



## Investigation Report

# Global Fund Grants to Panama

## Supplier fraud in HIV grant

GF-OIG-15-023  
4 January 2016  
Geneva, Switzerland

Non-compliant Expenditure: \$104,911  
Proposed recoveries: \$104,911

Categories – Fraud / Collusion / Non-Compliance with Grant Agreements

 **The Global Fund**

Office of the Inspector General

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# I. Background and Scope

The Global Fund has made commitments to Panamá under one HIV grant and one tuberculosis (TB) grant totaling US\$ 4,851,170, all of which has been disbursed.<sup>1</sup> The HIV grant (PAN-H-CAI) commenced on 1 Jan 2012 and was closed on 31 December 2014.

Panamá has a concentrated HIV epidemic in Most-At-Risk Populations, especially among transgender people, men who have sex with men and female sex workers. Global Fund investment in Panamá has focused on HIV prevention and human rights, as well as the reduction of HIV transmission and improving the quality of care of people that are HIV-TB co-infected.

The Principal Recipient for the HIV grant was Cicatelli Associates Inc. who have received US\$ 4,298,000 in total. The goal of the HIV grant was twofold: to reduce sexual transmission of HIV through the use of evidence-based interventions for Most-At-Risk Populations; and to increase the organizational capacity of Most-At-Risk Populations organizations to ensure a comprehensive response to the HIV epidemic.

On 25 February 2015, the Global Fund Secretariat notified the Office of the Inspector General (OIG) that it had found irregularities in sub-recipients' social marketing expenditures during a Local Fund Agent review of the HIV grant. These irregularities included indicators of fraudulent practices in transactions between four of the six sub-recipients and a local supplier called Conceptos Advertising. These transactions related to the purchase of goods to promote the key messages of the grant, including educational videos, leaflets, banners and clothing.

The OIG initiated an investigation that focused on transactions between the four sub-recipients and Conceptos Advertising, which totaled US\$ 118,245 over the entire grant period. As part of its investigation, the OIG undertook a mission to Panamá in April 2015, which included conducting interviews with representatives of the Principal Recipient, four sub-recipients, the supplier Conceptos Advertising, and other local suppliers of social marketing goods.

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<sup>1</sup> Does not include funds disbursed in Panamá under Global Fund 'multi-country' grants.

## II. Executive Summary

The owner of the local supplier Conceptos Advertising engaged in fraudulent practices by fabricating quotations in the names of other suppliers of social marketing goods without their knowledge. This created the impression that tenders won by Conceptos Advertising were competitive, thereby breaching the Global Fund's Code of Conduct for Suppliers.

These fraudulent practices compromised transactions between Conceptos Advertising and the four grant sub-recipients totaling US\$ 104,911 (refer to Annex B)<sup>2</sup>, which the OIG finds to be non-compliant expenditures and therefore potentially recoverable.

Employees of the sub-recipient GPP+, and Emessar, the organization responsible for carrying out procurements for the sub-recipient Mujeres Luchando Por una Nueva Vida (MLPNV), were aware that the tenders involving Conceptos Advertising were not competitive. Employees of these two organizations also engaged in collusive practices by sharing the budget limits for some procurements with Conceptos Advertising.

Although no evidence of significant overpricing was found in the invoices supplied by Conceptos Advertising, the OIG was unable to obtain reasonable assurance that the goods procured from Conceptos Advertising had been delivered to the sub-recipients and distributed to beneficiaries. This was due to the absence of an appropriately documented audit trail.

The investigation found that Cicatelli Associates Inc., the Principal Recipient, did not provide sufficient guidance to its sub-recipients on how to conduct competitive tenders fairly and transparently, and how to maintain a documented audit trail to track the receipt and distribution of procured social marketing goods. Cicatelli Associates Inc. also did not respond appropriately when it identified similarities in the quotations from different suppliers of social marketing goods.

### Secretariat actions

The Secretariat has requested the refund of the non-compliant expenditures identified in this report from the Principal Recipient, Cicatelli Associates Inc.

### Agreed Management Actions

Following the investigation, the OIG and the Secretariat agreed the following actions, which are set out in detail in Section V::

- finalize and pursue the recovery of the non-compliant expenditures identified in this report;
- consider taking appropriate actions and/or restriction measures towards the owner of Conceptos Advertising;
- ensure that future recipients of Global Fund grants in Panamá receive training on the importance of complying with the Global Fund's Codes of Conduct for Recipients and Suppliers; and
- ensure that the future Principal Recipient of Global Fund grants in Panamá develops procurement guidance and delivers training to sub-recipients to enable

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<sup>2</sup> Transactions with Conceptos Advertising totaling US\$ 13,334.10 did not have indicators of fraud either because: the transaction did not require three quotations; quotations from other suppliers were not present; or quotations from the other bidders did not contain indicators of fraud.

them to conduct competitive tenders fairly and transparently, and to maintain a documented audit trail to record the receipt and distribution of procured goods.

## III. Findings and Agreed Management Actions

### 01 Fraudulent practices by owner of Conceptos Advertising

The owner of Conceptos Advertising fabricated quotations in the names of other suppliers of social marketing goods without their knowledge in over 100 tenders. This was to give the impression that tenders won by Conceptos Advertising were competitive, thereby breaching Section 10 of the Global Fund's Code of Conduct for Suppliers.

These fraudulent practices compromised transactions between Conceptos Advertising and the four sub-recipients totaling US\$ 104,911 which the OIG finds to be non-compliant expenditures and therefore potentially recoverable under Article 21(d) of the Standard Terms and Conditions to the Grant Agreement.

Although Cicatelli exercised some oversight over its sub-recipients by undertaking supervisory visits, the OIG found that Cicatelli Associates Inc. (Cicatelli) did not respond appropriately when it identified similarities in the quotations from different suppliers of social marketing goods. Consequently, Cicatelli did not comply with Section 8.1 of the Global Fund's Code of Conduct for Recipients of Global Fund Resources.

#### Background

Between 1 July 2012 and 31 December 2014, grant sub-recipients made payments totaling US\$ 118,245 to a local supplier of social marketing goods called Conceptos Advertising. This represents 47% of all social marketing expenditures made by the sub-recipients during the grant period.

The payments made to Conceptos Advertising related to over 100 transactions with four of the six grant sub-recipients, namely: Grupo Genesis Panamá Positivo (GPP+); Mujeres con Dignidad y Derecho de Panamá (MDDP); Asociación Panameña de Personas Trans (APPT); and MLPNV (refer to Annex B for a list of these transactions)<sup>3</sup>.

The sub-recipient GPP+ also conducted procurements for the sub-recipient, MDDP. The processes used to identify, select and pay suppliers on behalf of MDDP were the same procedures used by GPP+ to undertake its own procurements. The sub-recipient MLPNV did not conduct its own procurements. These were carried out on its behalf by another organization, Emessar.

#### Identical elements in supplier quotations

The OIG found that the same small number of suppliers participated in the tenders won by Conceptos Advertising (the 'losing bidders'); namely: Losing bidder - 2, Losing bidder - 1, Losing bidder - 3, Losing bidder - 4, Losing bidder - 5, Losing bidder - 6, Losing bidder - 7, and Losing bidder - 8. Quotations in the names of these losing bidders contained elements of their format that were identical to the quotations from Conceptos Advertising as well as other losing bidders (refer to Exhibits 1 to 7 in Annex D).

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<sup>3</sup> Transactions with Conceptos Advertising totaling US\$ 13,334.10 did not have indicators of fraud either because: the transaction did not require three quotations; quotations from other suppliers were not present; or quotations from other bidders did not contain indicators of fraud.

### Interview with the owner of Conceptos Advertising

The OIG showed the owner of Conceptos Advertising an example of a quotation in the name of Conceptos Advertising (refer to Exhibit 8 in Annex D) and she confirmed she was responsible for the quotation.

The owner of Conceptos Advertising confirmed that she had requested services from Losing bidder - 1, but said she had not worked with any other suppliers. She stated she had not fabricated quotations in the names of other suppliers, and had never delivered quotations from other suppliers to the grant sub-recipients.

When asked if she could account for the similarities in the quotations submitted by Conceptos Advertising and other suppliers, the owner of Conceptos Advertising told the OIG that she thought it was a standard style used in Panamá to present proposals to companies.

### Interviews with the losing bidders

The owner of Losing bidder - 1 said he had submitted quotations to the grant sub-recipients via his point of contact, the owner of Conceptos Advertising. However, when shown an example of a quotation submitted in the name of Losing bidder - 1, he told the OIG that he had not created it, although it appeared to be a copy of the format used by Losing bidder - 1.

He also told the OIG that Losing bidder - 1 had only participated in three to five tenders with the grant sub-recipients, whereas the OIG found that quotations in the name of Losing bidder - 1 were submitted in 53 tenders won by Conceptos Advertising.

The managers of Losing bidder - 2, Losing bidder - 3 and Losing bidder - 4 told the OIG that they did not know the four grant sub-recipients and had never submitted quotations to them. When shown examples of the quotations that had been submitted in their companies' names for tenders won by Conceptos Advertising, they confirmed that their companies had not created the quotations.

The other losing bidders, Losing bidder - 6, Losing bidder - 7 and Losing bidder - 8, could not be located at the addresses in their quotations, could not be contacted via the telephone numbers that appear in their quotations. Nor could they be found on a Panamanian government website on which companies are registered<sup>4</sup>.

### Interviews with the sub-recipients

The Executive Director of APPT told the OIG that the owner of Conceptos Advertising personally brought her three quotations when tendering for procurements: one from Conceptos Advertising and quotations from another two suppliers. APPT's Project Accountant told the OIG that the quotations from Conceptos Advertising were always the cheapest.

The OIG asked the Executive Director of APPT if the owner of Conceptos Advertising had explained how she identified the other two suppliers. The Executive Director of APPT said,

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<sup>4</sup> Ministerio de Economía y Finanzas, Dirección General de Ingresos ('Ministry of Economy and Finance, General Directorate of Revenue').

“no, but she showed me that they existed, because she showed me that this [company] is located here, and this is located here”.

The OIG showed the Executive Director of GPP+ and GPP+'s Accountant examples of quotations from Conceptos Advertising and other losing bidders. They both agreed that the quotations looked very similar, but said they had not noticed the similarities before. When asked if the quotations they received from the suppliers arrived separately or together from a single source, the Executive Director of GPP+ replied, “they should arrive separately, but I don't know in this case”. The Executive Director of GPP+ added that he had had contact with Losing bidder - 1, but not with any of the other suppliers.

The OIG showed Emessar's Project Coordinator examples of the similarities in the quotations from Conceptos Advertising and the losing bidders. She said she did not notice anything unusual and added that Emessar's Accountant had also not raised any issues to her about the quotations.

#### Interview with Cicatelli employees

Cicatelli's Project Accountant told the OIG that he had started undertaking supervisory visits to the sub-recipients towards the end of 2012. He said the purpose of these visits was to ensure that the sub-recipients were following correct procedures, and if any issues were identified to bring them to the attention of the sub-recipients' management via formal letters. He also told the OIG that Cicatelli's requirement to obtain three quotations was also reinforced during these visits.

The OIG showed Cicatelli's Project Accountant examples of the quotations from Conceptos Advertising and different losing bidders. He acknowledged that their formats and typeface contained identical elements. He told the OIG that he had noticed similarities in supplier quotations at some point during these supervisory visits, perhaps in mid-2013, but he had not raised it with any of the sub-recipients.

When asked by the OIG why he had not brought his observations to the attention of the sub-recipients, Cicatelli's Project Accountant said that, although he suspected something, he did not feel that it was strong enough to raise it with the sub-recipients' representatives. He added that he might have told Cicatelli's Project Director about his observations regarding the similarities in the supplier's quotations. Cicatelli's Project Director told the OIG that he had not been informed of any such irregularities. Cicatelli's Project Accountant also did not raise his concerns with the Global Fund.

#### The owner of Conceptos Advertising's links to another Global Fund grant

The owner and sole employee of Conceptos Advertising is also the President of a non-governmental organization called Fedutech. Fedutech has acted as the 'umbrella organization'<sup>5</sup> for the sub-recipient MDDP from 7 August 2014 under the Global Fund regional 'RedTraSex' grant, MAT-O11-G01-H.

The agreement between Fedutech and the RedTraSex Principal Recipient stated that Fedutech would only use its legal status to act as a 'guarantor' for MDDP, and that there should not be any economic benefit for Fedutech from the agreement. However, the memorandum of understanding between Fedutech and MDDP contained additional

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<sup>5</sup> An umbrella organization is used when an evaluated sub-recipient organization does not have all the capacities or the legal status needed to manage the funds assigned to it directly. For example, this can include providing its own legal status to enable an organization without legal status to pay its office utility costs.



elements, such as providing MDDP with administrative and technical support. This included assisting with the preparation of communications materials.

The OIG found that Conceptos Advertising ceased providing goods to the sub-recipients under the Panamá HIV grant prior to date when Fedutech assumed the role of ‘umbrella organization’ for MDDP. The OIG also did not find any other evidence that the owner of Conceptos Advertising engaged in conduct which would have constituted a conflict of interest, such as providing social marketing goods to MDDP while Fedutech was acting as its ‘umbrella organization’.

#### Summary conclusion and Agreed Management Actions

The OIG found that the owner of Conceptos Advertising was responsible for fabricating quotations in the names of the losing bidders and delivering them to the sub-recipients, thereby breaching Section 10 of the Global Fund’s Code of Conduct for Suppliers. These fraudulent practices compromised transactions between Conceptos Advertising and the four sub-recipients totaling US\$ 104,911 which the OIG finds to be non-compliant expenditures and therefore potentially recoverable under Article 21(d) of the Standard Terms and Conditions to the Grant Agreement.

Although the Secretariat has already requested the refund of all the non-complaint expenditures from the Principal Recipient, Cikatelli, the OIG recommends that the Secretariat finalizes and pursues the recovery with the Recovery Committee of the non-compliant expenditures identified in this report.

*Agreed Management Action 1: The Secretariat will finalize and pursue an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.*

Although the OIG did not find evidence that the owner of Conceptos Advertising engaged in improper conduct in her role as President of Fedutech, given the fraudulent practices identified by the investigation, the OIG recommends that the Secretariat takes appropriate actions and/or restriction measures towards the owner of Conceptos Advertising.

*Agreed Management Action 2: The Secretariat will send a formal management letter to the Principal Recipients and sub-recipients of the Panamá and RedTraSex grants informing them that, due to the OIG’s findings, they should no longer work in any capacity with the owner of Conceptos Advertising, or any entities with which she is associated, under Global Fund grants. This will apply for an indefinite period of time.*

The OIG also found that Cikatelli’s Project Accountant did not respond appropriately when he identified similarities in the quotations from different suppliers of social marketing goods. Consequently, by not informing the Global Fund of its discovery, Cikatelli did not comply with Section 8.1 of the Global Fund’s Code of Conduct for Recipients of Global Fund Resources<sup>6</sup>.

*Agreed Management Action 3: The Secretariat will ensure that the Principal Recipient (UNDP) and sub-recipients of the recently signed Global Fund grants to Panamá are informed on the Codes of Conduct for Recipients and Suppliers, that these Codes are part*

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<sup>6</sup> Section 8.1 of the Code of Conduct for Recipients of Global Fund Resources states: “...Recipients shall notify the Global Fund upon the discovery of conduct which is inconsistent with this Code and take timely and appropriate remedial or corrective actions in such situations, and if necessary, coordinate such actions with the Global Fund’s Secretariat and OIG.”

*of training to any sub-recipients who will be managing procurement under the grant. These trainings must be conducted by the Principal Recipient by June 2016.*

## 02 Collusive practices by GPP+ and Emessar employees

The values of some Conceptos Advertising invoices for goods purchased by GPP+, MDDP and Emessar were identical, or nearly identical, to the budget amount allocated to the sub-recipients to purchase the goods (refer to Annex C). The OIG found that employees of GPP+ and Emessar engaged in collusive practices by sharing budget limits for some procurements with Conceptos Advertising.

Further, GPP+ and Emessar continued to obtain quotations from the losing bidders despite the fact that these suppliers never provided quotations that were lower than those from Conceptos Advertising; the supplier Losing bidder - 2 was a losing bidder in 66 tenders and Losing bidder - 1 in 53 tenders. The OIG therefore found additional evidence that employees of GPP+ and Emessar were aware that the tenders involving Conceptos Advertising were not competitive. The OIG did not identify overpricing in the invoices supplied by Conceptos Advertising.

The owner of Conceptos Advertising said she had first met Emessar's Project Coordinator in 2011. She added that Emessar's Project Coordinator invited her to participate in the Global Fund project in 2012, and from that point Conceptos Advertising started working with other grant sub-recipients.

When asked how she delivered Conceptos Advertising's quotations to the sub-recipients, the owner of Conceptos Advertising confirmed that she had delivered the quotations to the sub-recipients in person. She said her contacts at GPP+ and APPT were their Executive Directors.

The owner of Conceptos Advertising added "they requested what they wanted and I would recommend what to use, who to use, what materials and what message...I left them [the quotations] in their offices because they called me and we met up. They requested the services from me."

In contrast to the account of the owner of Conceptos Advertising, the Executive Director of GPP+ said he did not have any direct contact with suppliers and that this was the responsibility of GPP+'s administrative assistants. He further told the OIG that some emails from the owner of Conceptos Advertising could be found in the email accounts of GPP+'s Administrative Assistants. No emails from Conceptos Advertising to GPP+ have been provided to the OIG by GPP+.

GPP+ subsequently informed the OIG that it considered that there was nothing wrong if suppliers have knowledge of "reference prices". Emessar's Project Coordinator told the OIG that its suppliers always sent their quotations via email. No evidence of these emails has been provided to the OIG by Emessar.

### Summary Conclusion and Agreed Management Action

Employees of GPP+ and Emessar shared the budget limits for some procurements with Conceptos Advertising and were aware that tenders involving Conceptos Advertising were not competitive.

Section 3.2.2 of the Code of Conduct for Recipients states that recipients should not engage in collusive practices. The OIG therefore recommends that recipients of Global Fund grants in Panamá receive training on the importance of complying with the Code of Conduct for Recipients.

*Agreed Management Action 3: The Secretariat will ensure that the Principal Recipient (UNDP) and sub-recipients of the recently signed Global Fund grants to Panamá are informed on the Codes of Conduct for Recipients and Suppliers, that these Codes are part of training to any sub-recipients who will be managing procurement under the grant. These trainings must be conducted by the Principal Recipient by June 2016.*

### 03 Cicatelli provided insufficient guidance to its SRs

Although Cicatelli provided some limited guidance on non-health procurement procedures to its sub-recipients, the OIG found that it was insufficiently detailed to enable them to conduct competitive tenders for social marketing goods fairly and transparently. The OIG also considers that this absence of detailed procurement guidance facilitated the fraudulent and collusive practices identified by this investigation.

Further, due to the lack of appropriate goods received and distributed documentation maintained by the sub-recipients, the OIG was unable to obtain reasonable assurance that the goods purchased from Conceptos Advertising had been received by the sub-recipients and distributed to beneficiaries. Cicatelli also, therefore, did not provide sufficient guidance to its sub-recipients on how to maintain a documented audit trail to track the receipt and distribution of procured social marketing goods.

#### Procurement guidance - interview with Cicatelli employees

Cicatelli's Project Accountant, who was also responsible for monitoring the sub-recipients' procurements, told the OIG that he did not have previous experience of managing procurement processes and had "just some general knowledge". He also told the OIG that, at the beginning of the grant period, Cicatelli held a workshop for representatives of the sub-recipients during which he informed them of the requirement to obtain three quotes to procure goods valued over US\$ 500.

Cicatelli's Project Accountant said its sub-recipients had all been assessed as having 'low capacity', which is why they received procurement guidance in a simplified format. He also said that the reason for giving the sub-recipients responsibility for undertaking their own procurements was to build their capacity, which was one of Cicatelli's key project objectives.

Although Cicatelli's Project Accountant told the OIG that no formal written guidance on how to conduct competitive tenders was provided to its sub-recipients, Cicatelli subsequently provided evidence to the OIG that it had sent a draft copy of its project policies and procedures manual to its sub-recipients in September 2012.

The OIG reviewed Cicatelli's draft project policies and procedures manual and found that it contains a short section on non-health procurement, which includes the requirement to obtain three "written and documented" competitive offers for supplies over US\$ 500 in value, as well as setting out the basis for selecting the winning supplier.

However, the OIG also found that Cicatelli's draft project policies and procedures manual does not contain any other guidance on conducting competitive tenders, such as the reason

for obtaining three quotations, how to identify and select suppliers, how to request and receive quotations, and the importance of transparency in the procurement process.

#### Procurement guidance - interviews with sub-recipients

The representatives of GPP+, Emessar and APPT all confirmed to the OIG that they followed Cikatelli's requirement to obtain three quotations from suppliers for procurements valued over US\$ 500.

The Executive Director of APPT could not recall if APPT received any documents from Cikatelli setting out these procedures, but she believed that they had been explained verbally by Cikatelli's Project Coordinator at the outset of the grant.

The Executive Director of GPP+ said Cikatelli did not provide GPP+ with any other documented or formal training on procurement procedures. He confirmed that Cikatelli's Project Accountant visited GPP+'s offices on a regular basis to undertake reviews of their procurement documentation, but added that these visits ceased at some point.

The Executive Director of GPP+ also told the OIG that, at the end of 2013, Cikatelli recommended to GPP+ that "for reasons of transparency" it should use suppliers other than Conceptos Advertising. He understood that this was because Conceptos Advertising had been GPP+'s sole supplier of social marketing goods from the beginning of the project in 2012.

Emessar's Project Coordinator said for procurements, Cikatelli had requested that three quotes should be obtained. Whilst Cikatelli did not provide Emessar with any written guidance, she understood that Emessar's Accountant had received training on procedures at Cikatelli's offices.

#### Insufficient goods received documentation

The OIG found that all of Conceptos Advertising's invoices contained the signature of the owner of Conceptos Advertising to confirm the satisfactory receipt of the goods, rather than the signature of the sub-recipients' themselves. The owner of Conceptos Advertising told the OIG that her signatures on Conceptos Advertising's invoices were to acknowledge the receipt of payment for the goods.

Cikatelli's Project Accountant confirmed that a representative of the sub-recipients should have signed the Conceptos Advertising invoices to confirm the receipt of the goods. Cikatelli's Project Accountant said he could not recall if he had noticed this error during his supervisory visits to the sub-recipients or if he had reported it to anyone. He also told the OIG that most of the sub-recipients did not maintain goods received notes or inventory lists for the goods they procured.

Cikatelli's Project Coordinator, however, told the OIG that the sub-recipients maintained records of who they distributed social marketing goods to. He also said that Cikatelli had two project officers who on occasion accompanied the sub-recipients' representatives when they distributed social marketing goods. Cikatelli did not provide the OIG with any documents to corroborate this statement.

The OIG also found that the draft project policies and procedures manual sent to the OIG by Cikatelli did not contain any guidance on how to record the receipt and distribution of non-health products including social marketing goods.

The Executive Director of APPT said that they did not maintain delivery notes, but maintained spreadsheets to track which items had been procured. Spreadsheets that appear to track the inventory of social marketing goods were subsequently provided to the OIG by APPT.

The Executive Director of GPP+ said GPP+ sometimes maintained delivery notes. However, GPP+ has not provided any goods received notes or any other documentation to evidence the receipt of goods by GPP+ or MDDP from Conceptos Advertising to the OIG. Emessar's Project Coordinator told the OIG that Emessar maintained delivery notes, a spreadsheet to track the distribution of social marketing goods, and beneficiary distribution sheets. Emessar has not provided any documents to the OIG to evidence that it received and distributed the goods from Conceptos Advertising.

Cikatelli subsequently gave the OIG four examples of documents maintained by the sub-recipient MLPNV to acknowledge receipt of goods from Emessar. However, they do not include the name of the supplier and contain very brief descriptions of the goods such as "300 little boxes". Furthermore, Emessar and MLPNV put these procedures in place without having received guidance from Cikatelli.

#### Insufficient proof of delivery

Cikatelli, GPP+, APPT, and the owner of Conceptos Advertising provided to the OIG photographs of social marketing goods displaying the logos of the four sub-recipients. The information provided by Cikatelli and GPP+ associated some photographs with specific Conceptos Advertising transactions.

However, it is unclear from the photographs which supplier provided the goods, and the OIG was unable to verify the linkage of photographs to specific Conceptos Advertising transactions due to the absence of goods received documentation.

Consequently, although the OIG received some proof of delivery information, due to the absence of a documented audit trail, the investigators were unable to obtain reasonable assurance that the goods procured from Conceptos Advertising had been received by the sub-recipients and delivered to beneficiaries.

The OIG therefore recommends that all future recipients of Global Fund grants in Panamá possess, or are provided with, detailed guidance and training to enable them to conduct competitive tenders fairly and transparently and to maintain a documented audit trail to record the receipt and distribution of procured goods.

*Agreed Management Action 4: The Secretariat will ensure that the Principal Recipient of the recently signed Global Fund grants in Panamá develop specific manual for procurement that provides a sufficiently detailed guidance to those sub-recipients that will manage procurement and or distribution of goods, that will enable them to conduct competitive tenders fairly and transparently and to maintain a documented audit trail to record the receipt and distribution of procured goods. Training on the process will be provided by the Principal Recipient to the sub-recipients under this grant. The guidance and training should be provided by June 2016.*

## IV. Conclusion

After the Secretariat notified the OIG of irregularities in sub-recipients' social marketing expenditures in the Panamá HIV grant, an OIG investigation found that a local supplier had engaged in fraudulent practices, which resulted in non-compliant, and therefore potentially recoverable, expenditures totaling US\$ 104,911.

The investigation also found that sub-recipient representatives had engaged in collusive practices by sharing budget limits for some procurements with the local supplier. Furthermore, the OIG was unable to obtain reasonable assurance that the goods procured from the local supplier had been delivered to the sub-recipients. The OIG found that the collusive practices and the lack of a documented audit trail for procured goods were facilitated by insufficient guidance provided to sub-recipients by the Principal Recipient.

The Secretariat has requested a refund from the Principal Recipient for the full amount of non-compliant expenditures identified by the investigation. It has also agreed actions with the OIG to ensure that future procurements in Panamá are conducted transparently and fairly, and that future recipients of Global Fund grants in Panamá abide by the Global Fund's Code of Conduct for Recipients and maintain a documented audit trail to record the receipt and distribution of procured goods.

## V. Table of Agreed Management Actions

#	Category	Agreed Management Action	Target date	Owner
1	Financial & Fiduciary Risks	The Secretariat will finalize and pursue an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.	31 December 2016	Recoveries Committee
2	Governance, Oversight & Management Risks	The Secretariat will send a formal management letter to the Principal Recipients and sub-recipients of the Panamá and RedTraSex grants informing them that, due to the OIG's findings, they should no longer work with the owner of Conceptos Advertising, or any entities with which she is associated, under Global Fund grants. This will apply for an indefinite period of time.	31 March 2016	Head of Grant Management Division
3	Governance, Oversight & Management Risks	The Secretariat will ensure that the Principal Recipient (UNDP) and sub-recipients of the recently signed Global Fund grants to Panamá are informed on the Codes of Conduct for Recipients and Suppliers, that these Codes are part of training to any sub-recipients who will be managing procurement under the grant. These trainings must be conducted by the Principal Recipient by June 2016.	30 June 2016	Head of Grant Management Division
4	Governance, Oversight & Management Risks	The Secretariat will ensure that the Principal Recipient of the recently signed Global Fund grants in Panamá develop specific manual for procurement that provides a sufficiently detailed guidance to those sub-recipients that will manage procurement and or distribution of goods, that will enable them to conduct competitive tenders fairly and transparently and to maintain a documented audit trail to record the receipt and distribution of procured goods. Training on the process will be provided by the Principal Recipient to the sub-recipients under this grant. The guidance and training should be provided by June 2016.	30 June 2016	Head of Grant Management Division

## Annex A: Methodology

The Investigations Unit of the OIG is responsible for conducting investigations of alleged fraud, abuse, misappropriation, corruption and mismanagement (collectively, “fraud and abuse”) within Global Fund financed programs and by Principal Recipients and Sub-recipients, (collectively, “grant implementers”), Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers.<sup>7</sup>

While the Global Fund does not typically have a direct relationship with the recipients’ suppliers, the scope of the OIG’s work<sup>8</sup> encompasses the activities of those suppliers with regard to the provision of goods and services. The authority required to fulfill this mandate includes access to suppliers’ documents and officials.<sup>9</sup> The OIG relies on the cooperation of these suppliers to properly discharge its mandate.<sup>10</sup>

OIG investigations aim to: (i) identify the specific nature and extent of fraud and abuse affecting Global Fund grants, (ii) identify the entities responsible for such wrongdoings, (iii) determine the amount of grant funds that may have been compromised by fraud and abuse, and (iv), place the organization in the best position to obtain recoveries through the identification of the location or the uses to which the misused funds have been put.

OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts. Findings are established by a preponderance of credible and substantive evidence. All available evidence is considered by the OIG, including inculpatory and exculpatory information.<sup>11</sup>

The OIG finds, assesses and reports on facts. On that basis, it makes determination on the compliance of expenditures with the grant agreements and details risk-prioritized Agreed Management Actions. Such Agreed Management Actions may notably include the identification of expenses deemed non-compliant for considerations of recovery, recommended administrative action related to grant management and recommendations for action under the Code of Conduct for Suppliers<sup>12</sup> or the Code of Conduct for Recipients of Global Fund Resources<sup>13</sup> (the “Codes”), as appropriate. The OIG does not determine how

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<sup>7</sup> Charter of the Office of the Inspector General (19 March 2013), available at: <http://theglobalfund.org/documents/oig/OIGOfficeOfInspectorGeneralCharteren/>, accessed 01 November 2013.

<sup>8</sup> Charter of the Office of the Inspector General (19 March 2013) § 2, 9.5 and 9.7.

<sup>9</sup> *Ibid.*, § 17.1 and 17.2

<sup>10</sup> Global Fund Code of Conduct for Suppliers (15 December 2009), § 17-18, available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForSuppliersPolicyen/>, accessed 01 November 2013. Note: Every grant is subject to the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

<sup>11</sup> These principles comply with the *Uniform Guidelines for Investigations*, Conference of International Investigators, June 2009; available at: <http://www.un.org/Depts/oios/pages/uniformguidelines.html>, accessed 01 November 2013.

<sup>12</sup> See fn. 16, *supra*

<sup>13</sup> Code of Conduct for Recipients of Global Fund Resources (16 July 2012) available at: <http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen/>, accessed 01



the Secretariat will address these determinations and recommendations. Nor does it make judicial decisions or issue sanctions.<sup>14</sup>

Agreed Management Actions are agreed with the Secretariat to identify, mitigate and manage risks to the Global Fund and its recipients' activities. The OIG defers to the Secretariat and, where appropriate, the recipients, their suppliers and/or the concerned national law enforcement agencies, for action upon the findings in its reports.

The OIG is an administrative body with no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the rights to it under the grant agreements agreed to with recipients by the Global Fund, including the terms of its Codes, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG also provides the Global Fund Board with an analysis of lessons learned for the purpose of understanding and mitigating identified risks to the grant portfolio related to fraud and abuse.

Finally, the OIG may make referrals to national authorities for prosecution of any crimes or other violations of national laws, and supports such authorities as necessary throughout the process, as appropriate.

## 01 Applicable Concepts of Fraud and Abuse

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. It does so under the mandate set forth in its Charter to undertake investigations of allegations of fraud and abuse in Global Fund supported programs.

As such, it relies on the definitions of wrongdoing set out in the applicable grant agreements with the Global Fund and the contracts entered into by the recipients with other implementing entities in the course of program implementation.

Such agreements with Sub-recipients must notably include pass-through access rights and commitments to comply with the Codes. The Codes clarify the way in which recipients are expected to abide by the values of transparency, accountability and integrity which are critical to the success of funded programs. Specifically, the Code of Conduct for Recipients prohibits recipients from engaging in corruption, which includes the payment of bribes and kickbacks in relation to procurement activities.<sup>15</sup>

The Codes notably provide the following definitions of the relevant concepts of wrongdoings:<sup>16</sup>

- “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.

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November 2013. Note: Every grant is subject to the STC of the Program Grant Agreement signed for that grant. The above Code of Conduct may or may not apply to the grant.

<sup>14</sup> Charter of the Office of the Inspector General (19 March 2013) § 8.1

<sup>15</sup> Code of Conduct for Recipients of Global Fund Resources, section 3.4.

<sup>16</sup> Available at:

<http://theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen/> and [http://theglobalfund.org/documents/corporate/Corporate\\_CodeOfConductForSuppliers\\_Policy\\_en/](http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/)

- “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.
- “Conflict of Interest”: A conflict of interest arises when a Recipient or Recipient Representative participates in any particular Global Fund matter that may have a direct and predictable effect on a financial or other interest held by: (a) the Recipient; (b) the Recipient Representative; or (c) any person or institution associated with the Recipient or Recipient Representative by contractual, financial, agency, employment or personal relationship. For instance, conflicts of interest may exist when a Recipient or Recipient Representative has a financial or other interest that could affect the conduct of its duties and responsibilities to manage Global Fund Resources. A conflict of interest may also exist if a Recipient or Recipient Representative’s financial or other interest compromises or undermines the trust that Global Fund Resources are managed and utilized in a manner that is transparent, fair, honest and accountable.
- “Corrupt practice” means the offering, promising, giving, receiving or soliciting, directly or indirectly, of anything of value or any other advantage to influence improperly the actions of another person or entity.
- “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.
- “Misappropriation” is the intentional misuse or misdirection of money or property for purposes that are inconsistent with the authorized and intended purpose of the money or assets, including for the benefit of the individual, entity or person they favor, either directly or indirectly.

## 02 Determination of Compliance

The OIG presents factual findings which identify compliance issues by the recipients with the terms of the Global Fund’s Standard Terms and Conditions (STC) of the Program Grant Agreement. Such compliance issues may have links to the expenditure of grant funds by recipients, which then raises the issue of the eligibility of these expenses for funding by the Global Fund. Such non-compliance is based on the provisions of the STC.<sup>17</sup> The OIG does not aim to conclude on the appropriateness of seeking refunds from recipients, or other sanctions on the basis of the provisions of the Program Grant Agreement.

Various provisions of the STC provide guidance on whether a program expense is eligible for funding by the Global Fund. It is worth noting that the terms described in this section are to apply to Sub-Recipients as well as Principal Recipients.<sup>18</sup>

At a very fundamental level, it is the Principal Recipient’s responsibility “to ensure that all grant funds are prudently managed and shall take all necessary action to ensure that grant funds are used solely for Program purposes and consistent with the terms of this Agreement”.<sup>19</sup>

In practice, this entails abiding by the activities and budgetary ceilings proposed in the Requests for Disbursement, which in turn must correspond to the Summary Budget(s)

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<sup>17</sup> The STC are revised from time to time, but the provisions quoted below applied to all Principal Recipients at the time of the investigation.

<sup>18</sup> Standard Terms and Conditions (2012.09) at Art. 14(b):

<http://www.theglobalfund.org/documents/core/grants/CoreStandardTermsAndConditionsAgreementen>

<sup>19</sup> Id. at Art. 9(a) and Art 18(f)

attached to Annex A of the Program Grant Agreement. While this is one reason for expenses to be ineligible, expending grant funds in breach of other provisions of the Program Grant Agreement also results in a determination of non-compliance.

Even when the expenses are made in line with approved budgets and work plans, and properly accounted for in the program's books and records, such expenses must be the result of processes and business practices which are fair and transparent. The STC specifically require that the Principal Recipient ensures that: (i) contracts are awarded on a transparent and competitive basis, [...] and (iv) that the Principal Recipient and its representatives and agents do not engage in any corrupt practices as described in Article 21(b) of the STC in relation to such procurement.<sup>20</sup>

The STC explicitly forbid engagement in corruption or any other related or illegal acts when managing Grant Funds: "The Principal Recipient shall not, and shall ensure that no Sub-recipient or person affiliated with the Principal Recipient or any Sub-recipient [...] participate(s) in any other practice that is or could be construed as an illegal or corrupt practice in the Host Country."<sup>21</sup>

Amongst prohibited practices is the rule that the Principal Recipient shall not and shall ensure that no person affiliated with the Principal Recipient "engage(s) in a scheme or arrangement between two or more bidders, with or without the knowledge of the Principal or Sub-recipient, designed to establish bid prices at artificial, non-competitive levels."<sup>22</sup>

The Global Fund's Code of Conduct for Suppliers and Code of Conduct for Recipients further provide for additional principles by which recipients and contractors must abide, as well as remedies in case of breaches of said fundamental principles of equity, integrity and good management. The Codes also provide useful definitions of prohibited conducts.<sup>23</sup>

The Codes are integrated into the STC through Article 21(d) under which the Principal Recipient is obligated to ensure that the Global Fund's Code of Conduct for Suppliers is communicated to all bidders and suppliers.<sup>24</sup> It explicitly states that the Global Fund may refuse to fund any contract with suppliers found not to be in compliance with the Code of Conduct for Suppliers. Similarly, Article 21(e) provides for communication of the Code of Conduct for Recipients to all Sub-recipients, as well as mandatory application through the Sub-recipient agreements.<sup>25</sup>

Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including expenses made by Sub-recipients and contractors.<sup>26</sup>

The factual findings made by the OIG following its investigation and summarized through this report can be linked to the prohibited conducts or other matters incompatible with the terms of the Program Grant Agreements.

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<sup>20</sup> Id. at Art. 18(a)

<sup>21</sup> Id., at Art. 21 (b)

<sup>22</sup> Id. at Art. 21(b)

<sup>23</sup> Available at:

<http://www.theglobalfund.org/documents/corporate/CorporateCodeOfConductForSuppliersPolicyen> ;

<http://www.theglobalfund.org/documents/corporate/CorporateCodeOfConductForRecipientsPolicyen>

<sup>24</sup> Standard Terms and Conditions (2012.09) at Art. 21(d)

<sup>25</sup> Id. at Art. 21(e)

<sup>26</sup> Id. at Art. 14

### 03 Reimbursements or Sanctions

The Secretariat of the Global Fund is subsequently tasked with determining what management actions or contractual remedies will be taken in response to those findings.

Such remedies may notably include the recovery of funds compromised by contractual breaches. Article 27 of the STC stipulates that the Global Fund may require the Principal Recipient “to immediately refund the Global Fund any disbursement of the grant funds in the currency in which it was disbursed [in cases where] there has been a breach by the Principal Recipient of any provision of this (sic) Agreement [...] or the Principal Recipient has made a material misrepresentation with respect to any matter related to this Agreement.”<sup>27</sup>

According to Article 21(d), “in the event of non-compliance with the Code of Conduct, to be determined by the Global Fund in its sole discretion, the Global Fund reserves the right not to fund the contract between the Principal Recipient and the Supplier or seek the refund of the grant funds in the event the payment has already been made to the Supplier.”<sup>28</sup>

Furthermore, the UNIDROIT principles (2010), the principles of law governing the grant agreement, in their article 7.4.1, provide for the right of the Global Fund to seek damages from the Principal Recipient in case non-performance, in addition to any other remedies the Global Fund may be entitled to.

Additional sanctions, including with respect to Suppliers, may be determined pursuant to the Sanction Procedure of the Global Fund, for breaches to the Codes.

In determining what non-compliant expenditures are to be proposed as recoverables, the OIG advises the Secretariat that such amounts typically should be: (i) amounts, for which there is no reasonable assurance about delivery of goods or services (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery), (ii) amounts which constitute overpricing between the price paid and comparable market price for such goods or services, or (iii) amounts which are ineligible (non-related) to the scope of the grant and its approved work plans and budgets.

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<sup>27</sup> Id. at Art. 27(b) and (d)

<sup>28</sup> Id.

## Annex B: Sub-recipient transactions with Conceptos Advertising

Sub-recipient	Invoice or Contract Number	Invoice or Contract Date	Description	Quantity	Value	Fraud indicators present	Without indicators of fraud *
GPP+	13 and 35	10/26/2012 and 11/14/2012	Educational video, 5 copies	5	2,450.00	2,450.00	
GPP+	19	11/13/2012	Thermal mugs	14 dozen	785.00		785.00
GPP+	20	11/12/2012	Printed pencil cases	12 dozen	348.50	348.50	
GPP+	21	11/12/2012	Wristbands	12 dozen	217.80	217.80	
GPP+	22	11/12/2012	Printed T-shirts	120	715.00	715.00	
GPP+	24	11/12/2012	Printing of three-panel leaflets	30,000	9,600.00	9,600.00	
GPP+	68 (US\$ 194.57) and 92 (US\$ 194.57)	11/24/2014 and 11/29/2012	Printing of 408 ballpoint pens for the "Take the test yourself" campaign	408	389.14	389.14	
GPP+	67 (US\$ 449.55) and 77 (US\$ 439.5)	11/24/2014 and 11/29/2012	Printing of thermal mugs for the "Take the test yourself" campaign	17 dozen	889.10	889.10	
GPP+	51 (US\$ 469.75) and 76 (US\$ 469.75)	11/24/2014 and 11/29/2012	Printing of bum bags for the "Take the test yourself" campaign	200	939.50	939.50	
GPP+	50 (US\$ 169.45) and 75 (US\$ 170)	11/21/2014 and 11/28/2012	Printing of 45 jumpers for the "Take the test yourself" campaign	45	339.45	339.45	
GPP+	50 (US\$ 314) and 73 (US\$ 596)	11/28/2012	Manufacture of awning-type stand 1 Dec. campaign	3	910.00	910.00	
GPP+	73 (US\$ 234) and 49 (US\$ 234)	11/28/2012 and 11/21/2012	Embroidery on caps 1 Dec. campaign	108	468.00	468.00	
GPP+	47 (US\$ 156.57) and 74 (US\$ 156.57)	11/21/2012 and 11/28/2012	Ballpoint pens 1 Dec. campaign	300	313.14	313.14	
GPP+	48 (US\$ 415.75) and 71 (US\$ 415.71)	11/21/2012 and 11/28/2012	Bum bags 1 Dec. campaign	175	831.50	831.50	
GPP+	46 (US\$ 414.55) and 69 (US\$ 414.55)	11/21/2012 and 11/28/2012	Mugs 1 Dec. campaign	180	832.00	832.00	
GPP+	66 (US\$ 89.88) and 70 (US\$ 89.88)	11/24/2012 and 11/28/2012	Promotional bags 1 Dec. campaign	84	179.76	179.76	
GPP+	45 (US\$ 219.45) and 90 (US\$ 219.45)	11/21/2012 and 11/28/2012	60 jumpers 1 Dec. campaign	60	438.00	438.00	
GPP+	79	11/28/2012	"Roll up" type banner	1	85.60		85.60
GPP+	98 (US\$ 1,493) and 116 (US\$ 1,493)	12/4/2012 and 12/19/2012	Caps embroidered in three colors	400	2,986.00	2,986.00	
GPP+	103 (US\$ 1,697.50) and 120 (US\$ 2,155.20)	12/4/2012 and 12/19/2012	Thermal mugs in the organization's colors and with enlarged logo.	804	3,853.00	3,853.00	
GPP+	102 (US\$ 1,067.50) and 119 (US\$ 1,067.50)	12/4/2012 and 12/19/2012	Keyrings and ballpoint pens	2,000	2,135.00	2,135.00	
GPP+	99 (US\$ 1,791) and 117 (US\$ 2,311)	12/4/2012 and 12/19/2012	Bum bags printed with the organization's logo and campaign slogan. Enlarged logo.	720	4,102.00	4,102.00	
GPP+	97 (US\$ 750) and 115 (US\$ 750)	12/4/2012 and 12/19/2012	Business cards	11,000	750.00	750.00	
GPP+	101 (US\$ 1,650) and 118 (US\$ 1,650)	12/31/2012	Posters	1,650	1,650.00	1,650.00	
GPP+	104 (US\$ 85.60) and 121 (US\$ 85.06)	12/19/2012	Banners	3	85.60	85.60	
GPP+	237 (US\$ 1,050) and 239 (US\$ 1,050)	3/29/2013 and no date	First edition of Mundo G magazine	Not given	1,050.00		1,050.00
GPP+	253 (US\$ 2,375) and 262 (US\$ 2,375)	6/24/2013 and 6/29/2013	Leaflets	15,000	4,750.00	4,750.00	
GPP+	251 (US\$ 1,050) and 256 (US\$ 1,050)	6/24/2013 and 6/29/2013	Second edition of Mundo G magazine	Not given	2,100.00		2,100.00
GPP+	283 (US\$ 937.44)	6/29/2013	Caps embroidered with the organization's logo	216	937.44	937.44	

Sub-recipient	Invoice or Contract Number	Invoice or Contract Date	Description	Quantity	Value	Fraud indicators present	Without indicators of fraud *
GPP+	245 (US\$ 700) and 255 (US\$ 700)	6/10/2013 and 6/26/2013	Purchase and printing of ballpoint pens	1,000	1,400.00	1,400.00	
GPP+	258 (US\$ 700) and 244 (US\$ 2,000)	6/10/2013 and 6/26/2013	Purchase and printing of water bottles	600	3,750.00	3,750.00	
GPP+	284 (US\$ 373)	6/29/2013	Biodegradable bags with organization's logo and information in one color.	120	373.00	373.00	
GPP+	293	8/30/2013	50 % part payment for design, layout and illustration of third edition of Mundo G magazine	Not given	1,050.00		1,050.00
GPP+	297	11/22/2013	Outstanding payment for delivery of fourth edition of Mundo G magazine	Not given	1,050.00		1,050.00
GPP+	298	12/12/2013	Part payment for the manufacture of bum bags (no quantity)	Not given	831.25		831.25
GPP+	326	12/30/2013	Outstanding payment for the manufacture of bum bags (no quantity)	Not given	831.25		831.25
				<b>GPP+ Sub-total</b>	<b>54,416.03</b>	<b>46,632.93</b>	<b>7,783.1</b>
MDDP	099 and 2012	10/15/2012 and 12/30/2012	Polo neck jumpers embroidered with MDDP's logo	30	250.00	250.00	
MDDP	14	10/30/2012	Educational video for the PEMAR project	1	1,887.50	1,887.50	
MDDP	27	11/12/2012	Printing of three specimen full-color three-panel leaflets	4,000	1,200.00	1,200.00	
MDDP	36	11/14/2012	50 % outstanding payment for educational video	1	1,887.50	1,887.50	
MDDP	123	11/30/2012	Polo neck jumpers embroidered with MDDP's logo	200	1,900.00	1,900.00	
MDDP	65	11/28/2012	50 % "Roll up" banner	2	85.60	85.60	
MDDP	106	12/4/2012	50 % promotional bags	250	303.00	303.00	
MDDP	105	12/4/2012	50 % "Roll up" banner	2	85.60	85.60	
MDDP	107	12/15/2012	50 % part payment for promotional bags printed in one color	500	647.75	647.75	
MDDP	124	12/19/2012	50 % promotional bags	250	303.00	303.00	
MDDP	125	12/30/2013	Outstanding payment for promotional bags printed in one color	500	647.75	647.75	
MDDP	132	12/30/2012	Purchase of pens and key rings	675	1,575.00	1,575.00	
MDDP	100	12/4/2012	50 % printing of two specimen full-color posters	950	950.00	950.00	
MDDP	122	12/19/2012	Outstanding payment for printing of two specimen full-color posters	950	950.00	950.00	
MDDP	112 and 130	12/15/2012 and 12/30/2012	50 % part payment and outstanding payment for manufacture of kiosk stand and awnings	3	800.00	800.00	
MDDP	109 and 127	12/15/2012 and 12/30/2012	50 % part payment and outstanding payment for umbrellas with logo	50	235.00	235.00	
MDDP	113 and 131	12/15/2012 and 12/30/2012	50 % part payment and outstanding payment for white vinyl bags with black straps	50	259.75	259.75	
MDDP	110 and 129	12/15/2012 and 12/30/2012	50 % part payment and outstanding payment for keyrings with logo	156	179.60	179.60	
MDDP	111 and 128	12/15/2012 and 12/30/2012	50 % part payment and outstanding payment for thermal mugs	156	543.12	543.12	
MDDP	133	12/31/2012	50 % part payment and outstanding payment	156	162.00	162.00	
MDDP	249 and 261	6/10/2013 and 6/27/2012	Mugs with educational graphic designs	400	2,000.00	2,000.00	
MDDP	248 and 260	6/10/2013 and 6/27/2013	Ballpoint pens with organizational logo and message, including graphic design	600	642.00	642.00	
MDDP	252 and 263	6/24/2013 and 6/29/13	Part payment and outstanding payment for full-color leaflets	4,000	1,275.00	1,275.00	
MDDP	259 and 247	6/10/2013 and 6/27/2013	Part payment and outstanding payment for make-up bags	300	900.00	900.00	

Sub-recipient	Invoice or Contract Number	Invoice or Contract Date	Description	Quantity	Value	Fraud indicators present	Without indicators of fraud *
MDDP	299	No date	Part payment for MDDP 2013 magazine	Not given	1,250.00		1,250.00
MDDP	322	12/30/2013	Outstanding payment for MDDP 2013 magazine (Quantity not given)	Not given	1,250.00		1,250.00
MDDP	306	6/2/2014	50 % part payment for make-up bags, PEMAR project, June 2014	300	600.00	600.00	
MDDP	307	6/9/2014	50 % outstanding payment for make-up bags, PEMAR project, June 2015	300	600.00	600.00	
<b>MDDP Sub-total</b>					<b>23,369.17</b>	<b>20,869.17</b>	<b>2,500</b>
APPT	269	6/26/2013	50% V-neck jumpers in one color printed with the organization's slogan front and back	225	1,181.25	1,181.25	
APPT	265	6/26/2013	Leaflets (three-panel A) printed in full color, including design, layout and illustration	1,500	525.00		525.00
APPT	268	6/26/2013	Leaflets (three-panel B) printed in full color, including design, layout and illustration	1,500	525.00		525.00
APPT	267	6/26/2013	Polo-neck jumpers with organization's logo embroidered on the left	40	428.00	428.00	
APPT	269	6/26/2013	50 % outstanding payment for V-neck jumpers in one color printed with the organization's slogan front and back	225	1,181.25	1,181.25	
APPT	272	6/26/2013	Part payment for production of biodegradable bags with promotional printing	300	825.00	825.00	
APPT	264	6/26/2013	Travel bags for make-up	200	1,926.00		1,926.00
APPT	274	6/26/2013	Make-up bags printed with the organization's logo and a slogan	225	1,444.50	1,444.50	
APPT	275	6/26/2013	Thermal mugs printed with the organization's logo in one color	200	1,070.00	1,070.00	
APPT	266	6/26/2013	1 raincoat and 1 kiosk	1 and 1	560.00	560.00	
APPT	270	6/26/2013	Ballpoint pens, silk-screen printed in one color	150	325.00	325.00	
APPT	271	6/26/2013	Umbrellas printed in one color on both sides	125	750.00	750.00	
APPT	278	6/26/2013	Part payment for design, layout and illustration of flipchart to be used in training sessions.	2	268.00	268.00	
APPT	277	6/26/2013	Part payment for manufacture of shirts with organization's logo	30	390.00	390.00	
APPT	276	6/26/2013	Part payment for design and printing of business cards	30	75.00		75.00
APPT	273	6/26/2013	Part payment for manufacture and printing of briefcases	15	300.00	300.00	
APPT	300	12/13/2013	Outstanding payment for 1 roll-up banner including advertising, graphic design and photography	1	300.00	300.00	
APPT	232	No date	250 eyeliners for make-up kits	250	625.00	625.00	
APPT	231	6/26/2014	250 lip glosses for make-up kits	250	750.00	750.00	
APPT	231	6/26/2014	250 blushers for make-up kits, including design and printing of artwork with message.	250	875.00	875.00	
APPT	231	6/26/2014	250 eye shadows for make-up kit, including design and printing of artwork with message.	250	750.00	750.00	
APPT	230	6/26/2014	250 plastic containers for make-up kit, including design and printing of artwork with message.	250	1,500.00	1,500.00	
<b>APPT Sub-total</b>					<b>16,574.00</b>	<b>13,523.00</b>	<b>3,051</b>

Sub-recipient	Invoice or Contract Number	Invoice or Contract Date	Description	Quantity	Value	Fraud indicators present	Without indicators of fraud *
MLPNV / Emmesar	4 and 58	10/10/2012 and 11/23/2012	Part payment and outstanding payment for the production of educational boxes with message	250	1,200.00	1,200.00	
MLPNV / Emmesar	6 and 59	10/10/2012 and 12/13/2012	Part payment and outstanding payment for the production of banners	12	425.00	425.00	
MLPNV / Emmesar	3 and 62	10/10/2012 and 12/18/2012	Part payment and outstanding payment for the kiosk, stand, awning and brochure stand	3	600.00	600.00	
MLPNV / Emmesar	015 and 028	11/1/2012 and 11/12/2012	Part payment and outstanding payment for the production of three-panel leaflets	6,000	3,000.00	3,000.00	
MLPNV / Emmesar	16 and 134	11/12/2012 and 1/21/2013	Part payment and outstanding payment for 5-10 min. educational videos	30	1,500.00	1,500.00	
MLPNV / Emmesar	31 (US\$ 635) and 2,033 (US\$ 635)	11/25/12 and 12/27/12	Part payment and outstanding payment for the embroidery of sweaters and caps	504	1,270.00	1,270.00	
MLPNV / Emmesar	32 (US\$ 608.20) and 60 (US\$ 608.20)	11/25/12 and 12/27/13	Part payment and outstanding payment for lipsticks, eye shadows, umbrellas, ballpoint pens, pencil cases and hot pants	1,500	1,216.40	1,216.40	
MLPNV / Emmesar	2035 (US\$ 175)	12/27/2012	Printing of logos on bags	250	175.00	175.00	
MLPNV / Emmesar	0136 (US\$ 300) and 2033 (US\$ 300)	12/31/2012 and 12/28/2012	Design, layout and printing of control, prevention and testing guides	20	600.00	600.00	
MLPNV / Emmesar	0135 (US\$ 900) and 061 (US\$ 900)	1/21/2013 – 12/28/2012	Production of flipcharts	15	1,800.00	1,800.00	
MLPNV / Emmesar	0242 (US\$ 1,500)	6/3/2013	50% part payment for design, layout and illustration of bingo game	30	1,500.00	1,500.00	
MLPNV / Emmesar	287	7/22/2013	50% outstanding payment for design, layout and illustration of bingo game	30	1,500.00	1,500.00	
MLPNV / Emmesar	285	7/22/2013	50% part payment for printing of 300 plastic educational boxes	300	1,000.00	1,000.00	
MLPNV / Emmesar	288	7/22/2013	50% part payment for the design, layout and illustration of 15 flipcharts	15	1,000.00	1,000.00	
MLPNV / Emmesar	286	7/22/2013	50% part payment for the production of a 5 minute documentary video on the PEMAR Project	30	1,250.00	1,250.00	
MLPNV / Emmesar	292	8/26/2013	50% outstanding payment for the printing of 300 plastic educational boxes	300	1,000.00	1,000.00	
MLPNV / Emmesar	295	10/25/2013	50% outstanding payment for the production of a 5 minute documentary video on the PEMAR Project	30	1,250.00	1,250.00	
MLPNV / Emmesar	296	10/25/2013	50% outstanding payment for the design, layout and illustration of 15 flipcharts	15	1,000.00	1,000.00	
MLPNV / Emmesar	301	3/26/2014	50% for consultancy, design, printing and manufacture of wheel of fortune, a dynamic way to expand knowledge	6	1,300.00	1,300.00	
MLPNV / Emmesar	303	6/5/2014	50% outstanding payment for consultancy, design, printing and manufacture of wheel of fortune.	6	1,300.00	1,300.00	

MLPNV Sub-total **0**

**23,886.40**    **23,886.40**

Grand total **118,245.60**

**0**

Total with indicators of fraud present

**104,911.50**

**0**

Total without Indicators of fraud\*

**13,334.10**

\* For these transactions, no indicators of fraud were present either because: the transaction did not require three quotations; quotations from other suppliers were not present; or the quotations from other bidders did not contain indicators of fraud.




## Annex C: Comparison of budgets to Conceptos Advertising invoice amounts

Sub-recipient	Reference Number	Cost category	Sub-task No.	Description	Unit cost	Quantity	Budget	Conceptos Advertising's invoice amount
GPP+	1.3.3.4	Communication materials	1	Production of six specimen pamphlets	US\$ 0.32	30,000	<b>US\$ 9,600.00</b>	<b>US\$ 9,600.00</b>
GPP+	1.3.3.4	Communication materials	14	Hats	US\$ 7.51	400	<b>US\$ 3,004.00</b>	<b>US\$ 2,986.00</b>
GPP+	1.3.3.4	Communication materials	7	Video on MSM stigma and discrimination and HIV prevention	US\$ 2,461.00	1	<b>US\$ 2,461.00</b>	<b>US\$ 2,450.00</b>
GPP+	1.3.3.4	Communication materials	6	Pens and key rings	US\$ 2.14	1,000	<b>US\$ 2,140.00</b>	<b>US\$ 2,135.00</b>
MDDP	1.3.3.4	Communication materials	1	Production of informative pamphlets on preventing STI/HIV/AIDS, Stigma and Discrimination, Human Rights and Self-esteem and pamphlet about the organization	US\$ 0.30	4,000	<b>US\$ 1,200.00</b>	<b>US\$ 1,200.00</b>
MLPNV / Emmesar	1.3.3.4	Communication materials	1	Production of 6,000 pamphlets on STI-HIV-Protected Sex, Human Rights-Stigma-Discrimination	US\$ 0.5	6,000	<b>US\$ 3,000.00</b>	<b>US\$ 3,000.00</b>
MLPNV / Emmesar	1.3.3.4	Communication materials	2	Production of 30 flipcharts on STI-HIV-Protected Sex, Human Rights-Stigma-Discrimination	US\$ 60.00	30	<b>US\$ 1,800.00</b>	<b>US\$ 1,800.00</b>
MLPNV / Emmesar	1.3.3.4	Communication materials	4	30 educational videos on STI-HIV-Protected Sex, Human Rights-Stigma-Discrimination, Rapid testing	US\$ 50.00	30	<b>US\$ 1,500.00</b>	<b>US\$ 1,500.00</b>

# Annex D: Exhibits

Exhibit 1 – Identical elements in quotations from Conceptos Advertising and Losing bidder 2

 **Conceptos Advertising**  
Marketing consulting

R.U.C. 8496884 D.V. 59  
Cel: 6795-8982 / 6550-4263  
Rio Abajo calle 17\*, local 69  
E-mail: yamileth.mendieta@gmail.com

Panamá, 28 de septiembre de 2012

Atención: EMESSAR

**COTIZACIÓN**


Cantidad	Descripción del Servicio	Monto
1	Kiosco Stand	B/.600.00
1	Tolda	
1	Porta Brochures	

Monto: B/. 600.00  
ITBMS: 00.00  
Total: B/.600.00

\*Nota : La propuesta incluye impresión de arte.  
El diseño gráfico es cortesía.

Aceptado por: \_\_\_\_\_  
Yamileth Mendieta  
Conceptos Advertising

← Same format and typeface →



Cliente: EMESSAR

Panamá 28/09/2012

Cantidad	Descripción	Monto
1	Kiosco Stand	B/.1,800.00
1	Tolda	
1	Porta Brochures	

Costo: B/.1,800.00  
ITBMS: 00000  
Total: B/.1,800.00

Firma: \_\_\_\_\_

Exhibit 2 – Identical elements in quotations from Losing bidders 1 and 2

Cliente: Grupo Genesis

Fecha: 12/11/2012

Cantidad	Descripción	Monto
3	Banner Roul up tamaño 33x78 impreso a full color.	B/. 285.00

\*No incluye diseño gráfico

SUB TOTAL: B/. 285.00  
ITBMS: 00.00  
TOTLA: B/. 285.00

Firma: \_\_\_\_\_

Cliente: Grupo Genesis

Fecha: 8-10-2012

Creación:  Contado:

CANTIDAD	DETALLE	TOTAL
3	Banner Roul up tamaño 33x78 impreso a full color.	B/. 375.00

\*No incluye diseño gráfico

SUB TOTAL: B/. 375.00  
ITBMS: 00.00  
TOTLA: B/. 375.00

Firma: \_\_\_\_\_

Same format, typeface & spelling errors

Exhibit 3 – Identical elements in quotations from Losing bidders 2 and 3

[Redacted]

Cliente: MDDP /

Panamá 4 /12/2012

Cantidad	Descripción	Monto
50	Paraguas con dos impresiones a un sólo color.	B/.229.75

Costo: B/.229.75  
ITBMS: 000.00  
Total: B/.229.75

Firma: \_\_\_\_\_

← Same format & typeface →

[Redacted]

Panamá, 5 de diciembre de 2012

Atención: MDDP

COTIZACIÓN

Cantidad	Descripción del Servicio	Monto
50	Paraguas con dos impresiones a un sólo color.	B/.249.75

Monto: B/.249.75  
ITBMS: 00.00  
Total: B/.249.75

Exhibit 4 – Identical elements in quotations from Conceptos Advertising and Losing bidder 3

**Conceptos Advertising**  
R.U.C. 8496884 D.V. 59  
Cel: 6795-8982 / 6550-4263  
Rio Abajo calle 17°, local 69  
E-mail: yamileth.mendiet@gmail.com

Panamá, 3 de diciembre de 2012

Atención: MDDP

Cantidad	Descripción del Servicio	Monto
50	Paraguas con impresión en dos lados	B/.235.50

Monto: B/.235.50  
ITBMS: 00.00  
Total: B/.235.50

Aceptado por: \_\_\_\_\_

*Yamileth Mendiet*  
Conceptos Advertising

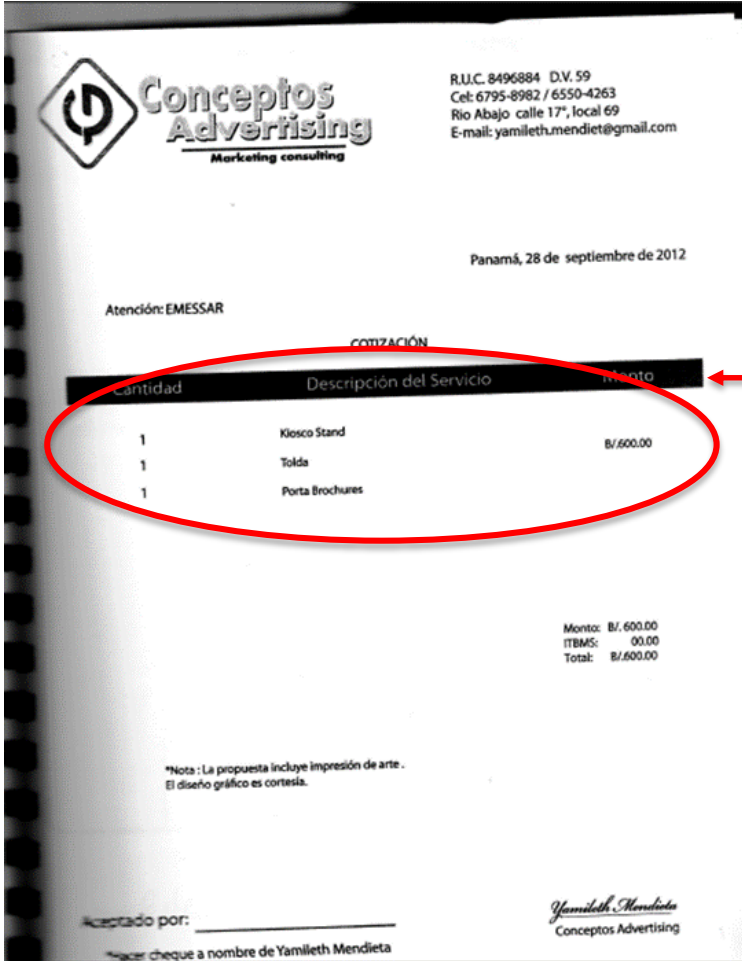
**COTIZACIÓN**

Cantidad	Descripción del Servicio	Monto
50	Paraguas con dos impresiones a un sólo color.	B/.249.75

Monto: B/.249.75  
ITBMS: 00.00  
Total: B/.249.75

**Same format & typeface**

Exhibit 5 – Identical elements in quotations from Conceptos Advertising and Losing bidder 1



**Conceptos Advertising**  
Marketing consulting

R.U.C. 8496884 D.V. 59  
Cel: 6795-8982 / 6550-4263  
Rio Abajo calle 17, local 69  
E-mail: yamileth.mendiet@gmail.com

Panamá, 28 de septiembre de 2012

Atención: EMESSAR

**COTIZACIÓN**

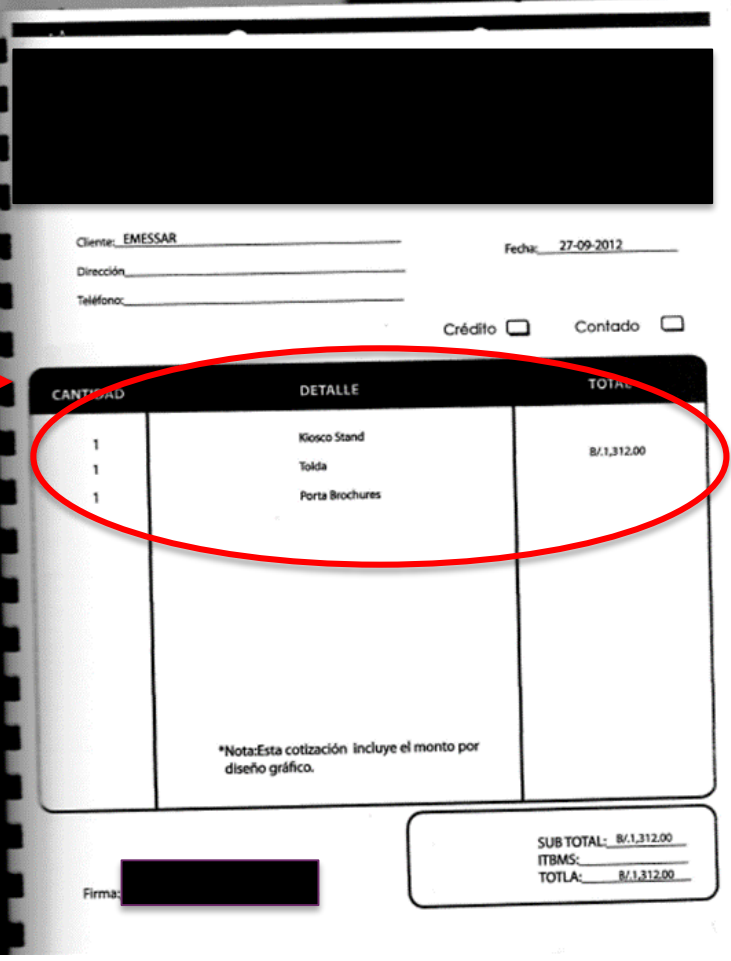
Cantidad	Descripción del Servicio	Monto
1	Kiosco Stand	B/ 600.00
1	Tolda	
1	Porta Brochures	

Monto: B/ 600.00  
ITBMS: 00.00  
Total: B/ 600.00

\*Nota : La propuesta incluye impresión de arte .  
El diseño gráfico es cortesía.

Yamileth Mendietta  
Conceptos Advertising

← Same format & typeface →



Ciente: EMESSAR Fecha: 27-09-2012

Dirección: \_\_\_\_\_  
Teléfono: \_\_\_\_\_

Crédito  Contado

CANTIDAD	DETALLE	TOTAL
1	Kiosco Stand	B/1,312.00
1	Tolda	
1	Porta Brochures	

\*Nota: Esta cotización incluye el monto por diseño gráfico.

SUB TOTAL: B/1,312.00  
ITBMS: \_\_\_\_\_  
TOTAL: B/1,312.00

Exhibit 6 – Identical elements in quotations from Losing bidders 1 and 5

Cliente: Grupo Génesis Panamá Realiza      Fecha: 2/3/2014  
 Tel: \_\_\_\_\_ **Crédito  Contado**


CANT	DESCRIPCIÓN	P/U	TOTAL
30	Confección de rotafolios la propuesta incluye diseño gráfico , diagramación, diseño editorial. Levantamiento de texto y diagramación de texto. Cantidad de páginas impresas: 30 impresas a full color, engargolado doble o de metal, cada página plastificada tiro y retiro.	B/.200	B/. 6000.00
SUB TOTAL (ITBMS %)			B/. 6000.00 420.00
TOTAL			B/. 6420.00

Cliente: EMESSAR      Fecha: 27-09-2012  
 Dirección: \_\_\_\_\_  
 Teléfono: \_\_\_\_\_ **Crédito  Contado**

CANTIDAD	DETALLE	TOTAL
1	Kiosco Stand	B/.1,312.00
1	Tolda	
1	Porta Brochures	
*Nota:Esta cotización incluye el monto por diseño gráfico.		
SUB TOTAL:		B/.1,312.00
ITBMS:		
TOTLA:		B/.1,312.00

Firma: \_\_\_\_\_

Exhibit 7 – Identical elements in quotations from Conceptos Advertising and Losing bidder 7

 **Conceptos Advertising**

R.U.C. 8496884 D.V. 59  
 Cel: 6795-8982 / 6550-4263  
 Río Abajo calle 17°, local 69  
 E-mail: yamileth.mendiet@gmail.com

Panamá, 29 de octubre de 2012

Atención: MDDP

**COTIZACIÓN**

Cantidad	Descripción del Servicio	Monto
1	Elaboración de un video educativo, donde se exprese el estigma y discriminación al cual son objeto los HSH, además se reforzará la campaña . Se otorgarán 5 copias en formato DVD y mp4.	B/3,775.00

Monto: B/3,375.00  
 ITBMS: 00.00  
 Total: B/3,375.00

Aceptado por: \_\_\_\_\_

*Yamileth Mendiet*  
 Conceptos Advertising

Cliente: MDDP

Panamá, 27 de octubre de 2012

**COTIZACIÓN**


Cantidad	Descripción del Servicio	Monto
	Elaboración de un video educativo de 3 minutos y medios donde se exprese el estigma y discriminación al cual son objeto los HSH, en formato DVD y mp4.	B/3,850.00

Monto: B/ 3,850.00  
 ITBMS: 00.00  
 Total: B/ 3,850.00

Aceptado por: \_\_\_\_\_



Exhibit 8 – Example quotation from Conceptos Advertising

 **Conceptos Advertising**

R.U.C. 8496884 D.V. 59  
Cel: 6795-8982 / 6550-4263  
Rio Abajo calle 17\*, local 69  
E-mail: yamileth.mendiet@gmail.com

Panamá, 3 de diciembre de 2012

Atención: MDDP

COTIZACIÓN

Cantidad	Descripción del Servicio	Monto
500	Bolsos promocionales impresos a un sólo color.	B/.1,259.55

Monto: B/.1,259.55  
ITBMS: 00.00  
Total: B/.1,259.55

Aceptado por: \_\_\_\_\_

*Yamileth Mendiet*  
Conceptos Advertising