



Investigation Report

Global Fund Grants in the Central African Republic

Significant leakages of medicine

GF-OIG-18-001
17 January 2018
Geneva, Switzerland

What is the Office of the Inspector General?

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

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The Global Fund believes that every dollar counts and has zero tolerance for fraud, corruption and waste that prevent resources from reaching the people who need them. If you suspect irregularities or wrongdoing in the programs financed by the Global Fund, you should report to the OIG using the contact details below. The following are some examples of wrongdoing that you should report: stealing money or medicine; using Global Fund money or other assets for personal use; fake invoicing; staging of fake training events; counterfeiting drugs; irregularities in a tender processes; bribery and kickbacks; conflicts of interest; and human rights violations...

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Audit Report

OIG audits look at systems and processes, both at the Global Fund and in country, to identify the risks that could compromise the organization's mission to end the three epidemics. The OIG generally audits three main areas: risk management, governance and oversight. Overall, the objective of the audit is to improve the effectiveness of the Global Fund to ensure that it has the greatest impact using the funds with which it is entrusted.

Advisory Report

OIG advisory reports aim to further the Global Fund's mission and objectives through value-added engagements, using the professional skills of the OIG's auditors and investigators. The Global Fund Board, committees or Secretariat may request a specific OIG advisory engagement at any time. The report can be published at the discretion of the Inspector General in consultation with the stakeholder who made the request.

Investigations Report

OIG investigations examine either allegations received of actual wrongdoing or follow up on intelligence of fraud or abuse that could compromise the Global Fund's mission to end the three epidemics. The OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts.

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1. Executive Summary

1.1. Summary

The OIG investigation confirmed that medicines worth US\$198,334, bought using funds from two active grants for malaria and tuberculosis/HIV, were lost due to leakage and theft. The loss occurred at the main warehouse complex used by the Principal Recipient. The medicines were mostly artemisinin-based combination therapies (ACTs) used to treat uncomplicated malaria. The quantity lost corresponds to treatment for approximately 250,000 people. The loss also included small quantities of antiretroviral drugs (ARVs) to treat HIV. The Principal Recipient had reported a large theft to the Global Fund which occurred late 2016. Since then, security at the warehouse complex where the medicines are stored has improved. A new procurement and supply management coordinator has also been put in place.

The investigation found weak supply chain processes at the health facility level. The Principal Recipient rarely carried out basic steps, such as reviewing documents that record the flow of goods, as part of its regular supervision and monitoring activities. This increased the risk of products being diverted to illicit markets. The OIG confirmed the illicit sales of Global Fund-financed ACTs and fixed-dose combinations drugs (ATBs) for tuberculosis in local markets of Bangui. The investigation concluded that these medicines leaked either from the main warehouse or from health facilities, as confirmed by an analysis of product batch numbers.

The Global Fund plans to assess potential partners in charge of storing and distributing medicines to further strengthen warehouse and supply chain management. The Global Fund will also put in place an awareness-raising campaign to inform the public of the dangers of buying medicines in markets rather than through the formal health system.

1.2. Main OIG Findings

Large quantities of ACTs leaked from the main warehouse complex over a year

Significant leakages of ACTs and, to a lesser extent, of ARVs took place from January 2016 to May 2017. The OIG investigation focused on this period and on the medication that the Principal Recipient had reported to the Global Fund as stolen. The quantities, which disappeared on multiple occasions, concerned 247,339 blisters of ACTs and 955 blisters of ARVs, respectively. This represents eight percent of total ACTs and 0.6 percent of total ARVs supplied during the review period.

A Government entity supervised by the Ministry of Health (the Government Entity), was in charge of stock management at the main warehouse complex that the Principal Recipient took over in January 2017.

Starting in April 2016, the Government Entity made regular unsupported stock adjustments in its warehouse accounting system, reducing the recorded stock available. It reported a large theft, which happened in the fourth quarter of 2016, to the Principal Recipient and the national authorities. The Principal Recipient identified 173,798 blisters of ACTs and 1,296 blisters of ARVs as stolen. This resulted in the arrests of key warehouse staff members believed to be involved. The OIG investigation did not have access to the detained Government Entity warehouse staff members. Until the Principal Recipient took over from the Government Entity, it monitored and supervised the Government Entity every week. However, it did not review warehouse records maintained by the Government Entity, nor investigate the unsupported stock adjustments, nor did it attempt to disrupt the leakages. The Principal Recipient also made unsupported stock adjustments, once it was in charge of the stock management.

Weak supply chain processes at health facility level increases risk of product diversion to illicit markets

The health facilities visited by the OIG were not able to account for significant quantities of the medicines received. Furthermore, the OIG found excess consumption of medicines when compared to patient treatment records.

The Principal Recipient's inadequate monitoring and supervision as well as gaps in health facility documentation increased the fraud risk at the health facility level. These gaps provided multiple opportunities for the diversion of medicines to illicit markets. Although only available in small quantities, ACTs were found in the majority of the markets visited, indicating a systemic problem. Other than ACTs, the OIG also found small quantities of ATBs sold illicitly at some sites.

Malaria testing and consultation at health facilities cost more to the patient than buying medication on illicit markets. Patients reported paying between US\$0.9 and US\$5.2 for consultation and an additional US\$1.7 for the test. However, the illicit market price for a blister of the most common ACTs does not exceed US\$1.7. This discourages people from going to health facilities. The non-prescribed demand for ATBs, which are strong antibiotics, is largely driven by the public perception that they can cure various illnesses. However, unmonitored consumption of antibiotics can create drug resistance, which represents a serious public health risk.

Subsequent developments

On 8 September 2017, the Principal Recipient announced that it will not implement an upcoming malaria grant. In addition, the Principal Recipient was not selected for the next tuberculosis/HIV grant. Both grants are due to start in January 2018. At the time of writing, the Country Team was negotiating new implementing partners.

In response to the investigation findings, the Principal Recipient started to implement measures to reduce the risk of further leakages at the main warehouse complex during the remaining period of both grants.

1.3. Actions Already Taken

Before the Principal Recipient reported the theft to the Global Fund, the Secretariat was aware of weak supply chain processes. It tasked the Principal Recipient to hire an international Procurement and Supply Management Coordinator and to monitor and supervise health facilities in accessible areas.

In addition, the Secretariat commissioned an audit to crosscheck the number of people on ARV treatment with medicine consumption data. It also committed to reviewing warehouse management records held by the Principal Recipient to assess if leakages continued to occur.

Following the reported theft, the Secretariat also asked the Principal Recipient to strengthen their risk mitigation measures including by changing the security locks of the warehouse and maintaining a register of people leaving the complex.

1.4. Summary of Agreed Management Actions

The Secretariat and the OIG have agreed on specific actions, detailed in Section 5 of this report, including:

- the recovery of an appropriate amount based on the findings of this report; and
- appropriate actions to reinforce the supply chain and to address the demand for prescription medicines on illicit markets.

2. Context

2.1. Country Context

The Central African Republic has gone through periods of violent conflict for more than 30 years. The country has a population of 4.6 million people of which 13% are internally displaced, living in camps or with host families. The UN Development Programme's Human Development Index ranks the country in last place among 188 nations. Life expectancy at birth is 51.5 years and the annual Gross National Income per capita based on purchasing power parity is US\$587.

The government is working on regaining full control of regions where lawlessness persists outside the capital city of Bangui. In April 2014, the UN Security Council authorized the deployment of a multidimensional peacekeeping operation (MINUSCA) to protect civilians and to support the efforts of the government. MINUSCA replaced an earlier UN support mechanism that had been active for more than a decade.

The country ranks 159th out of 176 countries evaluated in Transparency International's 2016 Corruption Perceptions Index. It scored 20/100, close to the bottom of the scale, meaning that the public sector is perceived to be highly corrupt. The country's score has worsened since 2012 when it was at 26/100.

The Secretariat's monitoring of the portfolio has been limited due to the conflict; however, conditions have improved. In April 2016, the Secretariat and the Global Fund's Local Fund Agent, based in neighbouring Cameroon, were able to travel again to Bangui. However, site visits outside Bangui are still not possible. Between August 2013 and April 2016, the Local Fund Agent was able to visit the country only once in September 2015.

2.2. Differentiation Category for Country Investigations

The Global Fund has classified the countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by the size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. Countries can also be classed into two crosscutting categories: Challenging Operating Environments and those under the Additional Safeguard Policy. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and manmade or natural crises. The Additional Safeguard Policy is a set of extra measures that the Global Fund can put in place to strengthen fiscal and oversight controls in a particularly risky environment.

The Central African Republic is:

- Focused: (Smaller portfolios, lower disease burden, lower mission risk)
- Core: (Larger portfolios, higher disease burden, higher risk)**
- High Impact: (Very large portfolio, mission critical disease burden)

- Challenging Operating Environment*
- Additional Safeguard Policy*

2.3. Global Fund Grants in the Country

As of 9 October 2017, the Global Fund had disbursed a total of US\$143.7 million to the country, out of a total commitment of US\$153 million.

The implementation period for the ongoing tuberculosis/HIV grant is from 1 July 2014 to 31 December 2017. The grant disbursed €29.4 million (US\$ equivalent of 32.9 million) out of a committed amount of €33.6 million (US\$ equivalent 38.1 million).

The implementation period for the ongoing malaria grant is from 1 July 2016 to 31 December 2017. The grant disbursed €11.4 million (US\$ equivalent 12.2 million) out of a committed amount of over €15 million (US\$ equivalent 15.7 million).

The Principal Recipient also implemented the preceding malaria grant (CAF-813-G10-M); its period was from 1 October 2013 to 30 June 2016.

2.4. The Three Diseases



HIV/AIDS: The country is affected by an HIV epidemic. In 2016, there were 7,300 AIDS-related deaths.

The epidemic hits key populations disproportionately: The HIV prevalence rate amongst men who have sex with men is 25.4%, and 9.2% amongst sex workers, respectively.

130,000 people living with HIV

31,000 people currently on antiretroviral therapy

Infection prevalence rate of 4% (adults, 15-49 years)



Malaria: The disease is a major public health concern with a high but stable prevalence rate.

Children under five years of age are disproportionately affected: While they account for approximately every second case, they account for less than a fifth of the general population.

1.4 million cases estimated annually

828,000 insecticide-treated nets distributed



Tuberculosis: The disease is a major public health concern, especially for Internally Displaced Persons.

WHO estimates the number of multi-drug resistant tuberculosis patients and patients resistant to rifampicin, an antibiotic, at 140.

39,000 new smear-positive TB cases detected and treated.

Tuberculosis treatment coverage is estimated at 55%

3. The Investigation at a Glance

3.1. Genesis and Scope of the Investigation

April 2016: Start of wrongdoing

January 2017: OIG alerted to wrongdoing

Source of the alert:

- Secretariat**
- Principal Recipient
- Sub-Recipient
- Local Fund Agent
- Anonymous whistle-blower
- Audit referral
- Other

In January 2017, the Secretariat informed the OIG of the theft of large quantities of medicines as reported by the Principal Recipient. While the theft triggered this investigation, the Secretariat had also already raised concerns about poor

data quality at health facilities and the alleged illicit sale of small quantities of ATBs and ARVs in local markets. Due to the additional concerns, the OIG investigated both the reported theft and the ongoing commodity management at the main warehouse.

The investigation covered the period from January 2016, when the computerized warehouse accounting system became operational, until a country mission in May 2017. Proactively, the OIG also investigated the strength of the supply chain at health facility level and any linkages between the theft and illicit sales of drugs.

In country, the OIG met representatives from the Principal Recipient, the Government Entity, and partner institutions. The investigators also visited health facilities and commissioned a market survey. The OIG limited its investigative activities to accessible districts of Bangui.

3.2. Type of Wrongdoing Identified

- Coercion
- Collusion
- Corruption
- Fraud**
- Human Rights Issues
- Non-Compliance with Grant Agreement**
- Product Issues**

3.3. Non-Compliant Expenditure

US\$198,334: The OIG investigation found that ACTs and ARVs, valued at US\$198,334 in total, went missing from the main warehouse complex. The non-compliant funds are made up of US\$189,853 under the malaria grant and US\$8,481 under the HIV grant.

3.4. Proposed Recoverable Amount

US\$198,334: The OIG proposes the entire non-compliant expenditures of US\$198,334 as a proposed recoverable amount.

4. Findings

4.1. Large quantities of ACTs leaked from the main warehouse complex

The OIG investigation found that the Principal Recipient could not account for repeated downward stock adjustments of over 247,339 blisters of ACTs and over 955 blisters of ARVs in total. The value of the lost ACTs and the lost ARVs amount to US\$189,853 and US\$8,481, respectively. The Principal Recipient did not monitor the Government Entity adequately to detect the leakages and it was not able to account for the missing stock. Furthermore, its own stock management continues to be weak, despite improvements in the physical security of stock. The investigation identified that staff members at the warehouse complex, from the Government Entity and the Principal Recipient, share the same login information for the computerized warehouse accounting system. Therefore, the OIG found it difficult to identify the individuals responsible for the unexplained stock adjustments in the warehouse accounting system.

Although the Principal Recipient reported the theft that had occurred during the fourth quarter of 2016, it did not detect other leakages. However, the OIG's review of warehouse management records from January 2016 to May 2017 identified additional losses exceeding the reported quantity by 42%.

The ongoing malaria grant budgets US\$3 million for pharmaceutical products. The previous malaria grant, which closed in June 2016, disbursed US\$2.2 million for pharmaceutical products.

The OIG bases its findings on the sum of unexplained adjusted entries in the warehouse accounting system that are not supported by documentation (unsupported entries). The Government Entity used a computerized system to record incoming and outgoing commodities. It made these entries mainly after routine inventories to adjust physical stock quantities to those in the system. The Principal Recipient did not review the entries in the system despite weekly visits to the warehouse complex. Nor did the Principal Recipient notice the unsupported entries.

When the Principal Recipient took over from the Government Entity, it strengthened security at the warehouse complex. However, it also made additional unsupported entries, which amount to 23,333 blisters valued at US\$13,722. This highlights weaknesses in the Principal Recipient's management of stock.

The OIG found immaterial adjusted entries for ATBs that probably occurred during the ordinary course of business.

Agreed Management Action 1

Based on the findings of this report, the Secretariat will finalize and pursue an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.

Owner: Chair, Recoveries Committee

Due date: 30 June 2018

Category: Financial & Fiduciary Risks

Agreed Management Action 2

Based on the findings of this report, the Secretariat will assess the experience and capacity of an international entity that will be responsible for central level management of Global Fund-financed medicine and its distribution to health facilities.

Owner: Head Grant Management

Due date: 30 September 2018

Category: Governance, Oversight and Management Risks

4.2. Weak supply chain processes at health facility level increase risk of product diversion to illicit markets

The OIG investigation found weak supply chain processes, including poor data quality at the health facility level. The Principal Recipient's monitoring and supervision of the health facilities started late, was limited and insufficient. Global Fund-financed ACTs and ATBs were found on sale in numerous local markets across Bangui.

The OIG reviewed four health facilities in Bangui. These facilities received the largest planned deliveries of malaria commodities in the first quarter of 2017. Three of the four facilities also treat people living with HIV and tuberculosis.

Health facilities could not account for a significant portion of the ACTs and ATBs received during the first four months of 2017. They did not maintain basic stock records nor fully record incoming stocks.

- ACTs: Three of the four health facilities receiving ACTs did not record incoming commodities in its bin cards. The fourth one received 7,739 blisters during the period but recorded 6,934 blisters in its bin card, ten percent less.
- ATBs: Two of the three facilities did not record incoming commodities. The third one received 50 boxes of RHZE, an ATB. However, it recorded 40 boxes in its bin cards, 20 percent less. One box contains 672 pills.

Health facilities reported to have consumed more medication than the number of patients treated.

- ACTs: Two facilities did not maintain basic consumption data allowing a verification between the number of patients and the medicines used in April 2017. The other two facilities reported consumption figures that were 2.7 to 4 times higher than patient figures. One facility prescribed ACTs to 63 patients but reported consumption of 168 blisters; the second facility prescribed ACTs to 255 patients but only used 1039 blisters. A malaria patient normally only receives one blister.
- ATB: Two facilities maintained ATB consumption reports on which they base their orders. One facility, however, ordered RHZE for 87 patients while it had reported consumption for only 36 patients, 2.4 times more.

Staff at the health facilities attributed the deficiencies in stock management and data quality to work load, low technical capacity, limited resources and inadequate training from the Principal Recipient.

The Principal Recipient's monitoring and supervision of health facilities started relatively late in both grants (November 2016). They explained that this was because of the fragile security situation and capacity constraints. However, the OIG notes that many facilities are located within accessible districts of Bangui and close to the Principal Recipient offices.

Once they started monitoring and supervising the health facilities, the Principal Recipient identified weak management, poor data quality and low capacity. However, these efforts did not sufficiently address the risk of stock theft. For example, facilities did not maintain key documents to account for the receipt and dispensing of medication and consumption. Health facility staff claim the Principal Recipient had not provided adequate training on the key processes. Follow-up on the Principal Recipient recommendations was not apparent.

Poor stock management increases the risk of potential product diversion and waste. The OIG confirmed that Global-Fund financed ACTs were being sold illicitly at ten informal markets out of 16 as well as in two pharmacies visited. Five of the markets also sold ATBs. The source of the leaks, whether from the central warehouse, health facilities or both, could not be established due to poor stock management throughout the entire supply chain.

Although the medicines were widely available, the volume of products found at each site were low. It did not exceed two boxes of ACTs, containing 30 blisters each, and five blisters of ATBs. Quantifying the full extent of product diversions in volume; however, is challenging due to the informal structure of such markets and vendors' reluctance to provide information. The market surveys conducted by the OIG showed that high prices charged at health facilities drives the public demand for ACTs from informal markets. Regarding the purchase of ATBs, the surveys showed that the public buy the drugs to treat other ailments. There was little public information available on the dangers of such off-label practice.

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner	Category
<p>1. Based on the findings of this report, the Secretariat will finalize and pursue an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.</p>	30 June 2018	Chair, Recoveries Committee	Financial & Fiduciary Risks
<p>2. Based on the findings of this report, the Secretariat will assess the experience and capacity of an international entity that will be responsible for central level management of Global Fund financed medicine and its distribution to health facilities.</p>	30 September 2018	Head Grant Management	Governance, Oversight and Management Risks

Annex A: Methodology

Why we investigate: Wrongdoing, in all its forms, is a threat to the Global Fund's mission to end the AIDS, tuberculosis and malaria epidemics. It corrodes public health systems and facilitates human rights abuses, ultimately stunting the quality and quantity of interventions needed to save lives. It diverts funds, medicines and other resources away from countries and communities in need, limits impact and reduces the trust, which is essential to the Global Fund's multi-stakeholder partnership model.

What we investigate: The OIG is mandated to investigate any use of Global Fund funds, whether by the Global Fund Secretariat, grant recipients, or their suppliers. OIG investigations identify instances of wrongdoing, such as fraud, corruption and other types of non-compliance with the grant agreements. The Global Fund Policy to Combat Fraud and Corruption¹ outlines all prohibited practices, which will result in investigations.

OIG investigations aim to:

- (i) identify the specific nature and extent of wrongdoing affecting Global Fund grants;
- (ii) identify the entities responsible for such wrongdoing;
- (iii) determine the amount of grant funds that may have been compromised by wrongdoing; and
- (iv) place the Global Fund in the best position to recover funds, and take remedial and preventative action, by identifying where and how the misused funds have been used.

OIG conducts administrative, not criminal, investigations. It is the recipients' responsibility to demonstrate their compliance with grant agreements in their use of grant funds. OIG findings are based on facts and related analysis, which may include drawing reasonable inferences. Findings are established by a preponderance of evidence. All available information, inculpatory or exculpatory, is considered by the OIG.² As an administrative body, the OIG has no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the access rights it has under the contracts the Global Fund and its recipients enter into, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including those disbursed to Sub-recipients and paid to suppliers. The Global Fund's Code of Conduct for Suppliers³ and Code of Conduct for Recipients provide additional principles, which recipients and suppliers must respect. Global Fund Guidelines for Budgeting generally define how expenditures must be approved and evidenced to be recognized as compliant with the terms of the grant agreements.

Who we investigate: The OIG investigates Principal Recipients and Sub-recipients, Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers.

¹ (16.11.2017) Available at https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf

² These principles comply with the Uniform Guidelines for Investigations, Conference of International Investigators, 06.2009; available at: http://www.conf-int-investigators.org/?page_id=13, accessed 1.12.2017.

³ Global Fund Code of Conduct for Suppliers (15.12.2009), § 17-18, available at:

https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf, and the Code of Conduct for Recipients of Global Fund Resources (16.07.2012), §1.1 and 2.3, available at:

https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf. Note: Grants are typically subject to either the Global Fund's Standard Terms and Conditions of the Program Grant Agreement, or to the Grant Regulations (2014), which incorporate the Code of Conduct for Recipients and mandate use of the Code of Conduct for Suppliers. Terms may vary however in certain grant agreements.

Secretariat activities linked to the use of funds are also within the scope of work of the OIG.⁴ While the OIG does not typically have a direct relationship with the Secretariat's or with recipients' suppliers, its scope⁵ encompasses their activities regarding the provision of goods and services. To fulfill its mandate, the OIG needs the full cooperation of these suppliers to access documents and officials.⁶

Sanctions when prohibited practices are identified: When the investigation identifies prohibited practices, the Global Fund has the right to seek the refund of grant funds compromised by the related contractual breach. The OIG has a fact-finding role and does not determine how the Global Fund will enforce its rights. Nor does it make judicial decisions or issue sanctions.⁷ The Secretariat determines what management actions or contractual remedies to take, in response to the investigation findings.

However, the investigation will quantify the extent of any non-compliant expenditures, including amounts the OIG proposes as recoverable. This proposed figure is based on:

- (i) amounts for which there is no reasonable assurance about delivery of goods or services (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery);
- (ii) amounts which constitute over pricing between the price paid and comparable market prices for such goods or services; or
- (iii) amounts incurred outside of the scope of the grant, for goods and services not included in the approved work plans and budgets or expenditures over approved budgets.

How the Global Fund prevents recurrence of wrongdoing: Following an investigation, the OIG and Secretariat agree on management actions that will mitigate the risks of prohibited practices to the Global Fund and its recipients' activities. The OIG may make referrals to national authorities for criminal prosecutions or other violations of national laws, and supports such authorities as necessary throughout the process, as appropriate.

⁴ Charter of the Office of the Inspector General (19.03.2013), § 2, 9.5, 9.6, 9.7 and 9.9 available at: https://www.theglobalfund.org/media/3026/oig_officeofinspectorgeneral_charter_en.pdf

⁵ Charter of the Office of the Inspector General § 2, and 17.

⁶ Global Fund Code of Conduct for Suppliers, § 16-19

⁷ Charter of the Office of the Inspector General § 8.1

Annex B: Summary of Subject Responses

On 5 October 2017, the OIG provided the Principal Recipient and the Government Entity with a comprehensive overview of the findings from this investigation.

The Principal Recipient responded in writing including additional information and supporting documentation. The OIG duly considered the Principal Recipient's response and additional information for this final report. The Government Entity acknowledged the receipt of the findings but did not respond.

The Principal Recipient also provided the OIG with an overview of risk mitigation measures to improve the ongoing management of medicine at the main warehouse during the closure period of both grants, which takes up to six-months. The measures, introduced in response to the findings of this investigation, include

1. improving documentation accounting for the flow of medicines to prevent unsupported stock adjustment;
2. increasing the number of volunteers from the National branch of the Principal Recipient, which are working at the warehouse; and
3. engaging an independent party to oversee its stock management and the hand-over of commodities at the end of the grants.