The Global Fund
To Fight AIDS, Tuberculosis and Malaria

Office of the Inspector General

Review of the Processes Underpinning the Request to the World Bank to Disburse Funds and for Recording Income Received

GF-OIG-13-006
13 March 2013

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A. EXECUTIVE SUMMARY

The review took place from 7 November to 4 December 2012	1. The Audit Unit of the Office of the Inspector General (OIG) conducted a review of the processes underpinning the request from the Global Fund Secretariat to the World Bank to disburse funds and the processes for recording income received. The review took place from 7 November 2012 to 4 December 2012; it considered transactions that occurred between January 2011 and October 2012. It was conducted in parallel with an ongoing investigation by the Investigations Unit into irregular disbursement requests.
Generally controls evaluated are adequate but some improvement needed	2. The OIG concludes that the controls evaluated **need some improvement**. This means that "generally, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and the Global Fund's strategic objectives should be met."
Effectiveness of internal controls has improved in 2012	3. The OIG's opinion is based on the fact that in the samples reviewed, internal controls were reasonably effective, no material instances of incorrect disbursements were noted, and that the overall existence and effectiveness of internal controls has improved in 2012 (when compared to 2011). The review indicates that there is scope for further strengthening of internal controls and for making the processes more efficient.
Five recommendations categorized as "high" for action	4. This report presents the findings of the review and makes five recommendations categorized as "High" for action by management. We recognize that at the time of writing this report a number of these actions were already being considered in the initiative to automate the disbursement request to the World Bank.
Key findings	5. The key findings of the review indicated a need to: • Automate key grant commitment and disbursement processes concerning the request to the World Bank to disburse that are currently largely manual, with scope to enhance internal controls and improve efficiency; • Ensure that the authority, roles and responsibilities of staff involved in the process underpinning the disbursement request to the World Bank are clearly documented to enhance segregation of duties; • Synchronize or merge databases that capture grant information; • Update recipient bank information in the Global Fund databases to minimize the risk of misuse. In particular, bank accounts of grants that have been closed should be de-activated in the databases; • De-commit funds that are allocated to closed grants to allow their reallocation; and • Establish an internal and external protocol for reporting irregularities.
Controls strengthened in 2012	6. In 2012, the Secretariat put in place a number of initiatives aimed at strengthening controls in the process underpinning the disbursement request to the World Bank. Some of these were still in progress at the time of the review and are in line with the

recommendations made in this report. Initiatives include:

- Automation project (with the help of external consultants);
- Generation of disbursement request letter (for recipients and vendors) from Oracle in PDF;
- Updating Standard Operating Procedures for the disbursement request to the World Bank;
- Validation for accuracy and redundancy of the bank account information from Oracle by Country Teams;
- Manual verification of bank account information before issuing disbursement requests to the World Bank (as an intermediate action until data migration to Oracle is satisfactory);
- Dedicated email for sending requests to the World Bank;
- Day-end independent confirmation prior to release of disbursements by the World Bank;
- Monthly reconciliation of Global Fund and World Bank disbursements/commitments; and
- A new Signature Authority Procedure that requires the co-signature of the Chief Financial Officer of the Global Fund on all grant commitments, which was approved by the Executive Director on 11th February 2013.

B. MESSAGE FROM THE EXECUTIVE DIRECTOR OF THE GLOBAL FUND

The Global Fund
To Fight AIDS, Tuberculosis and Malaria

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11 March 2013

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Subject: Review of the Processes Underpinning the Request to the World Bank to Disburse Funds and for Recording Income Received

Dear Norbert

I would like to thank the Office of the Inspector General (OIG) for its thorough and insightful work on the review of the processes that underpin requests from the Global Fund to the World Bank, in its capacity as the Global Fund's banker, to disburse funds and for recording income received.

The review was carried out at the Global Fund Secretariat from 7 November to 4 December 2012 and considered transactions that occurred between January 2011 and October 2012. It was conducted in parallel with an ongoing investigation by the Office of the Inspector General's Investigations Unit into irregular disbursement requests.

The review came in response to irregularities observed in the process by the Global Fund Secretariat which referred the matter to the Office of the Inspector General in August 2012.

Overall the review found that the controls evaluated were adequate, appropriate and effective to provide reasonable assurance over the risks related to the disbursement request processes through the World Bank and the income receipt and recording processes.

The Office of the Inspector General's opinion is based on the fact that in the samples reviewed, the internal controls were reasonably effective and no instances of incorrect disbursements were noted. The overall existence and effectiveness of internal controls has also improved in 2012 when compared to 2011.

The report makes five recommendations of high priority for action by management to further strengthen internal controls and to make processes more efficient. At the time of writing the review, a number of these actions were already being considered in the initiative to automate the disbursement request to the World Bank. Key findings indicate a need to:
- Automate key grant commitment and disbursement processes concerning the request to the World Bank to disburse that are currently largely manual. This provides scope to enhance internal controls and improve efficiency;

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- Ensure that the authority, roles and responsibilities of staff involved in the process underpinning disbursement requests to the World Bank are clearly documented to enhance segregation of duties;
- Synchronize or merge databases that capture grant information;
- Update recipient bank information in Global Fund databases to minimize risk of misuse;
- De-commit funds that are allocated to closed grants to allow their reallocation and establish an internal and external protocol for reporting irregularities.

In 2012 the Secretariat put in place initiatives aimed at strengthening controls in the process underpinning the disbursement request to the World Bank. Some were still in progress at the time of the review and are in line with the Office of the Inspector General's recommendations.

The initiatives included: an automation project; generation of disbursement request letters for recipients and vendors in PDF format; updating standard operating procedures for the disbursement request to the World Bank; validation for accuracy of bank information by the country teams; manual verification of bank account information before issuing disbursement requests to the World Bank; and a dedicated email account for sending requests to the World Bank.

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

Yours sincerely,

C. OVERVIEW

C.1 Background

Review initially not in 2012 Audit work-plan

7.   The review by the Office of the Inspector General (OIG) of the processes underpinning the request to the World Bank to disburse funds and those for recording income received was not initially included in the audit plan for 2012. It was added in response to irregularities observed in the process by the Global Fund Secretariat, which referred these matters to the Office of Inspector General in August 2012.

Related work done by OIG Investigations Unit was in progress

8.   This review was conducted in parallel with an investigation by the OIG Investigations Unit on the irregular disbursement requests. At the time of finalizing this report, the investigations work was in progress.

C.2 Objectives

Review objectives

9. The objectives of this review were:
   a) To provide assurance on the adequacy and effectiveness of internal controls over the disbursement request process made by the Global Fund to the World Bank, and over the processes for receiving and recording income; and
   b) To provide recommendations to address any areas of internal control weaknesses identified or to improve the existing processes.

C.3 Scope and Methodology

Scope limited to disbursement process at the point of issuing disbursement instructions to the World bank to recording and reporting of disbursements and income.

10. The scope of the review covered the following processes:
   a) Disbursement request processes including the issuance of Commitment Letters to the World Bank, approval and signing of the Disbursement Decision Making Form (DDMF) and Disbursement Letter, the request to the World Bank to disburse, the process for changing recipient bank account details, and the process for controlling third party payments;
   b) The processes for recording and reporting transactions, including the process of recording the World Bank transactions in the Global Fund accounting system and the process of reconciling commitments, disbursements and receipts; and
   c) The processes for recording donor contributions, refunds from PRs and other income.

11.   The review was performed in November 2012 at the Global Fund Secretariat. It considered transactions and processes that took place from January 2011 to October 2012. The table below summarizes the transactions:

Table 1: Volume of transactions between January 2011 and October 2012

Review covered disbursements totaling over USD 5 billion

Particulars	Count of transactions	Amount (USD million)
Total disbursements	1,890	5,156
Total commitments	402	4,472
Total de-commitments	281	855
Total donation receipts	77	5,584
Contributions receivable as on 30 Sep. 2012	19	1,429

Source: The Commitments and Disbursement Summary Report as on 15 November 2012 from Oracle Projects Module and the Oracle General Ledger

Approach included document review, control and substantive testing

12. The methodology for the review included:
   a) Review of key policies and procedures, process flows, and related documents;
   b) Review of the current processes and recent initiatives put in place to improve them through interviews with the process owners;
   c) Control testing using a walkthrough and sample testing;
   d) Substantive testing covering:
      - Processing of commitment and disbursement requests;
      - Changes in bank account details;
      - Three-way reconciliation between Global Fund disbursement records, World Bank disbursement records and the Global Fund General Ledger; and
      - Confirmations from selected Principal Recipients (PRs), third party vendors who received grant funds and donors; and
   e) Identifying scope for strengthening of controls and improving process efficiency.

C.4 Conclusion and Recommendations

Overall, controls were adequate, appropriate and effective

13. Overall, the OIG found that the controls evaluated were adequate, appropriate, and effective to provide reasonable assurance over the risks related to the disbursement request processes through the World Bank and the income receipt and recording processes. The OIG's opinion is based on the fact that in the samples reviewed, internal controls were reasonably effective, no material instances of incorrect disbursements were noted, and that the overall existence and effectiveness of internal controls has improved in 2012 (when compared to 2011). The Secretariat has taken recent initiatives to strengthen the processes underpinning the disbursement request to the World Bank.

Scope for further strengthening of controls to make the processes more efficient

14. The review indicates that there is scope for further strengthening of internal controls and for making the processes more efficient. This report presents the findings of the review and makes five recommendations categorized as "High" for action by management. We recognize that at the time of writing this report a number of these actions were already being considered in the initiative to automate the disbursement request to the World Bank.

D. PROCESS IMPROVEMENTS PUT IN PLACE BY THE SECRETARIAT

Several initiatives implemented by Secretariat in 2012 to improve and strengthen processes

15.   In 2012, the Secretariat implemented a number of initiatives aimed at improving and strengthening the processes underpinning the disbursement request to World Bank. These include:
   a) A thorough manual verification of the bank account information before issuing the disbursement request to the World Bank, as an intermediate action until data migration to Oracle is satisfactorily complete;
   b) Generation of disbursement request letter (for PR and grant vendors) from Oracle in PDF;
   c) Use of a dedicated email ID in transmitting the disbursement and commitment requests to the World Bank;
   d) Independent daily confirmation of disbursement requests prior to release by the World Bank; and
   e) Initiated the requirement for signature on grant agreements by the Chief Financial Officer (CFO) and the requirement for a memo from the CFO for processing supplementary/succeeding commitments.[1] This will ensure that the Finance Team is informed of any new commitments in a timely manner.

Some initiatives were in progress

16.   At the time of the OIG review, the following Secretariat initiatives for strengthening the processes were in progress:
   a) Validation of the recipients' bank account information in the Oracle system by the Country Teams to ensure their accuracy;
   b) Automation of disbursement processes (with the help of external consultants);
   c) Expanding the use of an online DDMF for grant disbursements;
   d) Updating Standard Operating Procedures for the disbursement processes; and
   e) Reconciliation between the Global Fund and World Bank disbursement and commitment records.

17.   Several of the above processes were implemented as additional safeguards following the receipt of irregular disbursement requests by the World Bank in August 2012.

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[1] This process has been approved by the Management Executive Committee but is not yet in place pending legal technicalities.

E. PROCESSES UNDERPINNING THE REQUEST TO THE WORLD BANK TO DISBURSE FUNDS

Some Improvement Needed	There is scope for the Global Fund Secretariat to automate what is currently a largely manual process for requesting a disbursement by the World Bank. The Global Fund should improve the segregation of duties and better manage the data relating to grants and grant bank accounts. Protocols for reporting irregularities and suspected fraud by/to the World Bank and the OIG should be established and used.

Improvements in effectiveness of internal controls in 2012

18.   Overall there has been an improvement in the existence and effectiveness of internal controls in 2012 when compared with 2011. The Secretariat has taken steps to further strengthen the processes underpinning the disbursement request to World Bank.

5 areas with scope for strengthening internal controls

19. Nonetheless, the review noted five areas with scope for strengthening internal controls.

E.1 Largely manual commitment and disbursement request processes would benefit from greater automation and further enhanced security measures

Need for greater automation in commitment and disbursement request processes

20.   The current process for defining the budget for a new grant is manual and requires multiple manual adjustments in the projects module of the Oracle system. Consolidated grants are more complex and can require up to six adjustments. We reviewed five sample budgets for new/consolidated grants, and noted one error in the adjustments resulting in the overstatement of USD 211 million of funds available for commitment in the constituent grant. However, this weakness was highly unlikely to have resulted in a disbursement beyond the real grant commitment.

Oracle system does not offer validation checks

21.   The current Oracle system does not offer validation checks to prevent double entry errors while defining grant budget in the Projects Module.

Disbursement request process is mainly manual

22.   Similarly, the disbursement request process is mostly manual. While Country Teams have begun using an on-line DDMF, this is not presently integrated with the Projects Module in Oracle. As a result, a hard copy of the signed DDMF is provided to the Finance Officer who then generates a disbursement request in the Projects Module. This manual process is subject to errors and requires verification of information at various stages. The Secretariat explained that additional manual procedures have mitigated the risk; no material errors were noted.

Oracle does not allow for automated generation of some documents

23.   The Oracle system allows for the automated generation of Disbursement Letters to be sent to the World Bank for disbursement to PRs and third party vendors. Confirmation letters can also be generated from the Oracle system. However, the following documents are being generated manually:
 a) Disbursement Letters to the World Bank for Country Coordinating Mechanism (CCM) disbursements;
 b) Notification Letters to the World Bank for refunds;
 c) Commitment Letters to the World Bank for grant commitments;

and
d) Confirmation Letters to the CCM for CCM disbursements.

Commitment and disbursement request transmitted via dedicated e-mail ID

24. Commitment and disbursement requests to the World Bank are being transmitted through email. Until October 2012, these requests were sent using individual designated staff e-mail accounts. However, with effect from November 2012, a dedicated email ID has been used to transmit these requests. This has made the transmission more secure. There is scope to further improve security.

Recommendation 1 (High)

The Secretariat:
a. *Should further automate the processes underpinning the commitment and disbursement request to the World Bank to include:*
   i. *Validation checks to ensure the accuracy of adjustments made;*
   ii. *Integration of the DDMF online system with the Projects Module in Oracle to facilitate automatic generation of a disbursement request from the approved DDMF; and*
   iii. *Automated generation of all disbursements, commitments, confirmation and refund letters in a secured PDF file with digital signatures.*
b. *Should increase the security of the transmission of the requests by:*
   i. *Using a secured portal for communicating the commitment and disbursement requests to the World Bank and seeking confirmation either through the same portal or via email (as a second level control); and*
   ii. *Using a T-mode SWIFT facility to ensure that a copy of the SWIFT message is sent to the Global Fund's authorized personnel (copy destination) at the same time as the original message is sent to the addressee. The same facility may be used to receive a copy of the SWIFT message for donations received.*

E.2 Authority and roles in the processes underpinning the disbursement request to the World Bank could be better defined and segregation of duties could be more effective

Need to better align responsibilities of staff involved in the disbursement request process

25. The review highlighted the need to clearly define the authority matrix and roles and responsibilities of staff performing various functions related to the processes underpinning the disbursement request to the World Bank. This would enable clearer understanding of the tasks they perform and the accountability associated with those tasks. There is a need to better align responsibilities of staff with their specific area of expertise to ensure efficient and effective performance of their roles.

Responsibilities and Accountabilities need to be documented

26. At the time of the review, the responsibilities and accountabilities of personnel involved in implementing the disbursement request process were not adequately documented. In the absence of clearly defined responsibilities and accountabilities,

segregation of duties was not working effectively.

Recommendation 2 (High)

To ensure that the processes regarding recording income and requesting a disbursement by the World Bank contain clearly defined authorities and roles, effective segregation of duties, and responsibilities aligned to staff areas of expertise, the Secretariat should:
 a. Document an authority matrix/delegation of authority for the various actions related to the disbursement request to World Bank and to income receipt processes; and
 b. Document the responsibilities and accountabilities of personnel processing disbursement requests to World Bank.

Management of recipient bank account information needs strengthening

Redundant bank account data needs to be removed from Oracle

E.3 The management of recipient bank account information can be strengthened

27. Our review of 2,540 active bank accounts highlighted the following inconsistencies, which underscore the need to remove redundant bank account data from Oracle to prevent the risk of transfer of funds to a dormant bank account.
 a) Three instances in which bank accounts related to grants that were closed (PR is still active) had not been de-activated in the system; and
 b) Forty-four instances in which grants had ended and the PR had no ongoing grants but its bank accounts had not been end-dated (closed).

Recommendation 3 (High)

To reduce the risk of errors or possible misuse related to dormant bank accounts:
  a. The Program Finance Team should:
  i. Identify all inactive recipient bank accounts that should be end-dated in GFS; and
  ii. Communicate the list of inactive bank accounts to the Controller's Office for de-activation.

  b. The Controller's Office should:
  i. Deactivate all dormant recipient bank accounts in the Global Fund and communicate to the World Bank that those Principal Recipient bank accounts are no longer active for Global Fund grant disbursements; and
  ii. Reconcile the bank account information in Global Fund records with World Bank records. Going forward this reconciliation can be performed on a quarterly basis.

Data related to grant status can be improved

Oracle system not linked to Grant Management System

E.4 Data related to current grant status and end date in Oracle and the monitoring of closed/completed grants for de-commitment can be improved

28. The Oracle system is not currently linked to the Grant Management System. As a result, grant status needs to be changed independently in the two databases. A comparison of grant status in

Oracle versus the Grant Management System saw 20 instances in which 'Closed' or 'In Closure' grants appeared as 'In Progress' in Oracle and had an unexpired end-date as well as committed funds. The Secretariat explained that a database "step-up project" was being implemented to address such discrepancies.

USD 251 million still committed to grants already ended

29.   Funds in a closed or completed grant are de-committed based on the de-commitment request received from the respective Country Team. The World Bank Commitment and Disbursement Report on 30 September 2012 showed that approx. USD 251 million were still committed in 166 grants already ended as of 31 December 2011. These funds were not available for further commitment. A summary of these cases is tabulated below. The Secretariat explained that a year-end clean-up exercise to de-commit undisbursed funds from grants that are closed or in closure was being undertaken.

Table 2: Summary of grants already ended but not de-committed

Year of grant end date	Count of grants	Undisbursed funds (USD equivalent as of 30-Sep-12*)
2005	1	206,728
2006	6	11,895,417
2007	10	2,792,142
2008	12	3,660,626
2009	30	23,403,735
2010	56	90,533,424
2011	51	118,731,085
Total	**166**	**251,223,157**

Source: World Bank Status of Commitments and Disbursements as of 30 September 2012

* OANDA exchange rate on 30 Sep. 12: EUR 1 = USD 1.28554

Recommendation 4 (High)

To ensure consistency in the grant status and timely de-commitment of closed/completed grants, the Secretariat should:
a. *Integrate the Oracle system with the Grant Management System to facilitate real time updates;*
b. *Pending such integration, establish a process for timely communication of changes in grant status from the Country Teams to the Program Finance Hub, with regular reconciliation with Oracle; and*
c. *Ensure that the Country Teams regularly review all completed grants in their portfolio and request de-commitment where required.*

Communication protocols on irregularities should be established and followed

E.5 Communication protocols for reporting (potential) irregularities should be established and followed

30.   At the time of drafting this report, there was no clear communication protocol between Grant Management and the Finance Division for reporting and handling cases of irregularities. This was true also for communication between the Global Fund and the World

Bank. This concern was also raised by the World Bank Internal Audit Department.

Recommendation 5 (High)

The Global Fund Secretariat should establish communication protocols within the Global Fund and between the Global Fund and the World Bank for reporting and handling (potential) irregularities.

F. PROCESSES UNDERPINNING THE RECORDING OF INCOME RECEIVED FROM DONORS AND REFUNDS RECEIVED FROM GRANT RECIPIENTS

Effective	The controls in place for recording income received from donors and refunds received from grant recipients were adequate, appropriate, and effective.

Review included processes related to the receipt and recording of Donors income and refunds from PRs

31.   The review included an assessment of the processes underpinning the receipt and recording of donor income, refunds from PRs and other income. The OIG obtained confirmations from donors and PRs regarding the amounts transferred to the World Bank and performed a reconciliation of World Bank and Global Fund records.

Processes overall are effective

32.   The processes overall are effective; no material findings related to income receipt and recording were noted in the review. Minor areas for improvement have been included in the letter to management.

Annex 1: Abbreviations

CCM	Country Coordinating Mechanism
CFO	Chief Financial Officer
DDMF	Disbursement Decision-Making Form
OIG	Office of the Inspector General
PR	Principal Recipient

Annex 2: Classification of Audit Findings and Recommendations

Rating of Functional Areas

Each functional area reviewed (e.g., financial management) is rated as follows:

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.

Prioritization of Review Recommendations

The implementation of all review recommendations is essential in mitigating risk and strengthening the internal control environment for processing and recording grant disbursements and receiving and recording receipts. The recommendations have been 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.

Letter to Management

Review findings classified 'Medium' and 'Low' have been reported separately in a Letter to

Management. Though these findings and recommendations do not necessarily warrant immediate action, they represent specific control weaknesses which should be addressed in a reasonable time period. If these deficiencies are not addressed, risks will not be managed appropriately.

Annex 3: Recommendations and Management Action Plan

Recommendation	Management Action	Due Date

Recommendation 1 (High)
 	
The Secretariat:
 	
a) Should further automate the commitment and disbursement request to World Bank processes, to include:
 	
   i. Validation checks to ensure the accuracy of adjustments made;
  ii. Integration of the DDMF online system with the Projects Module in Oracle to facilitate automatic generation of a disbursement request from the approved DDMF; and
 iii. Automated generation of all disbursements, commitments, confirmation and refund letters in a secured PDF file with digital signatures.
 	
b) Should increase the security of the transmission of the requests by:
 	
   i. Using of a secured portal for communicating the commitment and disbursement requests to the World Bank and seeking confirmation either through the same portal or via email (as a second level control); and
  ii. Using a T-mode SWIFT facility to ensure that a copy of the SWIFT message is sent to the Global Fund's authorized personnel (copy destination) at the same time as the original message is sent to the addressee. The same facility may be used to receive a copy of the SWIFT message for donations received.
	Recommendation 1: All of the recommendations are agreed and will be taken up in designing the new grant finance system (finance 'step-up' project during 2013.)
	
	Communication with the World Bank will change in the coming months. IT is setting up a secured email procedure to communicate to the WB and avoiding use of letters.
		January 2014 for implementation, with gradual progress throughout 2013

Recommendation 2 (High)	**Recommendation 2:** All the recommendations are	Narrative task: June

Recommendation	Management Action	Due Date
To ensure clearly defined authority and roles, effective segregation of duties, and responsibilities aligned to staff areas of expertise, the Secretariat should: a) Document an authority matrix/delegation of authority for the various actions related to disbursement request to World Bank and income receipt processes; and b) Document the responsibilities and accountabilities of personnel processing disbursement request to World Bank.	agreed. A narrative task description for the interim commitment and disbursement processes will be prepared. Otherwise the full set of documentation of authorities and accountabilities will be a task of the step-up project. The generation of the letter has been also identified as an activity that should not happen in IT and will be transferred to the nominated person within the Finance area	30, 2013 Full set of documentation: December 2013 Transfer of letter generation activity: April 2013
Recommendation 3 (High) To reduce the risk of errors or possible misuse related to dormant bank accounts: a) The Program Finance Team should: i. Identify all inactive recipient bank accounts that should be end-dated in GFS; and ii. Communicate the list of inactive bank accounts to the Controller's Office for de-activation. b) The Controller's Office should: i. Deactivate all dormant recipient bank accounts in the Global Fund and communicate to the World Bank that those Principal Recipient bank accounts were no longer active for Global Fund grant disbursements; and ii. Reconcile the bank account information in Global Fund records with World Bank records. Going forward this reconciliation can be performed on a quarterly basis.	**Recommendation 3:** The clean-up of dormant accounts is an on-going task being led by Program Finance. In the step-up project this system weakness will be addressed.	Finalization of clean-up of dormant accounts: June 30, 2013 Definition of process and design of system to identify and communicate inactive recipient accounts: January 2014

Recommendation	Management Action	Due Date
Recommendation 4 (High) To ensure consistency in the grant status and timely de-commitment of closed/completed grants, the Secretariat should: a) Integrate the Oracle system with the Grant Management System to facilitate real time updates; b) Pending such integration, establish a process for timely communication of changes in grant status from the Country Teams to the Program Finance Hub, with regular reconciliation with Oracle; and c) Ensure that the Country Teams regularly review all completed grants in their portfolio and request de-commitment where required.	**Recommendation 4 (a):** The integration of the Oracle system with the Grant Management is part of the Step Up project and covers a re-arrangement of the Oracle modules architecture to ensure data integrity, real-time updates and data ownership/accountability. **Recommendation 4 (b and c):** The process of reconciliation, review and request of de-commitments will be covered in the step up project. However, an interim procedure will be established with clear responsibilities.	January 2014 Step Up project: January 2014 Finalized interim procedure: March 2013
Recommendation 5 (High) The Global Fund Secretariat should establish communication protocols within the Global Fund and between the Global Fund and the World Bank for reporting and handling (potential) irregularities	**Recommendation 5:** Finance Division will work with Grant Management to establish a communication protocol for country teams to report allegation of misuse of funds to CFO, Head of Grant Management and Controller for immediate measures (including information to World Bank and/or OIG when appropriate)	June 30, 2013