



Investigation Report

# Global Fund Grants to the People's Republic of Bangladesh

A Recipient - Fraudulent Training-related Expenditures

GF-OIG-18-002

19 January 2018

Geneva, Switzerland

 **The Global Fund**

Office of the Inspector General

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Office of the Inspector General  
Global Fund  
Chemin de Blandonnet 8,  
CH-1214 Geneva

### Telephone Message - 24-hour secure voicemail:

+41 22 341 5258

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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 Paragraph

Staff from a governmental recipient ("the Recipient") of Global Fund grants in Bangladesh, falsified documents to support training-related expenditures between July 2015 and September 2016. The investigation confirmed that Recipient employees engaged in fraudulent practices when accounting for grant funds spent on training activities. The fraudulent activities were made possible by breaches in procurement rules and protocols that were overlooked by Recipient senior management and not detected in a timely manner by Global Fund's assurance providers.

## 1.2. Main OIG Findings

Recipient employees falsified supporting documents and inventory records of training-related materials.

Moreover, the Recipient procured training-related materials without following the government of Bangladesh's Public Procurement Rules and the Recipient's financial management standard operating procedures. The Recipient's senior management's override of procedures and lack of oversight over the training-related expenditures, including the breach of the Public Procurement Rules, facilitated the fraud.

In addition, Recipient employees in the head office fraudulently claimed per diem and honorarium payments for district level trainings that they had not attended.

The investigation identified US\$111,311<sup>1</sup> of non-compliant expenditures as per the terms and conditions of the Global Fund's grant agreement with the Principal Recipient. Using fraudulent documents for training-related expenditures is a breach of the Global Fund's Grant Regulations, which require that "All goods, services and activities financed with Grant Funds, including those goods and services procured and activities implemented by Sub-recipients, are used solely for Program purposes." Additionally, by not following the Bangladesh government Public Procurement Rules, the Recipient did not comply with Global Fund Grant Regulations.

## 1.3. Actions Already Taken

The Global Fund Secretariat took immediate risk mitigation measures for the Recipient grant after receiving the report on the alleged financial irregularities. The risk mitigation measures include:

- A moratorium on training-related activities conducted by Recipient under the grant as of December 2016.

- Essential trainings can continue by a payment mechanism through another Principal Recipient, which is one of the three non-governmental organization Principal Recipients in Bangladesh.
- Proposed changes to the structure of the financial management staff and reporting systems at the Recipient.
- Recovered US\$1,032 (BDT82,000) of the identified non-compliant expenditures.

Following receipt of the OIG's findings, the Recipient's parent Ministry initiated an investigation, which was ongoing at the time this report was published, and removed some of the central level staff identified as responsible for the financial irregularities at the Recipient from training and finance-related activities. Moreover, the Recipient has taken measures to strengthen compliance, including restructuring the financial reporting system and recruiting additional financial management staff.

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<sup>1</sup> BDT 8,843,215 (US\$ 1 = BDT 79.4450 (<https://www.oanda.com/currency/converter/> accessed on 30 June 2017).)

## 1.4. Summary of Agreed Management Actions

The Global Fund Secretariat and the OIG have agreed on specific actions, which are detailed in Section 5 of this report, and include:

- The recovery of an appropriate amount based on the findings of this report.
- Appropriate action against Recipient employees who were responsible for the financial irregularities.
- Regular review and unannounced spot checks, at central and field levels, of the Principal Recipient's compliance financial and programmatic management controls by the Local Fund Agent.

## 2. Context

### 2.1. Country Context

The People's Republic of Bangladesh is one of the world's most densely populated countries, with over 160 million people. In recent years, the country has made significant progress in bringing down child and maternal mortality, increasing life expectancy and reducing poverty. Non-governmental organizations have played a major role in improving public health with a community-based approach.

Bangladesh has experienced economic growth and macroeconomic stability since the early 2000s. With estimated GDP per capita of US\$1,359, it grew by an average annual per capita rate of 7.1% in 2016.<sup>2</sup> The country attained lower middle-income status in 2016. Bangladesh is ranked 139<sup>th</sup> out of 188 countries in the United Nations Development Programme's 2016 Human Development Index and 145<sup>th</sup> out of 176 countries in the 2016 Transparency International Corruption Perceptions Index.<sup>3</sup>

The country is divided into eight divisions, including the capital and largest city, Dhaka, which is the political and economic center of Bangladesh. The divisions are subdivided into 64 districts (zilas) and 488 sub districts (upazilas).

### 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 size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. The Global Fund groups countries 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.

Bangladesh 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*

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<sup>2</sup> World Bank 2016 estimate

<sup>3</sup> [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](https://www.transparency.org/news/feature/corruption_perceptions_index_2016)

## 2.3. Global Fund Grants in the Country

The Global Fund has been a partner in Bangladesh since 2003, with disbursements to date of over US\$454 million for HIV/AIDS, tuberculosis, and malaria programs.

One Government Ministry and three non-governmental organizations are the Principal Recipients for all Global Fund grants. The Recipient's parent Ministry implements the grants on behalf of the Governmental Principal Recipient, through national programs for the three diseases.

This investigation concerns the Global Fund tuberculosis grant BGD-T-NTP, implemented by an organization within a Government Ministry. The signed grant amount was US\$31,745,708 and the grant implementation period ran from 1 July 2015 to 31 December 2017.

## 2.4. The Three Diseases



**HIV/AIDS:** Bangladesh has been classified as a low prevalence country: prevalence rates among key populations such as people who inject drugs (27.3%), female sex workers (0.2), transgender women (1.4%), and men who have sex with men (0.2%) are higher than the prevalence rate in the general population.<sup>5</sup>

Despite the low prevalence, it is one of the four countries in the South-East Asia region where the HIV epidemic continues to increase.<sup>6</sup>

**12,000 people living with HIV<sup>7</sup>**

**2,239 people currently on anti-retroviral therapy<sup>8</sup>**

**HIV prevalence among general population is <0.1%**



**Malaria:** Malaria is endemic in 13 (out of 64) eastern and north-eastern border districts, of which three are classified as high endemic districts. There was a sustained decline in the incidence of malaria from 7.7 per 1,000 in 2008 to 0.028 in 2016. The number of cases decreased by 68% from 84,690 in 2008 to 26,891 in 2013. The number of deaths also fell by 90% from 154 in 2008 to nine in 2015.

**3,560,000 insecticide-treated nets distributed<sup>9</sup>**

**Malaria incidence: 2 per 1,000.**



**Tuberculosis:** Bangladesh is ranked 6<sup>th</sup> worldwide in absolute number of TB cases. It is one of the 22 high TB burden countries and among the 30 “high MDR-TB burden” countries. Incidence of all forms of TB was estimated at 225 per 100,000 population in 2015.<sup>10</sup> Multi-Drug Resistance/Rifampicin Resistance Tuberculosis (MDR/RR-TB) incidence is six per 100,000 population.<sup>11</sup>

The country has a TB prevalence of 434 (218-721)/100,000 population. TB is the 5<sup>th</sup> major cause of death in the country (i.e. 6.8% of total deaths are related to TB). However, mortality due to TB death decreased from 47/100,000 to 36/100,000 from 2006 to 2015.<sup>12</sup> TB accounted for an estimated 81,000 deaths in 2014.<sup>13</sup>

**1,290,000 New smear-positive TB cases detected and treated<sup>14</sup>**

**TB treatment success rate: 94.6% (2015/2016)<sup>15</sup>**

**MDR-TB treatment success rate: 73% (2015/2016)<sup>16</sup>**

<sup>5</sup> UNAIDS Global Report, aidsinfo online. <http://aidsinfo.unaids.org/>

<sup>6</sup> UNAIDS Global Report 2012, pg. 11

<sup>7</sup> <http://www.unaids.org/en/regionscountries/countries/bangladesh>

<sup>8</sup> ASP Medicine Category wise ART Receivers report, July 2017

<sup>9</sup> <https://www.theglobalfund.org/en/portfolio/country/?loc=BGD&k=3c3b504b-ffc2-4d73-a75c-69f197d07256>

<sup>10</sup> Bangladesh TB annual report 2016

<sup>11</sup> Bangladesh TB annual report 2016

<sup>12</sup> Bangladesh TB mortality study phase II, December 2016

<sup>13</sup> <http://www.searo.who.int/bangladesh/world-tb-day-2016/en/>

<sup>14</sup> <https://www.theglobalfund.org/en/portfolio/country/?loc=BGD&k=3c3b504b-ffc2-4d73-a75c-69f197d07256>

<sup>15</sup> Draft TB annual report, 2017

<sup>16</sup> Draft TB annual report, 2017

### 3. The Investigation at a Glance

#### 3.1. Genesis and Scope of the Investigation

**July 2015 – September 2016:** Scope of review

**December 2016:** OIG alerted to wrongdoing

##### Source of the alert:

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

In December 2016, the Global Fund Secretariat informed the OIG of the potential misuse of grant funds in the Recipient. An annual external audit for the financial year July 2015 to June 2016 had identified financial irregularities amounting to approximately US\$124,354 (BDT9,314,407) at the Recipient.

Following the external audit, the Secretariat engaged the Local Fund Agent to carry out a financial implementation verification and spot check review of procurements under the Recipient grant in November 2016 at the head office level as well as in two districts.

The review identified ineligible expenditures totaling US\$162,059 (BDT12,677,901). The OIG investigation conducted a more in-depth review of the procurements that related to training materials at the head office level and in the Lalmonirhat and Rangpur districts, during the same 15-month scope as the Local Fund Agent review (July 2015 to September 2016).

#### 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\$111,311 (BDT8,843,215):** The OIG investigation found fraudulent expenditures at the Recipient head office totaling US\$111,311 (BDT8,843,215), almost all related to training costs.

#### 3.4. Proposed Recoverable Amount

**US\$110,279 (BDT 8,761,215):** The OIG investigation has identified US\$111,311 (BDT8,843,215) of non-compliant expenditures as potentially recoverable, and recognizes that the Global Fund Secretariat has already recovered US\$1,032 (BDT82,000) of this amount (See Finding 4.3).

### 3.5. Progress on Previously Identified Issues

The last OIG investigation in Bangladesh was published in 2016. The investigation was triggered by OIG audit findings in 2011. The investigators found that a tender worth US\$311,637 for medical equipment involved collusion, falsified bid documents, non-existent shell companies, and price manipulation.

The Secretariat recovered the unsupported amount through the “allocation reduction” approach before the investigation report was issued. Under this approach, the Secretariat reduced the country’s allocation to double the recoverable amount. The unsupported amount was deducted from Bangladesh’s 2014-2016 allocation.

The Secretariat instituted a number of corrective measures to address the risks of procuring health and non-health products. Because of the 2011 OIG audit and the subsequent investigation, the Global Fund stopped the Recipient from procuring health and non-health items<sup>17</sup> using Global Fund grants.

A further OIG audit in 2017 noted that the financial controls at the Recipient had not improved since the last audit in 2011.

#### Previous relevant OIG work

[GF-OIG-17-027 - Audit of Global Fund grants to the People’s Republic of Bangladesh](#)

[GF-OIG-16-010 - Investigation of the Global Fund Grants to Bangladesh – National Tuberculosis Control Program](#)

[GF-OIG-11-005 - Audit of Global Fund grants to the People’s Republic of Bangladesh](#)

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<sup>17</sup> This does not include training-related materials, training-related materials are part of the training and travel budget not the PSM plan.

## 4. Findings

### 4.1 Fraudulent procurements of training-related materials totaling US\$107,039 at the Recipient's head office

The Recipient's head office fraudulently charged training-related procurement expenditures totaling US\$107,039 (BDT 8,503,865) to the Global Fund. Recipient staff falsified invoices and inventory record documents, misused blank invoices and forged signatures.

#### *Blank supplier invoices used to fabricate documentation*

The OIG identified three blank invoices in the names of two suppliers of training-related materials on the computer of the Recipient's Statistical Officer. The blank invoices were in the names of two stationery suppliers who are purported to have provided the Recipient with bags, pens, and pads for training activities. The OIG found other submitted invoices for payment from the two suppliers, whose blank invoices were on the Statistical Officer's computer.

Nine Recipient employees involved in organizing training activities provided handwriting samples. The investigation found supplier documents containing handwriting similar to that of the Recipient's Statistical Officer, Cashier and Line Director's Secretary. The documents with three Recipient employees' handwriting were fraudulent. The majority of the documents (86% of those reviewed) matched the handwriting of the Statistical Officer (exhibits 1 to 3, training-related materials supporting documents containing Recipient employees' handwriting).

The OIG identified 43 suspicious backdated cash memos. The memos also contained handwriting similar to that of the Statistical Officer. Further analysis of supporting documents from five different suppliers of training-related materials contained similar handwriting. The OIG provided samples of the documents to the suppliers from whom they purportedly came. None of the suppliers could authenticate these documents. Three of the suppliers acknowledged that the templates of the invoices seemed authentic; but they did not recognize the handwriting and signatures.

The OIG concludes that all the supporting documents containing the Recipient employee handwriting and similar handwriting across different suppliers are fraudulent. Their total value is US\$98,871 (BDT7,854,900).<sup>18</sup> This amount is non-compliant and therefore potentially recoverable. Most of the identified fraudulent documents purportedly came from the two stationery suppliers whose blank invoices were found on the the Statistical Officer's computer.

Certain supplier documents did not have serial reference numbers. These documents were determined to be fraudulent because the supplier's genuine documents contained serial reference numbers. A representative of the supplier could not explain why the documents did not have serial reference numbers. The majority of the documents also contained handwriting similar to that of the Statistical Officer and Cashier. The total value of fraudulent documents without serial reference numbers is US\$6,492 (BDT515,815).

The OIG deemed fraudulent 85 supporting documents, allegedly issued by a banner producer to the Recipient. The banner producer said that they did not have any transactions with the Recipient in the period of the review (July 2015 – September 2016). The last time they transacted with the Recipient was in 2012. The documents make up a total of US\$1,485 (BDT118,000).

There was also evidence that the Recipient split direct cash procurements into multiple lots of training-related materials in order to avoid extra scrutiny and oversight assigned to competitive procurements. As stated in the Public Procurement Rules 2008, Schedule II, direct cash procurements are limited to a maximum annual aggregate amount of US\$2,517 (BDT200,000), but not exceeding US\$189 (BDT15,000) in a single procurement. However, the Recipient breached these rules by undertaking several procurements valued over US\$2,517 (BDT200,000) on one date.

<sup>18</sup> Fraudulent documents with Recipient employee handwriting is US\$44,400 (BDT3,527,440) and fraudulent documents with similar handwriting across different suppliers is US\$ 54,471 (BDT 4,327,460).

The Recipient's senior management's breach of both the Bangladesh government Public Procurement Rules 2008 and the Recipient financial management standard operating procedures, which required adherence to the public rules, resulted in a lack of supervision and oversight that facilitated the Recipient staff's creation of falsified documents.

The Line Director and Program Manager endorsed the statements of expenditures by stamping and signing all the supporting documents in order to verify and approve the procurements. These procurements were undertaken with the full knowledge and involvement of the Recipient's senior management. Therefore, the Recipient's Line Director and Program Manager are responsible and accountable for these procurements.

#### *Falsified entries in store registers, receipt and payment certifications*

In order to cover up the fraudulent procurement of training-related materials, Recipient staff falsified receipts of these materials in the Shyamoli Central Stores registers and through false certification by the Recipient Survey Committee.

The investigation found that training-related materials were never physically delivered to the Central Stores and never issued out to the district Civil Surgeon Offices. The Central Stores personnel told OIG investigators that they made entries of receipt of training-related materials in the registers based on documents that the Statistical Officer, Photocopy Operator, Cashier and Line Director's Secretary brought to them. However, these entries were made without the Central Stores actually having received the goods. These documents bore Recipient senior managements' signatures, which led the Central Stores personnel to believe that the supervisors had already approved the transactions.

The Recipient's managers who served on a survey committee falsely certified receipt of the training-related materials. The signatures on their certifications were backdated to align with the dates of the fake procurements. This is further supported by the fact that some of the store registers records were not in chronological order.

The Statistical Officer and Photocopy Operator falsified supplier documents with payment certifications to give the impression that training-related materials were bought and suppliers paid. The investigation concludes that all supplier documents with falsified payment certifications are fraudulent.<sup>19</sup>

#### *Fraud facilitated by an unmonitored bank account*

The Recipient operated and managed a Deputy Program Manager training bank account. This was a government-owned bank account into which US\$577,365 (BDT45,868,776) was transferred from the Recipient's Global Fund grant bank account during the period of the review. Global Fund assurance providers had no access to this bank account because it belonged to the government, which is a violation of the Global Fund Grant Regulations' right of access to program documentation.<sup>20</sup>

All head office procurements for training-related materials were paid out of this account. The Recipient's financial management standard operating procedures provide that "a bank account opened to manage Global Fund grant funds must have three signatories which would include the Program Manager, Line Director and Deputy Program Manager Finance and Administration. All checks would have to be signed jointly by any two signatories out of the three."

Contrary to the provisions of the standard operating procedures, the Deputy Program Manager training bank account had only one signatory who was also responsible for initiating, approving and accounting for all training-related expenditures. All checks issued from the bank account had only one signatory.

<sup>19</sup> The total value of identified supplier documents with falsified payment certification is US\$191 (BDT15,150).

<sup>20</sup> Section 7.6 requires all grant recipients to provide "unrestricted access at all times to [ ] Program Books and Records and any other documentation related to the Program..." The Global Fund Grant Regulations (2014).

The Recipient withdrew funds from the account in cash but did not maintain any record or cashbook to record the amounts withdrawn that were then kept at the Recipient prior to being used. The cash was held in the offices of either the Statistical Officer or the Line Director’s Secretary. Cash would then be used to pay for training-related expenditures, including training materials, training-related services, honoraria, per diem and travel allowances. Once the training activity was completed, the assigned officer compiled the relevant statements of expenditures.

There were no formal mechanisms to monitor, manage and record its use, except for the supporting documents that they attached to the statements of expenditures. The Recipient's Finance Unit and Global Fund assurance providers had no oversight over the Deputy Program Manager training bank account and it has not been audited. Recipient senior management and the Finance Unit were aware of the existence of the account and how it was being managed; however, nothing was done to address the potential risks posed by the way the bank account was used.

An International Finance Consultant, financed by the Global Fund, was tasked with providing technical assistance to the Recipient in financial management; advising and guiding staff; managing financial and compliance aspects; and providing guidance on the maintenance and management of all accounting records of Global Fund grant programs. He stated that he was aware that Recipient staff were not adhering to the financial management standard operating procedures regarding the approval of expenditures. He was aware that the bank account had been in use since 2012. Despite this, the consultant only informed the external auditors of these breaches in procedure in September 2016, almost a year after he first noted the potential risks.

The Local Fund Agent was also aware of the existence of the bank account for five years, before alerting the Global Fund in October 2016. The account did not fall within the scope of the Local Fund Agent’s reviews and verifications, as it was a government account. However, the agent did not signal that the account had no co-signatories and that grant funds were being transferred to an account over which they had no oversight. The Recipient made US\$491,136 (BDT39,018,298) in cash withdrawals from the Deputy Program Manager training account within the period of the review. The Recipient asserted that this was to procure the training-related materials. However, the investigation determined these were supported by falsified documents. The Local Fund Agent’s failure to inform the Global Fund of this bank account prevented any risk mitigating mechanisms that could have addressed this gap in assurance.

The Recipient senior management’s breach of the financial management standard operating procedures, combined with the lack of effective oversight and proper record-keeping in the operation and management of the Deputy Program Manager training bank account, gave Recipient employees the opportunity to falsify supporting documents for training-related expenditures, which facilitated the fraud identified in this investigation.

*Table 1: Summary of identified fraudulent amounts considered non-compliant and potentially recoverable:*

<b>Fraudulent Documents</b>	<b>Amount US\$</b>	<b>Amount BDT</b>
Documents with Recipient employees’ handwriting	44,400	3,527,440
Documents with similar handwriting among different suppliers	54,471	4,327,460
Documents without serial reference numbers	6,492	515,815
Documents from suppliers that did not transact with Recipient in the period	1,485	118,000
Documents with false payment certification	191	15,150
<b>Total amount</b>	<b>107,039</b>	<b>8,503,865</b>

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## **Agreed Management Action 1**

Based on the findings of this report, 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.

### **Agreed Management Action 2**

The Global Fund Secretariat will instruct the Recipient to take appropriate action towards the individuals identified in this report as responsible for the potentially recoverable losses. This is to minimize the risk of those individuals negatively impacting program implementation or misusing grant funds in the future.

### **Agreed Management Action 3**

The Global Fund Secretariat will work with the Principal Recipient to ensure implementation of the revised and enhanced financial management controls, which will be verified by the Local Fund Agent as follows:

- (a) Conduct regular and ongoing spot checks for the rest of the existing grant and any succeeding grant periods to ensure that financial management controls have been implemented and complied with.
- (b) Conduct regular and unannounced spot checks in the central and field level to verify programmatic activities and their associated expenditures.

## 4.2 Fraudulent procurements of training-related materials totaling US\$2,341 at district level

The Recipient fraudulently charged district level training-related procurement expenditures totaling US\$2,341 (BDT185,950) to the Global Fund. Recipient district level staff falsified supporting documents, such as supplier invoices and cash memos, in order to overcharge for printing and photocopy services and inflate the number of banners supplied.

The Recipient delivers training program activities through 64 district Civil Surgeon Offices, and has staff in all district Civil Surgeon Offices who are responsible for organizing and conducting training activities on its behalf. Based on the Local Fund Agent's findings in 2016, the OIG examined the training-related procurements from the districts of Lalmonirhat and Rangpur.

### *Lalmonirhat District Civil Surgeon Office*

The Lalmonirhat Civil Surgeon Office's Statistical Officer was responsible for the procurement of the Recipient's training-related materials. The OIG provided samples of the documents to three of the most frequently used suppliers who had allegedly delivered goods and services to this Civil Surgeon Office. Two of the suppliers could not authenticate the documents. They acknowledged that the templates of the invoices were authentic, and stated that the handwriting and signatures were not known to them.

Prices on the documents were higher than those normally charged for banner production by the first supplier. In the past two years, the first supplier had provided two banners per month to the District Civil Surgeon Office, which is less than what the procurement documents for the office claimed. According to the second supplier, prices in the documents were also inflated. The second supplier's prices for photocopying and photography printing were respectively 25% and 50% cheaper. The OIG concludes that the Civil Surgeon Office inflated the amount and the price of training-related materials procured by US\$1,215 (BDT95,500).<sup>21</sup> The OIG considers the value of inflated training-related materials from the first supplier to be non-compliant and potentially recoverable.

### *Rangpur District Civil Surgeon Office*

The Rangpur Civil Surgeon Office district Program Organizer was responsible for the procurement of Recipient's training-related materials. The OIG provided samples of the documents to three of the most frequently used suppliers who had purportedly delivered goods and services. Two of the suppliers had had no dealings with the district Civil Surgeon Office in the past four years. They acknowledged that the document templates were similar to their own; however, they had not provided any services to the office during the period indicated.

The third supplier was not aware of the district Civil Surgeon Office. The supplier recognized the invoice but could not identify the handwriting. The invoice was further deemed inauthentic because it did not specify the banner dimensions, which would be normal practice on a real invoice from the supplier.

The Civil Surgeon Office falsely claimed to have contracted the three suppliers for the procurement of training-related materials valued at US\$1,126 (BDT95,450) in the period of the review. Consequently, the total amount is non-compliant and potentially recoverable.

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<sup>21</sup> Inflated amount of banner production charge of US\$ 1,089 (BDT 86,500) and inflated amount of photocopying and photography printing charges of US\$126 (BDT10,000).

### 4.3 Fraudulent honorarium and per diem claims totaling US\$1,931 at Recipient head office

The Recipient claimed to have paid per diems and honoraria to their head office employees for district level Global Fund-financed training activities that they had not attended. The investigation found that staff fraudulently claimed per diem and honorarium payments to supplement their government-paid salaries.

US\$899 (BDT71,400) of per diem and honorarium payments were paid to head office employees, such as cleaners, night guards and electricians, who were not involved in district training activities. These payments were attached to the other supporting documents for training-related materials and were ultimately approved by Recipient senior management.

In practice, Recipient head office support employees do not attend district level trainings or Quarterly Monitoring Meetings. However, the Recipient submitted expenditure records that indicated the contrary. Moreover, some support employees had received per diem payments for attending two training events in two different districts on the same date. The Line Director's Secretary arranged the payments of the per diems to Recipient head office support employees. She told the OIG that government support staff at the Recipient had received these payments because their salaries were lower than the Global Fund-paid salaries.

The Recipient claimed to have paid two Medical Officers honoraria for attending district level trainings. The OIG confirmed that the two Medical Officers had not attended the purported trainings and had not received the honoraria relating to the trainings. The amounts relating to the two Medical Officers were requested from the Recipient in a Global Fund management letter dated 23 May 2016. The full requested amount of US\$1,032 (BDT82,000) was refunded to the grant on 13 July 2017.

Therefore, the OIG considers the balance of US\$899 (BDT71,400) relating to per diem payments to Recipient support employees as potentially recoverable.

## 5. Table of Agreed Actions

Agreed Management Action	Target date	Owner	Category
1. 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.	30 June 2018	Chair, Recoveries Committee	Financial & Fiduciary Risks
2. The Global Fund Secretariat will instruct the Recipient to take appropriate action towards the individuals identified in this report as having been responsible for losses which are potentially recoverable in order to minimize the risk of them negatively impacting program implementation or misusing grant funds in the future.	30 June 2018	Head of Grant Management	Governance, Oversight & Management Risks
3. The Global Fund Secretariat will work with the Recipient and Local Fund Agent to ensure implementation of the revised and enhanced financial management controls by; (a) Conducting regular and ongoing spot checks for the rest of the current and succeeding grant periods to ensure that financial management controls have been implemented and complied with. (b) Conducting regular and un-announced spot checks in the central and field level to verify programmatic activities and their associated expenditures.	30 June 2018	Head of Grant Management	Governance, Oversight & 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 Corruption<sup>22</sup> 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.<sup>23</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 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 Suppliers<sup>24</sup> 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. Secretariat activities linked to the use of funds are also within the scope of work of the OIG.<sup>25</sup> While the OIG does not typically have a direct relationship with the Secretariat's or with recipients' suppliers, its scope<sup>26</sup>

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<sup>22</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>23</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>24</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.

<sup>25</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>26</sup> Charter of the Office of the Inspector General § 2, and 17.

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.<sup>27</sup>

**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.<sup>28</sup> 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.

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<sup>27</sup> Global Fund Code of Conduct for Suppliers, § 16-19

<sup>28</sup> Charter of the Office of the Inspector General § 8.1





**Exhibit 3:** Supplier invoice with the Line Director's Secretary's handwriting

In its annual publications the Asian Development Outlook 2017, the global leader projects Bangladesh to grow by a moderate 6.9 percent in FY 2017 and expects it to remain unchanged in the next fiscal year.

The report says that Bangladesh's current account surplus expanded in FY 2016 and inflation slowed.

Secretary, MBDC  
06-04-2017

Envelope

BLOWN

Cost

Board

Board

Sl. No.	Description	Qty	Rate	Amount
1	A. Envelope	100	20	2000
2	White Envelope	1000	10	10000
3	Double Punching Machine	2000	10	20000
4	High Life Mask	500	10	5000
Subtotal Cost Total				37000
Grand Total				37000

Secretary, MBDC  
06-04-2017

## Annex C: Summary of Subject Responses

On 27 September 2017, the OIG provided the Recipient, their International Finance Consultant and the Local Fund Agent with a copy of its statements of findings from this investigation. The statements represent the full record of all relevant facts and findings considered in support of this final report. The International Finance Consultant and the Local Fund Agent responded within the agreed timescales. The Recipient did not provide any response to the OIG.

The OIG duly considered all points made by the respondents and appropriate revisions were made to its findings in this final report. The OIG then proceeded to the next stage of the investigation as per its [Stakeholder Engagement Model](#).