

Investigation Report

Global Fund Grants in

Cameroon

Embezzlement of Health Products by a Global Fund Principal Recipient

GF-OIG-24-014
18 October 2024
Geneva, Switzerland

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1. Executive Summary

1.1 Investigation at a glance

The Office of the Inspector General (OIG) found that personnel of a former Principal Recipient of Global Fund grants embezzled health products worth US\$23,959 (€21,524). During the investigation, the OIG also observed that the Principal Recipient failed to account for health products worth more than US\$3 million and did not address historical losses of health products worth US\$80,036 identified by the internal audit in 2018. These health products were procured using Global Fund grant funds. The OIG considers these amounts non-compliant with the terms of the Grant Agreement and potentially recoverable.

The OIG identified deficiencies in the Principal Recipient's inventory management system and general supply chain weaknesses. The deficiencies led to inadequate safeguards for the Global Fund's investments, insufficient assurance over health product distribution and, in certain cases, the embezzlement of health products by Principal Recipient personnel.

1.2 Genesis and Scope

In January 2022, the Global Fund Secretariat informed the OIG that a routine inventory spot check by the Principal Recipient in the last quarter of 2021 had identified that HIV kits valued at US\$146,000 (€121,399) were missing from the Principal Recipient's central warehouse in Yaoundé. A subsequent review in the first quarter of 2022 by the Global Fund Secretariat, covering the period between June and December 2021, found higher stock discrepancies and diversion of HIV kits and lubricant gel amounting to US\$173,995 (€153,898). The review also found other inventory management weaknesses at the Principal Recipient such as missing stock cards, lack of appropriate approvals, and inaccurate and incomplete inventory records. The OIG also received information that the Principal Recipient's 2017 to 2019 internal audits had raised concerns over weak inventory management at the Principal Recipient that went unaddressed.

In response to the reports, the OIG opened an investigation to determine if prohibited practices were a contributing factor to the missing health products. This investigation covered the period from January 2020 to June 2022 and a broader list of health products.

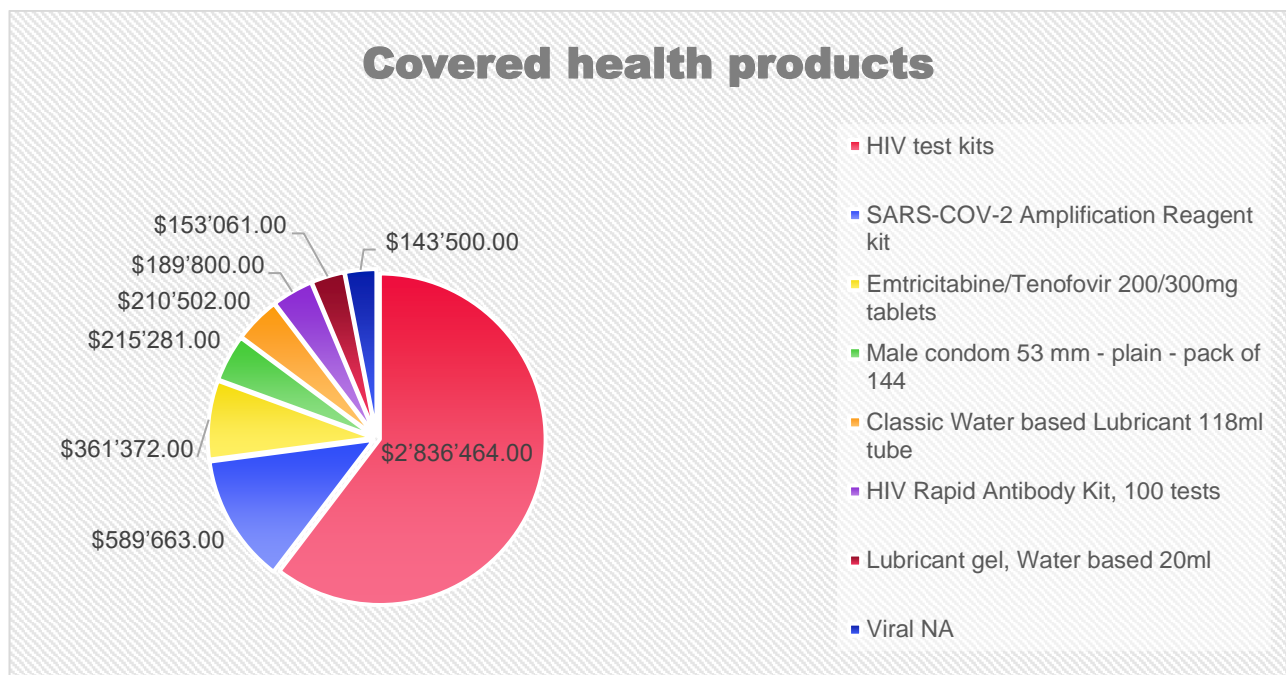
As established in the Grant Agreement,¹ the Principal Recipient purchased health products through the Global Fund Pooled Procurement Mechanism (PPM).² The Principal Recipient could not provide the OIG with a complete record of health products received over the period in scope. Thus, the OIG relied on data from the PPM system and documentation provided by the Procuring Service Agents³ under the PPM. Accordingly, from January 2020 to 9 February 2022, the Principal Recipient received health products valued at US\$5.12 million (€4.6 million).

¹ Grant Agreement between Global Fund and the Principal Recipient dated 22 December 2020, Article 5.6.

² The Pooled Procurement Mechanism is a Global Fund strategic initiative that aggregates order volumes on behalf of participating Grant Participants to negotiate prices and delivery conditions with manufacturers.

³ PSAs are external service providers contracted by the Global Fund to perform procurement and delivery services on behalf of PPM-participating Principal Recipients, including order and logistics management, while ensuring quality assurance and timely deliveries.

This investigation focused on eight health products with a total value of US\$4,699,643 (€4,215,996) as shown below.⁴ This accounted for 92% of the products procured by the Principal Recipient during the period.



1.3 Findings

The investigation uncovered evidence of embezzlement of Global Fund-financed health products by Principal Recipient personnel amounting to US\$23,959 (€21,524).

This investigation also observed significant gaps in record management and accountability by the Principal Recipient, including:

- Failure to provide the OIG with a significant number of records to support the receipt and distribution of US\$3,020,991 (€2,721,655) worth of health products.
- Failure to report and resolve historical losses of health products worth US\$80,036 (€68,031).

While the OIG did not uncover evidence of prohibited practices for these amounts, it nevertheless considers these amounts non-compliant with the terms of the Grant Agreement and potentially recoverable.

1.4 Context

Cameroon, a lower-middle-income country, is endowed with rich natural resources, including oil and gas, mineral ores, and high-value species of timber, and agricultural products. Cameroon's fiscal and external positions improved in 2022 against a backdrop of rising oil prices, but the regional economy's dependence on oil and other extractive industries exposes it to the volatility of global commodity markets.⁵

⁴ List of health products received by the Principal Recipient between January 2020 and 9 February 2022 - PPM Data June 2024.

⁵ <https://www.worldbank.org/en/country/cameroon/overview>, accessed on 30 July 2024.

Cameroon has an estimated 480,232 people living with HIV in 2022, with 9,905 new cases recorded that year. Although still a major public health problem, recent progress includes a 50% decrease in HIV prevalence among people aged 15 to 64 in the past 14 years, according to the most recent Demographic Health Survey 2018 (DHS). Prevalence fell from 5.4% in 2004, to 4.3% in 2011, and 2.7% in 2018.⁷

Country Data ⁶	
Population	28.6 (2023)
GDP per capita	US\$ 1674 (2023)
Transparency International Corruption Perception Index	140 out of 180 (2023)
UNDP Human Development Index	151 out of 193 (2023)
Health expenditure (% of GDP)	3.82 (2021)

Key HIV results of Global Fund investments in 2022 in Cameroon:⁸



425,000

People on antiretroviral therapy for HIV



68,000

HIV tests taken by priority and key populations



45,000

People reached with HIV prevention services



16,000

Mothers living with HIV received medicine to keep them alive and prevent transmitting HIV to their babies

The Principal Recipient is a civil society organization that provides sexual and reproductive health services in Cameroon. In December 2020, the Global Fund signed a Grant Agreement with the Principal Recipient for the CMR-C-CMF grant with a budget of €31.6 million.⁹

The Principal Recipient also previously served as a Principal Recipient and a sub-recipient for Global Fund grants. As a Principal Recipient under grants CMR-H-CMF (the 2018 grant), it implemented activities to scale up HIV prevention towards reduction of HIV-related morbidity and mortality. Programmatic performances were rated B2 (44%) in 2018, A2 (100%) in 2019 and A1 (104%) in 2020. As a Sub-recipient, under another principal recipient, it had a similar objective but with a focus on tuberculosis.

The Global Fund Secretariat's reviews of the Principal Recipient's grants implementation in 2018, 2019, and 2020 did not identify any major risks relating to missing or lost health products. Furthermore, the Global Fund's capacity assessment of this entity as a Principal Recipient in 2021 also did not identify any major risks in supply management. The review concluded that the Principal Recipient had the necessary procedures and infrastructure to manage the supply chain effectively. Nevertheless, the Global Fund supported the engagement of a Technical Assistant for Procurement and Supply Chain management to further strengthen its supply chain system.

An OIG audit in 2021 reported on governance challenges in the Principal Recipient, amongst other things, and particularly regarding the Executive Director's recruitment, which the Global Fund Secretariat assessed as non-compliant based on Global Fund grant rules and regulations. The OIG audit found that the Secretariat introduced mitigating measures in mid-2021 to limit grant risks such as initially reducing and then later freezing disbursement amounts, recommending appointing an

⁶ Sources: Population at [Population, total - Cameroon | Data \(worldbank.org\)](https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CM), GDP at <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CM>, health expenditure at [Current health expenditure \(% of GDP\) - Cameroon | Data \(worldbank.org\)](https://data.worldbank.org/indicator/SH.UVM.SRVS.CV?locations=CM); information on transparency index from Transparency International' Corruption Perceptions Index at www.transparency.org/en/countries/liberia; development data from UNDP's Human Development Index at <https://hdr.undp.org/sites/default/files/Country-Profiles/LBR.pdf>; all accessed 18 Feb 2022

⁷ WHO Article on [Cameroon making progress in the fight against HIV dated 04 Dec 2023](https://www.who.int/news-room/feature-stories/cameroon-making-progress-in-the-fight-against-hiv), accessed on 12 August 2024.

⁸ Global Fund Key Results 2023, Cameroon HIV portfolio, [Global Fund website](https://www.globalfundforhiv.org/), accessed on 30 July 2024.

⁹ Global Fund grants in Cameroon are denominated in Euro. The XAF is the official currency of Cameroon

Administrator to manage the Global Fund grants, and ensuring spot checks by its assurance provider.¹⁰ The disbursement to the Principal Recipient resumed in September 2021.

Following its review in the first quarter of 2022, the Global Fund Secretariat communicated to the Principal Recipient its finding of stock discrepancies and diversion of HIV kits and lubricant gel amounting to US\$173,995 (€153,898). To address supply chain weaknesses identified by the Global Fund Secretariat in 2021, they also directed the Principal Recipient to implement mitigation measures that included improving inventory records management, controlling access to the warehouse, installing CCTV and taking action against individuals found responsible for the identified discrepancies and diversion of health products.

The Global Fund Secretariat found that the Principal Recipient's overall programmatic performance as a Principal Recipient for January to December 2021 decreased to a D rating (58%, insufficient).¹¹

1.5 Impact of the investigation

The Global Fund invests approximately US\$2 billion in health products every year.¹² As highlighted in this investigation and other OIG audits and investigations, the effectiveness of these investments can be undermined by inadequate implementer supply chain systems, resulting in waste and diversion of health products.

Specifically, this investigation uncovered evidence of embezzlement of health products by Principal Recipient personnel and significant gaps in records management and accountability by the Principal Recipient. As a result of such conduct and record management, the OIG found that US\$3,124,986 (€2,811,210)¹³ in health product expenditure were noncompliant with the Grant Agreement, and potentially recoverable.

The OIG and the Secretariat have agreed that the Secretariat will finalize and pursue, from all entities responsible, an appropriate recoverable amount related to activities that violated the Global Fund's Code of Conduct for Recipients, Grant Regulations and Budgeting Guidelines.

Broader governance concerns led to the Principal Recipient's removal as a Global Fund Principal Recipient in October 2022, and therefore a further management action is not deemed necessary.

¹⁰ OIG Audit Report on the Global Fund Grants in the Republic of Cameroon, 3 December 2021, page 8

¹¹ The Global Fund updated its reporting process and results rating methodology in January 2022. CMR-C-CMF_Performance-Letter_juillet-decembre-2021_28.07.2022 - signed

¹² The Global Fund article [Sourcing and Management of Health Products](#), accessed on 7 June 2024., accessed on 7 June 2024.

¹³ Exclusive of PSM costs.

2. Findings

2.1 Principal Recipient personnel embezzled health products worth US\$23,959 (€21,524)

The Global Fund Code of Conduct for Recipients defines embezzlement as the intentional act of dishonestly taking, appropriating, diverting or secreting money or property by an individual or entity entrusted to hold or possess such money or property as a fiduciary or in connection with an official responsibility.¹⁴

The OIG identified a loss of Global Fund health products, valued at US\$23,959 (€21,524), from the Principal Recipient's warehouse. While the OIG was not able to identify the specific individuals directly responsible for this embezzlement, the OIG found that Principal Recipient personnel were likely responsible for the embezzlement of the health products.

Specifically, the OIG investigation that covered more products than the Secretariat's review, found fictitious deliveries between June-December 2021 totaling US\$9,748 (€8,805) worth of HIV test kits, male condoms, lubricating gels and syphilis and Hepatitis B test kits from the dispatch vouchers for the transactions reviewed by the Global Fund Secretariat. Furthermore, from the transactions reviewed by the OIG between January 2020 to June 2022, the investigation uncovered fictitious deliveries of HIV test kits, lubricating gels, and male and female condoms, amounting to US\$14,211 (€12,719).

Principal Recipient personnel reported dispatching these health products from its central warehouse to the receiving entities or through their transport service provider. However, the receiving entities did not have a record of receiving these products and the Principal Recipient could not provide documentation confirming the receipt of these health products for delivery by the transport service provider. The dispatch vouchers covering these transactions were not approved by the Head of PSM as required by the Principal Recipient's procedures. As a result, the OIG concludes that the underlying dispatching records prepared by Principal Recipient personnel were fictitious and that the health products were intentionally diverted or appropriated by Principal Recipient personnel, constituting embezzlement.

The Principal Recipient did not contest the involvement of its employees in the embezzlement of health products. In a response to the OIG, the Principal Recipient communicated that it initiated legal actions against its staff responsible for handling the supply chain. These were project staff reporting to the Principal Recipient's Administrators, who managed the Global Fund grants in the Principal Recipient since 2021 upon recommendation of the Global Fund Secretariat. According to the Principal Recipient, these staff and the Principal Recipient's Administrators should be held accountable for the embezzlement.

Global Fund Grant Regulations place the responsibility on the Principal Recipient for all grant resources.¹⁵ Similarly, the Global Fund Code of Conduct for Principal Recipients require Principal Recipients to preserve and protect the Global Fund grant funds entrusted to them, and ensure that Global Fund financing or procurement are used for its intended purpose.¹⁶ The Global Fund Code of Conduct for Principal Recipients further provides that Global Fund Resources shall not be

¹⁴ Global Fund Code of Conduct for Recipients, Article 2.2, and Annex I, Article 1.5.

¹⁵ Global Fund Grant Regulations (2014), Article 3.1. See also Code of Conduct for Recipients Article 2.2. (https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf)

¹⁶ Global Fund Code of Conduct for Recipients, Article 2.2.

misappropriated, embezzled, misdirected, misused, lost or unaccounted for in any manner.¹⁷ Therefore, the OIG finds that the Principal Recipient failed in its obligation as a Principal Recipient to safeguard the health products entrusted to them.

The total purchase value of the embezzled health products amounts to US\$23,959 (€21,524). The OIG finds this amount non-compliant, and potentially recoverable.

2.2 Additional Observations

2.2.1 The Principal Recipient could not provide records supporting the distribution of health products worth US\$3,020,991 (€2,721,655)

The Global Fund Grant Regulations require Principal Recipients to maintain program books and records in accordance with internationally recognized accounting standards.¹⁸ The Code of Conduct for Recipients provide that Principal Recipients should maintain financial management systems and practices to properly record, reconcile and report on the use, receipt and status of Global Fund Resources.¹⁹ The Global Fund Budgeting Guidelines provide that unsupported expenditures are non-compliant expenditures.²⁰

The Principal Recipient did not maintain the required books and records for health products. Specifically, they failed to provide the OIG with a significant number of records to support the receipt and distribution of health products from the central warehouse over the review period. The OIG provided the Principal Recipient multiple opportunities to provide additional supporting documentation.

The OIG could not fully reconcile the movement of health products supplied to the Principal Recipient because the latter did not provide supporting dispatch vouchers accounting for 66% (US\$2,525,567 out of US\$3,899,478) of the health products received at the Principal Recipient. Without vouchers, the OIG could not establish how and to whom the Principal Recipient distributed health products valued at US\$2,525,567 (€2,278,186). See the table below for details.

Table 2: Analysis of health products movement at the Principal Recipient

Health product	Supply in the period (US\$) (A)	Evidence of distribution ²¹ (US\$) (B)	Stock balance - 9 Feb 2022 (US\$) (C)	Unsupported (US\$) (D=A-B-C)
HIV test kits	2,836,464	595,809	6,640	2,234,015
Realtime SARS-COV-2 Amplification Reagent kit	Please refer to Footnote 22.			
Emtricitabine/Tenofovir 200/300mg tablets	361,372	6,403	342,380	12,589
Male condom 53 mm plain - pack of 144	215,281	92,185	16,071	107,025
Classic Water-based Lubricant 118ml tube	Please refer to Footnote 23.			
HIV Rapid Antibody Kit, 100 test	189,800	163,186	-	26,614
Lubricant gel, Water based 20ml	153,061	-	151,037	2,024
Viral NA	143,500	-	-	143,500
Total	3,899,478²⁴	857,583	516,128²⁵	2,525,767²⁶

In addition, 43% (94 out of 216) of the dispatch vouchers that the Principal Recipient provided to support the distribution of health products from its warehouse were incomplete. They were either missing evidence of product receipts by the receiving entities, lacked sufficient identifiable details of the receiving entities, and/or lacked evidence of the Principal Recipient representatives' approval for the distributions. The incomplete vouchers pertained to an inventory of health products worth US \$481,961 (€431,112) out of US\$2,052,851 (€1,864,493) reviewed by the OIG.

The OIG review of the transactions checked by the Global Fund Secretariat during its 2022 review identified insufficient dispatch vouchers for HIV test kits, male condoms, syphilis and Hepatitis B test kits. The dispatch vouchers were incomplete and only indicated the names of the receiving entities. The dispatch vouchers left blank other critical identifying information that would have allowed for delivery verification by the Global Fund Secretariat. The incomplete vouchers represented inventory of health products worth US\$13,463 (€12,357).

The Principal Recipient reiterated its claim that the Administrators and project staff should be held accountable for the unsupported health products. The Principal Recipient further claimed that the documents were available, but the Principal Recipient had difficulty retrieving them for the OIG as the responsible project staff had been arrested by Cameroon national authorities and were not willing to engage with the Principal Recipient after they have been released on bail. In response to this report, the Principal Recipient further stated that project staff intentionally withheld the documentation during the Principal Recipient internal review and the OIG investigation to prejudice the Principal Recipient. However, the project staff told OIG that they had no access to the Principal Recipient records because they no longer worked for the Principal Recipient, and a Principal Recipient disciplinary committee had taken all Principal Recipient records they had.

The Principal Recipient did not provide any evidence to support its claim that the project staff possessed the missing vouchers for the 66% of health products distributed over two years and could not illustrate that it was taking action to retrieve them from the project staff. Therefore, the Principal Recipient's claim that the records were stolen is not deemed credible.

The Grant Regulations and the Code of Conduct for Recipients place the responsibility on the Principal Recipient to maintain program records. This responsibility on the Principal Recipient subsists regardless of the actions of its staff.

The OIG cannot provide assurance on the use of the health products where supporting documentation is not available. As such, the OIG considers US\$2,525,567 (€2,278,186), the value of the unsupported health products, to be non-compliant and potentially recoverable.

¹⁷ Ibid.

¹⁸ Global Fund Grant Regulations (2014), Article 7.1.

¹⁹ Global Fund Code of Conduct for Recipients, Article 3.2.

²⁰ Global Fund Budgeting Guidelines (2019), Section 5.

²¹ Detailed list of health products distributed by the Principal Recipient between January 2020 and 9 February 2022 (OIG sample). Amounts indicated in this column have been rounded off hence the discrepancy of US\$1 with the total sum. Most of these health products were distributed in 2020.

²² OIG's analysis identified that the Principal Recipient distributed more Realtime SARS-COV-2 Amplification Reagent kit than it had received. Principal Recipient records showed that it had distributed US\$889,947 (€827,650) of Realtime SARS-COV-2 Amplification Reagent kit but had only received US\$589,663 (€545,822) worth of products for the period. The identified overdistribution of these health products is likely to have been caused by inaccurate record keeping and/or balances from previous periods.

²³ The OIG's analysis found that during the reviewed period, the Principal Recipient's records showed that it had distributed US\$305,322 worth of Classic water-based lubricant (118ml tube), which is US\$222,606 (€198,119) more than it had received in the period. The identified overdistribution of these health products is likely to have been caused by inaccurate record keeping and/or balances from previous periods.

²⁴ Annex A - List of health products received by the Principal Recipient between January 2020 and 9 February 2022 (OIG sample) - PPM Data June2024. Most of these health products were received by the Principal Recipient in 2020.

²⁵ Computation of value of sample products counted on 9 February 2022.

²⁶ Health products received minus those distributed and stock balance as of 9 February 2022.

Furthermore, the OIG considers that the value of health product dispatches worth US\$495,424 (€443,469) – for which the Principal Recipient failed to sufficiently support or demonstrate evidence of receipt by program implementers – is also non-compliant and potentially recoverable. The OIG’s finding is limited to the Principal Recipient’s failure to provide the required documentation relating to these health products. The OIG makes no findings on what happened to these health products, and its impact on program implementation, if any.

2.2.2 Failure to report and resolve identified supply chain weaknesses, including historical losses of health products worth US\$80,036 (€68,031)

The OIG found that in 2017, 2018 and 2019 the Principal Recipient’s internal audits identified significant supply chain and inventory weaknesses at the Principal Recipient, its sub-recipient and community-based organization levels. Similarly, an external audit of the Principal Recipient’s 2021 financial statement, released in 2022, provided a qualified opinion based on, among others, significant weaknesses of the Principal Recipient’s inventory management system.

The 2018 internal audit specifically identified historical inventory discrepancies due to the physical stock balance of health products at the central warehouse being less than expected. This resulted in the potential losses of Global Fund health products amounting to US\$80,036 (€68,031).

The Principal Recipient did not provide the OIG with any evidence indicating that they addressed the reported weaknesses and discrepancies. The Principal Recipient also failed to demonstrate that they reported the results of the audit to the Global Fund, as required under Article 7.4 of the Grant Regulations.

In response to the OIG’s findings, the Principal Recipient informed that it was not aware of the 2018 internal audit findings which identified inventory discrepancies amounting to US\$80,036 (€68,031). However, the OIG identified that Principal Recipient senior managers at the time – including the Executive Director, the Director of Finance and Administration, the Global Fund Project Coordinator and the Principal Recipient Audit Committee – were recipients of the follow-up correspondence from the Internal Auditor dated 17 October 2018 about the 2018 internal audit findings.

The OIG did not attempt to validate the internal audit observations regarding the US \$80,036 (€68,031) in missing health products. Rather, the OIG’s observations focus on the fact that the Principal Recipient failed to comply with its obligations to inform the Global Fund of the internal audit report containing material observations. As a result, the OIG finds the amount of US\$80,036 (€68,031) to be potentially non-compliant and recoverable.

3. Global Fund Response

Action to be taken	Due date	Owner
1. The Global Fund Secretariat will finalize and pursue, from all entities responsible, 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.	31 July 2025	Chair, Recoveries Committee

The OIG does not recommend taking further management action to improve and strengthen the Principal Recipient's supply chain controls and procedures, as the Principal Recipient is no longer a Global Fund Principal Recipient as of 2022.

Annex A: Summary of subject responses

On 6 March 2024, the OIG provided the Principal Recipient with a copy of the Letter of Preliminary Findings, which represented the full record of relevant facts and preliminary findings related to the OIG investigation. The Principal Recipient was given an opportunity to provide comments and supporting documents on the findings and conclusions. The Principal Recipient provided its response on 29 April 2024. On 24 July 2024, the OIG also provided the Principal Recipient with the Notice of Findings for its review. The Principal Recipient provided its response on 19 August 2024. The OIG duly considered all points made in both responses, making appropriate revisions to the findings as part of this final report.

- The Principal Recipient stated that it should not be held accountable for the identified embezzled and unsupported health products because the Global Fund Secretariat was aware of the Principal Recipient's supply chain issues and internal audit findings. The Principal Recipient informed the OIG that the Principal Recipient's Administrators, whom they employed to manage Global Fund grants, and project staff reporting to them should be held accountable for the identified embezzled and unsupported health products. The Principal Recipient claimed that the project staff withheld documents from the OIG to prejudice them. The Principal Recipient also communicated that it initiated legal action against its staff responsible for handling the supply chain. *This point was duly considered by the OIG in section 2.1. and 2.2. of this report. As stated therein, the Global Fund Regulations and Global Fund Code of Conduct for Principal Recipients place the responsibility on the Principal Recipient for all grant resources. They further require Principal Recipients to maintain program records. The OIG investigation found that the Principal Recipient failed to comply with these requirements.*
- The Principal Recipient also informed the OIG that it does not have the documentation supporting the delivery of health products to the Principal Recipient as described in section 1.2. above to allow them to confirm the transactions reviewed by the OIG. *The documentation provided to the OIG by the Procurement Service Agents confirms that the Principal Recipient was informed of all transactions and received the health products described in section 1.2. The Procurement Service Agents informed the Principal Recipient of all incoming shipments and the details of the delivered products using pre-shipment advice documents. The Principal Recipient's obligation to maintain program records was considered by the OIG in section 2.2.1. of this report.*
- The Principal Recipient claimed that it was not aware of the 2018 internal audit findings which identified inventory discrepancies amounting to US\$80,036 (€68,031), and that the 2018 internal audit is not within OIG's investigation scope. *The OIG duly considered this point in section 2.2.2 of this report. OIG investigations are not limited in scope by the allegations it receives. OIGs mandate and investigative scope permit it to expand investigations as deemed necessary by the OIG in the context of any Global Fund-financed activity.*

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 Corruption²⁷ 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;
- (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.²⁸ 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 Suppliers²⁹ and Code of Conduct for Recipients provide additional principles, which

²⁷ (16.11.2017) Available at https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf

²⁸ These principles comply with the Uniform Guidelines for Investigations, Conference of International Investigators, 06.2009; available at: http://www.conf-int-investigators.org/?page_id=13, accessed 1.12.2017.

²⁹ Global Fund Code of Conduct for Suppliers (15.12.2009), § 17-18, available at: https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf, and the Code of Conduct for Recipients of Global Fund Resources (16.07.2012), §1.1 and 2.3, available at: https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf. Note: Grants are

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. Secretariat activities linked to the use of funds are also within the scope of the OIG's work. While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations 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.

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. 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:

1. 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);
2. amounts paid over and above comparable market prices for such goods or services;
3. or 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.

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.