The Global Fund
To Fight AIDS, Tuberculosis and Malaria

Office of the Inspector General

Audit of Global Fund Grants to the Republic of Tajikistan

GF-OIG-13-003
06 February 2013

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A. EXECUTIVE SUMMARY

Four grants audited

1. As part of its 2012 workplan, the Office of the Inspector General (OIG) carried out an audit of Global Fund grants to Tajikistan from 27 August to 28 September 2012.

USD 54.2 million disbursed of USD 94.2 million approved

2. The audit focused on the four active grants and covered the operations of Project HOPE (as Principal Recipient), a sample of Sub-Recipients, the Country Coordinating Mechanism, the Local Fund Agent and the Global Fund Secretariat. The grants under review totaled USD 94.2 million, of which USD 54.2 million had been disbursed by December 2011.

UNDP activities not covered as subject to own internal and external audits

Expenses testing covered USD 9.4 million

3. The audit did not cover the United Nations Development Programme as Principal Recipient as expenditures incurred directly were subject to its own internal and external audits. The audit team reviewed a selection of United Nations Development Programme Sub-Recipients (not including United Nations agencies). Program expenditure at the Sub-Recipient level accounted for 12% of disbursements to the PR as at 31 December 2011. The scope of the financial review was therefore limited to USD 9.4 million since it did not cover UNDP expenditure.

A.1 Key Findings

Most-at-risk populations should be prioritized

4. There is a need to prioritize most-at-risk populations in the HIV and Tuberculosis interventions, considering the concentrated nature of the HIV epidemic and the HIV/TB co-infection risk.

CCM should improve management of conflict of interest

5. The Country Coordinating Mechanism had taken important steps to strengthen its oversight of the grants, including a review of its structure and operational guidelines. However, there remained scope for improvement around managing conflict of interest.

LFA should improve reporting of procurement risks

6. Although the LFA demonstrated a thorough knowledge of the grants and delivered outputs on a timely basis, there is room for improvement in their identification and reporting of procurement risks (identified in this report) to the Global Fund.

Good relations between Global Fund and country stakeholders

7. The Global Fund Secretariat maintains good relations with country stakeholders and has been working with the Principal Recipients and Ministry of Health to improve grant management and to address known weaknesses.

8. The oversight over Project HOPE grant implementation requires significant improvement, particularly in procurement management. There is a need to revise the mandate of internal audit to better provide assurance over the adequacy and functionality of existing controls at Project HOPE's country office.

Project HOPE should improve procurement practices and financial management

9. There were fundamental weaknesses in Project HOPE's procurement management with poor coordination in the planning and execution of procurement activities. Procurement procedures followed were inadequate to ensure value for money and exposed the organization to fraud risk.

10. Project HOPE's financial management displayed a number of weaknesses, particularly relating to poor cash management, which resulted in two documented instances of fraud.

Heavy dependence on Global Fund for medicines and health supplies

11. There were concerns relating to sustainability given the heavy dependence on Global Fund support for management of the three diseases. At the time of the audit, the Global Fund was supplying 100% of medicines and medical supplies for the three diseases, including funding for antiretroviral therapy, HIV test kits, lab reagents for tuberculosis and all anti-malaria activities (in-door residual spraying, provision of bed nets and insecticides, treatment and surveillance). There is a need to increase the Government contribution to support implementation activities in these programs in line with the Global Fund's additionality principle.

A.2 Conclusion

Major improvements needed

12. Outside of the United Nations Development Programme grants, the OIG concludes that **major improvements are needed** in the management and implementation of Global Fund grants. This means that "Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and the Global Fund's strategic objectives would be met."

All ten recommendations accepted

Critical recommendation on cash management

13. The OIG offers ten recommendations, of which one is rated "Very High", requiring that urgent action is taken to strengthen cash management at Project HOPE. The remaining nine recommendations are "High" priority. The audit team worked closely with the Global Fund Secretariat in drafting and finalizing this report. All recommendations have been accepted by the Secretariat and other relevant stakeholders, and will be followed up by the Office of the Inspector General. The stakeholders have made firm commitments to take action to mitigate the risks identified.

14. A number of issues identified have been referred to the OIG Investigations Unit for follow up.

A.3 Actions subsequent to the audit

Mitigating actions taken by Secretariat and in-country stakeholders

15. A number of actions have already been taken to address the risks that emerged from the audit findings. These include:

- The National Coordination Committee has established a Supervision Committee and Commission on Ethics to strengthen oversight and the management of conflict of interest;
- Project HOPE has implemented a number of steps to minimize risk in cash operations, including limiting the amount of petty cash that can be taken out as advances;
- Project HOPE has commissioned an independent review to determine the extent of the fraudulent activity identified; and
- All Tajikistan country office procurement will be reviewed by the Project HOPE Regional Procurement Specialist, including planning, the bidding process, contracting, tracking of the execution of contract terms, distribution and monitoring.

B. MESSAGE FROM THE EXECUTIVE DIRECTOR OF THE GLOBAL FUND

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MESSAGE FROM THE EXECUTIVE DIRECTOR

I would like to thank the Office of the Inspector General for its thorough and insightful work on the audit of Global Fund grants in the Republic of Tajikistan.

The audit was carried out from 27 August to 28 September 2012 and focused on the four active grants to Tajikistan. The grants are worth US$ 94.2 million, of which US$ 54.2 million had been disbursed by December 2011. But of this total, only US$ 9.4 million were subject to financial review by the Office of the Inspector General, because Tajikistan's main Principal Recipient is the United Nations Development Programme, which has its own internal and external audits and, therefore, did not have its expenditures covered by this audit.

Tajikistan fights the three diseases under very challenging circumstances. Stigma and a health service model that emphasizes vertical delivery have limited the access of most-at-risk populations to healthcare. Moreover, high levels of labor migration prevent follow up of patients. This has negatively affected interventions against tuberculosis and HIV, resulting in increasing Multi Drug-Resistant TB and antiretroviral resistance.

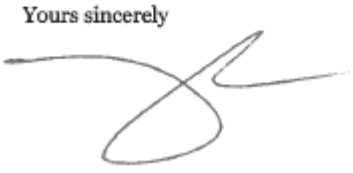
In spite of these challenges, the country has made commendable progress against the epidemics. Tajikistan has the highest estimated tuberculosis burden in the World Health Organization's European Region, with an incidence rate of 193 per 100,000 population. There has been significant success including universal Directly Observed Treatment, Short Course (DOTS) coverage of the general population, extended DOTS coverage in the penitentiary sector, and uninterrupted supply of first line TB drugs. The number of malaria cases in the country has significantly decreased, from 2,309 cases in 2005 to 112 in 2010. *Plasmodium falciparum* malaria has been eliminated with no local cases registered since 2008. According to UNAIDS, the HIV incidence rate in Tajikistan is 'stable'.

The audit found, however, that the country's programs need major improvements, in order to be successfully implemented. It is necessary to prioritize most-at-risk populations in the HIV and tuberculosis interventions, considering the concentrated nature of the AIDS epidemic and the existing HIV/TB co-infection risk. Oversight over grant implementation requires significant improvement, particularly in procurement management.

To address the problems, the audit report makes ten recommendations. All stakeholders have accepted them and made firm commitments to take action to mitigate the risks identified.

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

Yours sincerely



C. AUDIT OBJECTIVES AND SCOPE

C.1 Audit Objectives

Audit assessed adequacy and effectiveness of controls

16. The objectives of this audit were to assess the adequacy and effectiveness of the controls in place to ensure:

- Value for money from funds spent;
- The achievement of programmatic objectives;
- Compliance with Global Fund grant agreements, policies and procedures, and with relevant laws and regulations;
- The safeguarding of grant assets against loss or misuse; and that
- Risks were effectively managed.

An important focus of this audit was to identify opportunities to strengthen grant management.

Multi-skilled team deployed

17. The OIG deployed a multi-skilled team comprising financial auditors, a public health specialist, and a procurement and supply management specialist, each of whom participated in various stages of the audit.

C.2 Audit Scope

Audit examined operations of main grant stakeholders

18. As part of its 2012 workplan, the Office of the Inspector General (OIG) carried out an audit of Global Fund grants to Tajikistan from 27 August to 28 September 2012. The audit focused on Round 8 grants and covered the operations of Project HOPE (as Principal Recipient), a sample of Sub-Recipients (SRs), the Country Coordinating Mechanism (CCM), the Local Fund Agent (LFA) and the Global Fund Secretariat.

Two Principal Recipients were implementing four grants

19. The audit covered the following four Global Fund grants to Tajikistan, totaling USD 94.2 million, of which USD 54.2 million had been disbursed by 31 December 2011.

Principal Recipient	Round and Component	Grant Agreement	Amount Committed (USD)	Amount Disbursed (USD)
UNDP Tajikistan	Round 8 HIV	TAJ-809-G07-H	41,126,507	20,028,140
UNDP Tajikistan	Round 8 Malaria	TAJ-809-G08-M	11,199,277	7,830,882
UNDP Tajikistan	Round 8 Tuberculosis	TAJ-809-G09-T	29,461,217	22,993,779
Project HOPE	Round 3 Tuberculosis (RCC)	TAJ-304-G02-T	12,435,162	3,333,714
		Total	**94,222,163**	**54,186,515**

Table 1: Summary of Grants committed and disbursed as at 31 December 2011. EUR denominated grants have been translated into USD where necessary.

20. The audit did not cover the United Nations Development Programme (UNDP) as Principal Recipient as expenditures incurred directly were subject to UNDP's internal and external audits. Reliance was placed on the UNDP Office of Audit and Investigation reports; however, the audit team reviewed a selection of five UNDP Sub-

Recipients (not including United Nations agencies). Program expenditure at the SR level accounted for 12% of disbursements to UNDP as at 31 December 2011.

21. As only expenditure by Project HOPE and SRs of the UNDP was tested, the disbursements in scope for this review (including amounts disbursed to Project HOPE) totaled USD 9.4 million.

Field visits in two regions

22. In addition to audit tests carried out at the central level, the audit team visited a sample of program sites in two regions of Tajikistan - Khatlon, and Dushanbe Capital Region. The audit team reviewed the quality of service at district hospitals and laboratories, facilities such as Directly Observed Treatment, Short Course (DOTS) centers, Injection Drug User (IDU) "trust points" and needle exchange sites, and storage facilities. The audit team also held focus group discussions with IDU and TB patients at trust points, including interviews with mobile groups for needle exchange and representatives of people living with HIV/AIDS (PLWHA).

C.3 Rating of Functional Areas

23. Each functional area reviewed is rated as follows:

Recommendations prioritized to enable grant managers to implement effectively

Effective	Controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and the Global Fund's strategic objectives should be met.
Some Improvement Needed	Some specific control weaknesses were noted; generally however, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and the Global Fund's strategic objectives should be met.
Major Improvement Needed	Numerous control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and the Global Fund's strategic objectives should be met.
Not Satisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and the Global Fund's strategic objectives should be met.
Critical	An absence of or fundamental weakness in one or more key controls, or a serious non-compliance. Non-mitigation will jeopardize the achievement of the Global Fund's strategic objectives. It requires urgent attention.

C.4 Prioritization of Audit Recommendations

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

Very High	An absence of or fundamental weakness in a key control, or a serious non-compliance. Non-mitigation will jeopardize the achievement of the objectives of the Global Fund. It requires urgent attention.
High	A key control evaluated was not adequate, appropriate, or effective. It is unlikely that the control will manage risk and meet objectives. It requires immediate attention.
Medium	A specific key control weakness was noted. It is possible that this control will not manage risk and meet objectives. It requires attention within a reasonable period.
Low	A specific control weakness was noted in a non-critical area that, if left unattended, will not manage risk and meet objectives. It requires attention in the medium term.

C.5 Letter to Management

Lower priority risk findings reported separately to grant managers

25. The implementation of all audit recommendations would significantly mitigate the risks and strengthen the internal control environment in which the programs operate. Audit findings classified 'Medium' and 'Low' have been reported separately in a Letter to Management. When such isolated findings in aggregate constitute a significant risk, this is mentioned in the report and in our conclusion. Though these findings and recommendations do not necessarily warrant immediate action, they represent specific key control weaknesses which should be addressed in a reasonable time period. If these deficiencies are not addressed, risks will not be managed appropriately.

D. OVERVIEW

D.1 Background to the grants

26. The health sector in Tajikistan continues to face significant challenges that are important to bear in mind when reading this report. These challenges include:

Country context includes heavy reliance on external funding, stigma for MARPs and high levels of labor migration

- Heavy reliance on external funding, with 85% of funding for AIDS, tuberculosis and malaria from external donors. The government contribution (15%) covers mainly salaries and certain running costs;
- Limited access to services for most-at-risk populations (MARPs) due to stigma and a health service model that emphasizes vertical service delivery. Out-of-pocket payments at health facilities reduce access by the general population;
- High levels of labor migration (1.5 million migrant workers out of a 7.2 million population) that result in loss to follow up. This has negatively affected the TB and HIV epidemiology resulting in increasing Multi Drug-Resistant TB and antiretroviral resistance;
- An insufficient number of qualified human resources for health (Tajikistan has the lowest ratio of health workers to population in the Eastern Europe and Central Asia region).

D.2 Actions subsequent to the audit

Briefings provided in Dushanbe to relevant stakeholders

27. Exit debrief meetings were held at the end of the audit fieldwork with both PRs and the Ministry of Health, including the Program Directors, to discuss all findings in detail to ensure that the findings reported were factual and proposed recommendations were appropriate. A draft of this report was shared with the CCM, the PRs, the LFA and the Global Fund Secretariat. Feedback received was incorporated in this report.

All ten recommendations accepted

28. All recommendations have been accepted by the Secretariat and in-country stakeholders and will be followed up by the Office of the Inspector General.

Mitigating actions taken by Secretariat and in-country stakeholders

29. The OIG audit team noted that a number of actions have been taken to address the risks that emerged from the audit findings. These include:

- The National Coordination Committee has established a Supervision Committee and Commission on Ethics to strengthen oversight and the management of conflict of interest;
- Project HOPE has implemented a number of steps to minimize risk in cash operations, including limiting the amount of petty cash that can be taken out as advances;
- Project HOPE has commissioned an independent review to determine the extent of the fraudulent activity identified; and
- All Tajikistan country office procurement will be reviewed by the Project HOPE Regional Procurement Specialist, including planning, the bidding process, contracting, tracking of the execution of contract terms, distribution and monitoring.

E. OVERSIGHT AND GOVERNANCE

Some Improvement Needed	Steps have been taken to improve the overall control environment; however, there is room to enhance the effectiveness of oversight by the CCM, as well as its management of conflict of interest.

CCM oversees the grant funded programs

LFA verifies grant program implementation

30. As part of the Global Fund grant architecture, a Country Coordinating Mechanism (CCM) oversees the Global Fund-supported programs and a Local Fund Agent (LFA) verifies grant program implementation for the Global Fund Secretariat; these oversight measures are critical to good fiduciary and program management.

E.1 Country Coordinating Mechanism (National Coordinating Committee)

31. The CCM is a country-level public-private partnership that coordinates the development of grant proposals based on national priorities and needs, and selects and monitors appropriate organizations to act as PRs for Global Fund grant programs.

CCM received technical support to meet Global Fund eligibility criteria

32. In March 2012, the National Coordinating Committee (NCC) requested technical support from the Office of the United States Global AIDS Coordinator to help it ensure compliance with the Global Fund eligibility criteria. Grant Management Solutions was appointed as the technical support provider and carried out a detailed assessment of the NCC identifying areas for improvement and developing a set of recommendations to address them. These included recommendations on structural and functional reforms, and capacity strengthening.

Improvements required around managing conflict of interest

33. While recognizing the important steps the NCC is taking to improve its oversight (such as the plan to introduce a second vice-chair from civil society), signed conflict of interest declarations are not routinely collected on a timely basis, and the number of PR and SR members on the NCC is more than half (13 out of 22).

CCM to provide proactive oversight to Project HOPE on procurement

34. Given the findings around procurement identified below, the CCM should provide proactive oversight and guidance to Project HOPE in implementing the recommendations (particularly the procurement capacity assessment and subsequent action plan).

Recommendation 1 (High)
The NCC should improve its oversight and monitoring of the Global Fund-supported programs by ensuring that members routinely submit signed conflict of interest declaration, and ensure that its membership remains sufficiently independent. The NCC should regularly monitor Principal Recipients and Sub-recipients.

E.2 Local Fund Agent

35. The LFA is designed to be the 'eyes and ears' of the Global Fund in country, and plays a crucial role in assessing the PR both before grant signing and at other key stages during grant implementation, providing ongoing independent oversight of grant recipients and carrying out programmatic and financial data verification.

36. LFA services in Tajikistan were provided by Finconsult, a local firm. Finconsult operated under the auspices of PwC until 2008, after which they successfully tendered for the LFA contract as an independent firm.

LFA should improve reporting of procurement risk

37. Although the LFA demonstrated a thorough knowledge of the grants and delivered outputs on a timely basis, there is room for improvement in their identification and reporting of procurement risks (identified in this report) to the Global Fund.

E.3 The Global Fund Secretariat

38. The Global Fund Secretariat maintains good relations with country stakeholders and has been working with the PRs and Ministry of Health to address and resolve known weaknesses and issues.

Global Fund waived procurement capacity assessment

39. The Secretariat twice waived the requirement for a procurement capacity assessment of Project HOPE. Undertaking such an assessment is critical going forward, considering that the PR will be expected to procure first- and second-line TB drugs in addition to other non-health products. Our recommendation to undertake this has been accepted (see Recommendation 9).

F. GRANT MANAGEMENT

Not Satisfactory	Weaknesses in financial management were noted, particularly concerning cash management, which resulted in two documented cases of fraud.

High cash balances and lack of petty cash imprest limits

40. Fifteen percent of Project HOPE's expenditure is in cash, the majority of which relates to training and monitoring of expenditures outside Dushanbe. The office maintained cash balances of up to TJS 20,000 (USD 4,200) and had not established a petty cash imprest limit as required by Project HOPE's internal Field Accounting Manual. This has exposed the program to the risk of misappropriation of funds.

Two instances of fraud totaling USD 6,800

41. During the audit, two instances of fraud were identified, which amounted to a total of TJS 32,000 (USD 6,800). Both cases related to training expenses and involved cash payments to staff. Project HOPE management acknowledged that these instances of fraud had occurred and stated that they would take remedial action. These issues have been referred to the OIG Investigations Unit for follow up.

Recommendation 2 (Very High)

Project HOPE should improve cash controls. At a minimum:

i. An independent review should be carried out to establish the extent of fraudulent activity; [1]

ii. All misappropriated funds should be reimbursed;

iii. Cash payments should be minimized and bank transfers should be made for program activities whenever possible. Where cash payments must be made, adequate controls should be put in place; and

iv. A petty cash imprest limit should be established based on average monthly petty cash activity as defined in Project HOPE's Field Accounting Manual. Other cash payments, e.g., supplier payments or program expenses, should be tracked separately from petty cash.

No issues with UNDP SRs

42. The OIG audit team reviewed a sample of five Sub-Recipients of UNDP and found no significant issues.

[1] The OIG acknowledges the immediate steps taken by Project HOPE's Regional Office to engage an external audit firm to carry out an extensive review in consultation with the Global Fund Secretariat.

G. PROGRAM IMPLEMENTATION

Major Improvement Needed	Data and reporting systems were not sufficiently reliable to yield accurate and precise information. Most-at-risk populations were not sufficiently prioritized in the HIV and TB interventions, particularly considering the concentrated nature of the HIV epidemic and the HIV/TB co-infection risks.

G.1 HIV Program

HIV incidence now stable

43. The incidence rate of HIV infection in Tajikistan had increased by over 25%[2] in the first decade of this century; however, the most recent UNAIDS report classifies the incidence rate in Tajikistan as 'stable'.[3]

HIV concentrated in MARPs

44. A total of 4,084 HIV cases, including 238 new cases, had been officially registered in the Republic of Tajikistan by the end of April 2012.[4] The Government's official estimate of HIV positive people in Tajikistan is 12,000-13,000. The HIV prevalence is concentrated in MARPs, particularly Injecting Drug Users (IDUs) and prison inmates. The overall population HIV positivity rate was 0.23% while the MARP positivity rate was 4.6% on average.

G.2 HIV testing and counseling

HIV testing and counseling available

45. HIV testing and counseling services—both Voluntary Counseling and Testing and Provider Initiated Testing and Counseling—are available at several locations such as pharmacies, "trust points" (areas where vulnerable people can meet in confidence), Sexually Transmitted Infection treatment centers, addiction clinics, DOTS centers and TB clinics in order to reach different target groups.

MSM at high risk

46. According to the UNGASS report, MSM practice unsafe sexual behavior and have limited knowledge about HIV.[5] Thirty-five percent of MSM are married with children. If neglected, there is a danger that the concentrated epidemic could spread to the general population.[6]

HIV testing rates generally high but require improvement for MARPs

47. HIV testing rates are high for prison inmates, blood donors and pregnant women (twice during pregnancy). In addition, a considerable proportion of the general population has been tested over the past three years (280,281 in 2010, 444,046 in 2011, and 117,696 in the first 6 months of 2012). In terms of numbers tested, MARPs represented 2.7% of the total. An analysis of the 2011 HIV test data indicated a need for a strategic shift from the general population to focused testing of MARPs.

Extensive testing resulted in stock-out of test kits

48. The extensive testing undertaken, coupled with budgetary constraints (75% shortfall based on current testing),[7] resulted in a stock out of test kits in mid-2012.

[2] UNAIDS Report on the Global AIDS epidemic 2010.
[3] UNAIDS Report on the Global AIDS epidemic 2012
[4] National AIDS Center, September 2012.
[5] United Nations General Assembly Special Session on HIV/AIDS 2012 report.
[6] Recent statistics point to an increase in the percentage of new cases registered with sexual mode of transmission (36.6% in 2011 and 33.9% for 7 months in 2012).
[7] Based on 2012 estimates, the program will need around 500,000 test kits, which translates to approximately USD 350,000 for test kit procurement. The current budget includes approx. USD 200,000.

Recommendation 3 (High)
The Ministry of Health should review, and revise where necessary, the National HIV strategy for prevention and testing to ensure that sufficient attention is given to at-risk populations in light of the concentrated nature of the epidemic in Tajikistan. The revised testing strategy should be submitted to the Global Fund to ensure that funds for HIV testing are being used appropriately.

Current testing regime expensive and results in delays

49. The current HIV testing regimen follows three steps: First, the client has a blood test at a regional/district AIDS center; if positive, a further sample is checked, and if this second test is positive, the blood sample is sent to the Republican AIDS Center in Dushanbe for final confirmation using Western Blot.

50. This process is expensive and results in delays, with patients having to wait up to four months to obtain their results.[8] Key issues that contributed to these delays included:

- The test kit system used at the Republican AIDS Center requires tests to be done in batches of 100. The Center therefore collects blood samples from different regions until the batch is complete prior to testing; and
- There are long distances between the Central laboratory and regional facilities. As fuel and transport is scarce, samples were not always collected and delivered to the Republican AIDS Center on a timely basis.

Need to prevent further transmission while awaiting definitive test results

51. Despite these delays, mitigating action is not taken to minimize the risk of further transmission (e.g., encouraging mothers who have tested positive at their first test to breastfeed).

Recommendation 4 (High)
The Republican AIDS Center and the Ministry of Health should consider revising the existing testing protocol and re-allocating sufficient Government resources for purchasing kit systems requiring ten or fewer tests per batch. The Republican AIDS Center and the Ministry of Health should consider making available the Western Blot protocol at regional centers and/or to provide the necessary means of transportation to reduce delays.

G.3 Treatment and Care

Limited availability of free laboratory services

52. According to the Kurgan-Tube regional AIDS Center more than 880 PLWHA (over 20% of registered cases) live in the Khatlon area. However, the regional Kurgan-Tube AIDS center did not provide critical tests for PLWHA (e.g., Complete Blood Count). This meant that patients had to seek laboratory services in other health facilities which were not free of charge.[9]

[8] During the OIG field visits to Kulab, there were more than 20 blood samples of patients that had been waiting for confirmation for at least three weeks. According to information from the NGO "Guli Surkh", patients who had travelled from peripheral areas needed to wait up to four months for their results.
[9] In accordance with the Law of the Republic of Tajikistan "*On fighting the HIV/AIDS epidemic in the Republic of Tajikistan"*, the government guarantees free medical service for HIV-infected persons. However, in order to receive these services, the patient should declare their status when receiving additional services in other medical facilities.

Limited availability of free drugs

53. There was limited availability of free drugs for opportunistic infections with only fluconazole and Imodium provided to PLWHA by the Republican AIDS Center. If unaddressed, this shortfall could lead to serious health complications for PLWHA. Despite the Khatlon area having the highest estimated number of IDUs, no Opioid Substitution Therapy was available.[10]

Limited access to "Trust points"

54. "Trust points" have been established in Kulab city and Kurgan-Tube to reach MARPS; however, this initiative has not been fully extended to the remainder of the country.

Recommendation 5 (High)
The Republican AIDS Center should ensure that the required testing services for PLWHA are provided at the regional laboratories and that the full spectrum of drugs (including antibiotics, antimycotics and anti-inflammatory medication) for the treatment of opportunistic infections is available where patients need it.

G.4 Medical Supply Distribution Policy

Licensing regulations may have adverse effect on NGOs

55. In response to the findings of a monitoring visit in December 2011 by the National Drug Regulatory Authority, the Ministry of Health in early 2012 required NGOs to have a license for the provision of medical supplies, including condoms and syringes. While this regulation was adopted to ensure that health products were stored correctly, it is likely to have adverse financial and resourcing implications on Global Fund-supported programs, and could disrupt the continuous supply of health products such as condoms and syringes to MARPs.

Recommendation 6 (High)
The Ministry of Health should ensure the uninterrupted distribution of medical supplies such as condoms and syringes to MARPs through NGOs. In the immediate term, fast-track licenses should be provided to NGOs involved in condom and syringe distribution.

G.5 Tuberculosis Program

Highest TB burden in region

Low TB case detection

Prevalence higher in prisons

56. Tajikistan has the highest estimated TB burden in the WHO European Region, with an incidence rate of 193 per 100,000 population. Although case detection has improved in recent years, the estimated case detection rate remains low at 47%.[11] The TB situation is worse in Tajikistan's prisons, where the prevalence of active TB cases is approaching 10%.[12] The Government of Tajikistan does not provide treatment for drug-resistant TB, which is prevalent among migrant laborers.

Successes in TB treatment

57. Despite these challenges, there has been significant success including universal DOTS coverage of the general population, extended DOTS coverage in the penitentiary sector, uninterrupted supply of first

[10] Opioid-substitution therapy is provided on a pilot basis in three cities; however, once the evaluation of the pilot is completed, an extension of the pilot is planned to other regions.
[11] 2011 World Health Organization Tajikistan TB profile, www.who.int.
[12] A prevalence and risk-factor survey of active pulmonary tuberculosis in prison facilities of the Republic of Tajikistan". Daniel Winetsky, 31 October 2011.

line TB drugs, establishment of a national reference laboratory in the national TB hospital, and strengthened TB laboratories in all regions.

Treatment entirely dependent on Global Fund

58. At the time of the audit, all TB and MDR-TB treatment in Tajikistan was supported by the Global Fund. There is a need to increase the Government contribution to support implementation activities in these programs in line with the Global Fund's additionality principle.

G.6 Diagnosis

Poor quality of sputum samples

59. Sputum from the provinces is sent to laboratories in cities for TB testing. However, some of the samples are delivered in poor condition which could lead to misdiagnosis. For example, up to 20% of sputum samples sent for analysis to the Kurgan-Tube Regional TB center were received in poor condition.

Recommendation 7 (High)
The Republican TB Center should ensure that sputum samples are collected and delivered safely, and on a timely basis to allow for correct diagnosis; this could be facilitated by providing sterile containers for the collection of sputum and ensuring delivery to the laboratories within 24 hours of collection. Where this is not possible, samples should be refrigerated.

G.7 Treatment and Care

Penitentiary System

No separate cells for TB-infected patients in Dushanbe prison

60. Although most prisons have separate cells for TB-infected inmates, there are no such provisions in Dushanbe Prison Number 1, resulting in TB patients sharing the same space with other inmates, often in overcrowded conditions.

Shortage of medical staff in prisons

61. The July 2012 quarterly report from the Head of the Penitentiary Medical Department to UNDP states that there was a serious shortage of medical staff in the penitentiary system (of approximately 40%), which increased the risk of lapses in treatment. Further, there were very few TB specialists working within the penitentiary system.

Poor continuity of treatment for prisoners

62. The transition of patients on treatment released from prisons to the health care system is mostly managed by Caritas Luxembourg, an NGO that provides support to former inmates and takes responsibility for food supply and social re-integration. According to Caritas Luxembourg, 13% of TB patients failed to continue their treatment following release.[13]

Recommendation 8 (High)
The Ministry of Health, with support from partners as appropriate, should improve the management of TB within the penitentiary system by:

i. Relocating confirmed TB cases from Prison Number 1 to prisons with separate facilities for TB patients;
ii. Strengthening the TB diagnostic and treatment capacity in the penitentiary system, including through targeted training; and
iii. Reviewing the transition mechanism for released prisoners to

[13] According to the CCM, these patient had no place of residence and were therefore difficult to track effectively.

identify the main challenges resulting in lost patients and developing mechanisms for better transition. The government should take the lead role with Caritas Luxembourg and other relevant civil society organizations providing support.

G.8 Malaria Program

Significant decrease in malaria

63. The number of malaria cases in the country has significantly decreased from 2,309 cases in 2005 to 112 in 2010. *Plasmodium falciparum* malaria has been eliminated with no local cases registered since 2008. The malaria elimination interventions are therefore focused on improving capacity for early diagnosis and effective treatment of *P. vivax*, effective prevention through vector control, strengthening surveillance systems, and operational research for timely detection and response in the event of a reintroduction of *P. falciparum*.

64. Only four local cases of *P. vivax* were registered during the first six months of 2012, compared to 17 cases during the same period of 2011. There have been no repeat cases for the last seven months. All patients received essential treatment and are under observation.

H. PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Critical	There were fundamental weaknesses in procurement and supplies management at Project HOPE, exposing the grant to risk. Non-mitigation will jeopardize the achievement of objectives and requires urgent attention.

H.1 Project HOPE

Audit tested 100% of procurement expenditure by Project HOPE (USD 0.93m)

65. As part of the procurement review, the audit team tested 25 procurement contracts at Project HOPE valued at approximately USD 0.93m. This represented 100% of the documented total procurement for the PR for the period under review and 27% of disbursements to Project HOPE as at 31 December 2011. It included procurement for non-health products and services, medical equipment and non-pharmaceutical health products. The procurement review did not include procurement undertaken by UNDP, since this is subject to UNDP internal and external audit.

Weaknesses in procurement process:

66. There was significant scope for improvement in the management of procurement overall, with the following major weaknesses noted:

- Lack of coordination
- Not centralized
- Absence of documentation
- No evidence of review by head office

- A lack of coordination in the development and implementation of the Procurement and Supplies Management (PSM) plan for the grant, which had not been seen by Project HOPE's procurement officer;
- Procurement activities conducted by different officers in the organization, without involvement of the procurement officer. As a result, standard procedures were not followed in carrying out procurements;
- The loss of all correspondence with suppliers relating to procurement of medical equipment and reagents from July 2009 to October 2011.[14] Due to lack of a centralized data base, this information had been maintained on a standalone laptop which was subsequently lost; and
- No documented evidence that the Project HOPE head office was involved in reviewing and approving procurement-related documents, including bidding documents and contracts, despite charging overhead costs for procurement support (as part of financial management support).

Procurement procedures do not ensure value for money:

67. Procurement procedures followed were inadequate to ensure value for money and exposed the organization to risk. The following issues were identified during the audit:

- Weak bidding and contract conditions
- Short bidding periods

- Weak bidding and contract conditions including: Quotations that could be obtained by phone, no requirement for media advertisement, selection criteria not stipulated in the tender document or in the technical specifications, no documented delivery dates or penalty clauses, and changing contract conditions post-award (including price in one case);
- Very short periods permitted for bidding (usually between 4-11 days), with one instance of a bid being received before the Request for

[14] The data loss was reported to the OIG audit team during the audit, with a signed declaration received from a Project HOPE employee stating that all correspondence had been lost. Project HOPE has since indicated that only some correspondence was lost. The audit team is not in a position to verify this.

Quotation was announced; and

- High advance payments

- High advance payments (over 20%) for 13 out of 25 contracts reviewed.

Decisions poorly documented

68. Contracts were routinely awarded to suppliers without a sound documented justification, with suppliers not the lowest bidders in many cases.

Procurement capacity assessment waived by Global Fund Secretariat

69. According to the approved PSM plan, Project HOPE is expected to procure first- and second-line TB drugs going forward. However, there has not been an assessment of Project HOPE's capacity to manage the procurement of health products. The Global Fund Secretariat twice waived the requirement for a procurement capacity assessment (during Phase 1 in 2009 and in Phase 2 in early 2012). Only the PSM plan was assessed by the Secretariat, thus missing an opportunity to address fundamental weaknesses prior to spending funds. This should be a key requirement going forward.

Recommendation 9 (High)
The Global Fund Secretariat should require that a detailed procurement capacity assessment of Project HOPE is carried out (e.g., by technical experts in the LFA) and that the PR develops an actionable management plan to address any weaknesses identified.

Recommendation 10 (High)
Project HOPE should improve the management of procurement by ensuring that:

i. All procurement activities are coordinated by the procurement officer who should maintain procurement-related data. Procurement support should be obtained from Project HOPE's Regional or Head Office as appropriate. The technical specifications and descriptions of required goods and services should be sufficiently general to allow all eligible suppliers to participate in tenders; and

ii. The tender evaluation process should be based only on criteria stipulated in the bidding documents.

In the interim period, the Global Fund Secretariat should implement additional risk mitigation procedures including following national procurement guidelines as reflected in the PSM plan and/or using a procurement agent.

Annex 1: Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
CCM	Country Coordinating Mechanism
DOTS	Directly Observed Treatment, Short Course
IDU	Injecting Drug Users
MARP	Most-at-risk population
MSM	Men who have sex with men
NCC	National Coordination Committee to combat HIV/AIDS, Tuberculosis and Malaria in the Republic Tajikistan
NGO	Non-governmental Organization
PLWHA	People living with HIV/AIDS
PR	Principal Recipient
UNDP	United Nations Development Programme
UNGASS	United Nations General Assembly Special Session on HIV/AIDS

Annex 2: Recommendations and Management Action Plan

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	**Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)**		
Oversight and Governance	***Recommendation 1 (High)*** *The NCC should improve its oversight and monitoring of the Global Fund-supported programs by ensuring that members routinely submit signed conflict of interest declaration, and ensure that its membership remains sufficiently independent. The NCC should regularly monitor Principal Recipients and Sub-recipients.*	Recommendation endorsed	In order to strengthen supervision on July 10, 2012 an Oversight Committee consisting of representatives of government structure, NGOs, WHO and UNAIDS Offices was established. Technical support was provided by GMS. The plan of supervision was developed. The detailed information/clarification for members of the NCC on the conflict of interests will be presented at the NCC next regular meeting.	NCC Secretariat, Oversight Committee under NCC NCC Secretariat	According to the Plan of Oversight Committee it will Start from 2013 Quarter 1, 2013
Grant Management	***Recommendation 2 (Very High)*** *Project HOPE should improve cash controls. At a minimum:* *i. An independent review should be carried out to establish the extent of fraudulent activity;* *ii. All misappropriated funds should be reimbursed;* *iii. Cash payments should be minimized and bank transfers should be made for program activities whenever possible. Where cash payments must be made, adequate controls*	Recommendation endorsed	(a) Project HOPE initiated an independent review to investigate fraud. Terms of reference were developed to ascertain the extent of the fraud, the estimated amount involved and the conditions and/or control weaknesses that allowed the fraud to occur. ToR were shared with GFATM and OIG team. Related costs are covered from PR – HOPE HQ budget. Draft report will be provided to Project HOPE management by December 20th and finalized after being reviewed by Project HOPE country team, Regional Director and HQ. Report will be shared with GFATM and OIG per request (b) Misappropriated funds will be fully reimbursed after getting final report from independent review.	(a) Project HOPE (b) Project HOPE	(a) Jan-15, 2012 (b) Q1, 2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	**Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)**		
	should be put in place; and *iv. A petty cash imprest limit should be established based on average monthly petty cash activity as defined in Project HOPE's Field Accounting Manual. Other cash payments, e.g., supplier payments or program expenses, should be tracked separately from petty cash.*		(c) As high percentage of expenditures paid out in cash was caused mainly by training and monitoring activities conducted outside the central office of the Principal Recipient – Project HOPE the following steps have been taken to reduce the related risks and minimize cash operations: • Advance amount that can be given out from petty cash to employee is limited to 50 USD for any given time with overall amount of cash operations per month not exceeding 200 USD; • Budgets for trainings and monitoring activities will be considered within a week before the actual training and monitoring activity related site visit outside Dushanbe for analysis of expenditures which will be paid in cash and which by bank transfer. Finance Department will ensure to have cash based method of payment only for those expenses that cannot be processed by wire transfer. Corresponding budget for training/monitoring activity will be signed by Director, Program Manager, M&E specialist and Finance Manager; • The database on suppliers providing conference services with the payment by bank transfer will be prepared by procurement and program staff for districts in which training and monitoring	(c) Project HOPE	(c) started immediately and will be finalized by Jan-31, 2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)		
			activity is held; • Accommodation costs, trainer's fees, costs for stationary will be paid by wire transfer; • For payout of per diem, transportation and other costs made in cash the observer's signature will be added to the register on paid amounts; • The table of authorized signatures (finance, administrative, procurement staff and program management) will be prepared for the program to ensure authenticity of signatures on documentation (d) Petty cash imprest limit has been established based on the calculation made by Finance Department on monthly expenditures which can be paid out in cash only. The petty cash imprest limit for the month is set at the amount of 200 USD. Separate account for petty cash has been opened in QB software to enable tracking of petty cash transactions separately from supplier payments/program expenses. The process of preparation of all necessary documentation for opening separate bank accounts in USD and TJS has been launched. It is expected to have separate bank accounts for GF grant opened in the beginning January, 2013. The controlled cash for GF grant related operations will be	(d) Project HOPE	(d) started immediately and will be finalized by Jan-31, 2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	**Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)**		
			coded separately in accounting software as well. The above mentioned measures will enable to track cash balance and cash flows within the project and will strengthen transparency of operations		
Program Implementation	***Recommendation 3 (High)*** *The Ministry of Health should review, and revise where necessary, the National HIV strategy for prevention and testing to ensure that sufficient attention is given to at-risk populations in light of the concentrated nature of the epidemic in Tajikistan. The revised testing strategy should be submitted to the Global Fund to ensure that funds for HIV testing are being used appropriately.*	Recommendation endorsed	The Ministry of Health is going to revise HIV testing policy, which will be directed at expanding testing for risk groups.	The Ministry of Health, Republican AIDS Center	2013
	Recommendation 4 (High) *The Republican AIDS Center and the Ministry of Health should consider revising the existing testing protocol and re-allocating sufficient Government resources for purchasing kit systems requiring ten or fewer tests per batch. The Republican AIDS Center and the Ministry of Health should consider making available the Western Blot*	Recommendation endorsed	The Ministry of Health is going to revise HIV testing policy, which will be directed at expanding testing for risk groups. Tests with the fewest holes (lunula) will be purchased to test for HIV. Uninterrupted test transportation will be secured to supply regions.	The Ministry of Health, Republican AIDS Center The Ministry of Health, Republican AIDS Center	Starting from 2013 Starting from 2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)		
	protocol at regional centers and/or to provide the necessary means of transportation to reduce delays.				
	Recommendation 5 (High) *The Republican AIDS Center should ensure that the required testing services for PLWHA are provided at the regional laboratories and that the full spectrum of drugs (including antibiotics, antimycotics and anti-inflammatory medication) for the treatment of opportunistic infections is available where patients need it.*	Recommendation endorsed	The revision of clinical protocol on HIV treatment and care will be made.	The Ministry of Health, Republican AIDS Center	Starting from 2013
	Recommendation 6 (High) *The Ministry of Health should ensure the uninterrupted distribution of medical supplies such as condoms and syringes to MARPs through NGOs. In the immediate term, fast-track licenses should be provided to NGOs involved in condom and syringe distribution.*	Recommendation endorsed	NGOs will create the necessary conditions for normal storage of syringes, condoms, and disposables. The Ministry of Health will facilitate the distribution of materials.	NGOs and the Ministry of Health	Starting from 2013
	Recommendation 7 (High) *The Republican TB Center should ensure that sputum samples are collected and delivered safely, and on a timely basis to allow for*	Recommendation endorsed	Republican TB Center is addressing the issue of quality collection of sputum samples by distributing the Instruction on quality sputum collection and by conducting trainings. Sputum	Republican TB Center	2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	**Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)**		
	correct diagnosis; this could be facilitated by providing sterile containers for the collection of sputum and ensuring delivery to the laboratories within 24 hours of collection. Where this is not possible, samples should be refrigerated.		transportation from village to district level is also planned to be strengthened. Timely safe sputum transportation (24 hours from the time of collection) to oblast and republican levels was already organized. The training on quality collection of sputum samples for medical staff will be providing.		
	Recommendation 8 (High) *The Ministry of Health, with support from partners as appropriate, should improve the management of TB within the penitentiary system by:* *i. Relocating confirmed TB cases from Prison Number 1 to prisons with separate facilities for TB patients;* *ii. Strengthening the TB diagnostic and treatment capacity in the penitentiary system, including through targeted training; and* *iii. Reviewing the transition mechanism for released prisoners to identify the main challenges resulting in lost patients and developing mechanisms for better transition. The government should take the lead role with Caritas*	Recommendation endorsed	In accordance to the plan of the Ministry of Justice, a new hospital building for TB patient treatment in prison 3/1 will be constructed and it is expected to meet all the requirements of infection control. ii. Joint agreement was concluded between the MoH and the Ministry of Justice of Tajikistan on cooperation to fight TB. The agreements provide training for prisons' medical facilities personnel. Regular seminars are conducted to enhance the knowledge of health providers. However, the Ministry of Justice should find possibilities to financially motivate health providers from penitentiary system. iii. It should be noted that people lost by the program during the transitional period had no place of residence and therefore are very difficult to track. Currently, we plan to draw in NGOs to help in providing social support and to address housing issues of those unorganized groups.	The Ministry of Justice	2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	**Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)**		
	Luxembourg and other relevant civil society organizations providing support.				
Procurement and Supply Change Management	***Recommendation 9 (High)*** *The Global Fund Secretariat should require that a detailed procurement capacity assessment of Project HOPE is carried out (e.g., by technical experts in the LFA) and that the PR develops an actionable management plan to address any weaknesses identified.*	Recommendation endorsed	PSM capacity assessment was conducted in November 2012. Regional procurement specialist traveled to Tajikistan to participate. Issues reflected in OIG report were mentioned during debriefing by capacity assessment team	Project HOPE, LFA and Global Fund Secretariat	Deadline will be defined by GF timeline
	Recommendation 10 (High) *Project HOPE should improve the management of procurement by ensuring that:* *i. All procurement activities are coordinated by the procurement officer who should maintain procurement-related data. Procurement support should be obtained from Project HOPE's Regional or Head Office as appropriate. The technical specifications and descriptions of required goods and services should be sufficiently general to allow all eligible suppliers to participate in tenders; and* *ii. The tender evaluation*	Recommendation endorsed	i. Terms of reference for procurement specialist were developed and agreed with FPM. Vacancy announcement posted twice, re-announced again because of lack of appropriate candidate. Interviewing is in process. Procurement support is already provided and will be provided by Regional Procurement Specialist. On drug procurement additional support will be also provided by Regional Drug Management Specialist who has several years of experience preparing orders for TB drugs and participating in GLC missions. ii. Recommendations for procurement process in terms of technical specifications and tender evaluation	i. Project HOPE ii. Project HOPE	i. ongoing ii. Q1 2013

Section	Recommendation	Response and Action Plan		Responsible Parties	Due Date
		Global Fund Secretariat (Responsible for ensuring that the recommendation is implemented)	**Country Coordinating Mechanism and Principal Recipients (Responsible for the actual implementation of the recommendation)**		
	process should be based only on criteria stipulated in the bidding documents.		process were taken into consideration and will be reflected in the updated procurement guidelines		