



## Investigation Report

# Global Fund Grants in Haiti

Collusion and fraud in the procurement of a bed net storage warehouse

GF-OIG-19-012  
3 June 2019  
Geneva, Switzerland

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# 1. Investigation at a glance

## 1.1. Executive summary

The Senior Supply Chain Manager of the Global Fund's Principal Recipient Local Affiliate<sup>1</sup>, colluded with the Director of a third party supplier (the Supplier), to obtain a contract for the provision of a warehouse following a public request for proposal in December 2016. The Senior Supply Chain Manager was in direct communication with the Director of the Supplier and received multiple draft proposals for review prior to the bid submission deadline. The Supplier fraudulently misled the Principal Recipient Local Affiliate by significantly overstating the size of the warehouse facility provided. This resulted in the Principal Recipient not only incurring an average cost per square meter of storage space which significantly exceeded local market rates, but also needing to rent a second room in the same warehouse at additional cost, which would not have been required if the full surface area had been provided.

## 1.2. Genesis and scope

In October 2017, the OIG opened an investigation into allegations of procurement fraud and potential collusion between the Principal Recipient Local Affiliate and the Supplier, in connection with a warehouse used for the temporary storage of health commodities. The Local Fund Agent in Haiti first reported these allegations to the Global Fund Secretariat in August 2017. The OIG found that this contract was compromised by fraud and proposed recoveries of US\$109,368 related to its overpricing.

During its investigation, the OIG received additional information indicating a risk of collusion and overpricing in respect of four other Principal Recipient Local Affiliate procurements with a total value of approximately US\$1.4 million. An investigation of these transactions did not reveal any material examples of misappropriation, misuse or non-compliance.

As a risk mitigation measure, the OIG conducted preliminary evaluations of a sample of an additional 52 Principal Recipient Local Affiliate procurements from 33 external suppliers between January 2016 and September 2018, the findings of which did not warrant further review or investigation. This exercise covered approximately 34% of the value of all direct procurement processes overseen by the Principal Recipient Local Affiliate procurement department in this period.

## 1.3. Findings

The Senior Supply Chain Manager used his position at the Principal Recipient Local Affiliate and insider knowledge to improperly assist the Supplier in preparing a winning bid for a warehouse facility for the storage of bed nets in Port-au-Prince in December 2016. This enabled the Director of the Supplier to mislead the Principal Recipient Local Affiliate regarding the actual warehouse space provided, and to obtain unjustified financial benefits.

Specifically, the Senior Supply Chain Manager helped the Director of the Supplier to tailor the proposal according to the Principal Recipient Local Affiliate's RFP requirements. This included introducing the false claim that the Supplier would provide a warehouse with an inside surface area of 2,000m<sup>2</sup>, as requested in the RFP, even though the actual size

Non-compliant expenditures:  
**US\$216,870**

Proposed recoveries:  
**US\$109,368**

Start of wrongdoing:  
**November 2016**

OIG alerted to wrongdoing:  
**August 2017**

Source of alert:  
**LFA through Secretariat**

<sup>1</sup> The Principal Recipient in Haiti implements HTI-M-PSI grant through its local affiliate, the Principal Recipient Local Affiliate.

of the facility was only approximately 900m<sup>2</sup>. The Senior Supply Chain Manager subsequently led two inspections visits to the facility, neither of which reported the shortfall in the space provided.

The Senior Supply Chain Manager used his knowledge of the Principal Recipient Local Affiliate warehousing budget to encourage the Supplier to increase the contract price. Analysis of documents on the Senior Supply Chain Manager's computer showed that the monthly rental price of US\$19,300 set out in the proposal submitted to the Principal Recipient Local Affiliate by the Supplier had been increased from US\$16,500 per month a few hours before the RFP submission deadline, and was just below the budget of US\$20,000.

These improper practices were facilitated by Principal Recipient Local Affiliate's weak procurement capacity. Specifically, ineffective checks and controls during the bid evaluation process resulted in a failure to detect and report the shortfall of 1,100m<sup>2</sup> in the surface area provided by the Supplier.

The investigation found that the Principal Recipient Local Affiliate did not take all possible steps to achieve value for money in its arrangement with the Supplier. After discovering that a large outside space, accounting for 17% of the total monthly cost, was not required, the Principal Recipient Local Affiliate did not attempt to renegotiate the contract with the Supplier before the first contract renewal in February 2017. Grant funds of at least US\$27,610 could have been saved over the contract period if such a renegotiation had been successful.

## 1.4. Impact

The investigation identified collusive and fraudulent practices by the senior Principal Recipient Local Affiliate's employee and the Supplier. In addition, it exposed weaknesses in the Principal Recipient Local Affiliate's procurement capacity that will be addressed through Agreed Management Actions.

The OIG duly concludes that US\$216,870, the total amount of Global Fund funds paid in connection with warehouse services provided by the Supplier to the Principal Recipient Local Affiliate between January 2017 and October 2017, are non-compliant expenditures, i.e. not in line with the provisions of the grant agreement and/or the appropriate financial and procurement procedures of the implementer/grant. The OIG recommends that the Secretariat seek recovery of US\$109,368, comprised of US\$75,508 (the full amount of the expenditures compromised by fraudulent practices) and US\$33,860 lost due to the Principal Recipient's failure to prudently manage grant funds.

To address the issues identified during the course of this investigation, the Principal Recipient Local Affiliate informed the Global Fund that it has taken the following actions:

- terminated the Senior Supply Chain Manager's employment as of 26 November 2018
- developed a market assessment tool for contracting warehouse services and started applying it as standard practice
- retained an independent consulting firm to review all Principal Recipient Local Affiliate policy and procedures manuals to strengthen core functions including procurement. The review will result in an updated Procurement Manual and specific procurement procedures for warehousing services
- removed the Supplier from the list of potential Principal Recipient Local Affiliate suppliers in Haiti.

Moreover, as part of an organizational restructuring, in April 2018 the Principal Recipient Local Affiliate recruited two experienced international managers in newly created Director positions to lead the Finance and Compliance and Supply Chain Management teams. The Principal Recipient Local Affiliate also moved the procurement function from Operations to under the Finance and Compliance Director's supervision. The Supply Chain Management Director will have oversight over all procurement processes concerning her department in future.

## 1.5. Context

Haiti shares the island of Hispaniola in the Caribbean with the Dominican Republic. With GDP per capita of US\$766<sup>2</sup>, it is the poorest country in the Western hemisphere. The country has a shortage of health care professionals, low retention rates, and gaps in services at all levels of the health care system. The lack of staff was further exacerbated by the 2010 earthquake, when Haiti lost countless health care workers and students.



The Global Fund has invested over US\$400 million in the fight against HIV/AIDS, tuberculosis and malaria in Haiti since 2003 and currently has two active grants in the country.

Table 1: Active Global Fund grants to Haiti

Active Grants	Principal Recipient	Grant Components	Signed amount US\$
HTI-C-PSI	Principal Recipient	HIV/AIDS	66,216,854
		Tuberculosis	
HTI-M-PSI	Principal Recipient	Malaria	21,600,000
<b>Total</b>			<b>105,712,929</b>

The Principal Recipient for both grants implemented in the country (HTI-M-PSI and HTI-C-PSI), is an international nonprofit organization based in Washington DC (USA). The Principal Recipient implements the grants through its local affiliate, the Principal Recipient Local Affiliate, acting as the lead implementer in the country.

## 2. Findings

### 2.1. A senior Principal Recipient Local Affiliate employee colluded with the Supplier in a public procurement process

This investigation identified evidence of collusion between the Director of the Supplier and the the Principal Recipient Local Affiliate Senior Supply Chain Manager in the procurement of a warehouse facility.

The two individuals had communicated prior to the bid submission deadline on 22 December 2016, which included the sharing and review of a draft proposal by the Senior Supply Chain Manager. The Director of the Supplier knowingly misled the Principal Recipient Local Affiliate by significantly overstating the size of the warehouse in a bid document dated 22 December 2016. This resulted in the Principal Recipient Local Affiliate incurring an average cost per square meter of storage space that significantly exceeded market rates.

A schedule of key events relevant to the above finding is set out in Annex A.

#### Evidence of collusive practices

Both the Senior Supply Chain Manager and the Director of the Supplier denied knowing or communicating with each other prior to the RFP deadline on 22 December 2016. Specifically, both individuals stated they had met for the first time on 17 January 2017 during an inspection of the warehouse in the course of the bid evaluation process.

However, evidence obtained during the OIG investigation indicated that the Supplier and the Senior Supply Chain Manager communicated and exchanged information related to the RFP on multiple occasions between 26 November 2016 and 21 December 2016.

<sup>2</sup> World Bank, Haiti country overview 2018

### **i) Forensic analysis of the Senior Supply Chain Manager's hard drive**

Two drafts of a proposal prepared by the Supplier in response to the RFP were saved on the Senior Supply Chain Manager's work computer before the Supplier submitted a sealed hard copy version of the final proposal to the Principal Recipient Local Affiliate, as required by the Principal Recipient Local Affiliate procurement manual.

A comparison of all three versions of the proposal found differences indicating an exchange of information between the Senior Supply Chain Manager and the Director of the Supplier leading up to the submission of the final proposal.

The Senior Supply Chain Manager assisted the Supplier in achieving a higher price than originally envisaged in the draft proposals. The total price of US\$19,300 per month quoted in the Supplier's final proposal and accepted by the Principal Recipient Local Affiliate in the contract was US\$2,800 higher than the total price of US\$16,500 per month set out in both draft proposals. The increased price of US\$19,300 was just below the Principal Recipient Local Affiliate's budget of US\$20,000 per month estimated for "bed net warehousing" in a breakdown of anticipated costs for the bed net distribution campaign planned for 2017. When interviewed, the Senior Supply Chain Manager stated that he had proposed this estimate to his supervisor on 10 October 2016 based on an informal market survey in September 2016. He was therefore in a position to share this inside knowledge.

The Senior Supply Chain Manager said he could not recall having seen the draft proposals. However when confronted with the OIG's findings he admitted to receiving a draft proposal at his private email address, reviewing it and giving "an opinion" on the document. He denied having received payment or other benefits in return for his review of the draft proposal.

### **ii) Analysis of the Senior Supply Chain Manager's telephone records**

An analysis of the Senior Supply Chain Manager's telephone records indicated that he called the Supplier's Director three times between 26 November 2016 and 4 December 2016. During this time, the Senior Supply Chain Manager was drafting the terms of reference published in the RFP on 16 December 2016.

The Senior Supply Chain Manager was unable to provide a satisfactory explanation for these calls. Besides saying another person might have made these calls using his phone, he pointed out that he may have unknowingly spoken to the Director of the Supplier while making informal price inquiries of potential suppliers in order to provide an estimate for warehousing costs for the budget for the planned 2017 bed net distribution campaign. However, the estimate for warehousing costs had already been included in the budget on 10 October 2016, several weeks before the Senior Supply Chain Manager made the first call to the Director of the Supplier on 26 November 2016.

When asked how he had known to contact the Supplier as a potential provider of warehousing services, the Senior Supply Chain Manager claimed that he had probably received their telephone number from the former Principal Recipient Local Affiliate Procurement Manager – a claim denied by the former Procurement Manager.

### **The Senior Supply Chain Manager's role in awarding the contract to the Supplier**

The Senior Supply Chain Manager was in a strong position to influence the Principal Recipient Local Affiliate's decision to award the contract for warehousing services to the Supplier. As leader of the Principal Recipient Local Affiliate Supply Chain team at the time, he officially requisitioned the procurement of the warehouse and assisted the former Procurement Manager in drafting the terms of reference for the RFP.

The Senior Supply Chain Manager was also a member of the procurement committee responsible for evaluating any bids received in response to the RFP. In this capacity, he led an inspection of the Supplier's warehouse on 17 January 2017 and wrote an inspection report concluding that the facility met the requirements set out in the RFP's terms of reference.

Given that only one supplier responded to the RFP, this report was key to the Principal Recipient Local Affiliate's decision to award the contract to the Supplier rather than to restart the procurement process. The Principal Recipient Local Affiliate procurement manual does not set forth processes or procedures to follow in cases where only one

proposal is received in response to a public RFP. As such, there was no adequate guidance on how to properly address such a situation, e.g. a requirement to relaunch the process, commence a request for quotation process with existing suppliers, or perform a market survey to identify and compare prices of additional suppliers.

Based on the above finding, the OIG and the Global Fund Secretariat have agreed that:

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**Agreed Management Action 1**

- The Principal Recipient takes appropriate action towards the parties responsible for the prohibited practices described in this report.

Owner: Head, Grant Management Division

Due date: 30 June 2019

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**Agreed Management Action 2**

- The Principal Recipient introduces processes or procedures to be followed in cases where only one proposal is received in response to a public RFP.

Owner: Head, Grant Management Division

Due date: 30 June 2019

## 2.2. The Supplier overstated the size of the warehouse, resulting in the Principal Recipient Local Affiliate making rental payments significantly above market rates

Independent measurements performed by the Local Fund Agent in August 2017 and by a third party engineering firm confirmed that the actual surface area of the first warehousing facility (Warehouse Room 1) rented to the Principal Recipient Local Affiliate constituted 900m<sup>2</sup>. This represents only 45% of the 2,000m<sup>2</sup> space proposed by the Supplier in the final proposal and the contract.

The Director of the Supplier confirmed he was aware of the actual size of the storage facility. As such, he knowingly misled the Principal Recipient Local Affiliate in the final proposal submitted on 22 December 2016, which contained the 2000m<sup>2</sup> dimension. He did not challenge the results of the measurement of the storage facility performed by a third party engineering firm retained by the Principal Recipient Local Affiliate on 2 October 2017.

To assess the competitiveness of the arrangement with the Supplier, OIG compared the costs charged by the Supplier to those charged by the provider of warehousing facilities selected to succeed the Supplier in October 2017 after an extensive market survey.

The comparison confirmed that the price paid for use of the inside area of the Supplier's storage facility was over two and a half times higher the amount charged by the new supplier and thus significantly above market price. As a result, US\$75,508 paid to the Supplier between January 2017 and October 2017 is considered non-compliant. This consists of amounts paid in excess of the price of US\$4.75 per square meter set out in the final proposal and an apportionment of management fees charged by the Supplier.

The Principal Recipient Local Affiliate requested the OIG not to consider as non-compliant expenditure two payments it made to the Supplier: a legal fee of US\$3,340 that was not invoiced to the Global Fund grants and US\$1,256 for the cost of pallets, which was not covered by the contract. Considering this information, the OIG calculated the total non-compliant expenditure as US\$216,870, as mentioned in Section 1.4 above. This comprises of US\$221,466 (the total amount of the funds the Principal Recipient Local Affiliate transferred to the Supplier) minus the two expenditures mentioned above (US\$3,340 and US \$1,256).

Based on the above finding, the OIG and the Global Fund Secretariat have agreed that:

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### **Agreed Management Action 3**

- The Global Fund 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: 31 December 2019

## 2.3. Inadequate proposal evaluation and contract negotiation processes resulted in the award of the contract to the Supplier

The Principal Recipient Local Affiliate's inadequate processes for evaluating proposals and negotiating contracts led to them awarding the warehouse contract to the Supplier. The Principal Recipient Local Affiliate did not verify the surface area set out by the Supplier in the final proposal. There is no evidence of the Principal Recipient Local Affiliate asking for floor plans or commissioning an independent measurement before awarding the contract.

The Principal Recipient Local Affiliate did not ensure that staff members in the supply chain and procurement teams who supported the Senior Supply Chain Manager at various stages of the procurement process, including the inspection of the warehouse, were prepared for their tasks. As a result, the Principal Recipient Local Affiliate not only missed two opportunities to identify and address the shortfall in the space provided, they agreed to incur additional costs on a second warehousing room for the storage of other health care commodities (condoms and lubricants) from June 2017. This space would not have been required if the Supplier had provided the full surface area offered in the final proposal in respect of Warehouse Room 1.

### **The Principal Recipient Local Affiliate did not achieve value for money due to poor communications and responsiveness**

All Global Fund Principal Recipients are required to obtain best value for money for their expenditures. A lack of timely communication between the Principal Recipient Local Affiliate and the Principal Recipient resulted in the procurement of an outside storage space of 3,000m<sup>2</sup> for a monthly cost of US\$3,300 that was not required. The Principal Recipient Local Affiliate initially foresaw a need for outdoor storage space to safeguard the containers in which bed nets would be delivered: in addition to the inside space, the RFP required outside space sufficient to store twelve empty containers. The Principal Recipient Local Affiliate stipulated the same requirement in the contract with the Supplier. However, upon delivery of the first bed nets to the warehouse on 20 January 2017, after the first contract with the Supplier had been signed, the transportation company informed the Senior Supply Chain Manager that the containers had not been purchased by the Principal Recipient and would be returned to port immediately. As a result, there was no longer a need for outside storage space.

More timely communication between the Principal Recipient Local Affiliate and the Principal Recipient could have prevented the procurement of such a space from the outset, as the details of the order had been finalized and the bed nets shipped to Haiti before the RFP was published (see Annex B). Besides reducing the costs of the contract, a requirement for inside space only might have increased the number of respondents to the RFP.

The Principal Recipient Local Affiliate did not attempt to amend the initial contract with the Supplier, dated 19 January 2017, in any of its subsequent contract extensions in order to remove or reduce the monthly cost of US\$3,300 for the outside storage space, despite ascertaining that it was not required before the first contract extension on 20 February 2017.

This resulted in the Principal Recipient Local Affiliate incurring non-compliant costs of US \$33,860 over the remainder of the contract period (20 February 2017 to 31 October 2017). This consists of amounts paid for the outside space starting from the first extension of the contract and an apportionment of management fees charged by the Supplier.

The Principal Recipient Local Affiliate objected to the OIG including the cost of the outside space, from the first extension of the contract onwards, as non-compliant, arguing that the outside space was in fact required for loading/unloading stock. The OIG notes that the contract between the Principal Recipient Local Affiliate and the Supplier stipulated the requirement to have an outside space specifically for storing empty containers.

Please refer to Agreed Management Action 3 above.

### 3. Table of Agreed Actions

Agreed Management Action	Target date
<p>1. Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipient takes appropriate action towards all parties responsible for the prohibited practices described in this report.</p> <p><i>Owner: Head of Grant Management</i></p>	<p>30 June 2019</p>
<p>2. Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipient introduces processes or procedures to be followed in cases where only one proposal is received in response to a public RFP</p> <p><i>Owner: Head of Grant Management</i></p>	<p>30 June 2019</p>
<p>3. The Global Fund 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> <p><i>Owner: Chair, Recoveries Committee</i></p>	<p>31 December 2019</p>

## Annex A: Schedule of key events

<b>Date</b>	<b>Event</b>
22 Nov 2016	The Principal Recipient Local Affiliate Supply Chain Team submits an internal purchase order for warehousing space to its Procurement Team.
25 Nov 2016	Shipment of approximately 432,000 bed nets in eleven 40-foot containers leaves the port of Xingang, China.
26 Nov 2016	First phone call from the Senior Supply Chain Manager's telephone number to the Director of the Supplier for a period of 132 seconds.
3 Dec 2016	Second phone call from the Senior Supply Chain Manager's telephone number to Director of the Supplier for a period of 20 seconds.
4 Dec 2016	Third phone call from the Senior Supply Chain Manager's telephone number to the Director of the Supplier for a period of 235 seconds.
15 Dec 2016	The Principal Recipient Local Affiliate Supply Chain Team finalizes the terms of reference in collaboration with the Principal Recipient in Washington.
16 Dec 2016 – 18 Dec 2016	Publication of the request for proposal "OHMaSS-RFP-16022" in the national newspaper, <i>Le Nouvelliste</i> , over three days.
21 Dec 2016	16:31 – The Senior Supply Chain Manager receives the Supplier's first draft proposal for review.
22 Dec 2016 (a)	10:58 – The Senior Supply Chain Manager receives the Supplier's second draft proposal for review.
22 Dec 2016 (b)	12.40 – The Supplier submits a hard copy version of the final proposal to the Principal Recipient Local Affiliate reception desk in time for the 2pm deadline set out in the RFP. No other bids are received.
6 Jan 2017	Arrival of the shipment of 432,500 bed nets in the port of Port-au-Prince, Haiti.
17 Jan 2017	1 <sup>st</sup> inspection of the warehouse by the Principal Recipient Local Affiliate Supply Chain Manager and a Procurement Officer. The inspection report concludes that the facility provided by the Supplier meets the requirements in the RFP.
19 Jan 2017	The Principal Recipient Local Affiliate signs a one-month contract with the Supplier for the period 19 January 2017 to 20 February 2017 for a total of US \$19,300. This amount was made up as follows: <ul style="list-style-type: none"> <li>• US\$9,500 for 2,000m<sup>2</sup> of inside space</li> <li>• US\$3,300 for 3,000m<sup>2</sup> of outside space</li> <li>• US\$6,500 in respect of management fees.</li> </ul>
20 Jan 2017	A transportation company delivers the first containers containing the bed nets from the port of Port-au-Prince customs office to the Supplier's warehouse.
17 Feb 2017	1 <sup>st</sup> contract amendment: Extension of the rental period until 31 July 2017.
16 Jun 2017	2 <sup>nd</sup> inspection of the warehouse by the Senior Supply Chain Manager and a junior Commodities Coordinator within the supply chain team. The inspection report recommends that a second warehousing room with a surface area of 5,000 square feet, or 965m <sup>2</sup> be rented for the storage of condoms and lubricants.
19 Jun 2017	2 <sup>nd</sup> contract amendment: Expansion of the contract to include Warehouse Room 2. The amendment specifies an additional monthly cost of US\$7,850 increasing the total cost per month to US\$27,150 (US\$19,300 + US\$7,850).
21 Jul 2017	3 <sup>rd</sup> contract amendment: Extension of rental period for Warehouse Rooms 1 and 2 until 30 September 2017.
Aug 2017	The LFA performs a spot check of the Supplier's warehouse, including a measurement of the surface area of both warehousing rooms, and reports its findings to the Global Fund Country Team.
2 Oct 2017	The Principal Recipient Local Affiliate instructs a third party engineering firm to perform a second measurement of the warehouse's surface. The results of the measurement confirm the LFA's findings.

<b>Date</b>	<b>Event</b>
1 Oct 2017 – 21 Oct 2017	The Supplier and the Principal Recipient Local Affiliate informally agree an extension of the rental period for Warehouse Rooms 1 and 2 until 31 October 2017 while the search for a replacement facility is ongoing.
23 Oct 2017	The Principal Recipient Local Affiliate informs the Director of the Supplier of the results of the third party engineering firm's measurement of the warehouse.
25 Oct 2017 – 3 Nov 2017	The Principal Recipient Local Affiliate transfers all health commodities from the Warehouse Rooms 1 and 2 to a replacement facility provided by an alternative supplier.

## Annex B: 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. It limits the Global Fund’s impact and reduces the trust that 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 grant agreements. The Global Fund Policy to Combat Fraud and Corruption<sup>3</sup> outlines all prohibited practices, which will result in investigations.

OIG investigations aim to:

- (i) identify the 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 preventive action, by identifying where and how the misused funds have been spent.

The OIG conducts administrative, not criminal, investigations. It is recipients’ responsibility to demonstrate that their use of grant funds complies with grant agreements. 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.<sup>4</sup> 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 enters into with its recipients, 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 Suppliers<sup>5</sup> and Code of Conduct for Recipients provide additional principles, which recipients and suppliers must respect. The Global Fund Guidelines for Grant Budgeting define compliant expenditures as those that have been incurred in compliance with the terms of the relevant grant agreement (or have otherwise been pre-approved in writing by the Global Fund) and have been validated by the Global Fund Secretariat and/or its assurance providers based on documentary evidence.

**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.

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<sup>3</sup> (16.11.2017) Available at [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

<sup>4</sup> 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](http://www.conf-int-investigators.org/?page_id=13), accessed 1.12.2017.

<sup>5</sup> 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](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](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 the OIG's work.<sup>6</sup> While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations<sup>7</sup> encompass 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.<sup>8</sup>

**Sanctions when prohibited practices are identified:** When an 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.<sup>9</sup> The Secretariat determines what management actions to take or contractual remedies to seek 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 paid for which there is no reasonable assurance that goods or services were delivered (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery);
- (ii) amounts paid over and above comparable market prices for such goods or services; or
- (iii) amounts incurred outside of the scope of the grant, for goods or services not included in the approved work plans and budgets or for expenditures in excess of approved budgets.

**How the Global Fund prevents recurrence of wrongdoing:** Following an investigation, the OIG and the Secretariat agree on management actions that will mitigate the risks that prohibited practices pose 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 support such authorities as necessary throughout the process, as appropriate.

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<sup>6</sup> 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](https://www.theglobalfund.org/media/3026/oig_officeofinspectorgeneral_charter_en.pdf)

<sup>7</sup> Charter of the Office of the Inspector General § 2, and 17.

<sup>8</sup> Global Fund Code of Conduct for Suppliers, § 16-19

<sup>9</sup> Charter of the Office of the Inspector General § 8.1