA and not seeing any improvement despite substantive feedback, the Regional Team decided to re-tender for LFA services in Haiti.

The Country Team selected again KPMG as LFA for Haiti. However, the composition of the in-country team has changed and the Level of Effort has been increased significantly introducing new obligations to be performed in agreement with the Additional Safeguard Policy. In particular, the following adjustments and new tasks have been introduced:

- the number of professionals performing LFA tasks has increased substantially;
- the qualifications of the professionals recruited have increased;
- the overall level of effort was increased to account for the complex environment and challenging context of the country;
- new tasks have been introduced such as; i) periodical audit of the PR and the SRs expenditures; ii) review of tender processes; iii) random verification of unit cost; iv) semester reports of the coordination unit costs;
- The scope of work of the LFA shall be regularly reviewed to make sure that all identified risks are mitigated.

Although, the OIG findings points to a lack of communication and cooperation from the PR's side to the LFA having been denied access to certain information, the report confirms the concerns raised by the Secretariat that led to discontinuing the LFA work order contract and retendering the country. In addition, the report maintains that KPMG CCT did not closely monitor nor follow up issues raised by the local LFA representative and that challenges faced by the local LFA in accessing information should have been taken up by the KPMG office and resolution sought with the Global Fund's involvement.

Throughout the report, the LFA role and mandate is correctly represented. However, the LFA is also given part of the responsibility in relation to its role during grant negotiations in reviewing and clearing indicators that were found by the OIG audit to be inadequate/inappropriate. It could be argued that this is more a Secretariat issue than an LFA issue, since indicators are negotiated with the Secretariat. Although the LFA does review the proposed program indicators to determine whether they are reasonable, feasible and consistent with the original proposal (and considering TRP clarifications) the LFA doesn't get involved in technical issues/substance of the programs.

Additional Safeguard Policy (ASP)

The Global Fund uses a range of tools to manage risk. The Additional Safeguard Policy (ASP) is part of this risk-management strategy, which can be invoked in full or in part, based on risks identified in the country where a particular grant or group of grants is being implemented.

After the earthquake that devastated the country in January 2010 and considering our view that the systems currently in place in Haiti are not sufficient to ensure accountable use of grant funds, the Global Fund has decided to apply the Additional Safeguard Policy (ASP) for Haiti.

Considering that Haiti will move from emergency aid to long-term reconstruction, ASP will be revoked when the efforts to lay the foundation for Haiti's long-term recovery will have produced the desirable results.

PR Situation and Resignation of Fondation Sogebank

Based on evidences recorded during Grants implementation and that were confirmed by the OIG report, the Secretariat considered that Fondation Sogebank did not have the capacity to absorb additional programs. Indeed, in numerous occasions over the past 2 years, the Global Fund Secretariat requested officially Fondation Sogebank to take corrective actions to normalize the situation, providing detailed explanations of the irregularities noted.

Therefore, in line with the Additional Safeguard Policy (ASP) and in consultation with major stakeholders in Haiti, the Secretariat decided to change the PR for the new Global Fund financed Grants (Round 8 malaria and Round 9 TB proposals).

Population Services International (PSI Haiti) was selected as the new PR for the Round 8 Malaria proposal and the United Nations Development Program (UNDP) was selected for the Round 9 TB program. This decision was shared with the main stakeholders in Haiti and with the CCM who endorsed the Global Fund's decision in a letter dated 18 June 2010.

PSI accepted the Global Fund' solicitation and has prepared all the required documents (PSM Plan, PF, M&E Plan, budgets and work plans) for the New PR Assessment that was conducted by the LFA in August. The LFA recently submitted its reports to the Secretariat who is now reviewing them with the Country Team.
Based on the PR Assessment, the Secretariat will negotiate with PSI the terms of the Grant Agreement for Round 8 malaria.

At the end of May 2010, after several months of inability to address in full the requests from the Secretariat, Fondation Sogebank submitted their official resignation as Principal Recipient.

The Secretariat acknowledged the resignation of Fondation Sogebank and is now working closely with the CCM and key stakeholders on the transition process in the framework of the ASP. In this context, UNDP offered to take over the responsibilities as PR for the existing HIV Grants in addition to the new R9 TB Grant. The Secretariat accepted UNDP solicitation and is now working with UNDP on the negotiation of new Grant Agreements. The Secretariat expects the transition period to last between 3 to 6 months. Fondation Sogebank should therefore remain acting Principal recipient of the existing Grants until the end of 2010 and UNDP take over from January 2011.

The Secretariat believes that diversifying the risks among different recipients would benefit the programs. The Secretariat also plans to introduce a variety of actions and recommendations designed to increase the Grants' implementation oversight from the Secretariat.

In order to avoid the occurrence of inadequate policies and reduce potential irregularities in the management of grants, the Global Fund will request the new PRs to focus during grants' negotiation on the following areas:

- Ensuring that adequate policies and procedures are developed and put in place to manage the grant, with a special focus on SR management;

- Setting up appropriate internal and external audit arrangements at PR and SRs' level;
- Harmonizing the salary policies for the grants funded by the Global Fund;
- Conducting an exhaustive revision of the PR and SRs budgets;
- Promoting the use of a detailed calendar for the timely submission of all the deliverables;
- Overhead costs will have to be itemized;
- Support the CCM oversight of the programs by capacitating the CCM.

Procurement and Supply Management (PSM) Situation

As highlighted in the OIG report, the PR failed to propose a suitable PSM plan which needed constantly to be revised and improved. Due to the lack of capacity of the PR for developing and implementing a solid PSM plan, the Regional Team requested Foundation Sogebank the use of the Voluntary Pool Procurement service to mitigate the several procurement-related problems which are clearly identified in the OIG report.

It is important to note that VPP procures pharmaceuticals and laboratory commodities through the agent Partnership for Supply Chain Management (PFSCM), which is the same institution that procures and distributes pharmaceuticals for PEPFAR in Haiti under the SCMS project. Currently SCMS implements the most efficient supply system in the country.

In the post disaster context, the US Government made their facilities (SCMS) available to the Global Fund financed programs. SCMS collaboration has been pivotal in ensuring continuity of treatment.

In the framework of the transition to the new Principal Recipients (UNDP and PSI), new procurement and supply management plans will be established. The Global Fund Secretariat has already stressed the importance to harmonize the systems with the existing infrastructure in place in Haiti. Furthermore, in the post disaster context, PAHO is leading an initiative to build a unified system for the country. All stakeholders (Haiti's Government, USAID, UNICEF, Clinton Foundation, ACDI, PFSCM, UNFPA etc.) including the Global Fund supports this initiative which will hopefully be operational by the mid-2011. The Global Fund will ensure that the systems used by PSI and UNDP will be harmonized with this project.

CCM Strengthening Measures

We agree with the recommendations concerning the CCM. The Secretariat will organize a CCM workshop and technical assistance will be provided to the CCM to strengthen its capacity as overseeing body. In particular, focus will be put on the following areas:

- Enhancing key stakeholders' understanding of GF architecture, processes and procedures;
- Clarifying CCM roles and responsibilities including the Global Fund six minimum requirements for grant eligibility, with emphasis on the CCM oversight and harmonization roles;

- Reviewing and suggesting modifications (if necessary) to the current CCM governing processes to ensure that they are in line with CCM guidelines and requirements; and
- Developing consensus on what constitutes an independent CCM with a functional secretariat.

Furthermore, the Latina America and the Caribbean Team is organizing a CCM workshop in Jamaica in September 2010. Haiti has been invited. This three day workshop will enable CCMs from across the Caribbean region to share experiences, challenges encountered and best practices.

Sub-Recipients' Strengthening Measures

Considering that some of the weaknesses identified in the OIG report are related to the management capacity of institutions implementing programmatic activities, the Secretariat finds that a series of training activities is needed.
The primary objective of the training will be to further strengthen institutional capacities and to enhance the dialogue and collaboration among the wide variety of organizations that implement the programs funded by the Global Fund.

Therefore, the Secretariat will ensure that adequate technical assistance will be provided to all SRs. Special attention will be given to the following areas:

- Financial management systems and procedures;
- Inventory management systems;
- HR management;
- tender processes;
- planning;
- Global Fund procedures and requirements.

Defining the Roles and Responsibilities of Partners

A Post Disaster Needs Assessment (PDNA) was conducted by the UN in collaboration with the World Bank and USAID. The PDNA was presented in New York on 31 March 2010 and the International Community pledged more than US $5 billion to rebuild Haiti during the next 2 years and some other US $5 billion over the longer term. Reconstruction is expected to take at least 10 years.

The Secretariat has requested to receive a copy of the plan and has stressed the importance of mapping existing and upcoming interventions in order to avoid duplication of resources and efforts. The Secretariat has communicated to the partners and the CCM the possibility of reprogramming the existing proposals to address post disaster specific needs but highlighted the necessity to evidence the funding gap since massive funding is expected to reach Haiti in the next years to come during the reconstruction effort.

The Team will keep on strengthening the Global Fund relationship with the partners. One of the key roles that Partners will have to play is related to the unified procurement and supply chain system initiative leaded by PAHO. The Global Fund will emphasize the importance of developing this system in the near future.

Annex 2: Recommendations and Action Plan

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
Recommendation 1 (Significant) The PR should establish an internal audit function to review SRs and program implementation in the regions.	<u>Fondation Sogebank response:</u> Fondation Sogebank disagrees. This operation is adapted to the withdrawal of programs. An internal audit department is a department belonging to the involved organisation and is intended to ensure the proper functioning of the internal monitoring system. However, the SRs who monitor the accomplishment of certain objectives are the Fund's responsibility, a role which it has always fulfilled. In relation to its internal audit roles, Fondation Sogebank does have an Internal Audit Department at its disposal. And so the foundation has been able to benefit from the support of this department, in particular during the initial assessment of SRs in 2003 and an evaluation assignment in 2009. In relation to its program follow-up responsibilities, Fondation Sogebank already enforces a system and suitable procedures similar to those implemented by comparable institutions through the Project Management team at the heart of the Technical Directorate and the Department of Financial Analysts, who carry out financial monitoring and software analysis of activities carried out by SRs. More specifically, this financial monitoring is carried out through: (a) the on-site auditing of monthly financial reports received from SRs, (b) a periodic evaluation of internal	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat agrees with the OIG recommendation and has urged the PR to establish an internal audit position in various occasions. Examples: Feedback Letter D03 GA HTI-708-G06-H - 31.08.2010 Feedback Letter D03 GA HTI-304-G04-T - 07.05.2010 Feedback Letter D26 GA HTI-102-G01-H-00 – 15.09.2010 The LFA also pointed out the lack of an internal audit department in various exit interviews held with the PR at the end of PU/DR reviews. To the Secretariat and the LFA, the PR always responded that they could not identify a suitable candidate for this position due to the lack of qualified personnel in Haiti but that they were working on it (response to Feedback Letter D03 GA HTI-304-G04-T, 14 May 2010). In the framework of the	OIG reiterates the importance of the PR establishing an internal audit fuction to review SRs.

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	monitoring procedures and conformity to the Grant Contract signed between each SR and Fondation Sogebank, (c) following up the status of recommendations from external auditors, (d) the review of budget adjustment requests put forward by SRs, and (e) issuing notices of non-opposition for any acquisition of medical products and any purchase of other products for a total sum of more than US $5,000. <u>CCM response:</u> The new PRs will take this recommendation into consideration.			close out/transition to new PRs after FSGB resigned on 28 May 2010, this recommendation will not be enforced by the Secretariat.	
Recommendation 2 (High) In order to strengthen the control environment within which the programs are being implemented, the PR should ensure that its policies and procedures adequately address the risks identified in the control environment within which the grants are implemented and provide adequate guidance to all stakeholders involved in program implementation. The policies should be enforced in order to strengthen the control environment within which the programs are being implemented.	<u>Fondation Sogebank response:</u> Fondation Sogebank considers this recommendation to be too general. The Foundation has no objection in principle to the general idea put forward. However, the policies and procedures which the OIG believes to be inapplicable should be clearly specified, enabling us to obtain more specific comments from the PR. <u>CCM response:</u> The new PRs will take this recommendation into consideration.	UNDP and PSI	End of 2010	Without the rationale supporting this recommendation, the Secretariat cannot express an opinion on this recommendation.	The recommendation should not be read in isolation but in tandem with the report. As explained in the report, the policies in place were generic, outdated and did not address or provide guidance on the some key grant making processes. The recommendation sought therefore to strengthen the policies to ensure that they were adequate in light of the grant making process.
Recommendation 3 (High) The PR should comply with the conditions stipulated in the grant agreement. Full compliance would strengthen the control	<u>Fondation Sogebank response:</u> Fondation Sogebank disagrees (with the observations put forward). To this day, the PR has worked hard,	UNDP and PSI	End of 2010	<u>Observation on FSGB response and OIG recommendation:</u> The Secretariat agrees with	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
environment within which Global Fund programs are implemented.	and continues to strive assiduously, to respect the conditions established in the grant agreements. Owing to this hard work, disbursements related to prerequisite conditions were able to be received in a reasonable period of time. In fact, since the start of the programs managed by Fondation Sogebank, 62 disbursements have been made by Global Fund, for a total sum of $153,330,746 that is more than $20 million per year. Currently, in relation to the RCC-I grant agreement, the conditions which have not yet been fulfilled relate to: (1) obligations which have not yet been fulfilled (or have been delayed) by the Secretariat, for the approval of documents submitted by the PR (Follow-up and assessment plan, Procurement plan, reconciliation tables for advances paid to the MSPP since 2007), (2) conditions which were modified by the Secretariat for periods subsequent to those initially targeted in the Annex to the Grant Agreement [submission of 2010 budgets using new formats which were sent after signature of the Grant Agreement, and follow-up to the 2008 audit reports (due on a date after the date of the Agreement's signature)]. The PR would have been grateful for receiving from the OIG details relating to the identification and status of 23 conditions mentioned in their draft report, with a view to a more specific response from the PR. However, in the last PR follow-up report submitted in May 2010, only two (2) elements had not yet been satisfied by			the recommendation to strictly respect the Terms and Conditions included in the Grant Agreement. The Secretariat recognizes that FSGB struggled to fulfil the conditions precedent in a quality a timely fashion. The Secretariat communicated on numerous occasions to the PR and to the CCM the status of the Conditions Precedent and the impact on disbursements should the conditions not be fulfilled. Though, the Secretariat must recognize that until December 2008, the Global Fund applied a more flexible approach and that disbursements were realized although certain conditions were not met, were partially met or were work in progress. Therefore, it is understandable that the PR has a different interpretation based on past experience with the Global Fund.	

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	the PR: - submission of the 2010 budget in the prescribed format, - full execution of the 2008 audits, reconciliation of audited expenses with program expenses, and following up material weaknesses. These points will be resolved during Fondation Sogebank's withdrawal period (July – August 2010). CCM response: The new PRs will take this recommendation into consideration.				
Recommendation 4 (High) The PR should prepare job descriptions that : reflect in detail the different responsibilities that are executed by the people in those positions. Performance should be measured against the job descriptions; show who a staff member is responsible to and who they should be reporting to. While this may be reflected on the organization chart, it should also be mentioned in the job description for clarity; be signed by a management level member of staff and the job holder as evidence of commitment to meeting the terms that have been laid out; and be reviewed at the time of renewing the contracts for staff to ensure that they are up to date and reflect any changes in work that may have arisen over time.	Fondation Sogebank response: Fondation Sogebank disagrees. For several years, Fondation Sogebank has retained complete job descriptions for all levels of responsibility, all approved by the executive management and signed by staff. CCM response: The new PRs will take this recommendation into consideration.	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Global Fund introduced the requirement for the PR to have an HR manual as a Special Conditions in the grant agreement number HTI-102-G01-H-00 signed on 2 April 2009 (SP #D.6 and #D.7). The condition was fulfilled with significant delay hence showing that the PR did not possess such HR Policy. To the best knowledge of the Secretariay this Policy is still incomplete. The Secretariat believes that when an adequate HR Policy is not in place, the CCM should endorse the Policy proposed by the PR.	The report states that there were job descriptions but they did not define the roles, responsibilities and accountabilities of staff and their managers. The recruitment of staff was also not commensurate to the work load resulting in overlaps in the tasks allocated to staff e.g. in the Finance department. The OIG reiterates that job descriptions should be prepared to ensure that all staff are aware of their roles and responsibilities.

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
Recommendation 5 (Significant) The PR's governance body should establish a proper process for revising staff salaries that are reasonable, in line with accepted and comparable amounts for like positions in other donor supported programs. Salary revisions should be driven by performance evaluations and inflation data and be based on empirical data in order to ensure that they are reasonable. Salary increases that are to be financed from grant funds should be expressly approved by the Global Fund prior to their execution. Good corporate governance requires that the governing body sets and monitors all remuneration of its directors. The Board should review the remuneration of the ED and ensure that it remains in line with his contract, and that it is reasonable and fully justified. The use of program funds to pay staff bonuses should cease. The Board should also revisit the need to have the end of project compensation scheme. This is duplicative in nature given that high staff salaries are paid to compensate for the limited contract periods. The amounts deducted from the program funds to cover the compensation scheme should be refunded. The salaries paid by the Global Fund should be in line with sector levels. The contribution to salaries from program funds should be revised to reflect this and release funds to fight the three diseases.	Fondation Sogebank response: Fondation Sogebank disagrees. The PR disagrees with the observations reported by the OIG with the exception of formalising periodic staff assessments. The majority of the proposed measures are already in effect. The evaluation forms and procedures have been drawn up and will be implemented with effect from 2010. It should be noted that the most recent series of salary reviews conducted in 2009 has been documented in compliance with the criteria established in the revised section on human resources, and was recorded in the appropriate tables, which were consulted by the OIG team. This review exercise has been reviewed, corrected and approved by the Executive Committee, including members of the Board of Directors. These increases were subject to provisions in the PRs budget which were included in the documents supporting the annual letters of execution and grant agreements. These were revised in detail by the LFA and/or authorised by Global Fund. Fondation Sogebank is of the opinion that it would be inappropriate or impractical to request the specific approval of GF for anticipated individual salary increases. In conclusion, the salary levels used at the foundation are in no way excessive, and the income allocated to salaries complies with routine standard practices in Haiti. It should be noted that some SRs have a payscale superior to that of the PR. The total budget allocated	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat is in disagreement with FSGB response. Any change in the approved budget should be approved by the Global Fund. In the case of salary and incentives Policy for the PR, the Secretariat makes the following observation: - FSGB states that all their HR costs are approved by the Board of the Foundation and that any salary increase or change is documented and approved as necessary by its Board. - FSGB states that HR budget costs are included in the budget submitted to the Global Fund. The Secretariat considers that since the burden of the costs is almost entirely born by the Global Fund, the PR should request prior approval for making any change to these costs after a budget has been approved. Should these salary increases or compensation be paid by the Groupe Sogebank, then no approval would be needed. Regarding the budget, it is true that HR costs are included in the budget.	Given that most of the FSGB human resource costs were met from grant funds, the Global Fund's approval should have been sought alongside the FSGB Board's approval. The OIG bencmarked the FSGB Salaries against those paid to staff implementing similar programs and they were noted to be significantly higher. Furthermore, The OIG requested for the salary scales of the bank but these were not provided and so the OIG could not provide assurance that the rates paid to FSGB staff were in line with the Bank policy.

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	falling under the heading of Human Resources is already limited to 40% of the total budget, which enables us to ensure that staff payments are reasonable and that we can sufficiently finance the operations of services. The recommendation that we demand prior approval for any increase in salaries is inappropriate since it should be applied to all PRs, and it contradicts the comment included in paragraph 61 that Global Fund cannot determine the salary levels which the Foundation should pay to its own members of staff. However, the budgets are submitted to the heads of the LAC Regional Team on a yearly basis or in phases for review and approval. The annual salaries are therefore approved by Global Fund and the LFA. We have never received any conflicting recommendations with regard to these budgets. CCM response: The new PRs will take this recommendation into consideration			However, the PR was unable to provide the breakdown by program. Therefore the Secretariat included a Condition Precedent in GA HTI-102-G01-H-00 signed on 2 April 2009 to have the PR disclose the detail of HR costs charged to each Grant. The PR took almost one year to prepare such breakdown, hence showing a clear lack of robustness and rigor in GAAP application. Furthermore, various Conditions Precedent related to the PR HR Policy and requesting the PR to submit a revised budget were included in the GA HTI-102-G01-H-00 signed on 2 April 2009. Most of these Conditions were never fulfilled or only partially fulfilled, thereby preventing the Secretariat from performing the necessary review.	
Recommendation 6 (Significant) Staff contracts should be renewed on a timely basis. Personnel files should contain a comprehensive record of the staff details i.e. contracts, recruitment documents, academic qualifications, references, contracting, performance evaluations, job descriptions, training etc.	Fondation Sogebank response: Fondation Sogebank disagrees. All staff files include job descriptions and up-to-date contracts. In addition, contracts are renewed on an annual basis. The main priority is to ensure that the performance objectives for the various roles are understood and put into practice by staff. As such, Fondation Sogebank is planning to work on formalising and documenting the regular staff appraisals.	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The LFA often pointed out that contracts were out dated and that some contracts could not be retraced. The PR has updated the contract agreements following the request of the Secretariat to receive a	

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	CCM response: The new PRs will take this recommendation into consideration.			copy of all employees' contractual agreements. Though, this recommendation is probably completed by now. Considering that the Fondation Sogebank resigned, this recommendation will not be enforced with them. The Secretariat will focus on the new PR and ensure that they have an adequate salary and compensation policy.	
Recommendation 7 (Significant) The PR should ensure that its financial management system has appropriate checks and balances to assure the integrity of financial data. This may be by developing the current financial system further i.e. by extending its functionality and training staff or acquiring a new financial management system. Some key success factors that should be considered in selecting a financial management system include: Functionality: the ability of the system to produce information in the form in which it is required and in a timely manner; Flexibility of the system i.e. the ability to modify the FMS to support its changing business practices; Usability of the system: Adequate training and appropriate user support should be provided to the users of the FMS, based on the level, responsibility and roles of individual users, to enable the users of the systems at all levels to understand, operate and maintain the system.	Fondation Sogebank response: Fondation Sogebank agrees in part. Corrective measures are currently in progress. Fondation Sogebank had already made arrangements for the acquisition and setup of a more integrated and developed accounting system and the development plan was submitted to the OIG team, who have explained that certain aspects of this have been taken up in their report. However, it should be noted that the improvements required by the OIG have already been implemented in the current system based on the well-known software package SAGE-ACCPAC: multi-currency facilities, handling significant sums of money, and the ability to run automated integrity diagnostics. This system should integrate the following aspects: - expansion to 3 users, - network access to the system, - integration of one subsidiary ledger for	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat already highlighted that the PR's accounting system had several weaknesses. The LFA has reported in various PU/DR the following issues and areas for improvements in the accounting system used by FSGB: - lack of strict adherence to GAAP: (i) some paid invoices are not stamped for cancellation by the accounting department of the PR, raising the risk that the same invoice can be presented again for payment if classified as un-paid; (ii) in some instances, proformas (quotes) from suppliers are not called in or	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
Internal control i.e. Appropriate internal controls should be applied to all system inputs, processing, and outputs to ensure resource use is consistent with policies and reliable data are obtained, maintained, and disclosed in reports. Backup and security of financial data; System should have a multi currency recording capability as well as the ability to handle large numbers; Ability to carry out self-diagnostic checks for integrity etc.	assets and another to prepare pay, - direct modelling of financial reports to be submitted to Global Fund and local entities, - addition of budget monitoring, input and manipulation of financial reports from SRs, sending cheques, automatic bank reconciliation statements etc. to the "financial analyst" role Some of these aspects have already been in place since December 2009: expansion to 2 users (with a view to avoiding a single-workstation system) and activation of network access to the system. This short-term action has allowed us to address all of the prerequisite functions, allowing us to separate the tasks of preparing vouchers and cheques, inputting data and system monitoring. In addition, the PR has reinforced the security of accounting data through structured access to the system, the periodic back-up of data and systematic back-ups of the network. <u>CCM response:</u> The new PRs will take this recommendation into consideration.			kept on file, resulting in the selection of suppliers without competitive bid; (iii) some discrepancies were identified between amounts recorded in the General Ledger and amounts listed in supporting documents, raising issues of inaccurate posting and quality assurance procedures during data entry; (iv) fees from contractual agreements between the PR and data field surveyors in November 2009 were increased with no reasons or justifications recorded in the amendments; and (v) there are instances where some documents do not have all the approved signatures. - Difficulty to separate expenditures by programs. - The budget is not managed directly from the accounting software. Consequently, since it is managed outside of the system, this situation puts a lot of pressure on the accounting staff by having to create budgetary reports outside of the financial system. Not only it is time consuming but it doesn't allow for comparative reports and warnings. - Weaknesses identified with the filing system.	

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
				- No fixed assets ledger to track equipment and assets in an organized fashion. - Mastering of the accounting system: The level of proficiency of the employees manipulating the accounting system reveals knowledge discrepancies evidenced by the time to address a request from one individual to the other. Though, considering that new PRs will take over the Grant implementation, this recommendation will not be enforced by the Secretariat.	
Recommendation 8 (High) The PR should ensure that it has adequate controls in place to strengthen its finance function and safeguard program resources. This should include strengthening its staff capacity, utilization of its accounting package, maintaining up to date financial records, preparation of bank reconciliations, timely review of accountabilities, strengthening of management control e.g. through the review of financial transactions by independent senior officials etc. This will strengthen the internal control environment within which grants are implemented.	Fondation Sogebank response: Fondation Sogebank agrees in part. On the basis of the above clarifications, Fondation Sogebank has basic measures at its disposal and already enforces these measures for the foundation's finance function to protect program resources. CCM response: The new PRs will take this recommendation into consideration.	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: See comment above (Recommendation 7)	-
Recommendation 9 (High) The PR should document its financial management policies in a manual. The policies and procedures should at least cover the following:	Fondation Sogebank response: Fondation Sogebank agrees in part. Fondation Sogebank had planned to document the financial monitoring and accounting procedures following the	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: FSGB must document its procedures in a manual and	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
Disbursement of funds and accountability; Records management including security of records; Maintenance of proper books of accounts, chart of accounts and preparation of periodic management accounts and reporting; Budget preparation, tracking and analysis; Assets management including inventory management; Charging of administration and overhead costs; Bank and cash management; Accounting for contributions in kind; Allocation of responsibilities and authorities; Guidelines for controlling expenditures including setting approval thresholds for financial transactions; Safeguarding and utilization of assets etc.	setup and implementation of new modules to reinforce the partial accounting system. However, the PR maintains that specific guidelines have already been established in respect of the following elements: - disbursement of funds and responsibilities for preparation, review, and approval of internal needs, disbursements and establishing approval thresholds with the committee for financial transactions, - maintaining registers and monitoring data entries, - the nature and different types of financial reports to be produced, - maintaining and managing the chart of accounts, - guidelines on budget preparation and follow-up under the headings required by Global Fund, - procedures for planning and monitoring the breakdown of overhead costs All of these procedures are already in force and are fully understood by staff, even though they are not all documented. <u>CCM response:</u> The new PRs will take this recommendation into consideration.			distribute such document to all employees. It is difficult to understand what rules the management principles of FSGB if no manual is available. How does FSGB ensure that all employees follow the same procedures? How does FSGB ensure that adherence to GAAP is enforced? How does FSGB ensure that all employees share the same interpretation of governing rules and principles if these are not handy and gathered in a manual? The PR does not have a register for assets and equipment purchased with Global Fund monies. The PR cannot separate expenditures per program: fulfilling such request needs a long and complex analysis with room for errors and interpretation.	
Recommendation 10 (High) The Global Fund should issue written guidelines and regulations on the amount and percentage of acceptable overhead costs, including fees, salaries, bonuses, incentives and expenses, including for any PRs and Sub-recipients. This will ensure that the funds are used for program purposes, and not diverted for other	<u>Fondation Sogebank response:</u> Fondation Sogebank disagrees. Fondation Sogebank opposes this erroneous interpretation of the outstanding indirect costs (overheads). Fondation Sogebank stresses that these costs are sustained largely so as to cover the general administration costs for programs financed by Global Fund in	Global Fund		<u>Observation on FSGB response and OIG recommendation:</u> The response from FSGB is not adequate. From the documents the Secretariat has received, it is evident that overhead was not used for program	The recommendation was for the Global Fund to consider.

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
purposes and non-program recipients. This will also mitigate reputational risk which would arise from publicity of such extreme diversion of funds. All future grant agreements signed should require PRs to justify and get prior approval from the Global Fund for all fixed overhead charges made from the program funds	respect of the administration, support, supervisory and surveillance services, and strategic direction services for programs undertaken by members of the Board of Directors and Executive Committee, the different committees of this Council and the responsibility centres covering the activities of the Sogebank Group, and associated members of the Secretariat. The support and assistance of these departments is necessary to allow the Executive Management of Global Fund programs to fulfil its objectives, since Fondation Sogebank alone would not have been able to provide all the assistance required for these programs. Let us not forget that Fondation Sogebank had to manage 5 substantial projects financed by Global Fund for grants totalling $207,494,223 over the course of the last 7 years. Fondation Sogebank stresses that the most recent version of the table of evidence for the RCC-I Consolidated Program submitted in April 2010 – and still awaiting approval by Global Fund – justifies these general costs. As such, it is an acquired right, and even one backed up by article 23 of the Universal Declaration of Human Rights, that any work carried out must receive just and fair payment. And so the services provided as outlined above have allowed us, among other things, to review, accept and sign grant agreements, authorise the spending of the PR, carry out an internal audit on programs, assist in and reinforce the governance of programs, take steps to			related expenditures. It is important to highlight that during the 7 years of program implementation (2003 until present), we have not recorded any funding or services contribution from Groupe Sogebank or Fondation Sogebank to the programs financed by the Global Fund. The approved budgets evidence that: - all administrative costs (electricity, phone, internet, rent, HR, office supply, furniture, software, equipment, cars, oil etc.) were paid for using grant funds; - all staff salaries and compensation were paid for using grant funds. Consequently, the Secretariat believes that the budget covered adequately all the costs incurred by the Program at the PR level. FSGB claims that the few services from the Board of Directors of the Foundation should be paid for by the Global Fund. Considering that at least, more than 95% of the entire costs of the Foundation are paid by the Global Fund, if the assumption from FSGB is that all the costs should be	

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	adjust salary policies, and resolve situations relating to collaboration with program partners. Fondation Sogebank also wishes to stress that these errors of interpretation committed by the OIG are damaging to the reputation of the foundation. It is a widely accepted principle that once these costs have been deducted and transferred to their proper funds, their actual use is to be determined at the PRs discretion, and their subsequent use can in no way be interpreted as a "misappropriation of funds". Let us not forget that the principle of allocating fixed costs, as enforced by the PR, has been discussed in detail with the Global Fund project managers, was deemed acceptable, and was approved by Geneva. This principle was standard practice and was used by all recipients until 31 December 2008 for the R1 and R5 HIV/AIDS program, until the closure of the R3 TB and Malaria programmes on the 30 September 2009 and is still used for the R7 HIV/AIDS program. To this day, the Global Fund Secretariat has only required the prior breakdown of general costs in this manner for the RCC-I Consolidated Program. It is therefore inconceivable that detailed evidence should be required 6 years on, irrespective of the prior approval of these costs by Global Fund. In addition, Fondation Sogebank does not understand why only the fixed costs incurred by the PR have been queried by the OIG report. Fondation Sogebank stresses that, long before the visit of the OIG team, and in the manner required under the new			paid for by the Global Fund, the Secretariat then questions the name of the Foundation and the contribution of Groupe Sogebank. The Secretariat understands that usually, Foundations created by Private Sector companies are, as well as their projects, entirely financed by these companies. The Secretariat also would like to ask why the internet website (the internet name domain http://www.sogebank.com/fondation/ is also paid for using Grant funds) claims " Symbole de l'engagement social du Groupe, la Fondation Sogebank apporte ses contributions financières, humaines et matérielles à la communauté"? According to the letter sent by Guy Rivière on 22 July 2010 to Prof. Kazatchkine, overhead from the Global Fund was in part used to finance the other projects of the Foundation, again questioning the real contribution of Groupe Sogebank as claimed on the paper letterhead "Symbole de l'engagement social du Groupe Sogebank".	

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	provisions of the Grant Agreement of the RCC-I Consolidated Program signed in March 2009, the foundation has already been working hard to promote and assure the acceptance of the prior justification of general costs among SRs. Fondation Sogebank has worked together with the SRs to draft a guide to procedures (the document attached hereto) relating to the submission of detailed budgets with breakdowns of general expenses, the identification of eligible and ineligible activities and spending items which may be included in these budgets, the forwarding of spending reports pertaining thereto and their appropriate supporting justification. This guide was widely distributed and has allowed Fondation Sogebank to offer technical assistance to the majority of SRs. <u>CCM response:</u> Yet to be considered by Global Fund				
Recommendation 11 (High) All overhead charges made from the Global Fund grant funds and not used for program related activities should be refunded. PRs should provide justification for all future overhead charges and seek prior approval from the Global Fund for the charge.	<u>Fondation Sogebank response:</u> Fondation Sogebank disagrees. With regard to the allocated rate of 10% which is generally used to calculate general expenses, Fondation Sogebank wishes to draw the OIG's attention to the following points: 1. This rate was subject to a written position from the local LFA in 2003 with regard to the PRs, which resulted in acceptance of the principle put forward by the Investment Manager according to which any overhead expenses not exceeding the 10% threshold of direct costs should not require subsequent justification. In addition, the 10% rate	Global Fund, LFA UNDP and PSI	September 2010 End of 2010	<u>Observation on FSGB response and OIG recommendation:</u> According to the Grant Agreement STCs, all funds must be spent for expenditures related to the program. This contractual agreement is signed by both parties (The Global Fund and the PR). STCs Grant Agreements, Article 4 and Article 9 : 4. GRANT FUNDS The Global Fund hereby grants to the Principal	

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	proved reasonable and relatively low in relation to the rates which certain international organisations receive. 2. These overheads were budgeted by the PR and SRs, and were reviewed by the LFA during the PR evaluations and periodic reviews, and were then included in the budgets for the grant agreements and annual letters of execution without objection from the LFA (local capacity or KPMG) or the Secretariat. The expenses incurred were also not subject to any queries from the LFA or the Secretariat in any correspondence or feedback which we received. 3. Fondation Sogebank actually applies a lower rate than the one stipulated above, since, in contrast to the SRs, the taxable base is made up of the sum difference between the direct costs and projected spending on Infrastructure and Equipment. Correspondingly, the actual rate used by the PR is between 7% and 8.5% of the total direct costs. This method was even more attractive to Global Fund from an economic standpoint, since if Fondation Sogebank were to apply the costs as a percentage of the time invested by each member of the Committees and Board of Directors, the invoice due would be significantly higher than that which is currently charged to Global Fund. Consequently, the OIG's report should reflect the fact that the PR is helping to maximise the funds which are available for allocation to programme activities. The OIG's review of the transactions made from a special account called			Recipient an amount not to exceed that stated in block 8 of the face sheet of this Agreement (the “Grant”), which may be made available to the Principal Recipient under the terms of this Agreement. The Principal Recipient may only use Grant funds for Program activities which occur during the Program Term or as otherwise agreed in writing by the Global Fund. 9. MANAGEMENT OF GRANT FUNDS 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. Accordingly, the Principal Recipient shall use its reasonable efforts to ensure that Grant funds are not used by it or by any Sub-recipient to support or promote violence, to aid terrorists or terrorist-related activity, to conduct money-laundering activities or to fund organizations known to support terrorism or that are involved in money-laundering activities.	

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	"Global Fund Allocation" reflected in equity, which is also checked by external auditors not belonging to the foundation. These audits have never been subject to restricted access to this account. The main sources of funding for this bank account are: - various donations received, and - refunds of indirect costs (overheads) charged to different projects managed by the foundation. The review of the transactions made from this account was approached in an inappropriate manner. The OIG auditors gained access to this information following the explicit request of the auditors who believed, erroneously, that, given the name of this account, it was part of Global Fund's program funds. Fondation Sogebank has previously explained the fixed costs incurred on the basis of the pre-established rate. Full respect of this rate and the taxable base has meant that we can justify these expenses. Once the transfers had been made, the final use of these funds was at the Foundation Committee's discretion. It should be noted that the Committee members had forfeited their expenses so that the foundation could use these funds for its social and charitable work, philanthropic and humanitarian work and special projects aiming to create employment opportunities, as proven by the breakdown in the various annual reports of Fondation Sogebank appearing thereafter. Fondation Sogebank objects to the OIG's			By failing to adhere to such governing principles and using overhead for non-programs related matters, FSGB failed to preserve the Global Fund resources and was in breach of the contractual agreement. FSGB should repay the amounts that were not used strictly for program purposes. Furthermore, as mentioned under Recommendation 10, the Secretariat observes that not only most of the FSGB resources and charges are paid by the Global Fund grants with minimal contribution from the Groupe Sogebank but that all indirect costs (i.e. electricity, internet access, HR, office supply, phone, rent etc.) were also directly charged to the programs. The Global Fund cannot accept to have overhead financing discretionary expenditures or charitable programs not directly tied to the Global Fund financed programs. The Secretariat highlights that under no-circumstances these expenditures were approved by the Secretariat. Such spending came from an abusive interpretation of	

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	attempt to call these indirect costs into question, since this would imply that Fondation Sogebank, the principal recipient, would have established and applied this rate unilaterally since 2003, in addition to applying it to the SRs over the years, without the Secretariat and the Global Fund finance departments' knowledge. In conclusion, the comments from the OIG are incorrect, leading any reader of the report to erroneous conclusions. In consideration of the fact that this practice of the 10% threshold charged on direct costs was approved by the LFA and Global Fund and in view of the absence of any official query of this practice by the Secretariat, Fondation Sogebank has acted in good faith and should not be held responsible for the absence of specific directives from Global Fund on this subject. Correspondingly, Fondation Sogebank refutes any query of the total fixed costs transferred to its own funds and used by the Executive Committee of Fondation Sogebank in pursuit of the institution's needs expressed above. <u>CCM response:</u> Global Fund, assisted by the LFA, must find a way to resolve its disagreement with Fondation Sogebank. The new PRs will take this recommendation into consideration.			the "overhead" budget line. Though, it is important to highlight that the breakdown of overhead allocation is a new requirement within the Organization. Prior to 2009, breakdown of overhead was not required and it was common practice to approve overhead as a percentage of the total Grant amount.	
Recommendation 12 (Significant) The Foundation's Financial Director should enforce the advances policy. Staff with outstanding advance balances should not receive additional travel advances.	<u>Fondation Sogebank response:</u> Fondation Sogebank disagrees. Corrective measures have been taken. The institution has already followed up this observation by requesting and	Fondation Sogebank	Complete	<u>Observation on FSGB response and OIG recommendation:</u> The PR must send the reconciliation of advances	-

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The Financial Director should recover the outstanding 2008 advance balance i.e. US$ 13,866 from the respective staff salaries.	obtaining reimbursement or justification of the vast majority of travel advances which have not yet been settled. The Administration and Finance Directorate has already started to avoid paying any travel advances to staff members with accounts which have not been settled. Contrary to the assertions of the OIG, the justification period for these advances has resulted in no losses, and has not harmed the execution of Global Fund programs.			received to the Secretariat.	
Recommendation 13 (High) Grant funds should not be used to cover non program related activities e.g. staff loans and other loans. This will ensure that funds are available for the purposes of the program and to implement program activities when such is needed. The US $ 8500 advanced to the Diaspora Challenge fund project and HIV/AIDS Integrated Community Health Program should be refunded.	<u>Fondation Sogebank response:</u> Fondation Sogebank agrees in part. Corrective measures have been taken in relation to staff loans and inter-fund transactions. Fondation Sogebank disagrees in respect of the other loans. Staff loans. Fondation Sogebank has decided to limit the payment of any advance or loan to members of its staff. It should be noted that these advances were all paid from funds set aside from the PRs operating budget. These advances were not under any circumstance able to be drawn from funds allocated to SRs or funds available for program activities. Generally speaking, these funds are repaid within a short period of time and are in any case covered by allowances which would be paid to the employee in the event of his departure. Other loans. This situation has arisen as a result of the fact that the overhead costs had not yet been transferred into the correct funds and so were still due on the date of the transaction. As such, this transaction should not be	Fondation Sogebank UNDP and PSI	Complete End of 2010	<u>Observation on FSGB response and OIG recommendation:</u> It is not acceptable to use Grant funds to finance activities not directly linked to the programs. Regarding, the fund rolling, once the Secretariat realized that this was a recurring practice, the Secretariat immediately informed the PR that it was prohibited (letter dated 9 September 2009). Since then, the PR did not use again this method.	-

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	considered as an advance; it is a partial payment taken from programme funds for overhead costs owed to the foundation's own funds by a direct payment to a Fondation Sogebank service provider. Inter-fund transactions. The practice of inter-fund transactions was justified as a result of the delay in disbursements from Global Fund and the principle of sustaining the remedial work being undertaken in certain projects. In particular this has allowed us to avoid disruption to certain program activities which would otherwise have suffered significantly from the lack of funds. This practice was known to the LFA and Global Fund and no objections were voiced until we received the formal notification from Global Fund in September 2009. Since then, this practice has been discontinued. <u>CCM response:</u> The new PRs will take this recommendation into consideration.				
Recommendation 14 (Significant) Procurement of goods and services should follow laid down procedures and procurement best practice. Procedures for drawing up supply contracts exist and should be applied. Penalties should be imposed on the contractors referred to above.	<u>Fondation Sogebank response:</u> Fondation Sogebank agrees in part. Fondation Sogebank will guarantee the inclusion of appropriate explanatory notes in files relating to the selection of consultants so that the contracting process can be fully documented. <u>CCM response:</u> The new PRs will take this recommendation into consideration.	UNDP and PSI	End of 2010	<u>Observation on FSGB response and OIG recommendation:</u> The Secretariat agrees with the OIG recommendation. The new PRs will take the recommendation into account and the Secretariat will ensure that a PSM plan will govern such processes.	-
Recommendation 15 (Significant) All Global Fund assets should be properly insured. Insurance should be in the name	<u>Fondation Sogebank response:</u> Fondation Sogebank disagrees. See the explanations given in response	UNDP and PSI	End of 2010	<u>Observation on FSGB response and OIG recommendation:</u>	-

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of the Foundation to ensure that compensation reverts to the appropriate party in the event of the loss or accident of the motor vehicle.	to Recommendation no. 3. CCM response: The new PRs will take this recommendation into consideration.			The Secretariat agrees with the OIG recommendation. This is stated in the Standard Terms and Conditions included in the Grant Agreements.	
Recommendation 16 (Significant) The PR should ensure that proper controls are instituted to control telephone usage costs. Proper supporting documentation should be maintained for all expenditure incurred.	FSGB Reply: FSGB is in agreement. Corrective action in progress. FSGB points out to OIG that the Accountancy Department has already in force a certain level of control regarding communication expenses incurred from BlackBerry, via the preparation of a cost summary by transaction type (local, international, roaming calls, SMS, etc.) for each user. Furthermore, control procedures for the granting of a maximum allocation and the revision of the official or unofficial nature of calls, have been prepared and are undergoing revision for their application with immediate effect. The new procedures should come into effect from the month of July 2010. CCM Reply: The new PR will take this recommendation into account.	FSGB UNDP and PSI	In progress End of 2010	Observation on FSGB response and OIG recommendation: FSGB's response does not address the OIG recommendation as it doesn't explain how limitations to such expenses will be enforced. The PR must provide evidence that it has taken corrective actions.	-
Recommendation 17 (Significant) The PR should ensure that all its SRs are audited in accordance with its grant agreement with the Global Fund. Action plans should be developed and implemented to address weaknesses identified within SRs. All SR questioned costs should be followed up and recoveries made for all unsupported expenditures	FSGB Reply: FSGB is not in agreement. Monitoring in progress for late audits. All SRs are already subjected to an annual audit. FSGB already has in force a collection of measures which reinforce the process of external audits. Standard terms of reference similar to those audit norms prescribed by silent partners such as USAID, BID, or the World Bank, have been established and diffused to the SRs	FSGB UNDP and PSI	In progress End of 2010	Observation on FSGB response and OIG recommendation: This recommendation is included in the consolidated GA HTI-102-G01-H-00 as a Condition Precedent (#C.3) but it is still not fulfilled: To date, 2 audit reports are still missing: MoH (2007 and 2008) and Save the Children	-

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	and to pre-selected audit firms according to their level of familiarity with the audit projects. Received audit reports are revisited for quality control and in accordance with the terms of reference. Comparative tables are prepared between audited expenses and expenses accepted on the programs and the differences are communicated to the SRs so that explanations can be presented. Following this, the revisited reports are transported to financial analysts to monitor reported weaknesses and questionable costs. The SRs who have their anomalies noted are also required to present a plan of action to resolve these situations. During the July-September 2010 trimester, FSGB will formalise and intensify the monitoring of audit reports, in particular the resolution of questionable costs as foreseen in the programme withdrawal plan and in the context of transition terms towards the designated PRs. It is expected that all questionable costs be justified by the latest date of 30 September 2010. Otherwise, contentious actions will commence for the recovery of those values which should be reimbursed by SRs. <u>CCM Reply</u>: New PRs will take this recommendation into account.			(2008). 2009 audit reports are due since 30 June 2010 for all recipients. None have been received to date. Multiple reminders have been sent to FSGB through feedback letters etc. CCM was also officially informed. The Secretariat informed FSGB that Sub-Recipients who failed to send their audit reports (2007 and 2008) will not be authorized to receive grant funds until their situation is normalized.	
Recommendation 18 (Significant) The PR should establish and implement comprehensive procurement policies and procedures. These policies should include: procurement thresholds for the different	<u>FSGB Reply</u>: FSGB is not in agreement with the formulation of the recommendation. Contrary to OIG assertions, FSGB already uses and communicates procedures and	UNDP and PSI	End of 2010	<u>Observation on FSGB response and OIG recommendation:</u> The Secretariat agrees with the OIG recommendation.	-

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procurement methods; the controls over the payment of advances on procurements undertaken; and the deduction of retentions on construction work.	practices linked to the supplies of assets and services. Furthermore, in a periodic manner and on an annual basis up to 2008, FSGB organises seminars on presentation and familiarisation with these procedures to the advantage of SR management and their staff who are involved in purchase management. Training material given to participants includes applicable procedures in the management of supplies and of products received, stocked and used. CCM reply: New PRs will take this recommendation into account.				
Recommendation 19 (Requires attention) The PR should ensure that SR charts of accounts are able to classify information to suit their reporting needs. In cases where the chart of accounts cannot be aligned to provide required information, alternative software e.g. MS Excel can be used. However, this information should be reconciled to the information contained in the accounting software.	FSGB Reply: FSGB is in partial agreement. FSGB ensures that all SRs possess and use an accountancy plan which establishes direct links with the report in the budget column. However, the implementation of an accountancy system by objective or area of activity requires conceptual changes to the project's structure and operational mode, and an expert and costly adaptation. During the transition period, FSGB will make itself available with an aim to eventually providing limited assistance to the new PRs for this recommendation to be taken into account. CCM Reply: New PRs will take this recommendation into account.	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat has not received any evidence that the SR followed this recommendation. Furthermore, the PR has never submitted any documents supporting the correct use of such "plan comptable".	-
Recommendation 20 (High) A proper budgeting framework for SRs should be established that covers proper preparation (backed by proper work plans	FSGB Reply: FSGB is in disagreement with the formulation of the recommendation. FSGB notes that procedures, forms and a	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The PR has never submitted	-

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and reasonable costs) eligible expenditure per grant agreement and proposal, cost ceilings, budgetary reallocation justification, reviews and approvals etc.	guide based on the models required by Global Fund have already been developed, communicated to the SRs and used by the various operators at leader level of budget development. Furthermore, the activities and the indicators of each of our programs are the subject of operational definitions, which could be linked to types of eligible expenses not only for each grant agreement signed with Global Fund, but also according to specific activities related to the project financed for each SR. From 2009, the PR calls for a framework complete with activities and budget, for each year, inside one single stage, to be filed and kept up-to-date. CCM Reply: New PRs will take this recommendation into account.			any document supporting this affirmation.	
Recommendation 21 (High) The PR should ensure that all SRs comply with the country laws in accordance with the grant agreement. Specifically the splitting of salaries to avoid paying taxes should be stopped.	FSGB Reply: FSGB is in partial agreement. Certain organisations have used a practice of assigning "service costs" to their executives and officials as well as their regular salaries. Certain lawyers had thus confirmed the notion that these costs resemble bonus payments that themselves are subjected to a tax deduction of 10%. This represents the legal foundation of this practice which is not at all abnormal, as confirmed by OIG. However FSGB concluded these costs actually form part of the actual compensation for services rendered, and that all payments will be subjected to a complete taxation following individual	UNDP and PSI	End of 2010	The Secretariat is not aware of this practice and therefore cannot comment.	-

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	declaration of tax. Currently, according to information we hold, and following our monitoring with the SRs, no paid salary exists from program funds which hasn't been subject to a form of taxation. Consultations with SRs will be undertaken in cases where certain SRs practice partial taxation (10%) with a view to calling for an end to these techniques. CCM Reply: New PRs will take this recommendation into account.				
Recommendation 22 (High) The practice of charging a fixed overhead rate against grant funds should be discouraged. Administration overheads should be analyzed and charged to the grants at cost. The PR should ensure that all overhead charges made from the Global Fund and not accounted for and/or used for non program related activities are refunded. The SRs should provide justification for all future overhead charges and seek prior approval from the PR for the charge	FSGB Reply: FSGB is not in agreement for the period before 2009. See commentaries and position of the PR expressed in Recommendation 10 regarding the conceptual aspect of fixed cost application before the period of negotiation and signature of the Grant Agreement of the Consolidated Program RCC-I. The methodology of indirect fixed cost application (Overhead) is an accepted practice by all general silent partners. Beforehand, this practice had been discussed and formally agreed upon since 2003 together with LFA and the Secretariat. It has been put into force, in the appropriate manner, by the entirety of recipients since that time, and no dissent was founded by Global Fund up until the month of November 2008. Consequentially, neither the SRs nor the PR could be held responsible for a practice which respects the arrangements already set up. Therefore, the new principle of prior documentary evidence for this section	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: This recommendation is included in the consolidated GA HTI-102-G01-H-00 as a Condition Precedent . It is not yet fulfilled.	See OIG comment to recommendation 11

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	was only formally implemented by the Consolidated Program RCC-I since the month of March 2009. At the same time, up to this day, this principle has not been subjected to any application for the Round 3 TB and Malaria programs completed the 30th September 2009, and the R7 HIV/AIDS program in progress up until the 31st October 2010. CCM Reply: New PRs will take this recommendation into account.				
Recommendation 23 (Requires attention) The conditions stipulated in the SR agreements should include a requirement to close bank accounts at the end of the grant term. This will limit the exposure of the programs accounts to possible misuse.	FSGB Reply: FSGB is in partial agreement. FSGB put forward particular and formal directives to the SRs within the framework of program closure. The closure of project activities at a given date does not automatically carry with it the same date as the closure of accounts, by reason of the implementation, after the closure date, of administrative activities (audit, evaluation, resolution of balances to be received or paid, submission of reports, etc) in which the total cost is generally from the fund balances at the end of the program. An acceptable period of time of 3 to 6 months is allocated to SRs for the actual closure of accounts, the liquidation of activities mentioned below at their actual cost and the transfer of all balances to the FSGB for final submission to the Global Fund. For example, in the setting of the R3 Malaria Program, the accounts were closed 7 months after the closure of program activities, and FSGB undertook a submission of a reconciliation table of	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat believes that the PR should design contractual agreements with SRs based on the Agreement signed with the Global Fund. The Secretariat believes that if sound accounting system is in place, there is no particular need to close an account number at the end of a program. However, the Secretariat recognizes that this practice would simplify reconciliation during Grant closure.	Open bank accounts are known to be an avenue for fraudulaent activity e.g. money laundering.

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	fund balances the 30th September 2009 to the sum of cash currently available in these accounts. SRs have been instructed to undertake a reimbursement of this cash in hand, either to the PR or to Global Fund. The follow-up of these transactions is currently in process. CCM Reply: New PRs will take this recommendation into account.				
Recommendation 24 (Requires attention) All SRs should periodically analyze vehicle costs and make comparisons with vehicle set standards to assess reasonableness of vehicle consumption.	FSGB Reply: FSGB is in agreement. FSGB will transmit this recommendation to the SR with a view to reinforcing the controls linked to vehicle fuel use, with a view to monitoring the reasonable nature of associated costs. CCM Reply: The SR and new PRs will take this recommendation into account.	SRs UNDP and PSI will ensure monitoring of this recommendation by SRs	September 2010 End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat agrees with the OIG recommendation.	-
Recommendation 25 (High) The PR needs to review the legal frameworks of its SRs in order to ensure that the organizations it contracts with have the power and authority to commit and to use the funds as stipulated in the agreements signed.	FSGB Reply: FSGB is not in agreement. FSGB regrets that this point has not been sufficiently discussed with them. We emphasise that we have revisited the legal nature of the PSI. The 2 ultimate financial agreements between PSI and FSGB have definitely been signed with PSI/Haïti and not Population Services International (PSI International). PSI/Haïti has definitely provided evidence that it represents the ONG PSI in Haïti and links of actual control by PSI International have been able to be implemented (approval of budgets, authorisation of contract signatures, appointment of executive	UNDP and PSI	End of 2010	The Secretariat is not aware of the particular issue to which the OIG makes reference and therefore cannot comment.	The legal status of PSI should be ascertained before the grant agreement is signed.

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	directors of PSI/Haïti). CCM Reply: The new PRs will take this recommendation into account.				
Recommendation 26 (High) a)- In accordance with the grant agreement signed with Global Fund, the PR should ensure that all income generated from program activities is recorded accurately, and properly reported to the Global Fund. The Foundation should present to the Global Fund through the CCM a work plan on the proposed use of program generated income for approval before it is spent. b)- The PR should obtain reconciliations from all its SRs of program income. All income generated from program should be refunded to the PR pending approval for relocation to activities. c)- The PR should require PSI to establish a mechanism for the monitoring of its social marketing activities to ensure that they meet the objectives for which they were set up. d)- The PR should ensure that all SRs either maintain separate bank accounts, or have accounting systems that can isolate transactions by funding source. SRs should be encouraged to maintain program funds on interest bearing accounts.	FSGB Reply: FSGB is in agreement. Corrective action in progress. Foundation Sogebank wishes to specify that this remark concerning the receipts generated by the activities was made to PSI on numerous occasions. (a) As from the half-yearly reports on the 30th June 2010, the Foundation will include income from the program generated and reported by the SRs (especially the PSI) in the sections and relative to the Progress Update/Disbursement Request (PUDR). Taking into account the withdrawal of FSGB from the program management, the PR would advise that the work plan regarding the use of receipts which would be generated, be, in preference, produced directly by the CCM to the Global Fund. FSGB will produce a report regarding program income generated since the beginning of the program. (b) The PR has requested from PSI the transfer of generated incomes from the R3 Malaria Program. FSGB has undertaken final revision of the program's income originating from the sale of impregnated mosquito nets. Differences have been identified with the Management of PSI/Haïti and they are currently being resolved. The transfer of the balance of net receipts generated from the R1 HIV/AIDS Program will be equally required.	FSGB The new RRs will ensure this recommendation	In progress End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat agrees with the OIG recommendation. This recommendation is included in the consolidated GA HTI-102-G01-H-00 as a Special Condition (#D.2). To date, it is not fulfilled as no report was submitted by the PR. Regarding Grant HTI-304-G03-M, PSI has reimbursed the revenue generated by the sale of bed nets (US $688,796).	-

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	(c) From 2009, the technique of monitoring of social marketing activities has become simplified for the reason that only the strategy of free distribution to target populations has been retained. The follow-up of these activities has already been put into place via the project officer in charge of this institution. (d) The OIG should avoid generalising this observation relative to the maintenance of separate accounts per project by all SRs. This has already been implemented by all SRs. There is simply a particularity, as PSI centralises deposits of generated receipts from programme activities at PSI International level. However, the tracking is conducted by the accountancy system which allows a financial report by project and by finance source. This in turn allows a follow-up at any time of the progress of total generated receipts. CCM Reply: New PRs will take this recommendation into account.				
Recommendation 27 (High) a)- The PR should require the Ministry of Health to document and memorialize in a manual its financial management policies as they relate to Global Fund programs. Such a manual will provide guidance on how grant funds should be managed, and strengthen the control environment within which the programs are being implemented. The policies and procedures should at least cover the exemptions required with regard to public	CCM Reply: (a) The Ministry has at their disposal a manual of financial procedure developed by the firm Thomas Bois & Associates and this document was given to Mr. Thomas Muende, the auditor concerned with this dossier. However, this entity does not possess an up-to-date manual for Human Resources. For the moment, the law regarding the status of employees of the Civil Service is its compass. This document has also been submitted to the auditor.	(a) Administrative and Financial Management of MSPP (b) Administration PCU	Completed	Observation on OIG recommendation: It is the PR's responsibility to ensure that SRs comply with requirements.	-

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expense procedures, regulations applicable to the delegation of authorisation of expenses etc. b)- The Ministry should compute tax deductions in accordance with relevant tax regulations.	(b) Following the audit recommendation, this has been rectified.				
Recommendation 28 (Requires attention) PIH should ensure that complete documentation is provided to the head office to enable it to properly validate expenditure.	CCM Reply: PIH/ZL has already enrolled a consultant for the modification of administrative and accountancy procedures which date from 2005. The administration works on the intensification of the internal control system and will form a unified working group with the programming group, for the evaluation of different PIH/ZL projects. The institution is waiting for the approval of the annual budget in order to proceed to the recruitment of 2 logistics and procurement leaders. One will be linked to the Pharmaceutical Department for local medication and service purchasing, the other to more diverse purchasing. This will facilitate a prompt inventory of goods. Furthermore, the managers wish to reinforce the centralisation of data and rapid access to accountancy documents. Effective transportation of documentary evidence to the financial team will thus be quicker.	Administrative and Financial Management of PIH	August 2010	Observation on OIG recommendation: The Secretariat agrees with the OIG recommendation. However, the Secretariat is not aware of the detailed functioning of the SRs involved with the program since it is the responsibility of the PR to ensure that the SR comply with the reporting requirement. Therefore, the PR will have to follow up on this recommendation.	-
Recommendation 29 (Requires attention) PIH should prepare a staff salary allocation schedule by funder. This schedule should on a monthly basis be reconciled to the monthly payrolls to ensure that the risk of double salary payments is mitigated. Any double	CCM Reply: In the PIH/ZL payroll system, employee salary is well-defined, sources of allocation are clearly identified. Every silent partner has a payroll, nevertheless PIH/ZL is in the process of modifying its payment process. The institution has	Administrative and Financial Management of PIH	August 2010	Observation on OIG recommendation: It is the PR's responsibility to negotiate contractual agreement with SRs. In this case, FSGB needs to follow up on the recommendation	-

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payments made should be reimbursed.	already commenced invitations to tender to different commercial banks in the area for the payment of each employee via bank transfer. A new software will be implemented in October 2010 which will allow better management of the payroll by silent partners, by project, by site and by professional category.			and reconcile any duplication.	
Recommendation 30 (Significant) The Internal audit function should not be involved in the day to day activities of the program e.g. pre audits since this would impair their objectivity and independence. GHESKIO should also strengthen internal controls over salaries by maintaining comprehensive staff files and providing justification and receiving approval from the Foundation for the allocation of salaries by donor.	CCM Reply: Gheskio Centres management wanted control procedures conducted before the expenses had even come into effect. Thus, following a control of purchase procedures, one section of internal auditing will check expenses to ensure they are justified as well as checking the availability of funds within the project and concerned sectors. The manual of administrative procedure outlines the procedure relating to expenditure: a form requesting payment is filled in by the applicant, signed by the section leader and approved by the project administrator for certain expenses. For others, requisitioning is prepared by the applicant and approved by the section leader. It is in turn submitted to the purchasing section, which in turn prepares the order sheet, asks for the proforma and submits the documents to the project leader for approval. By consequence, these documents are verified by the accounting department, who ensures availability of funds. The internal audit section counter-checks everything before submitting the documents to the management for the signing of cheques. In order to more effectively structure this unit,	GHESKIO Management	June 2010	Observation on OIG recommendation: The Secretariat acknowledges the reply of the CCM.	

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	management have decided to split the responsibilities between internal control and internal auditing. In certain cases, the employee's salary is divided between two projects financed by different silent partners who always work on the basis of percentage of allocated time. Due to the different implementation of timetabling and due to particular audit project demands, it is possible for two contracts be issued at the same time. At the time of budget presentation to the PR, GHESKIO presents a detailed list of wage-earners together with the percentage of time allocated to a project. It is inevitable that a thirty year old institution will distribute its personnel over numerous projects. At the moment of auditing, the administration provides all necessary information with the contracts issued according to the time allocated to different projects.				
Recommendation 31 (significant) Proper third party supporting documentation should be maintained to support all program expenditure. Going forward and in line with the laid down policy, GHESKIO should apply and obtain 'no objection' for all relevant procurements	CCM Reply: GHESKIO is aware of the procedures which need to be respected. However, due to excessively long response time on behalf of the PR which in turn risks blocking the activities, certain purchases have been carried out before receiving a 'no objection' from the PR. Measures within the logistics department have been reinforced to maintain up to date direct links between purchases made and delivery notes. A special chapter dealing with these aspects will be added to the procedure manual.	GHESKIO Management	May 2010	Observation on OIG recommendation: The Secretariat agrees with the recommendation. The PR, in this case FSGB, must enforce this recommendation which has not been enforced in the past.	-
Recommendation 32 (Significant) GHESKIO should provide justification to the Foundation on the computations of	CCM Reply: A detailed justification of the calculation method for viral loads has	GHESKIO Management	July - September 2010	Observation on OIG recommendation: The Secretariat agrees with	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
their patient charges for viral analysis. The Foundation should review the assumptions made in the cost computation template periodically to ensure that all costs relating to the laboratory are accurately captured. The costing model should be reviewed periodically to reflect any changes that may impact on the assumptions applied. The rates charged by GHESKIO should also be compared with the rates charged by other similar laboratories to ascertain that the rates charged by GHESKIO are reasonable and justified.	been submitted to the PR and to auditors. The calculation of costs is redone every year (the last one in April 2010). In Haïti there are no other labs capable of bringing this test to fruition. The cost is less than that of other foreign labs.			the OIG recommendation.	
Recommendation 33 (Significant) FOSREF should obtain proper accounting and logistics management software for the recording and reporting of financial and logistics information for decision making.	CCM Reply: FOSREF had used the ACCPAC software for over a year, however the format in which financial reports emerged from this software is not in line with those required by fund agencies working with FOSREF. The institution is in the process of finalising the analysis of a new accounting/logistics software for an eventual acquisition. Before the end of October 2010, the final choice will have been made, the software will have been accepted and will be in use.	Financial Director of FOSREF	October 2010	Observation on OIG recommendation: The Secretariat agrees with the OIG recommendation. It is the PR's responsibility to oversee the SRs financial capacities and ensure that they fit the program requirements.	-
Recommendation 34 (High) a)- The Foundation should establish and implement comprehensive grant management procedures that cover all areas of grant management for the SRs. Reference to this manual should be made in the grant agreement that SRs are obliged to comply with. The Foundation should undertake periodic visits to its SRs to ensure that the set policies have been implemented. The policies and	FSGB response: FSGB disagrees. (a) See the position expressed earlier by FSGB to the general comments expressed before the section "Cross-cutting issues". Some suggested elements should be incorporated into the general procedure manual, while taking into account the withdrawal of the FSGB from the management of Global Fund programs.	UNDP and PSI	End of 2010	Observation on FSGB response and OIG recommendation: The Secretariat agrees with the OIG recommendation.	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
procedures should at least cover the following: Disbursement and accountability; Programmatic and financial reporting (including formats); Budget tracking and analysis; Maintenance of accounting records; Monitoring and inspection of SR and SSR performance; Guidance on internal and external auditing; Assets management including inventory management; Charging of administration and overhead costs; Accounting for contributions in kind; Identification and reporting on social marketing; and Procurement policies. b)- The PR should have an established threshold for overhead costs incurred by the SRs. This will ensure that funds are used for their intended purposes in fighting the three diseases.	(b) The FSGB recalls that the threshold not to be exceeded for overhead is already set at 10%. In addition, starting in 2009 for the RCC-I program, this OIG observation has already been resolved because of the requirement by the Global Fund and the PR for the prior submission by the SRs of the breakdown of overhead costs into elements that could contribute to program objectives. CCM Response: The new PR will take this recommendation into account.				
Recommendation 35 (Significant) The PR in collaboration with a specialized institution i.e. CHAI Haiti should identify and implement a validated software tool to support the quantification and forecasting process. There should also be better collaboration with SCMS to harmonize the semi and annual projections of service delivery needs. In the meantime, the PR should develop protected excel templates and where possible, web-based tools for timely data collection. The quarterly PSM data collected i.e. case loads, treatment	FSGB response: FSGB disagrees. This problem has arisen following the rapid decision for centralization and the delay in the receipt of products. The tools used by the PR for the supply of the SRs include all the above data cited by the OIG in EXCEL, we recall that these tools were developed by Fondation Sogebank taking into account the number of patients, treatment protocols, the volume of consumption and products out of stock, and all of this in coordination with the collection of	UNDP and PSI	End of 2010	Observation on OIG recommendation: The Secretariat has made a priority to strengthen the Procurement and Supply Management Chain System and will continue to collaborate and work with all stakeholders on a unified PSM system for the national authorities.	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
protocols, consumption rates and stock-outs should be coordinated with the collection of programmatic M&E data.	programmatic data for monitoring and evaluation. CCM Response: The new PR will take this recommendation into account.				
Recommendation 36 (Significant) The PR with consultation with MSPP should update its procurement list of ARVs including its fixed dose combinations to sustain a tenofovir based 1st line treatment protocol. This should include specific paediatric fixed dose formulations. The product selection should be harmonized across funders and should be undertaken in collaboration with the four main HIV SRs and SCMS. There is also an urgent need to evaluate and consolidate the list of OI, STI drugs and 'other drugs'.	FSGB Response: The update of the list of antiretrovirals as well as the use of fixed dose ARV does not depend on the PR, but on the operational and regulatory framework defined by the MSPP at the service provision centres, which in turn is dependent on the cases of resistance and adherence to the treatment. The SR, in this case, updates its support needs with the national treatment protocol in coordination with the MSPP, which is the regulatory body able to validate the new protocol standards. The harmonization of product selection is not dependent on funding agencies, but rather on the MSPP. The last revision of the MSPP dates from April 2007 with the holding of an international workshop for revision of the "Standards for Clinical Management of Adults and Adolescents Living with HIV". The workshop brought together all of the partner institutions in the field of HIV / AIDS and we recall that the FSGB was a major participant there. We recall that any purchase of drugs not included in the national protocol without justification is a violation of the contract linking the PR to the Global Fund. CCM Response: The updating of the list of antiretrovirals	MSPP, UNDP and PSI	Ongoing	Observation on OIG recommendation: The treatment norms and protocol for people living with HIV/AIDS is the responsibility of the Ministry of Health (MSPP) and not the PR. The PR must follow MSPP guidelines/ procedures on this matter. It is important to highlight that: - The Clinton Foundation (CHAI) has already realized a diagnostic of treatment protocol followed by the different SRs involved with the Global Fund financed programs in order to harmonize procurement and facilitate stock management. - MoH is now proceeding to a review of the treatment protocol. Once the updated treatment protocol will be finalized, FSGB will send an update of the quantifications until end of 2011.	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	is underway in the MSPP. The new list will integrate the fixed-dose formulations. The new PR will take this recommendation into account.				
Recommendation 37 (Significant) The PR should refund the two amounts that correspond to the balances that still have not been returned by PROMESS i.e. US$15,688.14 and $78,794.39.	FSGB response: Purchase of microscopes from PROMESS. We recall that the quantity of 100 microscopes ordered by FSGB was delivered by PROMESS, 80 for the Malaria Project and 20 for the TB Project.These deliveries were duly documented through the FSGB and all of these files were made available to the OIG team. However, other accessories were also part of this order slip, and, according to the presentation found at the time of the order, the quantities of the accessories have had to be changed. We also recall that the consolidated costs originally planned in the pro formas, such as the inflation factor, service charges and transportation and insurance costs, have not been charged by PROMESS upon issuance of the final bill, thus explaining the difference. However, we recall that this difference has been used by the Foundation at the level of PROMESS for payment, on request by the National Tuberculosis Control Program (NTP / MSPP), of charges for customs clearance and storage of anti TB medications, payment made from the accounts receivable of the Foundation to PROMESS. However, we would have wished that the OIG clarify the source of the amount of US $ 15,688, because, according to our analyses, the balance of the accounts receivable for this order was initially	FSGB	Completed	Observation on FSGB response and OIG recommendation: The PR must send a detailed reconciliation explaining the variance.	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
	U.S. $ 14,892.06, and already at the time of the general inspection it had been reduced to U.S. $ 0. CCM Response: The Global Fund, assisted by the LFA, must find a way to resolve its dispute with the FSGB.				
Recommendation 38 (Significant) The Global Fund should work with local stakeholders to identify alternative longer term options for the PR which include: Issuing a new international competitive tender for a qualified procurement agent, but with specific technical assistance written therein for capacity building of the Ministry of Health; and Analysing the risks and related benefits and making a decision on whether to decentralise procurement back to the larger SRs. This may be the strongest incentive for them to improve inventory management and efficiency and increase accountability. Such a decision would have to be backed with stronger oversight at PR level.	FSGB response: FSGB believes that it is up to the Global Fund to discuss this with the new PR and the interested parties in this subject, taking into account its decision to withdraw from the management of Global Fund programs. CCM Response: To be addressed by the Global Fund.	Global Fund		Observation on OIG recommendation: In the post disaster context, an initiative to create a unified PSM system was led by PAHO. The Global Fund supports this initiative which was endorsed by all stakeholders in Haiti (Government, USAID, CIDA, Clinton Foundation, PAHO/WHO, UNFPA etc. In the framework of the negotiations with UNDP, UNDP has already recognized the importance of harmonizing their future system with the existing ones. This is a priority for the Secretariat.	-
Recommendation 39 (High) The CCM with the support of the Ministry of Health should spearhead the development of a master PSM plan for all grants describing the combination of systems 'which are' with the systems that 'ought to be'. This should be used to identify gaps and measures that will need to be undertaken to strengthen capacity in the relevant entities.	CCM Response: The CCM will take the role of advocate so that this recommendation is taken into account by the entity concerned and will closely monitor the development of the project.	CCM	End of 2010	Observation on OIG recommendation: In the post disaster context, an initiative to create a unified PSM system was headed by PAHO. The Global Fund supports this initiative which was endorsed by all stakeholders in Haiti (Government, USAID, CIDA, Clinton Foundation, PAHO/WHO, UNFPA etc.	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
				In the framework of the negotiations with UNDP, UNDP has already recognized the importance of harmonizing their future system with the exisitng ones. This is a priority for the Secretariat.	
Recommendation 40 (Significant) a)- The PR should procure a logistics management information system at the central level to manage stocks and the transfer of product batches. The possibility of including stock levels at SR level using available IT technologies should also be explored. b)- The PR should proceed with the SCMS proposal to formalize a distribution system between central and dedicated depots in the departments with a clear separation of the responsibilities for the management of the inventories, storage practices and transport of health commodities.	CCM Response: The new PR will take this recommendation into account.	UNDP and PSI	End of 2010	Observation on OIG recommendation: This application will be considered by the new PRs. Though it does not apply anymore to FSGB in the transition close-out context. In the post disaster context, an initiative to create a unified PSM system was leaded by PAHO. The global Fund supports this initiative which was endorsed by all stakeholders in Haiti (Govt, USAID, CIDA, Clinton Foudnation, PAHO/WHO, UNFPA etc. This intitiative will be central in any decisio related to PSM. Capacity building at MoH level for these activities is pivotal.	-
Recommendation 41 (Significant) a)- The Global Fund should work with other stakeholders to support further capacity building of DPM/MT to ensure a national QC mechanism in future for medicine consignments sampled at point of import and randomly in the field.	CCM Response: (a) To be addressed by the Global Fund (b-c) The new PRs will take this recommendation into account. (d) The MSPP will take this recommendation into account	(a) To be addressed by the Global fund (b-d) UNDP and PSI (d) MSPP	End of 2010 September 2010	Observation on OIG recommendation: In the post disaster context, an initiative to create a unified PSM system was leaded by PAHO. The global Fund supports this initiative which was endorsed by all stakeholders in Haiti (Govt,	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
b)- In the meantime, the PR should seek collaboration with the regional drug testing laboratory in Jamaica (CRDTL) and formalize a service agreement for analytical testing of medicines, condoms and impregnated bed nets. c)- The PR should systematically enter data in the PQR database for each order and ensure accuracy and completeness of these entries according the invoices paid. The LFA should periodically be allowed to verify correctness. d)- The Ministry of Health should assess the capabilities and support further capacity building of DPM/MT to expedite product registrations.				USAID, CIDA, Clinton Foudnation, PAHO/WHO, UNFPA etc. This recommendation is linked to the development of the unified system.	
Recommendation 42 (significant) The Procurement section of the PR should also undertake quality assurance of storage facilities. The supervisory visits to sub recipients and all sites should be strengthened and frequency of inventory management training sessions increased. Enforcement of recommendations in visit reports and training attendance should become more mandatory for sub recipients.	<u>FSGB response</u>: These recommendations will be without doubt relevant during discussions with the new PR. As part of its activities of withdrawal and of transfer of information to the PR(s), FSGB planned to carry out activities including the taking of final inventory and the transfer of monitoring and evaluation information on the conformity of the SRs to storage, distribution and use standards. <u>CCM Response</u>: The new PR will take this recommendation into account.	UNDP and PSI	End of 2010	<u>Observation on OIG recommendation:</u> This recommendation will be considered during the negotiation with the new PRs. Capacity building for PSM related acitvities is one of the priorities of the Secretariat.	-
Recommendation 43 (High) The MOH should develop a sustainability plan with strategies to address the event that external funding becomes	<u>CCM Response</u>: The MSPP is aware that funding is temporary and would like to ensure the sustainability of the interventions. Some reflection on the	MSPP authorities	Not yet defined	<u>Observation on OIG recommendation:</u> In the post disaster context, considering the massive	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
unavailable. The sustainability plan should tackle how the three diseases can leverage additional funding. It should be discussed with all stakeholders such as donors, MoH, and MOEF with a view of getting buy-in and alternative sources of funding. The external support to the three programs should be designed bearing in mind that the funding is temporary.	subject has already taken place but the MSPP does not yet have a financing plan relative to the three diseases. The plan must take into account the national situation and the contribution from the other departments. It should be noted that in the context of HIV / AIDS, the multisectoral plan provides a strategic focus relative to the sustainability of interventions and fund-raising activities (taxation of certain products, disbursement of public funds, contributions from civil society) .			pledge that was granted to Haiti, the Secretariat beleives that this initiative should start with a mapping of the health relalted interventions. Such a mapping would enable increased coordination and an efficient use of resources for a higher impact.	
Recommendation 44 (Requires attention) a)- The focus of the monitoring should shift from attribution of results by program to measuring the performance of the national program. This will give more insight into the relative importance of the Global Fund programs than the mere achievement of targets. It will also help to assess the cumulative results of multiple Global Fund rounds, as part of the HIV/AIDS program. b)- Evaluations of the Global Fund and PEPFAR programs should recognize the reality of interdependence between the two programs. Because it may be difficult to separate the effects of the two programs, consideration should be given to having joint evaluations of the programs. c)- Joint programming, which has thus far taken place informally, should be formalized with pooled funding as in a sector-wide approach.	CCM Response: The MSPP is aware of the need to evaluate the overall performance of the national program and not those of the projects taken separately. A consultation has already taken place and a recovery plan has been established. The implementation of this plan is under study.	MSPP authorities	2011	Observation on OIG recommendation: This is a valid recommendation. The CCM and the MoH should lead this initiative.	-

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Recommendation 45 (Significant) The CCM should spearhead a dialogue between government and development partners on the development of a transparent allowance system that aims to bridge gaps between externally funded projects and non-subsidized mainstream services. The proposals should be driven by all stakeholders and should be all inclusive and sustainable.	CCM Response: A meeting place between the MSPP and the major funding agencies already exists. Subjects such as cost recovery and synergy are dealt with there. The CCM will try to integrate this group to continue advocacy for the establishment of a transparent system of compensation.	CCM	2011	Observation on OIG recommendation: The CCM should review the salary policy of the recipients involved in the project and endorse the HR component. Wages of local staff should be hamornized with Government rates. Reflecting this approach, the Secretariat signed an Implementation Letter (#16) for Grant HTI-102-G01-H-00 on 26 February 2010. This IL was never returned signed by the PR (FSGB) who refused to sign it.	-
Recommendation 46 (Significant) The Global Fund should prepare guidance for situations where the environment within which Global Fund supported programs changes and affects the programs as proposed. The Secretariat should work with the Technical Review Panel and a country CCM, the Ministry of Health and the PR to take timely action to address how substantial new funding in one or more of the Global Fund domains can be engaged to maximize opportunities of added value so that the risk of duplication and inefficiency are addressed.	CCM Response: To be addressed by the Global Fund.	Global Fund		Observation on OIG recommendation: Financial Gap Analysis is part of the application for funding and is reviewed by the Technical Review Panel.	-
Recommendation 47 (High) The Global Fund should communicate with the CCM any concerns that may affect the funding to the country e.g. the	CCM Response: To be addressed by the Global Fund.	Global Fund		Observation on OIG recommendation: The Secretariat agrees with the OIG recommendation.	-

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non-fulfillment of CPs. This will help the country make contingency plans if the flow of funds is interrupted and if stock disruptions arise. In cases where proposals are not honored the Global Fund Secretariat should provide guidance to the country on how they can ensure continuity of service.				This measure has been succesfully implemented in numerous occasions since early 2009. The Secretariat sends letter s or emails presenting the situation to the CCM members, hence promoting transparency. Furthermore, the CCM is copied in all official communications with the PR.	
Recommendation 48 (Significant) a)- The PR should move its M&E processes along from just verification and validation of data to analysis and interpretation of data for decision making. This should include the interpretation of data and trends over time, especially trends signifying gaps in service delivery. This information should be shared with key stakeholders to inform decision making, identify lessons learned and allow horizontal learning though the sharing of best practices. b)- Future proposals to the Global Fund should limit the number of output type indicators. The indicators should be reviewed to ensure that they are meaningful beyond the project level. All of the above could of course be part of a joint programming effort.	<u>CCM Response</u>: (a) The new PR will take this recommendation into account. (b) The CCM will take this recommendation into account for future proposals.	UNDP and PSI	2011	<u>Observation on OIG recommendation:</u> This is a valid recommendation which will be considered during new Grants negotiation. Though, the Secretariat beleives that it is the country' responsability to define its National Startegy. The Global Fund financing should come to support and strenghthen the National Strategy.	-
Recommendation 49 (Requires attention) a)- UNDP should reconcile the funds received with its program expenditure	<u>CCM Response</u>: The new PR will take this recommendation into account.	UNDP and PSI	2011	<u>Observation on OIG recommendation:</u> The CCM should follow up with UNDP.	

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
and balances held at the end of the grant period. UNDP should have this reconciliation audited and the result should be submitted to the Global Fund together with the audited financial statement. Reimbursement should be made as appropriate. b)- UNDP needs to investigate the difference between funds disbursed to SRs based on UNDP record and funds received by SRs based on SRs records. Any un accounted for advances held by SRs should be recovered.					
Recommendation 50 (Significant) The CCM should in collaboration with the development partners develop a fundraising strategy for the CCM Secretariat. The CCM should not borrow program funds for its operations. All funds borrowed should be refunded.	CCM Response: The CCM has already reflected on the various options for raising funds. In 2009, a request for support was addressed to the Global Fund to support the CCM economically. In addition, a request for technical assistance is in process.	CCM	End of 2010	Observation on OIG recommendation: The CCM applied for funding and the request was approved in 2010 by the Gloabl Fund. These funds will help the CCM organize and become a structured body guided with comprehensive rules and guidelines. When applying for funding the CCM explain that part of the budget will be financed by other sources of funding than the Global Fund CCM Grant. The CCM will raise funds as follows: $25,000 from PEPFAR $50,000 Charitable dinner $50,000 other CCM members participation	-
Recommendation 51 (Significant)	CCM Response: The Global Fund has applied the	CCM	Not determined.	Observation on OIG recommendation:	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
a)- The process for selection of PRs should be more transparent and systematic. Proper evaluations should be carried out for all PRs that are to be retained. Procedures for change of PR should be developed and operationalized. b)- The PR in collaboration with the CCM and development partners should carry out a needs assessment to identify the gaps in the Ministry of Health that need to be strengthened in order to take over the PRship from the Foundation. A capacity development plan should be developed with the full engagement of the Ministry of Health and development partners in order to adopt a more sustainable approach to implement capacity development interventions. The CCM should monitor, through a Committee, the progress of the implementation of the Capacity Development Plan. c)- The CCM should develop a transition plan listing the conditions under which PRship should revert to the Ministry of Health, provision of an exit strategy, time time-bound milestones of what needs to be put in place in order to transition the PRship etc. This plan should be monitored by the CCM.	Additional Safeguard Policy and directly designated two new PRs. At the end of this procedure, the CCM will take the necessary measures to follow the audit recommendations.			The Secretariat will also facilitate Technical Assistance for the CCM to help the CCM develop manual and procedures for program oversight.	
Recommendation 52 (Significant) The CCM should develop a communication strategy for the dissemination of CCM decisions and for regular sharing of information on grant implementation status with all CCM members and relevant	<u>CCM Response</u>: The CCM intends to resolve this problem by reorganizing its Secretariat for better dissemination of information. The respect of member recruitment procedures will allow the CCM to better	CCM	End of 2010	<u>Observation on OIG recommendation:</u> The CCM applied for funding and the request was approved in 2010 by the Gloabl Fund. These funds	-

Recommendations	Response and Action Plan	Responsible	Completion date	The Global Fund Secretariat Comments	The OIG Comments
stakeholders, in keeping with the Global Fund principle of transparency. This should take into account lessons learned from the past communication breakdowns among the stakeholders. The CCM should ensure that each implementer respects their respective obligations within the mechanism established for sharing of information	disseminate information in each sector.			will help the CCM organize and become a structured body guided with comprehensive rules and guidelines. The CCM is aware that they need capacity building. To that end, the Haitian CCM will participate in the CCM workshop organized in Montego Bay, Jamaica, in September 2010. This regional meeting will help the CCM share best practices and experiences with other CCM from the Caribbean Region. The Secretariat will also facilitate Technical Assistance for the CCM to help the CCM develop manual and procedures for program oversight.	
Recommendation 53 (Requires attention) The Secretariat should establish a mechanism for the tracking and follow up of recommendations arising from its missions and the LFA reviews in order to ensure their timely clearance.				This recommendation has already been fulfilled. The Secretariat uses a planning agenda to organize its work during the year. This agenda is shared with the PR and the LFA so that each party knows when an action is expected. Regarding the follow-up of on-going issues, these are classified by grants and follow-up folders are included in each Disbursement folders. Regarding conditions precedent, a list describing	

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				the conditions and their status is available on the folder used for Leagl agreements on Share Point. It is updated on a regular basis by the Team.	
		Global Fund			