



## 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 lead implementer in Haiti, Organisation Haïtienne de Marketing Social pour la Santé (OHMaSS)<sup>1</sup>, colluded with the Director of a third party supplier, JIT Logistics and Transport Company, 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 JIT Logistics and received multiple draft proposals for review prior to the bid submission deadline. JIT Logistics fraudulently misled OHMaSS 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 OHMaSS and JIT Logistics, 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 OHMaSS 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 OHMaSS 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 OHMaSS procurement department in this period.

## 1.3. Findings

The Senior Supply Chain Manager used his position in OHMaSS and insider knowledge to improperly assist JIT Logistics 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 JIT Logistics to mislead OHMaSS regarding the actual warehouse space provided, and to obtain unjustified financial benefits.

Specifically, the Senior Supply Chain Manager helped the Director of JIT Logistics to tailor the proposal according to OHMaSS's RFP requirements. This included introducing the false claim that JIT Logistics 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> Population Services International, the Principal Recipient in Haiti implements HTI-M-PSI grant through its local affiliate, Organisation Haïtienne de Marketing Social pour la Santé (OHMaSS).

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 OHMaSS warehousing budget to encourage JIT Logistics 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 OHMaSS by JIT Logistics 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 OHMaSS'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 JIT Logistics.

The investigation found that OHMaSS did not take all possible steps to achieve value for money in its arrangement with JIT Logistics. After discovering that a large outside space, accounting for 17% of the total monthly cost, was not required, OHMaSS 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's employee and the local supplier. In addition, it exposed weaknesses in the Principal Recipient'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 JIT Logistics to OHMaSS 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, OHMaSS 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 OHMaSS 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 JIT Logistics from the list of potential OHMaSS suppliers in Haiti.

Moreover, as part of an organizational restructuring, in April 2018 OHMaSS recruited two experienced international managers in newly created Director positions to lead the Finance and Compliance and Supply Chain Management teams. OHMaSS 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     | Population Services International | HIV/AIDS         | 66,216,854         |
|               |                                   | Tuberculosis     | 17,896,075         |
| HTI-M-PSI     | Population Services International | Malaria          | 21,600,000         |
| <b>Total</b>  |                                   |                  | <b>105,712,929</b> |

Population Services International (PSI), 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). PSI implements the grants through its local affiliate, Organisation Haitienne de Marketing Social pour la Santé (OHMaSS), acting as the lead implementer in the country.

## 2. Findings

### 2.1. A senior OHMaSS employee colluded with a third party supplier in a public procurement process

This investigation identified evidence of collusion between the Director of JIT Logistics and the OHMaSS 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 JIT Logistics knowingly misled OHMaSS by significantly overstating the size of the warehouse in a bid document dated 22 December 2016. This resulted in OHMaSS 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 JIT Logistics 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 JIT Logistics 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 OHMaSS Senior Supply Chain Manager's hard drive**

Two drafts of a proposal prepared by JIT Logistics in response to the RFP were saved on the Senior Supply Chain Manager's work computer before JIT Logistics submitted a sealed hard copy version of the final proposal to OHMaSS, as required by the OHMaSS 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 JIT Logistics leading up to the submission of the final proposal.

The Senior Supply Chain Manager assisted JIT Logistics in achieving a higher price than originally envisaged in the draft proposals. The total price of US\$19,300 per month quoted in JIT Logistics' final proposal and accepted by OHMaSS 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 OHMaSS'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 JIT 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 JIT Logistics 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 JIT Logistics on 26 November 2016.

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

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

The Senior Supply Chain Manager was in a strong position to influence OHMaSS's decision to award the contract for warehousing services to JIT Logistics. As leader of the OHMaSS 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 JIT Logistics' 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 OHMaSS's decision to award the contract to JIT Logistics rather than to restart the procurement process. The OHMaSS 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. JIT Logistics overstated the size of the warehouse, resulting in OHMaSS 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 OHMaSS constituted 900m<sup>2</sup>. This represents only 45% of the 2,000m<sup>2</sup> space proposed by JIT Logistics in the final proposal and the contract.

The Director of JIT Logistics confirmed he was aware of the actual size of the storage facility. As such, he knowingly misled OHMaSS 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 OHMaSS on 2 October 2017.

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

The comparison confirmed that the price paid for use of the inside area of JIT Logistics' 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 JIT Logistics 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 JIT Logistics.

OHMaSS requested the OIG not to consider as non-compliant expenditure two payments it made to JIT Logistics: 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 OHMaSS transferred to JIT Logistics) 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 JIT Logistics

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

OHMaSS 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, OHMaSS 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 JIT Logistics had provided the full surface area offered in the final proposal in respect of Warehouse Room 1.

#### **OHMaSS 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 OHMaSS and PSI 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. OHMaSS 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. OHMaSS stipulated the same requirement in the contract with JIT Logistics. However, upon delivery of the first bed nets to the warehouse on 20 January 2017, after the first contract with JIT Logistics had been signed, the transportation company informed the Senior Supply Chain Manager that the containers had not been purchased by PSI and would be returned to port immediately. As a result, there was no longer a need for outside storage space.

More timely communication between OHMaSS and PSI 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.

OHMaSS did not attempt to amend the initial contract with JIT Logistics, 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 OHMaSS 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 JIT Logistics.

OHMaSS 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 OHMaSS and JIT Logistics 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

| <b>Agreed Management Action</b>  | <b>Target date</b> |
|--|--------------------|
| 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.<br><br><i>Owner: Head of Grant Management</i>   | 30 June 2019       |
| 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<br><br><i>Owner: Head of Grant Management</i>                                      | 30 June 2019       |
| 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.<br><br><i>Owner: Chair, Recoveries Committee</i> | 31 December 2019   |

## Annex A: Schedule of key events

| <b>Date</b>                  | <b>Event</b>   |
|------------------------------|--|
| 22 Nov 2016                  | The OHMaSS Supply Chain Team submits an internal purchase order for warehousing space to the OHMaSS 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 JIT Logistics for a period of 132 seconds.   |
| 3 Dec 2016                   | Second phone call from the Senior Supply Chain Manager's telephone number to Director of JIT Logistics for a period of 20 seconds.   |
| 4 Dec 2016                   | Third phone call from the Senior Supply Chain Manager's telephone number to Director of JIT Logistics for a period of 235 seconds.   |
| 15 Dec 2016                  | The OHMaSS Supply Chain Team finalizes the terms of reference in collaboration with PSI Washington.  |
| 16 Dec 2016 –<br>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 JIT Logistics' first draft proposal for review.   |
| 22 Dec 2016<br>(a)           | 10:58 – the Senior Supply Chain Manager receives JIT Logistics' second draft proposal for review.  |
| 22 Dec 2016<br>(b)           | 12.40 – JIT Logistics submits a hard copy version of the final proposal to the OHMaSS 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 OHMaSS Supply Chain Manager and a Procurement Officer. The inspection report concludes that the facility provided by JIT Logistics meets the requirements in the RFP.   |
| 19 Jan 2017                  | OHMaSS signs a one-month contract with JIT Logistics 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 JIT Logistics' 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 JIT Logistics' 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                   | OHMaSS 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 –<br>21 Oct 2017 | JIT Logistics and OHMaSS 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                 | OHMaSS informs the Director of JIT Logistics of the results of the third party engineering firm's measurement of the warehouse.   |
| 25 Oct 2017 –<br>3 Nov 2017 | OHMaSS transfers all health commodities from JIT Logistics' 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