Board Chair Cover Note

Audit & Investigation Reports issued by the Global Fund's Office of the Inspector General on 1 November 2011

Dear Reader,

Today, the Global Fund has released eight audit reports, three investigation reports and one review of Global Fund systems by its Office of the Inspector General. The Inspector General regularly conducts audits and investigations. The audits are part of the Global Fund's regular and routine efforts to ensure that grant money is used as efficiently as possible. The investigations have arisen out of suspected wrong-doing found during audits.

It is unusual to release so many reports at one time. Ordinarily, reports of the Office of the Inspector General are released to the Board as and when they are finalized. On this occasion we agreed that these reports would be finalized after completion of the '*The Final Report of the High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund*. This ensured that the Global Fund Board, Secretariat and Inspector General could focus fully on the report of the High Level Panel and its recommendations.

The reports are:

- Audit Reports: Dominican Republic, Sri Lanka, Nigeria, Swaziland; four reports relating to the work of Population Services International (South Sudan, Madagascar, Togo, and Headquarters)
- A Review of the Global Fund Travel and Travel-related Health and Security policies
- Investigation Reports: Mauritania, India, and Nigeria

The country-specific reports cover grants from different Global Fund financing 'Rounds', and have implementation start dates commencing at various times since early 2004. Together, the reports review around US$ 1 billion of grant financing. These reports take into account as far as possible, a number of the High Level Panel's recommendations. The Reports include comments from the Principal Recipients and contain a thorough management response and action plan from the Secretariat. Increased attention has been paid by the Office of the Inspector General to the tone of the Reports, without diluting the important message that each carries.

Specifically, the Reports tell us that the Global Fund must seek to recover up to US$ 19.2 million from grants in eight countries. Around US$ 17 million of this amount is for activities that are poorly accounted for, were not budgeted in the work plan, or fall within the Global Fund's current definition of an ineligible expense, which is an area that the High Level Panel report suggested be clarified for Principal Recipients. Some of the grant implementer responses contest relevant findings. From the perspective of the Office of the Inspector General, the reports present the evidence that has been found and recovery should be sought in full.

The Nigeria investigation report, which led from the audit, brings to the surface once again issues with the Local Fund Agent engagement model – raised very proactively also in the Inspector General's reports for Mali in December of last year.

Whilst in no way seeking to reduce the importance of the concerns that come from the three investigation reports, they do come at a time when the Global Fund knows that it has to transform how it manages its grants – and how – most importantly – it proactively addresses risk in its portfolio. This cannot entirely prevent mismanagement in all grants, but it will certainly provide a better framework on which resources are channeled to partner countries.

At its November 2011 meeting, the Global Fund Board will consider a Consolidated Transformation Plan to bring into effect the High Level Panel's recommendations on risk, grant management and improved fiduciary oversight.

More reports will come from the Inspector General and irregularities will continue to be found given the increasingly complex environments in which the Global Fund works. The Global Fund continues to strive to prevent loss, and we must ensure that the organization has the systems that enable us to take purposeful and immediate action when irregularities are discovered. Where there is dishonesty, we must pursue those involved.

The Global Fund is committed to the mission of saving lives and assisting countries in building strong and sustainable health systems. Emerging as an issue over the last years, but now very firmly confirmed from the Report of the High Level Panel, the Global Fund must be transformed at all levels.

The Consolidated Transformation Plan will provide the Secretariat, the Office of the Inspector General, and the Board with the means to make this transformation, and ensure ongoing service and accountability to the people whose lives we must save, and to those that fund that cause.

Best regards,

Simon Bland
Board Chair

THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

FINAL REPORT OF INVESTIGATION OF

MAURITANIA MALARIA (2 & 6) AND TUBERCULOSIS (2 & 6) AND HIV/AIDS (5) GRANTS

AND A CASE STUDY ON THE ROLE OF THE SECRETARIAT, THE LOCAL FUND AGENT, THE COUNTRY COORDINATING MECHANISM, and UNDP IN FIDUCIARY OVERSIGHT AND GRANT MANAGEMENT

Investigations Report No.: GF-OIG-11-009

Issue Date: 19 March 2012

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I. EXECUTIVE SUMMARY

1. This Report presents the results of investigations conducted between 2009 and 2011 by the Investigations Unit of the Office of Inspector General (OIG) of all grants made by the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) to the Islamic Republic of Mauritania between 2004 and 2008. The first OIG investigation covered an HIV/AIDS Round 5 Grant managed by the Government of Mauritania's (GoM) Secretariat Executif, Comité National de Lutte Contre le SIDA (SENLS) between 2006 and 2011. The second covered four grants—two for malaria (Rounds 2 and 6) and two for tuberculosis (TB) (Rounds 2 and 6) that were managed by the United Nations Development Program (UNDP).

2. In connection with the HIV grant, the OIG has identified a US$ 4.23 million loss (68% of the funds examined and 61.5% of the US$6.8 million of the funds disbursed), of which US$ 1.74 (28%) constituted loss arising from intentional fraud and financial abuse. The OIG initiated its first investigation of the HIV grants in 2009 in response to concerns of fraud expressed in 2008 by the Local Fund Agent (LFA), the third in a series of accounting firms hired by the Global Fund to conduct in-country supervision of the Mauritania. The fraud had not been identified by the previous two LFA teams, from 2004 through 2007, even though pervasive episodes of invoicing fraud were ongoing since 2004. Ultimately, in 2008, the third LFA had noted that "potential fraudulent practices" at the levels of governmental and non-governmental sub-recipients of the grants had occurred. As a result of its investigations, the OIG has identified a US$ 4.23 million loss. The GoM has repaid the loss.

3. In connection with the UNDP managed TB and Malaria grants, the OIG was not able to investigate at the PR level as a result of UNDP's invocation of privileges and immunities. The OIG concentrated its efforts at the SR and SSR level, where it identified a US$ 2.5 million loss, 71% of the amounts examined and disbursed (i.e. the OIG examined *all (100 %)* of the SR expenditures). Of this, approximately US$ 2.4 million of the loss, or 70%, was caused by the submission by sub-recipients of fabricated supporting documentation for the provision of purported goods and services that were not in fact rendered, in order to trigger payments of grant funds, as well as collusion in procurement. UNDP has performed its own calculation of loss, and has estimated it to be US$1.06 million. The basis for the OIG's calculations and evidence is set forth herein, and the OIG recommends seeking reimbursement from UNDP. To date, UNDP has not made any reimbursement of the loss, either the principal, or interest arising from the length of time the amount owed has been outstanding.

A. SUMMARY OF INVESTIGATIVE FINDINGS OF SENLS-MANAGED HIV/AIDS GRANT

4. In the case of the HIV/AIDS Round 5 Grant, the OIG found that, between September 2006, the inception of the Grant, and September 2008, multiple senior officials and staff within the Principal Recipient, SENLS, coordinated an organized kickback scheme in which it required a payment of a sum of money, typically between 10 and 50% of the grant, as a pre-condition for the Sub recipients (SRs) or NGOs to participate in the grant program

and receive grant funds. Further, the scheme included efforts whereby (i) the SRs submitted proposals for trainings that were either never intended or planned to be significantly smaller in scope than represented, (ii) SRs fabricated false supporting documentation, which were either completely fictitious expenses or fraudulently overcharged expenses, and (iii) SRs returned cash (i.e., a kickback) to the PR prior to the submission of the next activity proposal, which was then used for the PRs own purposes – inconsistent with the grant. Multiple witnesses confirmed that this scheme had been ongoing prior to Global Fund funding, under the financing of another international donor organization. In that regard, it is important to stress that the OIG has identified evidence that the schemes that are identified herein are not unique to the Global Fund, but can and have affected all organizations, international, national and multi-lateral that support and finance these activities.

5. The losses identified in the HIV/AIDS Round 5 Grant totaled US$ 4.23 million.[1] This amount is comprised of four categories: intentional misappropriation of grant funds, ineligible expenses, lack of sufficient supporting documentation, and unjustified disbursements.

Loss to Global Fund under Mauritania HIV/AIDS Round 5 Grant

Category	Description	Total USD	% of Funds Investigated
TOTAL HIV/AIDS FUNDS OIG INVESTIGATED		**$ 6.18 million**	**100%**
Findings of Confirmed Fraud and Abuse			
1	Expenditures for ineligible expenses	$ 0.07million	1%
2	Expenditures with evidence of wrongdoing	$ 1.67 million	27%
Total Fraud and Abuse		**$ 1.74 million**	**28%**
Findings of Loss other than Fraud and Abuse			
3	Expenditures not adequately substantiated	$ 0.74 million	12%
4	Expenditures missing supporting documentation	$ 1.95 million	32%
Total Initial Findings of Loss		**$ 4.43 million**	**72%**
Deduction from Initial Findings of Loss			
5	Additional expenditures substantiated by Government of Mauritania	$ 0.202 million	3%
TOTAL LOSS TO THE GLOBAL FUND (REPAID)		**$4.23 million**	**68%**

6. A criminal investigation initiated by the Mauritanian Inspector General (IG) resulted in the arrest of three senior SENLS officials and issuance of an arrest warrant for a fourth staff member. The OIG has been informed that all SENLS staff members working on Global Fund grants, including the Executive Director, have been replaced.[2]

[1] Initially, the OIG identified US$ 4.4 million but upon being given an opportunity to provide further evidence, the GoM was able to substantiate US $202,003 in previously unjustified disbursements.
[2] Mauritania_StatusReport_4March2011.docx

B. Summary of Investigative Findings of UNDP-Managed Malaria and TB Grants

7. Under the two Malaria and TB Grants managed by the UNDP, the OIG finds that, between April 2004 (soon after the beginning of the first grants) and December 2009, credible and substantive evidence has been identified that senior officials and staff within the SRs and SSRs (the Malaria and TB national programs—PNLP and PNLT respectively; two NGO networks—ROMATUB and RNLPV; and the national laboratory, INRSP) together with third party vendors and other individuals, engaged in multiple widespread schemes to misappropriate Global Fund funds and defraud the Global Fund in the amount of at least US$ 2.4 million, or 70% of the grant funds examined by the OIG. Schemes included a continuous practice of (i) producing fabricated documentation used to justify expenditures for goods and services that were not in fact rendered; and (ii) steering grant funds to external persons through collusive procurement exercises. In addition, the OIG found US$ 0.7 million in insufficiently substantiated funds, bringing the total loss to US$ 2.5 million, or 71% of funds investigated.

Loss to Global Fund under Mauritania Malaria, TB (Rounds 2 & 6) Grants

Category	Description	USD	% of Funds Investigated
TOTAL MALARIA AND TB FUNDS OIG INVESTIGATED		**$ 3.5 million**	**100%**
Findings of Confirmed Fraud and Abuse			
1	Fabrication of false supporting expenditure documentation	$ 1.9 million	54%
2	Fraud determined through totality of circumstances	$ 0.25 million	7%
3	Collusion in procurement	$ 0.3 million	9%
Total Fraud and Abuse at SR and SSRs		**$ 2.4 million**	**70%****
Findings of Loss other than Fraud and Abuse			
4	SR and SSR expenditures not adequately substantiated	$ .07 million	2%
TOTAL LOSS TO THE GLOBAL FUND AT THE SR & SSRs		**$ 2.5 million**	**71%****

* This includes two disbursements made to the UNDP since the investigation began.

** Percentage difference due to decimal rounding

1. Creation of False Supporting Documentation

8. The OIG investigation has identified credible and substantive evidence that officials within the PNLT, PNLP, RNLPV, and ROMATUB[3] created fake supporting documentation to present the illusion of legitimate invoices, receipts, bid documents and *per diem* sheets in order to trigger payments of grant funds to themselves and others not entitled to the funds.

[3] The OIG found that INSRP officials forged signatures, but no other evidence of fabrication of fraudulent documents was found, unlike in the case of other entities in the TB and Malaria Programs.

In other cases, third party vendors admitted to either fabricating documents for program officials, or providing officials with blank templates of their invoices. Finally, officials falsified *per diem* sheets, which purportedly recorded program staff and training participants' receipt of daily allowances, by forging signatures.

9. The illegitimate documents primarily related to program activities such as trainings, sensitization sessions, tracking of patients, and supervision missions. In most of these cases, false and fictitious documents comprised the majority of the submissions used to justify the existence of these purported activities. As a result, it is evident that many of these activities did not occur. A similar conclusion was drawn by a GoM audit team mandated to review the Malaria and TB Programs.

10. The OIG finds that the NGO network under the TB Program, ROMATUB, engaged in extensive episodes of fraud during the lifetime of the grants: as it submitted photographs of the same people, standing in the same manner and order, and in the same location, to justify multiple payments of funds for purportedly different "sensitization" sessions claimed to have been held in different villages across the country. The fabricated pictures were submitted in order to trigger reimbursements for purportedly different sessions, when under closer scrutiny and further investigation, it is evident that separate sessions did not occur. Therefore, the NGO was not entitled to these sums. ROMATUB also falsified the documentation justifying "perdus de vue" activities, whereby NGOs allegedly searched for TB patients who had stopped receiving TB treatment mid-way to encourage the patients to complete treatment.

11. The OIG also found that officials in the regional offices of the MoH, tasked with Program implementation outside of Nouakchott, Mauritania's capital, were complicit in the fraudulent schemes because funds were sent directly to the regional office bank accounts via wire transfers, but the supporting documentation purportedly justifying the expenses was produced by program officials in Nouakchott.

2. Collusion in Procurement

12. PNLT, PNLP and INRSP program officials also colluded with third party vendors and individuals to create the appearance of competitive procurement practices when in fact program expenditures were intentionally steered to specific external individuals through fictitious bids prepared by the same person. Program officials obtained goods and services by proactively inviting a limited (3) group of vendors to bid. However, these pre-selected vendors were, in fact, owned by the same individual(s). As a result, the bidding process was not competitive and lacked integrity. The investigation also uncovered extensive separate collusive bidding rings, on some occasions comprising as many as 10 vendors, in which the vendors purported to bid against one another, when in reality these entities were actually owned or operated by the same individual who had pre-agreed with program officials on the strategy and outcome of the tender process. Program officials proactively targeted these vendors to bid against each other, and colluded with the owners of these vendors to steer contracts to them. The OIG is unable to establish whether any goods or services were delivered as a result of these procurements given that no proof has been provided, and the OIG has not identified evidence, to this effect.

C. FINDINGS PERTAINING TO ALL FIVE GRANTS

1. Performance Indicator Results Were Falsely Inflated

13. The OIG finds that program officials across all Mauritania Grants falsely exaggerated their scores under the "performance indicator" that reported the numbers of people trained under the programs. On average, the programs would report to the Global Fund that they achieved 96% of their targets, when in fact these results were illegitimate in that falsified training attendance *per diem* sheets served as a basis to substantiate that number. The Global Fund Secretariat also used such data, in part, as the basis for its decisions to disburse funds to Mauritania.

D. LIMITATIONS

1. Substantial Accounting and Financial Management Deficiencies Existed in all Programs Investigated

14. Due to substantial deficiencies in all of the Programs' accounting and record-keeping, as well as due to the absence of supporting documentation for certain program withdrawals, the OIG was required to expend significant time and resources recreating an electronic record of program disbursements and expenditures in order to adequately examine grant expenditures and conduct thorough investigations. This circumstance significantly delayed the investigation and the ability of the OIG to report earlier. Confirmation of the existence, or non-existence, of misappropriation would not have been possible without these steps.

15. The OIG ultimately acquired, scanned, data-entered and analyzed over 50,000 pages of program documentation. OIG investigators interviewed close to 800 individuals, including program staff, third party vendors, as well as the staff of the structures responsible for program oversight, including the LFA, the multi-stakeholder country-level coordinating body (the CCM), and Global Fund staff. As a result of the investigative processes undertaken, the OIG identified thousands of fake, fictitious or fabricated documents that were used to support alleged program activities in order to trigger expenditures of grant funds to which they were not entitled to, and for activities that did not occur and goods that were not in fact delivered.

16. Had a sufficiently robust system been in place to properly manage disbursements of grant funds, much of the fraud might have been identified earlier, and the investigation would have concluded sooner.

2. UNDP as Principal Recipient

17. Given that the PR for the Mauritania Malaria and TB grants was the UNDP, a UN institution, the OIG has been unable to either investigate, or obtain sufficient information to provide assurances as to the fiduciary health of the PR's direct expenditures. UNDP has

invoked "privileges and immunities" for its lack of willingness to share information, documents and provide access to witnesses or UNDP staff. This limitation pertains to approximately US$ 7.4 million, or 67% of total grant expenditures.

18. As a consequence, the OIG has limited its investigation to SR and SSR expenditures, totaling US$ 3.5 million, under the grant. Throughout its investigation of these expenditures, the OIG identified the following evidence which has raised the OIG's concerns as to the integrity and health of the overall UNDP-managed portfolio in Mauritania:

- The UNDP had failed to provide reasonable oversight and supervision of SRs and SSRs under all four grants. Indeed, there has been significant fraud at the SR and SSR level,
- As a result of this failed supervision, the OIG was able to prove that 71% of SR and SSR expenditures were illegitimate,
- The OIG received several independent reports of weak UNDP country office capacity, unduly close personal relationships between UNDP officials with SR government officials, and allegations against UNDP officials. The UNDP requested the statements of the confidential sources that provided information to the OIG supporting these allegations. However, the sources did not consent to the release of their statements to OAI because of concerns about the independence of the OAI.

19. The OIG offered to conduct a joint investigation of the allegations with OAI. However, OAI declined the OIG offer and has also declined to share the outcome of whatever investigative efforts they may have undertaken.

20. In June 2011 the UNDP Board of Directors issued an opinion permitting the Global Fund access to the OAI's internal audit reports.[4] In response to this new policy, the OIG requested access to all OAI reviews of the Mauritania programs, and traveled to OAI headquarters in August 2011 to review them *in camera*. The OAI provided the OIG with access to the 2009 internal audit report. It did not provide the OIG with the 2010 "due diligence review."

21. On the basis of its review, the OIG remains unable to provide good faith assurances as to the integrity and proper use of UNDP direct expenditures.

E. FIDUCIARY CONTROL ANALYSIS

22. Four structures—external auditors, the LFA, the CCM, and the Global Fund's own staff—comprised the fiduciary framework that ought to have ensured that funds from the Mauritania Grants were used for their intended purposes. The OIG's investigation, through careful review of key documents issued by these structures, as well as interviews of their key staff, demonstrates that between the start of the Grants in 2004 and late 2008, none of these structures identified the risks that funds were being diverted. The OIG notes, however, that

[4] The UNDP's Board of Directors issued a decision in June 2011, in which it decided that "the Administrator of UNDP…may… disclose to a donor intergovernmental organization and the Global Fund… internal audit reports pertaining to a project in which the said donor is financially contributing…" DP/2011/32, para. 6. The OIG has resubmitted its request for OAI reviews of the Mauritania direct expenditures on July 22, 2011 and reviewed the report in camera in August 2011.

it was a quarterly review performed by a LFA who was newly obtained in response to the efforts of the Global Fund "Fund Portfolio Manager" (FPM) to manage risk, which brought to light initial irregularities and prompted the OIG investigations. As a result of coordinating and consulting with the OIG over the course of the investigation, the Global Fund Secretariat has adopted additional safeguards in 2010 and 2011 in response to several of the observations made this Report.

1. External Audits

23. External audits performed on the HIV/AIDS Grant were not done in a timely manner or in a credible manner. In addition, the auditor did not review the Grant with integrity, in that the same auditor issued an unqualified (*i.e.,* "clean") opinion during the course of the grants, and at the same time reported serious and pervasive internal control issues to the OIG when interviewed.

24. In the case of the Malaria and TB Grants, the external audit companies, hired by the UNDP, to conduct audits of SRs nor SSRs over the prior to 2010 did not uncover any of the irregularities that a new LFA, the OIG, the UNDP's OAI, and other audit firms late uncovered in relation to this same period. Also, the UNDP has informed the OIG UNDP direct expenditures were audited as part of general country-office audits, but the Global Fund has neither access to these reports, nor the summaries of their findings. Starting in 2009, the UNDP's OAI has begun to perform Global-Fund specific audits and the Global Fund now has access to the resulting reports.

2. Local Fund Agent

25. Three separate LFA teams—all from PWC—oversaw the Mauritania portfolio over the years, 2004-2010. The first two teams did not identify the fraud that was occurring. Indeed, episodes of fraud discovered through the OIG investigation were not reported to the Global Fund Secretariat by the LFA at any time prior to late 2008, despite the fact that the fraud was occurring at a significant level since 2004. Further, the LFA's initial assessments of the UNDP, which were performed before the Grant Agreements were signed, identified many of the serious fiduciary weaknesses (e.g., weak supervision of SRs and SSRs) which in fact materialized, and pervaded the Programs over the years. These weaknesses facilitated the fraud. Thereafter, the LFA's quarterly reports covering the period between 2004 and late 2008 did not at any time identify fiduciary risk of diversion of funds, despite the fact that such diversion was occurring. Rather, the LFA reviews registered general programmatic progress and registered sporadic concerns (i.e., inability to verify the veracity of reported performance indicator figures), which the Global Fund did not consider as indicators of risk that funds may not be reaching their intended purpose. It was not until the Q3 2008 quarterly review, in which a separate LFA team conducted an in-depth analysis in response to the FPM's criticisms of insufficient risk assessments, and reported findings of fraud and irregularities.

3. Country Coordinating Mechanism

26. The OIG also uncovered no evidence that the Mauritania multi-stakeholder country coordinating body, the CCM, identified concerns that grant funds were not being used for their intended purposes. Rather, the CCM membership was comprised of the very entities

implementing the programs, the PRs, SRs, and the SSRs, that were responsible for the misappropriation identified, and it included many of the individuals who were implicated in the schemes. This circumstance created an inherent conflict of interest. There was no incentive to bring the irregularities to light as the perpetrators would have had to disclose their own misconduct. As a result, the CCM did not fulfill a meaningful oversight function.

4. Global Fund Secretariat

27. Finally, with one notable exception, most of the Global Fund staff tasked with managing the Mauritania portfolio (FPMs) who managed the grants during the period investigated (2004 - 2009) were not able to identify risk of fraud and abuse in the portfolio, as they lacked the means, capacity and incentives to do so.

28. Despite receiving notice of fiduciary risk during the initial assessment of the UNDP, staff reported that they had "no choice" but to adhere to the recommendation of the Global Fund's panel of experts, the TRP, and to engage with the proposed PRs. They reported a limited ability to demand stronger controls due to the principle of country ownership and the Global Fund's own approach of limiting its engagement in grant management. Global Fund staff further reported taking the PRs' reports at "face value" and basing their sense of progress on the performance indicator data and the high-level feedback from LFAs. Even though most FPMs reported concerns with the strength of the LFA, they also noted that they had little ability to replace the LFAs due to burdensome internal procedures. The Global Fund also did not enforce the audit requirements/options provided the Grant Agreements.

29. The turn-over of FPMs in Mauritania was significant, with six FPMs assigned to manage the Mauritania portfolio at different times between 2004 and the date of this Report's issuance. Thus, institutional memory regarding the portfolio was limited.

30. While first four FPMs were not able to note risks of fraud, the fifth FPM took proactive steps to identify and mitigate real and perceived risks by putting in place a new LFA team. This change in LFA resulted in the belated identification of fraud under the HIV/AIDS Program.

31. Responding to the LFA's findings of serious irregularities under the UNDP-managed grants, the Global Fund temporarily stopped disbursements, requested an action plan from the UNDP, and commissioned the LFA to conduct in-depth reviews of the SRs and SSRs. The Global Fund also took action to strengthen the CCM by providing technical assistance on governance and promoting elections to minimize conflict of interest.

32. In response to the LFA's initial findings, the Global Fund froze disbursements to the HIV/AIDS PR, conducted independent evaluations of medicine stock outs, avoided the involvement of the implicated parties while still delivering medicine, and—upon receiving OIG confirmation of fraud and detailed debriefings of its findings—suspended the HIV/AIDS Grant. The current Global Fund team has represented to the OIG that it has secured the GoM's repayment of the losses under the HIV/AIDS Program. However, before securing fulfillment of pre-established conditions that the GoM demonstrate to the OIG renewed good faith efforts to address the fraud and abuse uncovered in this Report, the Secretariat lifted suspension of the HIV/AIDS Grant on July 25, 2011—one month before the Grant's closing—

despite having previously agreed with the OIG that suspension should not be lifted. The OIG was not consulted before the issuance of the letter, or concerning the representations made therein by the Global Fund Executive Director that the Government has satisfactorily established a good faith effort to taking all meritorious criminal cases forward through the country legal system.

33. The OIG notes that the current CCM has, upon reviewing a draft of this Report, did not take issue with any aspect of the report, and expressed overall support for the Report's findings and it has communicated commitment to cooperate with the OIG. Otherwise, there currently is no cooperation with the OIG by the GoM and there have not been sufficient good faith efforts by the GoM within the country to hold those responsible for the fraud to account. The OIG has a wealth of information in its possession concerning individuals and entities that have perpetrated financial misappropriation and corruption in country, as identified herein. The OIG has not been requested to share this information with the appropriate national authorities, despite its offer to do so. The Secretariat did not engage with the OIG on this issue, solicit its views, or achieve its agreement, before the Executive Director's representations were made. Therefore, the OIG does not consider that the commitment to take forward meritorious cases of fraud has been satisfactorily established or fully met. Further, the decision to vacate the suspension was in the OIG's view premature, not based on sufficiently careful consideration, and without the appropriate consultative process with the OIG.

II. BACKGROUND

A. MAURITANIA GRANTS

34. The OIG reviewed one HIV/AIDS grant and two Malaria and two Tuberculosis (TB) grants to Mauritania. This section describes the grants' objectives, relevant grant parties, the character of expenditures incurred under the grants, and the process that Programs ostensibly followed in spending grant funds during grant implementation.

Grant Number	PR	Starting Date	Ending Date[5]	Full Amount Disbursed (US$)
MRT-202-G01-T-00	UNDP	May 2004	March 2009	2,406,225
MRT-202-G02-M-00	UNDP	April 2004	April 2006	2,051,161
MRT-506-G03-H-00	SENLS	Septemper 2006	August 2011	5,192,303
MRT-607-G04-M	UNDP	December 2007	November 2012	2,960,426
MRT-607-G05-T	UNDP	December 2007	November 2012	3,603,328

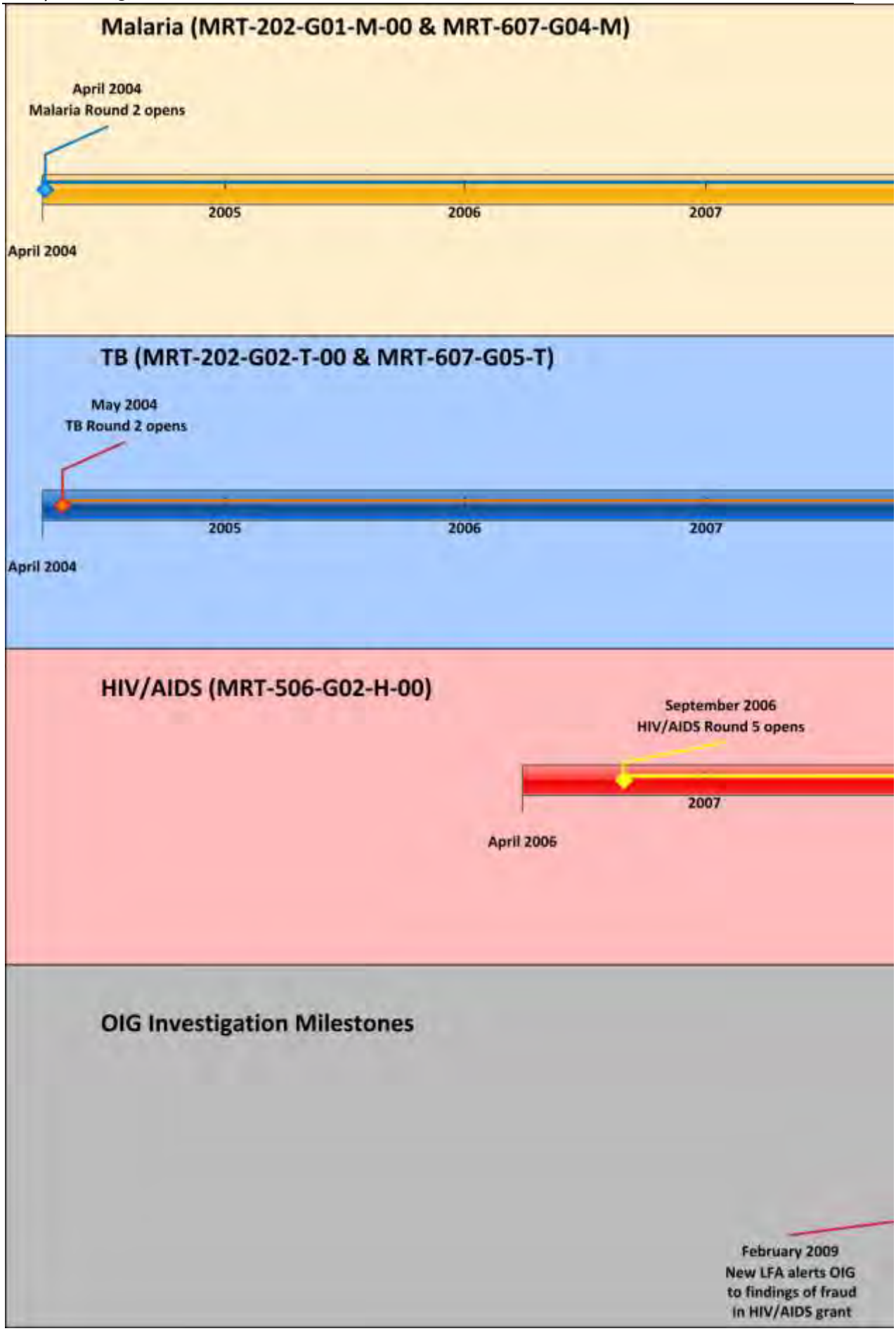
1. Grants' Objectives, Activities, and Status

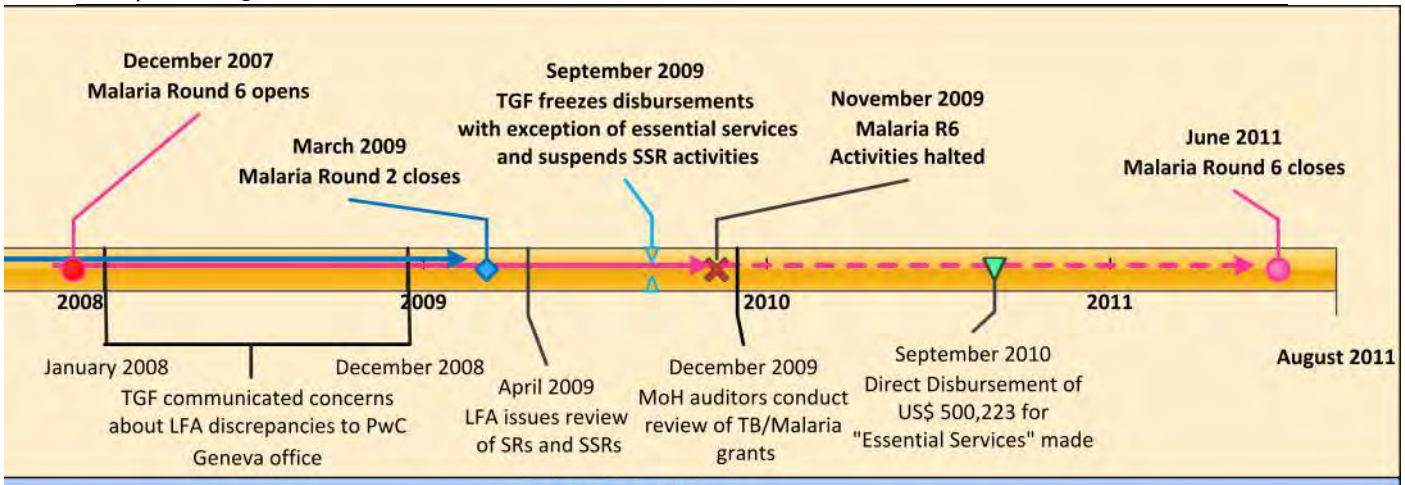
35. The following section describes the grants in the chronological order in which they began.

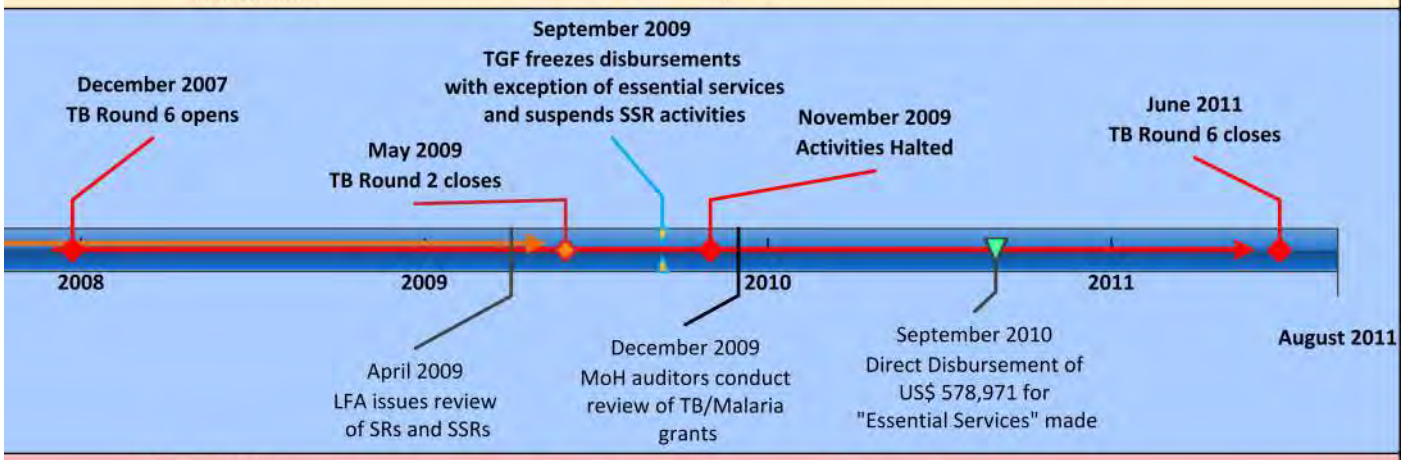
a) Malaria Round 2

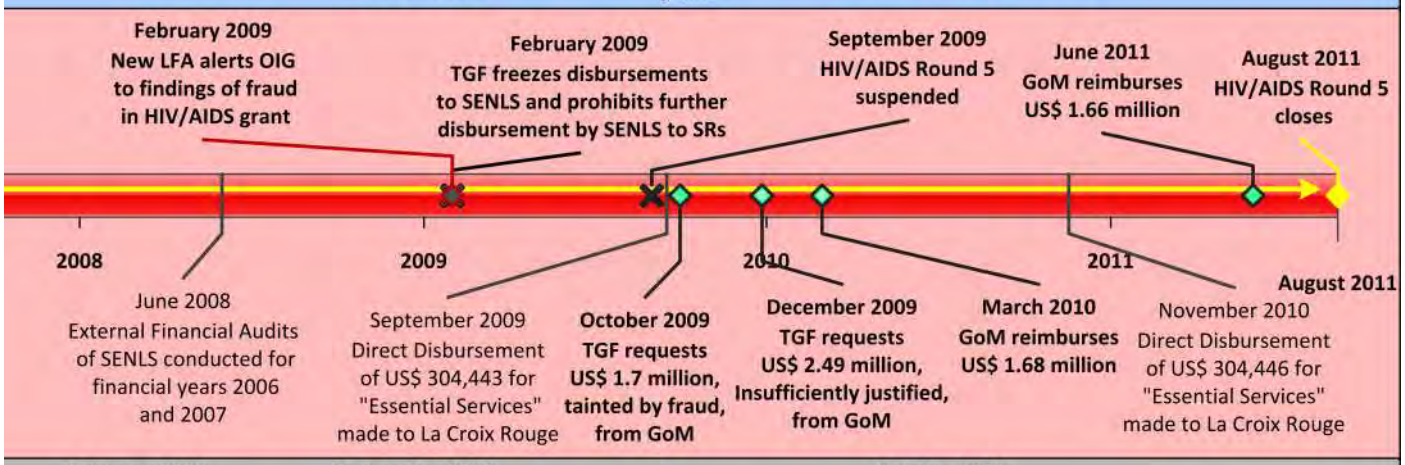
36. The Global Fund's first grant to Mauritania was Malaria Round 2,[6] which started on April 1, 2004.[7] The Global Fund Grant Performance Report (GPR) for this grant states that malaria incidence and transmission rates were high in the southern rice-growing area bordering the valley of the Senegal River.[8] The overall objective of the Program supported by this grant was therefore to reduce malaria-related illness by 30% and death by 50%.[9] To achieve its goal, the Program's planned activities included increasing distribution and access to insecticide-treated nets; improving the surveillance system so that cases could be detected earlier and epidemics prevented; and providing regular monitoring of the efficacy of antimalarial drugs and insecticides.[10]

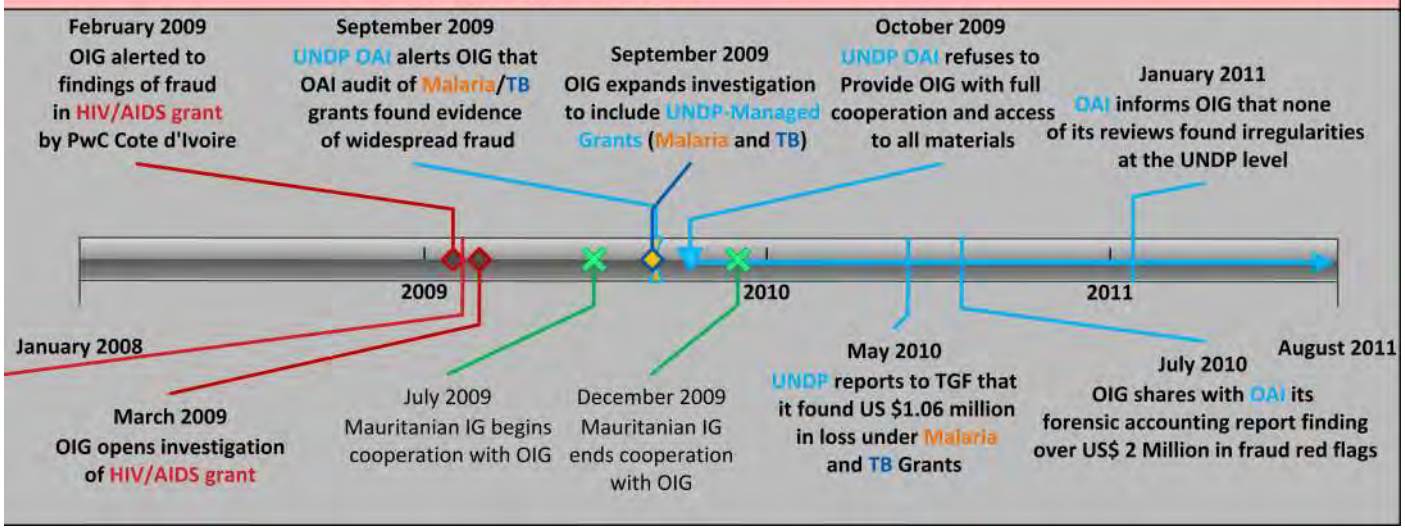
[5] This date does not reflect suspension dates or close outs. This is the planned end date for the grants.
[6] MRT-202-G02-M-00
[7] Mauritania Malaria Round 2 GPR, p. 1
[8] http://portfolio.theglobalfund.org/Grant/Index/MRT-202-G02-M-00?lang=en
[9] http://portfolio.theglobalfund.org/Grant/Index/MRT-202-G02-M-00?lang=en
[10] http://portfolio.theglobalfund.org/Grant/Index/MRT-202-G02-M-00?lang=en


Malaria (MRT-202-G01-M-00 & MRT-607-G04-M)
April 2004
Malaria Round 2 opens
2005
2006
2007
April 2004
TB (MRT-202-G02-T-00 & MRT-607-G05-T)
May 2004
TB Round 2 opens
2005
2006
2007
April 2004
HIV/AIDS (MRT-506-G02-H-00)
September 2006
HIV/AIDS Round 5 opens
2007
April 2006
OIG Investigation Milestones
February 2009
New LFA alerts OIG
to findings of fraud
in HIV/AIDS grant


December 2007
Malaria Round 6 opens
March 2009
Malaria Round 2 closes
September 2009
TGF freezes disbursements
with exception of essential services
and suspends SSR activities
November 2009
Malaria R6
Activities halted
June 2011
Malaria Round 6 closes
2008
2009
2010
2011
January 2008
TGF communicated concerns
about LFA discrepancies to PwC
Geneva office
December 2008
April 2009
LFA issues review
of SRs and SSRs
December 2009
MoH auditors conduct
review of TB/Malaria
grants
September 2010
Direct Disbursement of
US$ 500,223 for
"Essential Services" made
August 2011


December 2007
TB Round 6 opens
May 2009
TB Round 2 closes
September 2009
TGF freezes disbursements
with exception of essential services
and suspends SSR activities
November 2009
Activities Halted
June 2011
TB Round 6 closes
2008
2009
2010
2011
April 2009
LFA issues review
of SRs and SSRs
December 2009
MoH auditors conduct
review of TB/Malaria
grants
September 2010
Direct Disbursement of
US$ 578,971 for
"Essential Services" made
August 2011


February 2009
New LFA alerts OIG
to findings of fraud
in HIV/AIDS grant
February 2009
TGF freezes disbursements
to SENLS and prohibits further
disbursement by SENLS to SRs
September 2009
HIV/AIDS Round 5
suspended
June 2011
GoM reimburses
US$ 1.66 million
August 2011
HIV/AIDS Round 5
closes
2008
2009
2010
2011
August 2011
June 2008
External Financial Audits
of SENLS conducted for
financial years 2006
and 2007
September 2009
Direct Disbursement
of US$ 304,443 for
"Essential Services"
made to La Croix Rouge
October 2009
TGF requests
US$ 1.7 million,
tainted by fraud,
from GoM
December 2009
TGF requests
US$ 2.49 million,
Insufficiently justified,
from GoM
March 2010
GoM reimburses
US$ 1.68 million
November 2010
Direct Disbursement
of US$ 304,446 for
"Essential Services"
made to La Croix Rouge


February 2009
OIG alerted to
findings of fraud
in HIV/AIDS grant
by PwC Cote d'Ivoire
September 2009
UNDP OAI alerts OIG that
OAI audit of Malaria/TB
grants found evidence
of widespread fraud
September 2009
OIG expands investigation
to include UNDP-Managed
Grants (Malaria and TB)
October 2009
UNDP OAI refuses to
Provide OIG with full
cooperation and access
to all materials
January 2011
OAI informs OIG that none
of its reviews found irregularities
at the UNDP level
2009
2010
2011
January 2008
August 2011
March 2009
OIG opens investigation
of HIV/AIDS grant
July 2009
Mauritanian IG begins
cooperation with OIG
December 2009
Mauritanian IG
ends cooperation
with OIG
May 2010
UNDP reports to TGF that
it found US $1.06 million
in loss under Malaria
and TB Grants
July 2010
OIG shares with OAI its
forensic accounting report finding
over US$ 2 Million in fraud red flags

37. The Grant ended on March 31, 2009, and 71%, or US$ 2,051,161, was spent over the two phases of the Grant's implementation. Close out, the process by which the Global Fund de-commits funds for this grant, is pending input from this investigation.

a) Tuberculosis Round 2

38. The Global Fund made its second grant to Mauritania to combat TB, also under Round 2.[11] This grant started on May 1, 2004.[12] The Program supported by this grant aimed to expand the DOTS approach—which combines diagnosis and registration of each person detected with TB, standardized multi-drug treatment, an individual patient outcome evaluation to ensure the patient is cured, and evaluation and monitoring of the Program's performance—to all 13 regions of Mauritania by improving the laboratory network and integrating case detection and treatment in general health facilities and within the community. The Program aimed to target TB patients and their close relatives; health and medical staff; patients who were co-infected with HIV; and prisoners.[13]

39. The grant ended on March 31, 2009, with 88% of the committed funds disbursed, equaling US$ 2,406,225. Close out is pending input from this investigation.

b) HIV/AIDS Round 5

40. The HIV/AIDS Round 5 Grant started on September 1, 2006. The Grant was made in response to the concern that, although data suggested that HIV prevalence in the country was low, a risk existed that the epidemic may spread because of social and behavioral factors.[14] The Program therefore aimed "to strengthen and expand the national response to HIV and AIDS."[15] Grant funds were to be used to expand access to antiretroviral therapy and treatment of opportunistic infections for those eligible for treatment; expand preventive activities, particularly through a peer education approach targeting specific vulnerable populations; consolidate comprehensive care for people living with HIV and their families; and promote and strengthen participation of nongovernmental organizations and civil society, including people living with HIV, in the Program.[16]

41. As of the date of the publication of this Report, the Program had disbursed US$ 5,193,303, or 35% of the originally committed US$ 15,111,273. The grant has been suspended since September 2009, and since then two direct disbursements (US$ 304,443 on September 17, 2009, and US$ 304,446 on November 18, 2010) have been made to La Croix Rouge, an independent procurement agent, for the purpose of supplying "essential drugs" needed to maintain treatment for HIV/AIDS patients in the country. The Grant is currently under suspension and it officially ends in August 2011. Release from suspension or close out is pending input from this investigation.

[11] MRT-202-G01-T-00
[12] Mauritania TB GPR, p. 1
[13] Mauritania TB GPR, p. 3
[14] Mauritania HIV/AIDS Round 5 GPR, p.3
[15] Mauritania HIV/AIDS Round 5 GPR, p.3
[16] Mauritania HIV/AIDS Round 5 GPR, p.3

c) Malaria Round 6

42. The Global Fund made its next grant to support the fight against malaria in Mauritania during Round 6.[17] The Round 6 Malaria Grant started on December 1, 2007[18] and aimed to target vulnerable groups such as children under the age of 5 and pregnant women in terms of combatting malaria. Grant funds were intended to fund the distribution of insecticide-treated nets, train service providers, provide prompt and effective antimalarial treatment, and strengthen awareness-raising activities with the creation of education media.[19]

43. The Grant did not progress beyond Phase I, which ended around the time this investigation began, on grounds of poor programmatic performance and financial management, and 69% of the originally committed amount, or US$ 2,960,426 was disbursed as of the day of the publication of this Report. Activities halted in November 2009,[20] with the exception of one disbursement of US$ 500,223 for "essential services" that included "procurement of ACTs, treatment and prevention activities, payment of the salaries of the Program Management Unit [the UNDP], supporting capacity building in areas of data collection which is one of the ... bottlenecks in the Program and constitutes a vital basis for Phase 2 preparations,"[21] which was made on September 21, 2010. The grant end date is June 31, 2011, and close out for this grant is pending input from this investigation.

d) Tuberculosis Round 6

44. TB Round 6 started on the same day as Round 6 Malaria, December 1, 2007.[22] Grant funds were to be used to train service providers and health staff; provide timely detection and quality treatment of cases, strengthen awareness and behavior change and communication activities; prevent HIV in TB patients; intensify detection among people living with HIV; and prevent opportunistic infections in people living with HIV who are co-infected with TB.[23]

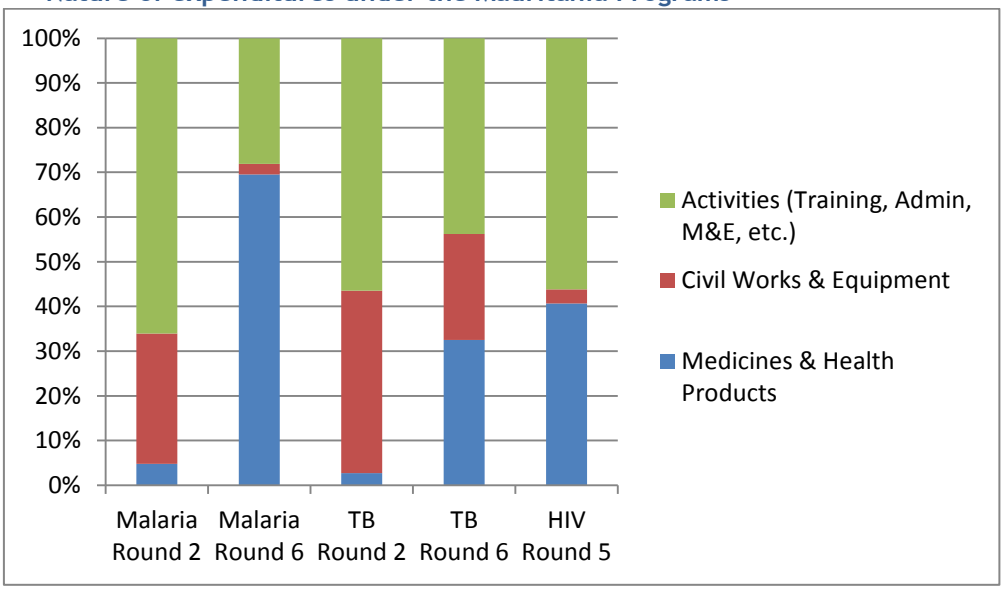
45. The grant did not progress beyond Phase I, which ended around the time this investigation began, on grounds of poor programmatic performance and financial management. Activities ended in November 2009, with an exceptional disbursement of US$ 578,971 made for "essential services"[24] on September 21, 2010. 81% of the committed grant funds, or US$ 3,603,328 was disbursed. The grant end date is June 31, 2011, and close out for this grant is pending input from this investigation.

[17] MRT-607-G04-M
[18] Mauritania Malaria Round 6 GPR, p. 1
[19] Mauritania Malaria Round 6 GPR, p. 3
[20] Mauritania Malaria Round 6 GPR, p. 20
[21] Mauritania Malaria Round 6 GPR, p. 21
[22] Mauritania TB Round 6 GPR, p. 1
[23] Mauritania TB Round 6 GPR, p. 3
[24] Mauritania TB Round 6 GPR, p. 22

2. Planned Grant Expenditures

46. The grants' planned activities translated into payments for: (i) medicines and medical equipment and other health products, (ii) civil works such as laboratories and equipment such as computers and vehicles, and (iii) activities, such as trainings of doctors, laboratory technicians, traditional healers; communication campaigns; technical assistance; monitoring and evaluation; human resources, and planning and administration. The chart below shows the breakdown of funds as planned to be spent, per grant along these categories.

Nature of expenditures under the Mauritania Programs[25]



47. The Round 2 Malaria and TB Grants, as well as the HIV/AIDS Grant, planned to spend the majority of grant funds on activities. In the case of Malaria and TB, the second largest expenditures in the Round 2 grants were planned for civil works and equipment purchases. The successor grants for Malaria and TB then shifted emphasis towards medicines and health products.

3. The Grant Implementers

a) The HIV/AIDS Grant

48. The Principle Recipient (PR) of funds for the HIV/AIDS Grant was the Secretariat Executif, Comite National de Lutte Contre le SIDA (SENLS), an organ of the Mauritanian Ministry of Health. The Global Fund accepted SENLS as the PR because it had already been receiving support from the World Bank under the MAP Program. Several non-governmental organizations (NGOs) and other governmental agencies served as Sub-Recipients (SRs) under the grant.

[25] This table is based on planned budgets, as provided by Global Fund Secretariat staff.

b) The Malaria and TB Grants

49. In the case of the Round 2 and 6 Malaria and TB Grants, the same organization, the UNDP, served as the PR. In total, the Global Fund disbursed US$ 9.9 million under the four grants. Of that, UNDP transferred US$ 3.5 million to two Program sub-recipients (SRs), the Programme Nationale de la Lutte Contre le Paludisme (PNLP) and the Programme Nationale de la Lutte Contre la Tuberculose (PNLT). These SRs, in turn, engaged in some activities and transferred a portion (US$ 1.185 million) to three sub-sub recipients (SSRs), two NGO networks, the Réseau des ONGs et Associations de la Lutte Contre La Tuberculose (ROMATUB) and the Réseau Pour la Lutte Contre le Paludisme (RNLPV) Malaria Network, as well as the a laboratory, the Institute National de Recherches en Santé Publique (INRSP).

c) The LFA for Mauritania

50. The LFA for Mauritania was PricewaterhouseCoopers (PWC), however the PwC teams changed many times over the life of the grants. PwC Morocco oversaw the grants between 2004 and February 2008, then PwC Cameroon took over, and finally PwC Cote D'Ivoire took over as LFA in November 2008, by request of the Global Fund Secretariat to "reshuffle" the team for better service in terms of risk management.[26]

4. Mechanics of Grant Implementation

51. The OIG ascertained that the PRs, SRs, and SSRs under all the grants investigated ostensibly followed the following process to distribute funds and cover costs of program implementation:

a) Before implementing an activity or purchasing goods, the implementing entity (i.e., SR) prepared a detailed budget detailing the foreseen expenses. The budget, or groups of budgets, would be submitted up the chain for approval.

b) Upon receiving approval, funds would be moved on an advanced basis from the bank accounts of the PR to the bank accounts of the relevant SR, and if relevant, into the accounts of the SSR. In most cases, the funds were wire transferred, however cash transfers were made as well.

c) The implementing entity would make a withdrawal to remove the funds from its account in the form of checks. In some cases, checks would be issued directly to vendors who provided goods and services associated with the activity. In other cases, checks would be cached by a program officer and cash would be further distributed for related expenses, such as for distribution of *per diems* to training participants.

d) The Programs were to spend the funds as per the approved budget and collect the supporting expenditure documentation that would justify that the funds withdrawn were used for their intended purposes. In the case of most withdrawals reviewed by the OIG, the associated supporting documentation reflected expenditures on activities such as (i) training events that were held

[26] Director of ELLM Unit memo to Inspector General, dated February 4, 2009, regarding Mauritania, p. 2.

either in the capital, Nouakchott, or in the regions, or (ii) supervision missions by program staff from the capital who visited the regions

Supporting documentation provided to justify expenditures on such activities typically consisted of:

- Fuel receipts for travel by vehicle, (*i.e.,* for activities in the regions)
- Hotel invoices recording overnight stays of staff, (*i.e.,* for activities in the regions)
- Receipts for room rental for the event
- Receipts of food and beverages purchases for event participants
- Receipts for office supplies used to facilitate staff needs or participants' learning
- Media receipts recording advertisements and/or reporting on the event, and
- *Per diem* payments to staff, chauffeurs, and activity participants to cover their costs of time spent traveling and attending the event.

e) Program staff was to collect all supporting documentation evidencing appropriate expenditures and to submit it to the relevant accountant for input into the accounting system.

B. OIG INVESTIGATIVE UNIT

52. The Office of Inspector General (OIG) Investigative Unit is responsible for conducting investigations of fraud, abuse, misappropriation, corruption and mismanagement (collectively, "fraud and abuse") that may occur within the Global Fund and by Principal Recipients (PRs), Sub-Recipients (SRs), (collectively, "grant implementers"), Country Coordinating Mechanisms (CCMs), Local Fund Agents (LFAs), as well as third party vendors.[27]

53. The OIG is an administrative body with no law enforcement rights or powers. The OIG does not have subpoena power, and it cannot conduct search warrants. As a result, its ability to obtain information is limited to Global Fund policies, the rights the Global Fund reserves vis-à-vis the entities under investigation, and on the willingness of witnesses and other interested people to voluntarily provide the OIG with information. The OIG can, however, coordinate its efforts with law enforcement to obtain evidence, and evidence collected by the OIG can be used by law enforcement to enforce violations of domestic criminal law.

54. Pursuant to the OIG's administrative character, the OIG establishes findings of fact upon uncovering "credible and substantive evidence" of that fact. This standard is akin to the normally employed "more likely than not" (greater than 50 percent likelihood)

[27] *The Global Fund Charter and Terms of Reference for the Office of the Inspector General*, available at http://www.theglobalfund.org/documents/oig/TheCharter.pdf.

administrative standard used by the community of International Financial Institutions (IFIs).[28] The OIG is not required to meet a criminal standard of proof, such as, "beyond a reasonable doubt."

55. OIG investigations aim to: (i) uncover the specific nature and extent of fraud and abuse of Global Fund funds, (ii) identify the staff or private entities implicated in the schemes, and (iii) determine the amount of funds misappropriated in order to place the Global Fund in a position to achieve recoveries of misappropriated sums. Upon concluding on its findings, the OIG issues reports such as this one, in which it makes recommendations to the Global Fund for recovery of losses, charges of misconduct of Global Fund staff, and sanctions of vendors, as appropriate. It also provides the Global Fund Board with an analysis of lessons learned for the purpose of preventing future harm to grants due to fraud and abuse. Finally, the OIG makes referrals to national authorities for prosecution of any crimes or other violations of national laws, and supports such authorities as necessary throughout the process.

C. ORIGIN OF INVESTIGATION

56. In February 2009, the OIG was alerted to findings of fraud and irregularities which a newly selected LFA, PwC Cote D'Ivoire, made in the course of its regular quarterly review of disbursement rates and programmatic performance (PU/DR review) in Mauritania. The Global Fund Secretariat informed the OIG that the LFA had raised concerns about all grants in Mauritania, included an HIV/AIDS grant managed by SENLS, a national program for combatting HIV/AIDS, and four Malaria and TB grants that were managed by the UNDP. Since the LFA findings of "potential fraud" under the HIV/AIDS Grant were more serious than its findings of fiduciary weaknesses under the UNDP-managed grants, the OIG focused its initial investigative efforts on the HIV/AIDS Program throughout most of 2009.

57. Meanwhile, other entities reviewed the UNDP-managed grants. First, the Global Fund Secretariat commissioned further LFA reviews of the SRs and SSRs. The OIG also alerted its counterpart at the UNDP, the Office of Audit and Investigation (OAI), of the concerns relating to the UNDP grants, and the OAI initiated an audit of the SRs and SSRs in early 2009. Finally, the Mauritanian Ministry of Health's own auditors conducted a review of the Malaria and TB Programs in late 2009.

58. During its investigation of the HIV/AIDS Grant, the OIG began to identify several individuals implicated in fraud and corruption who were also involved in the UNDP-managed grants. In addition, the OIG obtained multiple witness statements alleging corruption at the UNDP. In April 2009, the LFA issued its review of the SRs and SSRs, which identified significant fiduciary weaknesses across all of these entities. Then, in September 2009, the UNDP's OAI alerted the OIG that its own audit of the Malaria and TB Programs had uncovered evidence of widespread fraud similar to that which the OIG had found in its investigation of HIV/AIDS Grant. The OIG later uncovered that the MoH's own auditors' review further confirmed the findings of the LFA and OAI. As a result, the OIG initiated its investigation of UNDP grants in October, 2009.

[28] This standard is adopted by all IFIs for purposes of sanctioning vendors found to have engaged in fraud, corruption, collusion, and coercion in IFI-financed contracts.

59. Summaries of the LFA, OAI, and MOH audit findings are provided below:

1. Allegations that Lead to the Investigation of SENLS-Managed HIV/AIDS Grant

60. The original PU/DR report from the LFA in late 2008 provided the following findings in relation to the HIV/AIDS Grant: [29]

- *"The potential fraudulent practices at SRs level (both governmental and non-governmental bodies)."*
- *"The absence of archiving system allowing the LFA to reconstitute data (both on Financial and Programmatic aspects). Thus, supporting documents to evidence activities and expenses were difficult to verify."*
- *"The lack of supervision of SRs and SSRs, with little control of the PR on data and expenditures reported by SRs and SSRs."*
- *"The capacities of the PR in terms of capacity and quality of staff allocated to key functions."*
- *"Transparency issues, including financial misconduct, leading the LFA to reject US$ 500,000 of expenditures reported, due to lack of transparency or lack of adequate supporting documents.*
    - *Fraudulent documents (quotations and bills)*
    - *Overpricing of some bills*
    - *Uncontrolled number of suppliers"*
- *"Inappropriate financial monitoring and evaluation of SRs activities*
    - *Expenditures by the SRs, and follow up of cash advances disbursed*
    - *Reconciliation between funds disbursed to SRs and expenses incurred from these funds*
    - *Income generating activities not properly monitored and absence of supporting documents to evidence the activities funded (list of beneficiaries, type of activities financed, etc.)"*
- *"Supporting documents for training activities are not properly documented and show inconsistencies (e.g., number of trainers higher than number of trainees, number of training kits higher than number of trainees)"*
- *"Inadequate supporting documents evidencing training attendance."*
- *"Parallel procurement of health product by sub-recipients aside the PSM plan."*
- *"No fixed assets register is in place, with minimum information and fixed assets are not tagged."*
- *"Inappropriate Programmatic monitoring and evaluation of SRs activities*
    - *Activities undertaken by the SRs are not monitored through supervision visit*
    - *SRs and SSRs don't have adequate and harmonized data collection tools"*
- *"Data archiving system is not properly in place, making difficult to reconstitute data at the PR level. Neither the PR nor the main SR keep detailed statements detailing how quarterly reports and how cumulative results are compiled."*

[29] Director of ELLM Unit memo to Inspector General, dated February 4, 2009, regarding Mauritania, p. 3

61. The LFA provided the following quantification of losses related to its review of Q3 2008 expenditures:

LFA Findings for Q3 2008, by Type

Category	Total in UM	Total in US$
Insufficient Documentation	63,943,200	278,013
Fraudulent Documentation	38,594,400	167,801
Inappropriate Expenses	20,635,000	89,717
Ineligible Expenses	2,370,000	10,304
Total	**125,542,600**	**545,835**

LFA Findings for Q3 2008, by Organization

Organization	Total in UM	Total in US$
Sida Stop	24,286,000	105,591
MOH	13,370,000	58,130
ONG Espoir	13,760,000	59,826
Ministère Défense	3,210,400	13,958
ONG SSF	11,812,100	51,356
ONG Espoir et Vie	41,050,140	178,478
ONG AMSME	1,469,400	6,388
ONG RPPD	5,906,560	25,680
Ministère Education	3,342,000	14,530
ONG LEXDEF	4,166,000	18,113
Ministère Transport	3,170,000	13,782
Total	**125,542,600**	**545,832**

2. Reviews that Lead to the Investigation of the UNDP-Managed TB and Malaria Grants

a) The Q3 2008 PU/DR Review by the LFA

62. The LFA's original observations regarding the UNDP-managed grants, during the last quarter of 2008 were the following:[30]

- *"The lack of supervision of SRs and SSRs, with little control of the PR on data and expenditures reported by the SRs and SSRs."*
- *"The existing archiving system doesn't allow data reconstitution (both on Financial and Programmatic aspects). Thus supporting documents to substantiate activities and expenses were difficult to verify."*
- *"Inadequacies in the capacity and quality of staff allocated to key functions."*
- *"Some health facilities request patients to financially contribute for receiving ACT treatment (0.65 Euros), while there was neither clear policy at Ministry level in terms of Cost recovery system in place."*
- *"Supporting documents for training activities are not properly documented and show inconsistencies (number of trainers higher than number of trainees, number of training kits higher than number of trainees, no standardized perdiem rate, perdiem given even though trainings took place in Nouakchott)."*
- *"Supporting documents to evidence attendance for trainings are not properly documented."*
- *"The list of Program assets at PR level is not updated."*
- *"Misunderstanding on some indicators and how to report them correctly."*

[30] Director of ELLM Unit memo to Inspector General, dated February 4, 2009, regarding Mauritania, p. 3

- *"Results regarding the indicator related to LLIN distribution is based on number of bednets distributed to distribution centers, instead of number of bednets distributed to the population."*
- *"Number and percentage of new smear positive TB patients receiving supervised treatment in the community couldn't be identified."*
- *"Number of NGOs reported as involved in malaria activities is uncertain and not documented, with no distinction among those funded by the Global Fund and others (whereas the indicator is directly tied to Global Fund specific NGOs)."*
- *"Cut off issues regarding PR reported results. Results related to activities are not recorded under the quarter they have been implemented, but under the quarter they were supposed to be implemented (leading to an anticipation of results)."*
- *"Adequate data archiving system is not in place, making difficult the data reconstitution at PR level. Neither the PR nor the main SR keep detailed statement detailing how quarterly reports and cumulative results were compiled."*

b) Second LFA Review of SRs and SSRs in 2009

63. While the OIG was focusing its investigation on the HIV/AIDS Grant managed by SENLS, the Global Fund Secretariat[31] commissioned the LFA to perform an in-depth review of two SRs under the Malaria and TB Programs, PNLP and PNLT, and the two NGO networks which functioned as SSRs under the Grants, ROMATUB and RNLPV. These reviews uncovered further serious fiduciary weaknesses, including the following:

64. Both SRs exhibited serious—and similar—procedural and fiduciary weaknesses.

a) **Financial Management and Accounting:** Both organizations lacked accounting procedures and software. In both organizations, there were no practices of monitoring budgets or banking reconciliation: accounting entries in Excel failed to link the planned expenditures with real expenditures,[32] and there was no link established with the supporting expenditure documentation.[33] Whereas in PNLP there appeared to be monthly bank reconciliation but the dates of the reconciliations were not recorded and no senior staff engaged in the reconciliation process,[34] in the case of PNLT, there was no practice of reconciling bank statements at all.[35] In both, cash expenses were not regularly tracked or reconciled,[36] and there was no monitoring of checkbook usage.[37]

b) **Document Management:** In the case of PNLP, the document management system often failed to indicate which documents related to which donor organization.[38] In the case of PNLT, all transactions were maintained on three registries that were never consolidated, SSRs were mixed across the registries, and there was no way to determine total expenses.

[31] The FPM for Mauritania
[32] PWC reviews of PNLP and PNLT, observation 3.1.4.2, p.10
[33] PWC reviews of PNLP and PNLT, observation 3.1.4.3, p.10
[34] PWC review of PNLP, observation 3.2.4.1, p. 10
[35] PWC review of PNLT, observation 3.2.4.1, p. 11
[36] PWC reviews of PNLP and PNLT, observations 3.2.4.2, p. 10 and 11, and 3.2.4.3, p. 11, respectively.
[37] PWC reviews of PNLP and PNLT, observations 3.2.4.3, p. 11 and 3.2.4.4, p. 12, respectively.
[38] PWC review of PNLP, observation 3.2.4.5, p. 7

c) ***Per Diems*:** In both, there were no guidelines outlining appropriate *per diem* payments, and indeed, the same individuals received extremely different *per diem*s at different times.[39]

d) **Procurement:** In both, there were no formalized procurement procedures, no staff competence in conducting procurement, no selection committees were utilized, and in the case of PNLT, the LFA had observed procurement irregularities.[40]

e) **Tracking of Goods and Medicines:** In both, the inventories for durable goods purchased under the Program were missing key information,[41] vehicles had no logbooks,[42] and there was no oversight of fuel expenditures.[43] Medicine stocks were also not monitored.[44]

f) **SSRs:** Neither SR possessed any criteria for selecting[45] or supervising[46] the SSRs with which they worked. In the case of PNLT, the LFA indicated that the CCM had pre-selected ROMATUB, as SSR during the original grant application process.[47] Indeed, ROMATUB had been a member of the CCM at the time of the grant's signing and the grant proposal named ROMATUB as a "potential SSR."[48]

g) **M&E:** Neither SR had a Monitoring & Evaluation (M&E) [49] plan, neither had a system of collecting performance indicator data from the SSRs and in the field, neither maintained a database for collecting the data, neither had the ability to monitor and supervise SSR data collection, and both SRs were either severely delayed or failed to provide reports on program performance.[50]

h) **Subject-Matter Expertise:** Despite their purported leadership role in the public health battles against their respective diseases, both SRs appeared to lack subject matter expertise and capacity and did not utilize subject matter expert committees to make strategic decisions.

i) **Roles and Responsibilities:** Both SRs lacked an accounting procedures manual, a scientific expert committee to guide implementations, internal

[39] PWC reviews of PNLP and PNLT, observation 3.4.4.1, p. 14 and 15, respectively.
[40] PWC reviews of PNLP and PNLT, observations 3.5.4.1-3.5.4.3, p.14-15 and 16-17, respectively.
[41] PWC reviews of PNLP and PNLT, observation 3.3.4.1, p.12 and 13, respectively.
[42] PWC reviews of PNLP and PNLT, observation 3.3.4.3, p.13 and 14, respectively.
[43] PWC reviews of PNLP and PNLT, observation 3.3.4.4, p.13 and 15, respectively.
[44] PWC reviews of PNLP and PNLT, observations 3.5.4.5, p. 16 and p. 17 and 18, respectively.
[45] PWC reviews of PNLP and PNLT, observations 4.4.1, p. 17 and 19, respectively.
[46] PWC reviews of PNLP and PNLT, observation 3.0.7, p.9
[47] PWC review of PNLT, observation 4.4.1, p. 19
[48] The PWC review of ROMATUB states that the institution was created on December 13, 2005 exclusively for the purpose of managing the Global Fund funds. Meanwhile, the ROMATUB website states that the organization was created on April 6, 2007.
[49] As the Global Fund Monitoring and Evaluation Manual, explains,

> *[i]n the traditional grant cycle, funds are raised, then spent to implement activities, which then need to be reported in order to receive further funding. In the context of a grant funded by the Global Fund, any disbursement after the first one requires proof of performance. Then the cycle repeats itself until the grant comes to an end. M&E measures performance and produces the information that determines to what extent continued funding should be allocated. Performance Based Financing cannot be delivered without a reliable M&E system in place.*

The Global Fund Monitoring and Evaluation Manual, Module 1, p. 3 *available at* http://www.theglobalfund.org/documents/me/ME_Manual_Module_1_en.pdf
[50] PWC reviews of PNLP and PNLT, observations 4.4.2-4.4.6, p. 17-19 and 19-21, respectively.

regulations, and descriptions of staff roles and responsibilities.[51] Instead, in both organizations, a single individual performed too many, often conflicting roles: In the case of PNLP, the Coordinator took on both executive and control functions, which is an inappropriate practice.[52] In the case of PNLT, the person responsible for M&E also performed administrative, financial, and general implementation functions.

65. Similarly, the NGO networks which functioned as SSRs under the Programs, ROMATUB and RNLPV, exhibited many similar weaknesses:

a) **Legitimacy:** Both network headquarters were comprised of leadership and staff that did not come from the NGOs which the networks purportedly represented.[53] In the case of RNLPV, the network leaders were also unable to provide any evidence of their appointment or election.[54] The LFA was unable to identify documentary evidence of a relationship between the SR, PNLP, and the SSR, RNLPV.[55] Both networks also lacked the documentation necessary to prove the qualifications of the headquarter staff.[56]

b) **Role of Network:** Both network headquarters lacked criteria and procedures for selection of network and partner NGOs,[57] and there were no contracts or memos of understanding between the headquarters and the NGO members.[58] In fact, the LFA found it impossible to determine precisely how many NGOs actually comprised both networks.[59] The network headquarters also lacked mechanisms and procedures for supervision, or monitoring and evaluation of NGO performance,[60] there were no means by which to ensure that the NGO's were performing the tasks required by the Programs' performance indicators,[61] and the collection system to manage the statistics reported from the NGOs only worked in relation to a few of the Programs' performance indicators.[62] It appeared from reports that the NGOs' capacity to perform the tasks required was low.[63] In the case of ROMATUB, the NGOs allegedly comprising the network did not always have public health specialties required to fulfill their function.[64] NGO coordination—a key function of the network headquarters—appeared to be completely missing.[65] In the case of RNLPV, the reviewers commented that it was fundamentally unclear what value, if any, the network headquarters added, since it simply transferred funds between the PNLP and the NGOs.[66]

[51] PWC reviews of PNLP and PNLT, observations 2.4.1 - 2.4.4, 3.0.7, pp. 7-8
[52] PWC reviews of PNLP and PNLT, observations 3.0.7, p. 8 for both.
[53] PWC reviews of ROMATUB and RNLPV, observation 2.2.1, p. 3 and 7, respectively.
[54] PWC review of RNLPV, observation, 2.4.1, p. 6
[55] PWC review of RNLPV, observation, 2.4.6, p. 8
[56] PWC reviews of ROMATUB and RNLPV, observation 2.8.1 and 3.4.4.2, p. 10 and 14, respectively.
[57] PWC reviews of ROMATUB and RNLPV, observation 2.4.1 and 4.4.1, p. 5 and 17, respectively.
[58] PWC reviews of ROMATUB and RNLPV, observation 2.4.3 and 4.4.3, p. 6 and 18, respectively
[59] PWC reviews of ROMATUB and RNLPV, observation 2.2.6 and 2.4.8, p. 5 and 9, respectively. In the case of RNLPV, it was unclear which NGOs were members and which were partners.
[60] PWC reviews of ROMATUB and RNLPV, observation 2.4.2 and 4.4.2, p. 6 and 18, respectively.
[61] PWC reviews of ROMATUB and RNLPV, observation 2.4.4 and 4.4.4, p. 6 and 18, respectively.
[62] PWC reviews of ROMATUB and RNLPV, observation 2.4.5 and 4.4.5, p. 6 and 19, respectively.
[63] PWC reviews of ROMATUB and RNLPV, observation 2.2.5 and 2.4.7, p. 4 and 8, respectively.
[64] PWC review of ROMATUB, observation, 2.2.5, p. 4
[65] PWC reviews of ROMATUB and RNLPV, observation 2.2.5 and 2.4.7, p. 4 and 8, respectively.
[66] PWC review of RNLPV, observation, 2.4.2, p. 6-7

c) **Power of the President:** In the case of both SSRs, their presidents seemed to hold control. The RNLPV network president fulfilled all the tasks of the headquarters and the LFA commented that s/he effectively represented the entirety of the organization.[67] In the case of ROMATUB, the foundational documents linked the existence of the organization to the existing president.[68] Also, in the case of ROMATUB, the president's contract was signed between him/herself, there were contradictions about salary rates in the contract, and a review of his/her 2008 salary indicated s/he was overpaid, even as compared with the higher salary in the contract.[69] The organization lacked a procedures manual and an organizational chart clarifying staff roles and responsibilities.[70] The ROMATUB president had control over the holding, signing, and cashing of checks, and s/he kept all supporting documentation, raising issues about the autonomy and independence of the accountant.[71]

d) **Financial Management and Accounting:** In both network headquarters, there were no procedures for hiring an accountant,[72] the accountants had no clear job description, and there existed no accounting procedures within the organization.[73] Accounting was performed without accounting software,[74] and there was no link established between the advances and the expenditures.[75] In the case of ROMATUB, the accountant did not appear to have accounting skills and instead the accountant of one of the membership NGOs, El Emel, performed accounting tasks.[76] In terms of cash management, both organizations lacked a bank ledger that would permit tracking of expenses,[77] and no banking reconciliation was performed.[78] There was no register that tracked the issuance and cashing of checks,[79] nor was there a mechanism for tracking the transfer of cash.[80]

e) ***Per Diems*:** In both network headquarters, there were no guidelines outlining appropriate *per diem* payments, and indeed, the LFA noted that the same individuals received extremely different *per diem*s at different times.[81]

f) **Procurement:** Both network headquarters lacked procedures for procuring goods and services.[82]

[67] PWC review of RNLPV, observation, 2.4.5, p. 8
[68] PWC review of ROMATUB, observation, 2.2.2, p. 3
[69] PWC review of ROMATUB, observation 2.8.1, p. 12
[70] PWC review of ROMATUB, observation, 2.2.3, p. 4
[71] PWC reviews of ROMATUB, observation 2.6.6, pp. 9-10
[72] PWC reviews of ROMATUB and RNLPV, observation 2.5.2 and 3.1.4.1, p. 7 and 9, respectively.
[73] PWC reviews of ROMATUB and RNLPV, observation 2.5.1 and 3.1.4.1, p. 7 and 9, respectively.
[74] PWC reviews of ROMATUB and RNLPV, observation 2.5.3 and 3.1.4.3, p. 7 and 10, respectively.
[75] PWC reviews of ROMATUB and RNLPV, observation 2.5.5 and 3.1.4.4, p. 8 and 10, respectively.
[76] PWC review of ROMATUB, observation 2.5.4, pp. 7-8
[77] PWC reviews of ROMATUB and RNLPV, observation 2.6.1 and 3.2.4.1, p. 8 and 11, respectively.
[78] PWC reviews of ROMATUB and RNLPV, observation 2.6.1 and 3.2.4.4, p. 8 and 12, respectively.
[79] PWC reviews of ROMATUB and RNLPV, observation 2.6.2 & 2.6.5 and 3.2.4.2 & 3.2.4.6, p. 8-9 and 11 & 13, respectively.
[80] PWC reviews of ROMATUB and RNLPV, observation 2.6.3 and 3.2.4.3, p. 9 and 11, respectively.
[81] PWC reviews of ROMATUB and RNLPV, observation 2.8.1 and 3.4.4.5, p. 11 and 15, respectively.
[82] PWC reviews of ROMATUB and RNLPV, observation 2.3.1 and 3.5.4.1, p. 5 and 16, respectively.

g) **Tracking of Goods:** ROMATUB lacked an inventory of its durable goods, and RNLPV's inventory lacked key information.[83]

c) UNDP OAI Summary of Audit of SRs and SSRs

66. In September 2009, the UNDP's OAI alerted the OIG that its audit had uncovered "serious irregularities in the Tuberculosis and Malaria components of the Mauritania GFATM Programme" which were "similar to the ones uncovered by... [OIG]'s earlier review of the HIV component." The OAI further stated that two SRs, the PNLP and PNLT had been fabricating supporting documentation since 2004 up "to date." In addition, "supporting documentation of the sub sub-recipients was fabricated in a pattern similar to the one used by the sub-recipients." Further elaborating its findings, the OAI outlined the following patterns of its findings:

- *"For customary expenditures such as stationery (sic), three pro forma invoices were printed from a single source, the lowest was selected and the goods were delivered according to the corresponding bill. Evidence of the documents being fabricated can clearly be seen in the same obvious spelling mistakes, consistency in the formatting, and other clearly identifiable common features across the three bids."*

- *"Workshops included significant costs for printer ink cartridges, banners, and writing materials. It is unclear whether the volume of purchase items was necessary for such events."*

- *"The main expenses for those events were payments in cash to individual participants, for per diems and travel. We noted multiple lists of fabricated signatures. In many cases, all the signatures appeared to be from one single individual."*

- *"Other requests for payment activities, such as the distribution of mosquito nets, were based on fabricated pro forma invoices or on undated documents verifying transport and distribution, which could have been recycled from prior periods."*

- *"At least three NGOs were recipients of GFATM funding in Mauritania for both the HIV/AIDS component managed by the PR SNELS, as well as the Tuberculosis component managed by the SR PNLT."*

- *"The President of one NGO (EMEL), who was previously interviewed by the Global Fund and who admitted to defrauding GFATM HIV/AIDS funding, is also the chairman of ROMATUB, the Tuberculosis network of NGO's in Mauritania, an organization through which PNLT channeled part of its funding."*

- *"The SRs and SSRs made payments to at least two of the bogus vendors identified by [OIG's] investigation team."*

- *"OAI met with officials of NEWDA [*a non-SR NGO*], who confirmed poor governance, low levels of ethics, and weak legal framework for registering NGOs in Mauritania. They also suggested that in the past, informal groups or network (sic) of NGOs have organized themselves so as to collude and defraud donors."*

d) Results of Government-Mandated Inspection

67. A confidential witness provided the OIG with the results of a December 2009 review of the PNLT and PNLP grants mandated by the Ministry of Health. This review, undertaken predominantly by medical specialists, focused predominantly on programmatic aspects of

[83] PWC reviews of ROMATUB and RNLPV, observation 2.7.1 and 3.3.4.1, p. 10 and 13, respectively.

the grants. Many of the findings identified by this review corroborate the findings made other investigating entities, including the OIG:

a) Irregular accounting practices including bank withdrawals by program heads and accountants.

b) Existence of fictitious vendors and vendors with no identifiable addresses.

c) Insofar as NGOs, there was evidence of a large gap between the amount of funds spent and the results achieved.

d) In certain instances, *per diem* payments were fictitious and were not paid to stated recipients.

e) Evidence that certain training activities, in particular those supposedly undertaken by ROMATUB and AMALUTS, did not occur at all.

f) Program officials used Global Fund-funded vehicles for personal use.

g) NGOs supposedly implementing Programs in the various regions did not exist in those regions at all.

h) Abusive charges for fuel and vehicle maintenance.

i) Supporting expenditure submitted by NGOs was poorly organized and "non-convincing."

68. All of the reviews summarized above describe in detail the high-risk environment that existed throughout the TB and Malaria Programs. On this basis alone, there was a high likelihood that funds were being diverted. Certainly, the evidence described in this Report confirms this risk and outlines the likely scale of the misappropriation.

III. METHODOLOGY

69. This section provides a brief summary of the methodology used to investigate the SENLS-managed grant and a more detailed description of the methodology used to investigate the UNDP-managed grants.

A. SENLS MANAGED GRANT

70. The OIG began its review of the HIV/AIDS Grant in March 2009. It obtained approximately 25,000 pages of documentation provided by SENLS to support its grant-related expenditures and a financial forensic review team was engaged to review and analyze the documentation. An OIG investigator conducted close to 300 interviews of program personnel, third party NGOs and program vendors.

71. It merits noting that significant problems with SENLS' recordkeeping and accounting severely hampered the progress of the OIG's investigation. First, despite receiving multiple opportunities, the PR was unable to provide a complete set of supporting documentation to justify all grant expenditures, despite such a requirement as a Global Fund PR under the terms and conditions of the grant agreement. Second, despite requests, the OIG was not provided with any comprehensive and organized accounting data, and thus it had to reconstruct the SENLS expenditure history, linking expenditures to specific bank withdrawals. This was a time and labor-intensive process that directly impacted the progress of the investigation, and still may not provide a complete picture of SENLS's accounting. The OIG was also hampered by its inability to obtain bank statements and canceled checks for the totality of the program bank accounts as only local law enforcement was able to obtain checks from the banks directly.

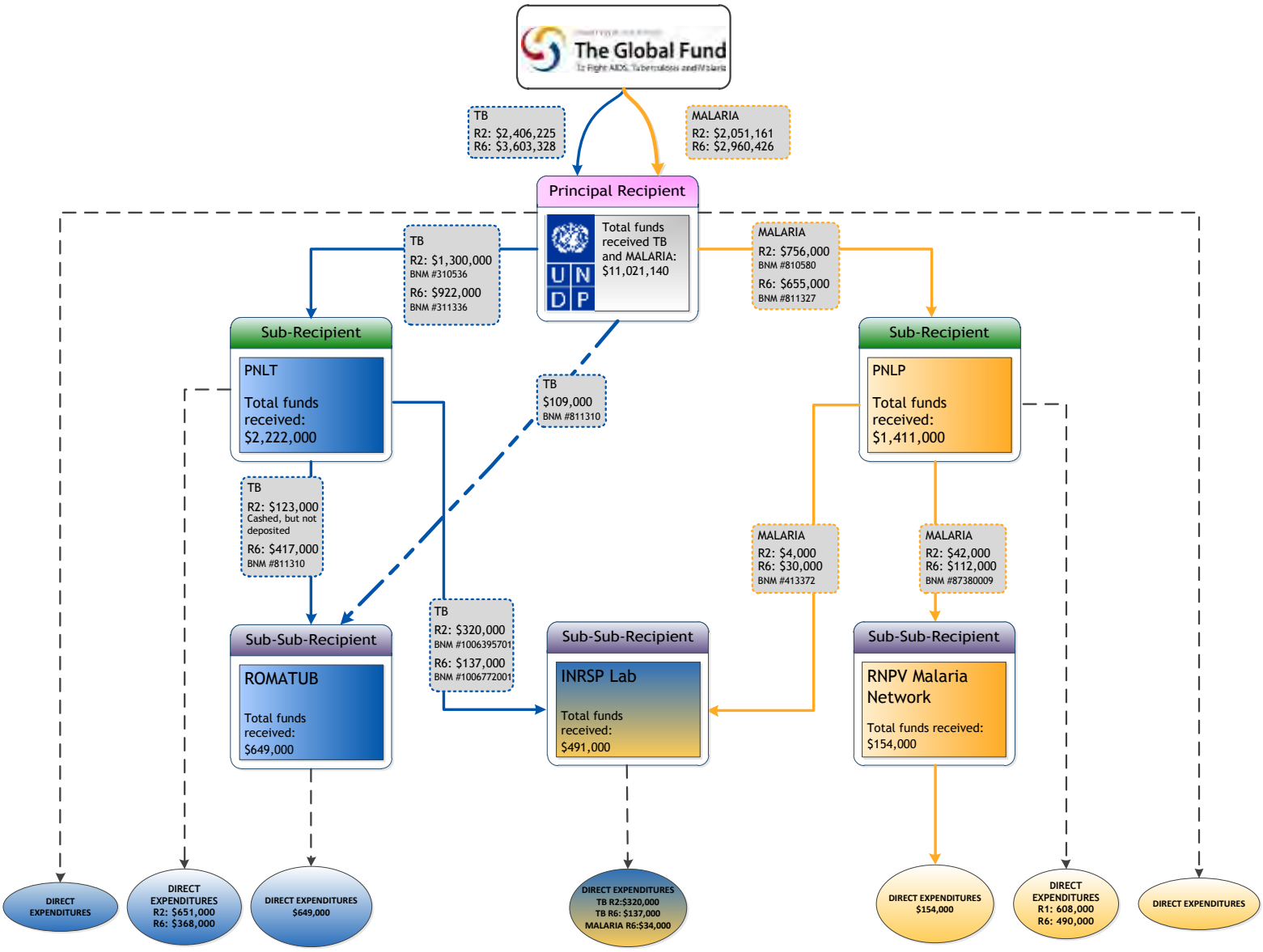
B. UNDP MANAGED GRANTS

1. Scope of Investigation

72. In total, the Global Fund disbursed US$ 11 million under the four grants. Of that amount, UNDP transferred US$ 3.5 million to two program SRs,[84] the PNLP and PNLT, and these, in turn transferred US$ 1.185 million to three SSRs. As previously noted, due to the limitations imposed by the UNDP, the OIG's investigation focused on the disbursements made to and expenditures incurred by the SRs and the SSRs.

[84] Note also that US$ 109,000 was transferred directly from UNDP to ROMATUB, and this was included in the OIG review.

Flow of Funds Related to Round 2 and Round 6 Grants



73. Expenditures incurred by the SRs and SSRs related predominantly to training events, supervision missions and staff salaries. In respect to training events and supervision missions, alleged expenditures typically included *per diem* payments, office supplies, room rentals, food, fuel, vehicle maintenance and printing costs. Overall, these costs accounted for US$ 2.7 million or 81% of funds expended by the SRs and SSRs. Other costs incurred include one large purchase of drugs from the central drug agency CAMEC (US$ 282,000), construction costs of INRSP laboratory facilities (US$ 70,000), advertising and media costs (US$ 67,000) and medical/laboratory supplies (US$ 60,000). Conversely, expenditures incurred by UNDP itself appear to have been primarily for medicines and other pharmaceutical products.

2. Investigative Process

74. The OIG's investigation of the Malaria and TB Programs consisted of obtaining, organizing, and analyzing over 20,000 pages of program documentation, as well as interviewing close to 500 individuals, among them vendors, program officials, LFA staff, CCM members, and the Global Fund Secretariat staff.

a) Obtaining and Organizing Documentation

75. The OIG began its investigation of the Malaria and TB Programs in the fall of 2009 by collecting a sample of program documentation directly from the UNDP. Since the UNDP declined to provide the OIG with any documents relating to its direct expenditures under the Program, citing its privileges and immunities (see "Limitations of the Investigation" below), the OIG was only able to obtain expenditure documents related to the UNDP's SRs, PNLT and PNLP, which should have included documentation related to expenditures incurred by the SSRs—INSRP, RNLPV and ROMATUB.

76. To ensure completeness of documentary evidence, the OIG also collected documents directly from both SRs, as well as from ROMATUB and INRSP.[85] The OIG found that this documentation was much more complete than what the UNDP had provided. Ultimately, the OIG based most of its analysis on SR-provided documentation based on assurances of its completeness from the SRs and SSRs. This document base was supplemented with UNDP-provided documents for PNLT expenses prior to late 2006,[86] and ROMATUB and INSRP-provided documents, primarily from 2009, which it appears had been excluded from the SR documents at the time of the OIG's document collection.[87] The OIG expended significant time and resources merging the different sets of documents and eliminating duplicates in order to produce as complete a document set as possible for all SR and SSR expenditures.

77. Consistent with the LFA's findings, the OIG found that none of the SRs and SSRs, save INRSP,[88] maintained any effective accounting system or document management system that would enable the OIG to properly identify, quantify and investigate the expenditures. The lack of detailed and complete accounting data had two main drawbacks: (i) the OIG did not have a clear link between a bank withdrawal on the one hand, and evidence of how the money was spent ("expenditures") on the other, and (ii) the identity of program vendors (*i.e.,* business names) was not captured electronically and therefore could not be searched.

78. As a result of these deficiencies, the OIG expended significant time, effort and resources to construct a relational database that captured all program expenditures and linked those expenditures to bank account transactions in order document the flow of program funds. The OIG created an electronic record of program disbursements and expenditures that (i) accounted for all banking transactions, (ii) properly captured and standardized vendor names for all expenditures, and (iii) appropriately linked expenditures and bank withdrawals where the documentation enabled the OIG to confirm such a link. This process required scanning, reviewing and data-capturing over 20,000 pages of

[85] Given the smaller amount of expenditures at the third SSR, RNLPV, the OIG did not obtain documentation directly from it given assurances by its leadership that all relevant documentation had been submitted to PNLP during the normal course of business.
[86] The head of PNLT informed the OIG that all Global Fund-related expenditure support prior to his/her appointment in late 2006 had been transferred to the UNDP. Consequently, the OIG requested access to those documents from the UNDP. This document batch consisted of 1,936 pages.
[87] Although each of the SRs and SSRs signed affidavits affirming that documents provided were complete, the OIG found this was not the case.
[88] The LFA noted that INRSP documentation organization by far the best. INSRP had all documents well organized, and linked back to the checks. Everything was also adequately accounted for in an accounting system (albeit excel). This was in stark contrast to the other entities.

supporting expenditure documentation for the four grants under review, matching it to bank statements for the nine bank accounts used by the SRs and SSRs, and capturing all transactional activity to a database. In all, the OIG captured a total of 4,063 individual expenditures and 1,423 banking transactions across 9 bank accounts into a database.

79. In addition to the acquisition of original bank statements, the OIG also obtained canceled checks directly from the bank (with the help of local law enforcement) in order to verify the identity of check payees and, in some cases, to ascertain the legitimacy of the authorizations and or endorsements.[89]

b) Document Analysis

80. Using a forensic accounting approach, the OIG sought to reconcile activity in the bank accounts to underlying supporting expenditure documentation submitted by the Programs. The OIG reviewed the supporting expenditure documentation for indicators of irregularities or "red flags" of fraud, corruption, and collusion and for other procedural violations (*e.g.,* sole sourcing when a competitive bidding process was required).

81. Finally, the OIG also reviewed grant documentation issued by organizations with an oversight function. In this context, the OIG reviewed audit reports, LFA reports, CCM reports, and reports issued by the Global Fund itself.

c) Interviews

82. OIG investigators followed up on suspicious documentation with interviews of program employees and vendors. The OIG contacted vendors by phone or email and, where logistically possible, visited their premises. If physical contact with a vendor was made, the vendor was asked to confirm the validity of the invoices that bore the vendor's name. OIG investigators interviewed more than 500 vendors.[90]

83. Several witnesses expressed concerns about being identified by name in this Report, indicating that they feared retribution and retaliation if the information they provided was publicly attributed to them. This Report therefore does not include either names, titles, or genders to protect witnesses, as well as to preserve the integrity of any domestic law enforcement action that may arise from this investigation.

84. Finally, the OIG interviewed the LFA and FPMs who oversaw the grants.

3. Limitations of the Investigation

85. The OIG's investigation was limited by a number of factors, listed below:

[89] The OIG requested copies of all canceled checks greater than 1 million West African Francs (CFA) however none of the banks were able to provide a full record to OIG, citing the passage of time and archiving problems.
[90] In addition, the OIG telephoned close to 200 vendors who did not answer the phone.

a) The OIG Could Not Investigate UNDP Direct Expenditures

86. Given that the PR for the Mauritania Malaria and TB grants was the UNDP, a UN institution, the OIG has been unable to either investigate, or obtain sufficient information to provide assurances as to the fiduciary health of the PR's direct expenditures. Unlike all other entities—governmental and non-governmental—that function as PR under Global Fund grants, the UNDP operates under a set of unique standard terms and conditions (STCs) whereby, as a recent review by a High Level Independent Review Panel of the Global Fund describes "the Global Fund waives many of the fiduciary tools it has to work with other PRs."

87. Thus, since the beginning of this investigation, the UNDP refused the OIG access to UNDP direct expenditure documentation and UNDP staff on the basis that the OIG does not have the contractual right to either audit or investigate whether UNDP-managed direct expenditures (totaling US$ 7.9 million, or 69% of the funds disbursed to the programs) were compromised. Rather, the UNDP has argued that the Global Fund should place reliance on the UNDP's internal accountability systems, including the work of its own internal audit and investigative unit the OAI.

88. As a consequence, the OIG has not been given access to any documentation relating to UNDP direct expenditures, thus limiting the OIG's investigation only to SR and SSR expenditures under the grant. Throughout its investigation, the OIG identified the following circumstantial evidence which raised the OIG's concerns as to the integrity and health of the entire UNDP-managed portfolio in Mauritania:

- The UNDP had failed in its supervision of SRs and SSRs under all four grants
- As a result of this failed supervision, the OIG was able to prove that 71% of SR and SSR expenditures were defrauded
- The OIG received several independent reports of weak UNDP country office capacity, unduly close personal relationships with SR government officials, and even allegations against UNDP officials

89. Given this concerning totality of circumstances, and the lack of any information to the contrary, the OIG determined that it could not, in good faith, provide assurances as to the health and integrity of the UNDP's direct expenditures in Mauritania. In May 2011, the OIG proposed to the Global Fund Board that the Global Fund consider UNDP direct expenditures as recoverable loss unless documents are produced to prove otherwise. The Global Fund Board rejected this approach.

90. Throughout the two years of this investigation, the OIG was also not given access to any of the OAI's reviews of Global Fund funds, thus further frustrating the OIG's ability to provide any good faith assurances as to the funds' health and integrity, or the reliability of the UNDP's internal accountability systems. The OAI has advised the OIG that its review of Global Fund money have included (i) two country-office audits, which also covered Global Fund financing, which were performed in 2004 and 2008, (ii) an internal audit of Global Fund money covering 2008-2009 that was conducted in 2009, (iii) investigative work performed in late 2009, and (iv) a 2010 "due diligence review" by the OAI's auditors of Global Fund-financed expenditures between 2004 and 2007.

91. In June 2011 the UNDP Board of Directors issued an opinion permitting the Global Fund access to the OAI's internal audit reports.[91] In response to this new policy, the OIG requested access to all OAI reviews of the Mauritania programs, and it flew to the OAI headquarters in August 2011 to review them *in camera*. The OAI provided the OIG with access only to the 2009 internal audit report. It did not provide the OIG with the 2010 "due diligence review," which appears to possess many of the indicia of an audit, but is not called as such.

92. On the basis of its review, the OIG remains unable to provide good faith assurances to its Board as to the integrity and health of UNDP direct expenditures. Unfortunately, given its commitment to maintain the confidentiality of the OAI report, the OIG is unable to provide a detailed justification of its conclusion.

b) Completeness of Banking Documentation

93. The OIG requested from the banks holding program accounts copies of all canceled checks written on each of the 9 program bank accounts. Despite its efforts, the banks refused cooperation. Local law enforcement ultimately provided the OIG with 635 or 54% of the 1,165 checks written.

c) Missing or Incomplete Documentation

94. The OIG was unable to determine which expenditures were unsupported or contained incomplete supporting documentations. This was because supporting documentation provided by the SR and SSRs was generally unorganized and did not adequately establish a link between the bank withdrawal and the underlying expenditure documents supporting that withdrawal. During its recreation of the program expenditures, the OIG sought to establish links with the bank transactions on the basis of the information provided. In many cases however, the OIG was not able to tie expenditure documentation back to banking activity and vice versa.

95. The OIG was, however, able to identify certain cases for which the documentation provided to support an expenditure was insufficient to conclude that goods or services had actually been received or rendered. For example, in one instance, payments were made by an SSR to third party NGOs for the task of tracking TB patients within the country. While the documents reflect that the NGOs signed sheets acknowledging receipt of the funds, no documents were provided to substantiate the work, if any, that the NGO's actually performed.

96. In certain cases, the documents did not clearly indicate whether they related to a SR or SSR expenditure. In such cases, OIG coded the expenditure to the respective SR.

[91] The UNDP's Board of Directors issued a decision in June 2011, in which it decided that "the Administrator of UNDP…may… disclose to a donor intergovernmental organization and the Global Fund… internal audit reports pertaining to a project in which the said donor is financially contributing…" DP/2011/32, para. 6. The OIG has resubmitted its request for OAI reviews of the Mauritania direct expenditures on July 22, 2011 and awaits a response at the time of the publication of this Report.

C. MAURITANIAN LAW ENFORCEMENT

97. As it was conducting its investigation of the HIV/AIDS Grant, the OIG reached out to the Inspector General (IG) of Mauritania and established a very cooperative investigative effort. Between July and December 2009, both offices shared information openly. The OIG shared all of its findings and analyses with the IG, and the IG also shared information and evidence that the OIG was otherwise unable to obtain. As a result of the OIG's referral and inter-office cooperation, three senior SENLS officials were arrested. Another senior SENLS official fled the country and an international arrest warrant was issued for his/her arrest.

98. Upon initiating its investigation of the UNDP in October 2009, the OIG also attempted to continue its coordination with the IG in Mauritania. However, the IG began to refuse cooperation during the OIG's December 2009 and January 2010 missions, citing lack of resources. A confidential witness later informed the OIG that s/he had been given assurances by the Mauritanian government that no one would be put in jail as a result of the OIG investigation of the UNDP-managed grants. The IG's refusal to cooperate also coincided with the Global Fund's second request for reimbursements of funds not sufficiently justified under SENLS of US$ 2.48 million, which was made in December 2009. To this day, as far as the OIG is aware, no Mauritanian local law enforcement has taken any action on the Malaria and TB Programs, despite the fact that the OIG shared its original forensic accounting report with the IG, referred these matters to local law enforcement for follow up, and stressed to the Global Fund Secretariat that such matters should be pursued in country – and that further disbursements, except for life saving treatment, should be suspended unless and until these matters were credibly pursued in country.

D. RELEVANT CONCEPTS OF FRAUD AND ABUSE

99. The Global Fund Code of Conduct for Suppliers provides the following definitions of relevant concepts of fraud and abuse:[92]

a) "corrupt practice" means the offering, promising, giving, receiving, or soliciting, directly or indirectly, anything of value or any other advantage to influence improperly the actions of another person or entity;

b) "fraudulent practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a person or entity to obtain a financial or other benefit or to avoid an obligation;

c) "coercive practice" means any act or attempt to influence improperly the decisions or actions of a person or entity by impairing or harming, or threatening to impair or harm, directly or indirectly, such person or entity or their property;

d) "collusive practice" means an arrangement between two or more persons or entities designed to achieve an improper purpose, including influencing improperly the actions of another person or entity; and

[92] http://www.theglobalfund.org/documents/business/CodeOfConduct.pdf

e) "anti-competitive practice" means any agreement, decision or practice which has as its object or effect the restriction or distortion of competition in any market.

100. The International Financial Institution Anti-Corruption Task Force provides similar definitions.[93] Other relevant concepts of criminal law are:

a) "misappropriation" means the intentional, illegal use of the property or funds of another person for one's own use or other unauthorized purpose, particularly by a public official, a trustee of a trust, an executor or administrator of a dead person's estate, or by any person with a responsibility to care for and protect another's assets (a fiduciary duty).

b) "conspiracy" means an agreement to do an unlawful act. It is a mutual understanding, either spoken or unspoken, between two or more people to cooperate with each other to accomplish an unlawful act.

E. DUE PROCESS

101. The OIG has made a draft of this report available to the relevant stakeholders. A draft of this Report was made available *in camera* to the Secretariat, including the country team and the Legal Unit. The OIG also disclosed the report to the PRs, SRs, through the CCM in Mauritania and provided the CCM with an opportunity to comment. The CCM was given a full two weeks to provide comment. Relevant sections of this Report have also been provided to the UNDP's OAI.

F. EXCHANGE RATE

102. This Report describes amounts in United States dollars (US$), with the Mauritanian Ouguiya (UM) footnoted where appropriate, for ease of reading. US dollar amounts quoted in the chart above and throughout this Report were derived by converting the Mauritanian

[93] http://www.adb.org/Documents/Reports/IFI-TaskForce-on-Anticorruption/IFI-TaskForce-on-Anticorruption.pdf, signed by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, International Monetary Fund, Inter-American Development Bank, and World Bank. The definitions are:

- A 'corrupt practice' is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- A 'fraudulent practice' is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- A 'coercive practice' is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- A 'collusive practice' is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

Ouguiya at a rate of I US$ = UM 253. This rate represents the average rate over the period 25 February 2004 to 31 December 2009.[94]

[94] Note that certain amounts are quoted at rates other than 1 US$ = UM 253. This occurs in instances where amounts have been previously communicated outside the Global Fund and in particular to the GoM. Any and all quantifications quoted in this report were originally derived in Mauritanian Ouguiya. US$ figures have been provided for the benefit of the reader and for ease of reference only.

IV. INVESTIGATION RESULTS FOR SENLS-MANAGED GRANTS

103. In the case of the HIV/AIDS Round 5 Grant, the OIG found that, since the beginning of the grant in September 2006 and through and including September 2008—the entire period which the OIG investigated—multiple senior SENLS officials and staff coordinated an organized effort to divert Global Fund money by colluding with its SRs, a dozen semi-legitimate and "shell" NGOs and other organizations, by falsifying documents, fabricating invoices and creating false records of purported activities and expenditures to trigger the payment of grant funds to them. These purported events, however, never occurred, and the goods and services, were never in fact provided. The OIG learned that this scheme was actually established prior to Global Fund funding and was designed and implemented to defraud monies of a different international donor who had been funding SENLS before the Global Fund. In that regard, it is critical to emphasize that these schemes are not limited to the Global Fund, but affect all aid organizations, bilateral, multi-lateral, and international, that fund these activities.

104. Through this scheme, (i) the SRs submitted proposals for trainings that were either completely non-existent or significantly smaller in scope than represented, (ii) the PR provided SRs with all or portions of the requested funding on the condition that between 10 and 50% of the funds would be "kicked back" to the PR, (iii) SRs fabricated false supporting documentation, which either completely fabricated expenses or fraudulently overcharged the expenses, and (iv) SRs "kicked back" cash to the PR prior to the submission of the next activity proposal. Five SRs explicitly admitted to the OIG to paying kickbacks to SENLS and three admitted to fabricating fraudulent supporting documentation. In addition, close to 20 witnesses consisting of SRs and informants from within the PR provided mutually collaborated details of how this scheme was executed.

105. The losses identified by the OIG thus far in the HIV/AIDS Round 5 Grant total approximately US$ 4.23 million.[95] This amount is comprised proven fraud and expenses not sufficiently justified. The GoM has repaid the full amount of loss.

A. SENLS LEADERSHIP AND STAFF COORDINATED A KICKBACK SCHEME

106. The following summarizes the statements collaborated across multiple independently interviewed individuals who had knowledge of the schemes perpetrated under the HIV/AIDS Program. This section is provided for the purpose of providing context and lessons learned about the inner workings of the corruption schemes that were occurring in Mauritania's health sector.

[95] Initially, the OIG identified US$ 4.4 million but upon being given a chance to provide further evidence, the Government of Mauritania was able to substantiate US$ 202,003 in previously unjustified disbursements.

1. SENLS Leadership Oversaw the Scheme

107. Several witnesses confirmed that tribal and familial relationships between the individuals active in perpetrating the scheme, as well as between them and others in power, facilitated the fraud and corruption. To begin, multiple witnesses stated that a senior official in of SENLS was appointed on the basis of his/her tribal, professional, and familial connections to the leadership of the country, rather than solely on merit. In addition, witnesses repeatedly asserted that this senior official of SENLS was related, through marriage and tribe, to other SENLS officials and staff who also participated in the scheme. Several witnesses referenced tribal "pressure" on this senior official of SENLS to "give back," since s/he, along with other members of the same tribe, had obtained a medical education with financial assistance from a former Minister of Health of that tribe.

108. Several witnesses indicated that the senior official of SENLS proactively took part in creating "shell NGOs," non-existent organizations that did not actually perform any activities, in order to "generate money." One witness described that this senior official of SENLS had offered him/her a high salary in the form of "administration fees" and a new vehicle in exchange for fulfilling the role of the leader at such a shell NGO. Witnesses stated this senior official also organized select existing NGOs to "come up with activities" so they could "share in the money." Many of the NGO leaders who received SENLS funding admitted to long-term close relationships with this senior official—either as former classmates or family. In some cases, NGO heads were recruited into SENLS, thus bringing their NGO along into the scheme.

109. Otherwise, witnesses stated that the SENLS senior official played a distant role in the day-to-day operations of the scheme. Witnesses recounted meetings with the senior official to alert him/her or complain about his/her staff's demands for kickbacks, in which the senior official turned them away, instructing them to "sort out the matter" directly with the staff. In one case, a witness recounted that the senior official invited the staff in question into his/her office, laughing that the scheme was known to the whole group. One witness called the SENLS senior official the scheme's "mastermind."

2. NGOs Paid Kickbacks to SENLS in Exchange for Funds

110. A SENLS financial staff member managed the day-to-day operations of the scheme, along with three other colleagues including senior SENLS officials and SENLS support staff. Multiple individuals recalled that this staff member had been jailed in the past for stealing funds in his/her previous functions. Witnesses repeatedly recounted that the SENLS staff member would either visit or call their offices and demand anywhere between 10-50% of kickbacks in exchange for the HIV funding. SENLS would not provide funding unless this sort of arrangement was agreed to.

111. Several NGOs admitted to paying kickbacks to SENLS:

a) NGO 1

112. One NGO, which allegedly conducts activities to detect and assist HIV-infected people in Mauritania, admitted to paying kickbacks (sums of money). The leaders of this NGO admitted that the NGO had paid kickbacks before the Global Fund grants came into effect, of US$ 395[96] each, on seven different occasions, amounting to 25% of the money the NGO had received. The leadership alleged that two SENLS staff members put pressure on the NGO representatives, and that paying kickbacks—while calling the expenses "administration fees"—was the only way to obtain funds from SENLS.

b) NGO 2

113. Another NGO, which allegedly conducts activities to detect HIV-infected people in regions outside of the capital, also admitted to paying kickbacks. The head of this organization asserted that this NGO was involved with SENLS since 2007.

114. The head stated that all staff members at SENLS were heavily involved in fraudulent practices. S/he said that SENLS always took a minimum 10% in kickbacks on all funds going to SRs but that the amount could rise up to 25%, if not more. "Everyone knows this about SENLS," s/he said.

115. The head described that when s/he received the first funding from SENLS, US$ 10,000 under financing from a previous international donor, s/he completed the activities and prepared supporting documentation, as required. At that point, two SENLS staff approached him/her and told him/her that SENLS would only accept his/her supporting documents on the condition that s/he give 15% in kickbacks to them. The leader told the OIG that s/he refused and went directly to see the SENLS senior official at his/her residence to complain. According to this witness, the SENLS senior official told her/him that this was an issue between the SENLS staff members and him/her. Following this, the NGO head felt obligated to comply with the kickback demand. S/he negotiated and settled on a kickback of 10%. Later, SENLS gave this NGO US$ 20,000 for another activity, again funded by the same previous international donor. The NGO head was again obligated to give 10% back to the same SENLS staff members. The NGO head explained to the OIG that a 10% kickback rate was "acceptable," as it was not much to lose if it gave her/his NGO funding to undertake activities. However, in 2009, the NGO received US$ 60,000 of Global Fund funds and the NGO head told the OIG that s/he was forced to give 25% in kickbacks.

c) NGO 3

116. The leader of another NGO that allegedly works in HIV/AIDS prevention in high risk populations such as prostitutes and homosexuals recounted that it had submitted a project proposal for US$ 83,000[97] to SENLS, and that before receiving the money, a guard from SENLS came to see an NGO staff and told him/her that the money was ready but that everyone gave a certain percentage of the money they received, so if the leader wanted the money, s/he would have to go and see two staff members at SENLS. The leader of the NGO

[96] UM 100,000
[97] UM 21,000,000

went to SENLS and met with the staff member, who told the head to give "a certain amount," otherwise the NGO would get nothing. The NGO leader told the OIG that s/he had no choice and agreed to give 10% of the US$ 83,000.[98]

d) NGO 4

117. An NGO, located approximately outside of Nouakchott, that purports to assist women who are victims of abuse, also admitted to paying kickbacks. According to this NGO leader, in 2008 the NGO was granted US$ 5,930[99] from SENLS to conduct three training activities and three days of sensitization. According to this witness, on the day the money was deposited in the NGO's account, s/he met with the SENLS project manager in his/her village and was told that the NGO had to return part of the money, "like everyone else." The witness stated s/he had no choice but to return US$ 1,185.[100] Sometime later, another SENLS staff member requested another US$ 118[101] from this NGO. The head told the OIG that s/he had no choice but to give this amount as well.

e) NGO 5

118. Senior staff at an NGO dedicated to creating publicity through multimedia admitted to the OIG that it had paid a kickback to SENLS. First, according to the NGO head, in early 2007 the NGO had received US$194,000[102] from SENLS of, but under another project financed by another international donor organization. Following this, a SENLS staff member came to the NGO's offices and requested a kickback for this funding. The NGO then agreed to give the kickback. Later, in relation to this agreement of the kickback, on 27 July 2007, the NGO's Finance Officer wrote a check from BMCI Bank, payable to him/herself, for the amount of UM 245,000. The check was authorized by the NGO's leadership. The same day, the NGO's Finance Officer transferred the same amount, US 968,[103] in cash to the SENLS staff member. In order to justify this expenditure, the NGO's Finance Officer completed an "Ordre De Paiement" for the same amount.

119. This NGO also admitted to paying another kickback in exchange for receiving US$ 55[104] from SENLS in November 2008. The NGO head alleged that s/he had initially refused the kickback, but that a senior SENLS official personally arrived in the NGO's offices and requested 10% in kickbacks. They further alleged that the SENLS staff member then met with the NGO's Financial Officer, who agreed to give the kickback, justifying it with a fraudulent consultancy contract. The NGO's head further asserted that s/he had since stopped communicating with SENLS, as the NGO refused to pay kickbacks in exchange for doing work.

[98] UM 21 million
[99] UM 1,500,000
[100] UM 300,000
[101] UM 30,000
[102] UM 49,000,000
[103] UM 245,000
[104] UM 14,000

3. SENLS Excluded NGOs that Refused to Pay Kickbacks

120. The OIG interviewed other NGOs that provided accounts of having managed not to pay kickbacks despite demands. One NGO recounted that it had received US$ 881,000[105] between 2006 and 2007, and that SENLS had requested a 50% kickback. The NGO leader told the OIG that after s/he raised the matter with the SENLS and was told to settle the SENLS staff who demanded kickbacks, s/he requested an appointment with a high-ranking government official of Mauritania. On the day of the appointment, however, the SENLS senior official called the NGO head to tell him/her that s/he would not have to pay a kickback if s/he foregoes the appointment. The NGO leader noted that since s/he had not shared with SENLS his/her plans to see the high-ranking government official, the SENLS leadership must have learned of the appointment through the SENLS senior official's brother, who was an advisor to the high-ranking official at the time. Generally, many witnesses told the OIG that when NGOs refused to pay kickbacks to SENLS, they were no longer selected for future funding.

4. NGOs Fabricated Supporting Expenditure Documentation

121. Many stakeholders informed the OIG that in effect, most alleged HIV/AIDS awareness activities did not actually take place. The same was said regarding HIV/AIDS testing and treatment. The expenditures on these activities were instead justified with fabricated and fictitious supporting documentation. Most witnesses stated that SENLS required the NGOs themselves to produce the fraudulent supporting documents. Some described that SENLS staff would advise the NGOs to use three printing shops, for all their document-production needs. They stated that they were warned not to leave traces of documentation on their computers, but rather to use the shops that are "solely" devoted to generating false documents. Witnesses also recounted that former SENLS staff often became "consultants" who specialize in exactly this process of forging documents. Invoices with stamps were easily produced, and names and signatures of participants for participation sign-in sheets were fabricated.

122. The fraudulent documents could either completely fabricate an entire, non-existent, activity, or they could overcharge for the actual costs of an activity that occurred, but was much less ambitious in scope, in a different location, etc. The following NGOs admitted to fabricating false documentation:

a) ROMATUB, an SSR under HIV and TB Grants, Admitted to Overpricing and Kickbacks

123. A senior ROMATUB official admitted to the OIG that s/he submitted documents which fraudulently overcharged for the expenses of an HIV/AIDS-related training session, paid for by the Global Fund HIV/AIDS Round 5 Grant, which allegedly took place on 2 May 2007 in the district of Bagdad in Nouakchott.[106] The expenses for this training included US$

[105] UM 43 million
[106] The ROMATUB official explained that the TB, Malaria and HIV NGOs had joined together to form the "Union des ONG" in 2007, and that s/he was selected to be the financial officer of this union.

830[107] for fuel, US$ 79[108] for accountant's fees, US$ 190[109] for eight banners, and US$ 2,000 for breakfast and coffee breaks. The ROMATUB official admitted that the invoice indicating US$ 2,372[110] spent for breakfast and coffee breaks was indeed false, as the price was exaggerated. The total cost, s/he stated, should have been only US$ 16.[111] The official further opined that s/he could feed his/her entire family for a full month for the over US$ 2,000 that was claimed here. This official claimed "it was not up to him/her to decide if the invoices were exaggerated" and that s/he "had no choice."

124. The ROMATUB official also noted that whereas s/he was supposed to receive US$ 3952[112] from SENLS for this activity, s/he only received US$ 2,371,[113] and that s/he did not know "what happened to the rest of the money." This statement provides further confirmation that SENLS was skimming money from the SRs.

b) NGO 6

125. An NGO that allegedly works in HIV/AIDS prevention in high risk populations such as prostitutes and homosexuals also spoke with the OIG. This NGO is also involved in the distribution of condoms. OIG investigators showed some documents (invoices and receipts) photocopied from the SENLS files to the NGO's leader. The leader immediately admitted to fabricating the documents. S/he pointed out that there is no address or coordinates on those documents. S/he said the documents (receipts) were made by one the NGO's suppliers, at her/his request. The leader stated that it is very easy, "if one has good ties with local suppliers," to get documents like these fabricated.

126. The documents referred to the rental of 17 off road vehicles from Saphir Voyages. The NGO leader explained that during this activity, the NGO team did not go outside of Nouakchott. Consequently, no vehicles were needed. The NGO submitted this fraudulent claim in order to receive additional money. According to the leader, one of the vendor names on a fake invoice did in fact exist, but the business did not rent vehicles contrary to what is indicated on the invoice. Rather, this business was involved in calligraphy.

c) NGO 7

127. The OIG also contacted an NGO allegedly working in the field of violence against women. According to the NGO's head this NGO received one grant from SENLS for the amount of US$ 67,000.[114] When the OIG showed invoices and receipts photocopied from the SENLS files that were attributed to this NGO, the head immediately acknowledged having been involved in the making of the documents and admitted to them being false. The head explained that SENLS required that all receipts should be made on computers and that written receipts were not acceptable. The head argued, however, that the expenditures

[107] UM 210,000
[108] UM 20,000
[109] UM 48,000
[110] UM 600,000
[111] UM 4,000
[112] UM 1 million
[113] UM 600,000
[114] UM 17 million

reflected in the documents were real, but that the vendors did not possess the capacity to issue the kinds of invoices that SENLS required, thus forcing the NGO to produce the invoices on its own, and then obtain vendor signatures. S/he said that in Mauritania only 30-40% of receipts will be honest documents.

d) NGO 8

128. The OIG also met with an NGO that allegedly conducts activities related to HIV/AIDS within different types of populations such as vulnerable women, prostitutes, orphans, and truckers. The head was questioned on the invoices and receipts submitted to SENLS. S/he claimed that the Mauritanian context is "very special" and that most shops, suppliers and vendors do not have the receipts or invoices when providing the goods and services. They do not even have computers to generate these documents. With the problem of a lack of supporting documents, s/he told the OIG that s/he is "forced" to create his/her own false documents to support his/her expenditures. S/he said the documents were prepared with computers in his/her offices. S/he claimed that the Secretary Treasurer of the NGOs prepared the documents and that they are bogus.

5. SENLS Leadership Was Unjustifiably Wealthy

129. Several witnesses told the OIG that the SENLS leadership and the staff member who performed the day-to-day tasks of diverting funds were both extremely wealthy, unusually so given their governmental salaries. Witnesses stated that, over the last 8 years, these two individuals had been able to build large residences for themselves, they owned many new vehicles, and they travelled to the west for vacations. One witness alleged that the SENLS senior official had been throwing money instead of confetti at his/her own wedding. The government salaries in the country are far less than what is required to purchase such goods to this degree.

B. SENLS Officials Created Fake Supporting Expenditure Documents

130. The OIG located computer files in the possession of SENLS officials that matched supporting expenditure documents submitted to justify program expenses. These files included templates of invoices and bidding documents for goods and services that were allegedly submitted under the Program and claimed against grant funds. Many of the files contained all the relevant documentation needed to fabricate a competitive procurement process, including not only the documents which the Program should have produced, namely the requests for quotations (RFQs) and bid evaluation sheets, but also the bids themselves, the documents which the competing vendors should have submitted independently, and legitimately, in response to the RFQ.

131. Bids and invoices ought to have been issued *by* vendors *to* the Program in exchange for payments for services and goods provided for the purpose of program implementation. There was therefore no legitimate reason for SENLS officials to possess such templates. The presence of these documents is evidence that SENLS officials created fraudulent supporting

documentation to justify program activities. It is therefore unlikely that the goods and services listed in these invoices were ever actually provided, resulting in both a loss of grant funds and a failure to achieve the grant objective. Indeed, no evidence that these goods and services were delivered has been identified.

1. Example: Purchase of Computer Equipment, August 2008

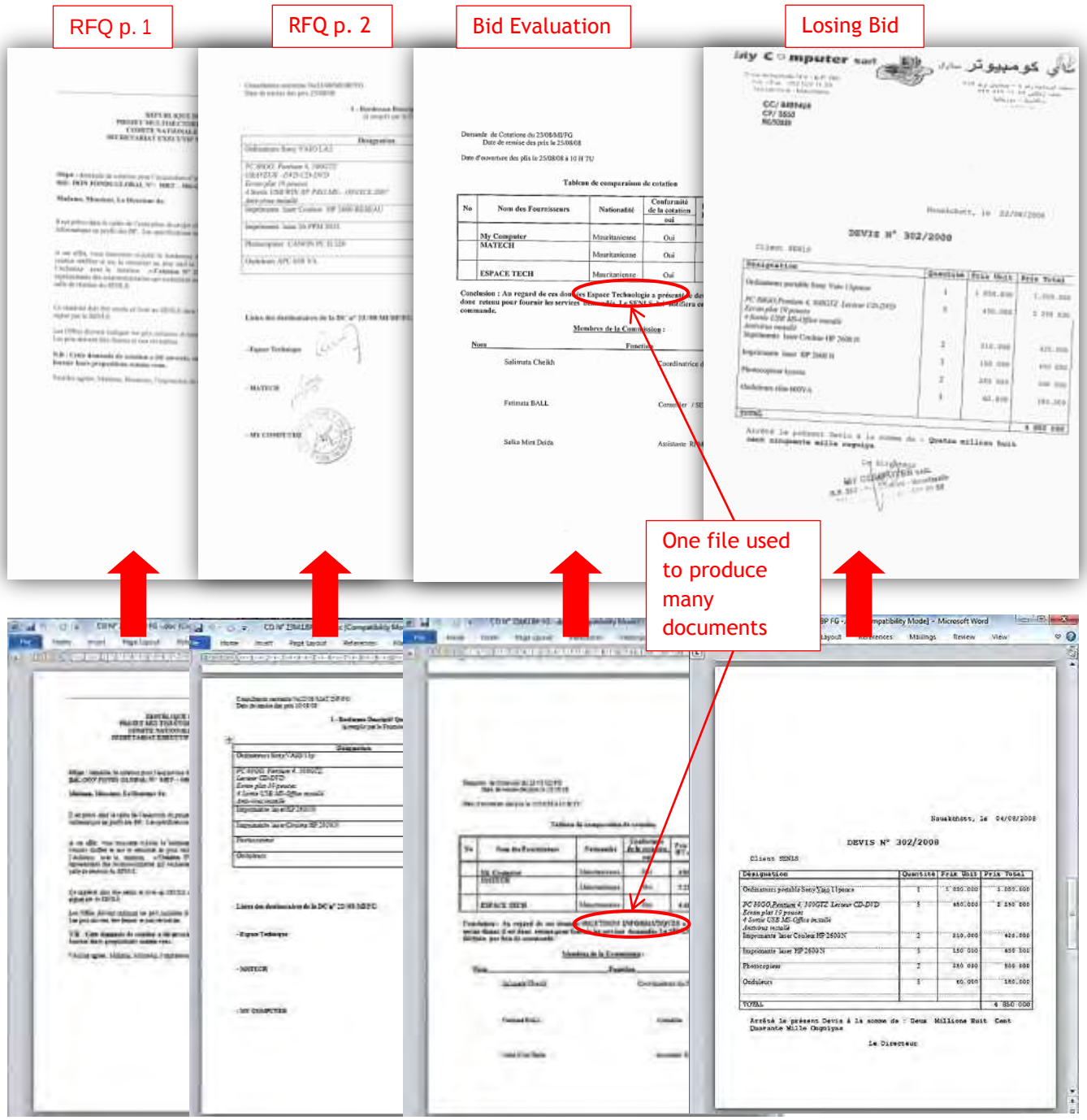
132. SENLS allegedly purchased a number of goods and services with grant funds to support programmatic objectives. One such purchase was for computer equipment in August 2008. Allegedly, on 20 August 2008, SENLS initiated a "closed tender" to purchase computer supplies and sent a request for bids to three bidders, Espace Technique, MATECH, and MY COMPUTER.

133. SENLS allegedly received and opened the bids on 25 August 2008, and a committee of SENLS officials purportedly evaluated the quotations from these three companies. Espace Technique provided the lowest bid and the committee purportedly selected it to fulfill the order. On 31 August 2008, a check valued at US$ 17,707[115] was issued to Espace Technologie.[116]

134. The OIG uncovered a file on the computer of a senior official at SENLS which contained files that identically resembled—in layout, format, and content—the documents submitted to support this procurement, including the RFQ, the bid evaluation sheet, and a losing bid.[117] While the RFQ and the bid evaluation sheet in this file could have been legitimate, as SENLS ought to have produced such documents, there was no legitimate reason for SENLS to have produced a vendor quote, with the amounts and prices completed.

[115] UM 4,480,000
[116] SENLS DOCUMENTS\Carton 4\B052\B052-18.pdf, p 14.
[117] This file also contained other templates of other bids.

Components of a procurement process[118], including the bids, found on SENLS officials' computer[119]



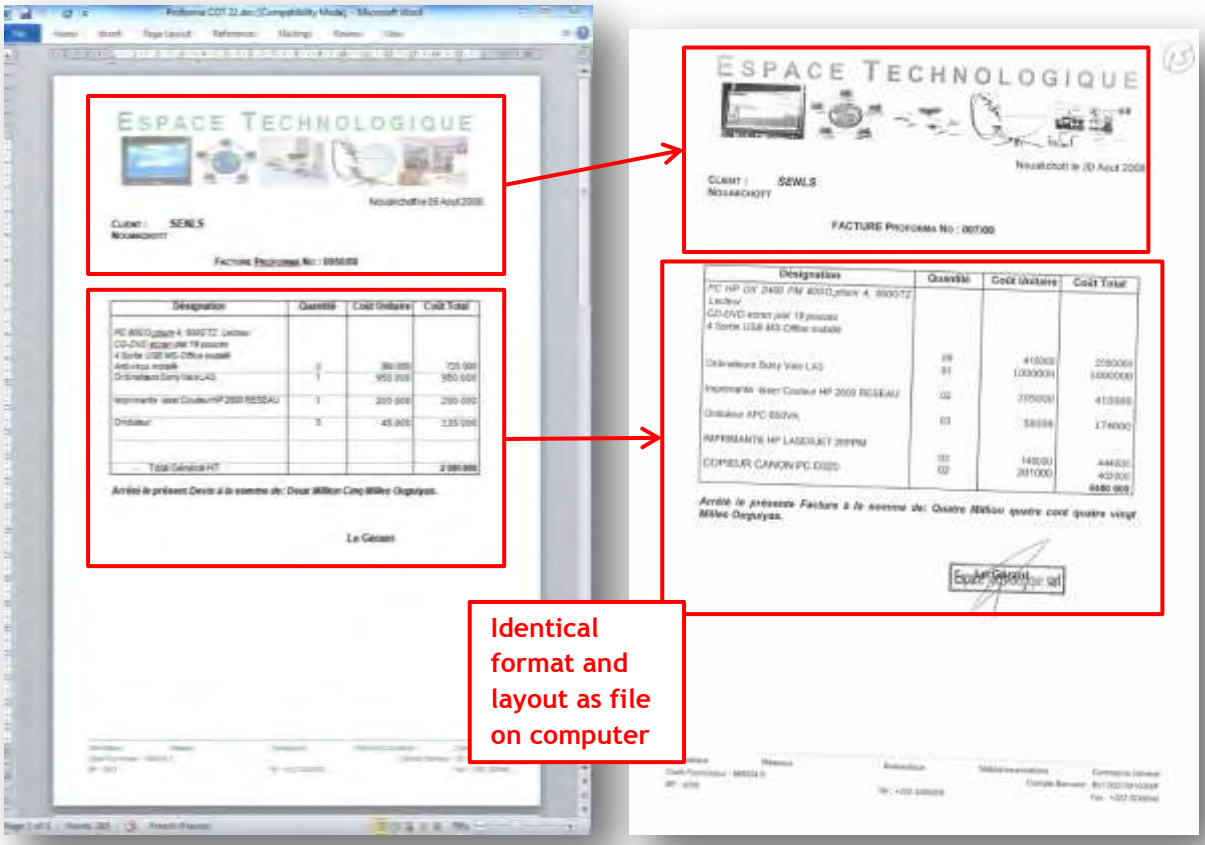
135. It appears that the SENLS officials altered the file as needed to produce different components of this and other tenders, as the need arose. For example, the name of the vendor on the electronic version of the Bid Evaluation Sheet references the losing bidder,

[118] SENLS DOCUMENTS\Carton 4\B052\B052-18.pdf, p.23, 24, 18, 21.
[119] SENLS HD 2\ CO N° 22M.I.BP FG -.doc

Solutions Informatique, whereas the document submitted includes a Bid Evaluation Sheet referring to the winning bidder, Espace Technologique.

136. The OIG also identified evidence that the invoice ultimately submitted the winning bidder in this tender, Espace Technologique, was also false. The same SENLS official's computer also contained an independent file of templates of bids and invoices, with this vendor's header. The layout, formatting, and style of the bids and invoices submitted in this expenditure exactly matches the bid and invoice allegedly provided by Espace Technologique in this expenditure. The difference in goods and amounts listed likely accounts for the fact that the files were used multiple times to create different false documents.

Word document found on SENLS computer[120] and matching supporting document from expenditure[121]



137. The fact that all the bids, as well as the resulting invoice, were all fabricated creates a strong likelihood that the goods listed in these documents were either never provided for the purpose of advancing program implementation, or they were significantly overcharged.

[120] HD2SENLS HD 2\Proforma COT 22.doc
[121] SENLS DOCUMENTS\Carton 4\B052\B052-18.pdf, Page 15.

C. Loss to The Global Fund for SENLS-Managed Grants

138. The OIG ultimately identified a total of approximately US$ 4.23 million in loss under the HIV/AIDS Grant.[122] The loss amount was comprised of four categories, two of which constitute proven fraud (*i.e.,* evidence of wrongdoing and ineligible expenses) and two of which constitutes loss for expenses not sufficiently justified (*i.e.,* lack of sufficient supporting documentation and unjustified disbursements). The Global Fund initially requested a reimbursement of the amount proven to have been tainted by fraud, or US$ 1.7 million in October 2009 which was reimbursed by the GoM in March 2010. In December 2009, the Global Fund also requested the outstanding loss for expenses not sufficiently justified of US$ 2.49 million. The GoM disputed this amount until May 2011, when it signed a protocol for reimbursing the remaining US$ 2.53 million. The OIG has been informed by the Secretariat that in June 2011, the GoM paid an additional US$ 1.68 million. Therefore, total funds due as of the publication of this Report are US$ 847,144.74.

Calculation of Loss under SENLS-Managed HIV/AIDS Grant (Round 5)

Category	Description	PR Expenditures UM	SR Expenditures UM	Total UM	Total USD
TOTAL HIV/AIDS FUNDS OIG INVESTIGATED				**1,608,082,840.00**	**$ 6,184,934.00**
Findings of Confirmed Fraud and Abuse					
1	Expenditures for ineligible expenses	1,053,508.00	17,387,106.00	18,440,614.00	$ 70,925.44
2	Expenditures with evidence of wrongdoing	121,835,820.00	311,594,625.00	433,430,445.00	$ 1,667,040.17
Total Fraud and Abuse		**122,889,328.00**	**328,981,731.00**	**451,871,059.00**	**$ 1,737,965.61**
Findings of Loss other than Fraud and Abuse					
3	Expenditures not adequately substantiated	66,348,186.00	126,196,508.00	192,544,694.00	$ 740,556.52
4	Expenditures missing supporting documentation	155,969,080.00	351,193,579.00	507,162,659.00	$ 1,950,625.61
Total Initial Findings of Loss		**345,206,594.00**	**806,371,818.00**	**1,151,578,412.00**	**$ 4,429,147.74**
Deduction from Initial Findings of Loss					
5	Additional Expenditures substantiated by Government of Mauritania			(52,520,780.00)	$ (202,003.00)
TOTAL LOSS TO THE GLOBAL FUND				**1,099,057,632.00**	**$ 4,227,144.74**
Funds Repaid to the Global Fund					$ 3,380,000.00
TOTAL FUNDS DUE					**$ 847,144.74**

139. Furthermore, a criminal investigation initiated by GoM's Inspector General (IG) has resulted in the arrest of three senior SENLS officials and issuance of an arrest warrant for a fourth staff member. All staff of SENLS working on Global Fund grants, including the Executive Director, have been replaced.[123] The current status of these prosecutions is unclear, including whether these individuals continue to be charged with criminal offenses.

[122] Initially, the OIG identified US$ 4.4 million but upon being given a chance to provide further evidence, the Government of Mauritania was able to substantiate US$ 202,003 in previously unjustified disbursements.

[123] Mauritania_StatusReport_4March2011.docx

V. INVESTIGATION ANALYSIS OF UNDP-MANAGED GRANTS

140. Under the two malaria and TB grants managed by the UNDP, the OIG finds that, between April 2004 (soon after the beginning of the first grants) and December 2009, senior officials and staff within the SRs and SSRs (PNLP, PNLT, ROMATUB, RNLPV and INRSP) together with third party vendors and other individuals, engaged in a widespread scheme to misappropriate Global Fund funds and defraud the Global Fund and the Programs in the amount of at least US$ 2.4 million, or 70% of the grant funds examined by the OIG. The schemes identified included a continuous practice of (i) producing fabricated and fictitious documentation such as invoices, bids, and per diem sheets used to justify expenditures and (ii) steering grant funds to external persons through fraudulent, collusive procurements among vendors owned by the same individuals.

A. SRs AND SSRs COMMITTED EXPENDITURE FRAUD

141. Officials within the PNLT, PNLP, RNLPV, ROMATUB,[124] individually and at times in concert with one another, created fake supporting documentation to create the illusion of legitimate invoices, receipts, and bids submitted to trigger payments of grant funds for goods and services that were not in fact delivered. In some cases, officials fabricated documents on their computers, and in in other cases, third party vendors admitted to either fabricating documents for program officials, or providing officials with blank templates of their invoices. Finally, officials falsified *per diem* sheets, which purportedly recorded program staff and training participants' receipt of daily allowances, by forging signatures.

142. Given the pervasiveness of fake documents identified, the OIG has a strong basis to conclude that many of the training and supervision activities that are alleged by these documents, most probably did not occur. A similar conclusion was drawn by the GoM audit team that reviewed the Malaria and TB Programs.

1. Officials Created Fake Supporting Documentation

143. The OIG found that supporting expenditure documentation, purportedly submitted for the purpose of proving that program funds were legitimately spent, in fact exhibited credible and substantive evidence of fraud. The sections that follow illustrate the many ways in which supporting documentation was falsified.

a) Officials Fabricated Documents on Computers

144. The OIG identified 261 word processing and spreadsheet files which contained 1,091 individual documents that resembled the supporting documentation, which the Programs submitted as purported evidence of legitimate expenditures and program activities. Indeed,

[124] The OIG found that INSRP officials forged signatures, but no other evidence of fabrication of fraudulent documents was found, unlike in the case of other entities in the TB and Malaria Programs.

the OIG found over 100 cases of identical matches between the computer files and the actual documents submitted to evidence proper use of funds for program implementation. Program officials appear to have re-used these computer files to create multiple expenditure documents, as the OIG found the characteristics unique to the computer files in another 350 cases of supporting documentation.

145. Program officials prepared the fraudulent supporting documentation in different ways. In the case of the PNLP and RNLPV, some files included entire packages of supporting documents on one Excel file, intended to justify diverse expenditures relating to a single activity, with each individual "sheet" resembling a different supporting document. These Excel files typically included (i) a budget sheet (used to apply for funds prior to the activity or purchase), (ii) the "body" (the date; the client name; the table lists the goods, quantities, and prices; and summary statement) of fake invoices and bids for expenditures such as food, office supplies and room rentals, and (iii) documents evidencing the payment of daily allowances to Program staff and training participants *(i.e., per diem* sheets*)*.

146. Other files were not as organized: in the case of PNLP, PNLT, ROMATUB and RNLPV, program officials created word processing files or spreadsheets with collections of bid templates, invoices, and delivery receipts of vendors who purportedly provided individual goods and services such as office supplies, banners and t-shirts, printing and medical/laboratory supplies.

147. When comparing these computer files to documents submitted as proof of legitimate expenditures, the OIG found that these document bodies were merged with a vendor header that typically included a logo and contact details, which often resembled authentic headers of real vendors. In many cases, the OIG found identical matches between the bodies in the electronic files and the bodies in the supporting documentation. However, the OIG also found supporting documentation that contained most of the unique characteristics of the computer files, but with slight variations, (*e.g.,* different date or number of goods, same layout but different font, *etc.*). This, coupled with the metadata uncovered which showed a long period of time between file creation and last printing, indicates that the officials were re-using the same files to create many supporting documents as the need arose.

148. Bids and invoices ought to have been issued *by* vendors *to* the Program in exchange for payments for services and goods provided for the purpose of Program implementation. Instead, Program officials created the invoices on their own. Since these documents were fabricated by Program staff, and not created by the actual vendor, it is highly unlikely that the goods and services listed in these invoices were ever actually provided.

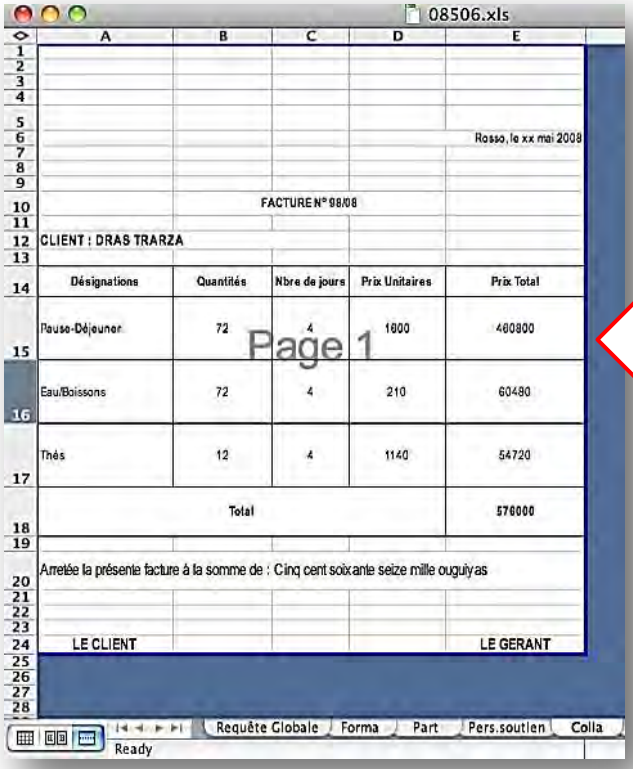
149. Examples of the computer files uncovered follow.

(i) PNLP and RNLPV Compiled False Documents for Entire Activities

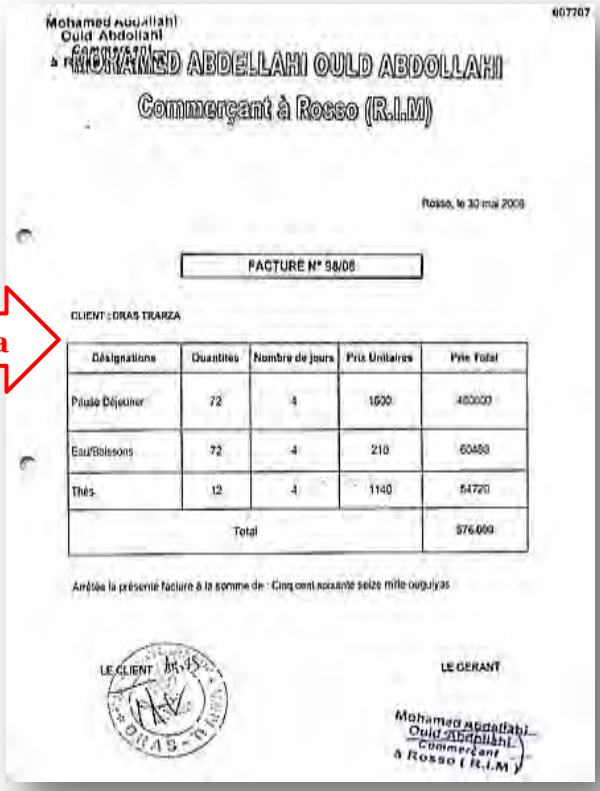
150. In the example below, the image of the Excel file found on a PNLP official's computer, the "tabs" identifying each spreadsheet were labeled to show the documents' function. Thus, the "Colla" tab stood for "collation," a reference to food. This fake template was matched exactly to a document submitted to justify an expenditure. The other tabs in the Excel file tracked the other documents submitted for this expenditure: the "Requete

Globale" tab detailed the budget for the event; the "Forma," "Part," and "Pers Soutien" tabs included *per diem* sheets for trainers, participants and support staff, respectively; "Location Salle" included a fake invoice for the room rental; and the "Sys Trarza" included an overall budget summary of the activity.

Template found on PNLP official's computer[125]



Identical invoice allegedly from vendor "Mohamed Abdellahi Ould Abdollahi"[126]



Identica

Note tabs identifying

(ii) Other Fake Vendor Bids, Invoices, and Delivery Receipts on Computer Files

151. In other cases related to PNLP officials, the Excel files included up to 23 different tabs, each with a fake document representing an invoice, a bid, or a delivery confirmation from a purportedly independent vendor. The OIG found multiple versions of the same Excel sheets, suggesting that they were used multiple times and overwritten with new information as the need arose.

152. The figure below is an example of such a file,[127] which shows the contents of the first tab, a fake bid ("*devis*"), as well as multiple other tabs, each containing a different fake

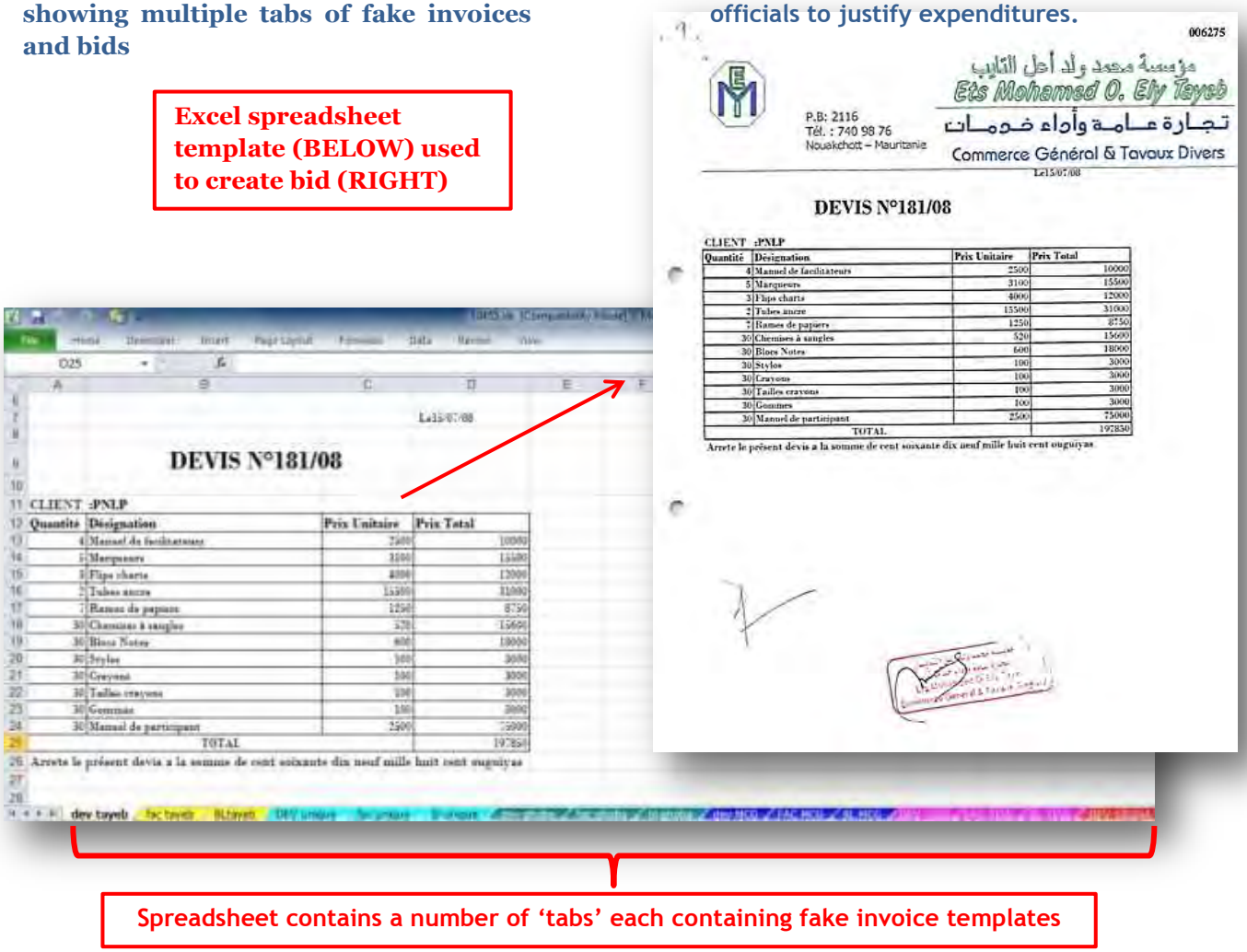
[125] HD8\8506.xls, tab "Colla"
[126] Bates # 7707
[127] HD9\10455.xls, tab "dev tayeb"

document. The OIG found that the name on each tab actually represented the name of the vendor to be used in the creation of the fake documentation. In this case, the worksheet tab named "Dev Tayeb" stands for "devis Tayeb" and indeed, this template was matched to a fake bid document with the vendor header ETS Ould Ely Tayeb.[128]

Screen Shot of PNLP Excel sheet showing multiple tabs of fake invoices and bids

Excel spreadsheet template (BELOW) used to create bid (RIGHT)

Identical documents submitted by PNLP officials to justify expenditures.



Spreadsheet contains a number of 'tabs' each containing fake invoice templates

153. The following is a comprehensive list of 33 vendor names that were used on invoice templates found in the possession of PNLP, PNLT, RNLPV, and ROMATUB officials:

[128] Bates # 6275

El Mokhtar/Med O/Elhadi et Freres	Hotel Halima
Ets Abdallahi O Ahmed Mouloud	Hotel Wavaa
Ets Ahmed Ould Boibou	Mauritanie Tout Décor
Ets El Ghoba	MCG
Ets Errachad	Mohamed Abdellahi Ould Abdollahi
Ets l'Unique pour le Commerce	Mohamed Lemine O Brahim Elkhalil
Ets Lemrabott Ould Moustapha	Mohamed Ould Khalifa O Gveive
Ets Mauprescoge	Papeterie et Bureautique
Ets Mauritanien pour le Commerce General	Prestation des Services
Ets Mohamed Lemine Ould Ishagh Ould Delil	Radio Mauritanie
Ets Mohamed O Ely Tayeb	Restaurant EL Emel
Ets pour le Commerce General	Restaurant El Mouna
Ets Sidi Med O Deida	SOGETRADE
Ets Tewvigh	Station Naftec Les Ambassadeurs
Ets Tewvik	Top Calligraphe
Ets Tinzah	Travaux et Services Divers
Globe Contact	

(iii) Other Documents Matching Content and Layout of False Documentation

154. The OIG also identified 350 documents that exhibited the same characteristic layout and/or content of fake documents found in the possession of program officials', but included slight differences such as dates of service, or contents of sale. Analysis of the evidence demonstrates that the same files were edited and reprinted multiple times over a long period of time, in excess of two years, in some cases. This also suggests that files were used as 'templates' for fabricated document production. Instead of saving individual files for each falsified document, program officials appear to have edited the content of these templates as the need arose for new supporting documentation, overwriting previous content. As a result, it is very likely that many of the expenditure documents exhibiting the unique characteristics of the most recent computer files were also fake.

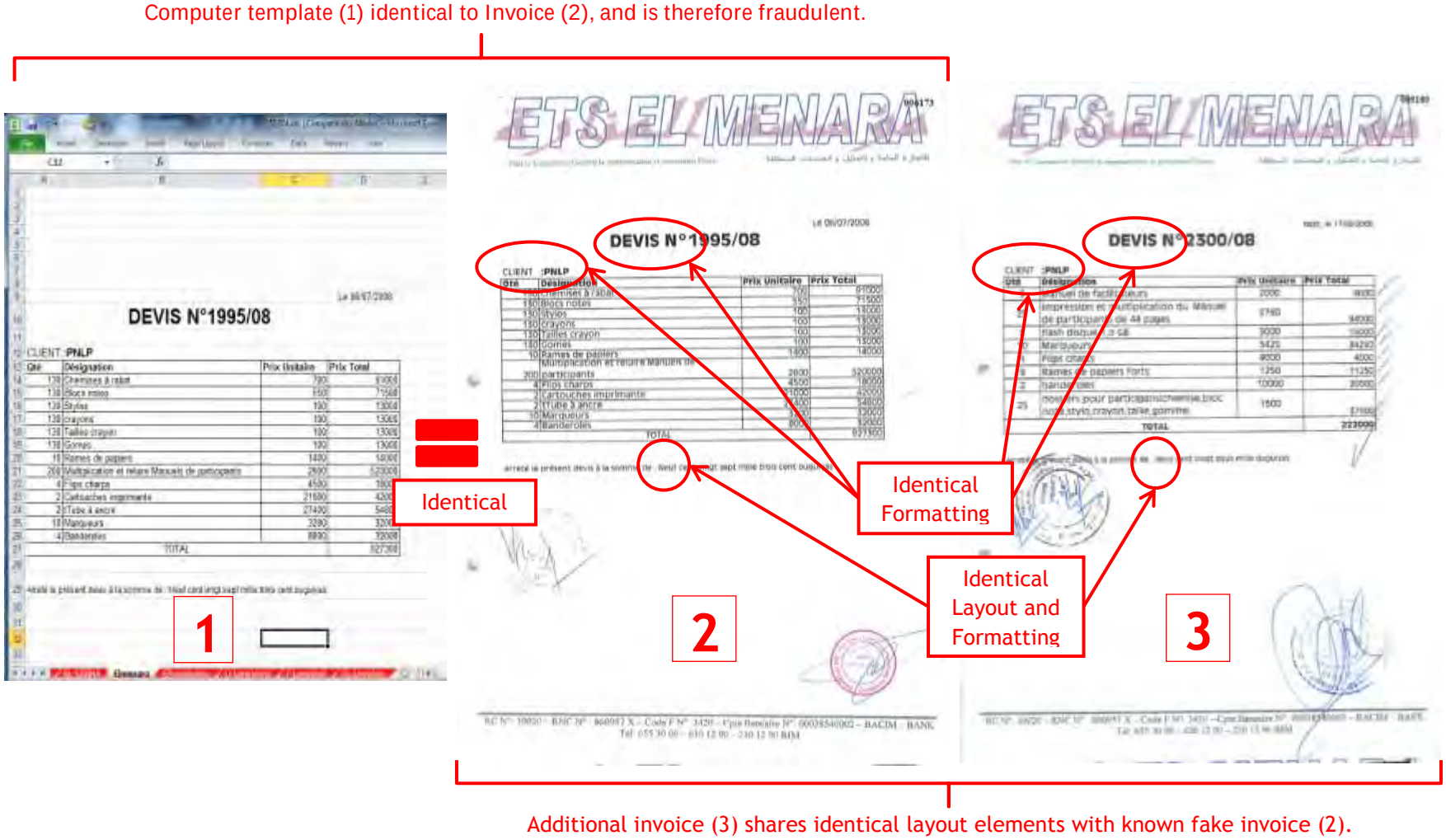
155. The OIG used similarities in layout and content to link documents to known files containing fabrications. Many expenditure documents could be matched to fake documents based on their layout, which refers to how elements within a document, such as page headers or tables, are aligned, as well as the stylistic elements of how document content is presented, such as spacing and font choice. Since the fake documents were produced using the same document file, the textual content could change while the layout remained consistent. Layout elements could also be changed depending on documents. In those cases, shared content elements with known fraudulent document templates, such as similar misspellings or textual errors, indicated that a supporting document was also fraudulently produced. While the content of documentation may be similar between competing bidders, especially when the same goods are being offered, there is no valid reason for why allegedly legitimate bids or invoices would match known fakes to this degree.

156. In the example below, the OIG identified a bid from vendor El Menara[129] that was identical to a file found in the possession of a PNLP official. It then identified another El Menara bid that identically matched the layout of the file, but recorded different goods to be sold. As highlighted below in red, the positioning of the client line, and the placement of the

[129] HD 9\76192.xls, Sheet "Dev1", "Fac.", "Bl"

colon in the payment line, and the placement of 'signatures' are identical on both documents. Based on this, it is more likely than not that both documents were produced from the same file, and therefore both are considered fraudulent.

Identification of documents matching content and layout of falsified documentation[130]



[130] HD 9\51374.xls, tab "Elmenara," Bates # 6713, 5189

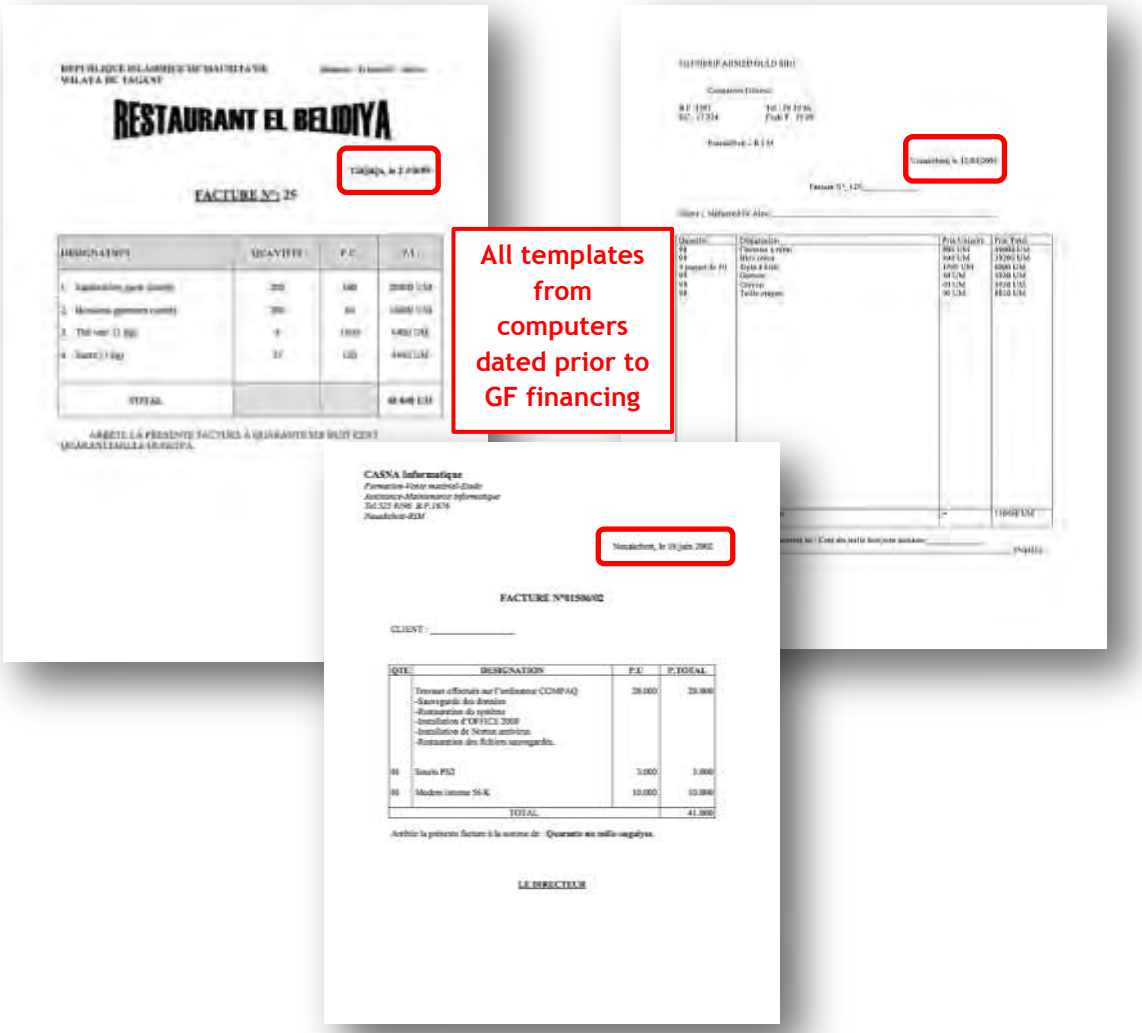
b) Fraud Related to Non-Global Fund Programs

157. The OIG also found that program officials' possessed additional documents that indicated fraudulent activity but did not relate to the expenditures allegedly incurred under the Global Fund-funded Malaria and TB Programs. These documents indicate a strong likelihood that funds of donors other than the Global Fund were also diverted through a scheme similar to the one described in this Report.

(i) Fake Invoices Dated Prior to Global Fund Engagement

158. The OIG identified dozens of fake invoices in the possession of officials that did appear to have been used to produce supporting documentation for Global Fund funding, as they did not resemble any of the supporting documents the OIG reviewed. Among these fake documents, the OIG identified fake invoice documents with invoice dates that predated the Global Fund Programs in Mauritania, and indeed even predated the Global Fund altogether. In the image below, the invoices are dated 1999, 2000, and 2002.

Sample of fake documents with dates prior to 2004[131,132,133]



(ii) Files Included Directions on Creation of Fake Documents

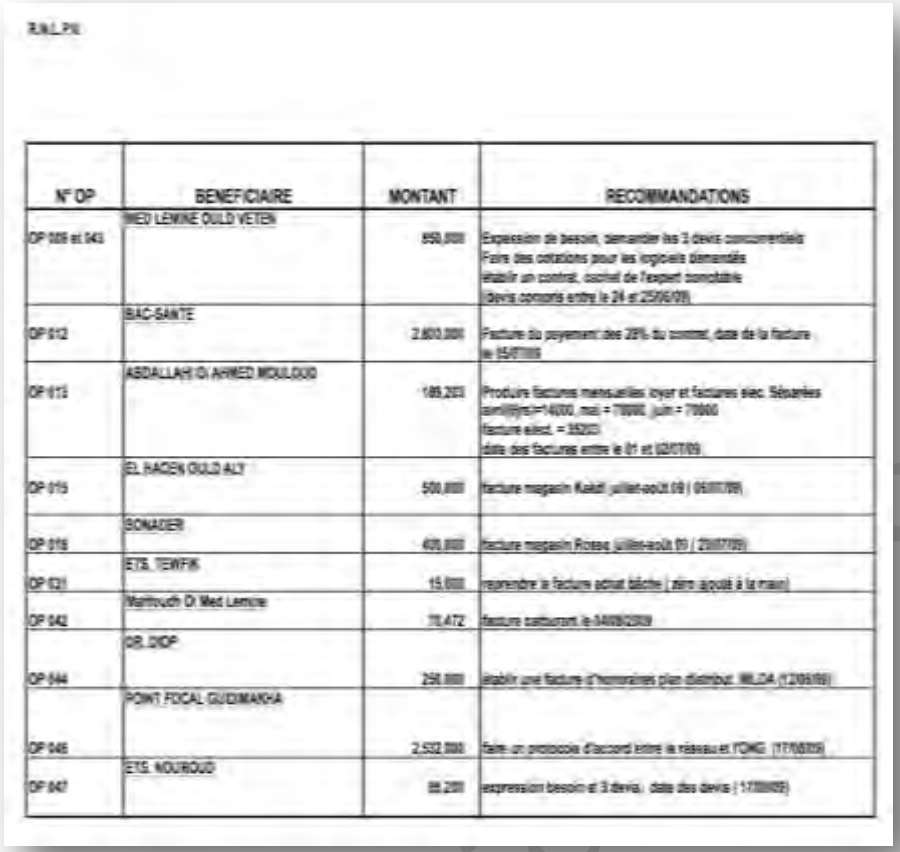
159. A RNLPV official possessed a document that appears to be providing guidance on how to fake supporting documentation. According to the file name on the document,[134] it was related to the Programme Gestion Integree Ressources Eau (PGIRE), otherwise known as the Senegal River Basin Multi-purpose Water Resources Development Project.[135] The document consisted of a spreadsheet with a "beneficiary" column naming a vendor, an "amount" column naming an

[131] HD 13\FORMULAIE-COLLATION.doc, Page 1.
[132] HD 11\CASNA Informatique.doc, Page 1.
[133] HD 13\forma facture.doc, Page 1.
[134] HD 20\Recomm cptable PGIRE.xls, tab "Feuil1"
[135] This Program was funded by donors other than the Global Fund, including the IBRD, Agence Francaise de Development and the African Development Bank

amount of money, and a "recommendations" column that described the steps on how to create and falsify supporting documents relating to the vendor.

160. An image of this spreadsheet is provided below:

Directions to falsify invoice documents found on RNLPV computer[136]



N° OP	BENEFICIAIRE	MONTANT	RECOMMANDATIONS
OP 939 et 943	MED LEMINE OULD VETEN	850,000	Expression de besoin, demander les 3 devis concurrentiels Faire des cotations pour les logiciels demandés établir un contrat, cacheté de l'expert comptable (devis compris entre le 24 et 25/06/09)
OP 912	BAC-SANTE	2,800,000	Facture du payement des 28% du contrat, date de la facture le 05/07/09
OP 913	ABDALLAHI O/ AHMED MOULOUD	185,203	Produire factures mensuelles loyer et factures elec. Séparées avril(6)=14000, mai = 70000, juin = 70000 facture elect. = 35203 date des factures entre le 01 et (2/07/09)
OP 915	EL HACEN OULD ALY	500,000	facture magasin Kaédi juillet-août 09 (06/07/09)
OP 916	SONADER	400,000	facture magasin Rosso (juillet-août 09 (20/07/09)
OP 921	ETS. TEWFIK	15,000	reprendre la facture achat bâche (zéro ajouté à la main)
OP 942	Mahfoudh O/ Med Lemine	78,472	facture carburant le 04/08/2009
OP 944	DR. DIOP	256,000	établir une facture d'honoraires plan distribut. MILDA (12/08/09)
OP 946	POINT FOCAL GUIDIMAKHA	2,532,000	faire un protocole d'accord entre le réseau et l'ONG (17/08/09)
OP 947	ETS. NOUROUD	88,200	expression besoin et 3 devis, date des devis (17/08/09)

Vendor	Translation of Recommendations
Med Lemine Ould Veten	Expression of need, ask for three competitive quotes Make quotations for software applications establish a contract, stamped by the accountant (Quote between 24 and 25/06/09)
Bac-Sante	Invoice of payment for 28% of contract, date the invoice 05/07/09
Abdallahi O/Ahmed Mouloud	Create monthly rental invoices separate from electrical invoices April (6) days=14000, may = 70000, june = 70000 Electrical invoice = 35203 Date of invoices between 01 and 02/07/09
El Hacen Ould Aly	Invoice Kaedi store july-august 09 (06/07/09)
Sonader	Invoice Kaedi store july-august 09 (20/07/09)
Ets Tewfik	resume invoices for tarpaulin purchases (zero added by hand)
Mahfoudh O/ Med Lemine	Invoice fuel the 04/08/2009
Dr. Diop	establish a bill of fees for distribution of LLINs (08/12/09)
Point Focal Guidmakha	make a memorandum of understanding between the network and the NGO (08/17/09)

[136] HD 20\Recomm cptable PGIRE.xls, tab "Feuil1"

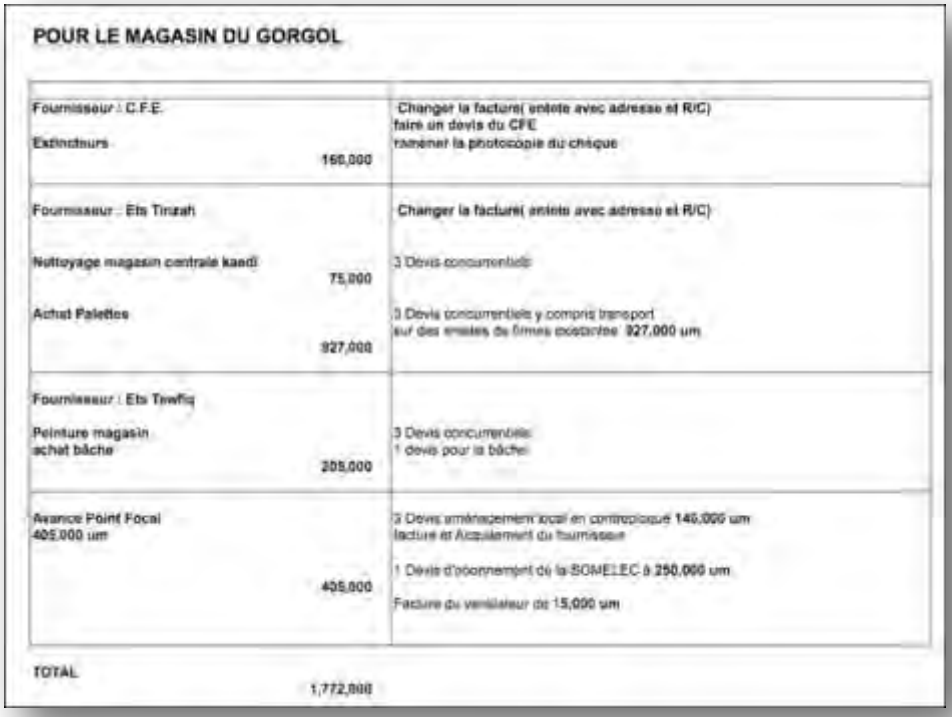
Ets. Nouroud	expression of need and 3 quotes, date of quotes (08/17/09)

161. As can be seen, in the case of vendor Abdallahi O/ Ahmed Mouloud, the recommendations column reads "create monthly rental invoices separate from electrical invoices." The recommendation further includes specific dates, or ranges of dates, which should be written on the invoices, likely to ensure that the falsified invoices match other supporting documentation. In the case of vendor ETS Nouroud, the recommendation column states that documentation needs to be complemented with a request for quotations and three competing bids with a specific date. In the case of another spreadsheet found in the possession of the same RNLPV official there are written recommendations to "modify the invoice." In the case of vendor CFE, a recommendation is made to "create a bid document."

162. In the case of another spreadsheet, shown below, the OIG independently confirmed that the names of two vendors appearing on the sheet, ETS Tinzah and ETS Tewfiq, were used to produce fake documentation submitted to the Global Fund. However, neither the amounts nor descriptions of goods outlined on this spreadsheet matched the Global Fund-related expenditures. Therefore they may have been used to defraud another Program unrelated to the Global Fund.[137]

[137] Based on the MoH "audit review," the following international organizations also subsidized the PNLP and PNLT Programs: Islamic Development Bank, UNICEF, WHO and other NGOs.

Directions to falsify invoice documents found on RNLPV computer[138]



POUR LE MAGASIN DU GORGOL

Fournisseur : C.F.E. Extincteurs	160,000	Changer la facture(entete avec adresse et R/C) faire un devis du CFE ramener la photocopie du chèque
Fournisseur : Ets Tinzah Nettoyage magasin centrale kaedi	75,000	Changer la facture(entete avec adresse et R/C) 3 Devis concurrentiels
Achat Palettes	927,000	3 Devis concurrentiels y compris transport sur des emsies de firmes existantes 927,000 um
Fournisseur : Ets Tewfiq Peinture magasin achat bâche	205,000	3 Devis concurrentiels 1 devis pour la bâche
Avance Point Focal 405,000 um	405,000	3 Devis aménagement local en contreplaqué 140,000 um facture et Acquittement du fournisseur 1 Devis d'abonnement de la SOMELEC à 250,000 um Facture du ventilateur de 15,000 um
TOTAL	1,772,000	

Vendor	Translation of Goods Offered	Translation of Directions
C.F.E.	Extinguishers	Change the invoice (header with address and r/c), make a CFE quote, bring a photo of the check"
Ets Tinzah	Cleaning	Change the invoice (header with address and r/c), Three competitive quotes, 3 competitive quotes including transport arrangements from existing firms 927,000 um
Ets Tewfiq	Painting and Tarpaulin	3 competitive quotes, 1 quote for the tarpaulin
Avance Point Focal	*(none listed)*	3 quotes local planning and plywood 140,000 um, Invoice and receipt of supplier, Quote for a subscription of SOMELEC for 250,000 um, Invoice for fan of 15,000 um

c) Officials Forged Signatures on Per Diem Sheets

163. A significant portion of the Programs' supporting documentation consisted of *per diem* sheets. *Per diem* sheets were to be signed by individuals eligible to receive a *per diem*, a daily allowance intended to cover the costs of either (i) travel and food for program staff and chauffeurs conducting a supervision mission outside of their base location, or (ii) time spent in training by participants. Based on the OIG's document analysis, *per diem* payments accounted

[138] HD 20\bakar.xls, tab "Feuil1"

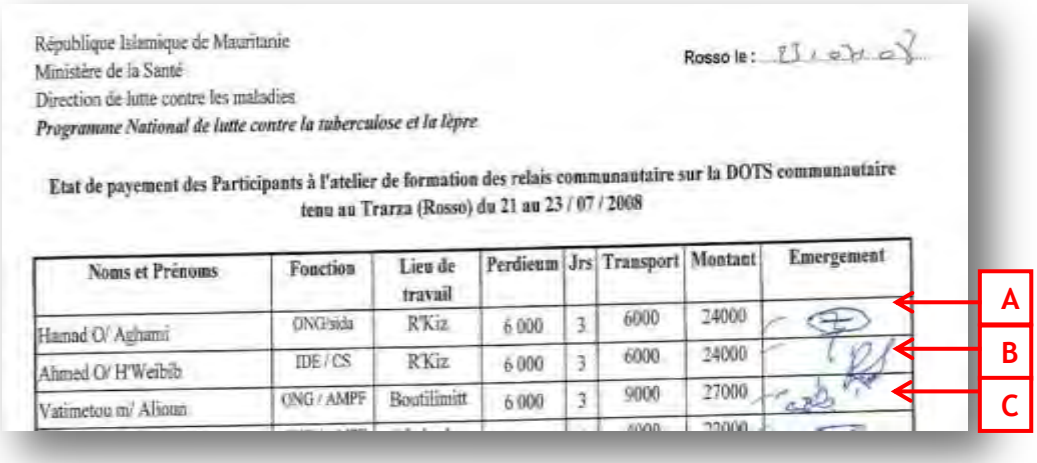
for at least US$ 1,200,344[139] or 33% of total grant expenditures at the SR and SSR level across all four UNDP-managed grants.[140]

164. The OIG performed an analysis of the signatures that appeared on virtually every *per diem* sheet for these grants. This analysis consisted of (i) data-entering individual names into a database, (ii) identifying names that appeared more than once, and (iii) comparing the signatures to determine whether or not they were the same.[141] Indeed, many of the pages with forged signatures appeared together with other documentation (such as food invoices and room rental receipts) that have been proven to be fabricated. However, in other cases, they appeared with documents exhibiting indications of fraud. In such cases, where 3 or more signatures relating to a single withdrawal (which usually mapped to a single activity) did not match the signature of the same name found elsewhere, the OIG determined that it was more likely than not that the signatures were forged, and therefore that the entire activity was tainted by evidence of fraud. The total value of *per diem* payments for which the OIG found three or more fake signatures within an activity was US$ 798,961.[142]

165. In the example below, the signatures for Hamad O/ Aghani, Ahmed O/K'Weibib and Vatimetou M/ Alioun are clearly different across two different *per diem* sheets related to different training sessions allegedly put on by ROMATUB and PNLT, and Aghani and Alioun's signatures differ across three *per diem* sheets.

[139] UM 303,687,241
[140] This amount does not include the related expenses such as hotel stays and fuel expenditures.
[141] The OIG considered titles, names, locations, and roles to ensure that the names represented the same individual.
[142] UM 202,137,133

Portions of signed *per diem* sheets for training seminars[143]



République Islamique de Mauritanie
Ministère de la Santé
Direction de lutte contre les maladies
Programme National de lutte contre la tuberculose et la lèpre

Rosso le : [illegible]

Etat de payement des Participants à l'atelier de formation des relais communautaire sur la DOTS communautaire tenu au Trarza (Rosso) du 21 au 23 / 07 / 2008

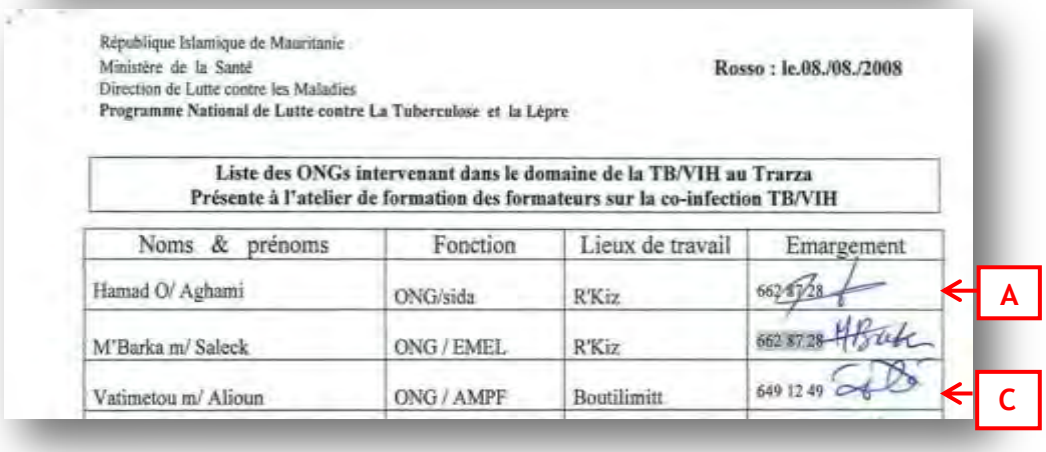
Noms et Prénoms	Fonction	Lieu de travail	Perdieum	Jrs	Transport	Montant	Emergement
Hamad O/ Aghami	ONG/sida	R'Kiz	6 000	3	6000	24000	A
Ahmed O/ H'Weibib	IDE / CS	R'Kiz	6 000	3	6000	24000	B
Vatimetou m/ Alioun	ONG / AMPF	Boutilimitt	6 000	3	9000	27000	C

Réseau Mauritanien de lutte contre la tuberculose et le SIDA
ROMATUB

Rosso, le 09 / 03 / 200

Etat de payement partipants à la sensibilisation organisée à Kosso au profil des personnels CDV/ CDT à la détection précoce des cas suspects de TB et à l'orientation vers les CDV.

Noms et Prénoms	Fonction	Lieu de travail	Perdieum	Jrs	Transport	Montant	Emergement
Hamad O/ Aghami	IMS / CS	R'Kiz	6 000	1	8000	14000	A
Ahmed O/ H'Weibib	Technic Laborntoire	R'Kiz	6000	2	8000	20000	B
Vatimetou m/ Alioun	IDE / CS	Boutilimitt	6000	2	10000	22000	C



République Islamique de Mauritanie
Ministère de la Santé
Direction de Lutte contre les Maladies
Programme National de Lutte contre La Tuberculose et la Lèpre

Rosso : le.08./08./2008

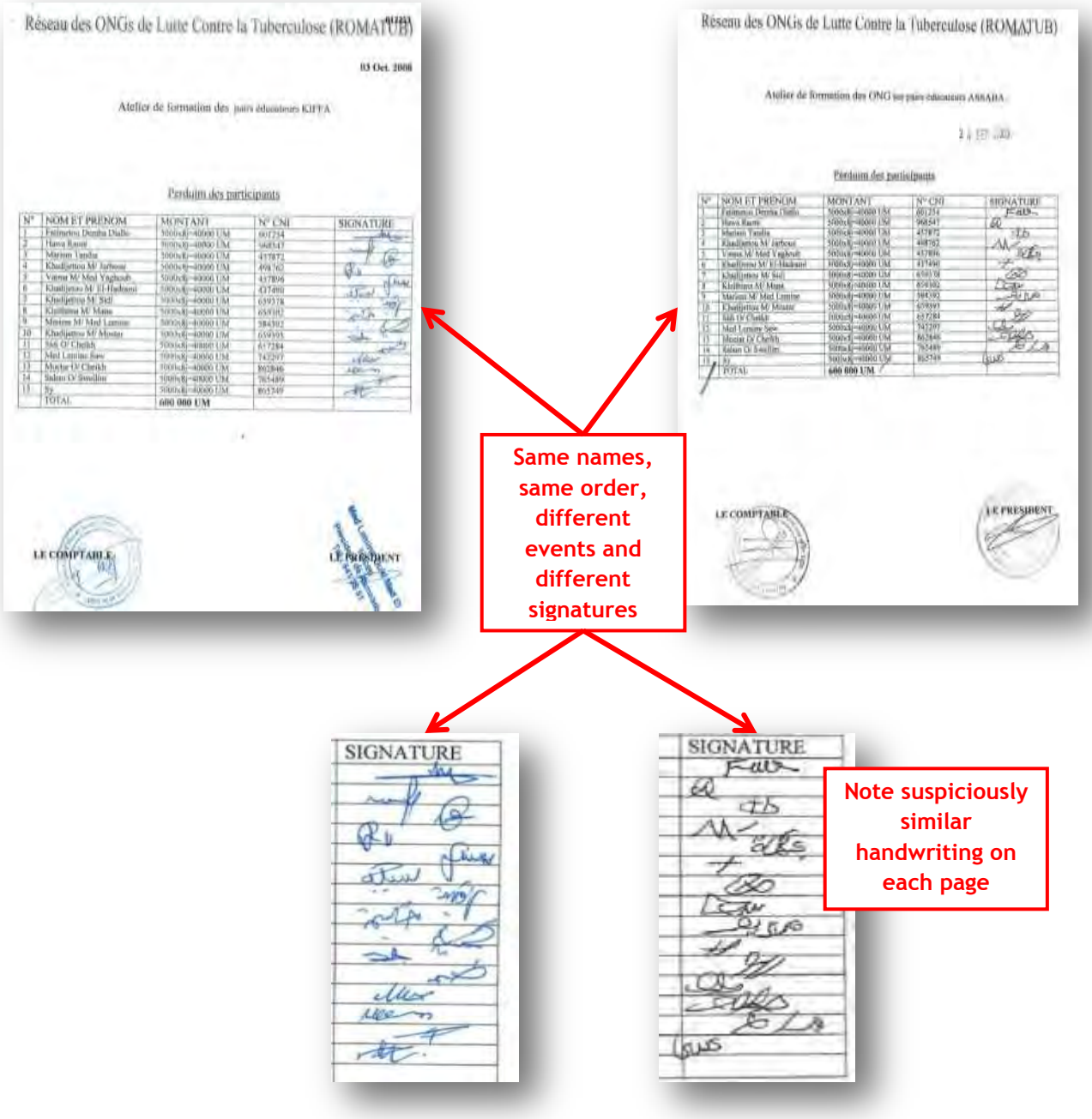
Liste des ONGs intervenant dans le domaine de la TB/VIH au Trarza
Présente à l'atelier de formation des formateurs sur la co-infection TB/VIH

Noms & prénoms	Fonction	Lieux de travail	Emargement
Hamad O/ Aghami	ONG/sida	R'Kiz	662 87 28 A
M'Barka m/ Saleck	ONG / EMEL	R'Kiz	662 87 28
Vatimetou m/ Alioun	ONG / AMPF	Boutilimitt	649 12 49 C

[143] Bates # 13423, 14332, 13318

166. Also, in the case below, ROMATUB created two *per diem* sheets for two different cities, with the exact same participant names. The signatures for each of these individuals is different in every instance across both sheets. Each of these documents, as well as most others, are stamped and signed by the head of the respective NGOs in the local town.

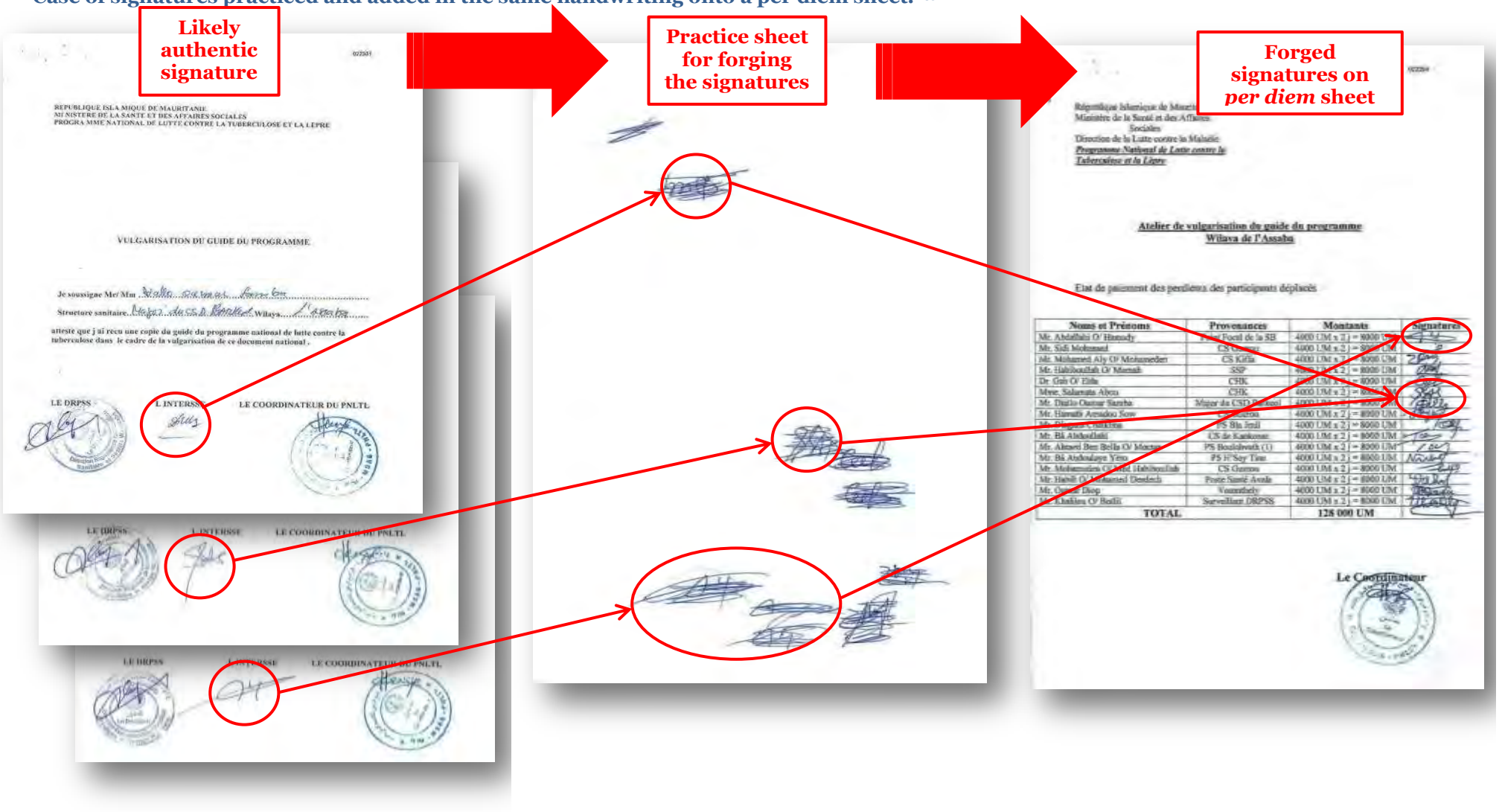
Per diem sheets for two alleged ROMATUB trainings[144]



[144] Bates # 12253 and 2271

167. In the example below, the OIG found a "practice sheet" on which a PNLT program staff appears to have attempted to replicate signatures for the purpose of filling out a *per diem* sheet for collecting *per diem* payments.

Case of signatures practiced and added in the same handwriting onto a per diem sheet.[145]



[145] From top left to far right (first top to bottom), Bates # 22301, 22300, 22295, 22276, 22294.

168. The OIG also identified instances in which the *per diem* sheets exhibited suspicious patterns such as signatures appearing to have been written in the same handwriting across the entire page listing multiple *per diem* recipients. In these cases, the names of the participants only appeared once in the totality of the Program documentation, and therefore the OIG was unable to compare the individual signatures to other signatures by that same person to determine their veracity. However, in light of all the evidence and the totality of circumstances, it is more likely than not that the signatures are in indeed fake. Nevertheless, the OIG did not include these amounts in its calculation of confirmed fraud. Rather, such documents feature in the "other red flags of fraud" category. The OIG identified 41 such *per diem* sheets (not already included in the loss number by virtue of being linked to other fraudulent expenditure documents) with a value of US$ 43,017.[146]

Examples of per diem sheets with suspicious signatures[147]

Association NAZARA 012329

LISTE DES PARTICIPANTS ET PERDUIM

N°	NOM ET PRENOM	MONTANT	SIGNATURE
1	Lalla M/ Sidi	5000 x 3J=15000UM	
2	Beddat M/ Cheine	5000 x 3J=15000UM	
3	Meia M/ Cheine	5000 x 3J=15000UM	
4	Fatimettou M/ Youssef	5000 x 3J=15000UM	
5	Minettou M/ Med	5000 x 3J=15000UM	
6	Khatra M/ Med Salem	5000 x 3J=15000UM	
7	Leima M/ Defatt	5000 x 3J=15000UM	
8	Emma M/ Sidi	5000 x 3J=15000UM	
9	Nejatt M/ Med	5000 x 3J=15000UM	
10	Dejlla M/ SIdi	5000 x 3J=15000UM	
11	MInettou M/ Sidi Med	5000 x 3J=15000UM	
12	Sabah M/ Hamna	5000 x 3J=15000UM	
13	Chriva M/ CHeiri	5000 x 3J=15000UM	
14	Meilait M/ Bekaye	5000 x 3J=15000UM	
15	Minettou M/ Cheiloul	5000 x 3J=15000UM	
16	Minettou M/	5000 x 3J=15000UM	
17	Gharmi M/ Maitich	5000 x 3J=15000UM	
18	Ghalia M/ Med	5000 x 3J=15000UM	
19	Boukharya M/ Youssif	5000 x 3J=15000UM	
20	Abdellahi O/ Elhaj	5000 x 3J=15000UM	
21	Ramlla M/ Lmami	5000 x 3J=15000UM	
22	Aziza M/ HAmed	5000 x 3J=15000UM	
23	Nebgouha M/ Moustapha	5000 x 3J=15000UM	
24	Jideine M/ Sidi	5000 x 3J=15000UM	
25	Hawa M/ Hamdi	5000 x 3J=15000UM	
26	Abdou O/ Mouhamdi	5000 x 3J=15000UM	
27	Fatimetou M/ Taiba	5000 x 3J=15000UM	
28	Mami M/ Jidna	5000 x 3J=15000UM	
29	Dema M/ Ahmed	5000 x 3J=15000UM	
30	Lalla M/ Sidi	5000 x 3J=15000UM	
	TOTAL	450 000 UM	Quatre cent mille ouguiya

Note suspiciously similar handwriting on each page

Réseau des ONGs de Lutte Contre la Tuberculose (ROMATUB) 012236

17 OCTOBRE 2008

erdium de formation des leaders religieux de Nouadhibou

N°	Nom & Prénom	Montant	Tél :	Signature
1	Hamah laah ould khatry	5000x3j=15000	651 75 87	
2	Mohamed Mahmoud Ould Saleh	5000x3j=15000	641 94 99	
3	Mohamed Lemine ould Abd Salam	5000x3j=15000	209 29 17	
4	Mohamed Abdel khader	5000x3j=15000	204 94 73	
5	Mohamed Ould Mohamed Masoud	5000x3j=15000	642 83 87	
6	Sidina Ould Nasser Dine	5000x3j=15000	204 88 61	
7	Bitah Ould Mohamed Zeine	5000x3j=15000	604 94 04	
8	Mohamed Elmehdi Ould Mohamed Cheikh	5000x3j=15000	642 85 28	
9	Yahya Ould Sidi	5000x3j=15000	624 84 49	
10	Laalem Ould Mohamed	5000x3j=15000	682 46 41	
11	Moussa Jebril	5000x3j=15000	677 64 38	
12	Said baa	5000x3j=15000	637 02 81	
13	Saleck Ould Mahmoud	5000x3j=15000	682 84 46	
14	Mohamed Ould Abdellahi	5000x3j=15000	206 67 52	
15	Sidi Ould Heiba	5000x3j=15000	757 98 68	
16	Douvall Ould TAleb	5000x3j=15000	643 19 39	
17	Mohamed Abderrahmane	5000x3j=15000	699 91 98	
18	Cheikh Ould Yehdhih	5000x3j=15000	629 59 29	
19	Baba Ould Sidi Mohamed	5000x3j=15000	640 25 70	
20	Mohamed Ould Brahim	5000x3j=15000		
21	Sidaty Ould Abdellahi	5000x3j=15000		
22	Mamadou Hassen	5000x3j=15000	668 60 13	
23	Ould Ahmed	5000x3j=15000	670 31 83	
24	Harrassi ould Bitah	5000x3j=15000	652 49 80	
25	Vadli Ould Said	5000x3j=15000	653 76 71	
26	Warzik Ould Mahmoud	5000x3j=15000		
27	Brahim Ould Chaavi	5000x3j=15000	660 03 61	
28	Ngeida Lhaj	5000x3j=15000	656 11 35	
29	Lebatt Ould Baba Ahmed	5000x3j=15000	680 32 91	
30	Barakalla Ould Dah	5000x3j=15000	660 20 12	

[146] UM 10,883,463
[147] Bates # 12329 and 12236

d) Vendors Confirmed that Program Officials Used their Businesses' Names in Fraudulent Documentation

169. Since all of the forged documents that represented bids, invoices, and delivery receipts ought to have been issued by independent vendors that supplied goods and services to the Program in exchange for disbursements of grant funds, the OIG followed up with many of the vendors directly to confirm the documents' authenticity. The OIG contacted vendors when supporting documents bearing their vendor's name exhibited indicators of fraud such as similar formatting and spelling errors across different vendors' documents, or suspicious bidding patterns (*i.e.,* same three vendors always bidding against one another and the same vendor always winning). In the case of 25 vendors, persons responding to the contact information provided on vendor documents (*i.e.,* phone number, address, or e-mail address) confirmed that the documents were not authentic. In a few cases, vendors admitted to fabricating false documents for the Program, or simply handing program staff blank invoice templates. Also, in many cases the OIG was unable to establish any contact with the alleged vendors, as the phone number provided on the invoices were inoperable, and the email addresses nonresponsive. Even though such non-responsiveness could have been due to the non-existence of the vendors, the OIG did not consider this as evidence of fraud, but rather an indicator, or red flag.

170. Also, since the documents did not actually belong to the vendors, the OIG was unable to ascertain whether the goods and services described in the fraudulent invoices were ever provided as part of program implementation. The OIG has not identified any evidence that such goods or services were indeed provided. Therefore, it is more likely than not that these goods and services were not provided at all.

171. The OIG secured physical inspections either by visiting the vendor premises and meeting with an individual who represented him or herself as the vendor manager or owner, or by sending e-mails with attached documents relating to the contact information presented on the vendor invoice or bid. Vendors confirmed the inauthenticity of the invoices or bids in multiple ways: They either reported that they did not recognize all or parts (*i.e.,* the stamp, signature, body, header) of the documents, or they reported to the OIG that either (i) they do not run the business linked to the phone number provided on the document, (ii) their business does not sell the goods or services recorded on the invoice or bid, or (iii) their business was closed before the invoice or bid was issued.

172. The vendors listed in the table below attested that the invoices or bids presented to them were not authentic upon physical inspection.

Boutique Gare Routiere Garage Star	Hotel et Restaurant Farry Samba	Restaurant Tinigui
Ets CERAM	Hotel Sabah	Station El Vowz
Ets ER RAJA	Hotel Wissal	Station Face de Somarem
Ets Express	MIC MAC Africa Restaurant	Station Hydrocarbures TEWVIGH
Ets Papeterie Enejatt	Office du Complexe Olympic	Station NAFTEC Mosquee
Garage Mohamedou Aliou Cisse	Papeterie El Khouleva	Station Service El Fawz
Generale de Calligraphie	Papeterie ER RAJA	Station Universite
Hotel Chinguetti	Radio Mauritanie	T.R.A.S. Transit Abdellahi Ould Selmane
Hotel Chinguitti		

173. Some vendors admitted that they had provided blank invoices to clients:

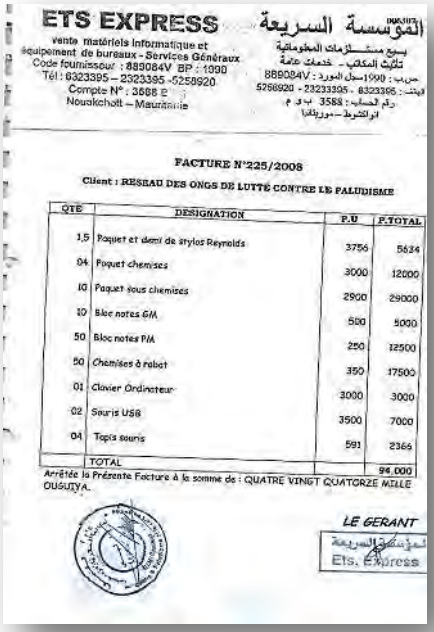
- **Boutique Gare Routiere Garage Star:** The business owner admitted to the OIG that s/he had written out fake invoices for an unnamed PNLT employee. The vendor's invoices included purchases of fuel, although the shop actually only sold spare parts for vehicles.
- **Station Star Jardin et Polyclinique:** The manager of the station admitted that some of his/her employees distributed blank "facture" documents to their clients. Upon being shown an invoice, s/he confirmed that the handwriting belonged to none of his/her employees, thus determining the invoice was false.

174. In many cases, vendors provided examples of their official business templates to demonstrate that the documents shown to them were inauthentic:

Invoice provided by owner[148]

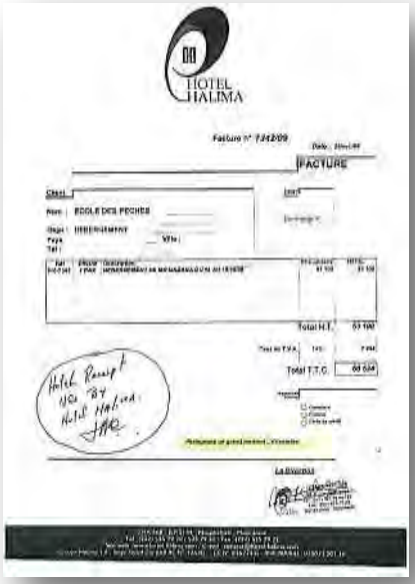
Authentic vendor invoice is different than what Program submitted

Invoice submitted to justify payment which owner stated was false[149]



[148] MotifsDeRefus.Documents\Ets Express.pdf
[149] Bates # 6307

Invoice provided by hotel owner[150]



Authentic vendor invoice is different than what Program submitted

Invoice submitted to justify payment which hotel owner stated was false[151]

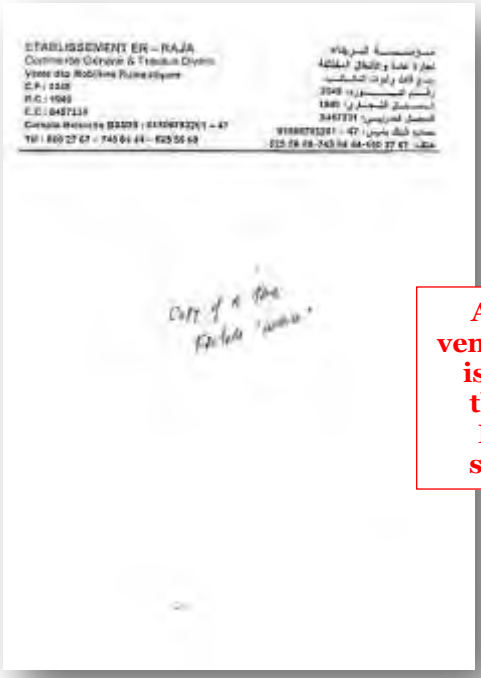
Invoice provided by hotel owner[152]

Authentic vendor invoice is different than what Program submitted

Invoice submitted to justify payment which hotel owner stated was false[153]

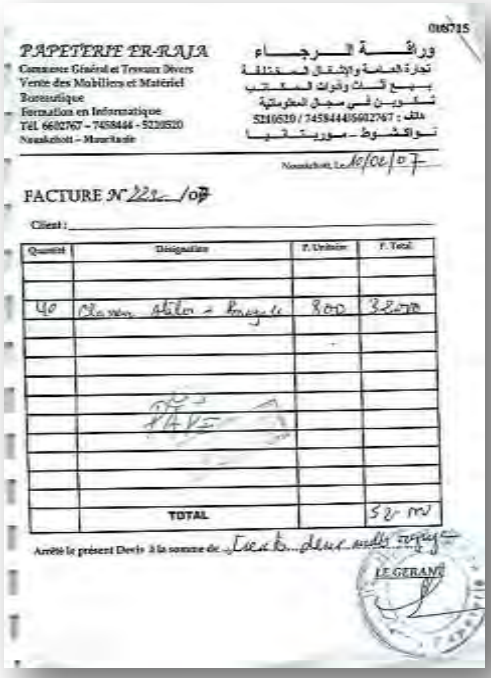
150 MotifsDeRefus.Documents\Hotel Halima.pdf
151 Bates # 4979
152 MotifsDeRefus.Documents\Hotel wissal.pdf
153 Bates # 7572

Invoice provided by hotel owner[154]



Authentic vendor invoice is different than what Program submitted

Invoice submitted to justify payment which hotel owner stated was false[155]



e) Officials Assembled False Document Packages to Simulate Expenditures during Program Implementation

175. The false documents described in the sections above did not appear in isolation from each other. In practice, these documents were submitted to justify a single bank withdrawal, which had been originally made in response to a proposed budget for a program activity. Consequently, documents justifying a single withdrawal usually reflected the diverse assortment of expenditures needed to perform a planned activity, such as the training of doctors in a region (*i.e.,* the collection of documents would typically include *per diem* sheets, fuel receipts, hotel invoices, food receipts, etc.).

176. The OIG was not always able to positively confirm fraud for every document within a group of expenditures supporting a single activity or withdrawal. For example, while the OIG may have proven with substantial and credible evidence that a hotel receipt was created on a program official's computer and that the *per diem* sheets included forged signatures, the OIG might not have been able to prove to the same degree that the related food and fuel receipts were—on their own, in isolation from the other documents—illegitimate. In the vast majority of these cases, however, the documents exhibited evidence of fraud, such as formatting similarities across different vendor invoices, lack of contact information on invoices, date inconsistencies, excessive amounts or prices, etc. Furthermore, since all of these documents aimed to justify the same withdrawal as the documents the OIG has firmly

[154] MotifsDeRefus.Documents\Papeterie ER RAJA.pdf
[155] Bates # 8715

identified as illegitimate, such facts further strengthen the legitimacy of the entire submission. In such cases, where the OIG was able to prove fabrication for at least one document in a group of documents, and where other documents exhibited corroborating red flags of a lack of authenticity, the OIG counted the entire amount reported by all the documents in support of the activity as fraudulent for purposes of calculating loss.

177. The following are examples of groups of documents, ostensibly supporting a single activity/withdrawal, where the OIG identified both evidence of fraud and red flags across all documents allegedly justifying payments made on a program activity. Given the totality of the evidence of fraud in such cases, it is reasonable to conclude that these activities never occurred.

(i) PNLP Malaria Management Trainings, July 2004

178. The OIG identified that fraudulent activity began in the early days of Global Fund disbursements to Mauritania. The first Global Fund grant to Mauritania, Round 2 Malaria, began in April 2004. The following example demonstrates that fraudulent activity occurred only months after this Program began.

179. According to the Global Fund Grant Progress Report (GPR), the improvement of early malaria treatment ranked as a high priority for the Round 2 Malaria grant. Increasing the number of public health officials trained "in prompt and effective treatment" was a "top ten" indicator for the Round 2 Malaria grant.[156] In furtherance of this objective, the PNLP allegedly organized a number of trainings to meet this goal, including a series of alleged events between 12 and 20 July 2004 to train nurses and students in the management of malaria. These seminars purportedly covered the recognition and treatment of simple and complex malaria in patients, according to the final report summarizing the events. Based on this document, 240 nurses and students attended these seminars, even though plans only expected 100 attendees.[157]

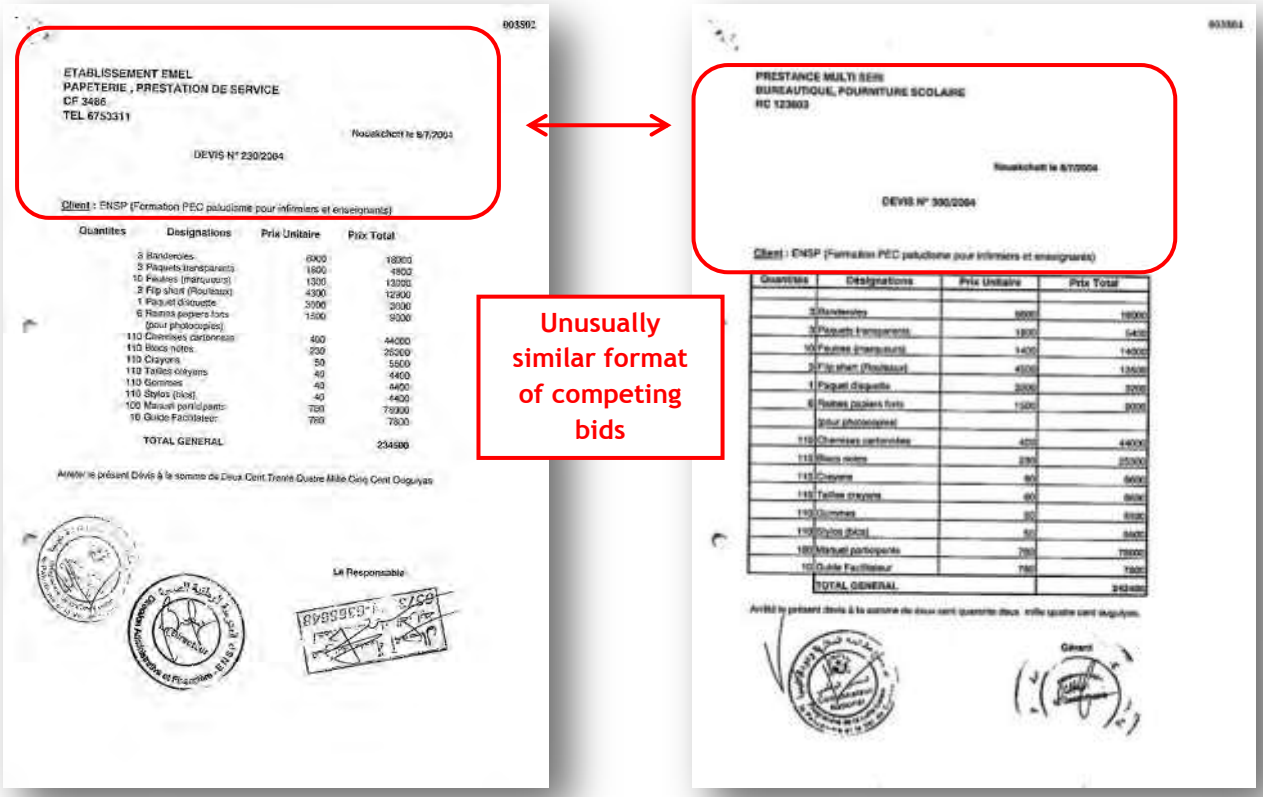
180. The supporting documents submitted to justify that Global Fund funds were used to fund this activity included bids allegedly evidencing competitive procurement,[158] alleged vendor invoices showing the ultimate purchase of office supplies and printing from vendor Etablissement EMEL, and *per diem* sheets allegedly evidencing that participants, trainers, and support staff received *per diem* payments. A check in the amount of US$ 3,160[159] was issued on 14 July 2004 to cover the costs associated with these alleged trainings.

181. The OIG identified evidence that PNLP officials produced fabricated supporting documentation to justify this expenditure. Two types of falsification occurred: (i) PNLP officials created fake vendor bids and invoices for office supplies and printing; and (ii) PNLP officials forged signatures on *per diem* and attendance sheets to falsely support expenditures and performance indicators. The fact that a majority of the documents allegedly justifying the expenditure were fabricated casts significant doubt whether these trainings were ever held.

[156] Grant Performance Report, MRT-202-G02-M-00, p. 9.
[157] Bates # 3807
[158] Bates # 3802 - 3804
[159] UM 799,500

a) Red flags confirmed by document on PNLP computer: The OIG first noted that the documents exhibited red flags of fraud that could have been detected from a basic scan of the documents. For example, allegedly competing bids purportedly submitted by two independent vendors, Etablissement EMEL Prestance Multi Seri, for the provision of office supplies, exhibited unusually similar layout and style.

One allegedly competing bid[160] **Another allegedly competing bid[161]**



Indeed, the OIG was able to confirm the suspiciousness of the red flags as it identified[162] was possessed by a high-ranking PNLP official that identically matched both documents.

[160] Bates # 3802
[161] Bates # 3804
[162] HD10/FACTURE ENSP 04.XLS

Computer files on PNLP computer[163]

DEVIS N° 230/2004

Client : PNLP (Formation PEC paludisme pour les pharmaciens et vendeurs des depots)

Quantites	Designations	Prix Unitaire	Prix Total
3	Banderoles	6000	18000
3	Paquets transparents	1600	4800
10	Feutres (marqueurs)	1300	13000
3	Flip short (Rouleaux)	4300	12900
1	Paquet disquette	3000	3000
6	Rames papiers forts (pour photocopies)	1500	9000
110	Chemises cartonnees	400	44000
110	Blocs notes	230	25300
110	Crayons	50	5500
110	Tailles crayons	40	4400
110	Gommes	40	4400
110	Stylos (bics)	40	4400
100	Manuel participants	780	78000
10	Guide Facilitateur	780	7800
	TOTAL GENERAL		234500

Identical

Identical supporting documents submitted[164]

ETABLISSEMENT EMEL
PAPETERIE , PRESTATION DE SERVICE

Identical

PRESTANCE MULTI SERI
BUREAUTIQUE, FOURNITURE SCOLAIRE
RC 123603

Nouakchott le 8/7/2004

DEVIS N° 300/2004

Client : ENSP (Formation PEC paludisme pour infirmiers et enseignants)

Quantités	Désignations	Prix Unitaire	Prix Total
3	Banderoles	6000	18000
3	Paquets transparents	1800	5400
10	Feutres (marqueurs)	1400	14000
3	Flip short (Rouleaux)	4500	13500
1	Paquet disquette	3200	3200
6	Rames papiers forts (pour photocopies)	1500	9000
110	Chemises cartonnées	400	44000
110	Blocs notes	230	25300
110	Crayons	60	6600
110	Tailles crayons	60	6600
110	Gommes	50	5500
110	Stylos (bics)	50	5500
100	Manuel participants	780	78000
10	Guide Facilitateur	780	7800
	TOTAL GENERAL		242400

Arrêté le présent devis à la somme de deux cent quarante deux mille quatre cent ouguiyas.

Gérant

Nouakchott le 04/11/2004

DEVIS N° 300/2004

Client : PNLP (Formation PEC paludisme pour pharmaciens et vendeurs des d

Quantités	Désignations	Prix Unitaire	Prix Total
2	Banderoles	6000	12000
3	Paquets transparents	1800	5400
10	Feutres (marqueurs)	1000	10000
3	Flip short (Rouleaux)	4100	12300
1	Paquet disquette	3200	3200
6	Rames papiers forts (pour photocopies)	1440	8640
110	Chemises cartonnées	360	37800
110	Blocs notes	220	23760
110	Crayons	60	6480
110	Tailles crayons	60	6480
110	Gommes	50	5400
110	Stylos (bics)	30	3240
100	Manuel participants	780	78000
10	Guide Facilitateur	780	7800
	TOTAL GENERAL		220500

Arrêté le présent devis à la somme de deux cent vingt mille cinq cent ouguiyas

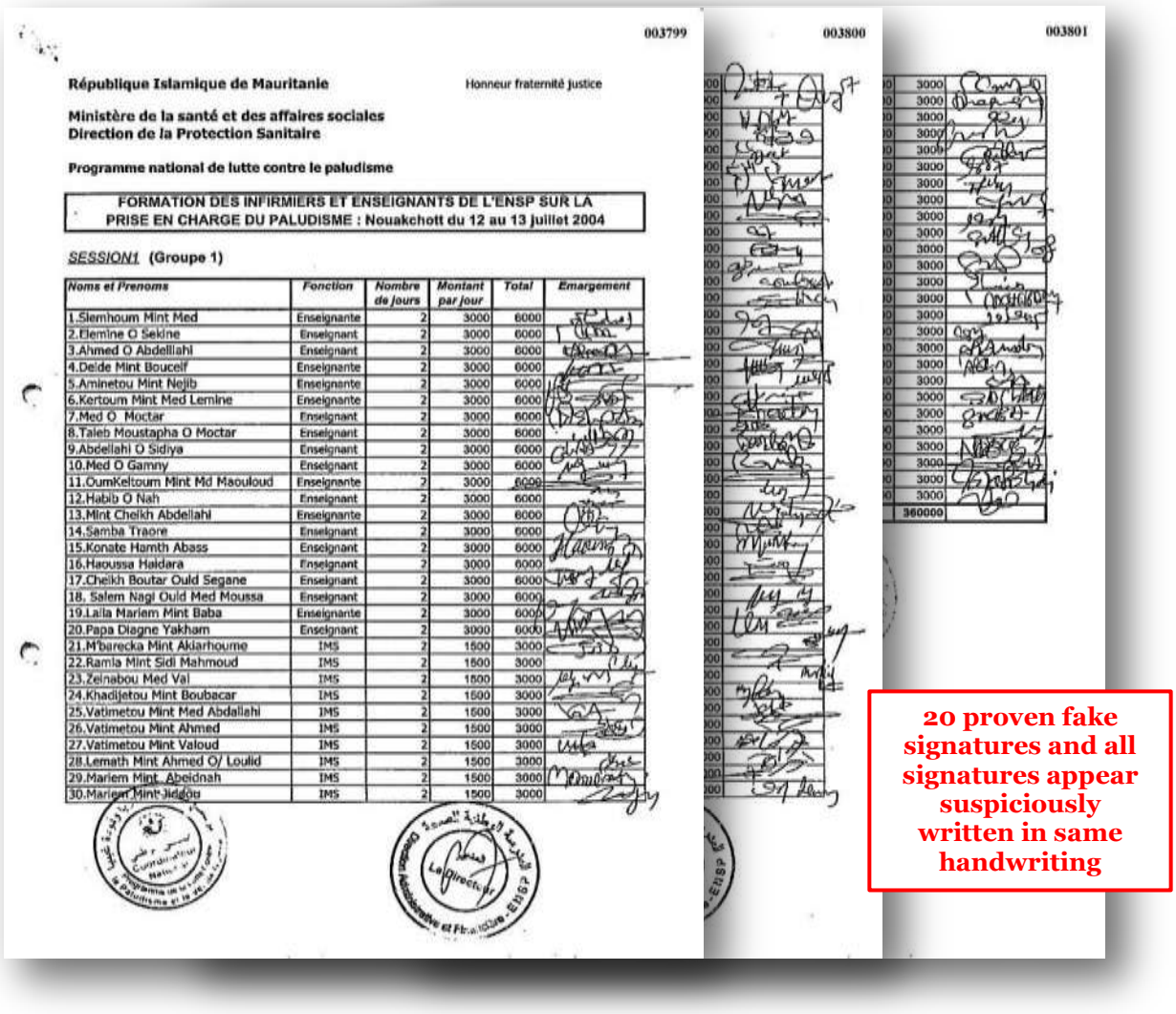
[163] HD 10\FACTURE_ENSP_04.xls, tab "D.F" and tab "DCC", from top to bottom
[164] Bates # 3802 and 3804, from top to bottom

There is no legitimate reason for a PNLP official to possess templates for bids because these documents ought to have been produced and submitted by third party, independent, competing vendors.

b) **False signatures on *per diem* sheets:** The OIG also identified falsified signatures on *per diem* sheets, which recorded payments given to attendees and trainees to cover the cost of travel and lodging. For these trainings, *per diem* payments accounted for expenses of USD 1,787.[165] In order to verify whether these signatures were valid, the OIG compared signatures found on these sheets to other known signatures for the same persons that appeared on other *per diem* sheets across the supporting documentation. On this basis, the OIG was able to determine that at least 20 of the 113 signatures, or 18%, were false. In several cases, the name appeared only once across all grant documentation, so the OIG was unable to determine whether it was true or false. The OIG further notes that the vast majority of signatures on *per diem* pages appeared suspiciously similar as if written in the same handwriting.

[165]UM 452,000; Bates # 3797, 3798, 3801

Example of per diem sheets with falsified signatures[166]



003799

République Islamique de Mauritanie — Honneur fraternité justice

Ministère de la santé et des affaires sociales
Direction de la Protection Sanitaire

Programme national de lutte contre le paludisme

FORMATION DES INFIRMIERS ET ENSEIGNANTS DE L'ENSP SUR LA PRISE EN CHARGE DU PALUDISME : Nouakchott du 12 au 13 juillet 2004

SESSION1 (Groupe 1)

Noms et Prenoms	Fonction	Nombre de jours	Montant par jour	Total	Emargement
1.Slemhoum Mint Med	Enseignante	2	3000	6000	
2.Elemine O Sekine	Enseignant	2	3000	6000	
3.Ahmed O Abdellahi	Enseignant	2	3000	6000	
4.Deide Mint Bouceif	Enseignante	2	3000	6000	
5.Aminetou Mint Nejib	Enseignante	2	3000	6000	
6.Kertoum Mint Med Lemine	Enseignante	2	3000	6000	
7.Med O Moctar	Enseignant	2	3000	6000	
8.Taleb Moustapha O Moctar	Enseignant	2	3000	6000	
9.Abdellahi O Sidiya	Enseignant	2	3000	6000	
10.Med O Gamny	Enseignant	2	3000	6000	
11.OumKeltoum Mint Md Maouloud	Enseignante	2	3000	6000	
12.Habib O Nah	Enseignant	2	3000	6000	
13.Mint Cheikh Abdellahi	Enseignante	2	3000	6000	
14.Samba Traore	Enseignant	2	3000	6000	
15.Konate Hamth Abass	Enseignant	2	3000	6000	
16.Haoussa Haidara	Enseignant	2	3000	6000	
17.Cheikh Boutar Ould Segane	Enseignant	2	3000	6000	
18. Salem Nagi Ould Med Moussa	Enseignant	2	3000	6000	
19.Laila Mariem Mint Baba	Enseignante	2	3000	6000	
20.Papa Diagne Yakham	Enseignant	2	3000	6000	
21.M'barecka Mint Akiarhoume	IMS	2	1500	3000	
22.Ramla Mint Sidi Mahmoud	IMS	2	1500	3000	
23.Zeinabou Med Val	IMS	2	1500	3000	
24.Khadijetou Mint Boubacar	IMS	2	1500	3000	
25.Vatimetou Mint Med Abdallahi	IMS	2	1500	3000	
26.Vatimetou Mint Ahmed	IMS	2	1500	3000	
27.Vatimetou Mint Valoud	IMS	2	1500	3000	
28.Lemath Mint Ahmed O/ Loulid	IMS	2	1500	3000	
29.Mariem Mint Abeidnah	IMS	2	1500	3000	
30.Mariem Mint Jidou	IMS	2	1500	3000	

003800

003801

20 proven fake signatures and all signatures appear suspiciously written in same handwriting

(ii) PNLP Database Training, June 2008

182. The PNLP allegedly held regional trainings between 16 and 30 June, 2008[167] for the purposes of training managers of health information databases in the Wilayas of Asssaba, Gorgol, Tagant, Guidimakha, Hodh El Gharbi, and Hodh Echargui. The trainings resulted in a final report which concluded that another seminar was needed to increase data analysis skills.[168]

183. A check[169] in the amount of US$ 14,021.97[170] was issued on 19 June 2008[171] to a PNLP official to cover the costs of this training. The check endorsement indicates that this

[166] Bates # 3799, 3800, 3801
[167] Bates # 4998
[168] Bates # 5018
[169] Check # 0572778
[170] UM 3,556,000
[171] Bates # 4997

official cashed the check and received the funds. From that point onward, the money was allegedly distributed in the form of cash.

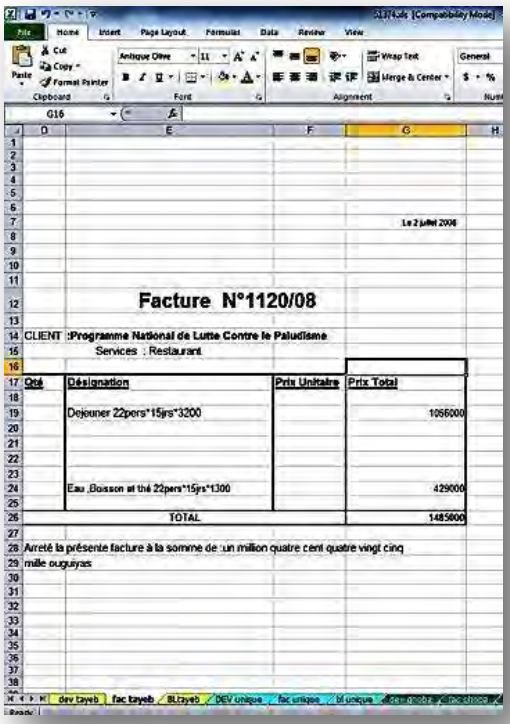
184. Three main categories supporting documentation were presented to justify the expense: *per diems* for attendees and staff, receipts for breakfast and drinks for attendees from Hotel Halima, and invoices for the purchase of office supplies from vendor Ets El Ghoba. The purchase of office supplies appears to have been completed via competitive procurement, as two other vendors, Ets Lemrabott Ould Moustapha and Ets Mohamed O, purportedly submitted competing bids.

185. The OIG identified conclusive evidence of fabrciation on every supporting document in this activity, including falsified vendor and *per diem* documents. Taken together, this evidence reasonably indicates a coordinated effort to falsify an entire training activity.

- **Documents in the possession of a PNLT official:** A single "excel" file[172] in the possession of the same PNLP official who cashed the check contained templates identical to all but one of the documents allegedly provided by independent, third party vendors in relation to this training. The spreadsheets included the bids, the invoice, and the delivery receipt purportedly provided by office supplier Ets El Ghoba,[173] the invoice for Hotel Halima's breakfast services[174] and the bid submitted by Ets Lemrabott Ould Moustapha.[175] There was no legitimate reason for PNLP to possess templates of invoices that vendors should have produced in exchange for services or goods provided.

[172] HD9\51734.xls
[173] Bates # 5005, 5006, 5007
[174] Bates # 5003, 5004
[175] Bates # 5008

Spreadsheet found on PNLP official's computer[176]



Le 2 juillet 2008

Facture N°1120/08

CLIENT :Programme National de Lutte Contre le Paludisme
Services : Restaurant

Qté	Désignation	Prix Unitaire	Prix Total
	Dejeuner 22pers*15jrs*3200		1056000
	Eau ,Boisson et thé 22pers*15jrs*1300		429000
	TOTAL		1485000

Arreté la présente facture à la somme de :un million quatre cent quatre vingt cinq mille ouguiyas

dev tayeb | fac tayeb | BLtayeb | DEV unique | fac unique | bl unique | dev ghoba | fac ghoba

Identical

Identical document submitted to justify payment[177]

HOTEL HALIMA

Le 2 Juillet 2008

Facture N°1120/08

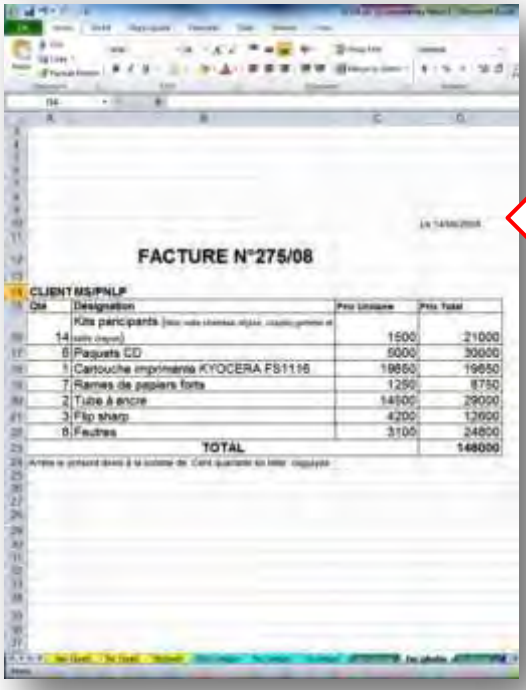
CLIENT :Programme National de Lutte Contre le Paludisme
Services : Restaurant

Qté	Désignation	Prix Unitaire	Prix Total
	Dejeuner 22pers*15jrs*3200		1056000
	Eau ,Boisson et thé 22pers*15jrs*1300		429000
	TOTAL		1485000

Arreté la présente facture à la somme de :un million quatre cent quatre vingt cinq mille ouguiyas

Payé en Espece

HOTEL HALIMA



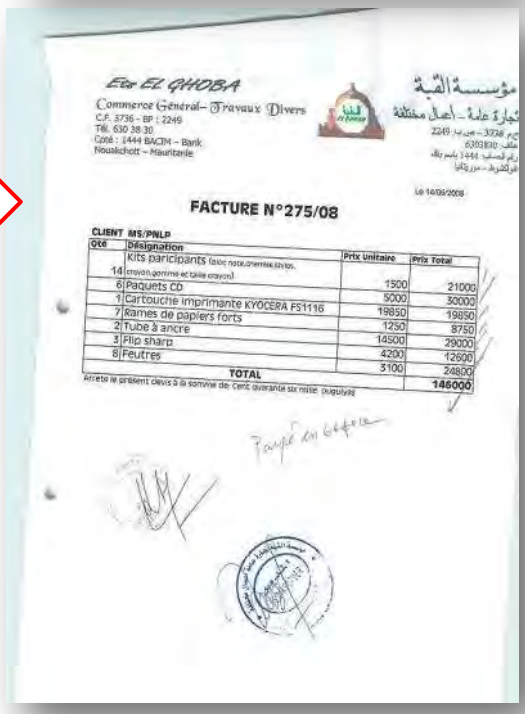
FACTURE N°275/08

CLIENT MS/PNLP

Qté	Désignation	Prix Unitaire	Prix Total
14	Kits participants (sac noir,cahier,stylos, crayon,gomme et taille crayon)	1500	21000
6	Paquets CD	5000	30000
1	Cartouche imprimante KYOCERA FS1116	19850	19850
7	Rames de papiers forts	1250	8750
2	Tube à encre	14500	29000
3	Flip sharp	4200	12600
8	Feutres	3100	24800
	TOTAL		146000

Arrete le présent devis à la somme de: Cent quarante six mille ouguiyas

Identical



Eta EL GHOBA
Commerce Général– Travaux Divers
C.F. 3736 - BP : 2249
Tél. 630 38 30
Compte : 1444 BACIM – Bank
Nouakchott – Mauritanie

مؤسسة الغبة
تجارة عامة – أعمال مختلفة

Le 14/09/2008

FACTURE N°275/08

CLIENT MS/PNLP

Qté	Désignation	Prix Unitaire	Prix Total
14	Kits participants (sac noir,cahier,stylos, crayon,gomme et taille crayon)	1500	21000
6	Paquets CD	5000	30000
1	Cartouche imprimante KYOCERA FS1116	19850	19850
7	Rames de papiers forts	1250	8750
2	Tube à encre	14500	29000
3	Flip sharp	4200	12600
8	Feutres	3100	24800
	TOTAL		146000

Arrete le présent devis à la somme de: Cent quarante six mille ouguiyas

Payé en Espece

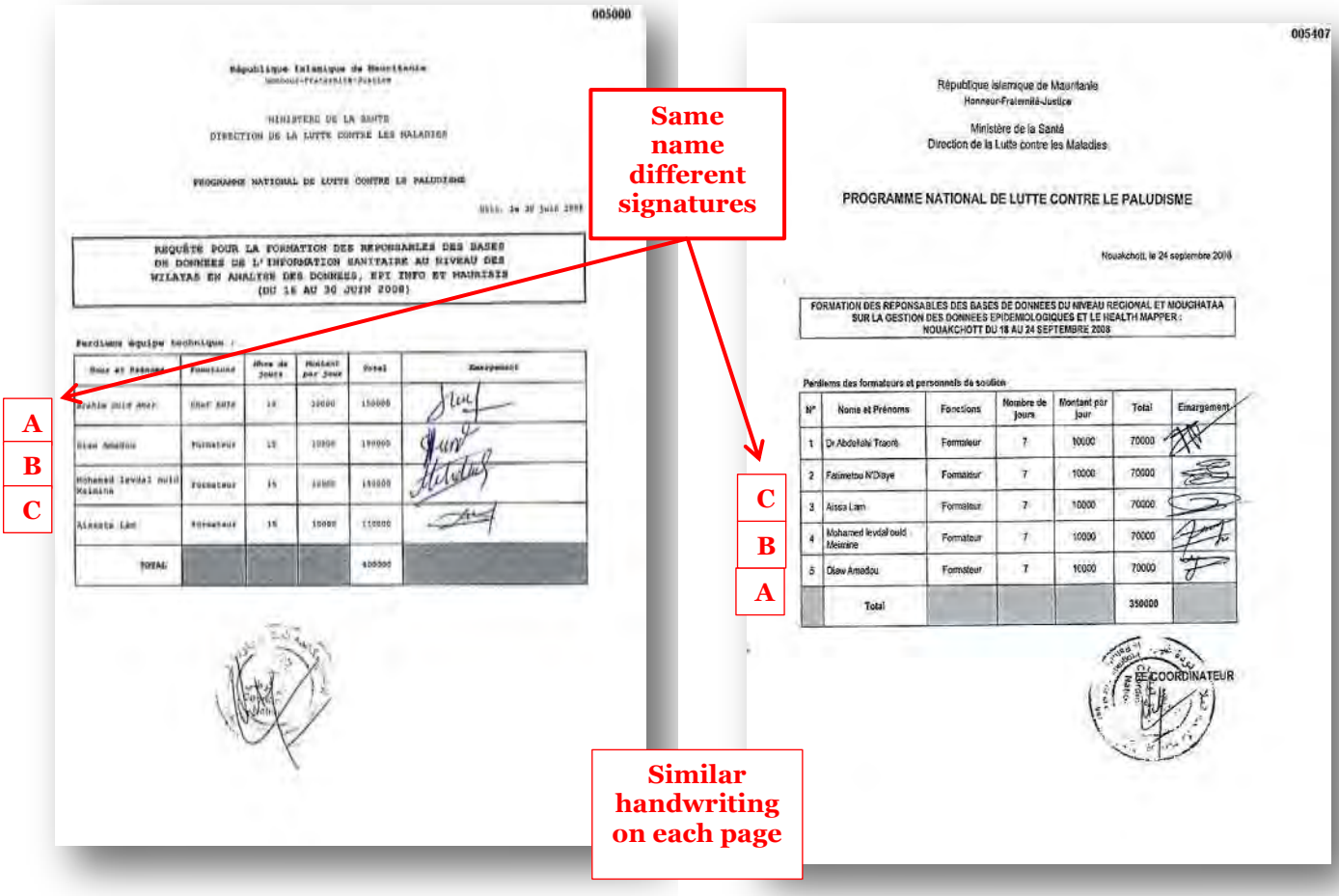
[176] HD9\51734.xls, tab "fac tayeb" and "fac ghoba"
[177] Bates # 5004 and 5006

- **Hotel confirmed fraud:** A representative of Hotel Halima confirmed to the OIG that the hotel invoice was a forged document.

- **False signatures:** The OIG identified falsified signatures on all three *per diem* sheets provided in support of this activity. As shown below, the OIG identified similar *per diem* sheets where signatures for the same individuals were completely different. In the first example below, the event trainers' signatures were fake:

Per diem for technical instructors[178]

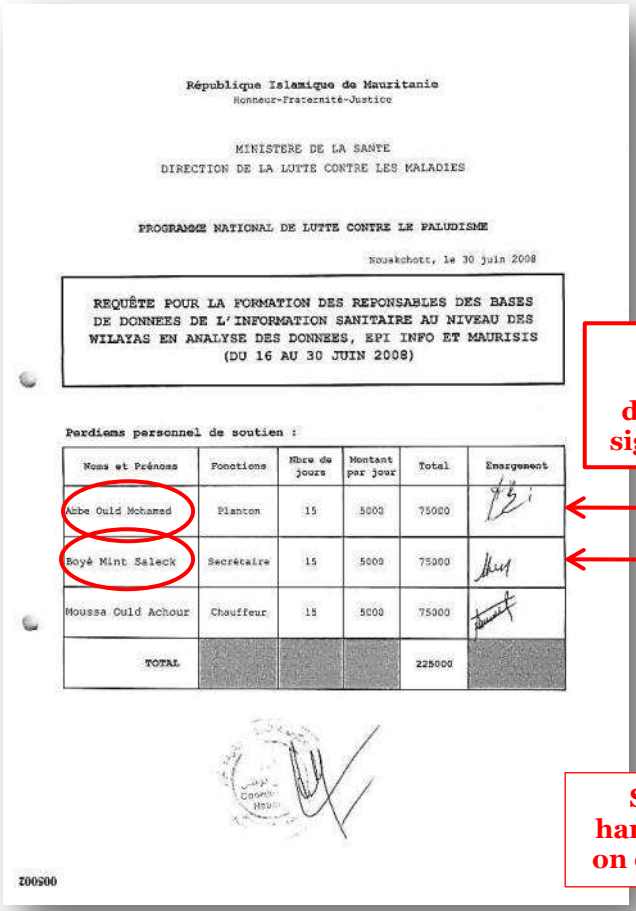
Conflicting signatures, same names, different *per diem*[179]



[178] Bates # 5000
[179] Bates # 5407

186. False signatures appeared for the support staff of the training as well:

***Per diem* for support staff paid by PNLP[180]**



République Islamique de Mauritanie
Honneur-Fraternité-Justice

MINISTERE DE LA SANTE
DIRECTION DE LA LUTTE CONTRE LES MALADIES

PROGRAMME NATIONAL DE LUTTE CONTRE LE PALUDISME

Nouakchott, le 30 juin 2008

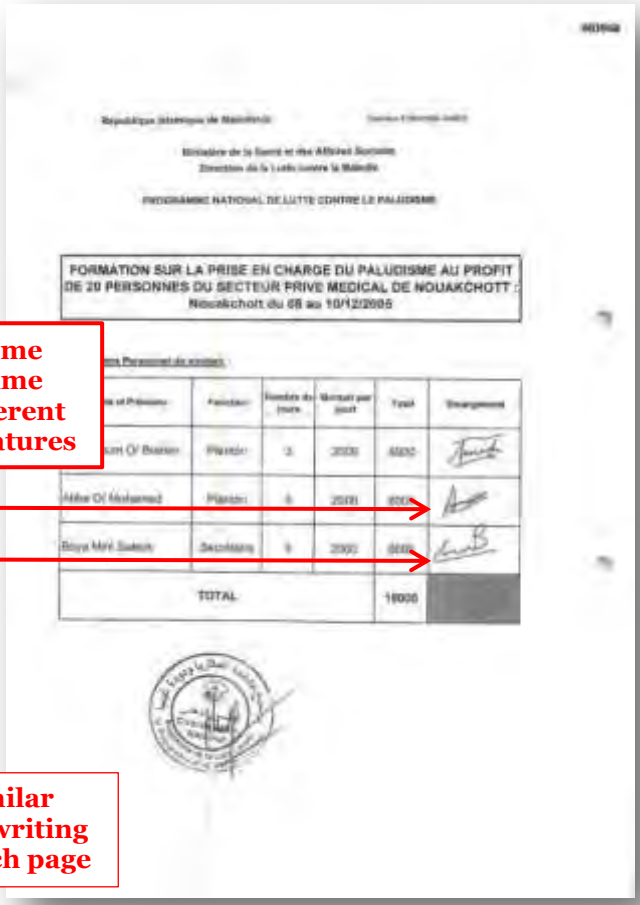
REQUÊTE POUR LA FORMATION DES REPONSABLES DES BASES DE DONNEES DE L'INFORMATION SANITAIRE AU NIVEAU DES WILAYAS EN ANALYSE DES DONNEES, EPI INFO ET MAURISIS (DU 16 AU 30 JUIN 2008)

Perdiems personnel de soutien :

Noms et Prénoms	Fonctions	Nbre de jours	Montant par jour	Total	Emargement
Abbe Ould Mohamed	Planton	15	5000	75000	
Boyé Mint Saleck	Secrétaire	15	5000	75000	
Moussa Ould Achour	Chauffeur	15	5000	75000	
TOTAL				225000	

Z00900

***Per diem* for support staff paid by PNLP[181]**



FORMATION SUR LA PRISE EN CHARGE DU PALUDISME AU PROFIT DE 20 PERSONNES DU SECTEUR PRIVE MEDICAL DE NOUAKCHOTT
Nouakchott du 08 au 10/12/2005

TOTAL				18000	

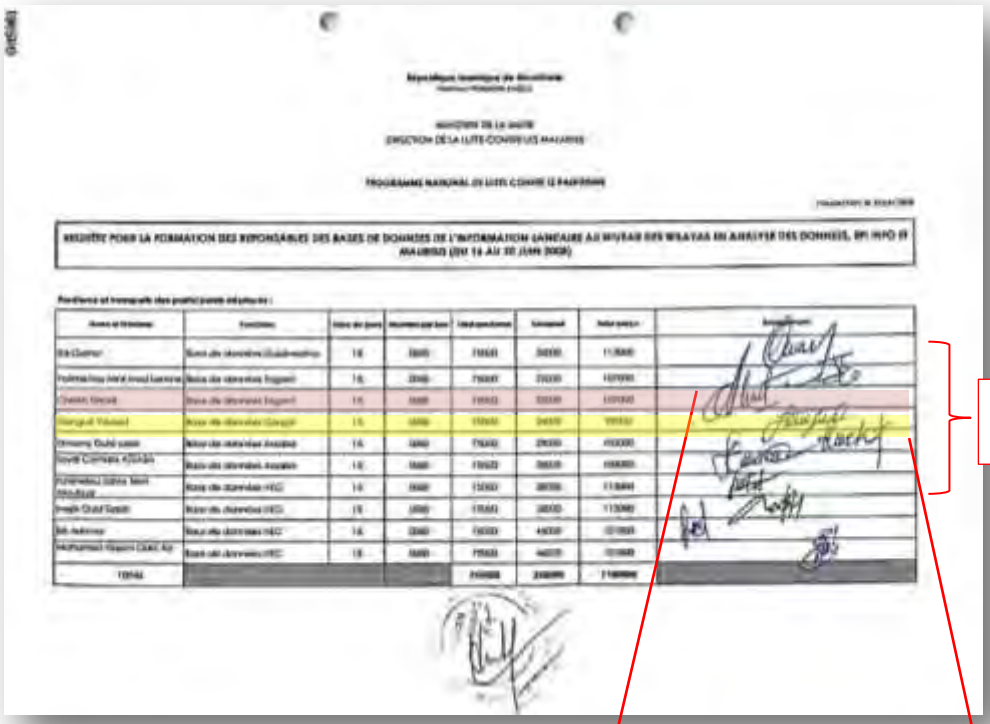
Same name different signatures

Similar handwriting on each page

187. The large majority of the falsified signatures identified were found on the *per diem* sheet allegedly tracking the trainee attendance. Each attendee allegedly received funds to cover transportation costs, as well as a separate attendance fee. While these individual amounts were relatively small, as each attendee received only US$ 20[182] per day to attend,[183] after fifteen days of training, the total cost amounted to US$ 4,348.[184] As the image below demonstrates, many of the signatures on this page appear to be written in the same handwriting. Indeed, the OIG found that 7 of the 10 names, or 70%, were false because the signatures did not match the signatures accompanying the same name on other *per diem* sheets, which related to other trainings and activities. Interestingly, even those comparison *per diem* sheets also looked suspicious, as all the signatures on those sheets appear written in the same handwriting as well.

[180] Bates # 5002
[181] Bates # 3868
[182] UM 5000
[183] Bates # 5001
[184] UM 1,100,000; Bates #5001

Original *Per diem* sheet from the PNLP June 2008 training[185]



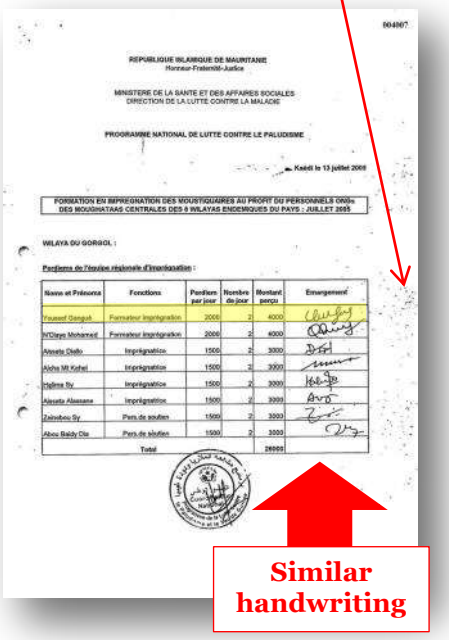
Similar handwriting

Same names, different signatures

Comparison signature of Cheikh Traoré[186]

Similar handwriting

Comparison signature of Youssef Gangué [187]



Similar handwriting

[185] Bates # 5001
[186] Bates # 9014
[187] Bates # 4017

- **Further observations regarding the training:** The two-week training was allegedly organized for the purpose of reinforcing database managers' database analysis skills so that they could appropriately collect the new monitoring indicators sought by the Global Fund.[188] The training schedules provided,[189] however, did not address database analysis at all, but rather listed beginner-level computer skills that did not merit the length of time reserved for the training. For instance, the first module consisted of a training session on the different components of a computer and the installation of basic programs and material (such as MS Office and printers). This module was to last for two days. The next two days of the training focused how to manage folders in Windows and how to copy files onto a CD-Rom. Other topics covered during the training are basic use of Excel and charts, Word and Power Point. Only two lines of the whole training schedule involved understanding calculation methods of performance indicators. The training report concluded that another seminar was needed to increase the managers' database analysis skills.

  Furthermore, for this training, three trainers, the program director, as well as three support staff claimed *per diem* for fifteen days.[190] Given the basic level of the training modules, and given that there were only 10 trainees, this large number of staff does not appear reasonable. Moreover, a *per diem* usually is intended to cover costs such as accommodation and meals and should be consistent for everyone attending the training. However, in this case, the trainers and Program director claimed twice the daily rate claimed by the support staff and training attendees.

(iii) PNLT Trainings, February and March 2007

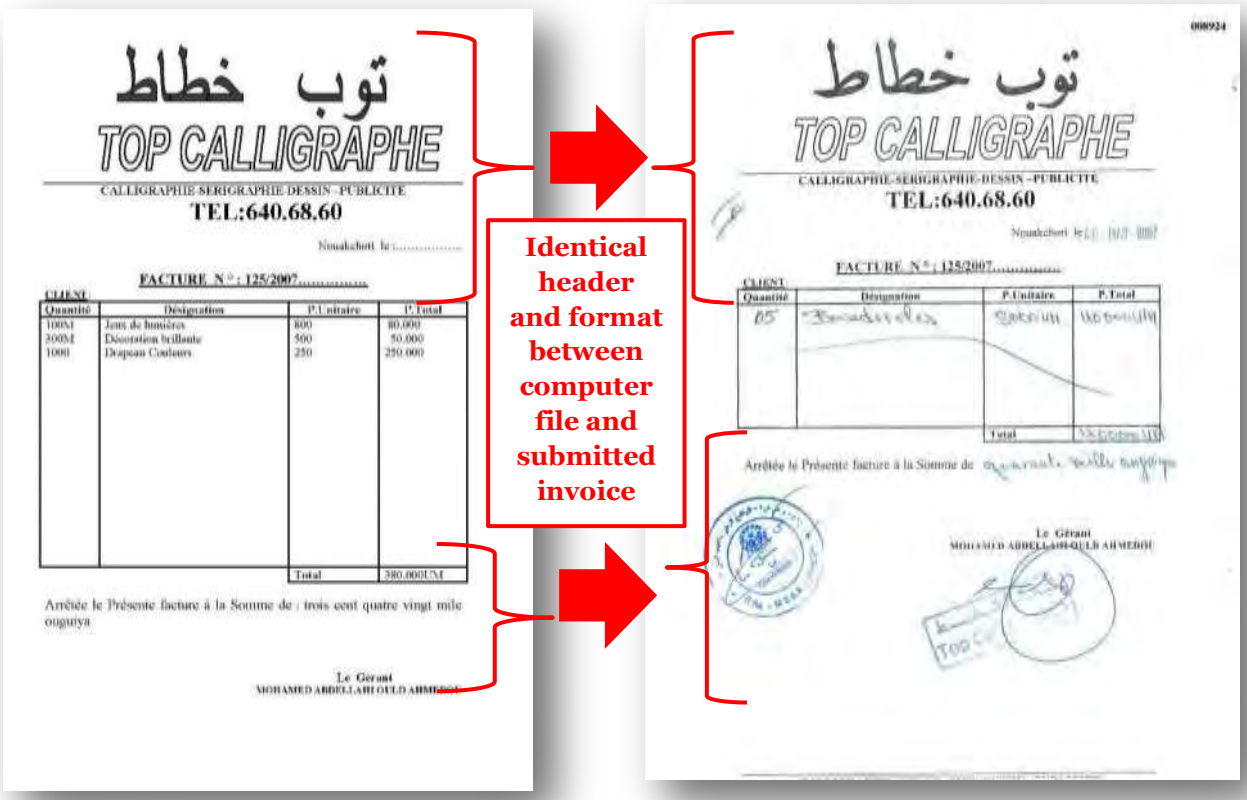
188. Supporting documents indicate that the head of PNLT cashed a check[191] on January 30, 2007 in the amount of US$13,618[192] allegedly to put on two training events: (i) training of paramedical personnel in the town of Nema and (ii) training of doctors in Nouakchott. There were 19 individual expenditure documents[193] related to these two trainings, most of which exhibited evidence and red flags of fraud:

- **Vendor invoice in the possession of a PNLT official:** The OIG found that the invoice submitted for the purchase of five banners for US$ 158[194] matched a template invoice found in the possession of a PNLT official. The header, format, and invoice number on the submitted invoice exactly match the same components on the document retrieved from the PNLT official, probative of a finding that the submitted invoice was forged, rather than authentic.

[188] Bates # 5012
[189] Bates # 5018
[190] Bates # 5002
[191] Bates # 428633
[192] UM 3,837,980
[193] Bates # 8888 to 8933
[194] UM 40,000

File found on PNLT official's computer[195]

Document with identical header submitted to justify expenditure[196]

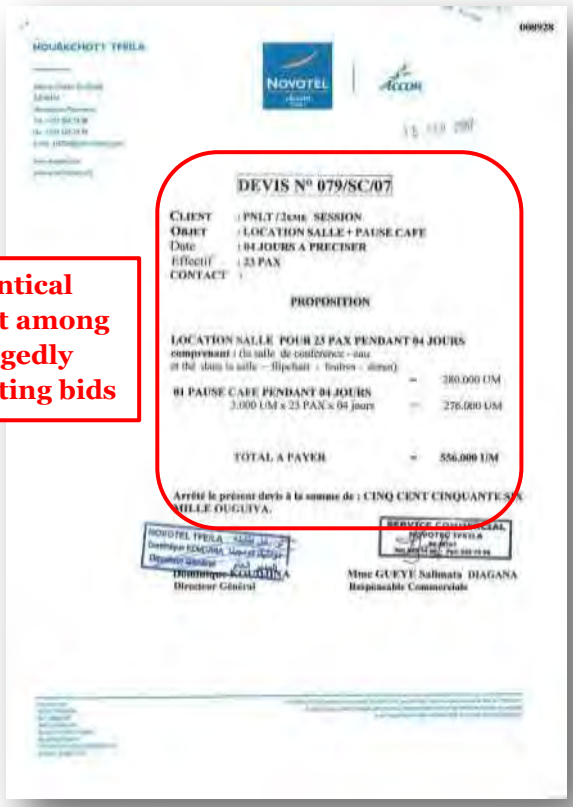


- **Vendors indicate fraud on invoices:** An invoice recorded the rental of a meeting room at the Hotel Chinguetti. However, the hotel manager of Hotel Chinguetti, the hotel that was allegedly used to host the second training, informed the OIG that the hotel has no conference rooms for rent. The conference room rental accounted for US$ 1,897,[197] along with another US$ 1,516[198] for drinks and a meal. The "competing" bids for this training room rental were also strikingly similar to each other, bringing into question whether they were truly independently prepared for the purpose of good faith competition in a procurement process.

[195] HD3 Devis Dah1, pg. 2
[196] Bates # 8924
[197] UM 480,000
[198] UM 383,456

Competing bid 1 – Mercure Hotel[199]

Competing bid 2 - Novotel[200]



Identical format among allegedly competing bids

Also, another vendor, Générale de Calligraphie, confirmed that the invoice bearing his/her business's header, for the purchase of 38 backpacks[201] was also fictitious.

- **False signatures on *per diem* and other sheets:** Every *per diem* sheet for all the trainings exhibited false signatures. In the case of the training on 9 February 2007 in Nema, out of 26 names of participants who signed for a *per diem*, 16, or 60%, had signatures which conflicted with the signature of the same person on other *per diem* sheets. In addition, three out of the four support staff's signatures did not match, and one of the four "formateurs" signatures did not match. The documents submitted also included a "Decharge" describing a cash payment of US$ 194[202] by the Regional Coordinator in H. Charghi. This signature also appears different than in other cases. The image below shows the entire *per diem* sheet for the participants, which appears to be written in the same handwriting. A chart follows, showing the conflicting signatures between this per diem sheet and others obtained from other per diem sheets in the expenditures documents submitted to the OIG.

***Per diem* sheet[203]**

[199] Bates # 8927
[200] Bates # 8928
[201] Bates # 8933. The invoice provided no price or total amount due.
[202] UM 383,456
[203] Bates #8888

Etat de payement des participants à la formation sur la tuberculose à Néma – Hodh El Charghi

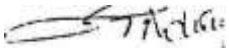
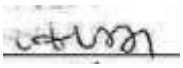
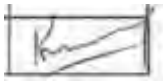
Du 09 / 02 / 2007

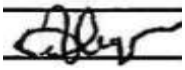
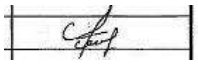
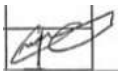
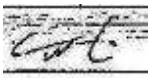
Noms et prénoms	Fonction	Perdiems	Frais de transports	Total	Emargement
Dioum Abdoul	IDE	3000 UM x 3 j	5 200 UM	20 200 UM	
Abderrahmane	IDE	5000 UM x 3 j	4 600 UM	19 600 UM	
N'diaye Amadou Samba	IDE	5000 UM x 3 j	6 800 UM	21 800 UM	
A'ssata Harouna Demba	Assistante sociale	5000 UM x 3 j	3 800 UM	18 800 UM	
Thiam Boukhari	IDE	5000 UM x 3 j	4 000 UM	19 000 UM	
Fodié Diawara	IDE	5000 UM x 3 j	4 600 UM	19 600 UM	
N'Douguel N'Diaye	IDE	5000 UM x 3 j	5 600 UM	20 600 UM	
Yacoub O/ Jeuda	IDE	5000 UM x 3 j	5 000 UM	20 000 UM	
Aly Traoré	IDE	3000 UM x 3 j	4 000 UM	19 000 UM	
Dieng Hamedine	IMS	5000 UM x 3 j	4 800 UM	19 800 UM	
Demba Amadou	IDE	5000 UM x 3 j	4 000 UM	19 000 UM	
Mame Bousso Kane	IMS	5000 UM x 3 j	4 000 UM	19 000 UM	
Sy Mammadou	IMS	5000 UM x 3 j	3 800 UM	18 800 UM	
Kane Moussa	IMS	3000 UM x 3 j		9 000 UM	
Dario M'Bodje	IDE	5000 UM x 3 j	4 600 UM	19 600 UM	
Bowye Moussa	IDE	5000 UM x 3 j	4 800 UM	19 800 UM	
Saidou Sall	IDE	5000 UM x 3 j	3 800 UM	18 800 UM	
Vaya Ciisseko	IMS	5000 UM x 3 j	4 000 UM	19 000 UM	
Sy Fatimata	IMS	5000 UM x 3 j	6 000 UM	21 000 UM	
Bâ Oumar	IMS	3000 UM x 3 j		9 000 UM	
Yero Simmane	IDE	5000 UM x 3 j	4 400 UM	19 400 UM	
Cheikh Kébé	IDE	5000 UM x 3 j	6 000 UM	21 000 UM	
Mohamed O/ Sidi	IDE	5000 UM x 3 j	4 200 UM	19 200 UM	
Siow Moussa	IDE	5000 UM x 3 j	5 800 UM	20 800 UM	
Diagana Houseine	IMS	5000 UM x 3 j	4 000 UM	19 000 UM	
Diallo Abdoul	IDE	5000 UM x 3 j	5 400 UM	20 400 UM	
Sous Total		378 000 UM	413 200 UM	491 200 UM	

Le contrôleur

16 proven fake signatures and suspiciously similar handwriting on entire page

Table of conflicting signatures, as comparing the page above with other per diem sheets

Participant Name	Signature as on Bates No. 8888	Conflicting signatures	
Dioum Abdoul		 Bates # 9808	
N'diaye Amadou Samba		 Bates # 3702	
A¨ssata Harouna Demba		 Bates # 3703 (written as Aïssata Harouna Demba)	
Fodié Diawara		 Bates # 3702	 Bates # 6174
N'Douguel N'Diaye		 Bates # 5830 (written as N'Donguel N'Diaye)	 Bates # 6174 (written as N'Doguel N'Diaye)

Aly Traoré		 Bates # 3801	 Bates # 6175
Dieng Hamedine		 Bates # 5830	 Bates # 3701
Demba Amadou		 Bates # 5830	 Bates # 3701
Kane Moussa		 Bates # 6175	
Saïdou Sall		 Bates # 3703 (written as Saidou Sall)	
Yaya Cissoko		 Bates # 6174 (written as Yahya Cissoko)	
Sy Fatimata		 Bates # 3701	

In the case of the training on the 19-22 of February, 2007, held in Nouakchott, out of the 15 signatures, 11, or 73% of the signatures did not match the signatures of the same persons on other *per diem* sheets. The same applied to 7 out of the 15 signatures appearing on the *per diem* sheet for the training held on 12-15 of March, 2007 in Nouakchott. For both trainings, 2 out of the 6 "formateurs," 1 of the 3 facilitators, and 1 of the 3 support staff also exhibited false signatures.

- **Fuel invoices with no information and excessive fuel:** Four fuel invoices were handwritten, in the same handwriting, on the same generic template with no vendor name. Two of them were for unrealistic amounts of 183 and 178 liters each, as no car is able to hold more than 100 liters at a time.

- **Invoices with no contact information:** An invoice bearing the name of the vendor ETS Elkair,[204] for office supplies, lacked contact information such as phone numbers or e-mail addresses for the purported vendor. Similarly, the invoice with the name of the vendor Publiserve, for banners,[205] included no contact information for the vendor and the formatting resembles that of other purported vendors.

[204] Bates # 8894 and
[205] Bates # 8910

2. Other Fraud Schemes Perpetrated by ROMATUB

189. The SSR under the TB Program, ROMATUB, engaged in particularly flagrant fabrication. The head of this NGO network had already admitted to creating false and fictitious documents that overcharged for services allegedly rendered under the HIV/AIDS Program. Indeed, the OIG uncovered additional schemes perpetrated by ROMATUB under the TB Program as well.

a) ROMATUB Used the Same Photographs In Support of Alleged Training Seminars

190. ROMATUB submitted a report relating to an alleged sensitization campaign regarding TB in Kiffa, which allegedly occurred on June 28, 2009. To prove that the training took place, ROMATUB submitted a report[206] that included a photograph of young men, wearing the same T-shirts, posing with an orange ball. The OIG noted that ROMATUB also submitted a photograph of these same young men, in the same shirts, holding the same orange ball in the same location to justify another activity, a sensitization training that cost USD$ 1,186,[207] in another village, Timbédra, which was allegedly held just a day before, on June 27, 2009. The photos include labels referring to two different villages, further indicating that the photos were intentionally recycled to reflect two different activities.

[206] Bates # 17280
[207] UM 300,000

Photographs ROMATUB provided as evidence of two separate sensitization sessions in Kiffa[208] and Temebora[209]

b) ROMATUB Falsified Signatures for Tracking Patients who Stopped TB treatment

191. ROMATUB was responsible for the "lost to follow up" (LTF), activities under the TB Program. Retention of patients suffering from multidrug-resistant TB is a key program component because interruption of treatment increases the risk of death or development further drug resistance. Patients who interrupt TB treatment are therefore labeled as LTF, or "defaulted treatment," and a key program activity involves detecting and reintroducing such patients back into treatment.

192. Since an informant alleged to the OIG that ROMATUB had not been performing such activities, the OIG included an in-depth analysis of three such activities, and found that most of the documents supporting these activities were indeed fictitious. While this finding

[208] Bates # 17284
[209] Bates # 17125

does not conclusively establish that all LTF activities never occurred, it does cast doubt on their legitimacy.

193. The OIG reviewed an activity allegedly conducted in June 2008, another in October 2008, and in the case of the third, it was unable to determine the date as the supporting documents did not include such information. The documents supporting the LTF activities included (i) contracts outlining the responsibilities of the NGO to locate the lost patients in a particular area and the amount of money the NGO would receive in exchange,[210] (ii) "decharge" forms that allegedly evidenced transfers of cash to an NGO, and (iii) summary payment sheets that allegedly evidenced payments to NGOs that conducted the searches for the lost patients. Each NGO would supply the name of one person, normally the NGO president, who allegedly signed to evidence receipt of the payment for time spent locating the patients.

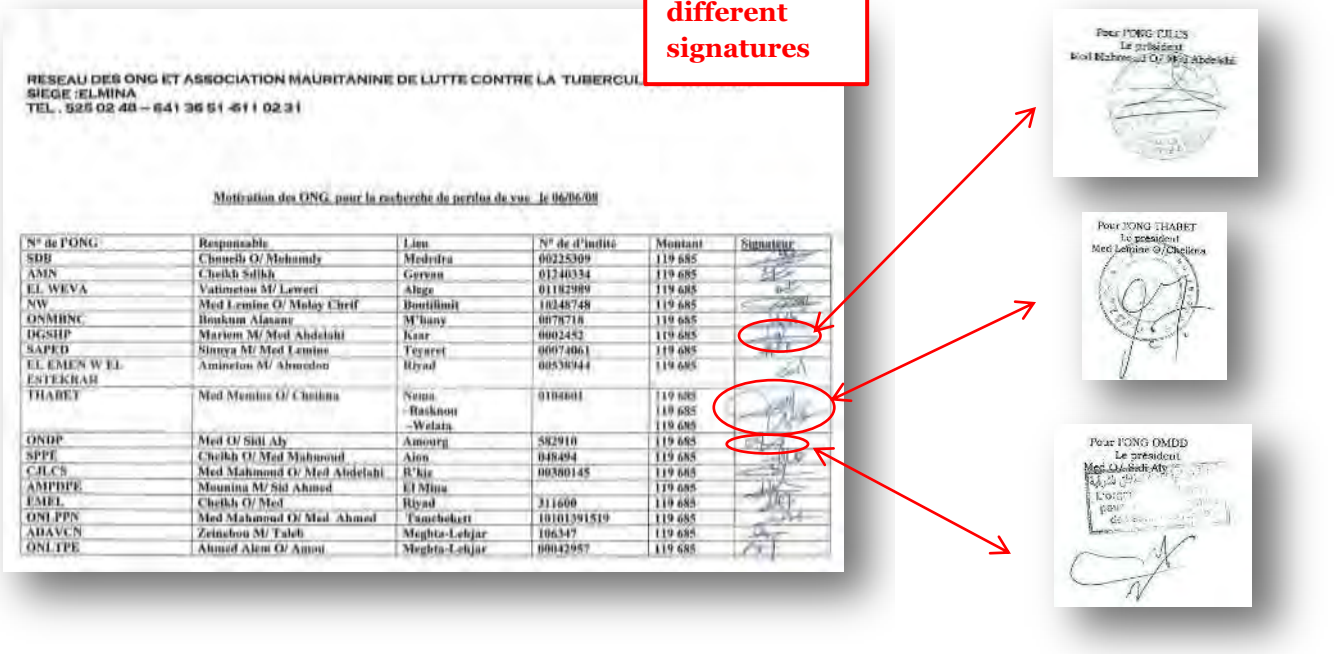
194. In the case of the June 2008 activity, the OIG noted that, of the 41 signatures provided on the summary sheet, 34 signatures, or 83% were fictitious.[211] In fact, for the vast majority of these names, the signatures on the summary payment sheet conflicted with the signature on the very contracts that accompanied this sheet. It is not entirely clear, based on this documentation, whether or not the signatures on the contracts were authentic. The similar handwriting of the signatures on the summary payment sheet, however, indicates that at least that page was illegitimately prepared.

[210] It merits noting, that of 7 articles comprising the form contract which ROMATUB allegedly signed with each NGO per activity, 5 of the articles pertained to the rights of ROMATUB to exercise fiduciary control over the process (*i.e.,* the right to audit, the right to not pay if evidence of activity was not supply, the right to withdraw from the contract, and selection of a forum for purposes of dispute resolution.) See Bates 12104 for an example.
[211] Bates # 12101, 12102, and 12103.

Summary payment sheet[212]

Same names, different signatures

Signatures of three NGO presidents on contract accompanying the summary payment sheet.[213]



RESEAU DES ONG ET ASSOCIATION MAURITANINE DE LUTTE CONTRE LA TUBERCUL
SIEGE :ELMINA
TEL . 525 02 48 – 641 36 51 -611 02 31

Motivation des ONG pour la recherche de perdus de vue le 06/06/08

N° de l'ONG	Responsable	Lieu	N° de d'indité	Montant	Signature
SDB	Chmeih O/ Mohamdy	Medrdra	00225309	119 685	
AMN	Cheikh Sdikh	Gereun	01240334	119 685	
EL WEVA	Vatimetou M/ Leweci	Alege	01182989	119 685	
NW	Med Lemine O/ Moloy Cherif	Boutilimit	10348748	119 685	
ONMHNC	Boukum Alasane	M'bany	00178718	119 685	
OGSHP	Mariem M/ Med Abdelahi	Kaar	0002452	119 685	
SAPED	Sinnya M/ Med Lemine	Teyaret	00074061	119 685	
EL EMEN W EL ESTEKRAR	Aminetou M/ Ahmedou	Riyad	00538944	119 685	
THABET	Med Mentou O/ Cheikna	Nema -Basknou -Welata	0104601	119 685 119 685 119 685	
ONDP	Med O/ Sidi Aly	Amourg	582910	119 685	
SPPE	Cheikh O/ Med Mahmoud	Aioun	048494	119 685	
CJLCS	Med Mahmoud O/ Med Abdelahi	R'kiz	00380145	119 685	
AMPDPE	Mounina M/ Sid Ahmed	El Mina		119 685	
EMEL	Cheikh O/ Med	Riyad	311600	119 685	
ONLPPN	Med Mahamod O/ Med Ahmed	Tamchekett	10101391519	119 685	
ADAVCN	Zeinebou M/ Taleb	Meghta-Lehjar	106347	119 685	
ONLTPE	Ahmed Alem O/ Amou	Meghta-Lehjar	00042957	119 685	

Pour FONG THABET
Le président
Med Lemine O/Cheikna

Pour FONG OMDD
Le président
Med O/ Sidi Aly

195. The remaining 7 names (17%) on this summary payment sheet appeared only once across all the supporting documentation provided, therefore it was not possible to find conflicting signatures appended to the same name in order to establish the veracity of the signature. Since the signatories were typically the NGO presidents, it is unlikely that the names would have appeared only once across all expenditures, especially in relation to the same NGO which was allegedly part of the network which ROMATUB managed. The OIG therefore considered the appearance of a name only once as a risk indicator that that the name itself may have been fabricated.

196. In the case of the October 2008 activity, 20 out of 68, or 29% of the signatures were fake.[214] Similarly, another 44 names (65%) appeared only once across all the documents.[215] In the case of the undated training, 18 of the 67 names (27%) were fake. Again, another 39 names (58%) appeared only once across all the documents.

197. The signature sheets also exhibited other indicators of fabrication: In the case of the June 2008 activity, the same name, Vatimetou M/ Lewici appeared to represent and sign for two different NGOs, El Weva and APFEN,[216] and the signature accompanying this name differed across the two NGOs. Similarly, in the case of the October 2008 activity, the same name, Cheikh O/ Med was linked to two NGOs, EMEL[217] and SPPE,[218] and Med Lemine O

[212] Bates # 12101
[213] Bates # 12121, 12127, and 12125, in order from top to bottom.
[214] Bates # 12501 and 12502
[215] The remaining 4 signatures were completely missing.
[216] 12101 and 12102
[217] Bates # 12501
[218] Bates # 12502

Cheikhna was appended to both THABET[219] and NE WORLD.[220] In the first cases, there were no signatures appended, and in the latter, the signatures across this same name were different per each NGO.

198. The NGOs with accompanying fake signatures were: EL WEVA, DGSHP, EL EMEN W EL ESTEKRAR, THABET, ONDP, SPPE, CJLCS, AMPDPE[221], AMDPE, AMDPPE, AMDDEP, AMDEEP, EMEL, ONLPPN, ADAVCN, ADRE, OMED, OMSS, AMSDH, APFEN, ONSSMM, EL BEHJE, AJD, AEPELP, OMDD, ONDSHP, NE WORLD, SPPE, ONSSMD, Femme Pour Mille, Association Chouraa, ANLPPN, ADURUS, Saada pour Tous, OMDSS, AMMRD, SAPPED, AMPE, AMFPP, OMMDE, APPEM, AMSDE, OMPPE. The OIG's finding of false signatures is consistent with the results of the MoH government audit which stated that, based on site visits, it could not find some of the NGOs that allegedly performed activities for ROMATUB.

c) ROMATUB Failed to Systematically Deposit Funds into Program Bank Accounts

199. Records indicate that ROMATUB did not make use of a bank account prior to February 2008 for purposes of safeguarding Global Fund funds. Prior to that date, the President of ROMATUB endorsed and cashed checks written by PNLT to ROMATUB, and purportedly paid vendors and per diems from those proceeds. Even after ROMATUB established a bank account in February 2008, ROMATUB still did not systematically deposit checks from PNLT into the account. In total, the OIG identified 24 checks totaling US$ 122,953 cashed between December 2006 and April 2009 that were not deposited into the ROMATUB bank account.

200. At least 11 of these checks, totaling US$ 61,838,[222] or 50% of the non-deposited funds, were supported by documentation which the OIG proved to be fraudulent; of these 11, two of the checks totaling US$ 12,717 included invoices that the OIG found on a ROMATUB official's computer. Of the remaining 13 checks, at least 6 checks totaling US$ 25,798[223] were tainted by serious red flags of fabrication. Lastly, for the 7 remaining checks totaling US$ 32,233,[224] the OIG was unable to link the check withdrawals to any supporting documenting whatsoever. Based on this evidence, it is more likely than not that ROMATUB officials diverted some or all of these funds.

[219] Bates # 12501
[220] Bates # 12501
[221] Although the NGOs that follow this one appear similar, the OIG determines that they are different because the names of the people receiving funds isare different perfor each.
[222] UM 99,706,888
[223] UM 6,400,386
[224] UM 8,558,000

Checks cashed but not deposited by ROMATUB

Account #	Account_Desc	Date	UM Amount	USD Amount	Beneficiary
810536	PNLT Round 2	13-Dec-06	1,056,000	$ 3,737	ROMATUB
810536	PNLT Round 2	30-Jan-07	3,136,590	$ 11,129	ROMATUB
810536	PNLT Round 2	15-Mar-07	595,342	$ 2,116	ROMATUB
810536	PNLT Round 2	17-May-07	1,643,220	$ 6,101	ROMATUB
810536	PNLT Round 2	17-May-07	1,620,000	$ 6,015	ROMATUB
810536	PNLT Round 2	22-May-07	594,000	$ 2,205	ROMATUB
810536	PNLT Round 2	24-May-07	1,134,000	$ 4,207	ROMATUB
810536	PNLT Round 2	24-May-07	550,530	$ 2,043	ROMATUB
810536	PNLT Round 2	21-Jul-08	2,353,860	$ 10,015	ROMATUB
810536	PNLT Round 2	21-Jul-08	2,269,800	$ 9,657	ROMATUB
810536	PNLT Round 2	21-Jul-08	2,001,280	$ 8,515	ROMATUB
810536	PNLT Round 2	21-Jul-08	1,000,400	$ 4,256	ROMATUB
810536	PNLT Round 2	21-Jul-08	558,376	$ 2,376	ROMATUB
810536	PNLT Round 2	21-Jul-08	1,061,700	$ 4,517	ROMATUB
810536	PNLT Round 2	25-Feb-09	2,201,000	$ 8,323	ROMATUB
810536	PNLT Round 2	26-Feb-09	1,030,000	$ 3,884	ROMATUB
810536	PNLT Round 2	26-Feb-09	1,370,000	$ 5,166	ROMATUB
810536	PNLT Round 2	02-Mar-09	1,080,000	$ 4,053	ROMATUB
810536	PNLT Round 2	02-Mar-09	1,092,000	$ 4,098	ROMATUB
810536	PNLT Round 2	02-Mar-09	2,185,000	$ 8,200	ROMATUB
810536	PNLT Round 2	02-Mar-09	680,000	$ 2,552	ROMATUB
810536	PNLT Round 2	26-Mar-09	234,000	$ 870	ROMATUB
811336	PNLT Round 6	01-Jul-08	1,436,200	$ 5,979	ROMATUB
811336	PNLT Round 6	29-Apr-09	800,000	$ 2,939	ROMATUB
			31,683,298	$ 122,953	

3. Program Officials and Accountants Withdrew Bank Funds for Many of the Expenditures Proven to have been Fraudulent

201. The OIG identified a total of 331 checks[225] totaling over US$ 1.5 million,[226] or 48% of all expenditures under the SRs and SSRs, which were written to and cashed by Program employees.[227] The table below details the total amounts expended by each SR and SSR and the relative amount of these expenditures withdrawn by Program employees.

[225] Because Mauritanian banks did not provide the OIG with copies of all canceled checks written on Program bank accounts, this number and corresponding value of checks cashed by employees is most likely understated.

[226] UM 384,797,845

[227] Based on documentation provided, it appears that PNLT made one exceptional drug purchase, using the same cash-based method, based on a request by UNDP. All other drug purchases under these grants were to have been done by UNDP itself. This amount is excluded from this analysis.

	Total Withdrawals		Employee Withdrawals		
Entity	**# of checks**	**Value**	**# of checks**	**Value**	**% Value**
PNLT	254	$1,006,893	101	$518,687	52%
PNLP	541	$1,088,125	112	$477,925	44%
ROMATUB	117	$520,534	62	$404,697	78%
INRSP	214	$493,001	60	$148,277	30%
RNLPV	82	$154,208	4	$12,381	8%
	1,208	**$3,262,761**	**339**	**$1,561,967**	**48%**

Note that the PNLT figure excludes US$ 247,738 transfer to CAMEC for drug purchases

202. The OIG was able to link US$ 1.3 million, or 84% of these bank withdrawals to underlying purported supporting documentation. Of that amount, US$ 957,698, or 73% of the expenditures purportedly supporting these withdrawals included at least one fabricated document. The practice of enabling Program employees to withdraw cash directly from bank accounts under the guise of paying for expenses to vendors in cash was a highly-risky practice.

4. Fraud Determinations through the Totality of Evidence and Circumstances

203. As the examples featured in the previous sections of this Report illustrate, when the OIG identified "red flags," or indicators of fraud on documents, in many cases it was also able to further confirm that these documents were indeed fabricated through additional direct evidence such as witness interviews or other documents. In other cases, the OIG was able to identify fabrication under the administrative standard of evidence (more likely than not) through circumstantial evidence and reasonable inferences to be drawn therefrom. Use of circumstantial evidence to make findings of fact is a well-established practice[228] in both common and civil law jurisdictions,[229] as well as in the international,[230] IFI,[231] and arbitration settings.[232] Using this approach, the OIG has identified an additional US$ 254,374 of fraud.

[228] Scherer, Matthias "Circumstantial Evidence in Corruption Cases Before International Arbitral Tribunals." 5 International Arbitration Law Review 2 (2002), p. 29.
[229] For examples in common law, see Jack B. Weinstein & Margaret A. Berger, 2 Weinstein's Federal Evidence § 401.04[2][d] (McLaughlin, ed.) (2011); for examples in civil law, see Civil Procedure in France, Peter Herzog, para. 7.31, p. 316
[230] Corfu Channel Case, Judgment of April 9th, 1949, I.C.J. Reports 1949, p. 4, at pp. 18, 19, 20, 22-23. Available at http://www.icj-cij.org/docket/files/1/1645.pdf (accessed 23 August, 2011)
[231] International Financial Institutions also use circumstantial evidence: Under the World Bank's Sanction's Procedures, Section 6.1.1 "the Sanctions Board shall have the discretion to infer purpose, intent and/or knowledge on the part of the Respondent, or any other party, from circumstantial evidence." The Asian Development Bank allows investigations to take "all relevant factors and circumstances" into consideration when making that determination. Asian Development Bank Anticorruption and Integrity, Our Framework Policies and Strategies, Second Edition (Oct. 2010), §12 A.
[232] Scherer, Matthias "Circumstantial Evidence in Corruption Cases Before International Arbitral Tribunals." 5 International Arbitration Law Review 2 (2002), p. 29.Tribunals." 5 International Arbitration Law Review 2 (2002), p. 29

204. Supporting documents exhibiting the same "red flags" that appeared on the documents for which direct evidence was available to corroborate fraud. Red flags identified included:

- Invoices with no vendor address or phone number,
- Invoices with suspicious formatting,
- Invoice similarities between different vendors,
- *Per diem* sheets with suspicious signatures (where OIG has been unable to prove forgeries),
- Vendors with out-of-service phone numbers and email addresses,
- Vendors providing wide ranges of goods and services,
- Unrealistically large one-time fuel purchases and significant overpricing of goods and services. Indeed, as to this point, the OIG obtained admissions from ROMATUB, an organization that received funding under both the HIV/AIDs and TB Programs, that it had significantly overcharged the Programs.

205. Such evidence constitutes circumstantial evidence of fraud. In analyzing evidence, it is axiomatic that a single piece of evidence is never viewed in isolation from other evidence. Rather, evidence is viewed in the aggregate, and in its totality. Findings of facts can therefore be made when the accumulation of mutually corroborating evidence leads to one reasonable inference over all other alternative explanations.[233]

206. Indeed, the totality of the circumstances, based upon the reasonable inference that may be drawn, leads to a conclusion that these documents are more likely than not fabricated. First, the same indicia of illegitimacy appear on documents that the OIG was able to prove to be fabricated by direct evidence. Second, multiple in-depth reviews performed independently form the OIG—by the LFA, the UNDP's OAI, and the MoH—all identified that the fiduciary control environments at the SRs and SSRs were extremely weak, and in fact non-existent, thus facilitating environments ripe for the perpetration of fraud. Third, the same persons and entities whose credibility has been called into question through the multiple reviews, and OIG's findings of proven fraud, also are the individuals who supplied the documents exhibiting further indicia of fabrication.

207. The sections that follow outline a sample of the indicia observed:

a) Excessive Per Diem Amounts

208. During its specially-tasked reviews of the SRs and SSRs, the newly appointed LFA noted that program officials often paid themselves inconsistent and often unreasonable amounts of *per diem*s. The OIG found such cases as well. In many instances, program officials paid themselves *per diem*s for work done in their own offices in Nouakchott.

[233] For precedent in common law, see Jack B. Weinstein & Margaret A. Berger, 2 Weinstein's Federal Evidence § 401.04[2][d] (McLaughlin, ed.) (2011); for precedent in civil law, see Civil Procedure in France, Peter Herzog, para. 7.31, p. 316; See also Corfu Channel Case, Judgment of April 9th, 1949, I.C.J. Reports 1949, p. 4, at pp. 18, 19, 20, 22-23. Available at http://www.icj-cij.org/docket/files/1/1645.pdf (accessed 23 August, 2011)

209. For example, in respect to an alleged INRSP laboratory supervision mission in July 2007, the head of the INRSP and two another staff charged a total of 24 days of *per diem* totaling US$ 768[234] to coordinate administrative aspects of this mission.[235] The head of then INRSP and another staff then charged another 16 days of *per diem* US$ 512[236] at the end of the mission to prepare a three-and-a-half page mission report. Neither of these individuals appear to have actually traveled on this supervision mission but instead collected *per diem*s for working from their offices in Nouakchott.

210. In another instance, the PNLP allegedly paid *per diems* for 12 days to 9 individuals for the review of a procedures manual for new Malaria treatment initiatives. Among those allegedly paid were the heads of the PNLP, the INRSP, the Direction de Lutte contre la Maladie, and the National Pharmacy, along with two PNLP supervisors, a secretary, and 2 guards. Each of these individuals was allegedly paid a daily *per diem* of US $ 40 (US$ 20 for the secretaries and the guards) for a total of 12 days. The PNLP also allegedly incurred expenditures for food and office supplies, the latter of which the OIG confirmed as fraudulent on the basis of a match to a document found on the computer of a PNLP official. Notwithstanding the fact that the ancillary expenditures were proven to be fraudulent, the fact that 12 days of *per diem* were paid to 9 different program staff for the review of a single document seems unreasonable, in particular given that the work was claimed to have been performed in the capital city of Nouakchott and the participants were purportedly provided with food.

211. Given that, according to the LFA's review, none of the programs had guidelines or policies regarding appropriate *per diem* amounts, it was not possible to clearly identify these cases of overpricing. The OIG therefore has not included any of these amounts in the overall loss calculation.

b) Receipts for Excessive Fuel Purchases

212. SRs and SSRs allegedly spent a total of US$ 234,408 on fuel. Many of the invoices comprising this amount exhibited indicators of fraud: receipts were written entirely by hand, receipts recorded fuel amounts up to 3,000 liters of fuel despite records showing the use of only one vehicle that can hold up to 100 liters at a time.

(i) Example: ROMATUB Overcharges for Fuel

213. The PNLT wrote a check to ROMATUB's head in the amount of US$ 9,080[237] that cleared the bank on July 21, 2008 but was never deposited in ROMATUB's bank account. The supporting documents for this expenditure consisted of five invoices with dates in 2007 from the same vendor, Station el Vowz, one for vehicle maintenance service and four for fuel purchases. The amounts of fuel reported on the four fuel receipts were for 800 liters,[238]

[234] UM 192,000
[235] Bates # 10944 - 10994
[236] UM 128,000
[237] UM 2,269,800
[238] Bates # 10548

2,500 liters,[239] 2,600 liters,[240] and 3,000 liters.[241] There was no documentation showing that the fuel receipts were linked to the use of a large number of vehicles, or many trips. The OIG showed the vendor Station el Vowz two of these receipts and confirmed them as false.

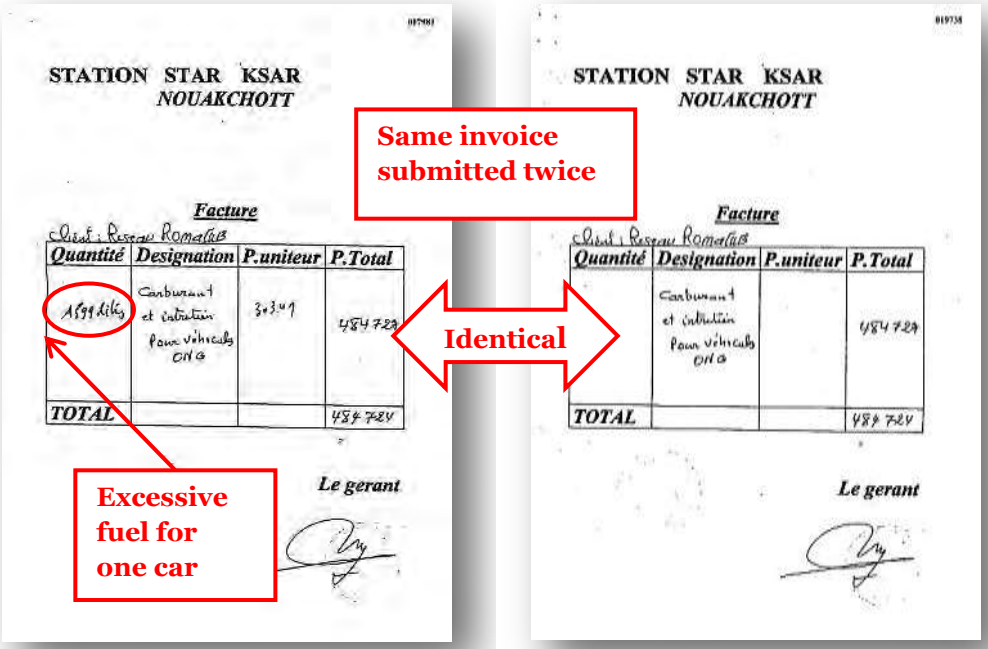
214. The extremely high amount of fuel on these invoices should have been sufficiently suspicious to the SR or the PR to reject these submissions, alone.

(ii) Example: Station Star Ksar Excessive Fuel

215. The OIG found other cases of extremely large fuel amounts in the case of vendor Station Star Ksar. Having received a legitimate invoice from this station, the OIG identified that several of the invoices bearing this vendor's name neither resembled the invoice the OIG received, nor did they include any date of service or contact information for the station. All of them had reported the purchase of excessive fuel amounts of 330 liters, 518 liters, and two looked like the same invoice used twice.

Excessive fuel: 303.49 liters[242]

Another invoice that is identical to the middle invoice presented[243]



c) Overpriced Hotel Charges

216. The OIG also found significant disparities in the unit prices for rates charged for conference rooms rented for alleged training events. As a baseline, the Hotel Tfeila (formerly

[239] Bates # 10550
[240] Bates # 10551
[241] Bates # 10549
[242] Bates # 17981
[243] Bates # 19738

Novotel) in Nouakchott, one of the most expensive hotels in the country, charges between US$ 79 – 99[244] for a daily conference room rental. Supporting documentation provided by SRs and SSRs, however, included room rentals for various small hotels in and outside of the capital, and even tent rentals, with daily rental rates of US$ 237,[245] US$ 316[246] and in one instance US$ 553[247] per day. It is unlikely that hotels in Mauritania charged 3-6 times more than the most expensive hotel in the entire country.

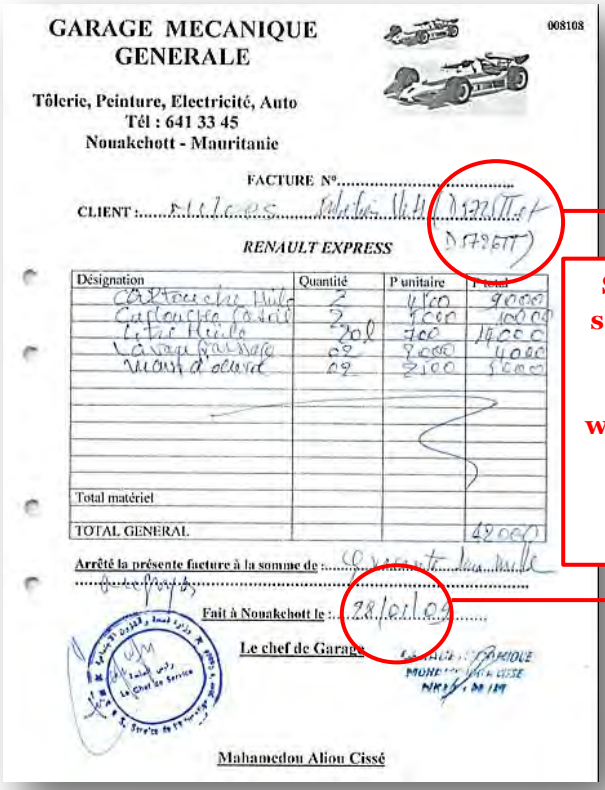
d) Fictitious Vehicle Maintenance Services

217. SRs and SSRs spent nearly US$ 70,000[248] on alleged vehicle maintenance expenditures for program vehicles. The OIG found that 63 of the total 201 individual expenditures for vehicle maintenance were confirmed as fabricated on the basis of matches to program officials' computers as well as through confirmation of procurement anomalies and collusion. In addition to these confirmations, the OIG found red flags of maintenance services for the same vehicles being so close in time that they could not have been legitimate.

218. For example, the PNLP submitted an invoice dated January 27, 2009 for motor oil, filter, greasing and labor related to vehicle #D5725TT. This expenditure was claimed to have been incurred as part of an activity to investigate the level of use of impregnated bed nets by local populations.[249] The OIG then found that the PNLP submitted a separate invoice dated one day later, on 28 January 2009, for identical services on the same vehicle. This second receipt was submitted as part of expenses justifying a different activity to train participants on IEC techniques.

[244] UM 20,000 to 25,000
[245] UM 60,000
[246] UM 80,000
[247] UM 140,000
[248] UM 17,312,259
[249] Bates # 7976 to 8013

Invoice PNLP submitted for vehicle #D5725TT on 28 January 2009[250]



GARAGE MECANIQUE GENERALE

008108

Tôlerie, Peinture, Electricité, Auto
Tél : 641 33 45
Nouakchott - Mauritanie

FACTURE N°.....

CLIENT :.....

RENAULT EXPRESS

Désignation	Quantité	P unitaire	P total
Cartouche Huile	2	4500	9000
Cartouche Gasoil	2	5000	10000
Litre Huile	20l	700	14000
Lavage Graissage	02	2000	4000
Main d'oeuvre	02	2500	5000
Total matériel			
TOTAL GENERAL			42000

Arrêté la présente facture à la somme de :.....

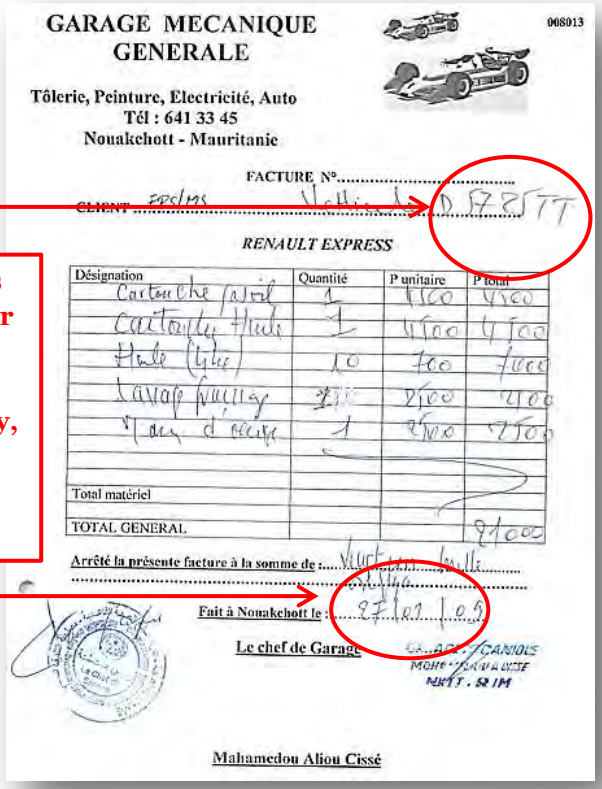
Fait à Nouakchott le : 28/01/09

Le chef de Garage

Mahamedou Aliou Cissé

Same cars serviced for same services within 1 day, for two different activities

Invoice PNLP submitted for vehicle #D5725TT on 27 January 2009[251]



GARAGE MECANIQUE GENERALE

008013

Tôlerie, Peinture, Electricité, Auto
Tél : 641 33 45
Nouakchott - Mauritanie

FACTURE N°.....

CLIENT :.....

RENAULT EXPRESS

Désignation	Quantité	P unitaire	P total
Cartouche gasoil	1	4500	4500
Cartouche Huile	1	4500	4500
Huile (Litre)	10	700	7000
Lavage graissage	2	2000	4000
Main d'oeuvre	1	2500	2500
Total matériel			
TOTAL GENERAL			21000

Arrêté la présente facture à la somme de :.....

Fait à Nouakchott le : 27/01/09

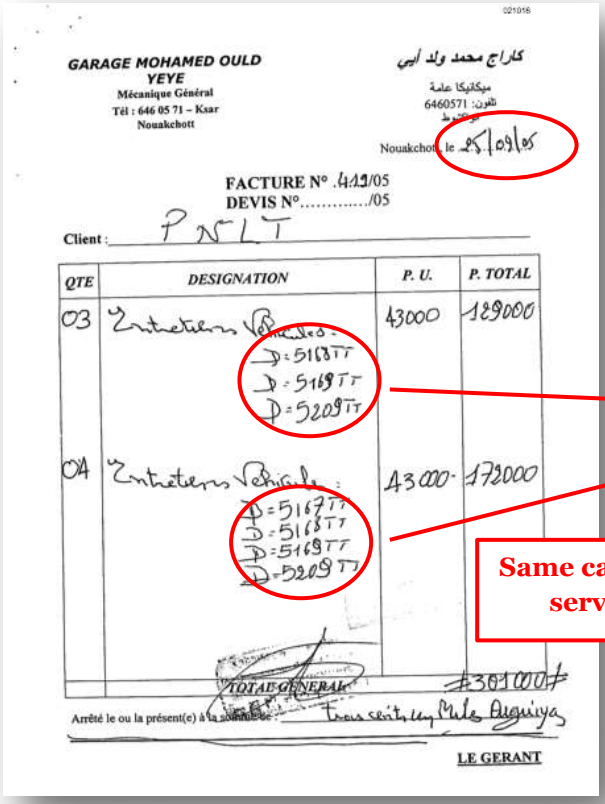
Le chef de Garage

Mahamedou Aliou Cissé

219. The OIG identified similar examples within invoice documentation submitted by the PNLT and INRSP as well. In the example below, four vehicles allegedly received the same services within 10 days of each other.

[250] Bates # 8108
[251] Bates # 8013

Invoices PNLP submitted for vehicles #D5167, 51768, 5169, 5209 on 25 September, 2009[252]


GARAGE MOHAMED OULD YEYE
Mécanique Général
Tél : 646 05 71 – Ksar
Nouakchott

كاراج محمد ولد ابيي
ميكانيكا عامة
6460571 :تلفون

Nouakchott, le 25/09/05

FACTURE N° 4119/05
DEVIS N°...../05

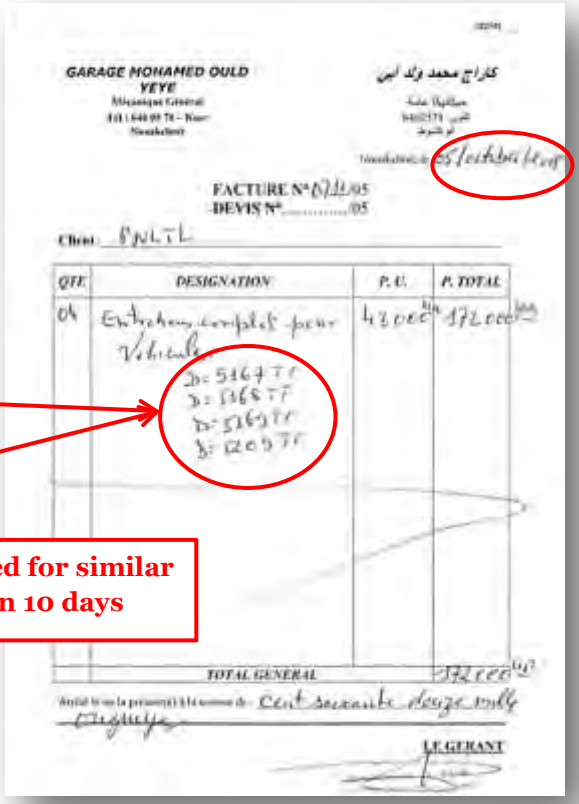
Client : PNLT

QTE	DESIGNATION	P. U.	P. TOTAL
03	Entretiens Véhicules : D=5167 TT D=5168 TT D=5209 TT	43000	129000
04	Entretiens Véhicule : D=5167 TT D=5168 TT D=5169 TT D=5209 TT	43000	172000
	TOTAL GENERAL		301000

Arrêté le ou la présent(e) à la somme de : Trois cent un mille Ouguiya

LE GERANT

Invoices PNLP submitted for vehicles #D5167, 51768, 5169, 5209 on 5 October, 2009[253]


GARAGE MOHAMED OULD YEYE
Mécanique Général

كاراج محمد ولد ابيي

FACTURE N° 6711/05
DEVIS N°...../05

Client : PNLT

QTE	DESIGNATION	P. U.	P. TOTAL
04	Entretiens complet pour Véhicules D=5167 TT D=5168 TT D=5169 TT D=5209 TT	43000	172000
	TOTAL GENERAL		172000

Arrêté le ou la présent(e) à la somme de : Cent soixante douze mille Ouguiya

LE GERANT

Same cars serviced for similar services within 10 days

220. The OIG notes that the GoM audit report also specifically identified fuel and vehicle maintenance expenditures as particularly subject to abuse.

B. PROGRAM OFFICIALS ENGAGED IN COLLUSION

221. The OIG found incidents of collusion across the Grants.[254] First, the OIG was able to determine that RNLVP officials and officials in the regional offices of the MoH, tasked with PNLP program implementation outside of Nouakchott, Mauritania's capital, colluded with the central office. In these instances, funds were sent directly to RNLVP and DRAS bank accounts via wire transfers, but the supporting documentation purportedly justifying the expenses was illegitimately produced by PNLP officials in Nouakchott.

[252] Bates # 21016
[253] Bates # 22245
[254] Although the schemes described in the previous sections may have been implemented among many individuals, with several others having at least passive knowledge of the scheme, the OIG has no direct evidence of such collusion.

222. Second, the OIG found that PNLT, PNLP and INRSP program officials colluded with third party vendors and individuals to create the appearance of competitive bidding practices when in fact program expenditures were purposefully steered to specific individuals who owned the mutually competing vendors. The OIG uncovered multiple such collusive rings, sometimes with as many as 10 participating vendors, in which the vendors attempted to portray an image of bidding against one another, even though they were owned or operated by the same individual. Such was evidenced by the endorsement on the checks issued to these vendors. Because program officials had to proactively target these companies to bid against each other in "closed" procurement tenders, it is more likely than not that program officials also colluded with the owners of these companies to steer contracts to them. The OIG is unable to conclude whether value for money was received in these instances, or whether anything was received at all.

1. PNLP Colluded with Other Implementing Entities to Create False Supporting Documentation

223. The OIG found evidence of collusion between the PNLP and both the RNLPV and local Direction Régionale a l'Action Sanitaire (DRAS), where health initiatives were managed at the regional level. It was regular practice that, upon approving an activity, the PNLP transferred the approved funds directly to the bank account of either the RNLPV or a local DRAS via wire transfer. Indeed, the OIG found evidence that these recipients withdrew the funds. It was therefore reasonable to expect that the supporting expenditure documentation submitted to justify these withdrawals would have been provided by the RNLPV or the DRAS. The OIG, however, found instances in which the supporting documentation was identical to the fake documents produced by the PNLP officials' in the capital, Nouakchott. Since the local entities received the money, but the documents used to support their expenditures were produced by PNLP instead, it is more likely than not that the entities were coordinating efforts to divert Global Fund funds.

a) Collusion Between PNLP and RNLPV

(i) Example Case #1

224. In July 2008, RNLP claimed to have conducted a series of Malaria awareness campaigns in the regions of Rosso, Aleg and Kaedi for a total amount of US$ 4,818.[255] According to the request for approval of this activity made to the PNLP by an RNLPV official, the stated purpose of these sessions was to teach preventative measures against Malaria vectors before the beginning of the high-risk transmission season.

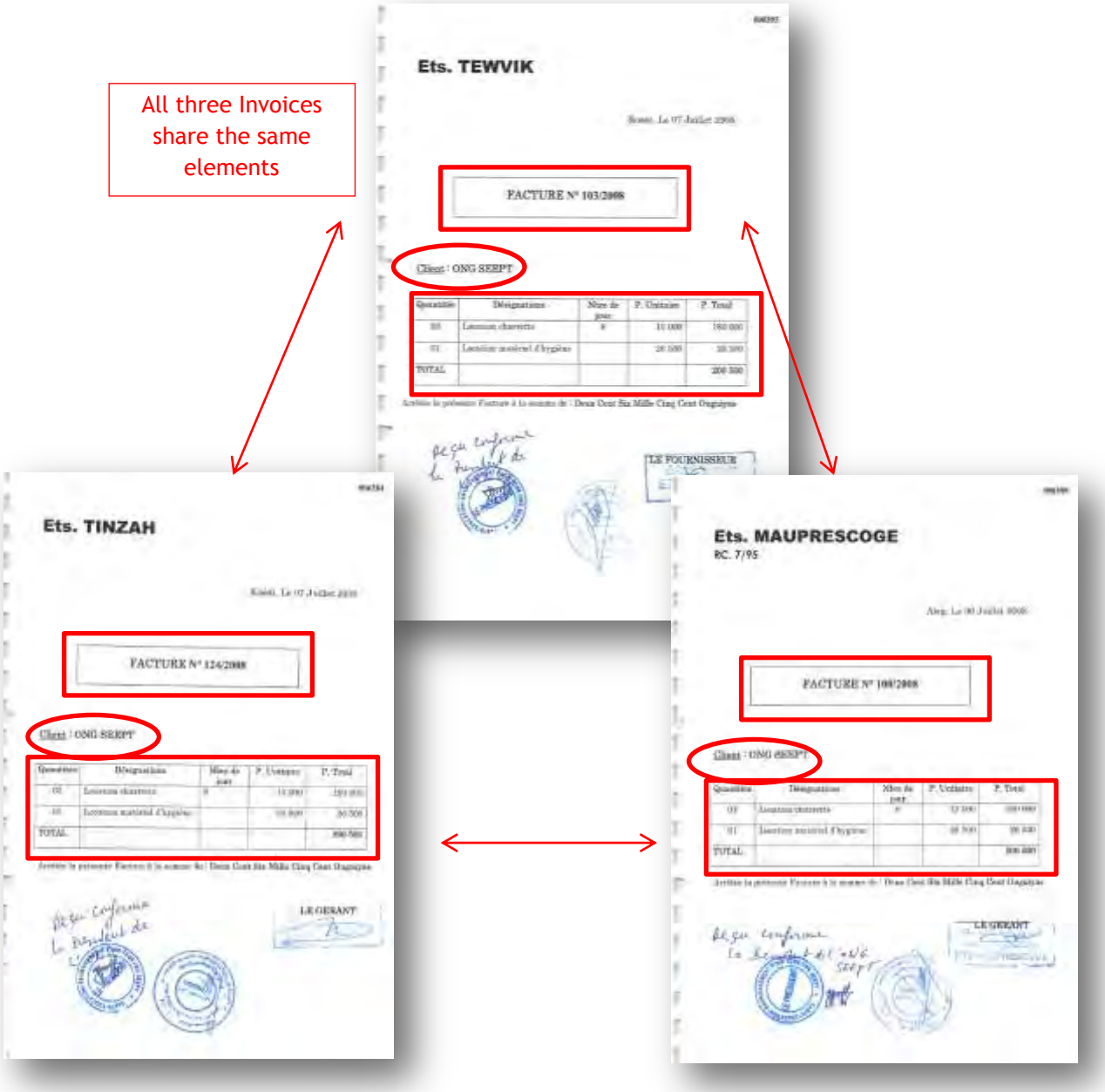
225. Documents submitted by RNLP in support of this existence of this claimed activityand request for payment included purported signed *per diem* sheets for the instructors along with invoices for various goods and services such as equipment rental and food purchases. Equipment and material purchases accounted for 51.8% of the total expenditure.[256]

[255] UM 1,195,500
[256] Bates # 6380

226. OIG identified invoices from three purported independent vendors that upon closer scrutiny and examination are virtually identical. Invoices from these three vendors, Ets. Maureprescoge,[257] Ets. Tewvik,[258] and Ets. Tinzah[259], were submitted in support of this claimed activity and expenditure request. Each vendor provided purported expenditure documentation of rentals of hygienic equipment, and carts. Although each vendor is purportedly from a different region, oddly, the invoices are all for the exact same amount, UM 206,500. Moreover, the layout and formatting of the invoices are also almost exactly identical. It is clearly visible that these documents were likely produced from the same source, and therefore, by the same person or persons.

[257] Bates # 6389
[258] Bates # 6393
[259] Bates # 6384

Identical Invoices from Ets. Mauprescoge,[260] Ets. Tewvik[261] and Ets. Tinzah[262]

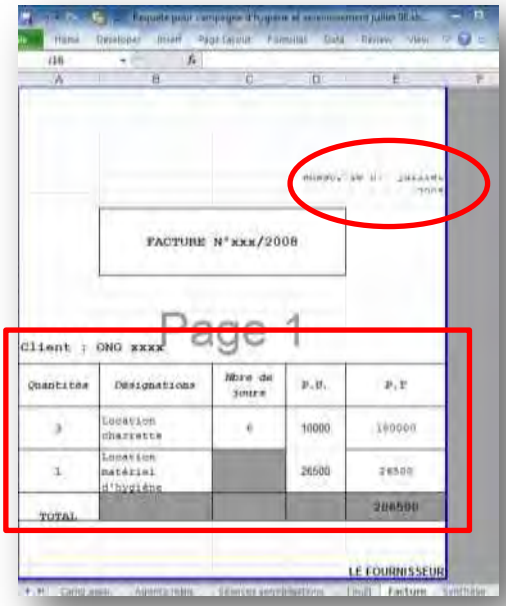


227. Further, the OIG identified templates for these vendor invoices submitted in an Excel spreadsheet file found in the possession of a RNLVP official, **and** separately, in the possession of a PNLP official. Neither one of these individuals should have legitimately been in possession of such a template. As shown below, the templates exactly match documents submitted in support of this expenditure:

[260] Bates # 6389
[261] Bates # 6393
[262] Bates # 6384

Invoices and Matching Templates found on PNLP and RNLVP computers

PNLP computer template[263]



FACTURE N°xxx/2008

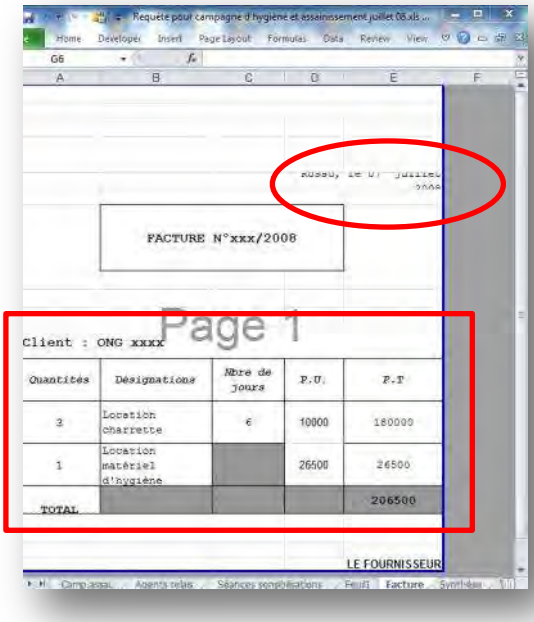
Page 1

Client : ONG xxxx

Quantités	Désignations	Nbre de jours	P.U.	P.T
3	Location charrette	6	10000	180000
1	Location matériel d'hygiène		26500	26500
TOTAL				206500

LE FOURNISSEUR

RNLVP computer template[264]



FACTURE N°xxx/2008

Page 1

Client : ONG xxxx

Quantités	Désignations	Nbre de jours	P.U.	P.T
3	Location charrette	6	10000	180000
1	Location matériel d'hygiène		26500	26500
TOTAL				206500

LE FOURNISSEUR

Supporting Document from Ets Tewvik[265]

Ets. TEWVIK

FACTURE N° 163/2008

Client : ONG RBEPT

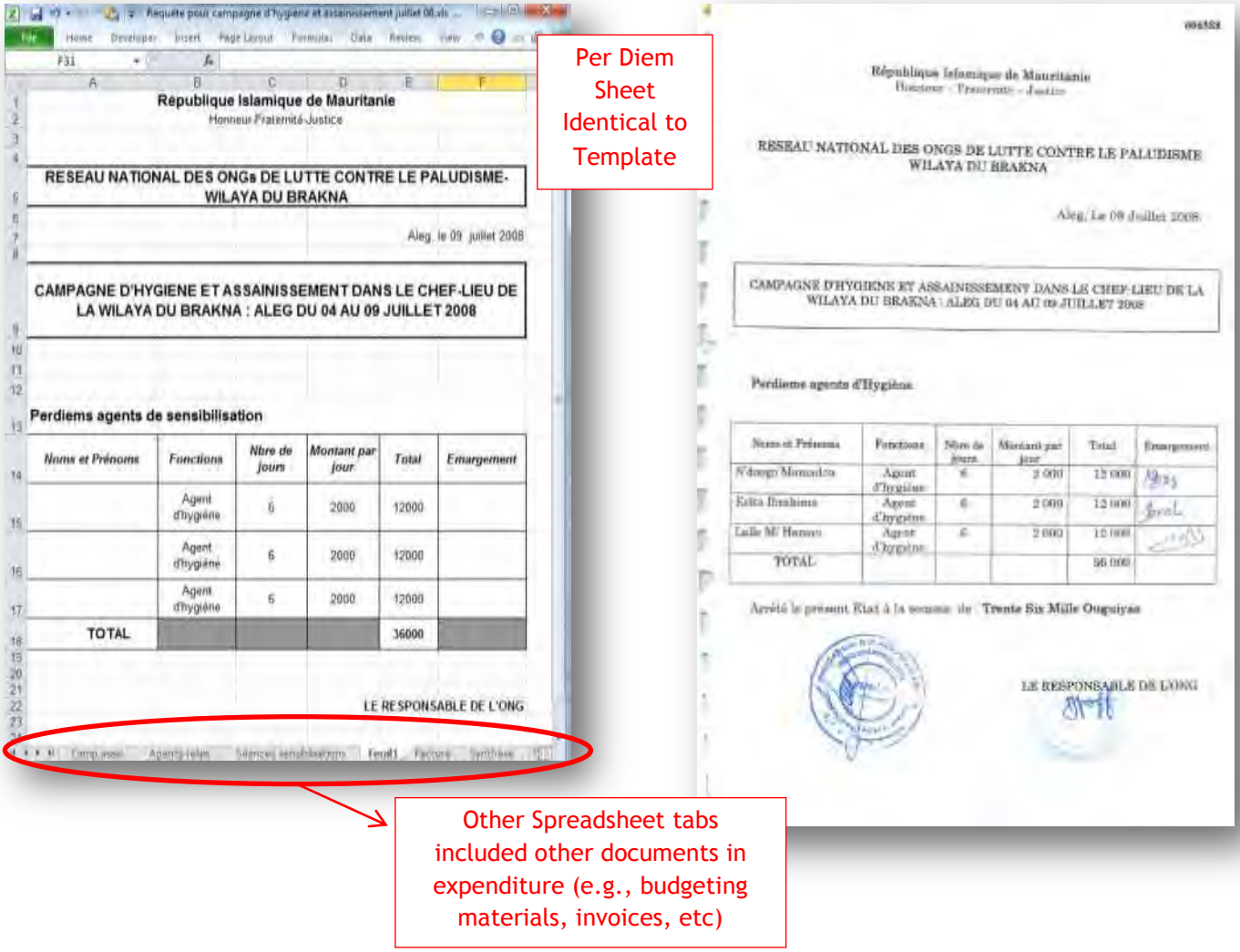
3	Location charrette	6	10000	180000
1	Location matériel d'hygiène		26500	26500
TOTAL				206500

LE FOURNISSEUR

[263] HD 8\Requête pour campagne d'hygiène et assainissement juillet 08.xls, tab "Facture"
[264] HD 22\Requête pour campagne d'hygiène et assainissement juillet 08.xls, tab "Facture"
[265] Bates # 6393

228. The spreadsheets included templates for nearly every document in the expenditure. In addition to the invoice templates, OIG found templates for budget documents, vendor invoices, and *per diem* sheets. The evidence suggests that the PNLP and RNLVP officials created all of the supporting documents at the same time. In a valid expenditure all of these items would not have been produced together; moreover, there is no legitimate reason for a program official to possess templates for invoices that should be produced by independent vendors.

Examples of Other Documents[266] found in templates[267] illicitly possessed by PNLP and RNLVP Officials



229. Digital evidence demonstrates that the files were identical. Data stored in the files indicate that they were created on the same date, by the same user.[268] This suggests that the same templates were shared between PNLP and RNLVP in order to present a claim that legitimate activity indeed occurred. Moreover, OIG identified attempts by program officials to obfuscate the nature of their acts to hinder this investigation. The RNLVP official

[266] Bates # 6388
[267] HD 22\Requête pour campagne d'hygiène et assainissement juillet 08.xls, tab "Feuil1"
[268] Metadata HD8\Requête pour campagne d'hygiène et assainissement juillet 08.pdf, Metadata HD22\ Requête pour campagne d'hygiène et assainissement juillet 08.pdf.

attempted to delete this template file to prevent OIG from identifying it, but it was recovered by OIG nonetheless.[269]

(ii) Example Case #2

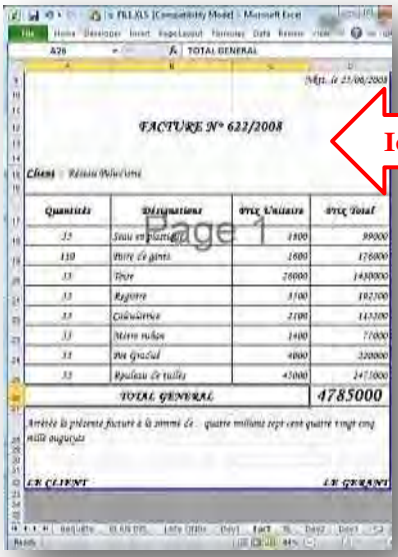
230. On June 23, 2008, the PNLP transferred US$ 52,381[270] to the RNLPV bank account.[271] These funds were purportedly used for three separate expenditures: US$ 19,294[272] for a claimed purchase of bednet impregnation supplies,[273] US$ 10,422[274] for claimed expenses for a purported Information, Education, and Communication (IEC) campaign[275] (e.g., tee-shirts, posters, and leaflets),[276] and US$ 14,516[277] on July 1, 2008.[278]

231. The OIG found that the first two withdrawals, totaling US$ 29,716, were supported by fake documents created by two RNLPV officials, in the first case, and of one PNLP official and a RNLPV official, in the second case. The OIG was not provided with any documentation substantiating the nature and purpose of the US$ 14,516 withdrawal on July 1.

232. Regarding the US$ 19,294 bednet supplies purchase, the OIG found one competing bid and the resulting invoice for the purchase of plastic buckets, gloves, calculators, ribbon, and thin material (tulle) for US$ 1,891 in the possession of two RNLPV officials. Given that the same templates were in the possession of two different RNLPV officials,there is evidence that the fraudulent activity was coordinated within the organization.

[269] Metadata HD22\ Requête pour campagne d'hygiène et assainissement juillet 08.pdf
[270] UM 12,990,510
[271] Account # 87380009
[272] UM 4,785,000
[273] Bates # 6338
[274] UM 2,584,800
[275] IEC programs attempt to change health behaviors through a variety of approaches, including, as in this expenditure, increasing awareness. "Information, Education and Communication." World Health Organization, 2001. http://whqlibdoc.who.int/hq/2001/WHO_RHR_01.22.pdf
[276] Bates # 6426
[277] UM 3,600,000
[278] The OIG was not provided with any documentation substantiating the nature and purpose of the US$ 14,516 withdrawal on July 1.

Invoice file on RNLVP Official 1's[279] computer


FACTURE N° 622/2008

Quantités	Désignations	Prix Unitaire	Prix Total
33	Sous vêtements	1300	99000
110	Paire de gants	1600	176000
33	Tuta	26000	1430000
33	Registre	3100	102300
33	Calculatrice	2100	113300
33	Stylo rouge	1400	77000
33	Bic Graduel	4000	220000
33	Epuisette de taille	43000	1471000
	TOTAL GENERAL		4785000

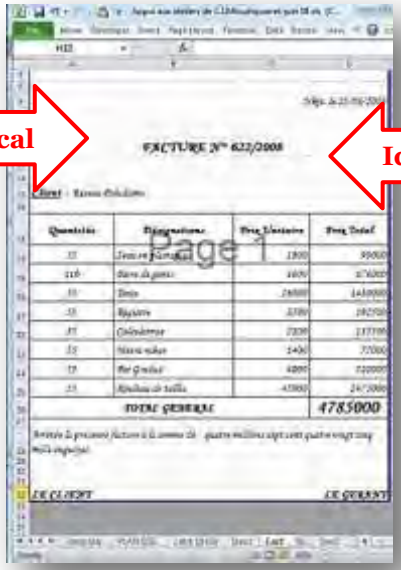
Arrêté la présente facture à la somme de : quatre millions sept cent quatre vingt cinq mille ouguiyas

LE CLIENT LE GERANT

Page 1

Identical

Invoice file on RNLPV Official 2's[280] computer


FACTURE N° 622/2008

Quantités	Désignations	Prix Unitaire	Prix Total
33	Sous vêtements	1300	99000
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33	Tuta	26000	1430000
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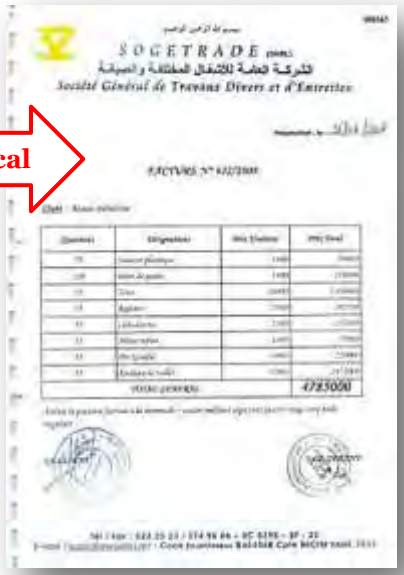
33	Calculatrice	2100	113300
33	Stylo rouge	1400	77000
33	Bic Graduel	4000	220000
33	Epuisette de taille	43000	1471000
	TOTAL GENERAL		4785000

LE CLIENT LE GERANT

Page 1

Identical

RNLPV expenditure document[281] submitted to justify funding


SOGETRADE

Société Générale de Travaux Divers et d'Entretien

FACTURE N° 622/2008

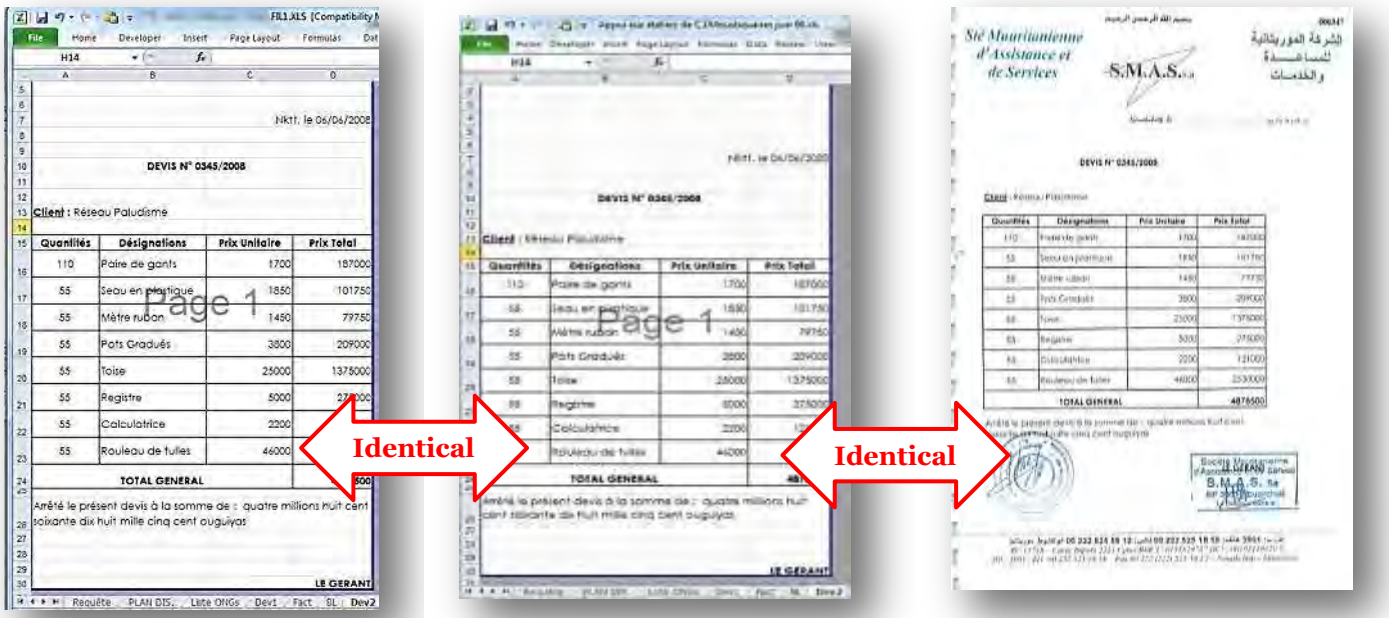
	TOTAL GENERAL		4785000

[279] HD 22\FIL1.xls, tab "Fact"
[280] HD 20\Appui aux ateliers de C.I.Moustiquaires juin 08.xls, tab "Fact"
[281] Bates # 6343

Bid file on RNLVP Official 1's[282] computer

Bid file on RNLPV Official 2[283]'s computer

RNLPV expenditure document[284] submitted to justify funding



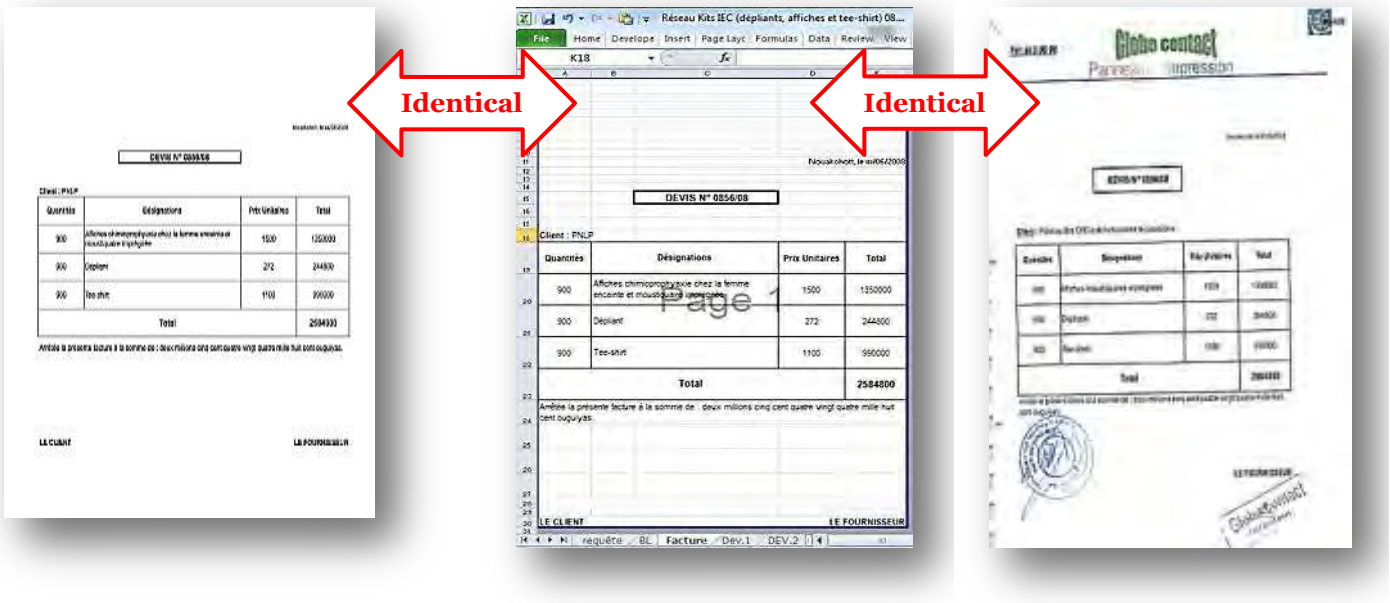
233. The OIG identified inter-organizational coordination in the scheme as well. In the case of the IEC US$ 10,422 expenditure, the OIG found templates matching all documents associated with this alleged expenditure, including the invoice, competing bids and delivery receipts in the possession of a PNLP official and also in the possession of a RNLPV official:

[282] HD 22\FIL1.xls, tab "Dev2"
[283] HD 20\Appui aux ateliers de C.I.Moustiquaires juin 08.xls, tab "Fact"
[284] Bates # 6347

Bid file on PNLP Official's[285] computer

Same bid file on RNLPV Official's[286] computer

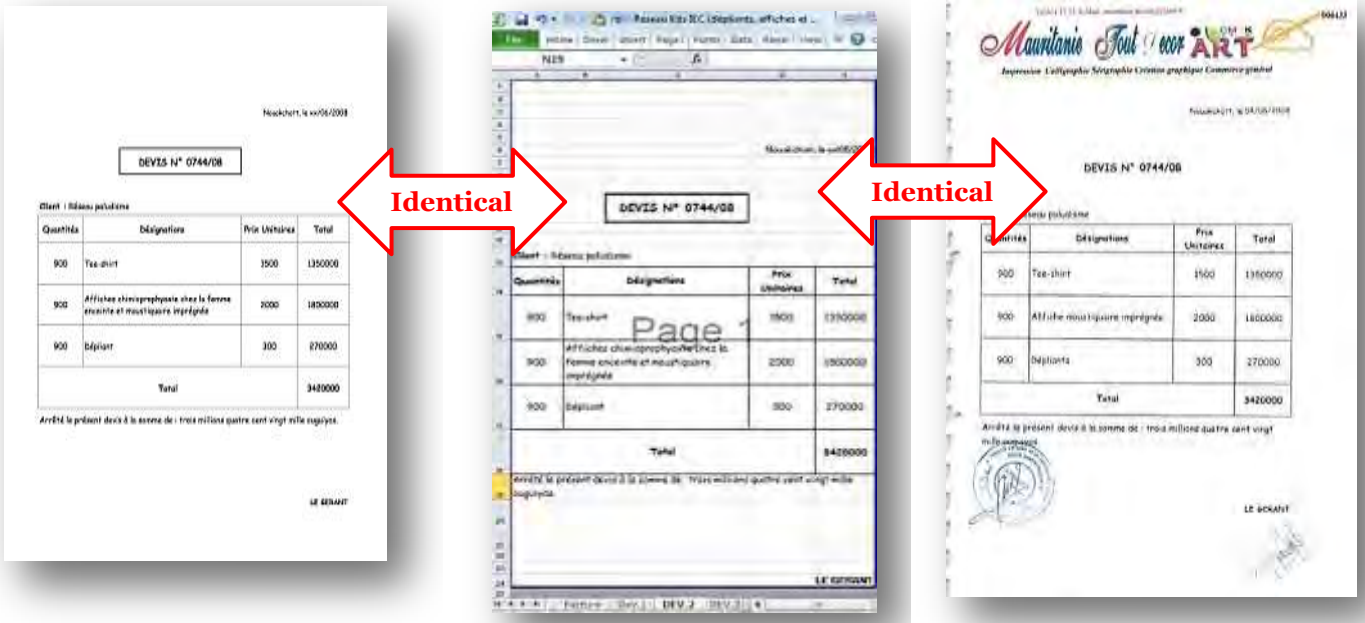
RNLPV expenditure document[287] submitted to prove expenditure

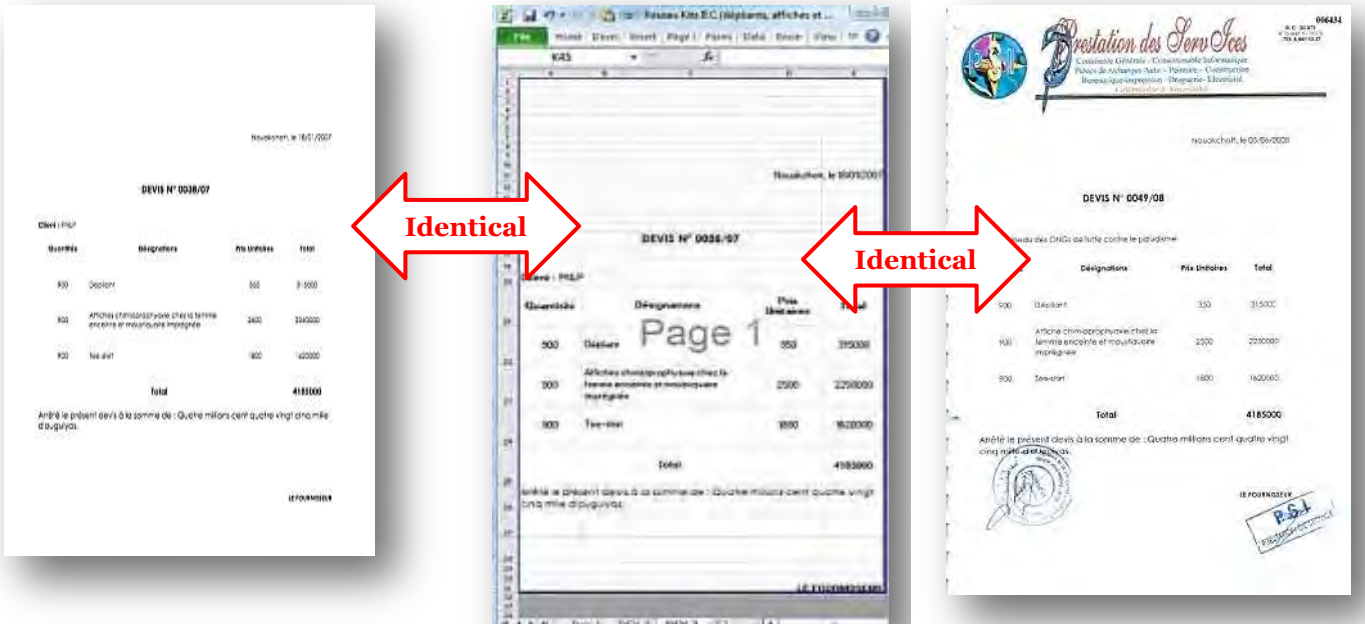


234. The allegedly competing bids, submitted with the names of vendors Mauritanie Tout Décor Art[288] and PSI Prestation des Services,[289] displayed differing fonts, layouts, and text, creating the false perception that they were prepared by different entities:

[285] HD 8\ Réseau Kits IEC (dépliants, affiches et tee-shirt) 08.xls, tab "Facture"
[286] HD 22\ Réseau Kits IEC (dépliants, affiches et tee-shirt) 08.xls, tab "Facture"
[287] Bates # 6430
[288] Bates # 6433
[289] Bates # 6434

Templates found in possession of PNLP Official[290]	Templates found in possession of RNLPV Official[291]	RNLPV expenditure documents[292]





[290] HD 8\ Réseau Kits IEC (dépliants, affiches et tee-shirt) 08.xls, tab "DEV. 2" and "DEV. 3"
[291] HD 22\ Réseau Kits IEC (dépliants, affiches et tee-shirt) 08.xls, tab "DEV. 2" and "DEV. 3"
[292] Bates # 6433, 6434

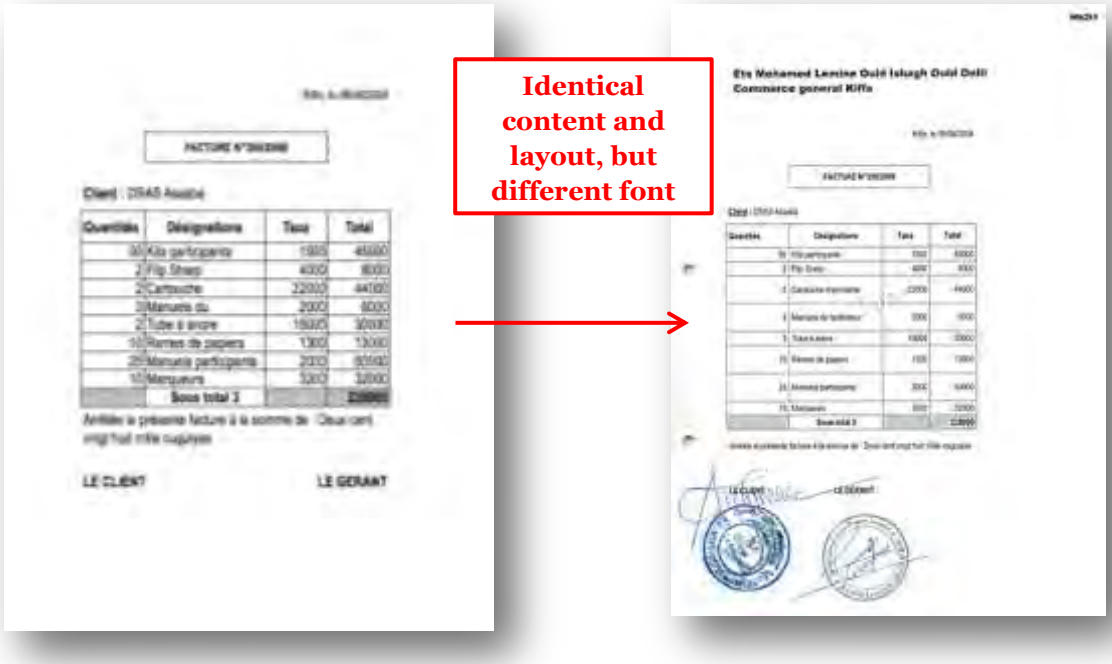
235. There is no legitimate reason for PNLP or RNLPV program officials to have possessed templates of these supporting documents, as they were to be produced by the vendors seeking business or invoicing for it. Moreover, a PNLP official had no legitimate reason to possess templates of SSR supporting documentation. In fact, since the PNLP official and RNLPV official possessed identical computer files, this supports a finding that PNLP and RNLPV officials colluded to defraud the Program.

b) Collusion Between PNLP and Local DRAS

236. Based on the OIG's review of available canceled checks, the PNLP sent, via wire transfer, at least US$ 27,864[293] to DRAS entities in Assaba, Trarza and Rosso between 2007 and 2009 for various training initiatives. Supporting documentation provided by the DRASs evidencing these trainings was replete with evidence of fabrication, such as falsified signatures on *per diem* sheets and with invoices with no contact information and suspicious invoice formatting.

237. Here again, the OIG found that the documents purportedly provided by the DRAS's were in actuality created on Excel files on the computer of a PNLP official. In certain cases, as shown in the images below, the DRAS invoices were identical to the invoice templates found in the PNLP official's computer in all aspects but the font.

Templates found on PNLP computer[294] **Invoices submitted by DRAS[295]**



[293] UM 6,910,400
[294] HD 8\ 13069.xls, tab "Four."
[295] Bates # 6293

2. Program Officials Colluded with Independent Third Party Individuals and Vendors to Defraud the Programs

238. When the Programs needed to purchase goods or services in the context of their activity expenditures (*e.g.,* office supplies, car parts, food for trainings, etc.), they were obligated—"to the extent practical"[296]—to conduct a "procurement," a competitive search among vendors to obtain the required goods and services for a reasonable, market-based price. This requirement was outlined in Article 17 of the UNDP STCs, which state that procurement practices must meet the following criteria:

> *(1) Contracts should be awarded, to the extent practical, on a competitive basis…*
>
> *(3) Contracts shall be awarded only to responsible contractors that possess the potential ability to successfully perform the contracts…*
>
> *(4) No more than a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to obtain goods and services.*

239. Given these criteria, a single "tender" to award a single contract ought to have been conducted in the following manner: First, program officials ought to have issued a "Request for Quotes" (RFQ) by proactively contacting at least three independent vendors and requesting bids from them. Second, the competing vendors should have then responded with independently prepared, legitimate, and authentic bids, proposing the prices at which they were willing to sell the requested goods or services. Third, the Programs ought to have evaluated the bids for quality and price and chosen the lowest-priced vendor. Fourth, the vendor would provide goods or services requested, along with a delivery receipt, and it would issue an invoice to the Program for payment. Finally, the Program would either hand the vendor cash or issue the vendor a check, which the vendor would then endorse with a signature in order to deposit or cash it.

240. The OIG found that program officials, along with individuals outside of the Program, circumvented this process.[297] Evidence indicates the following collusion scheme: first, program officials issued RFQs to a limited set of vendors who either were controlled by the same person, did not exist at all, or were cooperating with each other in the collusive scheme; second, false bids were produced to create the perception of competition; third, program officials issued a check to the "winning" vendor, which the external party cashed. It is unclear whether the services or goods contracted for in this manner were ever provided. No evidence has been identified that such is the case.

241. Such collusion violates Article 17 of the STC, as the bidders did not genuinely compete against one another, but instead colluded among each other and with program officials. Furthermore, the purportedly competitive bids were fabricated and illegitimate, and did not represent good faith competition. The OIG notes that much of this analysis hinged on the identification of check payees and that despite its efforts on the ground in

[296] See Article17 of UNDP STCs, cited just below.

[297] Indeed, in the case when bid templates were found on officials' computers, as described in earlier sections of this Report, it appears that program officials often fabricated the bids themselves, potentially in isolation from any of the vendors whose name appeared on the documents. In these cases, the related funds were withdrawn by the respective program accountant and allegedly paid to the vendor in cash.

Mauritania,[298] it was only able to obtain copies of 635, or 54%, of the 1,165 checks written across the various program bank accounts. Therefore, the scale of this scheme may be understated in this report.

242. The sections that follow describe seven collusive rings that spanned PNLP, PNLT, and INSRP:

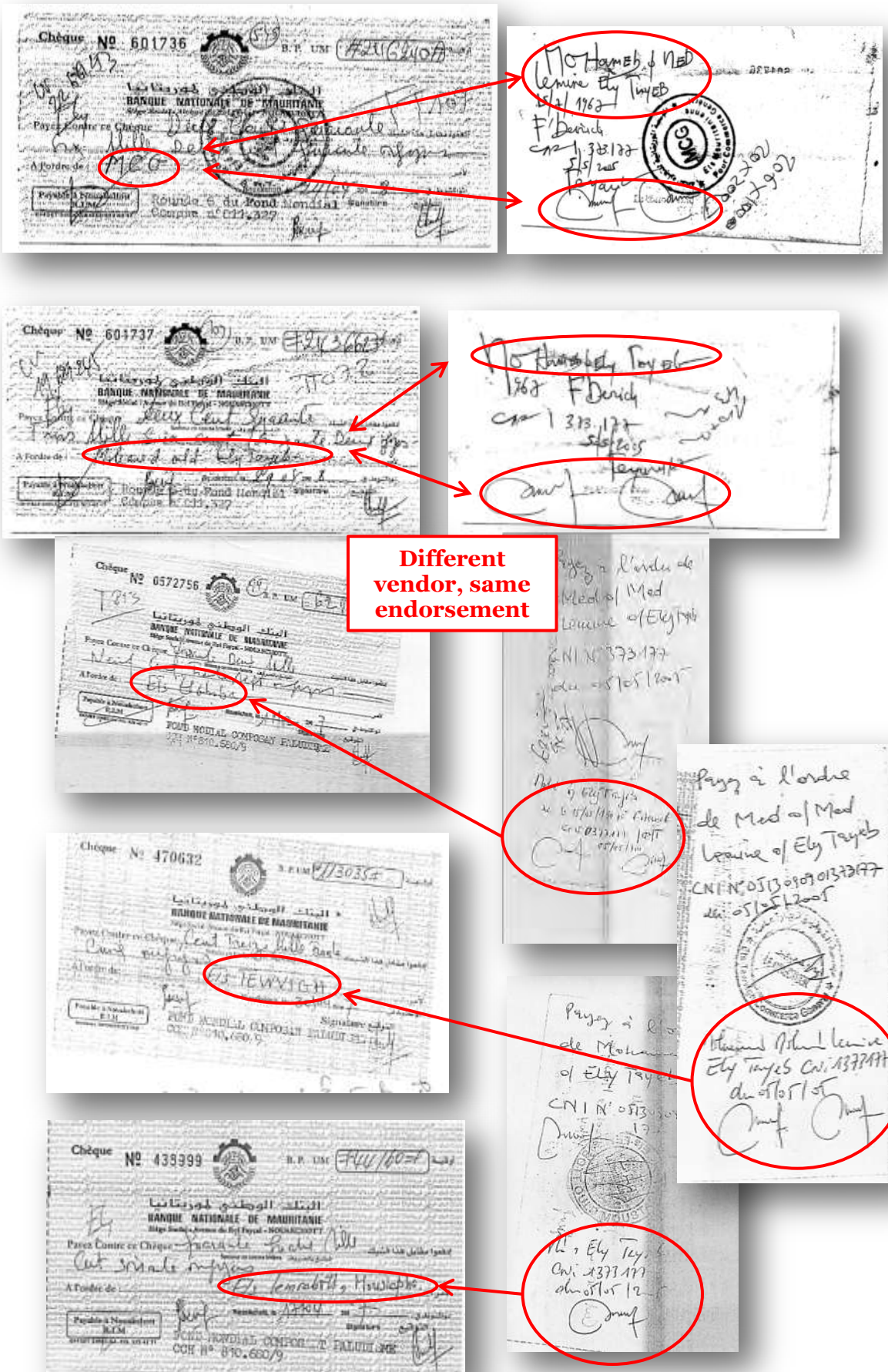
a) COLLUSIVE RING – PNLP

243. The OIG found 69 invoices (and numerous other bids) issued between 2005 and 2009, totaling US$ 61,240,[299] bearing the names of the following six vendors - ETS Mohamed O Ely Tayeb, MCG, L'Unique Pour le Commerce, ETS Lemrabott, ETS Tewvigh and ETS el Ghoba. In almost all cases, the documents reflect that these vendors were allegedly bidding against one another. In 32 of the 69 instances,[300] the Program wrote checks directly to these vendors (e.g., "Pay to the order of Ets el Ghoba"). Of the 32 checks, the OIG analyzed the 20 checks it was able to obtain directly from the Mauritanian bank[301] and found that the endorsement of every single check was made by the same individual regardless of the vendor name stated on the front of the check. The OIG made contact with this individual, but s/he refused to provide any information.

Schematic of the Collusion Scheme

[298] The OIG was able to obtain copies of checks from the banks with the assistance of Mauritania's law enforcement.
[299] UM 15,187,413
[300] The remainder of the 37 expenditures related to these companies were allegedly part of larger training event expenditures for which the Program accountant withdrew the full amount of the training in one check made out himself.
[301] Note that expenditure documentation obtained directly from the Programs often included copies of the front side of the checks, thereby enabling OIG to confirm the name of the payee. However, the back of the checks was never included in the documentation provided and as such, OIG was required to obtain those directly from the banks in Mauritania.

Sample of checks for fraudulent invoices cashed by the same individual



244. There is evidence that program officials were complicit in this scheme as the RFQs prepared by the Programs specifically selected these vendors to participate in a "closed" tenders between only three vendors at a time.

b) COLLUSIVE RING – PNLP & INRSP

245. The OIG identified a collusion scheme under Rounds 2 and 6 between April 2007 and September 2009 involving PNLP and INRSP and two third-party individuals who represented seven seemingly independent vendors, across 42 expenditures totaling US$ 109,180.[302] Although the eight vendors appeared to have won contracts through competitive tenders in which they often competed against one another, the endorsements on the backs of checks made out to these eight distinct vendors were always signed by the same two individuals.[303] Program officials proactively and repeatedly reached out to these vendors to request bids, it is reasonable to conclude that they were also complicit in the scheme. Furthermore, the diverse array of goods and services purportedly provided by the same vendors also undermines the likelihood that the resulting contracts were legitimate and that the goods or services were ever delivered.

246. Seven vendors regularly bid and won contracts for PNLP and INSRP: Somedib, Ets Meil Meil, Ets Sidi Med Ould Salem Vall, NASR Medico Services, Ets Jili Ould Mohamed Adbellahi, System Informatique et Telecoms, Imprimerie El Manar, and ECB. While Program checks were made payable to these various vendors, in reality the same two persons actually signed the back of the checks to endorse and cash them. The table below shows the 19 cases in which the individuals' signatures appeared on the back of the vendors' checks:

[302] UM 27,076,739

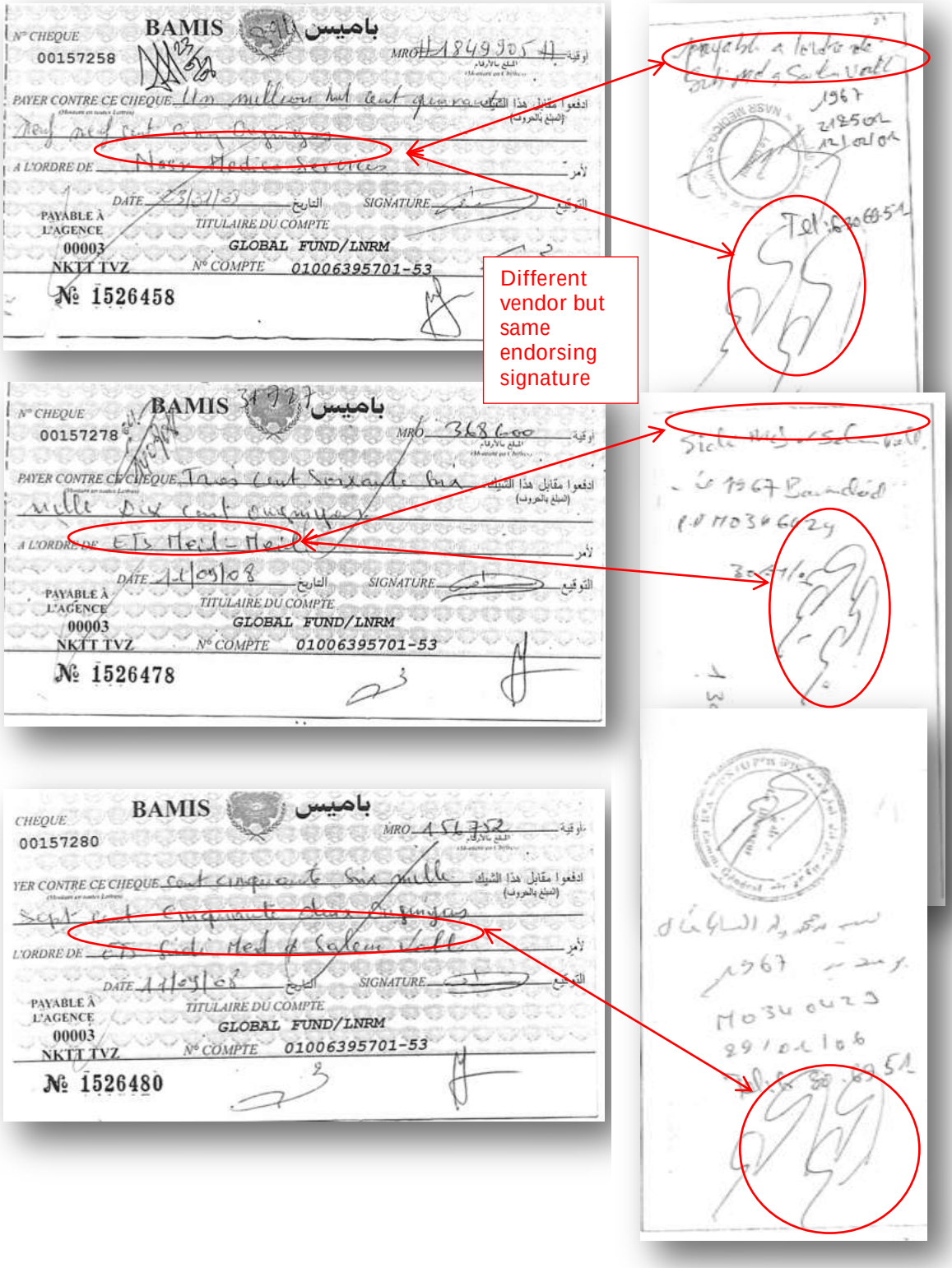
[303] Of the 42 expenditures identified, the OIG was unable to identify 31 checks within the seized expenditure documentation. These check copies however showed only the front of the check, not the back that identifies the casher or endorsee. Of the 33 checks identified, the OIG was able to obtain directly from banks in Mauritania, front and back copies of 18 of those checks. Each of these 18 checks shows that they were cashed by one of two people.

Same two individuals endorsed checks made to seven different vendors

Entity	Check #	Date	Amount_UM	Amount_USD	Vendor	Endorsee
INRSP	256986	01-Sep-09	893,100	3,522	SOMEDIB	Individual A
INRSP	412388	23-Mar-09	854,100	3,368	SOMEDIB	Individual A
INRSP	157297	22-Jan-09	629,070	2,481	SOMEDIB	Individual A
INRSP	256982	19-Aug-09	515,288	2,032	SOMEDIB	Individual B
INRSP	157277	14-Sep-08	783,760	3,091	Ets Meil Meil	Individual A
INRSP	157278	14-Sep-08	368,600	1,453	Ets Meil Meil	Individual A
INRSP	412386	29-Mar-09	317,850	1,253	Ets Meil Meil	Individual B
INRSP	157296	25-Jan-09	251,550	992	Ets Meil Meil	Individual B
INRSP	412385	29-Mar-09	565,500	2,230	Sidi Mohamed O Salem Vall	Individual B
INRSP	157280	14-Sep-08	156,752	618	Sidi Mohamed Ould Salem Vall	Individual A
INRSP	157258	23-Jan-08	1,849,905	7,295	NASR Medico Services	Individual A
INRSP	256981	19-Aug-09	174,525	688	NASR Medico Services	Individual B
PNLP	601775	29-Jun-08	130,000	513	NASR Medico Services	Individual A
INRSP	157293	16-Oct-08	250,260	987	Ets El Jili O Med Abdellahi	Individual B
INRSP	256987	17-Sep-09	1,363,440	5,376	Systems Informatiques & Telecoms	Individual A
PNLP	256955	09-Apr-08	284,675	1,123	Systems Informatiques & Telecoms	Individual A
PNLP	624800	31/08/2009	3,853,360	15,195	Imprimerie El Menar	Individual A
INRSP	256971	13/11/2008	1,007,830	3,974	ECB	Individual A

247. The following are examples of canceled checks obtained directly by the OIG from the banks that show that the same individual was cashing checks made out to different companies.

Sample of checks cashed by the same individual



248. The OIG further noted that these vendors regularly purportedly competed against one another in the tenders that resulted in these contracts. Again, regardless which of the seven vendors won, the same two individuals' names appeared on the backs of the issued checks, endorsing the check for the purpose of obtaining cash.

249. In the example below, NASR Medico Services bid against SOMEDIB and one other vendor in two different tenders. In one case, the former won, and in the other case, the latter won. Regardless the winner, Individual A endorsed both checks:

Check #	Check Endorser	Winning Bidder	Losing Bidder 1	Losing Bidder 2
157258	Individual A	NASR Medico Services	SOMEDIB	ETS Mohamed Lemat Idy
412388	Individual A	SOMEDIB	NASR Medico Services	Sphere Medicale Service

250. Individual B also endorsed checks for both NASR Medico Services and SOMEDIB, despite the fact that they competed against each other, as evidenced by another set of tenders.

Check #	Check Endorser	Winning Bidder	Losing Bidder 1	Losing Bidder 2
256981	Individual B	NASR Medico Services	Societe de Biologies et de Services Industriels	Sphere Medicale Service
256982	Individual B	SOMEDIB	NASR Medico Services	Sphere Medicale Service

251. Similarly, in the case of two other tenders, Ets El Jili O Med Abdellahi won once and lost once, but Individual B endorsed the checks issued to this vendor and his/her competitor, Ets Meil Meil:

Check #	Check Endorser	Winning Bidder	Losing Bidder 1	Losing Bidder 2
157293	Individual B	Ets El Jili O Med Abdellahi	Ets Mohamed Lemat Idy	Ahmedou O/ Mohamed Lemine
157296	Individual B	Ets Meil Meil	Ets El Jili O Med Abdellahi	Ahmedou O/ Mohamed Lemine

252. Another example features vendor Sidi Mohamed Ould Salem, who lost and won, but in either case Individual A endorsed the checks and cashed the funds:

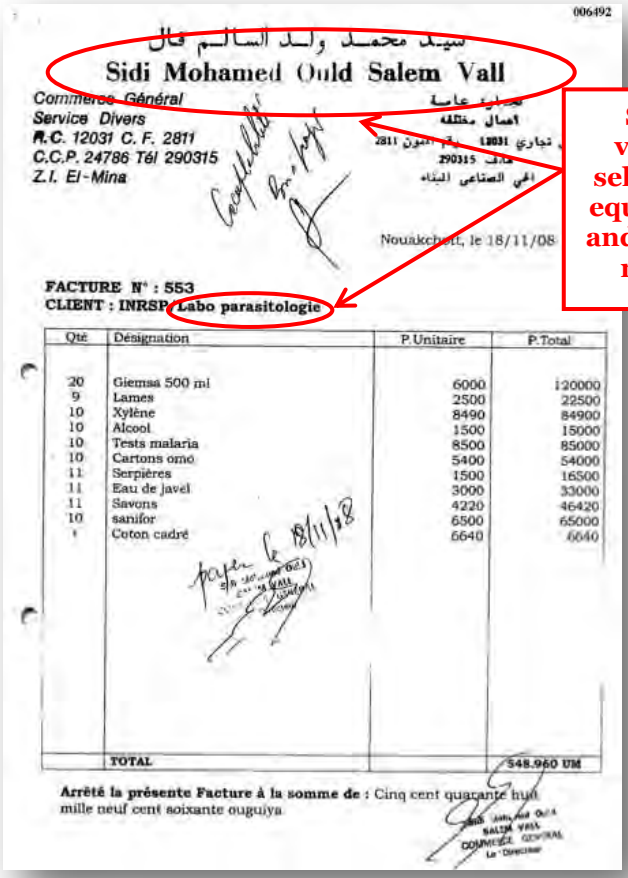
Check #	Check Endorser	Winning Bidder	Losing Bidder 1	Losing Bidder 2
157280	Individual A	Sidi Mohamed Ould Salem Vall	Unknown	Unknown
624800	Individual A	Imprimerie El Menar	Sidi Mohamed Ould Salem Vall	Imprimerie Al Baraka

253. Further, the RFQs prepared by the Programs specifically selected these vendors to participate in "closed" tenders between only three vendors. It is also therefore likely that the additional vendors who bid but never won against these vendors were included as "straw men"—or vendors with no intent or real chance of winning—to create the perception of genuine competition. Overall, it is unclear whether the invoice and bid documentation relating to these vendors was prepared by the same two third-party individuals that cashed the checks, by additional participants, by program officials themselves, or in concert.

254. It is further unclear whether the goods and services paid for under the resulting contracts to these seven vendors were ever provided. The OIG has not identified, or been presented with, any evidence that such is the case. The OIG attempted to contact each of these vendors, but no one answered the provided phone numbers, or responded to repeated e-mails in all cases. In the case of three of the "straw man" vendors, (i) a man hung up the phone on the OIG investigator after first attempting to provide wrong directions to his/her shop, (ii) another refused to meet the OIG and turned off the phone, and (iii) a woman informed the OIG that the number belonged to a private residence.

255. Also, in the case of some vendors, the goods and services detailed on the invoices were so varied that it is unlikely that the same vendor could have provided them all. For example, in the case of ETS Meil Meil, the invoices indicate that the vendor allegedly provided the Programs with paper and computer cartridges in one case, cookies and sandwiches in another, disposable tissues and plates in a third, and car parts and bodywork repair in other instances. In the case of ETS Sidi Mohamed Ould Salem Vall, invoices indicate that the vendor allegedly provided office supplies, vehicle maintenance/spare parts and medical equipment and supplies. The images below demonstrate the wide array of goods and services allegedly provided by this particular vendor.

Invoice for laboratory supplies[304]



006492

Sidi Mohamed Ould Salem Vall

Commerce Général
Service Divers
R.C. 12031 C. F. 2811
C.C.P. 24786 Tél 290315
Z.I. El-Mina

Nouakchott, le 18/11/08

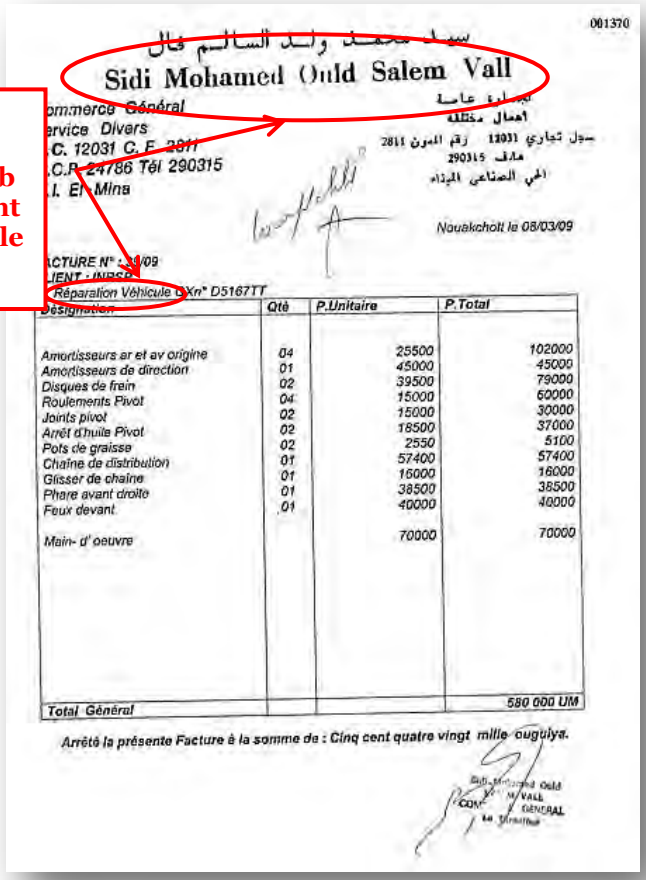
FACTURE N° : 553
CLIENT : INRSP/Labo parasitologie

Qté	Désignation	P.Unitaire	P.Total
20	Giemsa 500 ml	6000	120000
9	Lames	2500	22500
10	Xylène	8490	84900
10	Alcool	1500	15000
10	Tests malaria	8500	85000
10	Cartons omo	5400	54000
11	Serpières	1500	16500
11	Eau de javel	3000	33000
11	Savons	4220	46420
10	sanifor	6500	65000
1	Coton cadré	6640	6640
	TOTAL		548.960 UM

Arrêté la présente Facture à la somme de : Cinq cent quarante huit mille neuf cent soixante ouguiya

Same vendor selling lab equipment and vehicle repair

Invoice for vehicle spare parts and labor[305]



001370

Sidi Mohamed Ould Salem Vall

Commerce Général
Service Divers
R.C. 12031 C. F. 2811
C.C.P. 24786 Tél 290315
Z.I. El-Mina

Nouakchott le 08/03/09

Réparation Véhicule Dyna N° D5167TT

Désignation	Qté	P.Unitaire	P.Total
Amortisseurs ar et av origine	04	25500	102000
Amortisseurs de direction	01	45000	45000
Disques de frein	02	39500	79000
Roulements Pivot	04	15000	60000
Joints pivot	02	15000	30000
Arrêt d'huile Pivot	02	18500	37000
Pots de graisse	02	2550	5100
Chaîne de distribution	01	57400	57400
Glisser de chaîne	01	16000	16000
Phare avant droite	01	38500	38500
Feux devant	01	40000	40000
Main- d' oeuvre		70000	70000
Total Général			580 000 UM

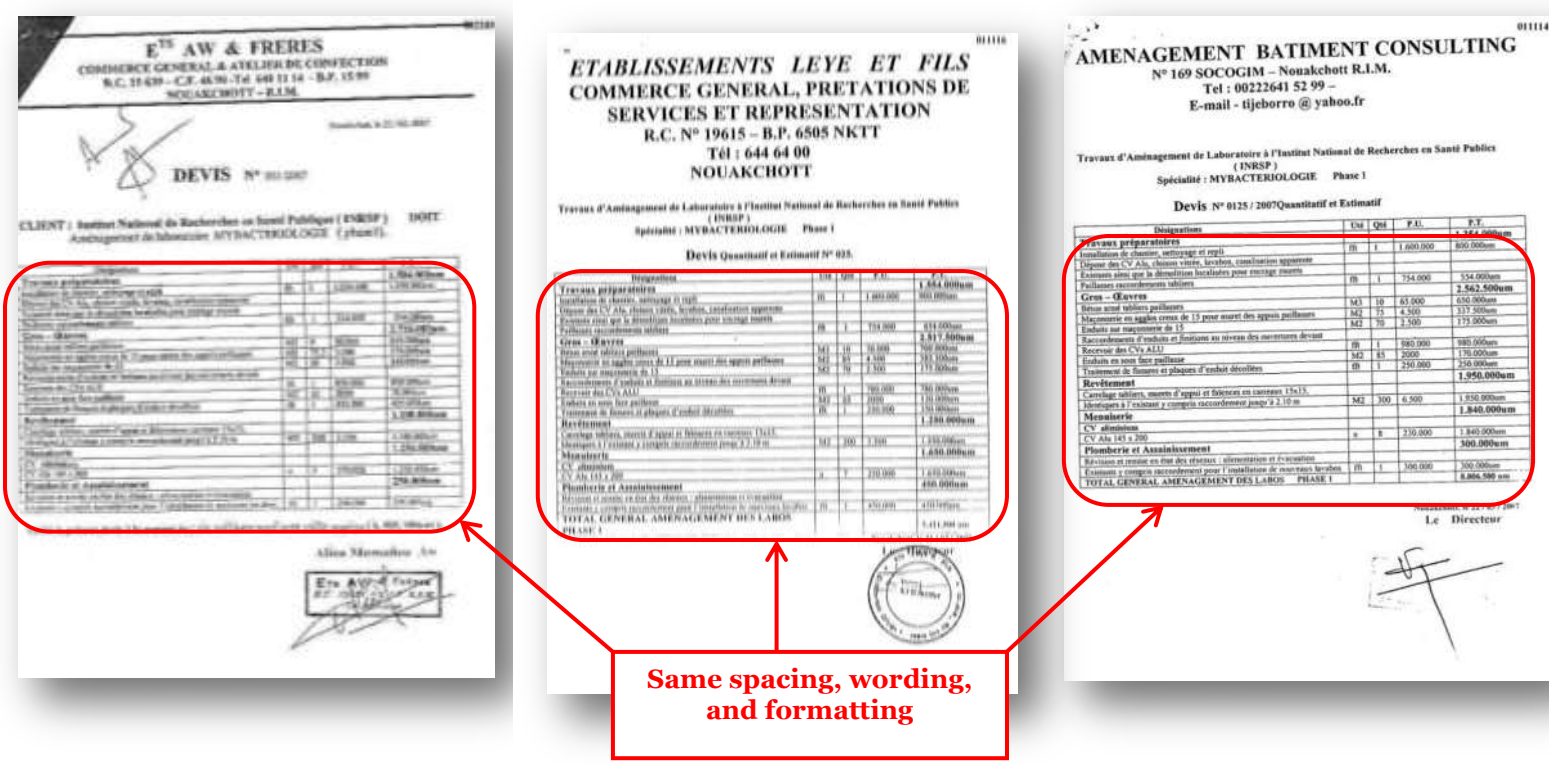
Arrêté la présente Facture à la somme de : Cinq cent quatre vingt mille ouguiya.

c) COLLUSIVE RING – INRSP

256. The INRSP allegedly solicited proposals from three vendors—ETS AW et Freres, ETS Leye et Fils and Amenagement Batiment Construction—in mid-2007 for the construction of a bacteriology laboratory at the INRSP. The INRSP selected ETS AW et Freres as the winning bidder for both the phase 1 and phase 2 tenders for a total cost of US$ 55,510.[306] The bids received from the allegedly competing three vendors for the two tenders include an identically formatted table in the body of the bid, which is a red flag that the documents were created by the same individual, and not three competing vendors.

[304] Bates # 6492
[305] Bates # 1370
[306] UM 13,766,475

Competing bids with virtually identical formatting[307]



257. To answer concerns about the bids, the OIG contacted the two losing bidders to confirm the veracity of their submissions. The owner of Amenagement Batiment Consulting confirmed that the bid was fraudulent. The owner of Ets Leye et Fils, contact by telephone, stated that his/her business was closed in 2002. OIG efforts to contact the winning bidder, ETS AW et Freres, were unsuccessful as no one answered the e-mail provided on the invoice. It is therefore unknown whether this vendor existed.

258. The OIG found that ETS AW et Freres was paid by check, rather than cash, and the check was endorsed by Aliou Mamadou Ousmane, purportedly on behalf of the vendor. INRSP documentation indicates that INRSP officials targeted these three firms for bids, it is more likely than not that INRSP officials either fabricated all documents in isolation or acted in collusion with the winning bidder, ETS AW et Freres, to steer the contract to it.

[307] Bates # 11110, 11116, 11114

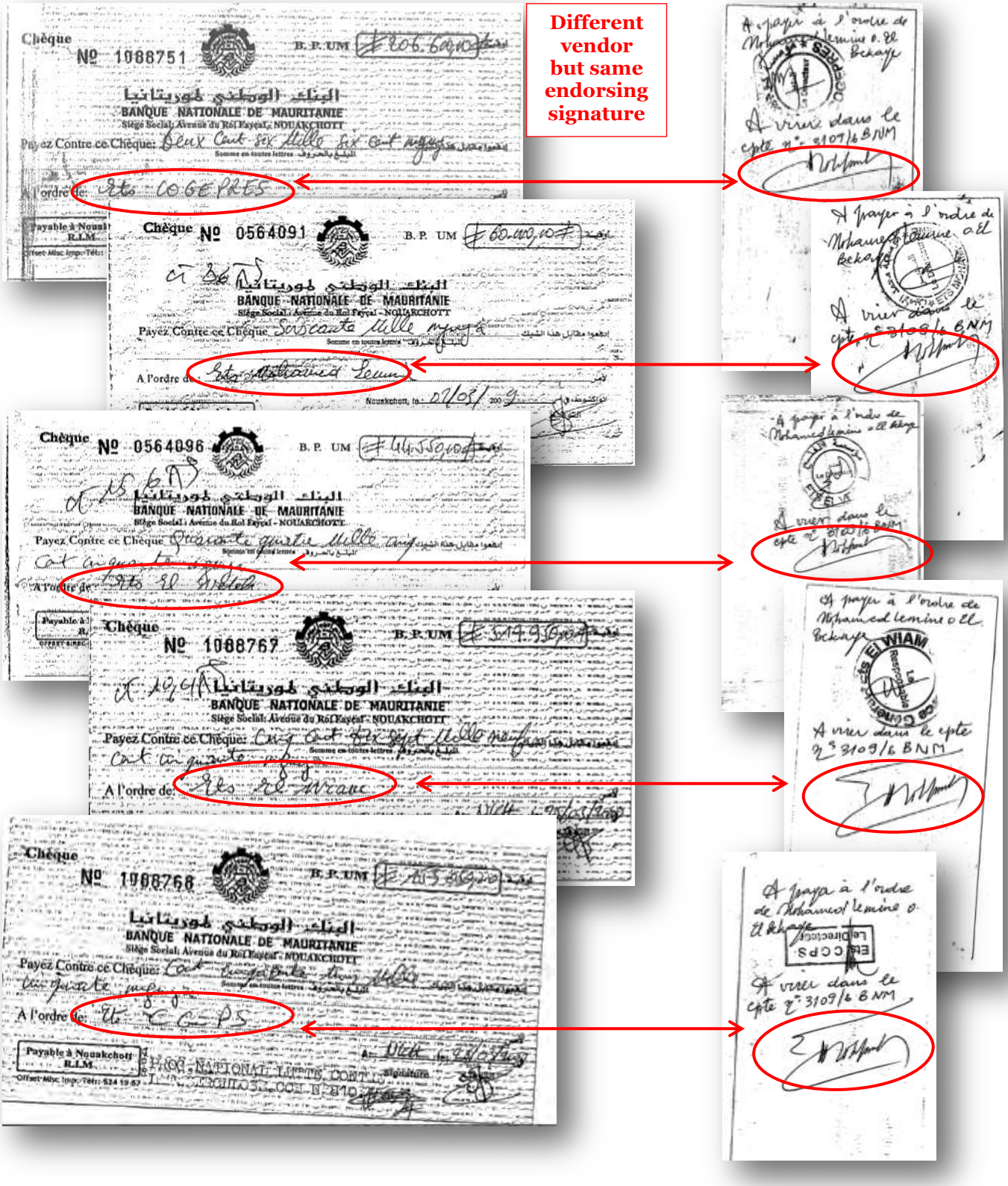
The check cashed for this transaction[308]

d) COLLUSIVE RING - PNLT

259. The OIG found a case of another individual who cashed seven checks totaling US$ 4,246[309] from the PNLT Round 2, which were made out to the following five different companies: Cogepres, Ets Mohamed Lemine, ETS El Wiam, Ets CGPS, El Veth.[310] In three separate instances, these vendors "competed" against each other in the same tender, thus evidencing collusion.

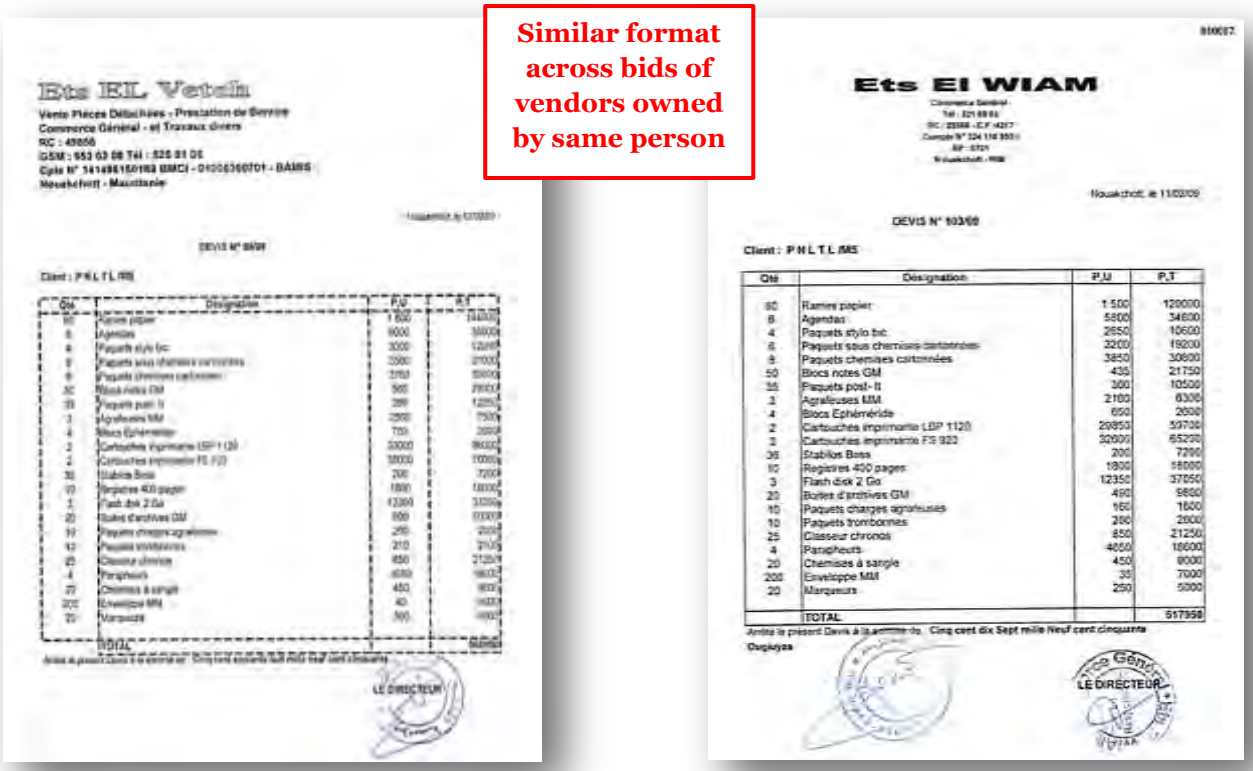
[308] Check # 157255
[309] UM 1,053,250
[310] See check numbers 564090, 564091, 564096,1088751, 1088752, 1088767 and 1088768 and bates numbers 9587, 9595, 9640, 9696, 9704, 10015 and 10025.

Checks made out to different companies but cashed by the same individual

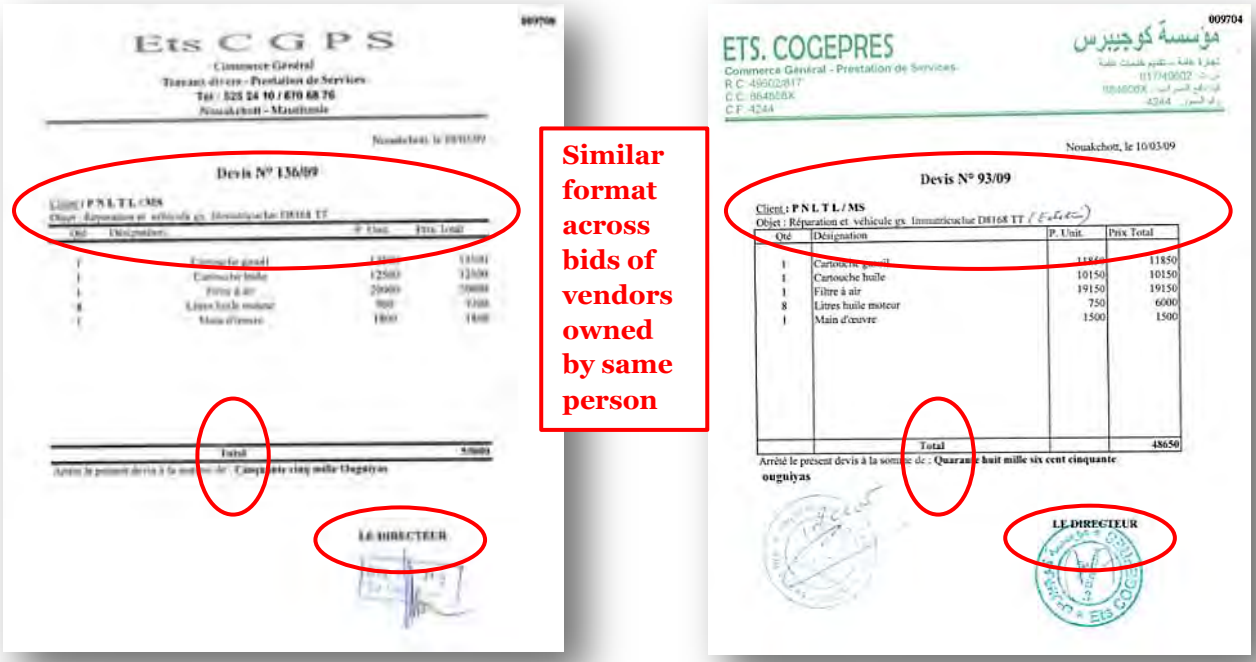


260. Indeed, the format of the "competing bids" among these vendors was so similar that it suggested that they were created non-competitively.

Example: "Competing" vendors owned by the same individual[311]



Example: "Competing" vendors owned by the same individual[312]



311 Bates # 10020, 10017
312 Bates # 9768, 9704

261. Furthermore, all of the checks the Program issued to these vendors were written in a three-week period between 2 March 2009 and 26 March 2009, and there were no other checks written to any of these entities throughout the remainder of the life of the Program.

262. Given that the PNLT proactively contacted these vendors to organize competitive tenders between them, there is evidence that PNLT officials colluded with the individual who endorsed the checks to steer money his/her way. It is unknown whether the goods contracted were ever delivered.

e) COLLUSIVE RING - PNLT

263. The PNLT also wrote also out[313] 11 checks,[314] totaling US$ 64,465,[315] to six different companies who bid against each other but the same person endorsed the checks issued to all six companies. The companies were ETS Microplus, Restaurand Adama Biblos, Ahmed Salem Ould Abdel Wehab, Ets Momamed Abdel Wehab et Freres, MS Computer School, and ETS Supinfo. Indeed, the services offered by these vendors were so varied (*i.e.,* vehicle maintenance and office supplies), this raised concerns as to whether the services were actually rendered. The OIG has not identified that services were rendered and have not been provided with any other evidence in support of that fact.

264. The table below demonstrates that the same individual signed checks issued to both ETS Supinfo and ETS Microplus, even though the two vendors bid against each other in one of the two tenders shown below. In both cases, the contracts were made for the purchase of vehicle spare parts and maintenance.[316]

Check #	US$	Check Endorser	Winning Bidder	Losing Bidder 1	Losing Bidder 2
564066	$5,942[317]	Individual A	ETS Supinfo	ETS Microplus	ETS Moulaye Abdel Kerim
1088771	$2,488[318]	Individual A	ETS Microplus	ETS Mohamed Ould Ahmed	ETS Layzewel O/Mohamed

265. The PNLT further funded an alleged training exercise for regional supervisors organized in March 2009 for which several of these vendors received payments for diverse services through collusive procurement. To purchase the diverse services of room rental and office supplies, the PNLT invited the same three vendors, MS Computer School, GIE Actif and i-Com, to bid. The OIG contacted the phone number on MS Computer School's invoice and the individual who answered the phone admitted that s/he also owned the companies GIE Actif and i-Com. MS Computer School "won" the tender and PNLT wrote a check[319] in

[313] Checks were drawn from the Round 2 and Round 6 bank accounts.
[314] See checks numbers 564098, 1088760, 108761, 1088771, 574084, 574077, 1116690, 428578, 1116679, 1116682, 574090, 574088, 564066.
[315] UM 15,987,320
[316] The purchases were made with TB Round 2 funds, in late 2007 for the former and mid 2008 for the latter.
[317] UM 1,503,357
[318] UM 629,500
[319] Bates # 564097

the amount of US$ 1,555[320] to the vendor, which was cashed by the same individual as was described above.

266. The PNLT also paid an additional US$ 3,440[321] to Restaurant Adama "Biblos" for purportedly providing food and beverages to the event's 18 participants over the course of 6 days—an exorbitant price for refreshments. Again, the same individual described above cashed this check as well.

267. Further, no *per diem* or sign-in sheets exist to substantiate that a training event actually took place. A more likely scenario is that PNLT officials steered Program funds to one individual under the guise of purchasing goods from different companies for an alleged training event that appears to have never taken place.

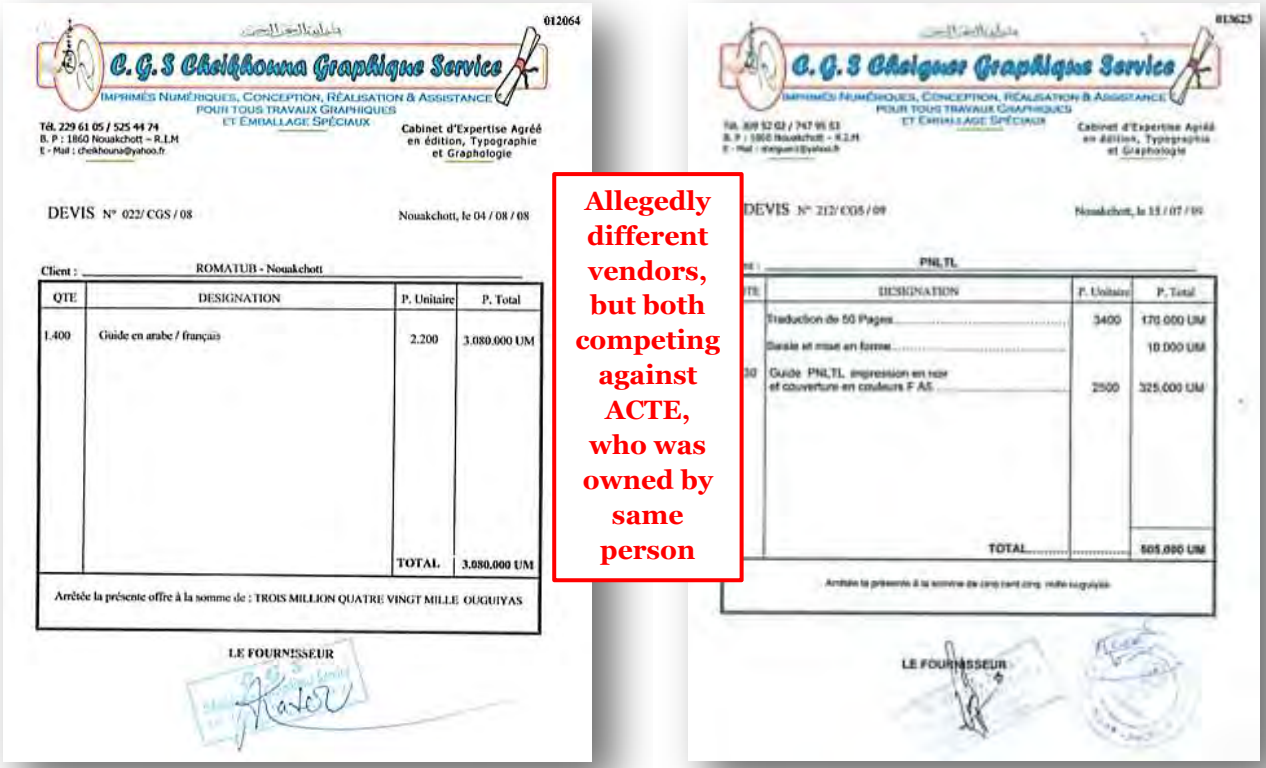
f) COLLUSIVE RING - PNLT

268. The PNLT incurred two alleged expenses for printing in July 2009 related to a vendor named Cheiguer Graphique Service (CGS) totaling US$ 4,806.[322] The checks for these expenses were written out to the alleged owner of CGS. CGS was selected through a purportedly competitive procurement process, in which two other vendors Assistance Conseil Travaux Edition (ACTE) and Sidi M'Bareck Ahd Fadel[323] claimed to bid against CGS. The OIG met with the owner of CGS. S/he confirmed that s/he did in fact own all three companies. Documents show that PNLT targeted these companies for closed tenders in which they were to bid against each other.

269. In another tender, ROMATUB awarded a contract to one of these vendors, ACTE, for the printing of the Community DOTS Program manual.[324] A "competing" bid was submitted by a vendor named Cheikhonna (as opposed to "Cheiguer," in CGS, above) Graphique Service. The vendor header and contact information on the Cheikhonna bid was identical to the header on the CGS documents**,** indicating that the "competing bid" was also owned by the owner of ACTE. In this case, a ROMATUB official cashed the check related to this expenditure with no indication that the amount was remitted to ACTE. It is therefore questionable whether this service was ever rendered and whether true competition actually took place.

[320] UM 385,500. Bates # 9647
[321] UM 853,200. Bates # 9654
[322] UM 1,192,000; Bates #13623 and 13814 and check # 1116684 and 1116683
[323] The OIG determined the companies were owned by the same person because they found contracts between PNLT and ACTE, which listed the same person as the owner of ACTE, and other documents confirming this individual is also the owner of Sidi M'Bareck Ahd Fadel. See Bates #9863 and check # 1088759.
[324] Bates #12062

Bid from Cheikhonna Graphique identical in format to bid from Cheiguer Graphique[325]



012064

C.G.S Cheikhouna Graphique Service

IMPRIMÉS NUMÉRIQUES, CONCEPTION, RÉALISATION & ASSISTANCE POUR TOUS TRAVAUX GRAPHIQUES ET EMBALLAGE SPÉCIAUX

Tél. 229 61 05 / 525 44 74
B. P : 1860 Nouakchott – R.I.M
E - Mail : cheikhouna@yahoo.fr

Cabinet d'Expertise Agréé en édition, Typographie et Graphologie

DEVIS N° 022/ CGS / 08

Nouakchott, le 04 / 08 / 08

Client : ROMATUB - Nouakchott

QTE	DESIGNATION	P. Unitaire	P. Total
1.400	Guide en arabe / français	2.200	3.080.000 UM
		TOTAL	3.080.000 UM

Arrêtée la présente offre à la somme de : TROIS MILLION QUATRE VINGT MILLE OUGUIYAS

LE FOURNISSEUR

Allegedly different vendors, but both competing against ACTE, who was owned by same person

013623

C.G.S Cheiguer Graphique Service

IMPRIMÉS NUMÉRIQUES, CONCEPTION, RÉALISATION & ASSISTANCE POUR TOUS TRAVAUX GRAPHIQUES ET EMBALLAGE SPÉCIAUX

Cabinet d'Expertise Agréé en édition, Typographie et Graphologie

DEVIS N° 212/CGS/09

PNLTL

DESIGNATION	P. Unitaire	P. Total
Traduction de 50 Pages	3400	170.000 UM
Guide PNLTL impression en noir et couverture en couleurs F A5	2500	325.000 UM
	TOTAL	505.000 UM

LE FOURNISSEUR

270. The PNLT also awarded a contract to ACTE for a printing job in the amount of US$ 4,491[326] in March of 2009. Again, CGS submitted a purportedly "competing" bid. As part of this expenditure, a check was issued to ACTE's owner in the much higher amount of US$ 12,280.[327] Documentation demonstrates that the balance of the funds related to this payment, totaling US$ 7,789, was used to pay for office supplies, a room rental and *per diem* payments to individuals not related to ACTE who were involved in the review and finalization of the PNLT guide. It is unclear why these expenditures were funded through ACTE and then paid back to other vendors and PNLT employees. There is therefore a risk that the services and goods under this activity were never rendered.

[325] Bates # 12064, 13623
[326] UM 1,113,852
[327] UM 3,107,000

ACTE invoice for alleged printing services[328]

DEVIS N°144 / ACTE / 09

Nouakchott, le 26 / 03 / 09

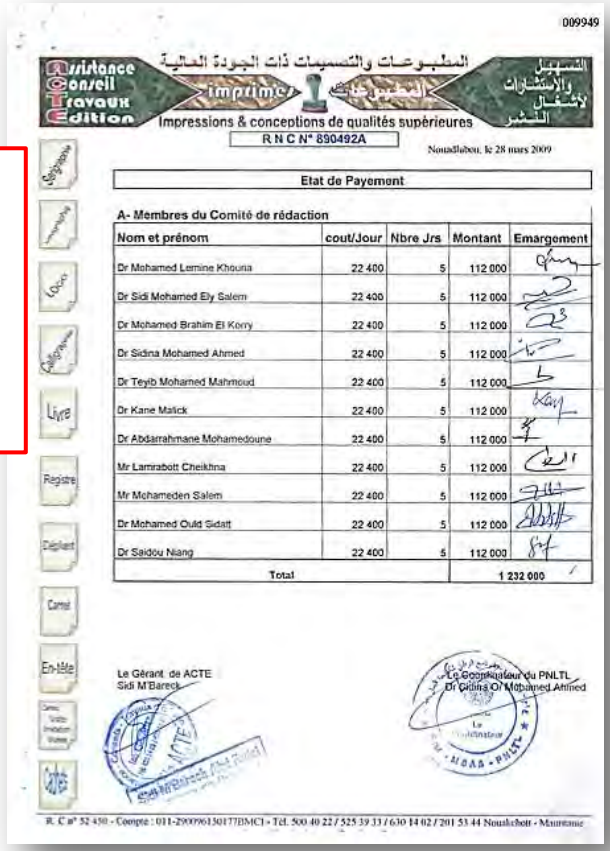
Client : PNLTL - Nouakchott - Mauritanie

Qté	Désignation	P. Unitaire	Prix Total
215	Guide du PNLT édition définitive	3.500	752.500 UM
	Traduction de 100 pages	3.500	350.000 UM
	Traitement de texte et mise en forme		11.352 UM
		TOTAL.....	1.113.852 UM

Arrêtée la présente à la somme de : Un million cent treize mille huit cent cinquante deux ouguiyas

LE GERANT

Alleged *per diem* payment sheet with ACTE invoice header[329]



Impressions & conceptions de qualités supérieures

R N C N° 890492A

Nouadhibou, le 28 mars 2009

Etat de Payement

A- Membres du Comité de rédaction

Nom et prénom	cout/Jour	Nbre Jrs	Montant	Emargement
Dr Mohamed Lemine Khouna	22 400	5	112 000	
Dr Sidi Mohamed Ely Salem	22 400	5	112 000	
Dr Mohamed Brahim El Kory	22 400	5	112 000	
Dr Sidina Mohamed Ahmed	22 400	5	112 000	
Dr Teyib Mohamed Mahmoud	22 400	5	112 000	
Dr Kane Malick	22 400	5	112 000	
Dr Abdarrahmane Mohamedoune	22 400	5	112 000	
Mr Lamrabott Cheikhna	22 400	5	112 000	
Mr Mohameden Salem	22 400	5	112 000	
Dr Mohamed Ould Sidatt	22 400	5	112 000	
Dr Saidou Niang	22 400	5	112 000	
Total			1 232 000	

Le Gérant de ACTE
Sidi M'Bareck

Le Coordinateur du PNLTL
Dr Sidina Ould Mohamed Ahmed

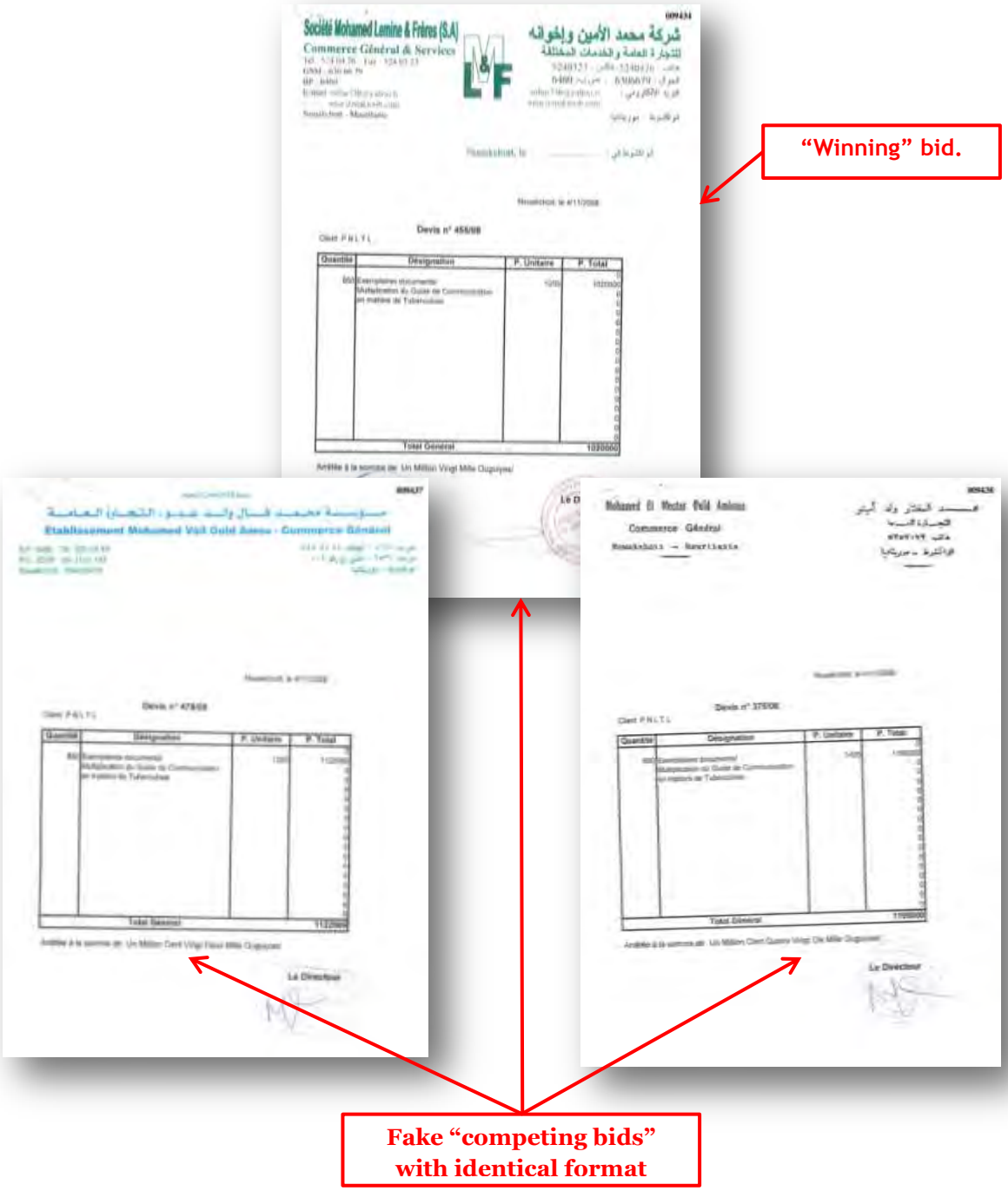
Unclear why vendor (RIGHT) also records *per diems* (LEFT)

g) COLLUSIVE RING - PNLT

271. The PNLT allegedly incurred US$ 30,489[330] between June 2007 and July 2008 in expenditures through payments to a vendor named Ets Mohamed Lemine et Freres for the purchase of office supplies, printing services, vehicle maintenance and construction—an unusual assortment of goods and services. Of the 15 individual expenditures identified,[331] the OIG found that 13 resulted from collusion in procurement and the remaining two were not subject to any competitive bidding at all. In each of the 13 cases, the alleged competing bids submitted to the PNLT were virtually identical in format to the winning bid, supporting that they were not independently and legitimately prepared. In this case, as in the previous ones, vendors were paid by check.

[328] Bates # 9989
[329] Bates # 9949
[330] UM 7,561,290
[331] Bates #8607, 8610, 8965, 9030, 9036, 9136, 9196, 9358, 9366, 9411, 9417, 9434, 12776 and 13258

Collusive bids with similar formatting[332]



[332] Bates # 9437, 9434, 9438

C. OTHER FINANCIAL IRREGULARITIES

272. In addition to the findings of fraud, described above, the OIG also notes the following irregularities. Neither of these irregularities were counted in the OIG's loss figure. Rather, they are provided for purposes of thoroughly disclosing all of the OIG's investigative results to improve grant programs and management.

1. Inappropriate Transfers Between Rounds

273. The PNLP Round 6 Account #811327 bank statement shows a transfer from UNDP in the amount of US$ 20,355[333] on 13 August 2008. On 18, August 2008, this same amount was transferred from the PNLP Round 6 account to the PNLP Round 2 account. Conversely, the OIG identified a wire transfer from the UNDP to the PNLP Round 2 account on 28 April, 2008 in the amount of US$ 2,959[334] that was transferred to the PNLP Round 6 account on May 5, 2008. It is unclear whether these transfers were appropriate and authorized.

2. Inappropriate Tax Payments

274. INRSP and PNLP wrote at least 11 checks totaling US$ 8,891 to the State Treasury of Mauritania, drawn on the Round 2 and Round 6 bank accounts, for the payment of or "IMF" taxes ("Impots Minimum Forfaitaire") on program expenditures. Article 12.a of the grant agreement states "the PR is strongly encouraged to ensure that this agreement and the purchase of any goods or service using grant funds by the PR and any SR shall be free from taxes and duties imposed under laws in effect in the host country. The PR shall, not less than 90 days after the Phase 1 starting date, inform the Global Fund of the status of the exemption from taxes and duties that may be accorded to assistance under this agreement." Article 12.b of the grant agreement further states that "if a tax or duty has been levied and paid by the PR or SR despite the exemption from such tax or duty, the Global Fund, may, in its sole discretion, (i) require the PR to refund to the Global Fund [...] the amount of such tax with funds other than those provided under this agreement or (ii) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Global Fund and the PR".

275. The UNDP therefore did not follow up on its commitment under the Grant Agreement to clarify the tax status of goods and services purchased using grant funds.

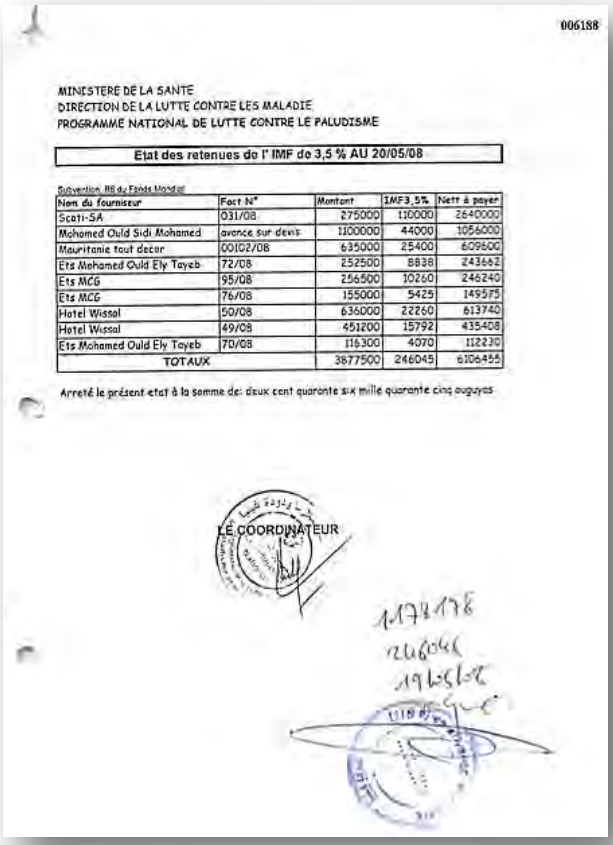
[333] UM 4,787,280
[334] UM 731,830

Tax payments made to state treasury

Date	Entity	Account_Desc	Amount UM	Amount USD	Check #
26-Sep-07	PNLP	PNLP Round 2	238,790	944	470680
19-May-08	PNLP	PNLP Round 6	246,045	973	601745
28-Dec-08	PNLP	PNLP Round 6	75,390	298	624745
28-Dec-08	PNLP	PNLP Round 2	116,180	459	624841
14-Oct-09	INRSP	INRSP (TB) Lab Round 6	372,386	1,472	256989
04-Mar-09	INRSP	INRSP (TB) Lab Round 2	477,435	1,887	157298
29-Mar-09	INRSP	INRSP (TB) Lab Round 2	116,718	461	412389
26-Mar-08	INRSP	INRSP (TB) Lab Round 2	287,895	1,138	157272
28-Aug-07	INRSP	INRSP (TB) Lab Round 2	105,860	418	156850
28-Aug-07	INRSP	INRSP (TB) Lab Round 2	105,860	418	156850
17-Aug-07	INRSP	INRSP (TB) Lab Round 2	106,824	422	156848
			2,249,383	8,891	

276. The figure below provides examples of the documents that evidence tax payments:

Example of tax transaction billed to Global Fund grant[335]



006188

MINISTERE DE LA SANTE
DIRECTION DE LA LUTTE CONTRE LES MALADIE
PROGRAMME NATIONAL DE LUTTE CONTRE LE PALUDISME

Etat des retenues de l' IMF de 3,5 % AU 20/05/08

Subvention R6 du Fonds Mondial

Nom du fournisseur	Fact N°	Montant	IMF3,5%	Nett à payer
Scati-SA	031/08	275000	11000	2640000
Mohamed Ould Sidi Mohamed	avance sur devis	1100000	44000	1056000
Mauritanie tout decor	00102/08	635000	25400	609600
Ets Mohamed Ould Ely Tayeb	72/08	252500	8838	243662
Ets MCG	95/08	256500	10260	246240
Ets MCG	76/08	155000	5425	149575
Hotel Wissal	50/08	636000	22260	613740
Hotel Wissal	49/08	451200	15792	435408
Ets Mohamed Ould Ely Tayeb	70/08	116300	4070	112230
TOTAUX		3877500	246045	6106455

Arreté le présent etat à la somme de: deux cent quarante six mille quarante cinq ouguyas

LE COORDINATEUR

1178178
246045
19/05/08

Chèque N° 601745

MINISTERE DES FINANCES
TRESOR PUBLIC

REPUBLIQUE ISLAMIQUE DE MAURITANIE

QUITTANCE

N° 1178178

Cette quittance a été établie par la Perception de ...

Pour le compte de ...

Payé par ... P.N.L.P

Pour la somme de (en lettres) ... deux cent quarante six mille quarante cinq ouguyas

UM

MODE DE REGLEMENT	Nature de l'imposition (Contribution, Impôt, Taxe)	DETAIL DES SOMMES PAYEES
Numéraire 601745	IMF Perception	246 045
Chèque 19-05-08		
	TOTAL	246 045

Date de Règlement 19/05/08

[335] Bates # 6188

VI. LOSSES SUSTAINED UNDER UNDP-MANAGED GRANTS

A. GLOBAL FUND'S RIGHT TO REIMBURSEMENTS

277. Under the Global Fund's Standard Terms and Conditions (STCs), which comprise a portion of the Grant Agreement with the UNDP, Article 8 stipulates that in "the case of any disbursement that is not made or used in accordance with this Agreement, or that finances goods or services that are not used in accordance with this Agreement, the Global Fund… may require the [UNDP] to refund the amount of such disbursement…"

278. The OIG has found that the following provisions of the STCs have not been honored:

279. According to Article 2, the UNDP committed to "implement or oversee the implementation of the Program in accordance with the terms of the Agreement" and it is "responsible and accountable to the Global Fund for all resources it receives under this Agreement and for the results that are to be accomplished."

280. Under Article 10(b) of the Grant Agreement, UNDP's "accountability and reporting shall encompass the funds disbursed to all Sub-recipients and to the activities Sub-recipients carry out using Program funds. The [UNDP] shall have systems in place to assess… the capacity of Sub-recipients, monitor their performance, and assure regular reporting." As PR, the UNDP is responsible under the same article for "assess[ing] Sub-recipients and supervis[ing] and monitor[ing] their activities and reporting under the Program."

281. In addition, under Article 7(d), it is obliged to "furnish or cause to be furnished to the Global Fund a copy of reports or audits carried out under the plan [for the audit of the expenditures of Sub-recipients under the Program]."

282. OIG's finding of extensive and pervasive fraud, collusion, and corruption at the SR and SSR levels constitutes a de facto breach of Article 10(b) of the Agreement, as systems were not in place to assess, monitor, and supervise SR activities under the Program. In addition, UNDP's lack of willingness to provide the OIG with copies of its SR audit report also is contrary to Article 7(d). The PR did not ensure that the funds were used for the purposes of the agreement.

B. Calculation of Loss Under Malaria and TB Grants

283. The OIG finds that the multiple provisions of the Grant Agreement were breached; disbursements were as a result not made or used in accordance with the Agreement, and loss to the Global Fund was therefore sustained. The following calculation of loss is made:

Calculation of Loss under UNDP-Managed Malaria and TB Grants (Rounds 2 and 6)

Category	Description	Malaria Rd 2 (UM)	Malaria Rd 6 (UM)	TB Rd 2 (UM)	TB Rd 6 (UM)	Total (UM)	Total (USD)
Findings of Confirmed Fraud and Abuse							
1	Fabrication of false supporting expenditure documents	128,584,943	93,861,692	124,327,484	127,456,115	474,230,234	$ 1,874,428
2	Fraud determined through totality of circumstances	4,253,065	7,190,666	25,386,404	27,526,428	64,356,563	$ 254,374
3	Collusion in procurement	2,242,300	10,417,970	28,132,647	36,853,737	77,646,654	$ 306,904
TOTAL LOSS DUE TO FRAUD AND ABUSE AT SR & SSRs		135,080,308	111,470,328	177,846,535	191,836,280	616,233,451	2,435,705
Findings of Loss other than Fraud and Abuse							
4	SR and SSR expenditures not adequately substantiated	2,934,900	323,200	6,956,192	7,272,040	17,486,332	$ 69,116
TOTAL LOSS TO THE GLOBAL FUND AT THE SR & SSRs		**138,015,208**	**111,793,528**	**184,802,727**	**199,108,320**	**633,719,783**	**$ 2,504,821**

C. UNDP Reimbursements to Date

284. The UNDP has not reimbursed any funds to the Global Fund to date. In August 2010, the Global Fund received a proposal from UNDP for the repayment of US$ 1.06 million identified as misused by the OAI. The UNDP also stated that Government had repaid 50% of this amount directly to UNDP in October 2010. However, the Global Fund did not accept this amount of loss and noted that additional reimbursements may be requested following the conclusion of the OIG investigation.[336] The OIG had presented a forensic report to the OAI in 2010, detailing the basis for a loss calculation of US$2.6 million. To date, the OAI has not responded to this report, or provided its basis for its conclusion that the loss amount equals $1.06 million.

[336] Mauritania_StatusReport_4March2011.docx

VII. FINDINGS PERTAINING TO BOTH SENLS AND UNDP-MANAGED GRANTS

A. ALL PROGRAMS FRAUDULENTLY REPORTED PERFORMANCE INDICATORS TO THE GLOBAL FUND

285. The OIG found that fraud also tainted the data which the Global Fund used to make its disbursement decisions to Mauritania. As the Global Fund public pronouncements through its website explains, the Global Fund "focuses on performance by linking the provision of funding to the achievement of clear, measurable and sustainable results. The aim is to ensure the most effective use of resources by funding only services which deliver results for the people who need it most."[337] The Global Fund operationalizes this performance-based funding model by assigning a "performance rating" system of indicators to each grant, which seek to reflect key programmatic outputs and activities for that grant. Examples of indicators are: "Number of people treated for severe malaria in public hospitals" or "Number of doctors and nurses trained on care of TB patients." Target numbers are set per each indicator and the level of performance is determined by the percentage of the target achieved. Performance indicators are "the primary factor in deriving the grant performance rating," although this rating can be downgraded due to critical management issues (*e.g.,* poor data quality, procurement delays and ineligible expenditures).

286. For each Mauritania grant that the OIG investigated, a subset of performance indicators reported on the number of persons trained ("training performance indicators"). The average score for these training indicators, across all five grants investigated was 96%, in contrast to the remaining, non-training indicators, whose score averaged 50%.

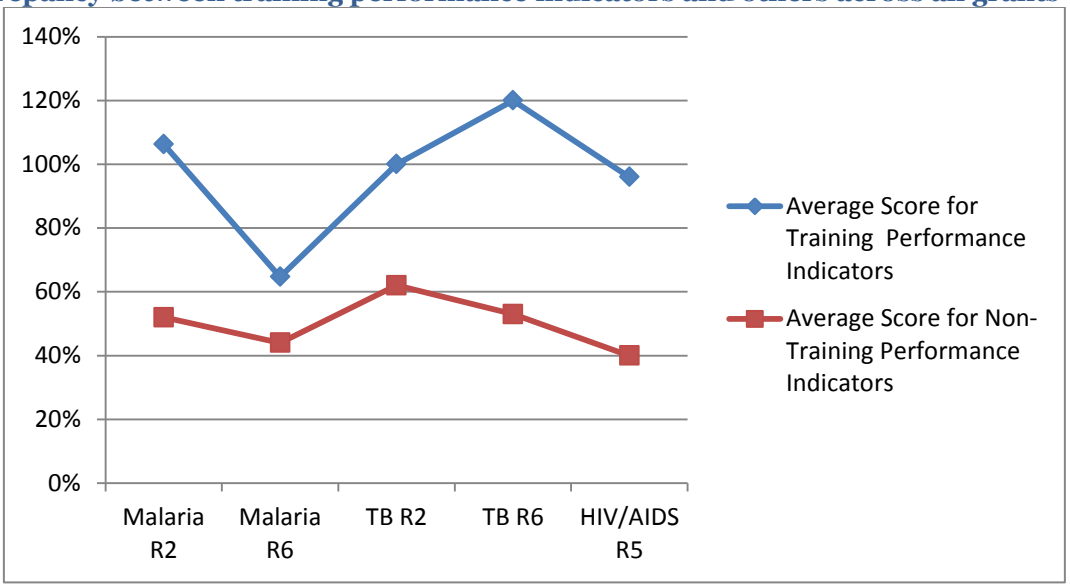
Average scores of training and non-training performance indicators for all Mauritania grants[338]

	Malaria R2	Malaria R6	TB R2	TB R6	HIV/AIDS R5	TOTAL AVERAGE
Average Score for Training Performance Indicators	106%	65%	100%	120%	96%	**97%**
Average Score for Non-Training Performance Indicators	52%	44%	62%	53%	40%	**50%**
Difference Between Average Scores	**54%**	**21%**	**38%**	**67%**	**56%**	**47%**

287. A consistent discrepancy appeared across all grants between the training and non-training indicators where the training indicators reported significantly stronger performance:

[337] http://www.theglobalfund.org/en/performance/
[338] Numbers obtained from the grants' GPRs.

Discrepancy between training performance indicators and others across all grants



288. The high scores of the training indicators stand in stark contrast to the OIG's findings that program officials forged and falsified large quantities of documents to give the appearance that program activities such as trainings were taking place, when in fact they were not. Since these fabricated and false documents also formed the basis on which the numbers of trained individuals were proven for M&E purposes, it therefore follows that the target numbers reported to the Global Fund by the PR were also inflated.

289. Indeed, PU/DR reviews performed since 2008 have repeatedly raised concerns about the quality of data reported to satisfy the performance indicators. Global Fund staff interviewed also expressed their own skepticism as to the reliability of the data.

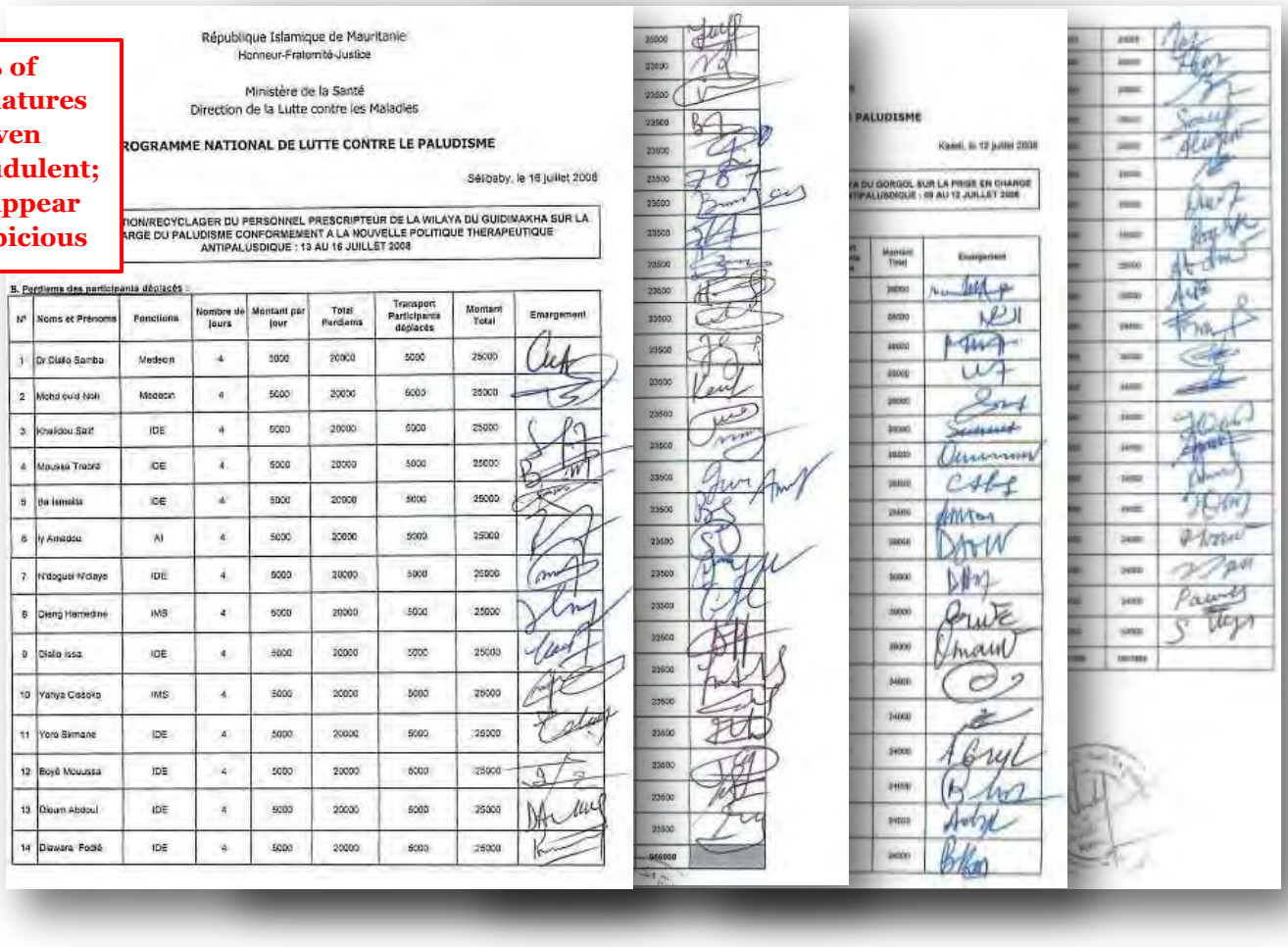
290. The OIG found that it was not possible to establish which activities mapped to which performance indicators, due to the haphazard state of the supporting documentation and the general poor organization of information. It was, however, able to establish one clear link to a particular PNLP target indicator. This example illustrates how reported targets were falsified:

291. On July 6, 2008, a PNLP official withdrew US$ 18,837[339] from the PNLP Round 6 bank account.[340] The alleged purpose of this withdrawal was to undertake malaria training seminars for public sector doctors, nurses, midwives and technicians in the regions of Gorgol and Guidamaka. *Per diem* sheets supporting these seminars indicate that 81 individuals were trained as part of these activities. However, analysis of the signatures on the submitted *per diem* sheets indicates that 41, or 50% of the signatures were forged.[341] A remaining 40 names appeared only once across all documents so the OIG had no way to identify conflicts. Regardless, as the images of the *per diem* sheets below demonstrate, all of the signatures contain indications of illegitimacy.

[339] UM 4,484,100
[340] Check #601796
[341] The remaining 41 signatures could not be analyzed for lack of comparative signatures or name commonality that precluded a match.

***Per diem* sheets with fake signatures and suspicious signatures used to justify performance indicator targets[342]**

50% of signatures proven fraudulent; all appear suspicious



République Islamique de Mauritanie
Honneur-Fraternité-Justice

Ministère de la Santé
Direction de la Lutte contre les Maladies

ROGRAMME NATIONAL DE LUTTE CONTRE LE PALUDISME

Sélibaby, le 16 juillet 2008

TION/RECYCLAGE DU PERSONNEL PRESCRIPTEUR DE LA WILAYA DU GUIDIMAKHA SUR LA ARGE DU PALUDISME CONFORMEMENT A LA NOUVELLE POLITIQUE THERAPEUTIQUE ANTIPALUSDIQUE : 13 AU 16 JUILLET 2008

5. Perdiems des participants déplacés :

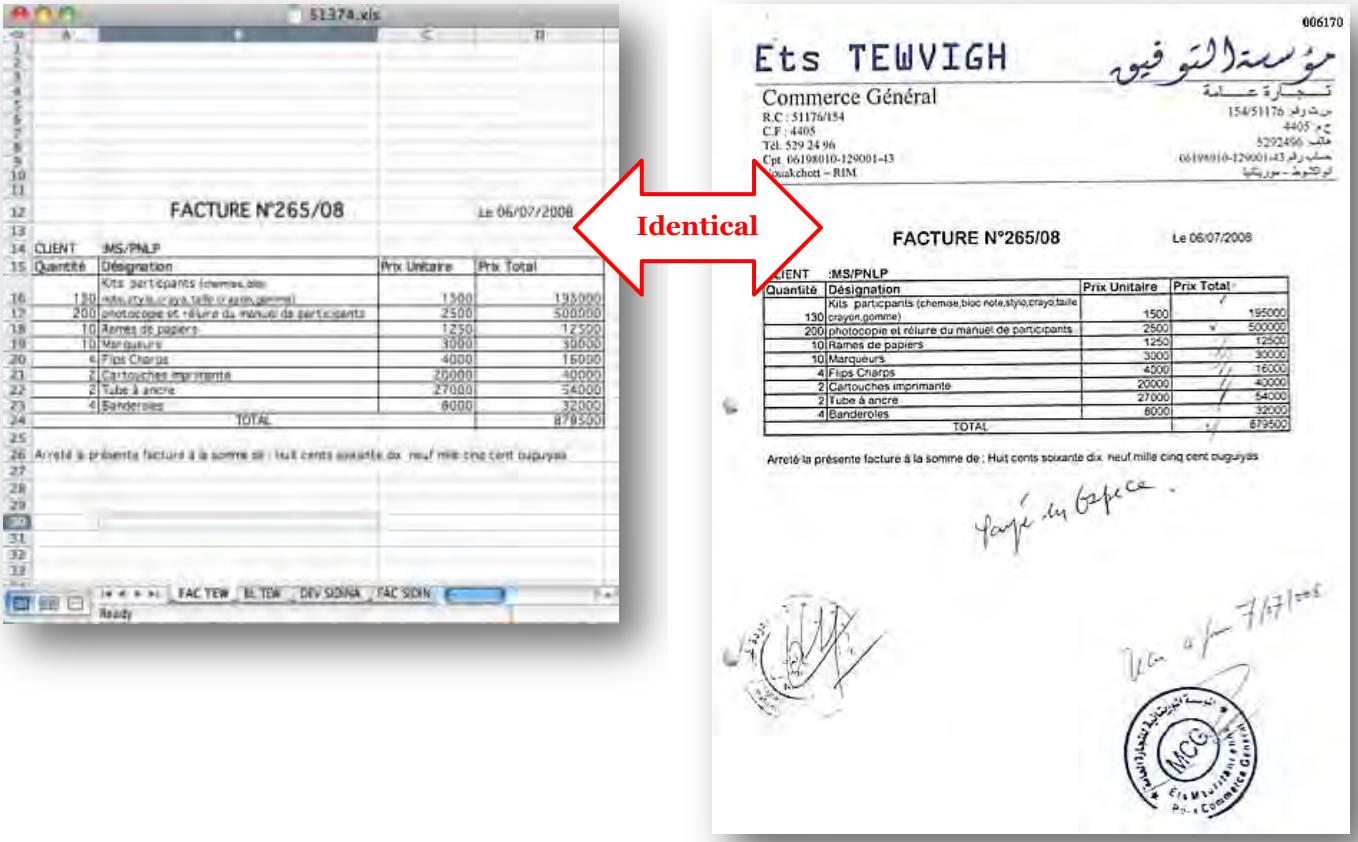
N°	Noms et Prénoms	Fonctions	Nombre de jours	Montant par jour	Total Perdiems	Transport Participants déplacés	Montant Total	Emargement
1	Dr Diallo Samba	Medecin	4	5000	20000	5000	25000	
2	Mohd ould Noh	Medecin	4	5000	20000	5000	25000	
3	Khaldou Salf	IDE	4	5000	20000	5000	25000	
4	Moussa Traoré	IDE	4	5000	20000	5000	25000	
5	Ba Ismaïla	IDE	4	5000	20000	5000	25000	
6	Ly Amadou	AI	4	5000	20000	5000	25000	
7	N'doguel N'daye	IDE	4	5000	20000	5000	25000	
8	Dieng Hamedine	IMS	4	5000	20000	5000	25000	
9	Diallo Issa	IDE	4	5000	20000	5000	25000	
10	Yanya Cissoko	IMS	4	5000	20000	5000	25000	
11	Yoro Sikhare	IDE	4	5000	20000	5000	25000	
12	Boyé Moussa	IDE	4	5000	20000	5000	25000	
13	Diaum Abdoul	IDE	4	5000	20000	5000	25000	
14	Diawara Fodé	IDE	4	5000	20000	5000	25000	

292. In addition, another large expenditure purportedly related to this activity, a purchase of office supplies from vendor ETS Tewvigh in the amount of US$ 3,476,[343] was also proven fake: the invoice exactly matched a template in an Excel file found in the possession of the very PNLP official that withdrew the funds. Also, the competing bids for this expenditure claimed to have been issued by Ets Mohamed O. Ely Taleb[344] and Ets El Menara[345] also matched, precisely, the Excel files illegitimately possessed by the same PNLT official. Based on the foregoing, and the totality of evidence, it is more likely than not that the training never took place.

[342] Bates # 6174, 6175, 6181, 6182
[343] UM 879,500
[344] Bates # 6172
[345] Bates # 6173

Invoice submitted by PNLP for Guidamaka and Gorgol trainings[346]

Fake template found on PNLP official's computer[347]



293. Indeed, when the OIG reviewed the performance indicators for the Round 6 Malaria Grant, it found that one of the Round 6 Malaria grant performance indicators assessed the "*Number of health personnel (public sector- doctors, nurses, midwives) trained on prompt and effective treatment of malaria.*" In section "PR_Section 1A(2)" of the second quarter PU/DR, which covered the period April 1, 2008 to June 30, 2008—the period relating to this falsified training—the PR notes that for this indicator "the objective was significantly surpassed (training of 145 health sector employees in the three endemic regions of Guidamaka, Gorgol and Hidh El Gharbi)."[348] The LFA notes it its section of that same PU/DR that "a total of 145 of health workers were trained during the quarter bringing the cumulative number of people trained to 267."[349]

294. Since it is more likely than not that the training activities in Guidamaka and Gorgol never took place, the PR overstated the performance indicator in question by at least 81.

[346] HD 9/51734.xls, tab 'FAC TEW'
[347] Bates # 6170
[348] The OIG notes that that despite bearing dates in July 2008, these alleged training figures in the PU/DR ending 30 June 2008.
[349] UNDP_ Malaria_Rd6_Qtr 2_Final.xls

295. The OIG notes that independent reviews and witness statements also identified misreporting, fraud and non-performance in relation to program activities other than trainings as well. Since the country of Mauritania does not possess a National Information System to collect epidemiological data through independent means, vetting the non-training performance indicators to determine their veracity requires the types of On Site Data Verifications which LFA's currently perform.

VIII. FIDUCIARY CONTROL ANALYSIS

296. In Mauritania, four structures—external auditors, the LFA, the CCM, and the Global Fund's own staff—constituted the fiduciary framework that ought to have ensured that funds were used for their intended purposes. The OIG's review of key documents issued by these structures, as well as interviews of key staff within these structures, demonstrate that between the start of the grants in 2004 and January 2009, none of these structures uncovered the risks and red flags that funds were being diverted. However, the OIG also underscores that it was a review performed by a newly-appointed LFA, as requested by the Global Fund's own Fund Portfolio Manager (FPM) responsible for managing the grants, which first brought to light the irregularities in Mauritania and prompted the OIG investigations.

297. Lessons can therefore be learned about each fiduciary structure to strengthen the Global Fund's fiduciary framework in future grants. This section outlines (i) the roles and responsibilities of each fiduciary structure; (ii) how the Global Fund perceived the robustness of each; (iii) issues each structure identified over the life of the grants; and (iv) the structural weaknesses that may have prevented each from detecting fraud and abuse. The observations provided in this section relate to the management of all grants in Mauritania, regardless of the PR.

298. It should be noted that OIG's observations only address fiduciary oversight of four grants in Mauritania between 2004 and mid-2010. Therefore, they do not necessarily apply to the Global Fund's current approach to addressing fraud and abuse. The Global Fund has begug to adopt the following safeguards:[350]

- Reinforcing and prioritizing the mandate of firms that monitor expenditure in countries in order to enhance fraud prevention and detection
- Consideration of strengthening the role of country coordinating bodies in grant oversight
- Additional scrutiny of activities considered at higher risk of fraud, such as training
- Redirecting a proportion of all grants to assess and strengthen financial controls at country level
- Increasing the number of the Global Fund's staff responsible for financial management

A. EXTERNAL AUDITS

1. The Purpose of External Audits

299. The Global Fund Guidelines for Annual Audits of PR and SR Financial Statements explain the purpose of external audits:[351]

[350] See Global Fund announcement from February 4, 2010, *available at* http://www.theglobalfund.org/en/announcements/?an=an_110209

[351] OIG recognizes this policy may have been updated over the years, and so the auditors may not have been held to this standard over the life of the grants. Available at https://intranet.theglobalfund.org/sites/Operations/EAP/PrivateZone/Papua/Annual%20Reports/G

> *These annual audits are important parts of the assurance process regarding proper use of Global Fund money and provide the basis for decision-making on the disbursement of funds and the renewal of grants within the framework of Global Fund's performance-based funding principles. The audits are to provide the Global Fund with reasonable assurance that disbursed funds were used for the intended purposes in accordance with the Grant Agreement, the approved budget and the Performance Framework*.[352]

300. In relation to the HIV/AIDS grant that was managed by SENLS, the grant was subject to Article 13 of the STCs, which states "The Principal Recipients shall have annual financial audits of Program revenues and expenditures conducted by an independent auditor" and "shall ensure that annual audits of the revenues and expenditures of each Sub-recipients of Grants funds are carried out." The PR is responsible for selecting "an independent auditor acceptable to the Global Fund," and the PR is to "furnish" the audit reports "within six months after the end of the period under audit."[353]

301. In the case of the UNDP-managed grants, the Global Fund has agreed to an alternative set of provisions regarding the UNDP's auditing obligations. Whereas Article 13 of the regular STCs with non-UN entities obligates the PRs to have "annual financial audits of Program revenues and expenditures conducted by an independent auditor" the Global Fund's STCs with the UNDP obligate the UNDP to "have financial audits conducted of Program expenditures in accordance with its internal and external auditing practices." Unlike the regular PRs, the UNDP is therefore not required to conduct audits on a regular, annual basis, and the auditing body for UNDP audits is internal, not external to the UNDP.[354]

302. Also, whereas the regular STCs[355] obligate PRs to "furnish" the audit reports to the Global Fund "within six months after the end of the period under audit," the UNDP STCs only required the UNDP to "not later than June 30 of each year… submit to the Global Fund a statement, certified by the Comptroller of the PR, of income and expenditure of the Program during the preceding year."[356]

303. In relation to the audit of SRs, the UNDP and non-UNDP STCs outline similar requirements. Under Article 7(d) of the UNDP STCs, the PR is obligated to submit a plan for the audit of the expenditures of the SRs, although a deadline such as is provided for in the regular STCs—"audits no later than six months after the Phase I Starting Date"[357]—does not exist. In both cases, the PR is obligated to furnish the audits of SRs to the Global Fund, however whereas the regular STCs require the reports furnished "not later than six months

uidelines%20for%20%20Annual%20Audits%20of%20Financial%20Statements%20_EXTERNAL%20USE.PDF

[352] The Global Fund Guidelines for Annual Audits of Principle Recipients' and Sub-Recipients Financial Statements, para. 2.3

[353] Article 7 of the Mauritania Grant Agreements

[354] In certain cases, where the Additional Safeguard Policy applies, the UNDP grant agreements provide for a Special Purpose Audit, however Mauritania was not such a case.

[355] Article 13

[356] Article 7c

[357] STCs para. 13 (d)

after the period under audit,"[358] the UNDP STCs require provision of these reports "upon [the Global Fund's] request."[359]

2. Audits of SENLS

304. The HIV/AIDS grant was subject to two external financial audits for the years ended 2006 and 2007. Both audits were performed by the same external auditor, EXACO, and were performed at the same time in July 2008.

305. Despite the fact that the management letter accompanying these audit reports highlighted four internal control weaknesses, the audit themselves issued an "unqualified" opinion, meaning that the auditor "certified" the accounts as fair and accurate in all material respects. The four internal control weaknesses formally highlighted by the auditor were:

1. The Program was unable to compile a statement of program funds and uses
2. Program expenditures were not categorized in such a way as to perform programmatic analytics (*i.e.,* comparison to grant budgets)
3. Payroll was done on a manual, cash basis
4. The PR did not review expenditures incurred by its SRs

306. The OIG interviewed this auditor to gain a better understanding of the procedures it performed in support of the unqualified opinion on the SENLS financial statements. During that meeting, the auditor offered the following additional observations on SENLS:

- Significant internal control weaknesses with segregation of duties problems
- Lack of written procedures (Accounting, Financial) or handbook
- No desk review performed for SRs activities and expenditure
- SRs were not audited by independent or external auditors
- The accounting system ("SUCCESS") was not reliable with significant deficiencies
- Accounting outsourced to a third party vendor and was not completed for 2008 at all given lack of payment of fees
- Significant transactions made in cash (by the SR and PR)
- Weak document archiving system was weak

307. It is unclear why the auditor's important observations did not appear in its final report. Furthermore, there is a stark contrast between these observations and the issuance of the auditor's unqualified opinion. The unqualified opinion is even more concerning given the fact that the auditor acknowledged that the PR performed no reviews either of its SRs or of the supporting documents submitted by the SRs, even though payments to SRs accounted for over 70% of total grant expenditures during the audited period. These discrepancies raise serious concerns about the auditor's independence. The resulting audit is therefore deemed unreliable.

[358] STCs para. 13 (e)
[359] UNDP STCs, para. 7(d)

3. Audits of UNDP-Managed Grants

a) Financial Reports Provided By UNDP Provided Little Actionable Information

308. The Global Fund Secretariat provided the OIG with an example of the kinds of financial reports that the Global Fund received from the UNDP for purposes of financial reporting under the grant agreement. The report was entitled: "Certified Financial Reports to the Global Fund to Fight Aids, Tuberculosis and Malaria for the Year Ended December 31, 2009" and it included a list of all Global Fund grants to UNDP and a limited summary financial information including amount of funds received, total expenditures and the UNDP's management fee. The page summarizing all information relating to the Mauritania grants for that year is provided below. It is of such general nature and is so high-level that it provides virtually no insight into how funds were spent on the Mauritania grants. Furthermore, while the report is categorized as having been "certified," there is no indication as to who the certifying party was.

Sample Financial Statement Provided to the GLOBAL FUND by the UNDP on an annual basis[360]

United Nations Development Programme

Financial Report to the GLOBAL FUND
for the period of 01 January 2009 - 31 December 2009
(in United States dollars)

Category	Reference	Income			Expenditure				Transfer/ Refunds (+ or -)	Income Balance (Closing)	Interest Earned (credit to govt. CSO)
		Income Balance (Opening)	Income Received	Other Income (Including Interest Earned)	Apportioned to Donors	General Management Service Charge	Apportioned to UNDP Resources	Total Expenditure			
GLOBAL FUND		5,434,587	345,575	57,438	5,045,752	485,363	-	5,431,113	96,103	472,588	-
00061427-Tuberculosis Control & Hepatitis											
All Donors		736,449	3,305,882	27,409	3,166,260	186,830	-	3,353,090	35,889	752,539	27,409
GLOBAL FUND		736,449	3,305,882	27,409	3,166,260	186,830	-	3,353,090	35,889	752,539	-
Liberia Total											
All Projects, all d		6,944,679	10,682,242	128,643	14,891,278	913,916	45,225	15,850,423	248,679	3,199,046	126,977
GLOBAL FUND		6,908,452	10,682,242	128,643	14,891,250	913,916	-	15,805,166	248,679	3,162,849	-
Mauritania											
00034655-Appui à la											
All Donors		342,464	-	3,349	317,780	13,630	-	331,400	11,883	126,275	3,346
GLOBAL FUND		334,639	-	3,349	317,780	13,630	-	331,400	11,883	117,351	-
00037089-Appui à la lutte contre la Tub											
All Donors		601,361	-	1,935	519,707	33,383	-	552,089	10,179	61,387	1,937
GLOBAL FUND		601,825	-	1,935	519,707	33,383	-	552,089	10,179	61,849	-
00058705-Expansion et renforcement de l											
All Donors		1,855,267	-	29,359	1,472,206	58,446	-	1,530,652	59,446	443,420	28,659
GLOBAL FUND		1,855,267	-	29,359	1,472,206	58,446	-	1,530,652	59,446	443,420	-
00058706-Appui au renforcement de la lu											
All Donors		334,917	541,854	6,617	476,855	23,935	-	500,790	30,769	403,368	6,617
GLOBAL FUND		334,917	541,854	6,617	476,855	23,935	-	500,790	30,769	403,368	-
Mauritania Total											
All Projects, all donors		3,171,010	541,854	40,260	2,686,547	128,384	-	2,814,931	102,357	1,040,449	39,559
GLOBAL FUND		3,156,548	541,854	40,260	2,686,547	128,384	-	2,814,931	102,357	1,035,987	-
Niger											

All financial information the UNDP provided to the Global Fund for Mauritania in 2009

19

[360] UNDP Certified Financial Reports December 2009, p. 45

b) UNDP Internal Audits

309. The UNDP OAI has informed the OIG that prior to 2009, it conducted country-office wide audits of Mauritania, which also covered Global Fund financed operations. Two such audits were performed throughout the life of the grants—one in 2004, and the other in 2008. Unfortunately, no one outside of the UNDP was privy to these audits' findings, so there was no way to determine, on their basis, whether the funds were appropriately managed. Beginning in 2009, the OAI began to conduct Global Fund-focused audits. Whereas the 2004 and 2008 UNDP audits continue not to be available to the Global Fund, the 2009 Internal Audit report was made available to the OIG.
310.

c) UNDP submitted no Plan to Audit SRs

311. Based on its discussions with the LFA and the Global Fund Secretariat, the OIG notes that the UNDP never submitted an SR Audit Plan to the Global Fund. The LFA noted that the UNDP made reference to its internal audit plan but refused to share that plan with the Global Fund or the LFA. The OIG therefore finds that UNDP is in breach of this contract requirement.

d) SR Audits

312. The OAI has informed the OIG that the UNDP did hire an external audit firm annually to conduct audits of the SRs under the programs. Unfortunately, neither the Global Fund Secretariat Staff nor the OIG was able to locate these reports prior to the publication of this report. The OAI did, however provide the OIG with the following summary of the audits that occurred prior to the initiation of this investigation:

Fiscal Year Audited	Projects	Audit Firm	Rating
2006	Round 2	A2C, cabinet local	Unqualified
2007	Round 2	FAC Consulting	Unqualified
2008	Round 2	FAC Consulting	Unqualified
2009	Round 6	FAC Consulting	Unqualified

Regarding these findings, the OAI has stated, "Unforutnately the audits failed to detect any irregularities that could have alerted the UNDP of any ongoing fraud at the SR. This is the reason why UNDP, AFTER the 2009 OAI audit, changed the audit firm." Indeed, it is concerning why the widespread fraud uncovered by multiple audits and investigations in 2009 went completely undetected by previous auditors for years.

313. Besides the above-mentioned audits, the OIG was able to review four audit reports of SRs related to the TB and Malaria Grants. While these reports cover the period April 2004 to December 2009, they were all issued in early 2010, after the investigation of the UNDP-managed grants had begun. It therefore appears that the UNDP did not commission

any external audits of its sub-recipients during the entire 6-year period of the grants until early 2010, well after the serious program anomalies had already come to light.

314. The reports received are as follows:

- Audit of PNLT for the period January 1, 2009 to December 31, 2009 performed by KPMG
- Audit of PNLP for the period January 1, 2009 to December 31, 2009 performed by KPMG
- Audit of PNLT for the period April 1, 2004 to March 31, 2009 performed by Mazars Senegal
- Audit of PNLP for the period April 1, 2004 to March 31, 2009 performed by Mazars Senegal

(i) Significant Findings

315. The PNLT and PNLP audits covering the period April 2004 and March 2009 conducted by Mazars Senegal resulted in "adverse" opinions, meaning that the auditor was unable to render an opinion on the accuracy of the financial statements because the state of the statements was so poor. Based on it its sample testing, the auditor identified over US$ 400,000 in bank withdrawals that were either not supported by any documentation or were supported by inadequate documentation.

316. In its adverse opinion, the Mazars audit report specifically states: "in general, the problems related to purchases and the related review of invoices as well as weaknesses in accounting documentation result in our inability to provide assurance that expenditures are legitimate and are executed at the best possible price." The audits performed by KPMG for the period of January 1 to December 31, 2009, on the other hand, resulted in unqualified opinions, meaning that the auditor found that the financial statements could be relied upon and accurately reflected the financial picture of the Programs. The adverse opinion on the Mazars audits stand in stark contrast to the unqualified opinions issued on the KPMG audits, particularly since both audits related to the same programs and same PRs, albeit different grants.

(ii) Quantification of Loss by External Auditor Mazars

317. The Mazars audit reports quantify those disbursements tested for which no supporting documents were identified, as well as those disbursements for which the auditor opined that the supporting documentation was not "convincing" or "inadequate" ("non-probante"). In total, Mazars quantified these amounts as follows:

	No Documentation		Inadequate Documentation		**TOTAL**
	UM	USD	UM	USD	**USD**
Malaria	3,360,490	13,550	36,466,856	147,044	**160,594**
TB	2,438,855	9,834	57,696,340	232,647	**242,481**
	5,799,345	23,384	94,163,196	379,690	**403,075**

318. Many of the check numbers listed in the Mazars appendices were also identified by the OIG as fraudulent or suspicious. Notwithstanding this however, the Mazars quantification should be read with the following in mind:

- External audits are typically designed to provide reasonable assurance on the basis of *sample* testing. This means that the auditor does not review all of the documents and transactions. Indeed, the Mazars audit opinion states: "an audit consists of examining, on a sample basis, the evidence supporting the amounts included in the statement of expenditures." It follows that the loss figures Mazars put forward do not represent the entirety of the potential loss suffered under the Program.
- Mazars also did not adequately describe the basis for its inclusion of a particular expenditure in Annex II, the list of inadequately supported expenditures. The Audit report provides no description of what characteristics a document needed to possess to be included in the list. As a result, the OIG was unable to assess whether such characteristics are reasonable or complete.

B. LOCAL FIDUCIARY AGENT

1. Background

319. Under the Global Fund model, the LFA is the "eyes and ears" of the Global Fund on the ground, in-country. Mauritania witnessed many changes in LFA over the life of the grants. Initially, PwC Morocco served as the LFA between 2004 and early 2008, but had to be replaced as the companies representing PwC Morocco were no longer members of PWC.[361] In 2008, PwC Cameroon took over the portfolio. This LFA was shortly replaced by PwC Ivory Coast, in mid-November 2008, due to Global Fund concerns about the LFA's performance.

2. Roles and Responsibilities of the LFA

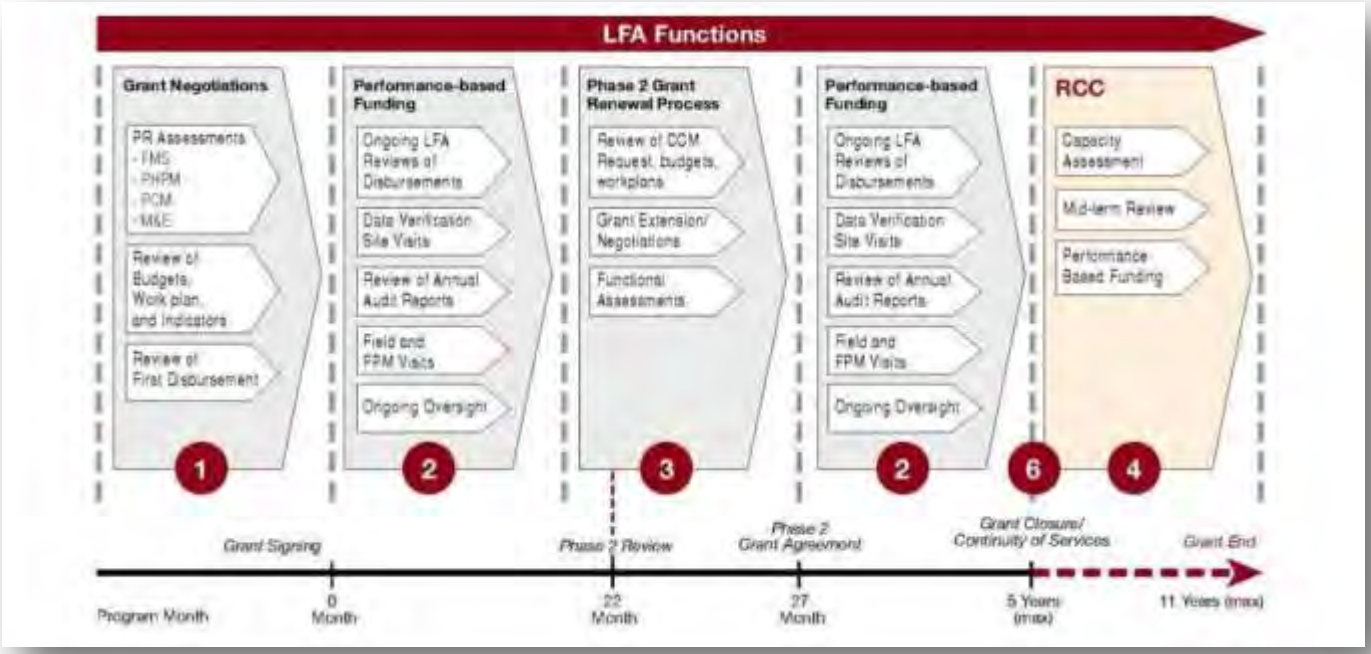
320. The roles and responsibilities of the LFA are described in the Global Fund LFA Manual.[362] As the Manual's states, "The LFA is a crucial part of the Global Fund's system of oversight and risk management."[363] The LFA is asked to:[364]

- Provide "informed and independent professional advice" regarding "the capacity of PRs to manage the implementation of activities funded under grants (including a PR's capacity to oversee implementation of activities by Sub-recipients),"
- Make recommendations regarding disbursement of grant funds,
- Review grant performance during the grant's renewal for Phase II, and, importantly,

[361] Letter from PWC Geneva to Global Fund FPM, 18 February 2009
[362] The most recent version is dated May 2008. The OIG recognizes this policy may have been updated over the years, and so the LFA may not have been held to this standard over the life of the grants.
[363] LFA Manual, Section 6, p. 10
[364] LFA Manual, Section 6, p. 10

- *Provide the Secretariat on an ongoing basis with relevant information on issues or risks which might affect grant performance.*

Schematic of LFA Functions from LFA Manual[365]



321. As a key fiduciary agent, the LFA is asked to undertake a number of activities which should alert the Global Fund to risk of mismanagement, abuse, fraud, and corruption. Principle among them are: [366]

- A financial management (FM) assessment of the PR during grant negotiation,
- Ongoing progress reviews of the Disbursement Request and Progress Updates (PU/DRs)
- Enhanced financial reporting,[367] and
- Review of annual audits reports.

322. As part of the FM assessment,

> *The LFA is required to determine whether the PR has (or can access) financial management capacity and systems which: (i) Can correctly record all transactions and balances, including those supported by the Global Fund; (ii) Can disburse funds to Sub-recipients and suppliers in a timely, transparent and accountable manner; (iii) Maintains an adequate internal control system; (iv) Can support the*

[365] LFA Manual, Section C, p. 33
[366] See Board Document entitled "Fiduciary Arrangements for Grant Recipients"
[367] Enhanced financial reports were only introduced in 2008, so the FPM was not responsible for this beforehand.

preparation of regular reliable financial statements; (v) Can safeguard the PR's assets; and (vi) Are subject to acceptable auditing arrangements.[368]

323. As part of the ongoing progress review,

The LFA is required to receive and review the DR/PU, and having done so to complete the LFA Progress Review and Recommendation for Ongoing Disbursements form. This [includes]…[c]onfirmation that the bank account information is correct.[369]

324. As part of enhanced financial reporting,[370]

The LFA [should] review the completed template at each reporting period to ensure… [f]inancial information has been correctly extracted from financial systems and records.[371] *Three types of verifications can be performed by the LFA: 1) Bottom-up audit trail from recorded events in primary records to aggregated reports; 2) Cross-verifications of programmatic data with other sources of information – e.g., expenditures, inventory records; and 3) Spot-checks of actual delivery of services and/or commodities with beneficiaries.*[372]

325. Although the LFA "is not responsible for undertaking the audit of the PR," as part of its review of annual audits, it is required to provide:[373]

Timely and relevant advice to the Global Fund on… [i]ssues arising in the PR's audit report which may affect the grant; and [i]ssues arising in the Sub-recipients' audit reports which may affect the grant.[374]

326. The LFA Manual draws a distinction between oversight and provision of technical assistance, which the LFA is not to perform:

Note that the LFA does NOT provide technical assistance or capacity building on core aspects of implementation to the PR or sub-recipients, as this would constitute a conflict of interest. Providing assistance or guidance in complying with Global Fund reporting requirements, for example, is not regarded as TA or capacity building.[375]

3. Global Fund Reviews of the LFA

327. The OIG sought to determine how the Global Fund had assessed the LFAs throughout the life of the grants. The FPMs interviewed voiced concerns that PwC Morocco in particular was not present in country to provide sufficient oversight. Regardless, the Global Fund had not instituted a systemic method for evaluating LFAs till 2007, and no

[368] LFA Manual Section 1.4, p. 36
[369] LFA Manual, May 2008, Section 1.3, p. 42, *available at* http://www.theglobalfund.org/documents/lfa/LFA_Manual_en.pdf
[370] Enhanced Financial Reports were introduced by the Global Fund in 2008.
[371] LFA Manual, Section 2.3, p. 44
[372] LFA Manual, Section 3.3, p. 45
[373] LFA Manual, Section 7.1, p. 46
[374] LFA Manual, Section 7.4, p. 47
[375] LFA Manual, Section 6, p. 10

evaluations of the Mauritania LFAs were performed till 2011, long after this investigation had begun. The Global Fund therefore did not possess a systematized way to identify LFA weaknesses and respond to them for most of the life of the grants under investigation.

4. Issues Raised by the LFA

328. The LFAs provided the Global Fund with feedback before (*i.e.,* initial assessments) and throughout (*i.e.,* quarterly PU/DRs) grant implementation. The OIG reviewed the initial assessment summaries[376] and all PUDRs on file for all the Grants. It found that in the case of the Malaria and TB Grants, the LFA identified serious fiduciary risks within the PR, UNDP, in the initial assessment—before the grant agreements were signed.[377] The PU/DRs covering the period between 2004 and late 2008 communicated general progress under the Programs, and only registered a few concerns which the Global Fund did not appear to consider as red flags of fraud, however. It was not until the Q3 2008 PU/DR, in which the LFA reported findings of fraud and irregularities, along with other concerns, in particular regarding the quality and credibility of performance framework data.

a) LFA's Initial Assessments Identified Key Fiduciary Risks

329. For Round 2 Malaria and TB, the LFA assessed the UNDP similarly: The UNDP's internal controls, financial accountability, and staff was assessed as sufficiently robust, however, the LFA signaled that the key weaknesses resided with the SRs themselves as well as with the PR's ability to supervise and strengthen their financial management and internal control systems.[378]

330. Under Malaria Round 2, the LFA noted the following "key weaknesses and risks":[379]

- *Absence of guidelines and formalized procedure (internal control, finance, and reporting issues) governing the PR and its sub recipients within the implementation of the Program*
- *Necessity, for each separate sub recipient to have their financial statements certified from an external auditor or (sic) an annual basis*
- *No evidence of training Program dedicated to finance and accounting issues for the sub recipients finance and accounting structure*
- *SR does not have experience to manage their current activities under formal procedures and to have their finances audited from external auditors*

331. The LFA recommended that the PR "establish[ ] a formal program of supervision by the PR's management unit to supervise an [sic] monitor SR's implementation of activities," and to conduct "an assessment of the SR's management and financial capacities."[380]

[376] These assessments are located in the GPRs
[377] The LFA also noted the CCM's weakness in the initial assessments. See the CCM section of this Report.
[378] Mauritania Malaria Round 2 Grant Performance Report, p. 4
[379] Mauritania Malaria Round 2 Grant Performance Report, p. 4
[380] Mauritania Malaria Round 2 Grant Performance Report, p. 4

332. Under TBs Round 2 the LFA made the following recommendations:[381]

- *Establishment of formalized procedure dealing with basic disbursement and other internal control aspect that have to be applied by the sub recipients.*
- *Provision of clarifications regarding insurance coverage issues.*
- *Improvement of SRs capacity building particularly on Program management, finance and accounting issues.*
- *PR needs to organize an annual external audit which is Global Fund requirement for all the sub recipients to certify their financial statements dedicated to Global Fund activities.*[382]
- *Establishment of a formal supervision program/plan through development of tools, field visits to monitor the implementation of the activities on the "ground " by the Global Fund management team within the PR. The supervision is intended to sub recipients to make sure that activities are implemented including follow up visits to ascertain that prior recommendation made have been correctly implemented.*
- *Establishment of a monitoring and evaluation plan.*
- *Implementation of a system that asses the capacity of sub recipients in having adequate system to account for and to report on their expenditure, monitor their performance and assure regular reporting from them.*
- *A description of the decision making process and consultative structure that the CCM and the PR will use.*
- *Training program should be implemented to enhance capacity building of sub recipients involved in the Global Fund proposal/activities.*

333. By 2007, when the Round 6 Grants were under review, the LFA again cited the strengths of the UNDP as PR, which included the experience to manage and implement international donor programs; a proven capacity to comply with donor regulations, procedures, and guidelines; proven capacity to implement and follow up external auditor recommendations; financial management capacity including accurate book-keeping and financial statements for the Global Fund programs "that, nevertheless, should be reinforced"; and a dedicated management unit through which Global Fund grants are implemented.[383]

334. The Malaria Round 6 initial assessment did note the following weaknesses: [384]

- Weaknesses in the M&E[385] staffing, procedures, and systems

[381] Mauritania TB Round 2 GPR, p. 4
[382] Mauritania TB GPR p. 4
[383] Mauritania Malaria Round 6 GPR, p. 5
[384] Mauritania Malaria Round 6 GPR, p. 5
[385] As the Global Fund Monitoring and Evaluation Manual, explains,

> *[i]n the traditional grant cycle, funds are raised, then spent to implement activities, which then need to be reported in order to receive further funding. In the context of a grant funded by the Global Fund, any disbursement after the first one requires proof of performance. Then the cycle repeats itself until the grant comes to an end. M&E measures performance and produces the information that determines to what extent continued funding should be*

- The absence of documented policies and procedures for the selection and management of SRs poses a risk to grant implementation

- The PR has not addressed the concerns raised on the budgets submitted

335. The assessment recommended that the PR should strengthen sub-recipient management and monitoring.[386] The assessment also recognized that "the key challenge for the PR and its technical partners… will be to ensure a better and proactive coordination of supply chain management to ensure that the correct quantities of health commodities are procured and distributed in a timely manner."[387]

336. The TB Round 6 assessment also recommended that:

> *[t]he PR should prepare and submit to the LFA, a Plan of Action, for the financial monitoring of its sub-recipients across country; schedule of sub-recipients to be monitored, frequency of monitoring, dates and persons responsible for the monitoring exercise. Additionally, the PR should submit quarterly financial monitoring reports to the LFA following the first quarter of grant implementation. The PR should develop a plan of action to build capacity of SRs to manage funds efficiently.*[388]

337. Regarding the HIV/AIDS Round 5 Grant, the LFA's initial assessment recorded a generally positive picture. The assessment noted the PR had experience with financial management, institutional, and M&E systems under the World Bank MAP project.

b) 2004-2008 PU/DRs Identified Few Issues

338. Before Q3 2008, the LFA's quarterly reports generally provided brief, high-level commentaries that generally communicated satisfactory programmatic progress, with periods of implementation delays. The LFA reports did not signal cause for major fiduciary concern, with the exception of two PUDRs relating to the TB program in late 2006 to early 2007, where the LFA noted "huge difficulties"[389] in verifying reported figures for performance indicators, "false" answers to performance indicator data, and "false" figures related to the cumulative budget and actual budget.[390] The LFA also noted that the data being reported under the HIV/AIDS Program was not tied to program expenses, and funded by other donors, raising an implied question as to whether Global Fund had the means to determine whether its funds were producing results.

339. LFA commentary throughout the period generally communicated positive progress and little cause for concern. The most common comments found in the PUDRs were:

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allocated. Performance Based Financing cannot be delivered without a reliable M&E system in place.

The Global Fund Monitoring and Evaluation Manual, Module 1, p. 3 *available at* http://www.theglobalfund.org/documents/me/ME_Manual_Module_1_en.pdf

[386] Mauritania Malaria Round 6 GPR, p. 5

[387] Mauritania Malaria Round 6 GPR, p. 5

[388] Mauritania TB Round 6 GPR, p. 5

[389] Rapport Tub Nov2006_NoDis_PU_Q10

[390] Rapport Tub Mai 2007, LFA Section 1D

340. For the Malaria Program:

- **2005:** "Overall performance of the Project remains sound; the main objectives are correctly met; expenditures are reasonably kept within the budget."[391]

- **2006:** The program is "satisfactory in its implementation," that the program "has a good dynamic" and that the LFA would recommend the full amount disbursed.[392]

- **2006-2007:** The only concerns raised were:[393]
    - "The PR should put in place a procedures manual clearly describing the tasks and duties of each of its members in regard with the Global Fund activities."
    - "The PR should reinforce its staff and SR skills and capacities with training sessions (in relation with management and financial activities) and provide the SR with an advising support (in relation to their duties)."

- **2008:** "We have not found any specific problem with data quality and reporting as all the reported program results are substantively justified."[394]

341. For the TB Program:

- **2004**: The LFA noted delays "in producing required reports and evidences of the fulfillment of special conditions within the requested deadlines included in the agreement with GF. A critical attention should be therefore paid to enhance coordination procedure, between PR and the sub recipients (basically, PNLT) in order to obtain required data on due time."[395]

- **2005**: "Overall meeting of the program objectives for programmatic and finance issues; the control environment within the PR remain sound." [396]

342. For the HIV/AIDS Program:

- **2007: "**The programmatic and financial activities are globally adequate and rare duly followed up at the PR and SR levels. The noted discrepancies between the budget and the actual figures are duly explained."[397]

343. The OIG notes that the LFA did register a few concerning comments regarding the TB Program and HIV/AIDS Programs, which ought to have raised concerns at the Global Fund Secretariat about whether the funds were reaching their intended objectives.

344. Regarding the TB Program, the LFA made two comments, in late 2006 and early 2007, about its ability to establish that the data reported under the TB Program was legitimate, and discrepancies in the program's finances:

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[391] LFA On-going Disbursement Recommendation N° 3_Malaria_Juin2005_.xls, "Progress Review," Section B

[392] Rapport d'avancement et Demande de décaissement _ Palu _ Corrigé27sept2006.xls, LFA Section 3

[393] DDMF whole set of docs DR 01_PUOct06-Dec06.pdf, LFA Section 3

[394] UNDP_ Malaria_Rd6_Qtr 2_Final, LFA Sections

[395] LFA On-going Disbursement RecommendationN3 V2_090205_MAUR TUB 3

[396] 1-LFA On-going Disbursement Recommendation N°5_TUB_MAUR 27Mar06, Progress Review Section

[397] HIV/AIDS Quarter 3 PU/DR, p. 13

- **Late 2006**: "...[D]uring our visit at the PR and SR levels, we have noted some discrepancies between the reported figures and the supporting documentation as well as some difficulty to justify the above mentioned figures. The submitted report does bear some errors related to some intended targets which are not in line with the corresponding attachment, and some answers regarding the achievement of the planned goals are false."[398]

- **Early 2007**: "...[O]ur verification work performed at the PR and SR levels was quite difficult regarding the huge difficulties for the PR and the SRs to justify the reported figures. Furthermore, some figures could not even been justified neither by the PR nor by the program itself / Furthermore, the reported figures related to the cumulative budget and actual figures are false and correspond to the ones submitted in the previous DR without taking into account the Q12 ones."[399]

345. Although these comments were short, the LFA's message that it was impossible to justify the use of funds for their intended results ought to have alerted the Global Fund Secretariat to risk at the Program. The OIG has not found evidence to suggest that the Global Fund had registered concerns at that time, or taken action, however. If such concerns did in fact exist, they should have been well-recorded and alerted to the OIG at the beginning of its investigation.

346. Regarding the HIV/AIDS Program, the LFA repeatedly noted, throughout 2008, concerns that the programmatic indicators were not sufficiently tied to the Program itself:

- "It is worth noting that most of the indicators for which the program is posting positive results are those that are not directly tied to funding received from the Global Fund."[400]

- "We have not found any specific problem with data quality and reporting as all the reported program results are substantively justified. Most of data reported are not directly tied, even those indicators initially identified as directly tied. The PR should develop data collections tools that will enable them to properly report on directly tied indicators."[401]

347. The OIG notes that such comments ought to concern the Global Fund Secretariat, not only because they raise fiduciary concerns that the Fund has no way of tracking whether its funds are reaching their intended purposes, but also because the Fund has no way of tracking its own impact, thus frustrating the basic premise of Results-Based financing.

5. The LFA Ability to Detect Fraud

348. Indeed, it was the review of the LFA, PwC Cote D'Ivoire, which ultimately, and finally, alerted the Secretariat to the fraud perpetrated under the Grants. Upon interviewing the PWC Geneva office regarding the Mauritania case, the OIG was informed that the depth of review which the Cote D'Ivoire team provided, upon receiving the portfolio, was unusual

[398] Rapport Tub fev 2007
[399] Rapport Tub Mai 2007, LFA Section 1D
[400] HIV/AIDS Quarter 6 PUDR, p. 14
[401] HIV/AIDS Quarter 7 PUDR, p. 14

as compared to the LFA services that PWC had been offering to the Global Fund. This was done in an effort to address the Global Fund's concerns and improve client relations. PWC underscored that throughout the life of the Mauritania Grants, the LFA Terms of Reference had not required LFAs to look beyond the PR level when overseeing the grants. In addition, PWC noted that, generally speaking, had the LFAs raised concerns in earlier years at the Global Fund, the Fund's response would have been "just get the disbursements out." OIG interviews with Global Fund staff confirm that the Global Fund did experience pressure in the early years of its existence to disburse in order to establish itself as a donor.

C. COUNTRY COORDINATING MECHANISM

1. Background

349. The Country Coordinating Mechanism (CCM) is a country-level multi-stakeholder partnership, unique to Global Fund's grant model, that includes representatives from the public and private sectors, including governments, multilateral or bilateral agencies, non-governmental organizations, academic institutions, private businesses and people living with the diseases.[402]

2. Roles and Responsibilities of the CCM

350. CCMs are responsible for (i) coordinating the development and submission of national grant proposals; (ii) nominating Principal Recipients; (iii) (importantly, for the purposes of this Report) overseeing implementation of the approved grant and submit requests for continued funding; (iv) approving any reprogramming and submitting requests for continued funding; and (v) ensuring linkages and consistency between Global Fund grants and other national health and development Programs.[403]

351. Although CCMs have always been responsible for grant implementation oversight, the Global Fund did not emphasize this responsibility in the first several years of operation, as it was primarily focused on operationalizing the model and receiving grant proposals from CCMs. The Global Fund only instituted a formal CCM Unit charged with overseeing CCM activities in 2007, and the Global Fund has been promoting oversight management tools such as a "dashboard" since late 2006.[404] CCM oversight is increasingly becoming a focus within the Global Fund, and in 2010, the organization began to prepare further guidelines to strengthen CCM oversight.[405]

352. At the time of the OIG's investigation, the Global Fund had issued a Guidance Paper on CCM Oversight.[406] It states:

[402] http://www.theglobalfund.org/en/ccm/
[403] http://www.theglobalfund.org/en/ccm/
[404] The OIG has no opinion as to the ability of the Dashboard to uncover fraud or abuse of Global Fund funds.
[405] The OIG has no opinion as to the strength of these new guidelines.
[406] Guidance Paper on CCM Oversight 202008-05; OIG recognizes this policy may have been updated over the years, so the CCM may not have been held to this standard over the life of the grants.

Oversight ensures that activities are implemented as planned by providing strategic direction to principal recipients, ensuring policies and procedures are met, instituting financial controls (including independent audits), and following through on key recommendations.[407]

353. While the guidelines do not explicitly require the CCM to identify and react to risk of fraud and abuse, they do hold the CCM responsible for knowing the answers to questions that would alert the CCM to fiduciary problems within the grant:[408]

· *Finance. Where is the money? Is it arriving on time? Is it being distributed properly, and promptly? Who is benefiting?*

· *Procurement. Are the drugs, bed nets, laboratory supplies, etc. going where they need to go? Are implementers getting them on time? Is the distribution system safe and secure? Are patients receiving them?*

· *Implementation. Are activities on schedule? Are the right people getting the services they need?*

· *Reporting. Are reports being submitted accurately, completely and on time?*

· *Technical Assistance. Where are the grant implementation bottlenecks (e.g., procurement, human resources, etc.)? What technical assistance is needed to build capacity and resolve problems? What is the outcome of technical assistance?*

3. Global Fund Reviews of the CCM

354. The Global Fund was aware that the CCM in Mauritania had weak capacity since the initiation of the first grants under Round 2 in 2004, and it undertook efforts to strengthen the CCM, particularly in 2009 and 2010, when the OIG investigation was ongoing.

355. The Malaria Round 2 GPR noted in its initial assessment that the "procedures how the CCM will oversee the implementation of the Program are not yet formalized."[409] In mid-2004, the TB Round 2 GPR noted that the CCM should meet more regularly and monitor more closely and formally the Program activities.

356. As the time came for applying for the Round 6 grants in 2005, the Global Fund made efforts to strengthen the CCM. In 2005, an action plan to "improve the CCM function" was "elaborated,"[410] in which a partnership with the Morocco CCM was established and members trained on their oversight and M&E roles. Under the initial assessment for Malaria Round 6, it was noted that the CCM was functioning "satisfactorily."[411]

[407] Guidance Paper on CCM Oversight, p. 1
[408] Guidance Paper on CCM Oversight, p3
[409] Mauritania Malaria Round 2 Grant Performance Report, p. 4
[410] Mauritania Malaria Round 2 Grant Performance Report GPR p. 21: CCM was in need of strengthening, in 2005 an action plan to improve the CCM functioning was elaborated.
[411] Mauritania Malaria Round 6 GPR, p. 5

357. Later, the Malaria Round 6 GPR[412] recorded that the CCM "faced challenges in terms of inclusiveness and procedure" and suffered from "high turnover and lack of long-term consistency." Following the coup d'état that occurred in Mauritania in August 2008, the "CCM met less regularly." Six months later, when the LFA had made its initial discovery of fraud and irregularities, efforts to reorganize and strengthen the CCM intensified. A consulting group was hired to assist the CCM in developing governance systems and re-electing its membership. The CCM was restructured in March 2010. The OIG has no information as to the current CCM's strength.

4. Conflicts of Interest within the CCM

358. For most of the life of the Grants, the membership of the CCM consisted of the very PRs, SRs, and SSRs, whose performance the CCM should have been overseeing. Moreover, four of the individuals who sat on the CCM were also directly implicated in the fraud, collusion, and diversion of grant funds that the OIG has identified in its investigation. Many of the CCM's members were therefore not only conflicted in their accountability role, but also actively perpetrating the diversion schemes. Global Fund records provide little information as to how the individuals on the CCM were selected prior to the restructuring of the CCM's membership and procedures, which occurred in March 2010.[413]

Grant Implementers With Representatives Sitting on the CCM	Representative Implicated in the Findings of Corruption, Fraud, and Collusion[414]
UNDP (PR for Malaria and TB grants)	
SENLS (PR for HIV grant)	✓
PNLP (SR for Malaria grants)	✓
PNLT (SR for TB grants)	
ROMATUB (SSR for TB grants)	✓
RNLPV (SSR for Malaria grants)	✓

359. The OIG met with the CCM head at the beginning of its investigation to obtain its reaction to the LFA's initial findings. The CCM head stated that the problems raised by the LFA were likely due to the incompetency and lack of experience of certain individuals managing the Programs, and s/he asserted there was no criminal intent. The head further stated that the malfeasances that the LFA had highlighted were isolated incidents, and that the problem was isolated rather than systemic. The CCM head also asserted that the PRs and SRs were doing good work and the people of the country needed the Programs.

360. Contrary to the CCM head's assertions of low capacity and isolated incidents of malfeasance, the OIG's findings demonstrate that the absence of fiduciary systems

[412] Mauritania Malaria Round 6 GPR, p. 23
[413] The CCM had issued a decree in March 2009 to elect new CCM members and reinforce good governance practices. The elections were held on July 18, 2009. See Mauritania HIV/AIDS Round 5 GPR, p. 31.
[414] The lack of a check mark does not imply that the representatives were not involved in any schemes, but rather that the OIG did not find evidence linked to these individuals.

throughout the grant implementers was less likely the result of untrained, unskilled, under-resourced officials who lacked the ability to run an office, but rather a convenient means of concealing highly complex, systemic diversion schemes. The same officials who allegedly could not maintain a filing and accounting system exhibited sufficient organizational and technological skills to systematically produce tens of thousands of pages of fraudulent documentation, and to arrange them in a way that mimicked authentic expenditures and activities. Consequently, the CCM head was—at best—grossly unaware of program realities, and therefore reckless in his/her oversight role.

361. The OIG further questions why the CCM had not identified, despite its ostensibly representative nature and its presence on the ground, that a large portion of the activities allegedly ongoing under the Programs were either never implemented or implemented to a much lower degree.

362. It bears noting that the CCM was restructured in March 2010. During that time, new elections were held and new civil society representatives were chosen for the CCM. This process was particularly contentious, as the outgoing and incoming civil society groups mutually alleged that the other was not legitimate. As of this restructuring, none of the individuals implicated in this investigation are currently sitting on the CCM. Some implementing organizations that continue to play an active role, like Croix Rouge, the procurement agent for the HIV/AIDS program are represented on the CCM.

D. THE GLOBAL FUND

1. Background

363. Within the Global Fund itself, staff of the Country Programs Cluster, including Fund Portfolio Managers (FPMs) and their managers, are directly responsible for managing grants.[415] In the case of Mauritania, six individuals have fulfilled the role of FPM for the grants between 2003 and the date of this Report. These persons served for periods of time ranging from a few months to two years. The OIG interviewed all of the FPMs, as well as their manager for the majority of the time of the grant for the purposes of this investigation.

2. Roles and Responsibilities of the FPM

364. The FPM's have the following responsibilities of overseeing grant implementation, managing Program risk, among other responsibilities outlined below:[416]

> **Grant Negotiation**: Lead grant negotiation processes and manage various stages of the grant cycle and the Secretariat's cross-functional team;

[415] FPMs are supported by Program Officers (POs).
[416] Vacancy notice sent to the OIG by Human Resources as source of official FPM responsibilities. The OIG recognizes this policy may have been updated over the years, so the FPMs may not have been held to this standard over the life of the grants.

Ongoing Grant Management and Disbursement: Review and analyze disbursement requests, associated Local Fund Agent (LFA) reports, country and grant contextual information, deciding on appropriate amounts to be disbursed at regular intervals; Manage the ongoing monitoring and assessment of grant implementation process and the key grant-related events;

Program Analysis and Management: Conduct in-depth programmatic and performance analysis, *identifying and managing risks* (emphasis added) including initiating actions in consultations with Team Leader and other teams;

LFA Management: Manage, supervise and evaluate the in-country LFA work, including the designated budgets and effective management of contracts for grant portfolios;

Information Management: Document and report grant implementation results and developments responding to information requests from internal and external stakeholders; Develop information profiles and updates on the grant portfolio and country-driven Programs to address the three epidemics;

Global Fund Representation: Manage partnerships, discussions, and information sharing at country-level (government, non-governmental organizations, multilaterals, private sector etc.); mobilizing appropriate acceleration and scale-up efforts at country-level. Foster effective and participative Country Coordinating Mechanisms; ensuring appropriate governance of programs;

Policy and Strategy: Contribute to the development of the organization's strategy and policy, the development of operational policies, procedures and tools; and

Support and Supervision: Provide support to country team initiatives and events including the preparation of budget and work-plans; and supervises assigned staff.

3. The Global Fund's Evaluation of the Grants

365. The OIG interviewed all of the 6 FPMs who managed the Mauritania Grants, and it reviewed the key documents (*i.e.,* PU/DRs, GPR, etc.) related to the Grants. Interviews with Global Fund staff indicate that the staff was well aware that the institutions in Mauritania were weak, but that until 2008, they were generally naively optimistic about programmatic progress.

366. Global Fund staff emphasized that the Global Fund made efforts to situate management of the grants in the most trusted institutions, within the context of weak institutions within Mauritania. Staff reported that they were "comfortable" with the UNDP[417] as the PR for Malaria and TB programs because the national programs (the SRs)

[417] One FPM even emphasized, albeit erroneously, that the UNDP had put in place additional safeguards for payments to SRs and SSRs by which it only made direct payments to vendors once the SRs submitted the appropriate invoices. "What more could you want in terms of controls?" said the former FPM. Unfortunately, the documentation the OIG reviewed demonstrates that such a practice of direct payments did not occur, at least not for the US$ 3.5 million reviewed. Rather, the UNDP made advances in bulk to the SRs and SSRs, and much of the supporting documentation was disorganized or missing.

were "so weak," that they were "effectively non-existent," and the UNDP—though also exhibiting weaknesses—was relatively stronger.

367. Similarly, Global Fund staff reported being "comfortable" with SENLS managing the HIV/AIDS Program because the World Bank had been investing in this institution before and during the Global Fund's engagement.[418]

368. Throughout the majority of the Grants' life, Global Fund staff reported general optimism about the grants' effectiveness, as PU/DR quarterly reports generally indicated progress through performance indicator targets, despite the weak systems in place.

4. Global Fund's Ability to Detect and Respond to Fraud

a) The Secretariat's Performance Throughout Grant Implementation

369. The OIG found that Global Fund Secretariat staff lacked the means, capacity, and incentives to detect to risk of fraud and abuse under the Programs. As a result, most staff – with the exception of one—who were tasked with overseeing the grants during the period investigated (2004 – 2009) did not detect risk of fraud.

370. All of the FPMs who managed the grant before 2008 indicated that they had no sense or concerns that funds were being diverted in the Mauritania portfolio. Regarding the fiduciary risks raised by the LFA's initial assessments, staff explained that the choice of PR was a sufficient mitigation measure, particularly given the general pressure within the Global Fund not to question the decision of the Technical Review Panel, who reviews eligible grant proposals for technical merit and makes funding recommendations to the Board.[419] They reported a limited ability to demand stronger controls due to the principle of country ownership and the Global Fund's own approach of limiting its engagement to that of a funder, and not an implementer.

371. The FPMs reported that they depended primarily on LFAs to alert them to problems throughout program implementation, and on disbursement rates and performance indicator data to determine progress. They stated that they received no alerts of fiduciary risk between 2004 and 2008, and regular visits to the country also did not raise concerns about either lack of program implementation or diversion of funds.

372. Despite relying heavily on the LFA, the Global Fund staff did state that they considered the LFA to be weak. Several FPMs noted concerns that the LFA point person was not sufficiently present in-country to fulfill his/her responsibilities adequately. They also emphasized that the Global Fund had no systematic way of assessing LFA performance until 2007, and changing LFAs required a process so burdensome that they were deterred from doing so. As a result, despite known and ongoing concerns about LFA weakness, FPMs did not take action to change the LFA until an institutional opportunity to re-bid LFA contracts presented itself.

[418] The World Bank ceased funding SENLS in August/September 2008.
[419] *Available at* http://www.theglobalfund.org/en/trp/

373. It also appears that the Global Fund did not take advantage of its rights demand annual audits of SENLS or to request audits of the SRs under its agreement with the UNDP for the entire period preceding the identification of irregularities.

374. FPM turn-over was also high in the case of Mauritania, repeatedly severing institutional memory of the Grants. Global Fund staff explained that this was primarily due to the early growth of the Global Fund as a whole. In the beginning, few FPMs managed many grants and were severely overloaded, and as new hires were brought on, the portfolios were redistributed. Several Global Fund staff also left when the Global Fund exited from the UN system in 2008, causing further turn-over.

375. The Global Fund began to take proactive steps to assess risks on the Mauritania portfolio with the portfolio's transfer to a newly hired, fifth FPM, in mid-2008. This FPM noted that the LFA reports in the PU/DRs provided little to no analysis of the risks in the grants.[420] Since the Global Fund was retendering LFA contracts across all countries at this time, the FPM used this opportunity to reshuffle teams, and a new team, PwC Ivory Coast, was retained.[421] It was this this newly-hired LFA who provided the Global Fund with the initial analysis of irregularities as part of its PU/DR review in Quarter 3 of 2008, and resulted in the OIG investigations. The Global Fund recognized the two previous PwC teams that oversaw the grants—PwC Morocco and PwC Cameroon—had not identified any risk of fraud, and it communicated its concerns about this discrepancy to the PwC Geneva office.[422]

376. Upon receiving its first notice of irregularities in the Grants, relevant Global Fund Secretariat staff took several actions: In response to the LFA's initial findings of fraud in the HIV/AIDS Program, the Global Fund froze disbursements to SENLS in February 2009 and prohibited any further disbursements by SENLS to the SRs. In response to the findings of severe fiduciary weaknesses in the Malaria and TB Programs, the Global Fund (i) issued a "nil" disbursement to the UNDP for that quarter, (ii) requested that the UNDP provide an action plan to address the concerns raised, (iii) commissioned the LFA to conduct in depth assessments of the SRs and SSRs, and (iv) requested that the LFA conduct a verification of expenditure documentation at the SR level for the next quarter.

377. When the Global Fund froze HIV/AIDS disbursements, SENLS registered concerns of stock outs of medication. Given its concerns about SENLS's credibility, the Global Fund vetted SENLS' assertion of the stock outs by organizing the technical and financial partners in Mauritania (*i.e.,* UNAIDS, WHO, UNICEF, and other relevant national authorities) to conduct their own, independent quantification assessment of medicine needs. Upon receiving this independent quantification assessment, the Global Fund organized an alternative process to bypass SENLS but nevertheless deliver medicines to the country. This entailed identifying an alternative procurement agent for medicines; La Croix Rouge was selected. The Global Fund also requested that the LFA conduct an additional assessment of

[420] At that time the coup d'etat occurred in Mauritania, and the LFA did not provide a thorough analysis of the risks related to this event as well.
[421] The FPM continued to ensure high performance on the part of the LFA. In February 2010, the point person for the LFA left, and the LFA began to lag on deliverables that negatively impacted decision-making. In response, the Global Fund sent a letter in July 2010 to PwC headquarters registering its concerns on this matter. A new, sufficiently qualified, focal point was found and confirmed.
[422] Memo of Secretariat to OIG, 4 February 2009, p.5

the medicine storage and delivery systems in-country. Upon receiving the LFA's review, the Global Fund determined to continue utilizing these systems.

378. Between March 2009 and September 2009, when the Global Fund learned of the OIG's investigation results for the HIV/AIDS Program, the Global Fund made no disbursements to SENLS. SENLS did have an outstanding cash balance, however, and it presented budgets for basic running costs to the Global Fund on a no-objection basis. In September 2009, the Global Fund suspended the HIV/AIDS Grant and initiated its demands for reimbursements based on the OIG's findings. Meanwhile, La Croix Rouge received two disbursements, one in September 2009 and another in November 2010, for purpose of supplying essential drugs to the patients currently under HIV/AIDS treatment.

379. Regarding the UNDP Grants, the Global Fund also commissioned an independent consultant to assess the impact of suspending the grants on the disease. The consultant report confirmed that the impact would not be excessively debilitating, as "in *both [TB and Malaria] programs though patients continued to receive basic medical services and treatment."*[423]

380. In fact, the consultant's own observations further confirmed the ongoing weakness of the implementing agencies:

> *According to several experts the [UNDP] did not correctly measure the size and nature of the task of managing 4 grants on a political and geographic territory like Mauritania. The small size of the exclusively national staff that the UNDP allocated to work on these two illnesses testifies to this: one person to supervise two national programs, one accountant to manage 4 grants. A system of trimestrial disbursements made it even more difficult to supervise how the money is spent and frequent changes of the LFA further complicated the situation.*
>
> *The SR are just as fragile than the PR if not more: within the two National Programs (PNLP and PNLT), the staff responsible for implementing the activities with the SSR is short, with no real monitoring capacity on the ground, led by a coordinator and an accountant with only basic training.*[424] *Two people in charge of monitoring and evaluation only arrived at the beginning of 2009.*[425]

381. Regarding the UNDP grants, the Global Fund Secretariat awaited results from the OIG, OAI, and LFA reviews between March 2009 and September 2009. During that time, the UNDP presented, and the LFA approved an action plan. Upon receiving first notice of confirmed fraud under the grants in September 2009, the Global Fund (i) froze disbursements to the UNDP, with the exception of funding "essential services" such as life-saving treatment and running costs, (ii) instructed the UNDP stop disbursements to the SRs for anything other than "essential services," and (iii) instructed suspension of all SSR activities under the two Programs. Since September 2009, the Global Fund has made two disbursements, one to the TB Program, and one to Malaria, in September 2010. The

[423] Independent Impact Assessment of Global Fund Grant Freeze in Mauritania TB and Malaria Grants, Round 6, March 2010, p. 24
[424] The TB program changed accountants 3 times in 2 years.
[425] Independent Impact Assessment of GF Grant Freeze in Mauritania TB and Malaria Grants, Round 6, March 2010, p. 8

decision to disburse at all to the UNDP was made upon securing an appointment of a new Resident Representative, who heads the UNDP office in Mauritania and introduction of new international procurement staff.[426] No disbursements have been made since that time.

382. Besides responding on the program level to the risks, the Global Fund took action to strengthen the CCM's governance systems. Since 2008, the Global Fund engaged heavily to aid CCM restructuring and strengthening. Starting in September 2009, the Global Fund secured the services of several consultants who assessed and provided technical assistance to the CCM. In April 2010, the CCM was restructured, and new elections were held, governance tools (*i.e.,* a manual of procedures) were developed to address conflicts of interest. Also, persons implicated in this investigation were also no longer members of the CCM.

383. Interviews with Global Fund staff indicate that no one has received training in assessing, preventing, detecting, and responding to risks of fraud and abuse, and that there were no systems in place to guide staff once risks were identified. Rather, staff generally accepted information provided by its country counterparts at "face value," trusting and not verifying whether the information was truthful and accurate.[427]

384. Moreover, staff repeatedly pointed to an incentive structure within the Global Fund that emphasized—and continues to emphasize—disbursement rates, thus effectively discouraging detection and responding to fiduciary concerns. The Country Program Cluster's Key Performance Indicators (KPIs) have been identified as a source of pressure on the FPMs to avoid asking difficult questions and reacting to risks as they appear. Indeed, the very people who reacted most proactively to protect Global Fund funds from diversion also witnessed the rating of their portfolio decrease, as there was no performance indicator that reflected and rewarded proper risk management.

b) Secretariat's Decision to Lift Suspension of HIV/AIDS Grant

385. The OIG notes that the Secretariat took proactive efforts to secure the HIV/AIDS funds found to be lost, however it has failed to hold the GoM accountable for engaging in good faith law enforcement efforts. The OIG has repeatedly, and recently, communicated to the Secretariat that the GoM has not been pursuing, in good faith, credible efforts to bring perpetrators to justice, identify and recover lost sums, and following up on the identified episodes of fraud, which would necessarily include communicating with the OIG. Instead, without involving the OIG, on 25 July 2011, the Secretariat, without involving or communicating with the OIG, made a unilateral determination that the GoM's law enforcement efforts were sufficiently satisfactory enough to lift suspension of the HIV/AIDS Grant. Such a determination could not have been made in good faith without consultation with the OIG.

386. On 3 September 2009, the Executive Director (ED) of the Global Fund sent a letter to the Prime Minister and Minister of Health of Mauritania in which he conditioned the lift

[426] August 30, 2010 Memo re: Disbursement of MRT-607-G04-T-D04

[427] The OIG notes that the same staff readily recognized their previous understanding of these issues, which signals a positive change in attitude within Global Fund ranks on matters of fiduciary risk management.

of the suspension on, among other actions, Mauritanian law enforcement's pursuit of the embezzlements identified under Global Fund financing:

> *The lifting of the suspension of the grant will be subject to the compliance of all of the following conditions:*
>
> *iii) Commencement of an investigation by the appropriate authorities of the Mauritanian Government aimed at holding the responsible persons accountable for these embezzlements…*

387. Later, in an effort to secure full reimbursement,[428] throughout 2010 and 2011, the Secretariat negotiated a "Protocol for Reimbursements" with the GoM, which the MoH signed on 30 May 2011. The protocol outlined a schedule of three payment tranches, and agreed to lift suspension upon receipt of the first payment. Action by law enforcement to pursue embezzlements was no longer a condition of lifting suspension, but of "resumption of program activities":

> *Upon receipt by the Global Fund of the first payment,… the suspension of the HIV/AIDS Grant will be lifted, in accordance with the policies and procedures of the Global Fund… [which] include the restriction against resuming program activities with the PR in the absence of a satisfactory demonstration to the Global Fund that the PR has undertaken measures to address the issues identified by the Office of the Inspector General of the Global Fund during the course of its investigation of the misuse of grant funds.*[429]

388. The OIG was shown this protocol before signing, and repeatedly advised the Secretariat that good faith cooperation with the OIG remain a condition of lifting suspension, noting that sources had alerted the OIG that the GoM had blocked law enforcement efforts in late 2009, and that the OIG was not getting any direct cooperation from the GoM and indeed the IG in Mauritania had stopped communicating with the OIG.[430] The Secretariat proposed that, in lieu of renegotiating the Protocol, an accompanying letter would be sent that underscored the protocol's provision that any lifting of "restrictions imposed on the grant" would be conditioned on cooperation with the OIG:

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[428] The Global Fund requested reimbursement of fraudulent expenditures in September 2009 and then the remaining unsubstantiated expenditures in October 2009. The GoM reimbursed US$ 1.73 million in March 2010, but initially refused to return the remainder of loss.

[429] Protocol for Reimbursement of Grant Funds between the Government of the Islamic Republic of Mauritania and the Global Fund to fight AIDS, Tuberculosis and Malaria, 2 February 2011, Para. 3

[430] 18 May 2011 letter from OIG to the Country Team: "The Protocol references that reimbursement is "part" of the conditions in order to resume program activity in country. I assume the other parts are the need for cooperation with the GF and the OIG in its investigations and examinations of allegations of misuse of funds, and also a good faith commitment by the country and Government to pursue incidents of fraud, embezzlement and theft of program assets. As discussed with you and the other team members in the past, we would be more comfortable if these conditions were also referenced in the Protocol, so that there is no possible misunderstanding." See also 19 May 2011 letter from OIG to FPM: "I believe Section 3 should be strengthened and clarified as I set forth [above], regarding the issue of cooperation, good faith commitment to take issues forward and prosecute individuals responsible for misappropriation and theft. We have direct information that the police and prosecutors were told to stand down and not pursue the leads we gave them, as soon as suspension occurred."

> *It is essential that these efforts, described in the Protocol as a condition for the lifting of restrictions imposed on the grant, include the cooperation of the Mauritanian authorities concerned with the Inspector General as part of its ongoing investigations, the review of allegations of the misuse of funds, and the good faith commitment of the Mauritanian Government to bring to justice all matters involving misuse or misappropriation of assets of funded programs by the Global Fund in Mauritania.*[431]

389. Upon having received a second repayment of US$ 1.68 million in May 2011, the Secretariat met with the OIG on 29 June 2011, seeking input on whether suspension could be lifted. At that time, the OIG informed the Secretariat that it had received no indications of cooperation from Mauritania's law enforcement, and therefore that this condition was not satisfied.[432] The OIG departed from the meeting with an understanding that all present agreed that suspension would not be lifted at that time, or ever, given that the Grant was closing on August 31, 2011. In any event, it was understood that the OIG would be included in any such discussions, and certainly in any determinations about the nature and extent of cooperation by the GoM and efforts in country to pursue criminal cases against individuals who had committed theft and fraud of Global Fund grant resources.

390. Then, notwithstanding the foregoing, over one month later, on August 5, 2011, the Secretariat informed the OIG that it had sent a letter to the GoM a week earlier, on 25 July 2011, in which the Global Fund lifted the suspension of the Mauritania HIV/AIDS Grant and had considered the efforts of the GoM in pursuing cases and in cooperating with the Global Fund, to be satisfactory. The OIG, however, had not been informed of this decision as it was being made, and its input had not been solicited. Rather, it was only communicated to the OIG after the formal communication to the GoM had been made.

391. Also, in its letter lifting suspension, the Secretariat reverted to identifying appropriate law enforcement as one of the conditions for lifting of the suspension, and it communicated to the GoM that this condition had been satisfied:

> *2. Commencement of an investigation by the appropriate authorities of the Mauritanian Government aimed at holding the responsible persons accountable for these embezzlements. We take note of the updated information relating to this condition provided by the Ministry of Justice… on July 19, 2011. Based on the information we have received,* ***this condition has been satisfied (emphasis added)****.*

392. The OIG, however, had reached the opposite determination and, as noted above, informed the Secretariat of this fact. Satisfaction of this condition would entail, at a minimum, direct communications between Mauritanian law enforcement and the OIG, as

[431] Letter from Global Fund ED to Minister of Health of Mauritania, dated 30 May 2011, "Il importe que ces efforts, décrits dans le Protocole comme étant une des conditions en vue de la levée des restrictions imposes sur la subvention, incluent la coopération des instances mauritaniennes concernées avec l'Inspecteur Général dans le cadre de ses investigations en cours, l'examen des allégations d'utilisation frauduleuse des fonds, ainsi que l'engagement de bonne foi du Gouvernement mauritanien à instruire en justice l'ensemble des faits impliquant une utilisation frauduleuse ou le détournement des avoirs des programmes subventionnes par le Fonds mondial en Mauritanie."

[432] To date, the OIG has given no other indication to the contrary to any party, and is still of the view that the condition remains unmet.

had occurred in 2009, and through these communications, evidence of good faith efforts to pursue the cases. The OIG has not received any such communications to date. Indeed, even the above-mentioned 19 July 2011 letter from the GoM was not provided to the OIG for review.

393. Despite having received OIG input regarding this condition, the Secretariat unilaterally made the opposite determination and communicated to the PR that it had satisfactorily pursued law enforcement actions. Consequently, it is no longer clear how the Global Fund can hold the GoM accountable for pursuing any further good faith law enforcement in relation to all the findings provided in this Report. The OIG questions whether the Secretariat possesses the requisite expertise and information to make determinations of adequate law enforcement actions without the OIG's input.

IX. CONCLUDING SUMMARY

394. The OIG finds that officials within the Principal Recipients and Sub-Recipients in the HIV/AIDS program, as well as the Malaria and TB program SR and SSRs officials, participated in schemes to defraud the programs financed by Global Fund resources. The OIG further finds that these programs were tainted by pervasive fraudulent schemes perpetrated by individuals, vendors, CCM officials, members of principal and sub-recipients and others, who intentionally and knowingly caused severe losses of Global Fund program funds, through fraud, embezzlement, theft and the submission of undocumented and unsupported expenditures. The OIG also finds that the CCM, the LFA, the Principal Recipient and the Secretariat failed to provide adequate and responsible financial management and oversight.

395. In the case of the HIV/AIDS Round 5 grant, the OIG found that, since late 2006, multiple senior SENLS officials and staff coordinated an organized kickback scheme to misappropriate Global Fund money by colluding with its SRs, including over a dozen semi-legitimate and "shell" NGOs in the amount of at least US$ 1.74 million, or 28% of grant funds examined by the OIG. The OIG learned that this scheme was ongoing prior to Global Fund funding under another international donor organization.

396. Under the two Malaria and TB grants managed by the UNDP, the OIG finds that, between April 2004 (soon after the beginning of the first grants) and December 2009, senior officials and staff within the SRs and SSRs (PNLP, PNLT, ROMATUB, RNLPV and INRSP) together with third party vendors and other individuals, engaged in several widespread schemes to misappropriate Global Fund funds and defraud the Global Fund in the amount of at least US$ 2.4 million, or 70% of the grant funds examined by the OIG.

397. In addition, the OIG investigation has identified that under the HIV Grant, at least USD $2.49 million (40% of the amounts examined) of the funds represent a loss in violation of Global Fund Grant Agreement provisions as withdrawals altogether lacked supporting documentation (despite repeated opportunities and requests to provide such documentation).

398. The OIG also finds that the UNDP has frustrated the purpose of its agreement with the Global Fund to ensure that Global Fund funds reach their intended purposes, by failing

in its fiduciary and oversight responsibilities over a period of six years, and by declining to investigate internally allegations of corruption within UNDP, and declining to share with the OIG its direct expenditures documents.

399. The OIG finds that two of the three LFAs were derelict in their responsibilities to provide proper financial oversight and were negligent in failing to identify, and give notice to the Global Fund and OIG, of the pervasive fraudulent invoicing scheme, and notice of the plethora of false documents that were submitted to trigger payments from the Programs for goods and services that were not in fact delivered. Further, the LFAs failed to identify that many of the training events financed through program funds did not occur; and that numerous withdrawals went unsupported and unjustified for years on end, resulting in significant misappropriation of Global Fund grant resources –thereby depriving patients of needed treatment. Notwithstanding this fact, the OIG notes PwC Cote D'Ivoire efforts to uncover fraud and irregularities that led to this investigation.

400. The OIG finds that the Country Coordinating Mechanism (CCM) in place at the time was conflicted and certain members complicit in the embezzlement of Global Fund funds. The CCM was also derelict in its oversight responsibilities, and did not provide sufficient and proper fiduciary oversight of the grant programs, despite its obligation to do so. Indeed, participants of the fraud schemes sat on, and were members of, the CCM.

401. The OIG is concerned that the prosecutorial authorities in Mauritania, while initially active, appears not to have energetically pursued appropriate criminal cases in regards to all parties responsible for the misappropriation of Global Fund funds in Mauritania, particularly in relation to UNDP-managed grants. Indeed, as noted above, the OIG has received no direct communication from Mauritanian law enforcement since 2009. Based upon a communication from the country in July, no prosecution has yet commenced in Mauritania, and two individuals that had been arrested for theft have been released from jail. No arrests or prosecutions have been pursued arising from the theft and fraud in the TB and Malaria grants.

402. The OIG further finds that multiple Global Fund staff overseeing the grants between 2004 and 2008 have failed to properly discharge their management responsibilities of the programs for failing to maintain accountability for basic contractual obligations such as annual audits and proper document retention, as well as for failure to maintain an actual awareness of the activities of the Grant Programs, including whether the financed events actually occurred; for failing to identify that many of the activities financed by program funds did not happen, and/or were tainted by pervasive fraud, undocumented expenditures, and fraudulent practices; and for failing to properly monitor the PR, SRs, SSRs, and vendors doing business with the Programs. The fiduciary control weaknesses that impacted the Mauritania TB and Malaria programs were known to the Global Fund even before it began its first disbursements in 2004. This Report demonstrates that it appears that internal control weaknesses, such as those identified in the UNDP during initial assessments, and further confirmed by the LFA before the investigation, lead to diversion of funds.

403. The OIG seeks to identify and mitigate risk posed to the Global Fund as it fights three debilitating diseases. Whereas "Zero Risk" is an impossibility for an organization such as the Global Fund, which deals with critical health needs in the high risk environments, this Report demonstrates that there is a significant difference between accepting a few risks and

ignoring risk altogether, including wholesale failures of fiduciary controls and widespread, systemic fraud calls into question whether a large portion of grant activities even occurred. Indeed, it appears that in Mauritania, the development objectives of the Global Fund were not met, and, consequently, that lives were lost. No amount of tolerance for risk makes this type of loss, either monetarily or programmatically, reasonably acceptable.

404. The OIG welcomes the new CCM leadership and lauds their reaction and response to this Report. The OIG looks forward to working with the new CCM leadership on re-instituting proper oversight of future grants and assisting the CCM leadership with any requests for assistance.

405. The Local Fund Agent, Price Waterhouse Coopers (PWC) was given an opportunity to review and comment on those sections of the report that concerned PWC. PWC responded in an email, identifying certain sections of the report for comment. In connection with the finding that PWC did not sufficiently identify the risks of fraud in Mauritania between 2004 and 2008, PWC has replied that "the LFA teams carried out their work according to the LFA mandate" [at the time], notably to verify the program at the PR level," suggesting that examining for the risk of fraud was indeed beyond the LFA mandate. In their words: "The concept of risk management on GF was not discussed in the early days, rather the focus was on disbursements." PWC suggests that PWC Morocco and PWC Cameroon, the PWC entities responsible for LFA services in Mauritania between 2004 and 2008, complied with their mandate, and PWC Cote d'Ivoire, which replaced PWC Cameroon because of the Secretariat's concerns over LFA performance, did a better job with identifying risk management, and therefore was more successful on this issue, because of the Secretariat's request in this regard at that time. PWC does not agree that their previous services were deficient, as the Secretariat did not request them to focus upon risk management at the time. The OIG does not agree with this analysis, or the recitation of the LFA duties at the time, as discussed *supra*.

X. RECOMMENDATIONS

406. The OIG makes the following recommendations as a result of the findings of this investigation:

a. That the Secretariat seek to recover, from all parties responsible for the financial misappropriation of Global Fund grant funds, including through all possible legal means, all outstanding losses identified by the OIG herein that the Global Fund and the grant Programs suffered as a result of the pervasive fraud, misappropriation, criminal offenses, and breaches of the grant agreement identified herein, and that UNDP reimburse the Global Fund in the amount of US$2.5 million for the fraud and misappropriation in the HIV grants that has been identified to date.

b. The Global Fund should implement the recommendations of the High Level Independent Review Panel, issued on 19 September 2011, in relation to the UNDP. These including "establishing a formal agreement on the conditions for the exchange of information between UNDP and the Global Fund, including the LFAs, to allow for ongoing, routine monitoring." The OIG, meanwhile, will also seek to implement the recommendations relevant to its cooperation with the UNDP, namely "developing and signing a detailed Memorandum of Agreement on investigations," as well as conducting joint investigations, exchanging confidential information, including regarding witnesses, sharing of documents obtained from third parties, and accessing UNDP's internal documents for the purposes of building a case". The OIG expects UNDP to enter into such a commitment.

c. That the Global Fund Secretariat condition any further disbursement to the Republic of Mauritania on a full and credible commitment by the national authorities to pursue criminal charges and criminal prosecutions against all responsible parties for the fraud and misappropriation of Global Fund resources identified in this Report, including the individuals initially charged with criminal offenses in connection to the findings of the SENLS investigation. Criminal prosecution must be completed, full criminal processes fully pursued, and sentences fully served, for those rightfully convicted.

d. That the Global Fund Secretariat enforce the audit provisions in the Grant Agreements more stringently and on a consistent basis.

e. That Performance Indicators developed for Programs be clearly tied to the proper and confirmed use of grant funds.

f. For all grants, the Global Fund should require Principal Recipients and Sub-Recipients to provide organizational charts, profiles, and signatures of all staff that are paid salaries with Global Fund money. If staff depart from the organization, and new staff are hired, then new files should be added and new versions of organizational charts drafted.

g. The Programs should have clearly articulated policies on *per diem*s—who can obtain them, how much each person has a right to claim, etc. LFA's should randomly check *per diem* sheets against these policies, and conduct random spot checks to verify training sessions actually take place as represented.

h. The Global Fund should take stronger heed of, and act upon, LFA concerns regarding financial management and the lack of document retention and organization failures, as these are proving to be strong facilitators of diversion of funds.

i. The Global Fund should require criminal background checks on all staff of Principal and Sub-Recipients, particularly leadership and accountants or financial officers.

j. Principal Recipients and Sub-Recipients should be required to establish a list of authorized vendors that is thoroughly and adequately vetted, from whom Programs can safely purchase goods and services. Purchases from vendors outside this list should only be made in exigent circumstances, and through secure and verifiable means. As a condition of the grant agreement, payments to these authorized vendors must be properly accounted for in the books and records and in particular that the name of the authorized vendor be captured in the accounting system.

k. The practice of allowing Program officials to withdraw large amounts of cash from Program bank accounts should end. Program expenditures should be paid directly to approved vendors via wire transfer or check. Making certain cash payments to meet program expenditures should be barred.

l. Special conditions to the grant agreement should be immediately established in all grant Programs which allow for funds to be used for "training events". In such circumstances, a separate rider to the grant agreement should be appended requiring all PRs and SRs to establish quarterly training and supervision schedules to be submitted to the LFA as a condition of allowing invoices for the expenditures to be honored. Further, the agreement with, and the Terms of Reference of, the LFA should be amended to require the LFA to conduct regular unannounced visits to such events and activities on a quarterly basis, and institute other viable measures to ensure that the training events occur, and the invoices submitted in connection with the events, are legitimate.

m. The Board should reconsider using the amount and pace of grant fund disbursements as a KPI for Secretariat staff, and place priority on the quality rather than the quantity of disbursements, as well as stress the importance of ensuring (through continuous monitoring) that grant funds are in fact used for grant purposes.

ANNEX 1: SECRETARIAT'S RESPONSE AND ACTION PLAN TO OIG'S RECOMMENDATIONS FOLLOWING THE INVESTIGATION OF GLOBAL FUND GRANTS IN MAURITANIA

The Global Fund
To Fight AIDS, Tuberculosis and Malaria

26 October 2011

Mr John Parsons
Inspector General
Office of the Inspector General
The Global Fund
Chemin de Blandonnet 8
1214 Vernier
Switzerland

Dear Mr Parsons

Secretariat's Response and Action Plan to OIG's Recommendations Following the Investigations in Mauritania

The Global Fund Secretariat would like to thank the Office of the Inspector General (OIG) for the opportunity to review and respond to specific recommendations following the OIG draft investigations in Mauritania.

This letter provides a brief contextual background since the investigations began and highlights actions taken by both the Secretariat and the PRs including the Government of Mauritania and UNDP. The attached action plan provides a detailed account of actions already taken or in the pipeline to address each OIG recommendation.

Going forward, the Secretariat will continue to work closely with the CCM, the PRs, the LFA and other partners to implement the recommendations and strengthen the Global Fund program in Mauritania.

In addition, the Secretariat will engage the OIG to resolve any difficulties that may emerge during implementation of these recommendations.

A. Contextual background

1. HIV Grant Managed by the Government PR (SENLS)

In February 2009 the Local Fund Agent (LFA) in Mauritania, notified the Secretariat of alleged fraud in the Global Fund program. As a result of the LFA findings, the OIG launched a formal investigation in April 2009. In August 2009 OIG issued an initial report to the Secretariat confirming irregularities and loss of over US$ 4 million of funds disbursed to the HIV Grant. Based on the finding in the report the Secretariat:

i. Immediately suspended the HIV grant;
ii. Requested for the immediate removal of those responsible and further investigation by Mauritanian law enforcement authorities;
iii. Asked the PR to reimburse an initial US$ 1.73 million pending the validation of supporting documents for an additional US$ 2.48 million; and
iv. Called for reform and restructuring of the CCM.

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v. Formally requested both the CCM and the Mauritania State Inspector's Office to fully cooperate and support the OIG.

Following these actions and engagement by the Global Fund Secretariat, the Government and the PR have:

i. Refunded a total of US$ 4.2 million;
ii. Initiated criminal investigations that led to the arrests of three senior SENLS officials; and
iii. Replaced all SENLS staff working on Global Fund grants, including the Executive Director.

2. Malaria (Round 2 and Round 6) and Tuberculosis Grants managed by UNDP

In October 2009, the UNDP Office of Audit and Investigation (OAI) informed the OIG and the Global Fund Secretariat that it had identified irregularities similar to those found in the HIV grant at the Sub-Recipient (SR) and SSR levels. In November 2009, pending further investigations, the Global Fund Secretariat froze all disbursements to UNDP's tuberculosis and malaria grants.

The OIG investigations at the SR level exposed fraud schemes involving the fabrication of fictitious financial documents, often related to training and per diem payments. In August 2010, the Global Fund received a proposal from UNDP for the repayment of US$ 1.06 million identified as misused by the OAI. UNDP confirmed that the Government had repaid 50% of this amount directly to a UNDP account in October 2010. The OIG has identified a total of US$ 2.4 million as being misused. The Secretariat, with involvement from OIG, is in dialogue with UNDP to seek full recovery of the amount that should be recovered. This will be done in accordance with the new Board policy on losses and recoveries. Further, the Secretariat took a No Go decision during Phase 2 request for both tuberculosis and malaria grants and these were terminated on 30 November 2010 and are currently going through the grant closure process.

B. Secretariat's response to OIG recommendations

OIG Recommendations	Secretariat response and measures to address the identified risks and weaknesses
a) That the Secretariat seek to recover, from all parties responsible for the financial misappropriation of Global Fund grant funds, including through all possible legal means, all outstanding losses identified by the OIG herein that the Global Fund and the grant Programs suffered as a result of the pervasive fraud, misappropriation, criminal offenses, and breaches of the grant agreement identified herein, and that UNDP reimburse the Global Fund in the amount of US$ 2.5 million for the fraud and misappropriation in the HIV grants that has been identified to date.	The Secretariat agrees with this recommendation. In the case of the Round 5 HIV grant; once the final amount owed back to the Fund by the Principal Recipient was established, the Secretariat moved swiftly to recover. To date the Secretariat has recovered the entire amount due for refund under Round 5 HIV grant managed by SENLS. As per the reference documents within the Secretariat, UNDP were not the PR for HIV grants in Mauritania. However, the Secretariat will engage the OIG and OAI to establish the total losses in grants managed by UNDP, following which the Secretariat will seek full recovery of losses.

b) The Global Fund should implement the recommendations of the High Level Independent Review Panel, issued on 19 September 2011, in relation to the UNDP. These including "establishing a formal agreement on the conditions for the exchange of information between UNDP and the) ; Global Fund , including the LFAs, to allow for on-going, routine monitoring." The OIG, meanwhile, will also seek to implement the recommendations relevant to its cooperation with the UNDP, namely "developing and signing a detailed Memorandum of Agreement on investigations, " as well as conducting joint investigations, exchanging confidential information, including regarding witnesses, sharing of documents obtained from third parties, and accessing UNDP's internal documents for the purposes of building a case". The OIG expects UNDP to enter into such a commitment.	The Secretariat agrees with this recommendation from the High Level Independent Review Panel report. The Secretariat is fully committed to ensure the relationship with UNDP is strengthened and streamlined and will work closely with UNDP to ensure the concerns around access to documents and program reports are resolved. This issue is already being addressed as part of the on-going corporate transformation plan.
c) That the Global Fund Secretariat condition any further disbursement to the Republic of Mauritania on a full and credible commitment by the national authorities to pursue criminal charges and criminal prosecutions against all responsible parties' 'for the fraud and misappropriation of Global Fund resources identified 'in this Report, including the individuals initially charged with criminal offenses in connection to the findings of the SENLS investigation Criminal prosecutions must be completed, full criminal processes fully pursued, and sentences fully served, for those rightfully convicted.	The Secretariat has taken note of OIGs recommendation and agrees that the national authorities in Mauritania should remain fully committed to pursue and prosecute those responsible for the misuse of Global Fund resources. The Secretariat will continue to work closely with the national authorities and the OIG's office to encourage the authorities to make good faith efforts to pursue the cases against the individuals concerned and losses are fully recovered. As highlighted above, the national authorities have demonstrated full commitment and have already paid back US$ 4.2 million to the World Bank Trustees account. Any further restrictions and or sanctions will be made following a thorough assessment of the context especially the underlying risks and Global Fund's commitment to ensure continuity of services. The Secretariat will maintain additional safeguards to provide adequate assurance of the proper use of grant funds.
d) That the Global Fund Secretariat enforces the audit provisions in the Grant Agreements more stringently and on a consistent basis.	The Secretariat currently requires audit of Principal Recipients' and Sub-Recipients' financial statements in accordance with the Grant Agreement. In addition, these are

	submitted for LFA review which normally helps flag any exceptions. The resumption of funding to Mauritania will require automatically mandating PRs and SR to carry out external audits each year.
e) That Performance Indicators developed for Programs be clearly tied to the proper and confirmed use of grant funds.	In practice, all performance indicators are closely linked to grant budgets and progress updates, including full financial reports verified by the LFA on PR and SR expenditures and variances. The grant rating methodology rates grants and disbursements accordingly. The Secretariat has taken note of the recommendation and will follow up to strengthen existing measures.
f) For all grants, the Global Fund should require Principal Recipients and Sub-Recipients to provide organizational charts, profiles, and signatures of all staff that are paid salaries with Global Fund money. If staff departs from the organization, and new staff are hired, then new files should be added and new versions of organizational charts drafted.	The Secretariat agrees with the OIG that controls over payroll and staff benefits need to be strengthened. The Secretariat will therefore require Principal Recipient and Sub Recipient to prepare organization charts and staff allocation for review during grant negotiation. The LFA will further carry out periodic checks at both PR and SR level to confirm the integrity and completeness of data in the organisation charts and nominal rolls and that the data reconciles with the payroll records. This will ensure that the payroll is supported by appropriate documents and any exceptions are identified and addressed. The LFA verification in Mauritania will be carried out every three months. Where issues are identified, expenses without thorough justification will be disallowed.
g) The Programs should have clearly articulated policies on per diems- who can obtain them, how much each person has a right to claim, etc. LFAs should randomly check per diem sheets against these policies, and conduct random spot checks to verify training sessions actually take place as represented	The Secretariat recognises that per diem and staff allowances have previously been abused. As a result, the Secretariat has asked all PRs to submit a yearly Training Program through the LFA for Secretariat approval. This requirement has been effective since 15 January 2011 and the Mauritania program is no exception. The Global Fund will henceforth only fund training which is included in the Training Program, accompanied by a specific plan/justification, dates, and attendance lists. The Secretariat has further strengthened oversight by ensuring that all attendants

	provide proof of identity, PRs and LFAs conduct regular and frequent spot checks of training activities especially at SR level, and cash transactions are avoided whenever possible. In an extreme risk environment such as Mauritania, training activities will have to be approved in advance, and a number of pre-conditions (firm proof of the event, proof of attendance, and related expenses) must be met prior to honouring expense vouchers. Expenses will be disallowed by the Global Fund if these conditions are not met and/or if it cannot be demonstrated by credible proof that the expense was properly incurred.
h) The Global Fund should take stronger heed of, and act upon, LFA concerns regarding financial management and the lack of document retention and organization failures, as these are proving to be strong facilitators of diversion of funds.	The Secretariat agrees with OIG that lack of supporting documents for expenditure incurred is a major concern. The Secretariat is taking measures to ensure that supporting documents are retained and PRs and SRs comply with Article 13 a) in the Grant Agreement. Furthermore, LFA findings and recommendations will be fully considered and actions taken as part of disbursement decision making process. In the case of Mauritania, restrictions have already been imposed on the grants following alerts from the LFA.
i) The Global Fund should require criminal background checks on all staff of Principal and Sub-Recipients, particularly leadership and accountants or financial officers.	The Secretariat has taken note of this recommendation and the need to ensure that key personnel, at PR and SR level, with criminal tendencies are identified early and appropriate action taken. The Secretariat, going forward, will work closely with the PR to ensure that they carry out reference and background checks for all key staff, especially at senior management level and in the finance functions. This practice will also be necessary at the SR level and its application will be followed up closely through LFA review.
j) Principal Recipients and Sub-Recipients should be required to establish a list of authorized vendors that is thoroughly and adequately vetted, from, whom Programs can safely purchase goods and services. Purchases from vendors	The Secretariat agrees with this recommendation and would like to note that the Global Fund has established procurement principles with which all PRs are expected to comply. Due to the weaknesses identified in Mauritania, the

outside this list should only be made in exigent circumstances, and through secure and verifiable means. As a condition of the grant agreement, payments to these authorized vendors must be properly accounted for in the books and records and in particular that the name of the authorized vendor be captured in the accounting system	Secretariat will collaborate with the PR to ensure a list of authorised vendors or other compensating controls over procurement and vendor selection are functioning. The Secretariat will follow up to ensure that the PRs in Mauritania maintain required supporting documents for all expenditure. The LFA and external auditors will provide further assurance on accounting practices at both the PR and SR level. Any gaps and weaknesses in accounting for expenditure will be address in a timely manner.
k) The practice of allowing Program officials to withdraw large amounts of cash from Program bank accounts should end. Program expenditures should be paid directly to approve vendors via wire transfer, or checks. Making certain cash payments to meet program expenditures should be barred	The Secretariat agrees with the OIG that activities involving cash withdrawals especially for training events including per diems and other expenses pose a high risk of misuse. The Secretariat will ensure that the PR has adequate controls over cash withdrawals and that payments are made based on established financial controls including properly authorised bank transfers or checks.
l) Special conditions to the grant agreement should be immediately established in all grant Programs which allow .for funds to be used for "training events." In such circumstances, a separate rider to the grant agreement should be appended requiring all PRs and SRs to establish. Quarterly training and supervision schedules to be submitted to the LFA as a condition of allowing invoices for the expenditures to be honoured. Further, the agreement with, and the Terms of Reference of, the LFA should be amended to require the LFA to conduct regular unannounced visits to such events and activities on a quarterly basis, and institute other viable measures to ensure that the) raining events occur, and the invoices submitted in connection with the. Vents are legitimate	The Secretariat agrees with this recommendation and as highlighted under item g) above, stringent measures were recently taken to address misuse of funds during training session. In an extreme risk environment, such as Mauritania, training activities will be approved in advance, and a number of pre-conditions (firm proof of the event, proof of attendance, and related expenses) must be met prior to honouring expense vouchers. Expenses will be disallowed by the Global Fund if these conditions are not met and/or if it cannot be demonstrated by credible proof that the expense was properly incurred.
m) The Board should reconsider using the amount and pace of grant fund disbursements as a KPI for Secretariat staff, and place priority on the quality rather than the quantity of disbursements, as well as stress the importance of ensuring (through continuous monitoring) that grant funds are in fact used for grant purposes.	The Secretariat agrees with the OIG that speed and volume disbursed are key measures of performance. However, as indicated in the HLP Report, the Secretariat has recognize the need to review these measures going forward to also give equal attention to quality, effective program delivery and financial oversight that ensure funds are invested according to agreed work

	plans and budgets. This discussion is on-going and the issue is currently being addressed as part of the on-going corporate transformation.

We look forward to receiving the final investigations report and request the OIG to give the partners in country (CCM, PRs, SRs) including any other entities being investigated an opportunity to respond to findings in the investigations report.

Sincerely yours

Mark Eldon-Edington
Director
Country Programs Cluster

ANNEX 2: UNDP OFFICE OF AUDIT AND INVESTIGATIONS RESPONSE OF 16 SEPTEMBER 2011 TO THE OIG INVESTIGATION REPORT ON MAURITANIA

United Nations Development Programme
Office of Audit and Investigations

CONFIDENTIAL

16 September 2011

Dear Mr. Parsons, dear John,

Subject: Report of Investigation of Mauritania Grants

Thank you for your letter dated 1 September 2011 advising us of the preparation of a draft investigation report concerning Global Fund to Mauritania for submission to the Global Fund Board and inviting us to review the draft report, as far as UNDP is concerned. I acknowledge that we have subsequently received those parts of the report, which your Office considered relevant for UNDP, in three volumes, on 6, 7 and 9 September 2011.

I am pleased to provide you below with our comments, as attached. As only extracts of the report were shared with OAI, our comments refer only to those extracts, not to the draft report as such. Please note, that as volumes 2 and 3 were not paginated, our comments on those parts refer to headings in the text rather than to page numbers.

While I welcome the opportunity to comment on those parts of the draft report, I note that the draft report does not reflect, in many instances, information or clarifications provided earlier by OAI, and I hope that such factual inaccuracies will be corrected in the final version.

I also note that there is a fundamental disagreement on OIG mandate vis-à-vis UNDP. While you may regret that your Office has no audit and investigation authority over UNDP and its personnel and no access rights to UNDP internal documents, it is not correct describing these legal limitations as "denied access".

You had kindly shared with us, in July 2010, the forensic accounting report and your resulting loss estimates. OAI's analysis of the estimates and the underlying assumptions have led us to conclusion that the amount of proven losses is significantly higher than the amount OAI had initially estimated (which was based on an extrapolation from its 2009 audit and prior to the completion of the forensic accounting analysis), but also significantly lower than your July 2010 estimates. As can be seen from the draft report, your Office has since then spent considerable time and effort to further analyze, support and revise the loss estimates. Given the complexity of the issue, the deadline for comments on the draft report does not allow us to enter into an assessment of your revised estimates. However, this should not be construed as acceptance of the loss figures contained in the draft report. OAI therefore reserves the right to thoroughly analyze and comment on the new information at a later stage.

With kind regards,

Gilbert

Gilbert C. Kahlenbach
Director
Office of Audit and Investigations

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Annex I
Comments of the Office of Audit and Investigations (OAI) on excerpts of the OIG the draft report of investigation of Mauritania Malaria and Tuberculosis and HIV/AIDS Grants

Volume 1, pp. 27-28
3. Limitations on the Investigation
a) The PR, UNDP, Denied Access to Direct Expenditures

OAI comments:

- The draft report states that "OIG has consistently followed a practice of sharing information and seeking to coordinate investigative efforts with its counterpart at the UNDP, the OAI..." It further states that this "[included] alerts to OAI that several independent sources had made allegations of corrupt practices by UNDP staff" and "...given allegations uncovered regarding UNDP staff involvement in the misconduct...", "...the allegations concerning the three UNDP officials accused of participating in fraud and kickbacks have not been investigated as far as the OIG is aware..."

These statements are factually inaccurate and misrepresent the interaction between our two Offices. OIG has claimed to be in possession of information obtained from five different witnesses, relating allegedly to corrupt practices by UNDP staff members. Regrettably, despite numerous requests from OAI, OIG has failed to disclose to OAI any information at all from any of these sources. This failure to share vital information has negatively affected OAI's investigation. The alleged lack of cooperation on the part of OAI is therefore surprising at best.

The facts are:

OAI Investigators conducted a mission to Mauritania from 25 October to 6 November 2009. The purpose of this mission was to investigate the activities of UNDP staff members and to identify any systems failures or weaknesses which had contributed to this situation occurring. Whilst on this mission, OAI investigators worked together in the same room, at the UNDP Country Office Mauritania, with an investigator from OIG.

Prior to this mission, discussions took place between OAI and OIG which focused exclusively on the alleged fraud perpetrated by the SRs and SSRs. It was agreed that OAI would investigate the activities of UNDP personnel, while OIG would investigate the SRs and SSRs, since at that time, OAI's mandate had not yet been expanded to include external parties, as is the case now.

During this mission, OAI investigators asked the OIG investigator if OIG had obtained any information concerning unlawful activity by those UNDP staff members. Such information would clearly have been important for use in the course of the interviews. As OIG was investigating the SRs and SSRs, it was clear that any information relating to unlawful behavior by UNDP staff members would likely come from sources within those entities. The OIG investigator advised OAI that OIG had received no such information. At no point during the mission did the OIG investigator indicate that OIG held any such information.

OAI Investigators interviewed all relevant UNDP staff members, including the GFATM Unit Coordinator, his staff, and senior managers. Other than to explore any evidence of complicity in fraud, the interviews covered UNDP's level of oversight and to confirm what checks and processes were in place in respect of the examination of documentation submitted to the GFATM Unit by the SRs and SSRs.

Investigators found no evidence of UNDP staff members' participation in fraudulent activity. In the absence of any information from the OIG, or from any other source to implicate them, this line of inquiry could not be taken any

further. Furthermore, while there were weaknesses in the Country Office's monitoring of the SRs, the investigation did not find evidence to establish a case of gross negligence and no misconduct was established on the part of individual staff members.

It was agreed between the OAI and OIG Investigators that should OIG receive any such information subsequently, it would be relayed to OAI for follow-up action.

On 1 July 2010, eight months later, the Inspector General, in a letter to the Director of OAI, which was copied to several senior managers of the Global Fund Secretariat, advised OAI that "representations were made by five different sources that a kickback scheme is in place at UNDP" (Mauritania) concerning the management of the Global Fund Programme. In breach of standard practice of confidentiality, the Inspector General named in his letter the two UNDP staff members, whom he alleged were involved. The Inspector General also stated that these allegations had not been verified by OIG and should be the subject of further investigation.

The Inspector General did not provide any information to support these claims despite naming the two staff members. Since the letter specifically named UNDP personnel without providing any details that would have allowed OAI to investigate, in a letter dated 6 July 2010, the Director of OAI requested the Inspector General "to share whatever credible information you have received from different sources that would call for an investigation of UNDP personnel."

In a letter dated 15 July 2010, the Inspector General advised OAI that OIG would "have to dialogue with our sources and inform them of our desire to divulge their identities and information to your investigative staff to ensure that confidentiality is honored. After such is achieved I would be happy to transmit witness information to you."

Due to a lack of response from the Inspector General, in a letter dated 26 August 2010, the Director of OAI reiterated his request for this information.

During a subsequent meeting with the Inspector General in Geneva on 13 September 2010, the Director of OAI reiterated his request for more detailed information, without which an investigation or even a preliminary assessment would be impossible. The Director advised the Inspector General that without access to the "sources" of those allegations, OAI would not be in a position to pursue the case and the Director explicitly stated that, without further evidence, OAI would have to consider the allegations received as unsubstantiated anonymous allegations. The Inspector General agreed to consider the Director's proposal to redact the records of the OIG interviews, if any, with those sources and provide OAI the redacted interview records, which would serve as a basis for OAI to assess whether an investigation is warranted.

In a letter to the Inspector General, dated 20 October 2010, the Director of OAI again reminded the Inspector General of his outstanding commitment and asked him, yet again, to provide the information needed to assess the allegations made. The Director advised that in the absence of such information, OAI will have no choice but to close the case, and in such case, would have to assume that no evidence is available and would caution against reiterating the allegations made.

On 5 November 2010, one year after the OAI/OIG mission to Mauritania, the Inspector General advised OAI that OIG had "made contact with the witnesses who asserted misconduct by UNDP staff, and studied the records of conversation. The witnesses have informed us that they decline to provide permission to share the information with your office, citing a lack of trust in the independence of your office as it is internal to UNDP. Thus, we have not, and cannot, share these materials with you in connection with any exclusive effort by UNDP to examine these issues separately, without the OIG involvement."

At this point, the Inspector General confirmed that all of his "five different sources" did not wish their information relating to alleged corruption by UNDP staff divulged to OAI, even in redacted form, "citing a lack of trust in the independence of your office."

It is indeed unusual that all five sources, presumably independent of each other, chose to take exactly the same position of non-cooperation and each cited the same reason. Experience in investigations would indicate that having five different people take exactly the same position in a matter of this nature, is extremely unusual.

On 9 December 2010, the Director of OAI advised the Inspector General that OAI's file would be closed, as there was no basis to pursue an investigation against any UNDP staff member.

To the present time, OIG has not provided to OAI any information attributable to these five persons, which has prevented the OAI from investigating the allegations.

While OAI appreciates that OIG cannot disclose the identity of the alleged complainants without their consent, OAI does not understand, why the substantive information allegedly provided by the "sources" could not be shared in redacted form.

- The draft report states that OAI "…declined to (i) share its audit and investigative reports regarding Global Fund grants (ii) give the OIG access to Global Fund related documents in UNDP's possession relating to its direct expenditures on the Programs, and (iii) provide the OIG access to UNDP staff that managed Global Fund grants…"

Article 2 of the Standard Terms and Conditions of the Grant Agreement with the Global Fund states that UNDP "will implement or oversee the implementation of the Program in accordance with the terms of this Agreement, which the Principal Recipient [UNDP] will administer using its regulations, rules and procedures". Article 7b further clarifies that UNDP "shall have financial audits conducted of Program expenditures in accordance with its internal and external auditing practices".

OAI has shared summaries of all internal audit reports related to Global Fund grants in Mauritania and elsewhere with OIG. Following the authorization by the UNDP Executive Board in June 2011, OAI has disclosed the full internal audit report on Global Fund grants managed by UNDP Mauritania to OIG.

- The draft states (p. 28 and footnote 87) that OIG resubmitted its request for internal audits relating to Mauritania on July 22, 2011, and was awaiting a response at the time of publication of this report.

Your Office did not submit a proper disclosure request to the UNDP Administrator until 19 August 2011, upon which OAI immediately initiated the process mandated by the UNDP Executive Board and scheduled a viewing session for the week of 12 September 2011.

As a matter of principle, OAI does not share investigation reports concerning UNDP personnel with third parties, except in cases of referral to national law enforcement authorities. In the present case, OAI's assessment did not find any evidence of misconduct on the part of UNDP staff members. OIG had no legitimate interest to be privy to details of the investigative work conducted.

OAI refutes OIG's claim that the expenditures incurred directly by UNDP since 2004, were likely to be affected by similar irregularities as the expenditures incurred by the SRs. OIG seems to profoundly misunderstand the different nature of these expenditures and the different internal control mechanisms that apply to direct expenditures and SR

expenditures. While SR expenditures are not UNDP transactions, but SR transactions, which are recorded in bulk upon submission of expenditures reports by the SRs, UNDP's direct expenditures are controlled at the transaction level and are subject to strict internal controls with several layers of review and approval.

The direct expenditures for the period 1 January 2008 to 31 July 2009, totaling $3.5 million, were reviewed by the September 2009 internal audit, which did not find any irregularities. Since OIG had been provided with a summary of the audit report, OIG was fully aware that these direct expenditures have been audited by OAI and that the audit did not disclose any irregularities.

To address the concerns subsequently raised by OIG on expenditures that preceded the period covered by the 2009 OAI audit, OAI subsequently conducted a due diligence review of the direct expenditures for the period 2004 to 2007, totaling $1.2 million. This review, which focused on expenditures such as procurement of health products and general operating expenses, covered a sample of transactions, which accounted for 60% of the total expenditures during that period. By letter of 25 January 2011, OAI informed the Inspector General about the outcome of the due diligence review.

Yet, the Inspector General continued to demand access to the UNDP records on direct expenditures and to insist on the need to conduct an investigation in this area. Given these results of the internal audit and of the due diligence review and in the absence of any concrete indications of potential irregularities, OAI did and does not see any justification to launch an investigation into UNDP's direct expenditures. Even if, for the sake of the argument, OIG's unverified allegations that UNDP staff members were involved in corrupt activity with SRs, were assumed to be true, such payments would certainly not be reflected in UNDP's accounts, making an investigation of UNDP's direct expenditures pointless.

- The draft report states that "…OAI represented that the OIG would have access to all the materials the OAI reviews and full OAI cooperation. However, upon meeting in Mauritania in October 2009, the OAI declined to provide the OIG with access to all documents relating to direct UNDP expenditures on the basis that the OAI had the sole mandate to investigate any irregularities involving UNDP Programs or UNDP staff. Instead, it provided the OIG with only SR-related documents…"

Prior, during, and after the October – November 2009 mission, discussions took place between OAI and OIG. The discussions focused exclusively on the alleged fraud perpetrated by the SRs and SSRs.

The agreement was that OAI's and OIG's investigations would run in parallel and that the OIG investigator would have access to the material reviewed by the OAI investigators, which is exactly what happened. The material being reviewed was the documentation received by UNDP from the SRs and SSRs.

The investigation at that point related solely to that material, not to UNDP direct expenditure documentation, which OIG now suggests was the subject of this review. None of the communications from OIG requesting information at that time related to direct expenditure documentation.

Either way, the OIG investigator was allowed to peruse, copy, and take away the material which UNDP had received from the SRs and SSRs. This arrangement continued into January 2010 when OAI facilitated the OIG investigator's return to the Country Office to copy additional material which had been requested. Email communications at that time indicated that OIG was quite satisfied with what it was given and no additional requests were made until the Inspector General's letter of 1 July 2010, in which he first mentioned his "five different sources," amongst other things.

OAI conducted the interviews of UNDP staff as that is OAI's responsibility, just as OAI would accept that GF staff would be interviewed by OIG.

- The draft report states, "…In a letter dated July 1, 2010 to the OAI, the OIG restated its request for access to documentation…The OIG highlighted the fact that the UNDP's previous assertions that UNDP documents and staff are covered by a special immunity…"

Between October 2009 and January 2010 the OIG had received all of the documents it had requested, as previously explained. In Mauritania, the OIG investigator was advised that OAI would interview the UNDP staff members, as they were OAI's responsibility, and he received the documents which had been asked for. There was no mention by OAI of a "special immunity," whatever that reference means.

Volume 2
4. Fraud determinations through the Totality of Evidence and Circumstances

OAI comments:
In the draft report, the OIG explains the inferences to be drawn from circumstantial evidence and OIG's application of the "more likely than not" standard of proof. Using this approach, the report states that "the OIG has identified an additional US$254,374 of fraud."

The draft report lists a number of "red flag" indicators of fraud including, *inter alia*, "Per diem sheets with suspicious signatures (where OIG has been unable to prove forgeries)" and "Vendors providing wide ranges of goods and services."

The draft report states, "Such evidence constitutes circumstantial evidence of fraud…Indeed, the totality of the circumstances, based upon the reasonable inference that may be drawn, leads to a conclusion that these documents are more likely than not fabricated…"

OAI questions the reliance on circumstantial evidence coupled with a very low standard of proof, in determining US$254,374 of fraud. The fact that certain vendors provided 'a wide range of goods and services' and certain signatures appeared 'suspicious' is a very tenuous basis for asserting fraud.

Volume 3
Calculation of loss under Malaria and TB grants

OAI had previously considered OIG's loss estimate figures contained within the report of Forensic Analytics International (FAI) entitled "Review of SR and SSR expenditures related to TB and Malaria grants to the Islamic Republic of Mauritania", dated 26 March 2010, which was provided to OAI on 11 June 2010. OAI notes that the total loss figure contained within the draft report differs from than that indicated in the FAI report. In view of the short time frame, OAI has been left with insufficient time to analyze and comment on the new figures presented in the draft report. On that basis, OAI is not in a position to provide comments on this aspect of the draft report but will do so once a proper assessment has been made.

Furthermore, OAI refutes the losses attributed by OIG to UNDP direct expenditures for the reasons previously stated. OAI reiterates that the direct expenditures incurred by UNDP since 2004 have been reviewed by OAI, during the 2009 audit and the subsequent due diligence review, which did not disclose irregularities.

OIG's statements	OAI's comments
The Global Fund Secretariat provided the OIG with an example of the kinds of financial reports that the Global Fund received from the UNDP for purposes of financial reporting under the grant agreement. The report was entitled: "Certified Financial Reports to the Global Fund to Fight Aids, Tuberculosis and Malaria for the Year Ended December 31, 2009" and it included a list of all Global Fund grants to UNDP and a limited summary financial information including amount of funds received, total expenditures and the UNDP's management fee. The page summarizing all information relating to the Mauritania grants for that year is provided below. It is of such general nature and is so high-level that it provides virtually no insight into how funds were spent on the Mauritania grants. Furthermore, while the report is categorized as having been "certified," there is no indication as to who the certifying party was.	**Article C of the Standard Agreement** between the Global Fund and UNDP States that the *"PR is required submit, no later than June 30 of each year, a statement, certified by the Comptroller, of income and expenditures of the programme during the preceding year. This statement must also include all interest that accrued on grant funds. Any interest, or other earnings on funds disbursed by the GFATM, must be used for programme purposes unless otherwise agreed upon in writing. The certified financial statement is prepared by the Comptroller's Office at UNDP Headquarters and sent directly to the GFATM".* UNDP by providing this document complied with the term of the Standard Agreement. The details of expenses spent by the PR and the SR are reported on a quarterly basis on the PUDRS which are reviewed by the LFA prior to it submission to the GF. OIG report incorrectly included a note on the Certified Financial Report stating that it was "All financial information the UNDP provided to the Global Fund for Mauritania in 2009". The PUDRs were submitted quarterly to the Global Fund Portfolio Manager, which served as the basis for disbursements of funds to the PR.
The UNDP did not conduct internal audits of any Global Fund grants in Mauritania between the year that the grants started, 2004, and the year that the LFA uncovered fiduciary concerns, 2009. The first audit the UNDP OAI conducted of Mauritania resulted from the LFA"s findings. However, this audit also did not cover UNDP direct expenditures either.	Prior to 2008, Global Fund grants managed by UNDP were covered by OAI's regular country office audits, which are not fund-based. The Mauritania country office has indeed been audited in 2004 and 2008 with reports issued in 2005 and 2009. After the recruitment of dedicated auditors for Global Fund projects, OAI started conducting specific audits of Global Fund programmes. The 2009 OAI audit of Global Fund grants in Mauritania did not result from the LFA's findings, but was based on OAI's annual audit risk assessment conducted as early as in October 2008. Neither OAI nor the

	Mauritania Country Office has any evidence that the LFA alerted UNDP of fraud concerns at the Sub Recipient level. In addition, at no time during the period June 2008 to September 2009, did the Grant Performance Reports, which are the basis for the Management Letters and which are prepared with the input of the LFA, mention any noticeable alarm or heighten concern indicative of fraud. On 3 September 2009, the OAI auditors while in Mauritania met with the LFA who explained that he had concerns relating to the supporting documents, poor monitoring and evaluation and weak programmatic outputs of both the Malaria and TB programmes. On 3 November, 2009 after OAI mission, the Country Office in Mauritania notified the Ministry of Health of the freeze of funds to the SR to reduce any further financial risks.
Based on its discussions with the LFA and the Global Fund Secretariat, the OIG notes that the UNDP never submitted an SR Audit Plan to the Global Fund. The LFA noted that the UNDP made reference to its internal audit plan but refused to share that plan with the Global Fund or the LFA. The OIG therefore finds that UNDP is in breach of this contract requirement.	According to the GF operations manual "The PR is required to submit to the GFATM and carry out a plan for the audit of SRs". Since the beginning of the Mauritania Global Fund programmes, (most of) UNDP's sub-recipients were audited annually as part of the mandatory NGO/NIM audit exercise. The resulting audit reports have been available to the LFA.
SR audits (1): There is a clear inconsistency in the conclusions drawn by each auditor for this time period. The KPMG auditors provided an unqualified audit opinion on the 2009 financial statements for both Programs, meaning that they certified the accounts with no exceptions, while the Mazars audit report issued an adverse opinion for the entire time period detailing "inadequately supported" expenditures for the first quarter 2009 TB grant at US$ 98,766.30 and for Malaria at US$ 51,139.31.	OIG seems to misinterprete the SR audit reports by OIG. The audit firms Mazars and KPMG did not audit the same Global Fund Rounds and project. Mazars audited the **Round 2 Malaria** (project 00036655) **and TB** (project 00037080) **while** KPMG audited the **Round 6 Malaria (project** 00058706) **and TB** (project 000 58705) programmes. The Mazars audit was conducted in 2010, i.e. after OAI's audit had uncovered serious irregularities at the SR level.

SR audits(2): It therefore appears that the UNDP did not commission any external audits of its sub-recipients during the entire 6-year period of the grants until early 2010, well after the serious program anomalies had already come to light.

OIG's assertions are not correct. Below is a summary table which shows that, in line with standard UNDP requirements, the projects have been audited by external firms since 2004 (for Round 2). Unfortunately the audits failed to detect any irregularities that could have alerted UNDP of any ongoing fraud at the SR. This

Fiscal Year Audited	Projects	Audit Firm	Rating
2006	Round 2	A2C, cabinet local	Unqualified
2007	Round 2	FAC Consulting	Unqualified
2008	Round 2	FAC Consulting	Unqualified
2009	Round 6	FAC Consulting	Unqualified
2010	Round 2	Mazars	Disclaimer
2010	Round 6	KPMG	Unqualified

is the reason why UNDP, AFTER the 2009 OAI audit, changed the audit firm.

ANNEX 3: THE OIG'S COMMENTS ON THE UNDP/OAI RESPONSE OF 16 SEPTEMBER 2011 TO THE OIG INVESTIGATION REPORT ON MAURITANIA

The OIG's comments on the UNDP/OAI response of 16 September 2011 to the OIG investigation report on Mauritania

1. After careful review of the response from the OAI the OIG remains confident that its report on the allegations of misappropriation in the Global Fund grants to Mauritania, and issues surrounding UNDP's oversight of the grants as the Principal Recipient, is sound. Information provided by the OAI informed the OIG's report in the following way:

   - reductions were made to changes to the amounts of loss for which UNDP bears responsibility;
   - the elimination of paragraph 92 on the application of International Auditing and Assurance Standards;
   - the text was updated as to the auditing efforts undertaken by UNDP;
   - language as proposed by UNDP concerning external audits of the SRs was added; and
   - a number of factual corrections to the report as proposed by UNDP were made

2. The OIG have also made a few further clarifying edits shown in track change in the revised report above.

3. There are a number of areas where the interpretations continue to differ. The OIG will be reaching out to the OAI in the coming weeks to discuss the areas, which include:

   - The OIG's loss calculation, and determination of fraud in regard to certain amounts; and
   - UNDP's audit coverage.

4. Subsequent to both the OIG report being issued on 31 October, and UNDP's response, the Global Fund and UNDP have entered into a series of new protocols in relation to areas that include audit and investigations. These new protocols implement the recommendations of the HLP in regard to re-setting the relationship of the Global Fund and UNDP, being a PR that is requested to work in countries where there is no national or other appropriate PR to work.

Abbreviations

ACTE	Assistance Conseil Travaux Edition
BCI	Banque Pour le Commerce et L'Industrie
CCM	Country Coordinating Mechanism
DRAS	Direction Régionale a l'Action Sanitaire (Regional Ministry of Health Offices)
FPM	Fund Portfolio Manager
HIV	Human Immunodeficiency Virus
IAASB	International Auditing and Assurance Standards Board
IEC	Information, Education, Communication
IG	Mauritanian Office of the Inspector General
IMF	Impôts Minimum Forfaitaire
INSRP	Institut National de Recherche en Santé Publique
ISAs	International Standards of Auditing
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GoM	Government of Mauritania
GPR	Grant Performance Report
KPI	Key Performance Indicator
LFA	Local Fund Agent
LLINs	Long Lasting Insecticidal Bednets
LTF	Lost to Follow Up
MAP	Multi-Country HIV/AIDS Program
M&E	Monitoring and Evaluation
MoH	Ministry of Health (Mauritania)
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
OAI	Office of Audit and Investigation
OIG	Office of Inspector General for the Global Fund to Fight AIDS, Tuberculosis, and Malaria
PNLP	National Program for the Fight against Malaria
PNLT	National Control Program against Tuberculosis and Leprosy
PR	Principle Recipient
PSI	Population Services International
PU/DR	Disbursement Request and Progress Update
RNLPV	Réseau Pour la Lutte Contre le Paludisme
ROMATUB	Réseau des ONGs et Associations de la Lutte Contre la Tuberculose
SENLS	Secrétariat National de Lutte contre le Sida (National AIDS Council Secretariat)
SR	Sub-Recipient
SSR	Sub-Sub-Recipient
STCs	Standard Terms and Conditions
TB	Tuberculosis
UM	Mauritanian Ouguiya (MRO)
UNDP	United Nations Development Program
US$	United States Dollar