

## Investigation Report

# Global Fund Grants to Angola

## Ministry of Health

GF-OIG-16-006  
01 March 2016  
Geneva, Switzerland

Non-compliant Expenditures: US\$ 4,316,634  
Proposed recoveries: US\$ 4,269,384  
Categories: Fraud (embezzlement of funds) / Collusion / Mismanagement

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# I. Background and Scope

In March 2014, based on the findings of a procurement review by a Local Fund Agent, the Global Fund Secretariat notified the Office of the Inspector General (OIG) of serious concerns and possible misuse of funds related to the procurement of non-health products—namely technology equipment and communication materials—within the Angola malaria program during 2013. The misuse was allegedly perpetrated by the Angola Ministry of Health, Ministério de Saúde, (MINSa) and its sub-recipient, the National Malaria Control Program, Programa Nacional de Controlo da Malária, (PNCM), a program within the Ministry of Health, and the malaria grant's primary implementer.

MINSa has been a Principal Recipient for Angola's malaria grants since 2008 and its tuberculosis grant since 2011.<sup>1</sup> MINSa formed a dedicated technical management unit called Unidade Técnica de Gestão (UTG) in 2008 within its Office of Studies, Planning and Statistics, Gabinete de Estudos, Planeamento e Estatística, (GEPE) to administer the grants on a day-to-day basis including financial management and non-health procurement. Of primary concern were indications that suppliers to the malaria program were owned by, or closely affiliated with, senior staff at UTG and PNCM, and that the procurements were a ruse to cover the diversion of malaria program funds by those staff through their companies.

The OIG initiated an investigation in April 2014, conducted a field mission to Angola and has liaised with the Angolan authorities investigating the matter. The OIG's investigation included a comprehensive search of the senior staff's office and computer records and UTG cash books for disbursements from the malaria program to concerned suppliers since UTG's inception in 2008. The OIG's search included the tuberculosis program, also managed by UTG.

Malaria grant AGO-M-MOH was closed on 31 December 2015 and the tuberculosis grant AGO-911-G05-T will close in 2016. New grants are planned for Angola to be in place in late 2016/early 2017 with MINSa as the proposed Principal Recipient for three grants, including a malaria, tuberculosis and health system strengthening grant.

The Global Fund has invested US\$ 189.2 million to date in Angola with six grants impacting all three diseases since 2005. Malaria investments alone total US\$ 95.4 million and provide Angola's citizens with universal access to malaria prevention and treatment.

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<sup>1</sup> MINSa was the Principal Recipient of Global Fund malaria grant AGO-708-G04-M, signed in October 2008, which was rolled into AGO-M-MOH, a Single Stream of Funding malaria grant in April 2012. It is also the Principal Recipient for tuberculosis grant AGO-911-G05-T, which was signed in February 2011 with its first disbursement made in March 2012.

## II. Executive Summary

The OIG's investigation confirmed the concerns raised from the procurement review. UTG's Finance Coordinator and PNCM's Deputy Coordinator, mostly in 2013, deliberately caused US\$ 4 million of malaria program funds entrusted to them to be diverted to companies they owned or were closely affiliated with. They masked the embezzlements with fabricated documentation and falsified information to make the transactions appear legitimate.

The OIG concludes that these were dishonest acts by two officers with fiduciary responsibilities, with an intention to embezzle funds and mislead MINSA and the Global Fund for their own personal benefit. For a little more than a year, they were able, without detection, to circumvent internal and external controls, manipulate internal processes and steal a significant amount of funds.

Additionally, the investigation uncovered improper practices related to the selection of external auditors in 2012 and 2013 for the financial statement audits of the malaria and tuberculosis programs that UTG managed. Tenders were manipulated and bid evaluation reports were falsified, leading to the non-competitive and non-transparent selection of auditors and excessive audit fees. The UTG Finance Coordinator's own firm was appointed auditor for one malaria program audit. The audited periods associated with the irregular tenders mostly preceded and did not overlap with the period in which the US\$ 4 million of funds were diverted. Consequently, the acts do not appear to be linked.

The UTG Finance Coordinator was also found to have been employed as the senior finance officer of a large real estate developer in Luanda during most of her tenure with UTG, receiving a salary from both employers, and active in managing the business affairs of the developer and her own company.

In total, the investigation identified US\$ 4.32 million of non-compliant uses of grant-financed program funds and proposes US\$ 4.27 million for possible recovery.

### Root Cause

The control system in place requiring UTG and MINSA senior officers to approve the release of program funds was not effective in preventing or detecting the embezzlement of funds. Each illicit disbursement—two of which were in excess of US\$ 1 million each—was approved by two senior MINSA or UTG officers without sufficient documentation and justification for the payments or confirmation for the receipt of goods. Tenders for non-health goods and professional services were procedurally improper or not performed, suppliers were not sufficiently vetted, and tender committees, when used, were ineffective. Clear conflicts of interest associated with the staff were not disclosed.

The facts of this case also suggest that there was weak Secretariat oversight on the selection of external auditors, which limited the ability of the Global Fund to identify significant conflicts of interest on a timely basis. Also, due to inadequate due diligence and follow-up on the external audit reports performed by the Local Fund Agent, the Secretariat inappropriately relied on fake financial statements submitted by the implementer.

### Actions Taken To Date

Upon learning of the procurement issues and potential embezzlement of funds in March 2014, the Secretariat froze MINSA's use of malaria program funds for programmatic expenditures until certain risk mitigation measures were implemented. In place by August 2014, these measures included: i) a thorough review of 2013 expenditures by the Local Fund Agent; ii) retaining a fiduciary agent to administer the financial management function and approve expenditures for payment; iii) installing and using a suitable financial management and accounting software system; iv) completing an action plan for improving financial management procedures and strengthening the internal control system;

v) implementing a no-objection policy for all local procurement including the Local Fund Agent's review of procurements valued above US\$ 10,000; and, vii) updating and revising the work plan and budget for the bed net distribution campaign and employing stricter disbursement and expenditure review guidelines.

At the same time, MINSA initiated an internal investigation of the concerned transactions and, based on its preliminary findings, dismissed UTG's Finance Coordinator and PNCM's Deputy Coordinator. MINSA also referred the matter to the judicial authorities, which investigated the matter and made some arrests.

Going forward for its planned new grants, MINSA's administration unit will be re-structured and improved and will be required to employ the services of a fiduciary agent and procurement agent or consultant until its own internal systems are able to sufficiently conduct these functions. The terms of reference for these assurance and control mechanisms will ensure that the risks of abuse and loss of program funds identified in this report will be adequately addressed to prevent such risks and to mitigate their potential impacts on program activities.

#### Agreed Management Actions

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

- finalize and pursue any additional recoverable amounts identified in this report that have not already been recovered (to date, the Secretariat has pursued from MINSA the recovery of US\$ 3.68 million of non-compliant expenditures preliminarily identified and US\$ 2.98 million has been repaid);
- take measures to restrict the former Finance Coordinator and former Deputy Coordinator from being associated with Global Fund-financed programs in a fiduciary capacity;
- consider taking appropriate action including sanctions against the suppliers identified in this report;
- require MINSA to employ the services of an independent fiduciary agent to administer and oversee the financial management function of grants it implements until it demonstrates sufficient internal capacity;
- require MINSA to employ the services of a procurement agent or consultant for the procurement of goods and services not procured through the Global Fund's Pooled Procurement Mechanism on grants it implements until it demonstrates sufficient internal capacity; and,
- require MINSA to implement a comprehensive conflict of interest policy on all grants that will obligate staff within the program's project implementation unit to sign annual declarations and to timely disclose any conflicts of interest as they arise.

### III. Findings and Agreed Management Actions

#### 01 UTG and PNCM Staff were Affiliated with Malaria Program Suppliers

The investigation established that the UTG's Finance Coordinator, UTG's Finance Assistant and the PNCM's Deputy Coordinator were owners or officers of suppliers to UTG or PNCM and did not disclose the relationships and conflicts of interest to UTG or MINSA management. *See Table 1.*

**Table 1. UTG and PNCM Staff Affiliated with Malaria Program Suppliers**

Position	Entity	Date Employed	Affiliated Supplier	Affiliation
Finance Coordinator	UTG/MINSA	Nov 2008 to Mar 2014	Soccopress	Owner
			Gestinfotec	Officer/Family
Deputy Coordinator	PNCM	2005 to Mar 2014	NC&NN	Owner
Finance Assistant	UTG/MINSA	Sep 2013 to Jun 2014	Gestinfotec	Commercial Coordinator

Two of the staff, UTG's Finance Coordinator and PNCM's Deputy Coordinator, initiated transactions on behalf of UTG and PNCM with the suppliers they owned under false pretenses making use of fabricated supporting documentation or falsified information to create the appearance that the transactions were legitimate. Their actions resulted in the embezzlement of US\$ 4 million of funds from the malaria program to their companies during mostly 2013, as identified in this report.

By undertaking transactions with and disbursing funds to suppliers affiliated with UTG or PNCM staff, MINSA did not comply with Articles 18 and 21 of the Standard Terms and Conditions of the malaria grant agreement and Sections 2 and 3 of the Global Fund's Code of Conduct for Recipients. The three individuals are no longer employed at UTG and PNCM or involved with the program, and the Finance Coordinator and Deputy Coordinator were arrested and investigated by Angolan authorities in association with these transactions.

#### Finance Coordinator – UTG

UTG's Finance Coordinator was employed as UTG's senior finance officer from November 2008 (at UTG's inception) until her dismissal in March 2014 by MINSA following its internal investigation. Corporate registration records, official company records and an extensive volume of other company and personal documentation and records, many of which were stored on the Finance Coordinator's computer and in her office files at UTG, show that a) while employed at UTG, the Finance Coordinator was the co-owner of Soccopress with her daughters and served as the Director of Administration and Finance of Gestinfotec, and, b) the co-owners of Gestinfotec were her son's father and grandmother. Both companies were suppliers to the malaria program and recipients of malaria program funds during her tenure as the Finance Coordinator.

Corporate organization and other official records show that Soccopress was formed in 2005 and was co-owned 50%/50% by the UTG Finance Coordinator and her two minor daughters from a previous marriage. Soccopress was an active business providing a variety of clients goods and services, and documents and records show that the Finance Coordinator was actively involved in the administration and management of Soccopress' business ventures and activities while employed at UTG.

Corporate records and documents show that Gestinfortec was formed in early January 2013 by the father and grandmother of the Finance Coordinator's son, born in December 2012.<sup>2</sup> Corporate records and other documents also show that the Finance Coordinator and her son's father co-owned together another local business and traveled together. The travel included an extended 17-day trip to the Caribbean and Las Vegas in early 2014 after the embezzlement of over US\$ 2 million of program funds via Soccopress. The Finance Coordinator was also employed as the Director of Administration and Finance at a large real estate developer in Luanda while employed at UTG until apparently December 2012, simultaneously drawing a full-time salary from both employers.

Following her dismissal from the UTG, the Finance Coordinator was subsequently arrested by the Angolan authorities and indicted. Due to the on-going criminal proceedings, the Finance Coordinator was unavailable to OIG investigators.

#### Deputy Coordinator – PNCM

PNCM's Deputy Coordinator (second in command) was employed at PNCM from 2005 until his dismissal in March 2014 by MINSA following its internal investigation. Corporate and personal documentation and company records, some of which were stored on the Deputy Coordinator's computer at PNCM, as well as statements and information he provided to the Angolan authorities and shared with the OIG, show that while employed at PNCM, the Deputy Coordinator was the co-owner with his wife of NC&NN. This company was formed in 2006 and was a recipient of malaria program funds in 2013.

The Deputy Coordinator was arrested by the Angolan authorities in June 2014 and investigated. The OIG was able to interview the Deputy Coordinator prior to his arrest and to collect evidence from him critical to the investigation.

#### Finance Assistant – UTG

UTG's Finance Assistant was employed in that role from September 2013 until the expiration of her employment contract in 30 June 2014, which was not renewed. Corporate and personal documentation and records show that the Finance Assistant was appointed Gestinfortec's Commercial Coordinator in January 2013, and had worked for UTG's Finance Coordinator at other companies since at least 2009. She was previously employed as the Finance Assistant to UTG's Finance Coordinator at the same real estate developer from 2009 to 2012 and at Soccopress from 2012 to August 2013. Evidence does not establish that the Finance Assistant directly benefitted from the embezzlement of funds to Soccopress or Gestinfortec.

*Agreed Management Actions: In response to this finding, the Global Fund Secretariat agrees to take appropriate and reasonable risk mitigation actions in relation to the individuals identified in this report as having violated the Code of Conduct for Recipients, and to require MINSA to institute a comprehensive conflicts of interest policy for staff of its implementation unit.*

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<sup>2</sup> Birth and other legal documents and records show that the Finance Coordinator gave birth to a son on 31 December 2012 and that the child's father and grandmother founded Gestinfortec soon thereafter in January 2013 and began receiving disbursements from UTG in April 2013. UTG staff reported to the OIG that the Finance Coordinator and the child's father were presumed by them to be married, although many official documents list the parents' marital status as single around that time.

## 02 Fraudulent Payments of US\$ 762,958 to Gestinfortec

During 2013, UTG disbursed US\$ 762,958 (AOA 73.4 million) in four payments from the malaria program's US\$ bank accounts to Gestinfortec Limitada. The company was founded in January 2013 by the father and grandmother of UTG's Finance Coordinator's son. The Finance Coordinator was also Gestinfortec's Director of Administration and Finance, and the UTG Finance Assistant was its Commercial Coordinator.<sup>3</sup> See Table 2.

**Table 2. Malaria Program Funds Disbursed to Gestinfortec, 2013**

Payment Date	Transfer #	Purpose	Acct	AOA	US\$
29-Apr-13	0024/2013	Technology equipment	US\$	16,042,046	167,457
22-May-13	0029/2013	Communication materials	US\$	25,541,420	266,370
19-Sep-13	0070/2013	Communication materials	US\$	30,809,755	318,480
3-Oct-13	0077/2013	Communication materials	US\$	1,038,313	10,651
<b>TOTAL</b>				<b>73,431,534</b>	<b>762,958</b>

The malaria program did not receive any products or services for most of the funds disbursed. Documentation linking partial receipts of equipment to the Gestinfortec contract and establishing that the products met required quality and technical specifications was either weak or non-existent. The transactions were either sole-sourced to Gestinfortec without undergoing a public tender process or there were notable issues with the tender process and supporting documentation. Moreover, senior UTG and MINSA officials approved the release of funds without sufficient documentation justifying the payments including on supplier selection, contract, purchase order, certificate of payment, invoice and/or satisfactory receipt of goods and services.

By undertaking transactions with and disbursing funds to Gestinfortec, and by not ensuring that funds were used for program purposes as defined and prudently managed, MINSA did not comply with Articles 2, 9, 13, 18 and 21 of the Standard Terms and Conditions of the malaria grant agreement and the Code of Conduct for Recipients. All three transactions were non-compliant, fraudulent uses of grant funds and generally represent a loss of funds to the malaria program. The OIG notes that the Global Fund Secretariat has already pursued and recovered from MINSA the amounts of the two larger disbursements for communication materials, or US\$ 584,850.<sup>4</sup>

### Payment for technology equipment, US\$ 167,457, disbursed 29 April 2013

Gestinfortec was awarded a contract through a closed tender to provide technology equipment, such as computers and printers, to PNCM three months after its formation as the only invited bidder determined able by UTG to provide all equipment requested at the specifications required. A post-review of this tender by the Global Fund's Local Fund Agent identified numerous issues associated with the procurement process, its transparency, and associated supporting documentation, or lack thereof. MINSA executed Gestinfortec's contract and approved payment of its full value on the same day, 14 April 2013, far in advance of any goods being delivered.

Documentation provided by UTG shows that some of the goods may have been delivered in September 2013, five months after the tender and payment of funds. The documentation, however, did not provide reasonable assurance that the technology equipment had been supplied by Gestinfortec and that the goods delivered met the required technical specifications and quality. Additionally, evidence indicates that some of the goods were likely not reasonably priced. See Annex B, Exhibit 01 for more details on delivery and pricing.

<sup>3</sup> Throughout this report, amounts paid in Angolan Kwanza (AOA) or United States dollars (US\$) are expressed in both currencies for illustrative purposes and for stating total non-compliant expenditures and possible recoveries. In converting currencies, the OIG used the foreign currency exchange rates provided by the National Bank of Angola on its website for the date of the transaction.

<sup>4</sup> MINSA repaid the funds between September 2014 and March 2015 in AOA instead of US\$; due to differences in foreign currency exchange rates between the date the loss occurred and was repaid, the US\$ equivalent of the recovery may differ from the loss amount.

Payments for communication materials; totaling US\$ 595,501; disbursed May 2013 to October 2013

UTG made three disbursements to Gestinfortec in 2013 purportedly for communication materials related to the malaria program's bed net distribution campaign, which included promotional banners, aprons and headwear caps. Documents justifying and supporting the transactions were limited and had red flags. The procurements were sole-sourced to Gestinfortec and did not undergo a competitive, open tender. For all three transactions, the request for the payment of funds was signed by only UTG's Finance Coordinator, when policy required two signatures for control purposes. Moreover, the contract presented by UTG in support of the May 2013 payment of US\$ 266,370 was the previous contract executed with Gestinfortec in April 2013 for technology equipment. Additionally, Gestinfortec's original invoice for the order and the May 2013 payment documentation for release of funds stated that the order and payment were for computer equipment and not communications materials. There was no contract or other documentation justifying or supporting the September 2013 payment of US\$ 318,480.

Additionally, inquiries by the Local Fund Agent during its procurement review and the OIG during its investigative mission determined that UTG has not received any communication materials in exchange for the payments. In a letter to UTG dated 26 March 2014, Gestinfortec confirmed that it had received the monetary payments from UTG and that products had not yet been delivered. No goods have been delivered as of the publication of this report.

The payment of US\$ 10,651 to Gestinfortec on 03 October 2013 was to compensate Gestinfortec for its apparent loss of funds due to differences in foreign currency exchange rates used for the September 2013 payment, which was paid to Gestinfortec in AOA from UTG's US\$ account. Gestinfortec had invoiced UTG AOA 31,848,030, which it converted to US\$ 318,480, using an exchange rate of 100 AOA:US\$. UTG's payment of US\$ 318,480 from its US\$ account, however, was converted to AOA by UTG's bank and paid to Gestinfortec at the prevailing exchange rate of 96.7400, resulting in a shortfall of AOA 1,038,275 (US\$ 10,651) from the invoiced AOA amount, which Gestinfortec sought payment for.

*Agreed Management Actions: In response to this finding, the Global Fund Secretariat agrees to finalize and pursue any recoverable amounts; take action regarding the individuals identified; address any supplier misconduct; require MINSA to employ the use of a fiduciary agent in all its grants; require MINSA to employ the use of a procurement agent or consultant for non-health procurements in all its grants; and to require MINSA to institute a comprehensive conflicts of interest policy for staff of its implementation unit.*

### 03 Fraudulent Payments of US\$ 780,040 to NC&NN

In late 2013, UTG disbursed US\$ 780,040 (AOA 76.1 million) in two payments to NC&NN Limitada, a company owned by PNCM's Deputy Coordinator. See Table 3.

**Table 3. Malaria Program Funds Disbursed to NC&NN, 2013**

Payment Date	Transfer #	Purpose	Acct	AOA	US\$
6-Nov-13	0093/2013	Communication materials	AOA	38,061,875	390,835
12-Dec-13	0108/2013	Communication materials	AOA	38,061,875	389,205
<b>TOTAL</b>				<b>76,123,750</b>	<b>780,040</b>

Similar to UTG’s transactions with Gestinfortec earlier in 2013, the malaria program paid NC&NN purportedly for the supply of communication materials for PNCM’s planned bed net distribution campaign, such as promotional banners, aprons and headwear caps; and no useable goods were received. The procurement tender and associated documentation were fabricated to create the illusion of competition and conceal that the contract was sole-sourced by the Deputy Coordinator to his company at artificial prices. Moreover, senior MINSA officials approved the release of funds without proper evidence justifying the payments including satisfactory approval from PNCM management, tender documents and/or receipt of goods.

By undertaking transactions with and disbursing funds to NC&NN, and by not ensuring that funds were used for program purposes as defined and prudently managed, MINSA did not comply with Articles 2, 9, 13, 18 and 21 of the Standard Terms and Conditions of the malaria grant agreement and the Code of Conduct for Recipients. The OIG concludes that both transactions were embezzlements of grant funds and represent a loss of funds to the malaria program. The OIG notes that the Global Fund Secretariat has already pursued recovery of the full amount of the two transactions from MINSA, but to-date no amounts related to these transactions have been repaid.<sup>5</sup>

Payments for communication materials, totaling US\$ 780,040, disbursed in November and December 2013

Documentation provided to the OIG by the Deputy Coordinator gave the appearance that the procurement for communication materials was conducted competitively via closed invitation. Tender documentation purported that eight suppliers were invited by the Deputy Coordinator in October 2013 to submit price quotes for 15 products, and three bidders provided price quotes on all 15 items. Of the three bidders, NC&NN was reported as the lowest bidder on each item and overall.

An analysis of the bids by the OIG, however, show that the difference in prices per unit percentage-wise for all 15 items across the three bidders and in total was consistently the same. This demonstrates that the price quotes for the three bidders were fabricated by PNCM and not produced by independent bidders, as illustrated with a sample of items in Table 4 and explained in more detail in Annex B, Exhibit 02. The unit prices bid by Bidder #2 (the second lowest-cost bid) were exactly 1.5% higher on all items and on the total bid amount than the prices proposed by NC&NN, and the unit prices bid by Bidder #3 (the third lowest-cost bid) were exactly 2.0% higher on all items and on the total bid amount than the prices proposed by NC&NN. Moreover, the Deputy Coordinator alone selected the winner, as there was no bid evaluation committee, and executed the contract with NC&NN on behalf of PNCM.

**Table 4. Comparison of Bid Prices from a Sample of Items for Tender of Communication Materials Awarded to NC&NN (refer to Annex B, Exhibit 02)**

Item	Price Quoted per Unit (in AOA)			Bidder #2 as a % of NC&NN	Bidder #3 as a % of NC&NN
	NC&NN	Bidder #2	Bidder #3		
Large banners	42,000	42,630	42,840	101.500%	102.000%
Small banners	15,200	15,428	15,504	101.500%	102.000%
Caps	600	609	612	101.500%	102.000%
Etc.	\\	\\	\\	101.500%	102.000%
<b>Total Bid Price</b>	76,123,750	77,265,606	77,646,225	101.500%	102.000%

<sup>5</sup> The specific foreign currency exchange rates used by the Secretariat in pursuing recoveries and the OIG in computing the loss amount may result in differences of the US\$ equivalent of the two amounts.

The first payment to NC&NN of AOA 38,061,875 (US\$ 390,835) represented 50% of the value of its supply contract and was disbursed shortly following the contract's execution, in accordance with the contract's payment terms.<sup>6</sup>

About three weeks following the first disbursement, or late November 2013, NC&NN wrote to UTG's Coordinator requesting more funds so that the majority of goods could be purchased. Supporting its request was an invoice from a supplier in South Africa. A digital copy of both the letter and the invoice obtained from the Deputy Coordinator's laptop and metadata confirms he was the documents' author. The following day, the Deputy Coordinator e-mailed UTG's Coordinator informing her that he had been meeting with NC&NN and requested that UTG remit the full balance of funds due under the contract immediately. This was so NC&NN could order the balance of the goods, although the contract did not allow for further payment until all goods had been shipped. UTG's Coordinator replied that UTG was unable to remit more funds without proper authorization and supporting documentation from PNCM, the party responsible for the campaign and contract with NC&NN.

Nevertheless, on 05 December 2013, UTG's Finance Coordinator initiated payment of the remaining 50% of NC&NN's contract of AOA 38,061,875 (US\$ 389,205). The release of funds was approved by UTG's Coordinator and senior MINSA officials even though no goods had yet been shipped or received as was required per the terms of the contract, no final invoice had been issued or received, and there was no documented evidence of a request or authorization by PNCM to disburse the funds.

In June 2014, the PNCM Deputy Coordinator admitted to OIG investigators and the Angolan authorities that he and his wife were NC&NN's owners, and he pledged full delivery of the goods procured. In support, he produced documents and invoices showing recent efforts to personally procure, under his own name or NC&NN, the needed goods from suppliers in China, Namibia and South Africa. However, no goods arrived and some of the documents were found to have been faked. For example, the Deputy Coordinator provided the OIG with a packing list of a large shipment of personal items he was having shipped at the time from China to Angola. The list showed that the shipment included the communication materials that UTG had been invoiced for. The shipping bill of lading and the supplier's final invoice obtained by OIG did not contain any communication materials but only personal household items and showed that the list provided by the Deputy Coordinator had been fabricated. *See Annex B, Exhibit 03.* In addition, an inspection of the container by the OIG in the presence of the Deputy Coordinator and the police once it arrived in Luanda revealed that the container did not contain any communication materials. He was thereafter arrested by the authorities.

Prior to his arrest, the Deputy Coordinator took OIG representatives and Angolan authorities to various small storage facilities to show them a small fraction of products such as generic A4 paper, identification cards and folders from various storage facilities as fulfillment of the contract. The Deputy Coordinator, however, could not produce documents or provide reasonable assurance that the goods were procured under NC&NN's contract with PNCM using malaria program funds, versus for other general purposes. Moreover, the Global Fund Secretariat informed the OIG that the goods produced were insufficient alone to be used in a distribution campaign and were of no use to the program.

*Agreed Management Actions: In response to this finding, the Global Fund Secretariat agrees to take action regarding the individuals identified; address any supplier misconduct; require MINSA to employ the use of a fiduciary agent in all its grants; require MINSA to employ the use of a procurement agent or consultant for non-health procurements in all its grants; and to require MINSA to institute a comprehensive conflicts of interest policy for staff of its implementation unit.*

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<sup>6</sup> The supply contract provided for 50% payment upon contract signing, 40% upon the shipment of goods, and the remaining 10% upon receipt of goods.

## 04 Fraudulent Payments of US\$ 2.38 million to Soccopress

In late 2013 and early 2014, UTG disbursed US\$ 2,383,886 million (AOA 233.2 million) in two payments to Soccopress Limitada, a company owned by UTG's Finance Coordinator. See Table 5.

**Table 5. Malaria Program Funds Disbursed to Soccopress, 2013-2014**

Payment Date	Transfer #	Purpose	Acct	AOA	US\$
5-Nov-13	0090/2013	Health products	AOA	125,000,000	1,278,315
8-Jan-14	0112/2013	Health products	AOA	108,200,000	1,105,571
<b>TOTAL</b>				<b>233,200,000</b>	<b>2,383,886</b>

The two large disbursements of over US\$ 1 million each were deliberately and dishonestly embezzled by the Finance Coordinator to her own company with no delivery or exchange of services provided for the funds received. The transactions were sole-sourced to Soccopress without undergoing a competitive tender process, as required by Angolan law. The payments were documented and recorded in UTG's books and records by the Finance Coordinator under false pretenses using fabricated documentation and falsified descriptions to create the appearance of being legitimate transactions, and one of the payments was excluded from UTG's cashbooks altogether. Moreover, senior MINSA officials approved the release of funds without sufficient documentation justifying the payments including supplier selection, contract, purchase order, certificate of payment, invoice and/or satisfactory receipt of goods and services.

By undertaking transactions with and disbursing funds to Soccopress, and by not ensuring that funds were used for program purposes, as defined, and prudently managed, MINSA did not comply with Articles 2, 9, 13, 18 and 21 of the Standard Terms and Conditions of the malaria grant agreement and the Code of Conduct for Recipients. The OIG concludes that the embezzlements were losses of funds to the malaria program and notes that the Global Fund Secretariat has already pursued and recovered from MINSA the full amount of the two transactions, or US\$ 2,383,886.<sup>7</sup>

### Payment for health products, US\$ 1.278 million, disbursed 05 November 2013

The OIG found that the Finance Coordinator, in February 2014, during the Local Fund Agent's regular review of UTG's expenditures altered UTG's cashbooks to mis-represent the payment as an approved transfer of funds to PNCM, for its operating needs. The Finance Coordinator also fabricated supporting documentation to conceal the fraud.

Previous saved versions of UTG's cashbooks obtained from the Finance Coordinator's computer originally and correctly describe the payment as paid to Soccopress. The version of cashbooks provided to the Local Fund Agent, however, was altered and incorrectly showed the payment as paid to PNCM. Moreover, as shown in Annex B, Exhibit 04, a comparison of printed copies of payment orders obtained from UTG's bank (representing the original payment order) to the payment order maintained in UTG's records show that the payment order UTG maintained and presented to the Local Fund Agent was physically altered. The bank name and account number were changed from Soccopress' to PNCM's and the purpose of the payment reference was removed. Additionally, the Finance Coordinator added documents to UTG's files from PNCM in an attempt to support and justify the payment as a transfer to PNCM. One document, however, was related to other transfers to PNCM previously made, and the other document representing confirmation of receipt of funds by PNCM was fabricated by the Finance Coordinator and PNCM's Deputy Coordinator to create the illusion that the funds were indeed transferred to PNCM, which they were not.

<sup>7</sup> MINSA repaid the funds between September 2014 and March 2015 in AOA instead of US\$; due to differences in foreign currency exchange rates between the date the loss occurred and was repaid, the US\$ equivalent of the recovery may differ from the loss amount.

The attempts to misrepresent the beneficiary of funds was flagged and brought to the attention of the Global Fund Secretariat by the Local Fund Agent during its regular review of program expenditures when the agent was unable to trace the purported incoming receipt of funds to PNCM's bank statement, a standard procedure.

Payment for health products, US\$ 1.105 million, disbursed 08 January 2014

An inspection of UTG's cashbooks show that the January 2014 disbursement to Soccopress was not recorded in UTG's cashbooks. The entry's exclusion was flagged by UTG and reported to the Global Fund Secretariat in May 2014 after UTG reconciled its bank statements to its cashbooks for the period following the Finance Coordinator's dismissal from UTG.

*Agreed Management Actions: In response to this finding, the Global Fund Secretariat agrees to finalize and pursue any recoverable amounts; take action regarding the individuals identified; address any supplier misconduct; require MINSA to employ the use of a fiduciary agent in all its grants; require MINSA to employ the use of a procurement agent or consultant for non-health procurements in all its grants; and to require MINSA to institute a comprehensive conflicts of interest policy for staff of its implementation unit.*

## 05 Fictitious External Audits of the Malaria and Tuberculosis Programs

The OIG found non-compliant practices and uses of grant funds associated with MINSA's retention of independent auditors to audit the financial statements of the malaria and tuberculosis programs in 2012 and 2013. The issues included:

- MINSA's selection of Soccopress to audit the malaria program (Grant AGO-708-Go4-M), a company not independent to UTG and its Finance Coordinator (who prepares the financial statements) or to the malaria program;
- Soccopress proposing in an open tender to audit the tuberculosis program's financial statements while the UTG Finance Coordinator, Soccopress' owner, served on the bid evaluation committee and had prepared the financial statements;
- the manipulation of an on-going open tender UTG Finance Coordinator and the other members serving on the bid evaluation committee to sole-source the contract instead to a preferred firm for US\$ 12,000 more in fees while fabricating tender documents to provide the appearance that the preferred firm participated in and competitively won the tender;
- the falsification of the signed auditor report for the malaria program (Grant AGO-M-MOH) by the UTG's Finance Coordinator relied upon by the Secretariat; and,
- bid evaluation reports that appeared faked or manipulated suggesting that the technical and financial evaluation and scoring of bids were manipulated, poorly conducted, or did not occur, calling into question whether the winning auditor was the best-qualified, lowest-cost firm, or was preferred by the Finance Coordinator.

Based on the manner by which it conducted the tenders for external auditors for the malaria and tuberculosis programs, MINSA did not comply with Articles 9, 13, 18 and 21 of the malaria and tuberculosis grant agreements and the Code of Conduct for Recipients. The OIG concludes that the tenders for the two malaria audits and the one tuberculosis audit identified in this report were non-compliant activities under the grant agreement. More critically, the fact that these multiple issues occurred and were not detected by the Secretariat or Local Fund Agent at the time points to ineffective application of Global Fund policies and guidelines in place to assess and validate the appointment of auditors, auditor performance and audit reports.<sup>8</sup> The lack of effective due diligence and follow-up in this area increased the program's exposure to fraud. The OIG proposes the full

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<sup>8</sup> *Guidelines for Annual Audits of Principal Recipients' and Sub-recipients' Financial Statements*, introduced in January 2011.

amount of the Soccopress audit fee of US\$ 38,000 and US\$ 12,000 of the surplus fee paid to the sole-sourced auditor (AUDITOR X) for possible recovery. See Table 6.

**Table 6. Malaria and Tuberculosis Program Funds Disbursed to External Auditors, 2012-2013**

Payment Date	Transfer #	Purpose	Acct	AOA	US\$
27-Nov-12	0050/2012	Grant AGO-708-G04-M - #1	US\$	1,812,790	19,000
20-Dec-12	0053/2012	Grant AGO-708-G04-M - #2	US\$	1,815,850	19,000
13-Jun-13	0032/2013	Grant AGO-911-G05-T	US\$	2,519,606	26,250
24-Jul-13	0006/2013	Grant AGO-M-MOH - #1	US\$	1,919,680	20,000
5-Aug-13	0054/2013	Grant AGO-M-MOH - #2	US\$	1,245,440	13,000
<b>TOTAL</b>				<b>9,313,366</b>	<b>97,250</b>

Conflict of Interest in Audit Tender/Contract Award

AGO-708-G04-M. The audit for Phase 2, of malaria grant AGO-708-G04-M, for the period 01 November 2010 to 31 March 2012, was awarded to Soccopress, a company owned by UTG’s Finance Coordinator. Soccopress issued UTG its audit report providing an unqualified opinion on the grant’s financial statements in November 2012, and was paid fees of US\$ 38,000. Soccopress and its audit team were not independent or impartial to the malaria grant’s financial statements as was required and expected and should not have been appointed as the grant’s auditors.

Soccopress competed against three other firms in an open tender for auditors undertaken by GEPE/UTG in August 2012 and was awarded the contract proposing a fee at US\$ 8,000 higher than the lowest-cost bidder’s. In line with industry standards, the auditor terms of reference for the audit tender required the auditors to be impartial and independent in all aspects and not to have any ties with members of the contractor, so as not to compromise the objective of the audit. The malaria grant’s standard terms and conditions also required the audit to be conducted by an independent auditor.

Digital and documented evidence obtained from UTG’s computers and offices confirmed that UTG’s Finance Coordinator prepared the Soccopress bid proposal, sat on the bid evaluation committee that selected Soccopress, prepared the bid evaluation report, drafted the Soccopress contract, prepared the malaria program’s financial statements that were audited, and prepared the Soccopress audit report and opinion. Moreover, one of the Soccopress audit team members two weeks prior to the tender entered into a professional services contract with GEPE to implement a new accounting software system at UTG for its management of the malaria and tuberculosis grants.

By retaining Soccopress as its auditor for the malaria program and disbursing funds to it, MINSA did not comply with Articles 13, 18 and 21 of the Standard Terms and Conditions of the malaria grant agreement and the Code of Conduct for Recipients. The OIG concludes that the fees paid to Soccopress were non-compliant uses of grant funds and represent a loss of funds to the malaria program, and proposes the full amount of the transactions for possible recovery. Moreover, the audit should be nullified and the audit report not relied upon.<sup>9</sup>

Grant AGO-911-G05-T. Soccopress also submitted a bid proposal to audit Phase 1 of the tuberculosis grant, for the period 01 September 2011 to 30 September 2012. The Finance Coordinator, Soccopress’ owner, was a member of the bid evaluation committee, although Soccopress finished second in scoring and was not awarded the contract.

The OIG concludes that the tender was not compliant with Articles 17 and 21 of the Standard Terms and Conditions of the grant agreement. Because Soccopress did not win the contract, as it was not

<sup>9</sup> The OIG notes that the period audited preceded and did not overlap with the disbursements made to Soccopress, Gestinfortec and NC&NN as identified in this report.

the lowest-cost bidder, and the audit was performed by the lowest-cost, technically-qualified bidder, the OIG does not consider the audit fees of US\$ 26,250 paid to the winning auditor a loss to the program and does not propose any amount to be considered for possible recovery. The auditor was not found complicit in relation to this contract.

### Manipulated Audit Tender

The investigation found that the independent auditor appointed for Phase 1 of the malaria grant AGO-MOH-M, for the period 01 April 2012 to 31 December 2012, was awarded the contract in June 2013 directly by the Finance Coordinator without participating in the tender. The international audit firm (AUDITOR X) was well known to UTG and the Finance Coordinator, as it was previously the Local Fund Agent for the portfolio from May 2009 to February 2013.<sup>10</sup> The Finance Coordinator deliberately falsified the final bid evaluation report and related tender documents to give the appearance that AUDITOR X participated in and legitimately won the tender, although it did not. The falsified tender documents were signed by all three members of the bid evaluation committee, which included the UTG Finance Coordinator and MINSA representatives.

The final signed bid evaluation report and related tender documents maintained by UTG show that four firms participated in the audit tender and submitted proposals, and that AUDITOR X competitively won with the highest combined score. Previous versions of the bid evaluation report and related tender documents discovered by the OIG show that AUDITOR X did not participate in the tender and submit a bid, and that another firm was scored the winner. When contacted by the OIG, AUDITOR X confirmed that it had not participated in the tender but had been offered the contract via sole-source directly by UTG's Finance Coordinator following the tender's opening and evaluation of submitted bid proposals.

AUDITOR X's negotiated fee of US\$ 33,000 was US\$ 12,000 higher than the fee of the firm originally scored the highest combined score and is considered by the OIG as a loss to the malaria program. AUDITOR X was not found complicit in relation to this contract.

### Fictitious Audit Report

In August 2013, UTG's Finance Coordinator provided the final and signed audit reports for malaria grant AGO-M-MOH, Phase 1, for the period April 2012 to December 2012 to the Local Fund Agent, which e-mailed the reports to the Global Fund Secretariat. The reports by AUDITOR X were dated 14 August 2013. The OIG investigation found the reports to have been fabricated by the Finance Coordinator and not authentic.

The OIG found numerous Word versions of the fictitious audit reports and associated financial statements on the Finance Coordinator's UTG computer, which were drafted and modified during July and August 2013. The reports were created from the same Word file used to generate the Soccopress audit report for its malaria program audit in November 2012, according to a visual comparison of the two reports, the files' metadata, and text found in earlier versions related specifically to the Soccopress report, such as the period audited.

A printed copy of an earlier draft version of the audit report found in the Finance Coordinator's office was used to propose edits to the Soccopress template. Throughout the report, hand-written notations identifying textual errors recommended for correction for the report's final version were found. Attached to the draft report was a blank page filled with multiple renditions of two signatures which are similar in appearance to the signatures of audit partners whose signatures appear in the final faked reports provided to the Global Fund. Due to the repetitive nature of the signatures across the blank page, they appear to represent practiced attempts to perfect the forgeries.

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<sup>10</sup> The OIG notes that the period of the financial statements to be audited overlapped with the period in which AUDITOR X had served as the grant's Local Fund Agent. Conducting the audit was not technically a conflict of interest by AUDITOR X under the Global Fund's policies for Local Fund Agents, as the auditor was no longer the Local Fund Agent in Angola.

When contacted by the OIG, AUDITOR X confirmed that the reports dated 14 August 2013 were fabricated and not issued by the firm, and provided the OIG with copies of its authentic reports, dated 26 May 2014 (the Finance Coordinator had already been dismissed from UTG by that date). As there were no notable differences in figures or audit comments between the fabricated and authentic audit reports, the Finance Coordinator likely produced and submitted the fabricated reports only to comply with the required deadline for submitting audit reports under the grant agreement, as the audit had been delayed, rather than to mis-represent or conceal the program's financial position.

### Technical and Financial Bid Evaluations and Scoring

The manner in which the bid proposals were scored, both for their technical merits and financial costs, was questionable and unfair and appeared to either not have been performed, or was manipulated so as to favor a specific bidder. Patterns detected across the three audit tenders also suggest that the contracts were awarded on a bid rotational basis, although not confirmed. See Annex B, Exhibit 05, for more in-depth analysis and information.

The technical scores awarded to bidders as reported in the bid evaluation reports on three audit tenders were exact replicas of each other, although each tender evaluated a different group of auditors for a different audit and period. Most of the same text was also used from report to report to describe the strengths and weaknesses of bid proposals, although submitted by different bidders. This suggests that the scores and textual summaries were copied from one bid evaluation report to the next, and that either the auditors' proposals were not evaluated and scored by the committee or that the committee's actual scores were not used in the final report and for the final scoring of bids by the Finance Coordinator, who prepared the reports.

Similarly, the financial scores were not appropriately or fairly applied on the three tenders. The lowest and middle-cost proposals (there were always exactly three proposals that made it to the financial evaluation stage) were always scored the maximum 100 points, despite differing bid amounts, and the highest-cost proposal always received a score of 40 points, regardless of its bid amount in proportion to the other bids. This practice resulted in the contract not being awarded to the lowest-cost, technically qualified bidder for the two malaria tenders, but to the middle-cost bidder, which resulted in higher fees for the malaria program and was not a prudent use of grant funds.<sup>11</sup>

The OIG concludes that the manner in which the bid proposals were evaluated and scored was unreasonable, unfair, and inappropriately applied as well as non-compliant with the Standard Terms and Conditions of the grant agreements. It also resulted in higher costs to the program. Refer to Annex B, Exhibit 05, for a more detailed description of the non-compliant practice.

*Agreed Management Actions: In response to this finding, the Global Fund Secretariat agrees to finalize and pursue any recoverable amounts; take action regarding the individuals identified; address any supplier misconduct; require MINSA to employ the use of a procurement agent or consultant for non-health procurements in all its grants; and to require MINSA to institute a comprehensive conflicts of interest policy for staff of its implementation unit.*

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<sup>11</sup> One of the contracts was awarded to Soccopress and the other was sole-sourced to AUDITOR X. The issues related to these two tenders and the resulting losses to the malaria program are discussed elsewhere in the report.

## 06 The UTG Finance Coordinator was also Employed Elsewhere

UTG's Finance Coordinator also actively served as the Director of Administration and Finance for a large real estate developer in Luanda, and she drew a salary from both organizations for a period of at least 3<sup>3</sup>/<sub>4</sub> years. During her tenure at UTG, the Finance Coordinator also actively managed Soccopress business activities and served as the Director of Administration and Finance for Gestinfortec from 2013 onward.

The dual employment of UTG's Finance Coordinator at both entities and the sharing of her time between UTG, the real estate developer, Soccopress and Gestinfortec was in violation of her employment contract with UTG. The OIG considers the Finance Coordinator's UTG salary of US\$ 78,000 per annum for the period overlapping her employment with the real estate developer, or from at least April 2009 to December 2012, totaling US\$ 292,500, a non-compliant use of funds under the Standard Terms and Conditions of the grant agreement and proposes at least this amount for possible recovery.

### Finance Coordinator's Employment with Real Estate Developer

The Finance Coordinator's employment contract with UTG began in November 2008 and prohibited her from holding other employment. An extensive volume of printed and electronic documents and records obtained by OIG from the Finance Coordinator's computer and office files at UTG including the real estate developer's management meeting minutes, management reports, bank funds transfer requests, and payroll registers as well as an e-mail by the Finance Coordinator and her business card and 2013 curriculum vitae show that during the time she was serving as the Finance Coordinator at UTG, or at least from April 2009 to December 2012, UTG's Finance Coordinator also actively served as the Director of Administration and Finance for the real estate developer. The developer paid her an annual salary of approximately AOA 4,896,000 (in 2010) to AOA 5,175,600 (in 2012) (US\$ 53,850 to US\$ 57,000), according to its payroll registers, making her the highest-paid employee of the company, second to its director. The OIG could not establish whether the Finance Coordinator was paid a salary from Gestinfortec.

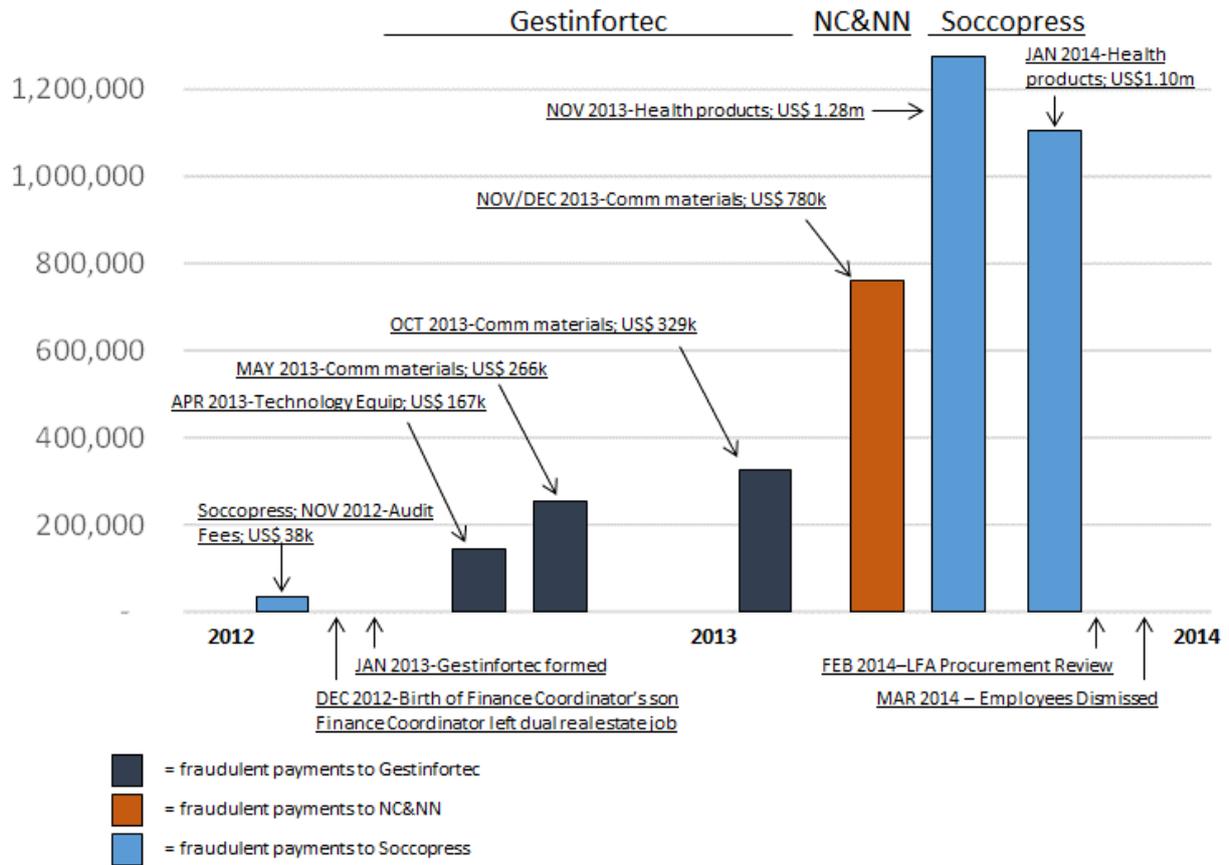
*Agreed Management Actions: In response to this finding, the Global Fund Secretariat agrees to finalize and pursue any recoverable amounts and to take action regarding the individuals identified.*

## 07 Progression of Embezzled Funds and Fraudulent Payments

The series of embezzlements and fraudulent payments by the UTG Finance Coordinator and PNCM Deputy Coordinator to the companies they owned and/or were closely affiliated with first began in late 2012, with Soccopress being appointed the malaria program's financial statement auditor. A thorough and detailed OIG inspection and review of UTG office and computer files and program cashbooks from November 2008 forward (employment of the Finance Coordinator) found no evidence indicating that embezzlements or fraudulent payments by these two individuals occurred earlier.

The embezzlements and fraudulent payments continued throughout 2013 and into January 2014 until the procurement review by the Local Fund Agent in February 2014 that discovered the possible connection of the two staff to three program suppliers. By then, the two staff had embezzled or fraudulently taken a total of about US\$ 4 million from the program. See Figure 1.

**Figure 1. Progression of Embezzled Funds and Fraudulent Payments (amounts in US\$)**



## IV. Conclusion

The OIG's investigation confirmed that Principal Recipient's Finance Coordinator and the Sub-recipient's Deputy Coordinator in mostly 2013 embezzled US\$ 4 million of malaria program funds and were associated with other fraudulent activities involving grant-financed funds. The funds were funneled through entities posing as suppliers for goods and services that were owned by the two staff or their relatives.

The Finance Coordinator also manipulated and falsified the processes selecting the programs' external auditors and falsified an audit report relied upon by the Secretariat. The lack of effective due diligence and follow-up in this area by the Secretariat and Local Fund Agent increased the program's exposure to fraud.

When alerted to the possibility of this fraud the Global Fund Secretariat immediately froze further use of funds until risk measures could be implemented. It then enforced new measures and guidelines for the administration, management and use of program funds by MINSA for its grants going forward. MINSA initiated its own internal investigation and suspended or terminated several staff and referred the matter to the Angolan authorities, who initiated their own investigation and made arrests.

To date, MINSA has repaid most of the embezzled funds, the individuals implicated have been removed from the programs and legal action has been initiated. New and stricter financial management and internal control measures and systems have been implemented and will be required on MINSA's new grants.

The total non-compliant use of program funds and proposed recoveries as identified in this report is US\$ 4,316,634 (AOA 418.6 million) and US\$ 4,269,384, as shown in Table 7. The Global Fund Secretariat has already pursued from MINSA the recovery of US\$ 3,678,086 and has been repaid US\$ 2,979,387 to date. Based on the findings of this report, the OIG proposes an additional US\$ 591,298 of non-compliant expenditures for possible recovery.<sup>12</sup>

**Table 7. Summary of Non-compliant Amounts and Proposed Recovery Amounts**

Period	Payee	Grant	Non-Compliant Use		Proposed Recoveries	Pursued Recoveries <sup>A</sup>	Recovered To-date*
			AOA	US\$	US\$	US\$	US\$
2013-2014	Soccopress	AGO-M-MOH	233,200,000	2,383,886	2,383,886	2,332,000	2,383,886
2013	Gestinfotec	AGO-M-MOH	73,431,534	762,958	762,958	584,850	595,501
2013	NC&NN	AGO-M-MOH	76,123,750	780,040	780,040	761,236	
2012	Soccopress (Audit)	AGO-708-G04-M	3,628,640	38,000	38,000		
2013	TB Auditor	AGO-911-G05-T	2,519,606	26,250	-		
2013	MAL Auditor	AGO-M-MOH	3,165,120	33,000	12,000		
2008-2014	Finance Coord	Malaria	26,590,909	292,500	292,500		
<b>TOTAL</b>			<b>418,659,559</b>	<b>4,316,634</b>	<b>4,269,384</b>	<b>3,678,086</b>	<b>2,979,387</b>

<sup>A</sup>The amounts proposed for recoveries by the OIG differs from the amounts already pursued by the Secretariat for the same transactions due to differences in foreign currency exchange rates used by the OIG from the Secretariat.

\* MINSA repaid the funds in AOA instead of US\$. Due to differences in foreign currency exchange rates between the date the loss is computed and repaid, the US\$ equivalent of the amounts repaid to-date of AOA 303,494,892 may differ from the OIG-computed proposed recovery amount.

<sup>12</sup> Throughout this report, amounts paid in Angolan Kwanza (AOA) or United States dollars (US\$) are expressed in both currencies for illustrative purposes and for stating total non-compliant expenditures and possible recoveries. In converting currencies, the OIG used the foreign currency exchange rates provided by the National Bank of Angola on its website for the date of the transaction.

## V. Table of Agreed Management Actions

#	Category	Agreed Management Action	Target date	Owner
1	Recovery	The Global Fund Secretariat will finalize and pursue, from all entities responsible, an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recovery and will take into consideration the amount already recovered of almost US\$ 3 million.	31 December 2016	Recoveries Committee
2	Governance, Oversight & Management Risks	The Global Fund Secretariat will notify all Principal Recipients to take appropriate and reasonable risk mitigation actions in relation to the individuals identified in this report as having violated the Code of Conduct for Recipients, namely UTG's former Finance Coordinator, PNCM's former Deputy Coordinator and UTG's Finance Assistant, such as restricting their role in the future implementation of Global Fund-financed programs.	30 June 2016	Head of Grant Management Division
3	Governance, Oversight & Management Risks	The Global Fund Secretariat will address the supplier misconduct identified in this report in accordance with the Secretariat's policy on supplier misconduct and the 'Sanctions Panel Procedure relating to the Code of Conduct for Suppliers'.	30 June 2016	Head of Grant Management Division
4	Governance, Oversight & Management Risks	The Global Fund Secretariat will require MINSA, on all grants it serves as Principal Recipient, to employ the services of a fiduciary agent in accordance with and for the duration specified by terms of reference to be provided by the Secretariat in consultation with the OIG. The terms of reference are to specifically address and mitigate the fiduciary weaknesses and risks identified in this report associated with MINSA's financial administration of grants.	30 September 2016	Head of Grant Management Division
5	Governance, Oversight & Management Risks	The Global Fund Secretariat will require MINSA, on all grants it serves as Principal Recipient, to employ the services of a procurement agent or consultant for non-PPM procurements in accordance with and for the duration specified by terms of reference to be provided by the Secretariat in consultation with the OIG. The terms of reference are to specifically address and mitigate the weaknesses and risks identified in this report associated with MINSA's procurement of goods and services.	30 September 2016	Head of Grant Management Division

#	Category	Agreed Management Action	Target date	Owner
6	Governance, Oversight & Management Risks	The Global Fund Secretariat will require MINSA to have in place for all grants MINSA implements, a comprehensive conflict of interest policy. This policy will obligate all MINSA Technical Support Unit staff to sign annual declarations on conflicts of interest, and to timely disclose any conflicts of interest as they arise.	30 September 2016	Head of Grant Management

## Annex A: OIG Methodology

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

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

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

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

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

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

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

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<sup>13</sup> Charter of the Office of the Inspector General (19 March 2013), available at: <http://theglobalfund.org/documents/oig/OIGOfficeOfInspectorGeneralCharteren/>, accessed 01 November 2013.

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

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

<sup>16</sup> Global Fund Code of Conduct for Suppliers (15 December 2009), § 17-18, available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForSuppliersPolicyen/>, accessed 01 November 2013. Note: Every grant is subject to the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

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

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

<sup>19</sup> Code of Conduct for Recipients of Global Fund Resources (16 July 2012) available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen/>, accessed 01 November 2013. Note: Every grant is subject to the STC of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

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

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

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

## 01 Applicable Concepts of Fraud and Abuse

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

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

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

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

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

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

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

## 02 Determination of Compliance

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

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

At a very fundamental level, it is the Principal Recipient's responsibility "to ensure that all grant funds are prudently managed and shall take all necessary action to ensure that grant funds are used solely for Program purposes and consistent with the terms of this Agreement".<sup>25</sup>

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

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

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

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

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

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

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

<http://www.theglobalfund.org/documents/core/grants/CoreStandardTermsAndConditionsAgreementen>

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

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

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

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

<sup>29</sup> Available at: <http://www.theglobalfund.org/documents/corporate/CorporateCodeOfConductForSuppliersPolicyen> ; <http://www.theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen>

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

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

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

### 03 Reimbursements or Sanctions

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

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

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

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

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

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

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

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

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

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

<sup>34</sup> Id.

# Annex B: Exhibits

## 01 Gestinfortec Delivery of Technology Equipment

UTG provided the OIG with supporting documents showing its delivery of some technology equipment to the PNCM in September 2013, five months after funds were disbursed to Gestinfortec. The documents did not directly link or indicate that the technology equipment was provided by Gestinfortec as invoiced. Moreover, the quantity and make of the items on the supporting documents and listed on the PNCM's asset register obtained by OIG during the investigation do not always comport with the items invoiced by Gestinfortec under the tender, for example:

- Desktop Computers and UPS. Gestinfortec invoiced UTG for 37 HP Pro 3500 Series MT desktop computers and uninterruptible power supplies (UPS) for US\$ 66,230. On 30 September 2013 and on 02 October 2013, UTG notified the PNCM of the delivery of eight HP Pro 3500 Series MT desktop computers with monitors and eight UPS. This is considerably less in quantity than the desktop computers and UPS Gestinfortec had invoiced UTG. Moreover, the PNCM asset register lists only 18 HP desktop computers and UPS as of May 2014, still far short of the 37 paid for, and UTG could not provide any documentation linking the delivery of the 10 additional desktops to Gestinfortec.
- Laptop Computers. Gestinfortec invoiced UTG for 15 Dell branded laptops for US\$ 21,825. In September 2013, according to UTG supporting documentation, UTG notified the PNCM of the delivery of 10 HP branded laptops to the PNCM, which is less in quantity and a different brand than the laptops Gestinfortec had invoiced UTG. Moreover, the PNCM asset register as of May 2014 listed only 12 total laptops: the 10 HP laptops delivered in September 2013 plus one Dell brand and one Lenovo brand. UTG could not provide any documentation linking the additional two laptops to Gestinfortec.
- Desktop Printers. Gestinfortec invoiced UTG for 18 Toshiba brand desktop printers for US\$ 44,010. On 11 September 2013 and 02 October 2013, UTG notified the PNCM of the delivery of a total of three HP brand desktop printers. This is considerably less in quantity and are a different brand than the desktop printers Gestinfortec had invoiced UTG. The PNCM asset register at May 2014 indeed lists 17 total desktop printers, one less than invoiced by Gestinfortec, but all of them are HP brand, and not Toshiba, and UTG could not provide any documentation linking the delivery of those printers to Gestinfortec.

Although the OIG found evidence that Gestinfortec appeared to have purchased 19 HP desktop printers from a local Luanda technology equipment supplier in August 2013 (see below), 17 of which could be the printers appearing on PNCM's asset register, the difference between the price Gestinfortec charged UTG for its printers and the price Gestinfortec paid to the local supplier showed a mark-up of **133%**, which the OIG considers unreasonable and therefore non-compliant with the malaria grant agreement.

- Large Printer/Photocopier. Gestinfortec invoiced UTG for one large Toshiba brand printer/photocopier for PNCM's central office for US\$ 18,500. Neither the delivery documents provided by UTG nor the PNCM asset register lists any such machine.
- Projectors. Gestinfortec invoiced UTG for five projectors for US\$ 5,500. The supporting documentation provided by UTG and the PNCM asset register at May 2014 lists five Epson brand projectors, which comports in quantity to the five invoiced by Gestinfortec, although the brand and model of the projectors are not disclosed on Gestinfortec's invoice.

Price Mark-up. An invoice from a Luanda technology equipment supplier to Gestinfortec located on UTG's Finance Coordinator's computer shows Gestinfortec purchasing 19 HP desktop printers of the same make and model as the printers appearing on PNCM's asset register. The invoice date of 27 August 2013 slightly precedes and comports with the date some equipment was delivered by UTG to the PNCM. The OIG notes that the price per unit Gestinfortec paid the supplier was AOA 105,000 per printer, which is substantially below the AOA 244,500 unit price per printer that Gestinfortec invoiced UTG, or equivalent to a 133% markup by Gestinfortec.

## 02 Tender Bid Prices for Communication Materials, October 2013

In the October 2013 tender for communication materials for the PNCM bed net distribution campaign, three bidders including NC&NN purportedly submitted price quotes on all 15 items requested. An analysis of the bid prices by the OIG show that the difference in prices per unit percentage-wise for all 15 items across the three bidders and in total was consistently the same, demonstrating that the price quotes for the three bidders were fabricated by PNCM and not independently produced by bidders.

As shown in Table 8 below, the unit prices bid by Bidder #2 (the second lowest-cost bid) were exactly 1.5% higher on all items and on the total bid amount than the prices proposed by NC&NN, and the unit prices bid by Bidder #3 (the third lowest-cost bid) were exactly 2.0% higher on all items and on the total bid amount than the prices proposed by NC&NN.

**Table 8. Comparison of Prices Quoted by the Bidders for Communication Materials**

Item	Price Quoted per Unit (in AOA)			Bidder #2 as a % of NC&NN	Bidder #3 as a % of NC&NN
	NC&NN	Bidder #2	Bidder #3		
Item #1	42,000	42,630	42,840	101.500%	102.000%
Item #2	15,200	15,428	15,504	101.500%	102.000%
Item #3	15,000	15,225	15,300	101.500%	102.000%
Item #4	1,300	1,320	1,326	101.500%	102.000%
Item #5	600	609	612	101.500%	102.000%
Item #6	210	213	214	101.500%	102.000%
Item #7	1,000	1,015	1,020	101.500%	102.000%
Item #8	200	203	204	101.500%	102.000%
Item #9	220	223	224	101.500%	102.000%
Item #10	920	934	938	101.500%	102.000%
Item #11	1,750	1,776	1,785	101.500%	102.000%
Item #12	700	711	714	101.500%	102.000%
Item #13	400	406	408	101.500%	102.000%
Item #14	30	30	31	101.500%	102.000%
Item #15	220	223	224	101.500%	102.000%
<b>TOTAL BID PRICE</b>	<b>76,123,750</b>	<b>77,265,606</b>	<b>77,646,225</b>	101.500%	102.000%

Source: Bid evaluation summary prepared by PNCM and individual bidder proposals.

# 03 Shipment of Communication Materials, April 2014

## Packing List Provided OIG by Deputy Coordinator:

SA COMMERCIAL COMPANY.  
IMP&EXP.

Address: R  
Fax:020-8  
E-MAIL:

### PACKING LIST

Customer NAME:N.C.&N.N LDA  
CONTRIBUINTE NO.:5182082894  
ADD:LUANDA/ANGOLA  
TEL:00244923645084  
DESTINATION:LUANDA/ANGOLA  
CONTAINER NO:PCIU8837360  
DATE:2014-4-17

ITEM NO	DESCRIPTION	QTY
001	PVC Banners with print( 4m x 3m )	20
002	PVC banners (2m x 1m )	200
003	Pull Up Banners	200
004	5 Panel Caps- Blue/Red	32600
005	Chalk box of 100's Penguin white	11125
006	Pens(Black) box of 50 Penguin	670
007	A4 Board with Spring Croxley	5700
008	Scissors Focus Med 130mm	2200
009	Paper Punch Croxley- 14 pages	2100
010	Transparent folder-Multi Colours 12's	750
011	Cards Vouchers(40 per Block)	27800
012	Arch Files- Croxley	900
013	Volunteers ID Cards	16300
014	Booklet	18000
015	Paper	24000
016	Goods Shelf	9
017	Cabinet	9
018	Glass Dining Table and Chair	55
019	Poliester Carpet	4
020	Half Leather Sofa	3

## Final Invoice from Supplier:

SA COMMERCIAL COMPANY .  
IMP & EXP.

Address:  
E-MAIL:

### FINAL INVOICE

CUSTOMER NAME: N.C.& N.N LDA  
CONTRIBUINTE NO.: 5182082894  
ADD: LUANDA / ANGOLA  
TEL: 00244923645084 / 923425768  
DESTINATION: LUANDA - ANGOLA  
CONTAINER NO.: PCIU8837360  
INVOICE NO.: FY20140460  
DATE: 2014-4-17

ITEM NO	DESCRIPTION	QTY	UNIT PRICE	AMOUNT/USD
#001	SCHOOL SUPPLIES AND ADVERTISING PAPER	25BOXES	\$3.00/BOX	\$75.00
#002	BOOKLET	18000PCS	\$0.12/PC	\$2160.00
#003	PAPER	24000PCS	\$0.03/PC	\$720.00
#004	SUN HELMET	10000PCS	\$0.25/PC	\$2500.00
#005	BATHTUB WITH LAVABO	6SETS	\$40.00/SET	\$240.00
#006	BATHROOM HARDWARE	31PCS	\$8.00/PC	\$248.00
#007	FLOOR TILE	343BOXES	\$4.00/BOX	\$1372.00
#008	TABLECLOTH AND CHAIR COVER	55PCS	\$2.00/PC	\$110.00
#009	WOOD DOOR	2SETS	\$25.00/SET	\$50.00
#010	KITCHEN WARE	49PCS	\$20.00/PC	\$980.00
#011	GOODS SHELF	9SETS	\$22.00/SET	\$198.00
#012	TENT AND FRAME	2SETS	\$18.00/SET	\$36.00
#013	VINE HANGING BASKET WITH IRON TABLE AND CHAIR	3SETS	\$38.00/SET	\$114.00
#014	HDF TV CABINET WITH TEA TABLE	4PCS	\$55.00/PC	\$220.00
#015	CLOTHES RACK WITH MIRROR	4PCS	\$8.00/PC	\$32.00
#016	HDF BEDROOM SET	1SET	\$300.00/SET	\$300.00
#017	ROUND TABLE AND CHAIR	40PCS	\$6.00/PC	\$240.00
#018	HDF SHOE CABINET	4PCS	\$17.60/PC	\$70.40
#019	GLASS DINING TABLE AND CHAIR	1SET	\$135.00/SET	\$135.00
#020	POLYESTER CARPET	4PCS	\$12.00/PC	\$48.00
#021	SMALL BED	1PC	\$70.00/PC	\$70.00
#022	HALF LEATHER SOFA SET	3SETS	\$130.00/SET	\$390.00
#023	HDF SMALL BEDROOM SET	1SET	\$280.00/SET	\$280.00
#024	HDF DRAWING ROOM SET	1SET	\$500.00/SET	\$500.00
#025	HDF WALL CABINET	2SETS	\$45.00/SET	\$90.00

## Description of Goods from Freight Shipping Company Bill of Lading:

PARTICULARS AS DECLARED BY SHIPPER - BUT WITHOUT REPRESENTATION /

Seal Nos. / Containers	No. of Containers / Packages / Description of Goods
	1 X 40HC CONTAINER SAID TO CONTAIN 338 PKGS SCHOOL SUPPLIES AND ADVERTISING PAPER, BOOKLET, PAPER, SUN HELMET, BATHTUB WITH LAVABO, BATHROOM HARDWARE, FLOOR TILE, TABLECLOTH AND CHAIR COVER, WOOD DOOR, KITCHEN WARE, GOODS SHELF, TENT AND FRAME, VINE HANGING BASKET WITH IRON TABLE AND CHAIR, HDF TV CABINET WITH TEA TABLE, CLOTHES RACK WITH MIRROR, HDF BEDROOM SET, ROUND TABLE AND CHAIR, HDF SHOE

PARTICULARS AS DECLARED BY SHIPPER - BUT WITHOUT REPRESENTATION /

Seal Nos. / Containers	No. of Containers / Packages / Description of Goods
	CABINET, GLASS DINING TABLE AND CHAIR, POLYESTER CARPET, SMALL BED, HALF LEATHER SOFA SET, HDF SMALL BEDROOM SET, HDF DRAWING ROOM SET, HDF WALL CABINET, LAMP, HDF BOOK DESK, COPPER DOOR, RANGE HOOD, SLIDING GATE, CANOPY, WINDOW AND BURGLAR MESH, STAINLESS STEEL HANDRAIL

04 Alteration of Payment Order of Payment to Soccopress

Original Version of Payment Order obtained from UTG's bank:



MINISTÉRIO DA SAÚDE  
GABINETE DE ESTUDOS, PLANEAMENTO E ESTATÍSTICA  
UNIDADE TÉCNICA DE GESTÃO DO FUNDO GLOBAL.

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**ORDEM DE TRANSFERÊNCIA N° 0090/2013**

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AO  
BANCO DE POUPANÇA E CRÉDITO (BPC)  
BALCÃO CENTRAL

LUANDA

N/REF: 0090/UTGFG/FIN/GEPE/MINSA/2013  
DATA: 16/OUTUBRO/2013

Respeitosos cumprimentos

Exmos. Senhores,

Vimos pela presente ordenar, por débito da nossa conta à ordem n° 0001/017603/014 a transferência de USD 125.000.000,00( Cento e Vinte e Cinco Milhões de Kwanzas), para as coordenadas abaixo indicadas. Informamos ainda que as despesas bancárias resultantes desta operação serão suportadas pelo Ordenante.

**BENEFICIÁRIO: SOCCOPRESS, LIMITADA**

**BANCO: BPC – Banco Comercial de Angola**

N° DE CONTA: 1608 [REDACTED]

IBAN: AO0600430000016 [REDACTED]

PAÍS: ANGOLA

SWIT CODE:

**PAGAMENTO REFERENTE: Contrato de Fornecimento de produtos de Saúde**

DATA DE VALIDAÇÃO: 16 de Outubro de 2013

Sem outro assunto, subscrevemo-nos com os melhores cumprimentos.

**Altered Version of Payment Order obtained from UTG:**



MINISTÉRIO DA SAÚDE  
GABINETE DE ESTUDOS, PLANEAMENTO E ESTATÍSTICA  
UNIDADE TÉCNICA DE GESTÃO DO FUNDO GLOBAL

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**ORDEM DE TRANSFERÊNCIA N° 0090/2013**

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AO  
BANCO DE POUPANÇA E CRÉDITO (BPC)  
BALCÃO CENTRAL

**LUANDA**

N/REF: 0090/UTGFC/FIN/GEPE/MINSA/2013  
DATA: 16/OUTUBRO/2013

Respeitosos cumprimentos

Exmos. Senhores,

Vimos pela presente ordenar, por débito da nossa conta à ordem nº 0001/017603/014 a transferência de USD 125.000.000,00( Cento e Vinte e Cinco Milhões de Kwanzas), para as coordenadas abaixo indicadas. Informamos ainda que as despesas bancárias resultantes desta operação serão suportadas pelo Ordenante.

**BENEFICIÁRIO: PROGRAMA NACIONAL DE CONTROLO DA MALÁRIA**

**BANCO: BPC – Banco de Poupança e Crédito**

Nº DE CONTA: 0001-0176 [REDACTED]

IBAN:

PAÍS: ANGOLA

SFWIT CODE: BPCAOLU

**PAGAMENTO REFERENTE:**

DATA DE VALIDAÇÃO: 16 de Outubro de 2013

Sem outro assunto, subscrevemo-nos com os melhores cumprimentos.

## 05 Evaluation and Scoring of External Audit Tenders

### Technical Evaluations

Each bid is evaluated on its technical merits based on seven pre-established criteria, including experience, methodology, work plan, personnel and professional qualifications, as was provided in the tender's terms of reference and as shown in Table 9. Each category is assigned a weight of between 10% and 20% of the total score.

**Table 9. Criteria for Evaluating Technical Qualifications of Bid**

CRITÉRIO DE AVALIAÇÃO	PESO (%)	PONTUAÇÃO MÁXIMA
Experiência Específica da Empresa	25%	100%
Experiência na área de actuação	15%	
Ser Membro do IFAC	10%	
Metodologia e plano de trabalho adequado aos TDR	35%	100%
Aproximação Técnica e Metodologia	15%	
Plano de Trabalho	10%	
Organização e Pessoal especializado	15%	
Qualificação do Pessoal Chave e Competência	40%	100%
Chefe de Equipa	20%	
Outros Pessoal Chave	20%	
<b>TOTAIS</b>	<b>100%</b>	

Source: Bid Evaluation Report, Section I.5, Opening and Evaluation of Proposals

The bid evaluation committee evaluates each bid and assigns that bid a score of between zero and 100 for each criteria. The score is multiplied against the criteria's pre-assigned weight to derive weighted points for each criteria, and the seven individual weighted points are totaled. For a proposal to be considered as technically qualified and to move on to the financial cost evaluation stage, its total points from the technical evaluation must exceed the minimum threshold of 70 points.

The bid evaluation report also provides the bid committee's rationale for its scores by elaborating on the bid's strengths and weaknesses by criteria, followed by the committee's final conclusion on its recommendation.

An in-depth analysis of the bid evaluation reports showed that the summary tables of technical scores in each of the three bid evaluation reports—a sample of which is shown in Table 10—were identical, including the individual scores and weighted points for each of the seven criteria. The only differences between the tables were the bidder's names, which were changed to reflect the names of the firms competing for that tender. For example, the bidder listed first in the table from left to right for all three tenders was always scored 11.4 weighted points for experience, 12.6 points for its methodology and 8.4 points for its work plan, regardless of who was listed. The same pattern applied to each of the other three bidders listed in the summary table.

**Table 10. Summary of Bidder's Scores from Technical Evaluation**

CRITÉRIO DE AVALIAÇÃO	PESO (%)	BIDDER #1		BIDDER #2		BIDDER #3		BIDDER #4	
		PONTUAÇÃO	PONTOS PONDERADOS						
	A	B	A X B	C	A X C	D	A X D	E	A X E
Experiência Específica da Empresa	25%		11,4		9,45		11,3		11,5
Experiência na área de actuação	15%	76	11,4	69	9,45	76	11,3	77	11,5
Ser Membro do IFAC	10%	0	0	0	0	0	0	0	0
Metodologia e plano de trabalho adequado aos TDR	35%	0	24,8	0	20,62	0	25	0	24,9
Aproximação Técnica e Metodologia	15%	84	12,6	68	10,2	85	12,7	85	12,7
Plano de Trabalho	10%	84	8,4	66	6,62	84	8,4	84	8,4
Organização e Pessoal especializado	15%	76	3,8	76	3,8	78	3,9	76	3,8
Qualificação do Pessoal Chave e Competência	40%	0	34		28,6		34,2		33,32
Chefe de Equipa	20%	88	17,6	68	13,6	88	17,6	85	17,04
Outros Pessoal Chave	20%	82	16,4	75	15	84	16,8	84	16,8
<b>TOTAIS</b>	<b>100%</b>		<b>70,2</b>		<b>58,67</b>		<b>70,7</b>		<b>70.6</b>

Additional patterns detected by the OIG between the three bid evaluation reports were (see Tables 10 and 11):

- Each tender had exactly four bidders
- The four bidders were always awarded the same final weighted technical scores depending on the order they were listed in the table, with no deviation between the reports:
  - For the bidder listed first (from left to right) was always awarded a total weighted score of 70.2;
  - For the bidder listed second: 58.67;
  - For the bidder listed third: 70.7; and
  - For the bidder listed fourth: 70.6.
- The bidder listed in the third position, that received a total technical score of 70.7, was always the eventual overall winner of the tender, irrespective of the bidder's financial bid (see more discussion on the manipulation of financial scores below).
- The bidder listed in the second position, that received a technical score of 58.67, was always technically disqualified and its financial proposal was not evaluated due to not achieving the minimum threshold of 70 points on the technical evaluation.
- Each tender had exactly three bidders make it to the financial evaluation stage.

**Table 11. Comparison of Total Weighted Scores Awarded for the Three Audit Tenders**

Position in Table, left to right	1st	2nd	3rd	4th
<b>AGO-708-G04-M Sep 2012</b>				
Bidder	AUDITOR A	AUDITOR B	Soccopress	AUDITOR C
Total Weighted Points	70.2	58.67	70.7	70.6
<b>AGO-911-G05-T Apr 2013</b>				
Bidder	AUDITOR X	AUDITOR D	AUDITOR A	Soccopress
Total Weighted Points	70.2	58.67	70.7	70.6
<b>AGO-M-MOH Jun 2013</b>				
Bidder	AUDITOR A	AUDITOR E	AUDITOR X	AUDITOR F
Total Weighted Points	70.2	58.67	70.7	70.6

Additionally, the text used to describe the bid evaluation committee's rationale for scoring each bid was virtually identical across the three evaluation reports based on the order of the bids listed, whereas the same textual description for one bidder on one report would be replicated for another bidder on another report.

### *Financial Evaluations*

Proposals scoring 70 or more total points on the technical merits are evaluated on their financial merits. Each bid's financial proposal is read aloud at the bid opening and its bid is converted to AOA, for comparative purposes.

How the cost proposals were scored is unclear, but followed a distinct pattern. The middle and lowest-cost bids—there were always only three proposals evaluated at this stage for the three audits—always each received 100 points—the maximum allowed—and the highest bid always received a score of 40 points, regardless of its difference from and proportional relationship to the other bids. Despite widely varying prices bid across the three audits, as shown in Table 12, the points awarded were always the same across the three tenders, regardless of the situation and prices bid, which suggests that the tenders were not evaluated, or fairly evaluated.

This scoring method essentially puts the middle bidder on equal ground with the lowest bidder, regardless of the monetary difference between the two bids, which was substantial for the two malaria audits, and knocks the highest bid out of the competition. This is critical, as the middle-priced proposal for two of the three audits won the contract based on this scoring method, even though its proposal was not the lowest-cost.

**Table 12. Financial Bids and Scores of the Three Audit Tenders (bids are in US\$)**

*The winning bid receiving the highest combined score is shown in red.*

Grant	AGO-708-G04-M	AGO-911-G05-T	AGO-M-MOH	Score
Highest cost bid	63,000	28,000	39,000	40
Middle cost bid	38,000	27,000	33,000	100
Lowest cost bid	30,000	26,250	21,000	100
Middle bid as % of lowest	127%	103%	157%	100%

## Annex C: Summary of Subject Response

The OIG's Letter of Findings for this matter was provided to the Minister of Health in a letter dated 09 December 2015 in accordance with Stage 6 of the OIG's Stakeholder Engagement Model for Investigations. The Ministry of Health provided its comments on 18 January 2016.

In its response, it expressed agreement with the OIG's findings on the NC&NN supplier contract and its proposed recoverable amount. The Ministry reiterated its commitment to repay the contract sum in full to the program.

The Ministry reaffirms its commitment to taking the appropriate measures to ensure the quality of financial and operational internal controls on Global Fund-financed projects. It awaits further developments in the Attorney General's prosecution of the accused, which is on-going.

The Ministry also fully supports of the Global Fund Secretariat's proposal to restructure the UTG into a full technical support unit providing it with a more comprehensive mandate and structure to more effectively and comprehensively support the program's activities in particular by strengthening coordination, monitoring, financial management and oversight, and internal controls. Additionally, the Ministry supports the formation of a technical support group comprised of the technical support unit's secretariat and chaired by the Minister of Health. The group would be charged with monitoring overall project implementation and for strengthening coordination among the various program partners, including on the provincial level.