



The Global Fund
To Fight AIDS, Tuberculosis and Malaria

Office of the Inspector General

Investigation Report of Global Fund Grants to Cambodia

**Principal Recipients CNM, NCHADS and MoH and NCHADS
Sub-recipient MEDiCAM**

GF-OIG-13-050

14 November 2013

A. Table of Contents

A.	Table of Contents	i
B.	Acronyms.....	ii
C.	Executive Summary	3
C.1.	Findings.....	3
C.2.	Global Fund Response to Investigation Findings and Continuation of Grant Programs in Cambodia	6
C.3.	Recommendations	7
D.	Message from the Executive Director of the Global Fund	9
E.	Background	12
E.1.	Global Fund Grants to Cambodia	12
E.2.	Allegations.....	17
F.	Methodology.....	18
F.1.	OIG Investigations Unit	18
F.2.	Applicable Concepts of Fraud and Abuse	18
F.3.	Investigative Process	18
F.4.	Investigative Challenges	18
F.5.	Scope of Investigation	20
G.	Investigative Findings.....	21
G.1.	National Centre for Parasitology, Entomology and Malaria Control	21
G.2.	National Center for HIV/AIDS, Dermatology and STD Control	53
G.3.	MEDiCAM	60
H.	Global Fund Secretariat Response to OIG Investigative Findings.....	65
I.	Cooperation and Remedial Measures Taken by LLIN Suppliers	67
I.1.	Sumitomo Chemical Singapore.....	67
I.2.	Vestergaard Frandsen	68
J.	Due process	71
K.	Expenditures Not Compliant with the Grant Agreements	82
K.1.	Determination of Compliance.....	82
K.2.	Reimbursements or Sanctions	82
K.3.	Summary of Expenditures Identified as Non-Compliant.....	82
L.	Recommendations	83

ANNEX 1: Illustrative Exhibits Referenced in OIG Report

ANNEX 2: OIG Response to CNM's Comments on Cambodia Investigation Report

ANNEX 3: OIG Response to SCS Comments on Cambodia Investigation Report

ANNEX 4: OIG Response to VF's Comments on Cambodia Investigation Report

ANNEX 5: OIG Response to NCHADS Comments on Cambodia Investigation Report

ANNEX 6: OIG Response to MEDiCAM's Comments on Cambodia Investigation Report

ANNEX 7A: OIG Investigations Unit

ANNEX 7B: Applicable Concepts of Fraud and Abuse

ANNEX 7C: Determination of Compliance

ANNEX 7D: Reimbursements or Sanctions

B. Acronyms

CCC	Country Coordinating Committee
CCM	Country Coordinating Mechanism
CSO	Civil Society Organization
CENAT	National Centre for Tuberculosis and Leprosy Control
CNM	National Centre for Parasitology, Entomology and Malaria Control
FPM	Fund Portfolio Manager
Global Fund	The Global Fund to Fight AIDS, Tuberculosis and Malaria
HSS	Health Systems Strengthening
LFA	Local Fund Agent
LLIHN	Long Lasting Insecticidal Treated Hammock Nets
LLINs	Long Lasting Insecticidal Nets
MoH	Ministry of Health
NAP	National AIDS Program
NCHADS	National Centre for HIV/AIDS, Dermatology and STD Control
NGO	Non-governmental organization
OIG	Office of the Inspector General
PO	Purchase Order
PQR	Price and Quality Reporting
PR	Principal Recipient
PSI	Population Services International
PU/DR	Progress Update and Disbursement Request
RCC	Rolling Continuation Channel
ROC	Record of conversation
SCS	Sumitomo Chemical Singapore
SR	Sub-recipient
SSF	Single Stream of Funding
SSR	Sub-sub-recipient
STCs	Standard Terms and Conditions of the Program Grant Agreement
STI	Swiss Tropical and Public Health Institute
USD	United States dollars
VF	Vestergaard Frandsen
VPP	Voluntary Pooled Procurement
WHO	World Health Organization
WHOPES	WHO Pesticide Evaluation Scheme

C. Executive Summary

C.1. Findings

1. The Investigations Unit of the Office of the Inspector General of the Global Fund has carried out an extensive investigation of allegations of fraud and financial abuse in Rounds 1 through 9 of multiple grant programs financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) to the Kingdom of Cambodia. The investigation has focused upon certain government entity implementers in the health sector within Cambodia, including the National Centre for Parasitology, Entomology and Malaria Control (“CNM”), a Principal Recipient (“PR”); the National Centre for HIV/AIDS, Dermatology and STD Control (“NCHADS”), also a PR; and MEDiCAM, a Sub-recipient (“SR”) of the Ministry of Health (“MoH”) and NCHADS.¹ CNM and NCHADS are not distinct or separate legal entities from the MoH, and thus are considered part of the Cambodian government.
2. The OIG investigation was initiated as a result of findings from the 2009 OIG audit of the Global Fund grants to Cambodia, which included the identification of procurement irregularities and substantial weaknesses in internal controls, along with complaints received through the OIG anti-fraud web and whistle-blower hotlines. Further allegations, including those of fraud, abuse, bribery, corruption and other forms of financial abuse, such as misuse of funds by senior officials in Global Fund-supported programs, arose throughout the course of this investigation.
3. The investigation has identified sufficient credible and substantive evidence of corruption, procurement irregularities, and misuse and misappropriation of grant funds, in connection with Global Fund programs as follows:
 - a. Two CNM senior officials operated a scheme from approximately 2006 to 2012 that required two international manufacturers and suppliers of bednet products **to continuously pay “commissions” as a condition of achieving contracts or as a reward** for the execution of contract agreements. A fictitious local consultancy arrangement was established in order to disguise the true nature of the payments and their ultimate beneficiaries. These facilitation payments were executed through international bank wire transfers to these officials personally, or to their designees, and were calculated as a percentage of the gross contract amount. The improper commission payments total USD 410,712. The total value of Global Fund contracts that were compromised as a result of this scheme was USD 11,766,606.
 - b. At NCHADS, a Senior Procurement Officer regularly manipulated procurements conducted under Global Fund programs by tailoring bid quotations, attempting to influence the selection process, and compromising national vendors. This Officer also accepted a facilitation payment through a hand-to-hand cash transaction during the course of his supervision of Global Fund procurements. This Officer had established a practice of tampering with procurements and accepting inducements from national vendors, suppliers and contractors for four years prior to supervising Global Fund procurements at NCHADS during his work on a non-Global Fund program. Many of the same tainted vendors continued to compete for Global Fund-financed procurement contracts under the supervision of this Officer. The investigation revealed that the facilitation payments he received were made for his personal benefit and were paid as a condition of the award of the

¹ The Ministry of Health (“MoH”) and the National Centre for Tuberculosis and Leprosy Control (“CENAT”) Cambodia also received Global Fund grants, and were a focus of the OIG investigation. The OIG does not intend to report on any findings concerning these two entities in connection with the allegations OIG has investigated to date.

contracts, as a reward for contracts, and/or for the prospect of maintaining eligibility for future contracts with NCHADS in the Kingdom of Cambodia. The procurement **Officer's improper actions compromised approximately USD 317,430** worth of Global Fund procurements.

- c. MEDiCAM improperly charged the Global Fund for two staff positions that were not filled in 2009. Moreover, MEDiCAM presented falsified documents to OIG to reinforce this scheme at various points during the investigation. The investigation also revealed that three other international donors were billed for the salary of one MEDiCAM employee who was supposed to hold the Global Fund-sponsored position. For the other MEDiCAM employee at issue, it seems that he was performing different duties than the ones the Global Fund had allocated to pay for and he was also being paid a salary by another bilateral donor. The Global Fund grant was improperly charged USD 20,725 for these two staff positions.

4. CNM, a government entity that served as both a SR and then as a PR of Global Fund grants during the relevant period of this investigation, received more than USD 17.8 **million in contracts for Long Lasting Insecticidal Nets ("LLINs" or bednets) from 2006 to 2011** financed by the Global Fund. These contracts were won by two of the largest international manufacturers and suppliers of LLINs: Sumitomo Chemical Singapore ("**SCS**") and Vestergaard Frandsen ("**VF**") (collectively, the "**Suppliers**").² These Suppliers routinely paid commissions to the Director³, and in the case of SCS to the Deputy Director⁴, of CNM from 2006 to 2012 that amounted to between 2.25 percent and 6.5 percent of the total value of the contracts in order to secure said contracts. SCS paid a total of USD 256,471.00 while VF paid a total of USD 154,241.19 in improper commissions **for bednet contracts financed by the Global Fund. Payments to CNM's Director amounted to as much as 6.5 percent of the total contract value, whereas the payments to the Deputy Director were frequently less, up to 2.5 percent of the contract sum.** In total, the evidence **shows that CNM's** Director received USD 350,904 and the Deputy Director USD 59,809, from these Suppliers.⁵ The investigation also identified over USD 20,000 of other gifts and payments, including cash, payment of trips, lodging and other gratuities, that the Suppliers (primarily SCS) made to the CNM Director, his family members and other CNM government officials. These amounts are not included in the calculation of Global Fund **compromised expenditures as they were paid out of the Suppliers' corporate funds, but** OIG considers these payments to be further means of facilitating favorable treatment and obtaining contracts from CNM, which tainted the entire value of the contracts.

5. The inducements paid to CNM were masked as commission payments to a "**consultant**" or "**agent**", the creation of which was suggested by CNM's Director, whom the Suppliers hired to engage in business on their behalf in Cambodia. The OIG uncovered no evidence to indicate that this agent ever existed, with the exception of representations by

² One international LLIN supplier, Sumitomo Chemical Singapore, supplied approximately USD 10.7 million in bednet products to Cambodia between 2006 and 2011, while another international supplier, Vestergaard Frandsen, supplied approximately USD 7.1 million bednet products.

³ **It should be further noted that the activities attributed to the "CNM Director" throughout this report** refer to an individual who retired from CNM on 1 May 2011. The current CNM Director, who took office in CNM on 6 May 2011 and was nominated as Director on 11 May 2011, is not implicated or described at any point in these findings. CNM response letter to OIG draft report, dated 2 July 2013, p. 1. The OIG has learned that while the former Director is no longer officially affiliated with CNM, he continued to hold a physical office on CNM's premises and maintain an active CNM email account post-retirement. As of 25 July 2012, he was serving as Advisor to a member of the Cambodian Ministry. 25 July 2012 email from former CNM Director to OIG.

⁴ The CNM Deputy Director discussed in this report was employed at CNM until 13 September 2013, but was removed from her responsibilities over the Global Fund program as of 1 October 2012. This individual was one of 8 to 12 Deputy Directors at CNM. 3 July 2013 email from current CNM Director to OIG; 23 September 2013 response letter from CCC to OIG.

⁵ Records show that SCS paid the CNM Director USD 196,662.48 and the Deputy Director, USD 59,808.52. The OIG found no evidence that VF paid facilitation payments to anyone other than the CNM Director. See OIG report § G.1.4.2.

the CNM Director that this was his relative. The evidence clearly demonstrates that this agent served as a conduit for the improper payments in order to disguise the true **beneficiaries of the money: CNM's Director and Deputy Director.**

6. In 2011, the Global Fund began undertaking some of the international procurement of health products in Cambodia through the international Voluntary Pooled Procurement (“VPP”) mechanism, which included LLIN contracts. The scheme involving the payments of commissions to CNM officials in exchange for LLIN contracts appears to have stopped at this time with respect to SCS as a result of this transition, but not with respect to VF **who continued to make improper commission payments to an “agent” for contracts it was awarded under VPP.**

7. The investigation confirms that all bednets supplied pursuant to the contracts at issue in this report were provided and delivered per the terms of their agreements. Indeed, SCS contends that the amount of the improper commission payments was built into the cost of doing business with the Government of Cambodia, and was subtracted from the **Supplier's profit margin on the gross contract amount.** While this investigation does not conclude that the prices charged for bednet products in Cambodia were higher than market value, if these products were priced normally and still included between 2.25 and 6.5 percent of the contract price for facilitation payments, then the Global Fund and its recipients did not enjoy the lowest or most competitive prices for these nets. When this is considered in light of the fact that together SCS and VF supplied over 80 percent of the bednet products that were purchased by the Global Fund until 2011—and the Global Fund is the largest procurer of bednets in the world—there exists a significant likelihood that the market prices are skewed by virtue of this corrupt scheme.⁶

8. NCHADS, also a government entity in the health sector and PR of Global Fund grants, employed a procurement official⁷ who manipulated the procurement process with at least six vendors⁸ bidding for various forms of health products from 2009 to 2012. This manipulation affected approximately USD 317,430 worth of procurements that were won by two of these compromised vendors. Additionally, this is notably corroborated by evidence that this Senior Procurement Officer received an improper facilitation payment in connection with awarding a Global Fund contract to one of these vendors. Through emails, hard copy documents, audio taped statements and admissions, the OIG learned that the Senior Procurement Officer established a pattern of requiring vendors to pay him sums of money up to 15 percent of the total value of the contracts, often in cash, in order to secure contracts with this government entity, during his time managing procurement for a non-Global Fund donor and immediately prior to his obtaining responsibility for the Global Fund program at NCHADS. The procurement Officer admitted that he required these payments from the vendors to secure contracts and other favors and acknowledged spending the funds on cars and other personal items. He admitted to engaging in this behavior throughout the duration of his involvement with the non-Global Fund donor program for approximately four years prior to managing the Global Fund program. Indeed, a representative of one vendor confirmed paying money to the Senior Procurement Officer as a way to either win contracts or remain eligible for future contracts.

⁶ Data provided from Global Fund: LLIN Quantities reported in PQR from 2009 through 2012; 13 September 2013 email from Global Fund Purchasing team to OIG regarding 2014 global forecast data for LLIN tenders.

⁷ OIG informed NCHADS of its preliminary findings in July 2012. Approximately one month later, OIG learned that NCHADS had placed a new employee in charge of Global Fund procurements. 08 April 2013 email from LFA to OIG.

⁸ The OIG sought to interview the vendors potentially involved in the scheme to pay money in exchange for influence, access and contracts. OIG contacted eight vendors during the course of its investigation of NCHADS. Only three out of those vendors agreed to meet with OIG; the remainder either did not respond at all or otherwise failed to agree to be interviewed by OIG. See OIG report Figure 5, *infra*. One of those who agreed to discuss these circumstances admitted the schemes when confronted with documentary evidence.

9. Additionally, substantial evidence has been identified by the OIG that the NCHADS Senior Procurement Officer regularly directed third party vendors to alter the content of their bids and to share pricing information with competitors, in order to give the outward appearance of honest competition in the bidding and selection process. A representative of one vendor confirmed that he improperly increased a price quotation and back-dated a bid submission in order to allow another vendor to win a contract. This was done with the expectation of receiving future contracts and favored treatment in NCHADS procurements. While many of the examples identified during this investigation took place when the procurement Officer was working on another donor program immediately before joining the Global Fund program, the Senior Procurement Officer worked with several of the same compromised local vendors under Global Fund procurements. The OIG also has located specific evidence tying this Officer to certain acts of procurement manipulation with at least six of the same vendors when he managed Global Fund procurements.

10. With respect to the misuse and misappropriation of grant funds disbursed to MEDiCAM, the investigation found that this entity charged against the Global Fund grant two staff positions, a Training Assistant and an HIV/AIDS Coordinator, in 2009 that were not actually filled as reported, provided the OIG with fictitious documents to support this claim, and committed other acts of mismanagement. Moreover, the investigation noted that other international donors were similarly billed for the employment of these two employees, but under different job titles. **The “Training Assistant’s” salary was also paid by three other international donors under the job title, Advocacy Coordinator. Further, the “HIV/AIDS Coordinator” was fulfilling the Monitoring and Evaluation and Capacity Building role at MEDiCAM, which was simultaneously being charged to another bilateral donor.** During the course of its investigation of Global Fund grant activity at MEDiCAM, the OIG collaborated with other donor entities and shared its findings with them to the extent relevant. As a result **of MEDiCAM’s** deceptive conduct, the Global Fund grant was improperly charged USD 20,725 for staff positions that were not filled.

11. It should be noted that the OIG reviewed approximately USD 86.9 million of expenditures related to Global Fund programs in Cambodia out of a total of USD 220.3 million disbursed from January 2003 through December 2010. This was due to the fact that OIG was not provided full access to the necessary financial records by grant recipients. Additionally, the OIG interviewed numerous third-party suppliers and vendors in connection with this investigation. With respect to the investigation pertaining to NCHADS, only three of eight local vendors agreed to be interviewed by OIG and the remaining five failed to agree to an interview.

C.2. Global Fund Response to Investigation Findings and Continuation of Grant Programs in Cambodia

12. The Secretariat was formally notified at the end of July 2012 of the preliminary findings of the OIG investigation, including credible and substantive evidence of fraud and abuse in grant programs in Cambodia. In response to these preliminary findings, and in line with Board Decision BM19/DP25⁹, the Secretariat has asserted that they have taken risk mitigating actions to safeguard Global Fund investments, including stronger fiduciary controls for procurement and financial transactions, replacing CNM as PR for the SSF malaria grant, appointing an external fiduciary **agent to exercise control over NCHADS’s**

⁹ Report of the Nineteenth Board Meeting, GF/B20/2, page 19, available at http://theglobalfund.org/documents/board/19/BM20_02NineteenthBoardMeeting_Report_en/, accessed 01 November 2013.

expenditures, and requiring the continuation of pooled procurement for all health products.

13. In light of these measures, the Global Fund has resumed its disbursement of funds to the entities discussed herein. Specifically, UNOPS (on behalf of CNM), NCHADS and MoH (partially on behalf of MEDiCAM) have recently received approximately USD 24.5 million in additional funding from June through August 2013.

C.3. Recommendations

14. Based on the evidence and analysis summarized in this report, the OIG provides the following recommendations to the Secretariat of the Global Fund:

- a. The Secretariat should seek to recover, from all parties responsible, expenditures of Global Fund grant funds that were not made in compliance with the terms of the relevant grant agreements, in accordance with the applicable legal rights and obligations, based on its determination of legal breach of the grant agreements and associated determination of recoverability. The Secretariat should ensure such entities are held accountable for their grant management practices, as well as take the appropriate management actions to ensure that the responsible individuals are held accountable for their actions and are no longer associated with the management of grant funds.
- b. The OIG recommends that the Secretariat assess and monitor on an as-needed basis the anti-corruption and compliance systems, including the use of agents and other intermediaries, of major LLIN suppliers. To this effect, a specific oversight and risk reduction approach should be developed by the Secretariat, with the assistance of the OIG. Once implemented and following validation of the outcomes by the OIG, that process should be extended to other major health product suppliers.
- c. The Executive Director should make the necessary determination to refer the facts of this report to a sanctioning process.¹⁰
- d. Procurement activities, especially single purchases of high value such as with bednet procurements, should be subject to enhanced oversight measures. The Secretariat should continue to assess and develop the feasibility and implications of having a centralized procurement mechanism for LLINs and similar high-value products managed globally for all recipients. To the extent it is not possible to implement centralized mechanisms expeditiously, then, at a minimum, such procurements should be undertaken with heightened scrutiny and considered **“high risk” given the findings in this report.**
- e. The OIG recommends that the Secretariat makes use of market dynamics and its pooled procurement activities to ensure demonstrated good business practices, anti-corruption measures and compliance efforts by suppliers in the LLIN industry are encouraged and rewarded through volume allocations or otherwise.
- f. The level of assurance placed on procurement agents and fiduciary agents across the portfolio should be critically reviewed, along with the terms of references and

¹⁰ In accordance with the Sanctions Procedures Relating to the Code of Conduct For Suppliers (amended October 2013), the report contains credible and substantive evidence of a breach of the Supplier Code of Conduct, including, but not limited to, corrupt, fraudulent, collusive, anti-competitive or coercive practices in competing for, or performing, a Global Fund-financed contract. Para. 17(a), http://theglobalfund.org/documents/corporate/Corporate_SanctionsProcedures_Policy_en/, accessed 3 November 2013.

procedures used by such agents. The value added of such agencies should not be unduly relied on without careful monitoring and review of their services.

- g. The Secretariat should undertake advocacy activities and compliance reviews of recipients related to the principles embodied in the Code of Conduct for Recipients, including but not limited to, anti-corruption training, adequate compliance processes, and effective procurement control processes.

D. Message from the Executive Director of the Global Fund



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MESSAGE FROM THE EXECUTIVE DIRECTOR

Investigation Report – Cambodia

I would like to thank the Office of the Inspector General (OIG) for its thorough and insightful work on the investigation of Global Fund grants to Cambodia.

This report comes at a time when several steps at the Global Fund to significantly strengthen financial oversight and risk management are really paying off. We have built oversight and heightened risk mitigation into the implementation process for each grant, no matter how big or small. We have set up a governance and execution mechanism to recover misused funds. We have established a new framework for procurement, with a comprehensive approach to ensure all bulk purchasing is consistently undertaken in a fair, transparent, lawful and ethical manner. That in particular has shown very quick results. Over the past year, the Global Fund has tripled the value of products covered by safer pooled procurement practices. In 55 countries identified as high-risk for procurement, 83 percent of products are now in pooled procurement or by Global Fund appointed procurement agents, just above the benchmark 80 percent used in the private sector.

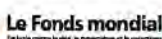
This report includes findings about incidents that occurred before these recent steps were implemented. The report summarizes the results of an investigation of Global Fund Round 1 to Round 9 grants of the National Centre for Parasitology, Entomology and Malaria Control (CNM), a Principal Recipient; the National Centre for HIV/AIDS, Dermatology and STD Control (NCHADS), also a Principal Recipient; and MEDiCAM, a Sub-recipient of the Ministry of Health and NCHADS. The investigation covered the period primarily from April 2003 to December 2010.

The investigation was initiated in March 2011, as a result of the 2009 findings of an OIG audit of Global Fund grants to Cambodia, subsequent procurement reviews by the Local Fund Agent in 2010, and whistleblower reports through OIG's whistleblower hotline, which included the identification of procurement irregularities, improperly supported expenditures, substantial weaknesses in internal controls, as well as allegations of fraud, abuse, bribery and corruption.

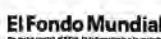
The OIG's subsequent investigation has identified evidence that senior program officials in the Cambodian government entity CNM, namely the former Director and Deputy Director, imposed a system from 2006 until around early 2011 in which international manufacturers and suppliers of long lasting insecticide-treated nets were required to make payments of



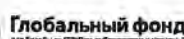
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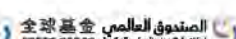
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de lutte contre le sida, la tuberculose et le paludisme



El Fondo Mundial
de lucha contra el SIDA, la tuberculosis y la malaria



Глобальный фонд
для борьбы со СПИДом, туберкулезом и малярией



全球基金
防治艾滋病、肺结核和疟疾

الصندوق العالمي
للمكافحة فيروس نقص المناعة البشرية، السل والملاريا

commissions in connection with obtaining contracts, or as a reward for the execution of contract agreements. Specifically, CNM improperly received US\$410,712 in payments from two suppliers between 2006 and 2011.

Although this case had no direct impact on Cambodia's fight against malaria, taking commissions in exchange for contracts violates our mission of public service. We remain fully committed to pursuing fraud and taking action when we find it. After this report was completed, a Global Fund Sanctions Panel recommended suspending the two international manufacturers and suppliers, and we did so in early November 2013. Yet both of those suppliers fully cooperated with the investigation, have taken action against the employees involved, and have taken preventative steps to deter wrongful conduct in the future, agreeing that stronger measures will better serve the common goal of preventing the spread of malaria, particularly in high-risk countries.

It is worth noting that the Global Fund has supported programs in Cambodia fighting AIDS, TB and malaria with US\$331 million disbursed since 2003, achieving striking success and playing a key role in Cambodia's achievement of an 80 percent decline in malaria deaths, a 45 percent fall in TB cases and a 50 percent decline in cases of HIV.

The investigation also found that from 1 January 2009 through the end of August 2012, a senior procurement officer in the Cambodian government entity NCHADS regularly manipulated Global Fund contract procurements by tailoring bid quotations, attempting to influence the selection process, and compromising national vendors. The OIG's investigation also discovered that in 2009, MEDiCAM, a local non-governmental organization active in the health sector in Cambodia, billed the Global Fund for staff positions that were not filled or were paid simultaneously by other donors. As a result of this, the Global Fund was improperly charged US \$20,725.

The Global Fund Secretariat took several risk mitigating actions once learning about the wrongdoing. The CNM was replaced as the PR for the SSF malaria grant for the second period of implementation starting on 1 April 2013, appointing an external fiduciary agent to work within NCHADS beginning February 2013, embedding a procurement agent within NCHADS beginning October 2013, and requiring the continuation of pooled procurement for all health products. In September 2013, UNICEF began procuring all health products for Global Fund grants in Cambodia. Additional fiduciary controls are being put in place and financial control systems strengthened in the Sub-recipient, MEDiCAM and in the principal implementing entity of the national malaria program, CNM, under the new PR. In light of the findings, the Secretariat will consider what additional training, compliance and control processes might be warranted to ensure adherence to the principles embodied in the Code of Conduct for Recipients of Global Fund Resources.

The OIG has recommended that the Secretariat seek to recover from all parties responsible amounts deemed recoverable due to non-compliance with the terms of the grant agreement, and ensure such entities are held accountable for their grant management practices, as well as take the appropriate management actions to ensure that the responsible individuals are held accountable for their actions and are no longer associated with the management of grant funds.

The Secretariat is already taking initial steps towards recovery of the relevant funds. In addition, the OIG has rightly noted that remedial actions should be undertaken to address

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the conduct of the concerned suppliers. It is essential for the Global Fund to enforce the accountability of suppliers in maintaining the integrity of Global Fund-supported procurement activities. The goal of the Global Fund's Code of Conduct for Suppliers is to describe supplier obligations in this regard. Based on the findings of this OIG report, I have requested the Global Fund's Sanctions Panel to consider the matter and advise the Secretariat on the appropriate sanction for any supplier named in this report that has breached the Supplier Code. After a full review, the Sanctions Panel will recommend what further sanctions are merited.

The Office of the Inspector General provides an essential form of quality control for the Global Fund. It plays an indispensable role in helping us all achieve our mission of effectively investing the world's money to save lives.

Sincerely



E. Background

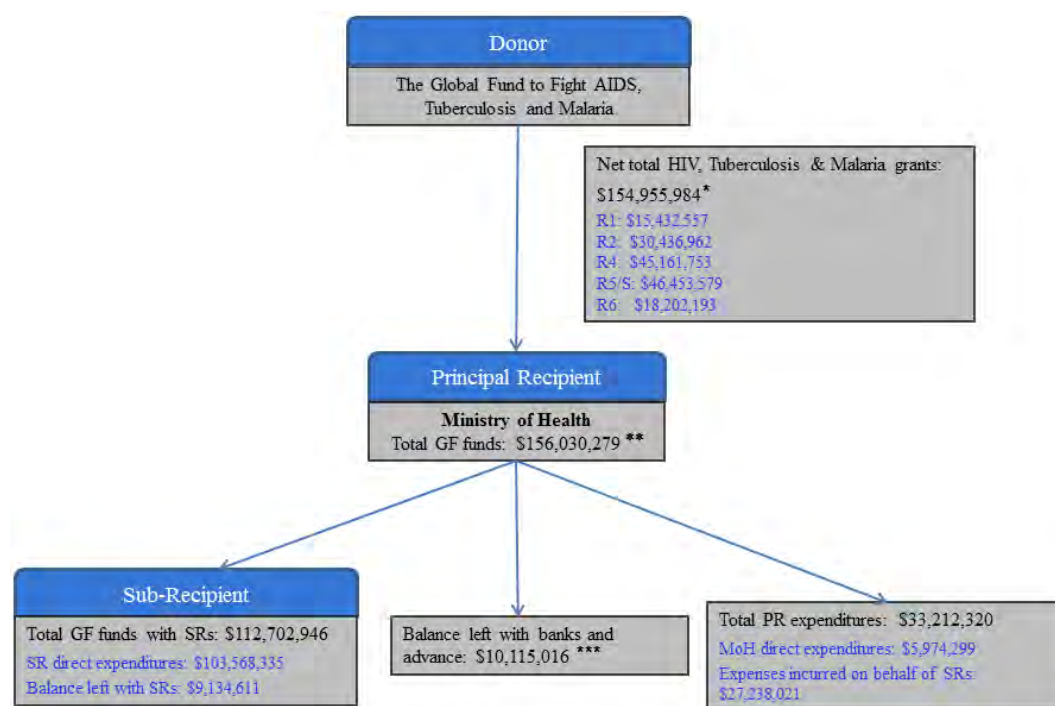
E.1. Global Fund Grants to Cambodia

15. In January 2003, the Global Fund awarded its first grants to Cambodia. The total disbursed grant amount to Cambodia as of 31 December 2010 was approximately USD 220 million, of which USD 118.1 million funded the HIV/AIDS programs, USD 72.5 million financed the malaria programs, USD 20.6 million supported the tuberculosis programs and USD 9 million paid for the Health Systems Strengthening (“HSS”) program.¹¹

E.1.1. Ministry of Health Cambodia

16. The Ministry of Health (“MoH”) was the grant implementer for the malaria, HIV/AIDS and tuberculosis programs under Global Fund financing Rounds 1 to 6, including the HSS program. As of 31 December 2010, MoH received a net total of USD 154.9 million from the Global Fund.¹²

Figure 1 : Global Fund grants flow chart to the MoH in USD (as of 31 December 2010)¹³



17. The OIG investigation reviewed the following in MoH’s accounts:

- Expenses incurred by MoH for itself;
- Expenses incurred by MoH through its Sub-recipients (“SRs”) and Sub-sub-recipients (“SSRs”) (including advance payments provided).

¹¹ <http://portfolio.theglobalfund.org/en/Downloads/DisbursementsInDetail>, accessed 17 January 2013.

¹² Figure does not include income generated (USD 1,074,295).

¹³ * USD 154,955,984 = Total Round 1-6 grants less a USD 731,060 refund for Round 1.

** USD 156,030,279 = Net total grants plus USD 1,074,295 for Round 2-6 income generated.

*** USD 10,115,016 takes into account approximately USD 2,468 that lies in Accounts Payable. Additionally, there is a USD 3 discrepancy based on MoH’s records.

18. During the review process, it was noted that the Global Fund transferred a total of USD 156 million to MoH for Rounds 1 to 6. Of this amount, USD 6 million in direct expenditures was incurred by MoH for its own expenses, and USD 131 million incurred by SRs and SSRs or by MoH on their behalf.

19. In 2007, the Country Coordinating Committee (“CCC”), formerly known as the Country Coordinating Mechanism (“CCM”), noted that the growing size of the grants had strained the MoH’s capacity, and a decision was made to appoint the three MoH institutions central to fighting the three diseases as **Principal Recipients (“PR”s)**. In 2009, MoH was replaced as PR by these three agencies: 1) the National Centre for HIV/AIDS, Dermatology and STD Control (“NCHADS”) in Round 7; 2) the National Centre for Parasitology, Entomology and Malaria Control (“CNM”) in Round 2 RCC; and 3) the National Centre for Tuberculosis and Leprosy Control (“CENAT”) in Round 7.

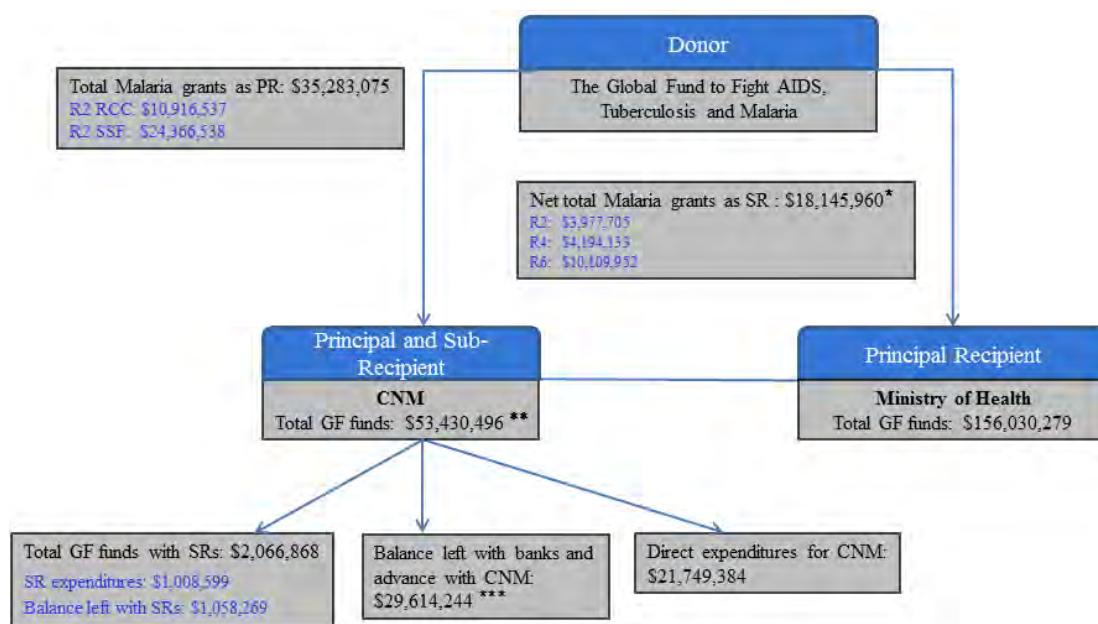
E.1.2. National Centre for Parasitology, Entomology and Malaria Control

20. CNM was established in 1984 as a semi-autonomous institution within the MoH. Its Director reports to the Director General of Health Services. CNM is responsible for controlling vector-borne diseases by conducting research, implementing, monitoring and evaluating disease control programs, and training health staff. CNM was a SR to the MoH under Rounds 2, 4, and 6. On or around 1 May 2009, CNM became a PR under the Round 2 RCC and SSF malaria grants.¹⁴

21. Since 2003, CNM has been a grant implementer for the Global Fund’s malaria programs. In addition to implementing programs, CNM also issued sub-grants to SRs and SSRs to implement on its behalf. Of the grants where CNM has served as PR, CNM has accounted for 75 percent of grant expenditures to date; the remaining 25 percent is distributed to SRs and SSRs for their expenditures. As of 31 December 2010, CNM had received USD 53.4 million from the Global Fund. As a SR to MoH for Round 2, 4 and 6, USD 18.1 million was transferred to the bank accounts of CNM by MoH, and as a PR for Rounds 2 RCC and a SSF CNM received an additional USD 35.3 million directly from the Global Fund.¹⁵

¹⁴ http://www.theglobalfund.org/GrantDocuments/CAM-202-G13-M_GA_2_en/, accessed 18 March 2013.

¹⁵ “Core_disbursement_DetailsRaw_Report_en.xls”

Figure 2 : Global Fund grants flow chart to CNM in USD (as of 31 December 2010)¹⁶

22. Of USD 21.7 million of expenses incurred by CNM, USD 15.8 million relate to its **direct expenditures as SR under MoH**. CNM's **direct expenditures as PR** amount to almost USD 5.9 million.

E.1.3. National Centre for HIV/AIDS, Dermatology and STD Control

23. NCHADS is a semi-autonomous institution within the MoH. It falls under the responsibility of the MoH's Director General of Health. NCHADS was established in 1998 following the amalgamation of the National Aids Program ("NAP") and the National STD and Dermatology Clinic. NCHADS operates in 24 provinces throughout the country. NCHADS's primary objective is to respond to the HIV/AIDS epidemic through the implementation of the HIV/AIDS strategic plan. NCHADS began receiving Global Fund financing as a SR to MoH in 2003. It operated as a SR under Rounds 1, 2, 4, and 5. NCHADS became a PR under the Round 7 grant in November 2008 and continues to serve in this capacity for the on-going Round 9/SSF grant.

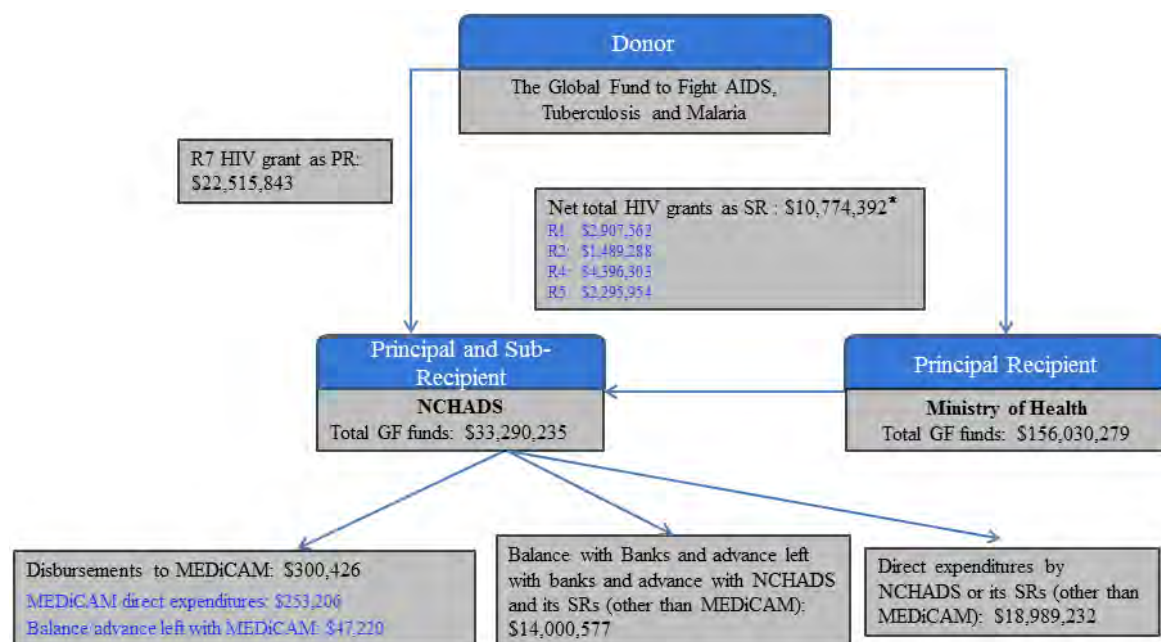
24. As of 31 December 2010, a total of USD 33.3 million of grant funds were transferred to the bank accounts of NCHADS, of which USD 10.7 million was disbursed from MoH to NCHADS under Rounds 1 through 5. This investigation also examined expenditures made pursuant to Round 9/SSF.¹⁷

¹⁶ * USD 18,145,960 = Total Round 2-6 grants less a USD 135,830 refund for Round 2.

^{**} USD 53,430,496 = Total malaria grants as PR and malaria grants as SR plus USD 1,461 for Round 6 income generated.

^{***} The USD 29,614,244 takes into account USD 2,690, a miscellaneous difference between the MoH and the CNM general ledgers.

¹⁷ <http://portfolio.theglobalfund.org/en/Downloads/DisbursementsInDetail>, accessed 17 January 2013 (a total of 43.6 million was disbursed from March 2011-January 2013, though OIG only examined disbursements through 31 August 2012).

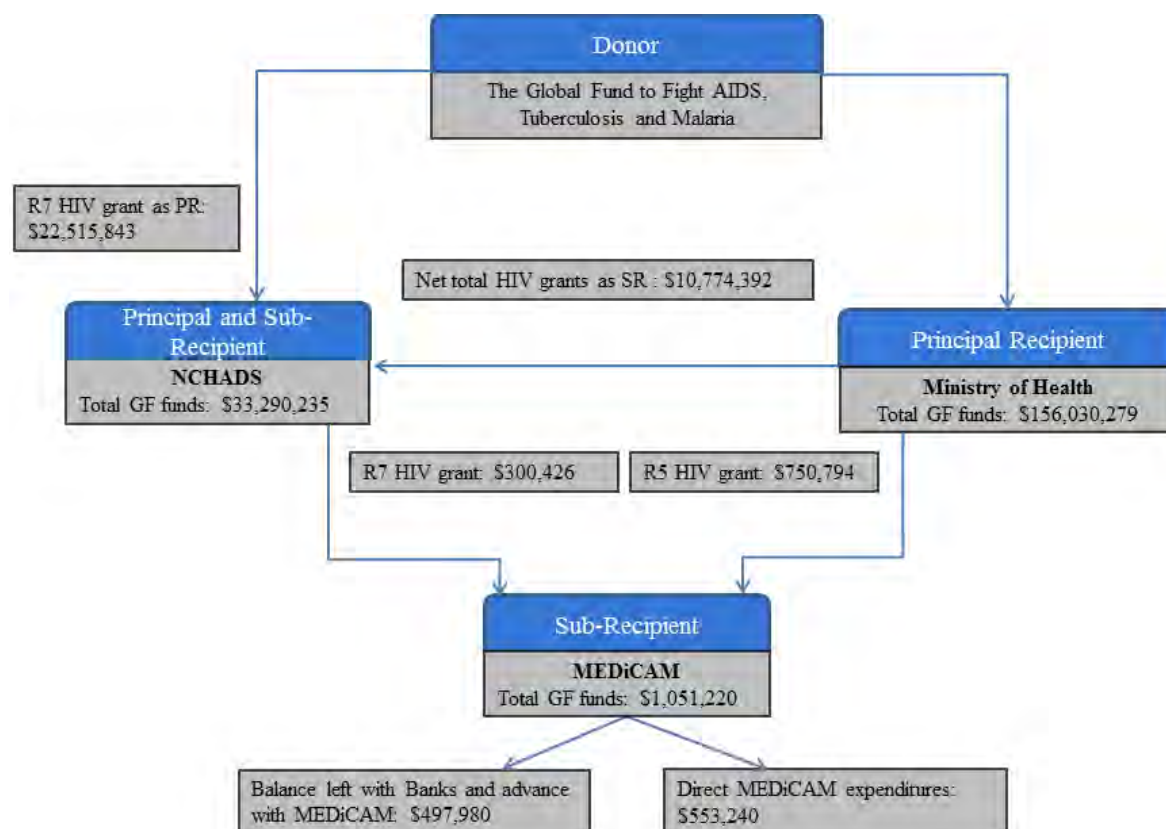
Figure 3 : Global Fund grants flow chart to NCHADS in USD (as of 31 December 2010)¹⁸

25. Of the USD 33.3 million received by NCHADS, USD 18.9 million was booked as expenses incurred by NCHADS, and USD 14 million recorded as the remaining balance left with the banks and advance payments made to SRs and SSRs. NCHADS disbursed USD 300,426 to SR MEDiCAM under the Round 7 HIV grant.

E.1.4. MEDiCAM

26. MEDiCAM is a membership organization for local nonprofit association and non-governmental organizations (“NGOs”) active in the health sector in Cambodia and counts approximately 120 Civil Society Organizations (“CSOs”) as active members. MEDiCAM receives funding from its active members through membership fees and grants from various international donor partners. MEDiCAM is engaged to facilitate policy exchanges between the local health partners and the government of Cambodia and to facilitate advocacy and capacity building of its members. MEDiCAM is currently a SR of Global Fund grants under the HSS grant as managed by PR-MoH and under the HIV grant managed by PR-NCHADS.

¹⁸ * USD 10,774,392 = total Rounds 1 to 5 grants less a USD 283,457 refund to MoH for Round 1 and a USD 31,258 refund to MoH for Round 2.

Figure 4 : Global Fund grants flow chart to MEDiCAM in USD (as of 31 December 2010)

27. As of December 31, 2010, MEDiCAM had received USD 750,794 in funds from MoH under Round 5, and USD 300,426 from NCHADS under Round 7, for a total of USD 1,051,220.¹⁹

28. The general ledger account of MEDiCAM listed USD 553,240 as expenses as of 31 December 2010.

E.1.5. Local Fund Agent

29. The Global Fund engaged KPMG LLP (“KPMG”) as the Local Fund Agent (“LFA”) of the Global Fund grants in Cambodia from their inception until the end of September 2008. The Swiss Tropical and Public Health Institute (“STI”) is the current LFA for the Global Fund grants to Cambodia.

E.1.6. Country Coordinating Committee

E.1.6.1. Background

30. The CCC operates as the CCM for Cambodia. It is a country-level multi-stakeholder partnership, unique to the 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 three diseases.²⁰

¹⁹ Per MoH, NCHADS and MEDiCAM general ledgers and related bank statements.

²⁰ <http://www.theglobalfund.org/en/ccm/>, accessed 15 May 2013.

E.2. Allegations

31. The OIG initiated its investigation in Cambodia in March 2011, following a 2009 OIG internal audit of Global Fund grants. The purpose of the audit was to assess the adequacy of internal controls and programmatic processes to manage Global Fund grants in Cambodia. As part of this audit, the OIG examined a total of 13 grants disbursed to the various PRs and SRs.

32. The results of the audit led to a review of procurements by the LFA in 2010. This investigation responded to red flags raised by the internal audit and the resulting 2010 LFA procurement review, in addition to multiple allegations of fraud, abuse and procurement irregularities reported to the OIG through its website hotline and email communications from individuals in the country.

F. Methodology

F.1. OIG Investigations Unit

33. See Annex 7A.

F.2. Applicable Concepts of Fraud and Abuse

34. See Annex 7B.

F.3. Investigative Process

35. As part of its investigation, two in-country missions were conducted in March 2011 and June 2012. The first in-country mission focused on collecting relevant evidence materials. The second in-country mission focused on recovering incomplete bank statements, procurement files, and unsupported general ledger transactions and on interviewing key witnesses, subjects and vendors who had been identified through the review and analysis of the evidence collected.

F.4. Investigative Challenges

36. **General limitations of the investigation:** The OIG investigation was limited by significant internal and external challenges. Several of the witnesses who cooperated with the OIG investigation expressed concerns about being identified by name in this report, indicating that they would be subject to retaliation if the information they provided was publicly attributed to them. As a result, these individuals are identified in this report as “covered” witnesses and have been promised anonymity. Their information is included in this report as it has been corroborated by other witnesses and documents.

37. **Non-cooperation of NCHADS vendors:** The OIG investigation sought to speak to the main vendors that were awarded the most contracts (in term of value and volume) by NCHADS, but only three out of eight of those vendors agreed to be interviewed. Dynamic Pharma Co., Ltd., Europe Continents, and Kuang Hsien Medical Instrument Co., Ltd. met with OIG officials for an interview. Medicom Co., Ltd., Bright Diamond, Castle Angkor Pitch Co., Indace International, and Pharmacy Sophanna declined to be interviewed by the OIG. The table below details the aggregate value of the Global Fund program-related contracts awarded to these eight vendors through the end of 2010. Highlighted in red are the vendors that failed to agree to interview requests by the OIG during its investigation.

Figure 5: Table of Global Fund-financed contracts awarded to eight selected vendors (through 31 December 2010)

Vendor Name	Beneficiary Name					Total (In USD)
	MoH	CNM	NCHADS	MEDICAM	CENAT	
Bright Diamond	-	-	26,347	-	-	26,347
Castle Angkor Pitch Co.	967,315	-	39,466	-	-	1,006,781
Dynamic Pharma Co., Ltd.	511,242	166,686	121,872	-	130,054	929,854
Europ Continents	171,480	-	122,226	-	48,581	342,287
Indace International	594,842	34,119	34,464	-	-	663,425
Kuang Hsien Medical Instrument Co., Ltd.	142,844	-	24,835	-	-	167,679
Medicom Co., Ltd.	48,726	-	810,719	-	400,845	1,260,290
Pharmacy Sophanna	-	480,330	-	-	-	480,330
Total (in USD)	2,436,449	681,135	1,179,929	-	579,480	4,876,993

38. **Incomplete procurement files:** Upon review of the general ledger accounts and procurement files, it was noted that procurement files were either completely missing or that selected elements of the files were not made available to OIG. These issues significantly prolonged the investigation.

- a. In the case of the MoH, for a sample of ten procurement files reviewed for the period 2007-2010 valued at USD 7,990,891, files were missing either one or more of the following documents: purchase orders, payment vouchers, third party **delivery documents, bidders' quotations, request for proposals, contract awards** and invoices.
- b. At CNM, for a sample of 18 procurement files reviewed for the period 2005-2010 valued at approximately USD 8,399,719, significant files, such as the documents listed above as missing for MoH, were similarly incomplete.
- c. At NCHADS and MEDiCAM, selected procurement files amounting to USD 615,917 and USD 73,029, respectively, were reviewed. Important elements were missing from the procurement files, such as the documents listed above as missing for MoH.

39. **Missing bank statements of accounts:** With the recipients' written consent, the OIG requested bank statements from 2004 through 2010 relating to the recipient grant fund accounts from six banks, including the National Bank of Cambodia. However, the OIG did not receive all the bank statements requested during its first in-country mission in March 2011 and long delays ensued before the OIG ultimately received the complete information requested from all banks in July 2012.²¹

40. **Beneficiary names not available in bank statements:** Following the review of financial statements obtained independently by the OIG, it was noted that beneficiary names were not available in the bank statements of selected accounts held at the Cambodian national banks. This lack of information also delayed and prolonged the investigation.

41. **Possible attempts to intimidate staff during investigation:** It appears that individuals affiliated with PRs MoH and CNM took actions that resulted in intimidating the OIG team. Photographs of the OIG staff, locally-hired Cambodian contractors, and other external consultants assisting with the investigation, were taken multiple times without authorization while they were working causing distress, delays and work interruptions. These actions further disrupted the investigative work of OIG as stricter security measures had to be implemented to avoid similar future occurrences.

42. **Missing or unsupported expenditure documentation:** Further challenges included the failure of grant recipients to provide the OIG with full access to financial accounting and procurement and supply management books and records. Upon review of the provided files for completeness, it was noted that some were either completely empty or that selected and critical elements of the files had not been made available to the OIG despite an official request to provide the OIG with complete and comprehensive records. As a result, out of approximately USD 220.3 million of expenses, supporting documentation relating to approximately USD 86.9 million was made available to the OIG and subsequently reviewed.

²¹ The National Bank of Cambodia, Acleda Bank Plc, and Foreign Trade Bank of Cambodia only provided a portion of the requested information until OIG revisited its request in June 2012. May Bank, Canadia Bank and Cambodia Bank all provided the requested materials upon receiving the first request.

F.5. Scope of Investigation

43. The OIG report focuses on investigative findings in connection with Global Fund Rounds 1 through 7 of the HIV and malaria programs in Cambodia from 2003 to 2010, in addition to Round 9/SSF for the HIV program²² and Rounds 2 RCC and SSF for the malaria program.

44. The OIG reviewed USD 86.9 million of expenditures from the time period covered by this investigation.

45. **Five grant recipient entities were under review during OIG's investigation, including** two entities for which there are no findings in this report: MoH and CENAT. This report therefore focuses on findings that pertain to two PRs, CNM and NCHADS, and SR MEDiCAM.

²² With respect to grant recipient NCHADS, the OIG reviewed certain supporting documentation relating to disbursements and expenditures from Round 9/SSF through 31 August 2012. See OIG report § G.2.3, fn. 295.

G. Investigative Findings

G.1. National Centre for Parasitology, Entomology and Malaria Control

G.1.1. Overview

46. CNM began cultivating relationships that encouraged, and eventually required, payments in connection with contracts even before it awarded the first contract to provide Long Lasting Insecticidal Nets (“LLINs”) to Cambodia in 2006. As early as 2003, a senior sales manager (“SCS Sales Manager” or “Sales Manager”) from one international supplier, Sumitomo Chemical Singapore (“SCS”), began to develop a relationship with CNM’s Director at a seminar on LLINs during which the Sales Manager discussed SCS’s desire to provide LLINs to Cambodia.²³ In 2004, SCS began paying for trips for CNM’s Director.²⁴ During these early meetings, the Director informed the SCS Sales Manager that a major international competitor was similarly interested in delivering bednets to Cambodia and was willing to pay for this opportunity²⁵. With this information, the SCS Sales Manager understood that his company would have to make a payment to the Director in order to win contracts from CNM.²⁶ In 2002, senior managers from international LLIN manufacturer and supplier, Vestergaard Frandsen (“VF”), also began to forge a relationship with top officials at CNM.²⁷

47. SCS’s Sales Manager knew SCS could not pay cash to CNM in order to win contracts²⁸, so a fictitious consultancy arrangement was created whereby the supplier paid a commission payment to this consultant/agent for every contract in which it provided LLIN products to Cambodia. VF undertook an identical arrangement. It was CNM’s Director’s idea to hire this “consultant”,²⁹ and the senior managers agreed to this arrangement despite never speaking to or meeting the consultant.³⁰

48. With this arrangement in place, CNM began to award LLIN contracts to SCS in 2006. Altogether, this supplier won at least seven contracts in direct procurements from CNM, sometimes facilitated by WHO as Procurement Agent, which were valued at over USD 4.6 million.³¹ The supplier paid a “commission” per the consultancy agreement on all of these contracts in amounts between 2.8 and 6.5 percent of the total value of the contracts. This resulted in USD 256,471 of improper commission payments made by the supplier to CNM in exchange for LLIN contracts awarded.

49. The same “pay to play” scheme was enacted with competitor supplier VF beginning in 2006. As mentioned above, VF began cultivating a relationship with CNM’s Director in 2002. VF also engaged in a fictitious agency agreement with an agent who received a commission for all contracts that resulted in nets being delivered to Cambodia, even when

²³ Interview of SCS Sales Manager, 17 August 2012 (Record of Conversation (“ROC”) ¶ 8).

²⁴ 15 July 2004 email between SCS Sales Manager and CNM regarding payment of airfare for CNM Director’s trip to Singapore.

²⁵ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 12); Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 4-5, 42).

²⁶ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 12); Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 5).

²⁷ 24 October 2002 email re: “PermaNet(R)” from VF to CNM Director discussing meeting with VF’s Regional Director (same person as the Director in VF’s Asian branch during 2006-2010) and 08 October 2003 email re: “PermaNet(R) for Global fund project in Cambodia” between VF Regional Director and CNM Director regarding a meeting between VF and CNM’s Director.

²⁸ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 13).

²⁹ Ibid. at ¶ 13, 38.

³⁰ Ibid. at ¶ 14-16; VF Submission to OIG (“VF Submission”), dated 1 February 2013, p. 10-11, §7.1.2 and p. 13, §7.2.

³¹ This amount does not include the additional USD 6.1 million in contracts procured under the Voluntary Pooled Procurement (“VPP”) mechanism.

the procurements took place under the Voluntary Pooled Procurement (“VPP”) mechanism.³² **Significantly, this “agent” had almost the identical name as the “consultant”** hired by the competitor supplier, SCS, described above. As with SCS, CNM’s Director nominated this particular individual as an agent for VF. From 2006 forward, VF obtained over USD 7.1 million in bednet contracts in Cambodia and paid USD 154,241 in improper commission fees starting at 2.25 percent of the total contract value for Global Fund funded contracts. These payments were made in flat fees or as percentages of the total contract value (between 2.25 and 2.5 percent).

50. **These “commission” payments made by SCS and VF (collectively “the Suppliers”) ultimately went to CNM’s Director and, occasionally, to its Deputy Director.** At their direction, the relevant Finance and Accounting departments of the Suppliers wired money directly from corporate bank accounts, pursuant to their normal procedures, into the personal bank accounts of individuals designated by the Director and Deputy Director.

51. Beginning on or around 2011³³, the Global Fund decided to conduct the procurement of pharmaceutical and health products through VPP. This was compulsory for all Cambodia grants. While it appears that SCS ceased making commission payments **once VPP was enacted, as instructed by SCS’s headquarters office**³⁴, VF continued to make **commission payments pursuant to its agency agreement despite CNM’s lack of involvement in the procurement process.**³⁵ The OIG uncovered no evidence to suggest **that Population Services International (“PSI”), as VPP implementer, was aware of the improper commission payment schemes discussed in this report.**

52. These CNM officials, along with other CNM staff, also accepted gifts and favors from **Suppliers as part of their ongoing relationships and in furtherance of the Suppliers’ efforts** to develop said relationships so as to ultimately win Global Fund-financed contracts. Occasionally, these officials offered inside information regarding the procurement process as an incentive, thereby engaging in unfair procurement practices and anti-competitive behavior.

53. The CNM Director whose actions are discussed throughout this section retired from this position on 1 May 2011, but it seems he remained connected to both the Cambodian government and the procurement of bednets on its behalf beyond this date. (See OIG report ¶ 54, 112, 147-149 and Annex 1, Figure 55). As of 25 July 2012, he was serving as Advisor to a member of the Cambodian Ministry.³⁶ The CNM Director acknowledged his influence in the Cambodian bednet market when he told the OIG during its investigation, **“I tell people to buy Olyset nets, yes. I introduced [bilateral organization], sometime... I introduce [NGO] to buy Olyset or to buy PermaNet nets.”**³⁷

54. It should be noted that the current CNM Director did not take office in CNM until 6 May 2011 and was not nominated as Director until 11 May 2011. As such, the current CNM **Director is not implicated in any of this report’s findings.** However, while the CNM Director at issue in this report supposedly left office on 1 May 2011, the evidence shows that he continued to hold a physical office on CNM premises, to communicate from a CNM email address, and to receive (and subsequently forward to the Suppliers) information

³² According to VF, it is standard practice that an agent receive commissions for all sales within a given territory, even when procurement obtained by other sources. VF response to OIG draft report, dated 26 May 2013, p. 12-13, §3.1.

³³ The Global Fund introduced the actual grant condition to use VPP in the beginning of 2010; though, due to **VPP’s long lead times for delivery of nets in 2010, certain procurements continued to be facilitated by WHO**, as a Procurement Agent. Attachment to 2 October 2013 email from Global Fund Senior Fund Portfolio Manager to OIG, Comments to OIG draft report, p. 22.

³⁴ **18 May 2011 email from Sumitomo Managing Director to SCS Sales Manager re: “VPP Cambodia”.**

³⁵ The CNM Director at issue in this report resigned from CNM in early May 2011. As this report discusses, it appears he remained involved in procurements to CNM beyond this date, including those done under VPP. See, e.g., OIG report ¶ 143.

³⁶ 25 July 2012 email from CNM Director to OIG.

³⁷ Audiotape of Interview with CNM Director, 26 July 2012, at 19:29 – 19:50.

related to procurement of bednets for CNM. By doing so, CNM as an institution tolerated, and even enabled, the then-former Director to continue to act with the apparent authority of the position he formerly held, which allowed him to continue his scheme of obtaining improper commission payments from one Supplier beyond his technical retirement from the post. The current CNM Director said he was unaware that the former Director was continuing to receive procurement-related information after he officially stepped down as **CNM's Director in May 2011.**³⁸

55. After being alerted to **OIG's preliminary findings in this investigation, on 1 October 2012** CNM removed the Deputy Director³⁹ discussed in this report to a non-Global Fund program. There were between 8 and 12 Deputy Directors at CNM during the relevant time period of this investigation.⁴⁰ This Deputy Director remained employed at CNM until 13 September 2013.⁴¹

56. In all of the above procurements, bednets were produced and delivered successfully. **However, the procurement process was tainted due to CNM's requirement that the Suppliers pay for the opportunity to provide bednets to Cambodia. These improper commission payments directly benefitted CNM's executive managers, along with the Suppliers who obtained contracts as a result, and were made in consideration for obtaining bednet contracts in Cambodia, thus compromising the procurement practice.**

G.1.2. Procurement of LLINs

57. Until 2011 when procurements were handled on an international level under VPP, CNM procured LLINs through direct procurements.⁴² In order to assist it in the procurement of a large volume of LLINs, CNM occasionally engaged the assistance of the WHO as Procurement Agent.⁴³ In such cases, CNM would prepare requisition plans for tender offers and submit them to WHO Cambodia, who in turn would forward these plans to **the WHO's Western Pacific Regional Office in Manila for processing. Procurement operations administered on behalf of Global Fund programs were conducted through WHO's procurement unit in the WHO Regional office for the Western Pacific Region in Manila, Philippines.** As such, WHO Manila facilitated the procurement and the selection of entities that would supply LLINs to CNM and WHO Cambodia received the actual goods. **WHO's Global Service Centre in Malaysia took instructions** from WHO Manila and executed payment of any purchase orders upon request.⁴⁴ **OIG found no evidence that WHO had any knowledge of or participation in the schemes discussed throughout this report.**

58. Throughout these procurements, CNM maintained its Bid Evaluation Committee ("**BEC**"), **which is part of the procurement department and which played an integral role** in selecting the ultimate entity to win LLIN contracts.⁴⁵ **CNM's Deputy Director was the chairperson of the BEC.** The BEC sets the criteria for scoring the technical specifications

³⁸ CNM letter response to OIG draft report, dated 2 July 2013, p. 5-6.

³⁹ 28 September 2012 letter from CNM Director to Global Fund Regional Manager regarding replacement of Deputy Director as Manager of Global Fund malaria SSF grant as of 1 October 2012.

⁴⁰ 3 July 2013 email from current CNM Director to OIG.

⁴¹ Letter from Cambodian CCC Chair and Vice Chair to OIG, dated 23 September 2013, ¶ 4.

⁴² **OIG uses the term "direct" to indicate that procurements were done by MoH or CNM regardless of whether they were done with the assistance of Procurement Agent WHO.** It is also a means to distinguish these contracts from those conducted under the VPP mechanism.

⁴³ WHO Manila, as Procurement Agent, facilitated the following contracts for CNM:

- (i) 120,000 LLINs in October 2006 (won by SCS);
- (ii) 120,000 LLINs in June 2010 (won by SCS);
- (iii) 450,000 LLINs in July 2010 (won by VF).

VF maintains that it never obtained any contracts to provide bednet products to CNM under direct procurement. VF Response to OIG report, dated 26 May 2013, p. 7, ¶13.

⁴⁴ 14 June 2013 email from WHO to OIG.

⁴⁵ See, e.g., "**Minutes of Technical Proposal Opening of Long-Lasting Insecticidal Nets Under the GFATM Round 6 Phase 1**", dated 2 June 2008.

of LLINs. A subset of the BEC, the Technical Evaluation Committee, also chaired by **CNM's Deputy Director, then evaluates bidders against these technical specifications.**⁴⁶ Then the BEC recommends the awarding of a LLIN contract to a specific bidder after **reviewing the financial proposals.** **CNM's Director selected the members of the BEC,** including the Chairperson of the BEC.⁴⁷ **CNM's Director served as an Observer during** certain BEC procedures, such as the **opening of bidders' technical and financial proposals.**⁴⁸ Additionally, the Secretary of State under MoH who was responsible for **administering Global Fund grants ("Secretary of State"), had oversight and approval authority for CNM's procurement function and approved all contracts** exceeding USD 25,000 during the time MoH was PR for the malaria programs.⁴⁹

59. In March 2011, CNM Cambodia registered to the VPP mechanism and all procurements were handled at the international level by PSI as VPP Procurement Agent.⁵⁰ However, the PR still played a role at various stages of the VPP process, such as setting product specifications, quantities and delivery dates, and reviewing and accepting price quotations, in line with the mandate given by the Global Fund to the PR under VPP Procurement.⁵¹

60. Proper selection of a manufacturer and supplier of LLINs is of critical importance to the process, as the bednets must meet quality standards set forth by the WHO Pesticide **Evaluation Scheme ("WHOPES"). The nets also must be procured and received in a timely** fashion to ensure effective and comprehensive distribution in order to meet the goal of safeguarding the population from malaria. In this regard, the Global Fund requires procurement exercises to be undertaken in a fair, transparent, lawful and ethical manner, and forbids unethical and corrupt acts in connection with the use of its funds, including bribery, kickbacks and illegal gratuities.⁵²

G.1.3. LLIN Suppliers

61. SCS was established and incorporated on 15 July 1996 as a wholly-owned subsidiary of parent company **Sumitomo Chemical Company, Ltd. ("Sumitomo Chemical Japan"), based in Tokyo, Japan and established in 1919.** SCS's headquarters and MMA⁵³ production plant are in Singapore.⁵⁴

62. For seven of the contracts at issue in this section, SCS was the regional distributor within the South East Asia and Oceania regions of a WHOPES-approved insecticide-treated net called Olyset, appointed by the manufacturer and patent-owner, **Sumitomo Chemical Japan. It bid on CNM's proposed contracts for the supply of LLINs.**

63. From 2006 until 2010, SCS was the sole supplier of LLINs to CNM funded by the Global Fund, entering into contracts to provide over 874,000 LLIN products to CNM during this time period.⁵⁵ These contracts total approximately USD 4,627,472 in value. In 2011, Sumitomo Chemical Japan, the parent company, assumed responsibility for the

⁴⁶ See, e.g., "Report of Financial Proposals Opening of Long-Lasting Insecticidal Nets Under the GFATM Round 6 Phase 1 and Recommendation for Approval", dated 6 June 2008.

⁴⁷ MoH-PR Procurement Guidelines, Version 8, revised August 2006, § II.3.

⁴⁸ See, e.g., "Report of Financial Proposals Opening of Long-Lasting Insecticidal Nets Under the GFATM Round 6 Phase 1 and Recommendation for Approval", dated 6 June 2008.

⁴⁹ MoH-PR Procurement Guidelines, Version 8, revised August 2006, § II.1.

⁵⁰ Pursuant to the OIG audit review in 2009, as well as the LFA procurement reviews, the Global Fund instructed Cambodia to conduct its procurements through VPP or a UN agency, such as WHO or UNICEF.

⁵¹ **Global Fund "Procurement Support Services Guidelines for Participation Voluntary Pooled Procurement Process"**, dated March 2011.

⁵² MoH-PR Procurement Guidelines, Version 8, revised August 2006, § I.2 and I.3.

⁵³ MMA stands for Methyl Methacrylate Monomer.

⁵⁴ http://www.scs-chem.com.sg/aboutus_profile.html, accessed 7 June 2013.

⁵⁵ This figure is based on direct sales from SCS to CNM. It does not include the 1,571,000 LLIN products sold directly from manufacturer parent company, Sumitomo Chemical Japan, under VPP.

contracts with CNM resulting in more than USD 6 million of additional LLIN contracts, for a total of USD 10.7 million of bednet contracts.⁵⁶

64. The second international supplier, VF, was established in Denmark in 1957 and is now headquartered in Lausanne, Switzerland. It is a private company in the business of disease control products including malaria, diarrhea, pneumonia, HIV/AIDS and other tropical diseases. It also manufactures a WHOPES-approved LLIN product named PermaNet.⁵⁷

65. VF has been awarded four contracts to provide almost 1.8 million LLIN and Long Lasting Insecticidal Hammock Net (“LLIHN”) products to Cambodia since 2006, totaling approximately USD 7,139,134 in value. Of these contracts, the recipient of the first two was PSI as a SR of Global Fund funding, and the recipient of the last two contracts was CNM, with the 2010 contract facilitated by WHO and the 2011 contract (in three parts) procured under VPP.⁵⁸

G.1.4. Facts and Documentary Evidence

SUMITOMO CHEMICAL SINGAPORE

G.1.4.1. SCS made USD 256,471 in improper commission payments to Cambodian government officials in order to secure Global Fund-financed LLIN contracts in Cambodia

66. Between 2006 and 2010, SCS obtained approximately USD 4,627,472 of contracts to provide LLINs directly to CNM in Cambodia. The investigation has revealed that in connection with these contracts, SCS routinely made improper “commission” payments to the Director and Deputy Director of CNM on each contract it entered into with CNM to supply LLINs from 2006 through 2010.

67. In total, CNM officials, namely the Director and Deputy Director, received USD 256,471 from SCS in payments from SCS during the time SCS contracted directly with CNM to provide LLINs.⁵⁹

68. The SCS Sales Manager responsible for the Cambodia region was also responsible for cultivating a relationship with CNM in order to achieve LLIN business in Cambodia.⁶⁰ The SCS Sales Manager met the CNM Director around 2003.⁶¹ From the beginning, the CNM Director made it clear to the SCS Sales Manager that some kind of commission payment would be necessary in order for SCS to win LLIN contracts from CNM. In their initial conversations, the Director commented that a competitor company, VF, was willing to pay 80 to 90 cents on the dollar per net for the opportunity to deliver bednets to Cambodia.⁶² **At this point, the SCS Sales Manager understood that “if this is the only way to get into the country, by paying off somebody, okay.”⁶³ Even CNM’s Director acknowledged the importance of forging a close “relationship”⁶⁴ in order to obtain business, stating “[Bidders] want to make friendship with us. You know I can say, yes, because not only this company, all company do the same way. When you want to do business, they give you some gifts like a tie, like a pen.”⁶⁵**

⁵⁶ See chart listing Global Fund-financed contracts with SCS, Figure 27, *infra*.

⁵⁷ <http://www.vestergaard-frandsen.com/our-passion/about-us>, accessed 15 May 2013.

⁵⁸ See chart listing Global Fund-financed contracts with VF, Figure 47, *infra*.

⁵⁹ This amount includes LLIN contracts facilitated by WHO as Procurement Agent, as CNM deemed these to be direct contracts from SCS.

⁶⁰ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶18).

⁶¹ *Ibid.* at ¶ 8.

⁶² *Ibid.* at ¶ 12; Interview of SCS Sales Manager, 20 October 2012 (ROC ¶15).

⁶³ Transcript of interview with SCS Sales Manager, 20 October 2012, p. 12.

⁶⁴ Audiotape of interview with CNM Director, 26 July 2012, at 37:44.

⁶⁵ Audiotape of interview with CNM Director, 26 July 2012, at 39:00.

69. However, since the Sales Manager knew that SCS could not pay cash outright in order to secure this business, a different scheme was devised.⁶⁶ The CNM Director **suggested to the SCS Sales Manager that SCS hire a local “consultant” in Cambodia who could receive the commission payments in country and pass them on to him.** The amount of these commission payments would be calculated as a percentage of the value of each contract.⁶⁷ **The CNM Director then provided the name of a consultant, “Chhounou Kimchenda”,⁶⁸ for this purpose.** The SCS Sales Manager endorsed⁶⁹ the use of this consultant to SCS management, and obtained approval from his supervisor, a Managing Director (“Sumitomo Managing Director” or “Managing Director”) located in Malaysia, to engage CNM in this manner.⁷⁰ The investigation did not reveal any selection process or consideration of other candidates before SCS made this decision. Both the Sales Manager and the Sumitomo Managing Director were interviewed by the OIG. The Sales Manager explicitly acknowledged that they were both aware that payments would be going to the CNM Director personally⁷¹, and that these payments were required in order for SCS to maintain competitiveness in the Cambodia market.⁷²

70. The consultancy agreement allowed SCS to pay its agent a percentage of the total value of the contract for work obtained in Cambodia. In its standard consultancy agreements, SCS allows for a fixed percentage for commission payments to its agents. However, the agreement for Cambodia was different from previous consultancy agreements SCS had entered into because it contained a special clause that, in addition to the standard 4 percent commission granted for services rendered, allowed for a “bonus” payment on a “case-by-case basis.”⁷³ (See Annex 1, Figure 6). The vague language of this **clause allowed the Sales Manager to push improper commission payments through SCS’s accounting channels up to 6.5 percent of the total value of contracts.**

71. **Once the mechanism for making the payments was well in place, and after CNM’s Director began to receive his “commission” payments, in 2008 CNM’s Deputy Director and Head of the Procurement Bid Evaluation and Technical Evaluation Committees of CNM, began communicating to SCS her insistence on payments to her as well.⁷⁴ After SCS won a tender offer in 2008, CNM’s Deputy Director asked the SCS Sales Manager if he could give the tender committee a commission in light of the fact it was the Khmer New Year.⁷⁵ CNM’s Director reiterated this request by stating: “The committee do hope your company will win this bid (I try all my best). Because, we dropped PermaNet and Interceptor net. Now only 3 LLMIN in this process. But the procurement committee ask me to request some small commission (1 or 2%) from you.... In this case when they ask you about this you can have this idea with the committee or you can support as 2% for commission to avoid future procurement (maybe affect to my benefit). Up to you to**

⁶⁶ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 13).

⁶⁷ Interview of SCS Sales Manager, 17 August 2012 (¶ 24-25, 29-31, 38-41).

⁶⁸ **Throughout this report, the consultant/agent’s name is placed in quotations to reflect the variety of spellings used by the Suppliers and CNM officials when referring to this individual.**

⁶⁹ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 14-16).

⁷⁰ See Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 5, 10-11, 13, 16, 27, 33) (explaining that SCS Sales Manager has two direct reports: the Regional Director and Head of the Health and Crop Sciences Sector based in Singapore and the Business Head of the Environmental Health and Vector Control Division (“EHD”), based in Malaysia). Further, the Business Head of the EHD had two titles: Managing Director of Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd., Sumitomo’s legal entity within Malaysia, and EHD Regional Head for South/Southeast Asia and Australasia. Because he introduced himself as “Managing Director” to OIG during an interview, the OIG report refers to this individual as “Sumitomo Managing Director” throughout. Interview of Sumitomo Managing Director, 19 October 2012 (ROC ¶ 2).

⁷¹ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 25, 30-32); Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 10-11, 13, 16-17, 27).

⁷² Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 12, 17); Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 5, 10-11, 27, 42).

⁷³ Interview of SCS Executive Assistant, 17 August 2012 (ROC ¶ 17-18).

⁷⁴ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 29-31).

⁷⁵ Ibid. at ¶ 29.

decide, I just let you know about this request. Do not show this e-mail to other person. **Thanks.”** (See Annex 1, Figure 7).

72. The Sales Manager then asked the CNM Director to share a part of his commission payment with the Deputy Director, to which he agreed.⁷⁶ The SCS Sales Manager paid the **CNM Deputy Director out of the CNM Director’s commission.**⁷⁷

73. The evidence identified in the investigation has revealed that the CNM Director received a minimum of 2.8 percent commission fee on every contract with SCS from 2006 through 2010. Beginning in 2008, the Deputy Director also received a minimum of 1.5 percent in commission fees. Combined, these two commission payments equaled as much as 6.5 percent of the total value of the LLIN contracts. Whenever the Deputy Director received a commission, it would be paid out of a lump sum that was wired to the Director. **He would then transfer the Deputy Director’s portion to a bank account designated by her.**

74. In interviews with the OIG, the SCS Sales Manager admitted to making the payments knowingly and voluntarily, and acknowledged that it was wrong, and illegal, to do so.⁷⁸ **In fact, the Sales Manager conceded, “Both me and [the Sumitomo Managing Director] knew that it is wrong. But at that time I was naïve. I thought the one that give would not suffer consequences. It is the one that receive [...] we know it is not the right thing to do [...] It is giving money to someone; it is corruption. But I thought that when it would be found eventually; the giver would not have punishment, it is the receiver that gets – especially when the giver [does] not benefit in any kind.”**⁷⁹ Indeed, the evidence in the case demonstrates a consciousness of guilt on the part of both the SCS Sales Manager and the CNM Director in that emails reflect that the SCS Sales Manager and CNM Director often made requests to delete emails that referred to the commission payments. (See Annex 1, Figures 7, 8 and 22). The SCS Manager explained to the OIG that payment of commissions was the only way to obtain business from CNM, and that he believed commission payments are required to be paid for any contract in the Kingdom of Cambodia.⁸⁰ When asked if he heard that Cambodian officials are required to kick up portions of the payments they receive to higher-level officials, such as ministers, the Sales Manager responded, **“I never asked. I don’t want to ask also.”** Then he added, **“I think it’s... in conversation, you know, ‘Oh, I need to give a New Year gift.”**⁸¹

75. **When VPP began in 2011, procurement was handled by SCS’s parent company in Japan and SCS ceased payment of commissions to CNM.** The Sales Manager explained that this was because the product was coming straight from the manufacturer.⁸² **Sumitomo’s headquarters office was aware of the payments to the Cambodian agent and specifically instructed the SCS Managing Director not to continue paying these commissions under VPP: “[N]ot one cent to any agent as instructed by HQ on VPP tenders.”**⁸³ **SCS’s Sales Manager was relieved to be released from this obligation of paying commissions in order to do business in Cambodia, as the Sales Manager explained: “I said, [CNM Director] and [CNM Deputy Director], ‘under VPP we do not get any more commission from SCC. So for that I cannot pay you.’ And in fact, internally I was relieved. Finished; no more dealing. We were extremely relieved. [...] Because towards the beginning of 2008/2009 the company started to emphasize our compliance, SOX [Sarbanes-Oxley Act], which made me more aware [...]”**⁸⁴ The OIG uncovered no evidence

⁷⁶ Interview of SCS Sales Manager, 17 August 2012 (¶ 30).

⁷⁷ Ibid. at ¶ 31.

⁷⁸ Ibid. at ¶ 34, 53, 55, 59; Interview of SCS Sales Manager 20 October 2012 (ROC ¶ 17, 39).

⁷⁹ Audio tape of interview with SCS Sales Manager, 20 October 2012, at 25:33.

⁸⁰ Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 10-12).

⁸¹ Transcript of Interview with SCS Sales Manager (Part II), 17 August 2012, p. 30.

⁸² Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 19).

⁸³ **18 May 2011 email from Sumitomo Managing Director to SCS Sales Manager re: “VPP Cambodia”.**

⁸⁴ Audio tape of interview with SCS Sales Manager, 20 October 2012, at 35:02-35:38.

that SCS continued making improper commission payments from 2011 onwards in Cambodia.

G.1.4.2. *Payment of commissions were wired directly from SCS's bank account to the accounts designated by the CNM Director and Deputy Director*

76. SCS's payments to its agent in Cambodia were processed by its Accounts Department upon receipt of a remittance of payment request generated by the SCS Sales Manager. (See, e.g., Annex 1, Figure 9). These requests were accompanied by supporting documentation, such as the underlying Consultancy Agreement.⁸⁵ Ultimately, SCS wired these payments from its corporate bank account directly into the account designated to the "agent". (See, e.g., Annex 1, Figure 10).

77. In 2006, SCS won its first LLIN contract from CNM and paid a commission payment to the CNM Director in the amount of USD 20,000 in connection with Global Fund-financed contract GJ 06/24 valued at USD 706,580.⁸⁶ This payment was remitted on 22 September 2006 to "Chhounou Kimchenda", as authorized by Sumitomo Japan in Osaka.⁸⁷ This payment was made from Sumitomo Japan's "Outsourced Research Expense" account and booked to "Agricultural development experiment expenses."⁸⁸ As with all of commission payments discussed herein, this payment was authorized pursuant to the 1 January 2006 Consultancy Agreement with "Chhounou Kimchenda", which set the floor of commission payments at 4 percent of the total value of the contract (though the OIG notes that this first commission payment appears to be approximately 2.8 percent of total value of the contract).

78. In October 2007, SCS paid a 4 percent improper commission to CNM's Director in the amount of USD 7,919.50. This payment pertained to Global Fund-financed LLIN contract DVMTO R4 No. 07/011 (P.O. 979/07 C.N.M.), with a total value of USD 197,987.40. The evidence reflects that upon the SCS Sales Manager's request, the money was transferred directly from SCS's bank account to the account of "Chhounou Kimchenda" and "[REDACTED] 1", as designated by the CNM Director. (See Annex 1, Figures 9-11). The OIG investigation revealed that the second beneficiary "[REDACTED] 1" is the CNM Director's daughter.

79. In December 2008, SCS paid a 6.5 percent improper commission, shared between the CNM Director and Deputy Director, in the amount of USD 84,311.50. (See Annex 1, Figures 12, 13, 15). This payment corresponded to Global Fund-financed contract DVMTO R6 08/015 (GFATM/CNM/LLINR6/005) for 238,000 LLINs, with a total value of USD 1,297,100. Of the commission amount, 5 percent (USD 64,855) was designated for the CNM Director and 1.5 percent (USD 19,456.50) for the CNM Deputy Director. (See Annex 1, Figure 14). These payments were made into the bank accounts designated by the Director and Deputy Director.

80. For three contracts between 20 July and 25 August 2009⁸⁹, valued at USD 1,731,585 in total, SCS paid a 6.28 percent improper commission to the CNM Director and Deputy Director in the total amount of USD 108,744. (See Annex 1, Figures 20-21). A 5 percent commission fee went to the CNM Director, while the evidence shows that the Deputy Director received USD 23,216.02. (See Annex 1, Figure 22).

⁸⁵ Interview of SCS Executive Assistant, 17 August 2012 (ROC ¶29).

⁸⁶ Payment records reflect that a payment in the amount of USD 20,000.00 posted on 22 September 2006 originating from Sumitomo Chemical Company Limited going to the ultimate beneficiary "Chhounou Kimchenda".

⁸⁷ Cash request list dated 06/09/14 [sic] regarding payment to "Chhounou Kinchenda" of USD 20,000 or 2,334,200 JPY (translated, original document in Japanese).

⁸⁸ Ibid.

⁸⁹ Contracts DVMTO Round 4 (09/015), Round 6 (09/016) & RCC (09/001).

81. On or around 19 July 2010, SCS paid a USD 35,496 commission for a contract executed in the amount of USD 694,220 on or around 30 June 2010 (DVMTO 10/01 GJ10/44E). (See Annex 1, Figures 23-24). The CNM Director received this amount in full, but agreed to transfer USD 17,136 to the Deputy Director's bank account. (See Annex 1, Figure 25). **Notably, the SCS Sales Manager chose to write to the CNM Director's personal email account to discuss the remittance of payment as opposed to his official work account.** The SCS Sales Manager has admitted to the OIG that he paid this commission to the Director and Deputy Director, noting that he was successful in bringing the total commission down from 6.5 percent to below 5.8 percent⁹⁰ as per the instructions of his supervisor, the Sumitomo Managing Director, on 24 June 2010.⁹¹ (See Annex 1, Figure 42).

82. A letter dated **5 July 2010, purportedly from "Chhounou Kimchenda"** and addressed to the SCS Sales Manager, directs the Sales Manager to divide the commission payment between two accounts: **to that of "Ms. Kimchenda Chhounou" and "[REDACTED]" and to that of the CNM Deputy Director.** (See Annex 1, Figure 26). Thus, the evidence shows that it was **the Sales Manager's intention for** these improper commission payments ultimately to go **to CNM's executive officers.** The computer forensic metadata associated with this **Microsoft Word document, which was found on the SCS Sales Manager's computer,** indicates that the Sales Manager actually created this document himself on 12 July 2010 and back-dated it to 5 July.⁹² SCS confirmed to OIG that the SCS Sales Manager admitted to creating this document, and others like it, in an effort to make the consultancy arrangement appear legitimate.⁹³

83. In all of the contracts at issue with SCS, bednets were produced and delivered according to the terms of said contracts. In total, SCS provided over 874,000 LLINs to Cambodia through direct procurements for SCS, totaling over USD 4.6 million. The amount of money that SCS paid in commissions in order to obtain these contracts, as the table below indicates, is USD 256,471.

⁹⁰ Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 32).

⁹¹ Ibid. at ¶ 30-31.

⁹² Microsoft Word Document: custodian and author: SCS Sales Manager; created: 12 July 2010 at 10:02:00; MD5 Digest: 2c5606e932cf20bb122986ba4d9d33f5.

⁹³ 3 October 2013 email from SCS's legal counsel to OIG re: "Fictitious Documents – [SCS Sales Manager]".

Figure 27: Improper commissions paid in Global Fund-financed contracts where SCS provided bednet products to CNM

Contract/PO No.	Contract/PO Date (Approx.)	Invoice Date	Invoice No.	Amount of LLINs	Total Value of Contract (in USD)	Commission Payments (in USD)	Date of Payment (Approx.)
Purchase Order SUP/06/05689		24 Oct 2006	-----	120,000	706,580	20,000.00	22 Sept 2006
DVMTO R4 07/011 (614/07PR)	17 July 2007	25 Sept 2007	20020233	34,660 (+ 20 nets gratis)	197,987	7,919.50	17 Oct 2007
DVMTO R6 08/015 (658/08PR)	22 Aug 2008	19 Nov 2008	20022375	238,000	1,297,100	84,311.50	15 Dec 2008
DVMTO R4 09/015 (638/09PR)	20 July 2009	13 Nov 2009	20025339	174,000	833,460	108,744.00	21 Dec 2009
DVMTO R6 09/016 (638/09PR)	20 July 2009	13 Nov 2009	20025339	87,500	419,125	(Covered by 21 Dec 2009)	
DVMTO RCC 09/001 (1540/09)	25 Aug 2009	13 Nov 2009	20025339	100,000	479,000	(Covered by 21 Dec 2009)	
DVMTO 10/01 GJ10/44E		30 Jun 2010	-----	120,000	694,220	35,496.00	19 July 2010
Purchase Order 0975-ITN-VPP-0035		6 Oct 2011	H1134KH	785,500	3,063,450	-----	
Purchase Order 0975-ITN-VPP-0035		31 Oct 2011	D1133KH	785,500	3,063,450	-----	
Total				2,445,160	\$10,754,372	\$256,471.00	

G.1.4.3. The payments were disguised as commissions to a fictitious consultant

84. As mentioned above, SCS drafted a Consultancy Agreement, dated 1 January 2006, between SCS and an individual by the name of “Chhounou Kimchenda” for contracts obtained in Cambodia in order to provide a vehicle by which the commission payments could be requested from the SCS Accounting and Finance Department and made to CNM’s Director. The agreement set forth various responsibilities that consultant “Kimchenda” would be required to fulfill in his/her representation of SCS in Cambodia in order to receive a commission payment. However, the OIG uncovered no evidence that the “consultant” fulfilled any of the required duties required by the consultancy contract, such as drafting monthly progress reports, reporting on market information, or product development work.⁹⁴ Indeed, only four “reports”, all purporting to be from 2006, were uncovered during this investigation over the five-year period that the consultant was supposed to have worked under contract for SCS.⁹⁵ These reports were stored on the Sales Manager’s own computer, and do not appear to be the work product of “Chhounou Kimchenda.”⁹⁶ These reports detail activity in Cambodia from January 2006 through August 2006 only, and they contain unfinished sentences and spelling errors. In fact, the investigation revealed that the SCS Sales Manager created these and other documents in an effort to perpetuate the ruse of a “Kimchenda” consultancy.⁹⁷ Moreover, the Sales

⁹⁴ 1 January 2006 Consultancy Agreement, “Services”, Art.1(c) and (e).

⁹⁵ Cambodia Activity Reports, dated January 2006, March 2006, May 2006 and August 2006, by “Chhounou Kimchenda, Consultant”.

⁹⁶ SCS provided the Global Fund with select documents from the SCS Sales Manager’s hard drive. See OIG report ¶ 216.

⁹⁷ Computer forensic metadata from these documents show that all four reports were contained in one Microsoft Word Document file, for which the document custodian was the SCS Sales Manager and the author was “SCS” (MD5 Digest: faf6b7fdad9700aea57655213bc76869). These documents were created on 19 September 2006. The same documents were found in PDF format in one file again with the SCS Sales Manager as the custodian (MD5 Digest: ea3dd1db69fe7deeac28b1a881e9b7ef).

Manager admitted to signing “Chhounou Kimchenda’s” name on documents himself.⁹⁸ Thus, the OIG concludes that the main purpose for the consultancy agreement was to provide a mechanism to facilitate the payments to the CNM Director and Deputy Director. **The agreement also supported the SCS Sales Manager’s requests for payment from the SCS Accounting and Finance Department, and facilitated their approval and transmission, as described in further detail in Section G.1.4.2 of this report.**

85. Although the agreement is signed and dated 01 January 2006, the computer forensic metadata reveals that it was actually created by the SCS Sales Manager on 03 October 2007 and signed the same day, which supports a finding that the consultancy agreement was created to retroactively support payments already made to the CNM Director.⁹⁹

86. The SCS Sales Manager ultimately admitted to OIG that the consultancy arrangement was a fiction that facilitated the improper commission payments to Cambodian government officials.¹⁰⁰ He facilitated this arrangement despite his knowledge that **“this was a fictitious deal. Basically, the consultant is not there. But I still continue because I thought we’d get away with it. No one knows but me, [CNM Director], and later [CNM Deputy Director].”**¹⁰¹ The SCS Sales Manager obtained the necessary approval and authorization to execute the consultancy agreement from his direct supervisor, a Sumitomo Managing Director.¹⁰² The evidence gathered in the investigation reflects that the Managing Director was made aware of the fact that these payments were being delivered to the CNM Director personally.¹⁰³

87. **The OIG has identified no evidence to prove that the person “Chhounou Kimchenda” actually exists other than the CNM Director’s claims that “Chhounou Kimchenda” is his relative.**¹⁰⁴ The SCS Sales Manager stated to the OIG that he did not recall ever meeting this person and only “hired” him/her upon the CNM Director’s instruction.

88. In addition to commission payments, the SCS Sales Manager obtained a cash payment from the SCS Accounting and Finance Department in “Kimchenda’s” name for research and reports allegedly created by the consultant. A template letter confirming a **USD 2,100 cash payment appears to have been created on the SCS Sales Manager’s computer, along with the interim report that was purportedly created by “Kimchenda” and which forms the basis for this cash payment.**¹⁰⁵ The OIG could not confirm the ultimate beneficiary of this payment, but the weight of the evidence suggests that payments made to “Chhounou Kimchenda” ultimately went to the CNM Director.

⁹⁸ Audio tape of interview with SCS Sales Manager 20 October 2012, at 1:15:33 and Transcript p. 66; 3 October 2013 email from SCS’s legal counsel to OIG re: “Fictitious Documents – [SCS Sales Manager]” (SCS Sales Manager acknowledging that he had signed “Kimchenda”’s name on consultancy contract); see, e.g., 1 February 2008, letter from “Chhounou Kimchenda” acknowledging receipt of USD 2,100 cash payment from SCS Sales Manager and signed by “Chenda”. This document was found in Microsoft Word and PDF format on the SCS Sales Manager’s computer with him as the custodian and “SCS” as the author. MD5 Digest: 6d9ebacc513b58a2adaa71b37e7f10d7 (Word) and 55a91a0679d5cdd5ba4bb7d534f7be1 (PDF).

⁹⁹ The metadata for this document indicates the following information: custodian: SCS Sales Manager; item date: October 3, 2007, 10:27:00 AM; file name: “Consultant agreement (4).doc”; MD5 Digest: 05cbf41300ff535af1b72f56b193e343 (for unsigned version) and custodian: SCS Sales Manager; Item date: October 3, 2007, 10:39:58 AM; file name: “Consultant agreement (4).pdf Oct 07.pdf” (for signed version); MD5 Digest: 47aeb35366a5050e7ffdb720e47a21df. For both versions of this consultancy contract, the Path name is: D:/Documents and Settings/S1 [REDACTED]/My Documents/Cambodia Apr 08/Cambodia meeting June 06 onward. MD5 Digest: a7f6defc-ad8a-444f-a167-7067059124c5

¹⁰⁰ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 37).

¹⁰¹ Audiotape of interview with SCS Sales Manager, Part II, 17 August 2012, at 01:45 – 2:07.

¹⁰² Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 11).

¹⁰³ Ibid. at ¶ 10-11. See § G.1.4.6 of OIG report for further discussion.

¹⁰⁴ In a 27 June 2006 email re: “Procurement of LLINs”, the CNM Director refers to “Chhounou Kimchenda” as his sister-in-law. See also OIG report ¶ 90, 119.

¹⁰⁵ 1 February 2008 letter from “Chhounou Kimchenda” acknowledging receipt of USD 2,100 cash payment from SCS Sales Manager (Word file and PDF file (with signature)).

G.1.4.4. Payment of improper commissions made to third parties to diminish ability to trace back to CNM officials

89. The investigation has identified that the SCS Sales Manager and the CNM Director and Deputy Director communicated often and repeatedly via email and short message service (“sms”) messages concerning the payment and receipt of these commissions.¹⁰⁶ These CNM officials directed the SCS Sales Manager to send commission payments to third parties so as to avoid having the money linked directly to them. Evidence has been obtained that the SCS Sales Manager would then make payment requests through SCS in order to have the money wired directly from SCS’s bank accounts into the accounts of individuals designated by the CNM Director and Deputy Director. (See Annex 1, Figures 11 and 29). The evidence further reveals that sometimes the payments to the CNM Director and Deputy Director were made separately, while other times the full payment went to the CNM Director, who then wired a designated amount to the Deputy Director himself.¹⁰⁷ (See Annex 1, Figure 25).

90. Among the designated recipients of the improper commission payments on behalf of the CNM Director and Deputy Director were the following: “Chhounou Kimchenda”, [REDACTED] 1, [REDACTED] 2 and [REDACTED] 3. “Chhounou Kimchenda” is SCS’s named consultant in Cambodia and CNM’s Director refers to this person as his “sister in law”, though he spells it in different ways at different times, such as “Chhounou Kim Chanda”.¹⁰⁸ (See Annex 1, Figure 11). [REDACTED] 1 is the daughter of the CNM Director and a member of CNM’s procurement team from October 2009 forward.¹⁰⁹ The CNM Deputy Director has admitted in interviews with the OIG that “[REDACTED] 3” is related to her, and that she told the Sales Manager to transfer the commission payment directly to “my relative bank account. My relative has chronic disease and I told [the Sales Manager] so that he can help my relative.”¹¹⁰ The investigation uncovered no other connection between [REDACTED] 2 and SCS or CNM business.

91. Although the SCS Sales Manager’s requests for payment directed that money go to the above-named individuals, it is clear that his intention was that CNM’s Director and Deputy Director personally receive these payments. The language of the emails discussed above reveals no other plausible explanation, and the SCS Sales Manager has fully acknowledged that the payments were intended for the CNM officials personally.¹¹¹ The email and sms communications demonstrate that the Director and Deputy Director repeatedly and openly communicated with the SCS Sales Manager on a regular basis to ask where their money was, or to give further instructions on where to send it. The OIG investigation uncovered no communications at all between the SCS Sales Manager, or anyone else at SCS, and consultant “Chhounou Kimchenda”.

G.1.4.5. SCS gave gifts and other items of value in effort to establish “close” relationship with CNM and to obtain contracts

92. In addition to improper commission payments, SCS spent at least USD 20,000 on gifts, trips and sponsorships for Cambodian government officials and other individuals who worked at CNM between 2004 and 2010. (See Annex 1, Figure 39). The SCS Sales Manager, with the knowledge and consent of the Sumitomo Managing Director,

¹⁰⁶ Source: SCS Sales Manager’s mobile phone sms records (created: 3 July 2009; last accessed: 16 August 2010), provided to OIG by SCS.

¹⁰⁷ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 30).

¹⁰⁸ 17 November 2008 email from SCS Sales Manager to CNM Director re: “Greeting from [SCS Sales Manager]”; see also OIG report fn.164, discussing different spellings of the consultant’s name.

¹⁰⁹ 6 October 2009 email from CNM procurement officer to SCS Sales Manager re: “Request for booking hotel in Singapore”.

¹¹⁰ Interview of CNM Deputy Director, 27 July 2012 (ROC p. 2).

¹¹¹ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 30-31, 38-41).

performed numerous non-business-related favors¹¹² for these individuals in connection with his efforts to develop close relationships so as to ultimately obtain LLIN contracts for SCS.¹¹³ The CNM Director and others readily accepted these gifts and favors, often initiating the request for favors from the SCS Sales Manager. The favors included paying for plane travel to and accommodation in **Singapore, making doctor's appointments**, buying medicine, purchasing gifts, such as televisions and phones, and scheduling family vacations.¹¹⁴ Upon questioning by the OIG, the SCS Sales Manager acknowledged that **payment for such items is contrary to SCS's policies against gift-giving**,¹¹⁵ and that this was part of the continuous effort for SCS to secure business from CNM.¹¹⁶

93. Prior to obtaining the first contract for LLINs with CNM in 2006, the SCS Sales Manager actively sought **CNM's** favor by paying for trips for Cambodian officials. For instance, the evidence establishes that the SCS Sales Manager used SCS money to fund a personal trip that the CNM Director sought to take to Singapore in October 2005. (See Annex 1, Figure 30). In response, the emails confirm that the SCS Sales Manager offered for SCS **to pay for flight, accommodation and medical fees "if [the visit is] personal."** The SCS Sales **Manager then offered to book, and have SCS pay for, doctor's appointments at the Raffles hospital in Singapore for the CNM Director.**

94. Indeed, most of the gifts and favors that were provided to the CNM Director were requested by the Director himself. The emails reflect that the CNM Director requested various commodities, such as medicine, as well as the scheduling of **doctor's appointments**, and, as shown above, payment for trips that were personal in nature. The emails further reflect that the SCS Sales Manager was more than willing to comply, and **bought presents and extended favors for the Director's family members as well.** For instance, in May 2010, the SCS Sales Manager committed SCS finances to pay for the **CNM Director and his wife's visit to Singapore and scheduled a doctor's appointment for the Director's wife. SCS paid SD 918.06 for this doctor's visit.**¹¹⁷ The CNM Director's daughter was also the beneficiary of gifts purchased by SCS, such as a mobile phone. (See Annex 1, Figure 31). On a more recent occasion, 4 February 2012, the CNM Director informed the SCS Sales Manager that his daughter was beginning an MBA in Singapore in March and needed to pay her tuition by 21 February.¹¹⁸ In response, the SCS Sales **Manager asked the Director to have his daughter give him a call and said he would "deliver her luggages [sic] back to her dormitory".** He further added that he planned to visit the CNM Director in mid-2012. It is unclear to the OIG if this daughter is the same person who was listed as a beneficiary and recipient, along with "Chhounou Kimchenda", of improper commission payments. (See OIG report ¶ 78, 90, supra, and Annex 1, Figure 11). On one occasion, the record reflects that the SCS Sales Manager fabricated a business purpose in order to take a trip to Phnom Penh to provide gifts to the Director's children: **"My schedule to visit you on Aug 25 is confirmed as follow (my main purpose is to pass the Nokia N97 Black Phone to you)..."** (See Annex 1, Figure 32). The Sales Manager submitted expense claim forms to SCS's Finance and Accounting departments requesting payment

¹¹² Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 42-49, 55, 57-60); Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 40-41).

¹¹³ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 30-31, 38-41); Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 42).

¹¹⁴ See, e.g., 18 October 2005 email re: "LLIN Procurement", and 23 September 2008 email re: "Hotel name", between SCS Sales Manager and CNM Director.

¹¹⁵ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 55).

¹¹⁶ Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 40-42); See OIG report ¶ 100, infra, discussing SCS's Code of Ethics.

¹¹⁷ SCS expense claim form dated 24 June 2010, where SCS Sales Manager requests reimbursement; corresponding Tax Invoice, dated 14 May 2010, for services rendered by [REDACTED] of the Diabetes, Thyroid and Hormone Clinic to [REDACTED].

¹¹⁸ 7 February 2012 email exchange between CNM Director and SCS Sales Manager re: "Greeting".

for these gifts and favors, which were approved and made.¹¹⁹ Such requests routinely had to be approved by a supervisor.¹²⁰

95. It appears that the CNM Director informed the Sales Manager that one of the Secretaries of State¹²¹ **within MoH (“Secretary of State”), who was connected to the granting of Global Fund-financed LLIN contracts, expected gifts or compensation from SCS’s Sales Manager. The OIG investigation uncovered no evidence of direct communication between this Secretary of State and the Sales Manager or the CNM Director in which the Secretary made such requests himself. The Secretary of State was a signatory to CNM’s contracts with SCS in July 2009 and signed Notification of Award letters during the time CNM was SR to MoH.**¹²² It is likely that the CNM Director was **aware of this individual’s influence and authority** to sole source LLIN contracts to CNM (as SR) and leveraged this knowledge in his pursuit to obtain additional improper commission payments.¹²³ Indeed, this Secretary of State authorized PSI to sole source LLINs from VF in March 2006.¹²⁴ A 23 September 2009 email from the CNM Director to the SCS Sales Manager discusses a request that the Secretary of State supposedly made **through the CNM Deputy Director:** “████ informed me that █████ remind her that you have promised to give him some gift? I think maybe I propose you last time to give him a new mobile phone. It’s ok if you can send other stuff such as a tie or watch?” (See Annex 1, Figure 33).

96. Records obtained by OIG also reflect that the SCS Sales Manager made a USD 1,000 **payment to CNM’s Director with** the stated intention for the Director to forward the money to the Secretary of State under the MoH on or around November 2009. (See Annex 1, Figure 34). The OIG did not uncover any evidence that this USD 1,000 was actually solicited by or provided to the Secretary of State.

97. The evidence also reflects that the SCS Sales Manager made efforts to develop a close relationship with a scientist/WHO Cambodia employee. WHO Cambodia worked in connection with its affiliate office in Manila, which served as Procurement Agent for several Global Fund contracts. (See OIG report ¶ 57). Additionally, this employee was a **member of CNM’s** BEC for Global Fund procurements in which SCS competed¹²⁵. The OIG uncovered evidence that indicates the SCS Sales Manager offered to pay for private trips for the WHO Cambodia employee. In June 2009, the SCS Sales Manager corresponded with the WHO Cambodia employee via his private email account and **offered to pay airfare for a private trip, stating that he would “arrange accommodation as before.”** (See Annex 1, Figure 35). **To justify this payment, the SCS Sales Manager submitted it to his company as sponsorship for the Emerging Infectious Diseases conference in Singapore, even though the WHO Cambodia employee said he was unable to attend this conference.** (See Annex 1, Figure 35). Ultimately, SCS paid SD 2,769.05¹²⁶ to

¹¹⁹ The SCS Sales Manager’s handwritten note to “SCS Executive Assistant”, dated 23 March 2008, on a letter received from CNM, dated 18 March 2008, indicates that the Sumitomo Managing Director approved this cost, which was used as accounting support for the payment request.

¹²⁰ Interview of Director of Health and Crop Sciences, 19 October 2012 (ROC ¶ 20).

¹²¹ There are currently 8 Secretaries of State who serve under the leadership of the MoH. Current CNM Director’s 17 June 2013 comment on OIG 14 June 2013 draft report.

¹²² See, e.g., 20 July 2009 contract to purchase 261,500 LLINs in the amount of USD 1,252,585 under Global Fund grant Rounds 4 and 6. CNM was SR to MoH-PR for three Rounds: 2 (1 January 2004 – 31 December 2008); 4 (1 September 2005 – 31 August 2010); and 6 (1 January 2008 – 31 December 2012).

¹²³ MoH-PR Procurement Guidelines, Version 8, revised August 2006, § V.1.

¹²⁴ 4 May 2006 email from PSI-Cambodia to VF Sales Manager, Indian branch re: “Net sole source”.

¹²⁵ “Minutes of Technical Proposal Opening of Long-Lasting Insecticidal Nets Under the GFATM Round 6 Phase 1”, dated 2 June 2008; “Report of Financial Proposals Opening of Long-Lasting Insecticidal Nets Under the GFATM Round 6, Phase 1 and Recommendation for Approval”, dated 6 June 2008.

¹²⁶ Price discussed between parties is in Singapore Dollars. The chart in Annex 1, Figure 39 converts this figure to U.S. dollars (\$1,990.26).

the WHO Cambodia employee for this private trip.¹²⁷ Earlier in this same email chain, in January 2009, the SCS Sales Manager confirmed payment for a hotel for the WHO Cambodia employee and his wife who was joining him on holiday. (See Annex 1, Figure 36).

98. This employee of WHO also appears to have shared information about upcoming LLIN needs in Cambodia with SCS during its efforts to win LLIN contracts. In January 2009, the WHO **Cambodia employee wrote to SCS's Sales Manager from his personal email account** in order to provide advanced notice of an upcoming procurement of LLINs **at CNM. Significantly, he specifically asked SCS's Sales Manager not to tell anyone that he** provided him with said information. (See Annex 1, Figure 37). This came less than two weeks **after SCS's Sales Manager agreed to pay the WHO employee and his wife's hotel costs during a holiday.** The OIG finds that the offering of monetary favors to an individual **who worked at WHO Cambodia and who sat on CNM's procurement evaluation team** was improper. Further, and as discussed in OIG report ¶ 112, 151, sharing strategic or future procurement plans with only one bidder could provide that bidder with a competitive advantage over the others, as it enables the preplanning of production capacity and availability of stock.

99. Between 2004 and 2010, it appears that SCS paid over USD 20,000 to fund travel **and to sponsor CNM's employees and other Cambodian government officials** to attend conferences. (See Annex 1, Figure 39). The connection of these trips to SCS business is not evident. The evidence reveals that some trips likely were purely for personal reasons. It is clear, however, that SCS Sales Manager understood there was a direct link between making these payments and obtaining contracts from CNM. For example, in 2008, SCS Sales Manager tells his Managing Director supervisor **that SCS has "little choice" but to sponsor lunches for CNM's annual malaria conference in light of SCS's "participation to bid for supply of 200,000 nets to CNM."** (See Annex 1, Figure 38). **These trips and other items of value were paid for from SCS's corporate funds,** were part of the scheme to curry favorable treatment and ultimately business from CNM by a company competing for its business.

100. Such payments as those detailed in Annex 1, Figure 39, in addition to the frequent gift giving and the improper facilitation payments to the CNM Director and Deputy **Director, appear to be in violation of SCS's Code of Ethics.** SCS provided OIG with a draft of its Code of Ethics dated and taking effect as of 13 January 2005 and a revised, updated version of the Code of Ethics dated July 2009.¹²⁸ According to SCS, the Code of Ethics was communicated to all SCS employees and periodic trainings were conducted. The SCS Sales Manager signed a Certificate of Understanding and Compliance for both the 2005 and 2009 versions of the Code of Ethics to certify that he had read the Code of Ethics and understood his responsibility to comply and that failure to do so could lead to disciplinary action, including dismissal.¹²⁹ Yet, he told the OIG that he did not remember attending any compliance or anti-corruption trainings until July 2012.¹³⁰ Both versions of the Code of Ethics have a section on Improper Payments, Section 7, which reads in relevant part:

"The Company specifically prohibits offering, giving, soliciting, or receiving any form of bribe or kickback. These are criminal acts and can result in criminal prosecution of both the individual involved and the Company. Personal funds or resources may not be used to do that which is otherwise prohibited.

¹²⁷ 9 December 2009 email chain between SCS Sales Manager and WHO Cambodia employee re: **"Sponsorship: Personal request/remittance [sic] date".**

¹²⁸ Sumitomo Chemical Singapore Pte Ltd Code of Ethics (Draft), 2005/01/13; Sumitomo Chemical Singapore Pte Ltd Code of Ethics, July 2009.

¹²⁹ Certificates of Understanding and Compliance, dated 31 August 2005 and 31 June 2009.

¹³⁰ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 66).

As a general rule, all gifts to public officials are forbidden. In those infrequent instances when it may be customary and lawful to give such a gift, its appropriateness must be discussed with your supervisor or the Ethics Compliance Officer. Any gifts provided under these circumstances must be given in an open and aboveboard manner.

With respect to government officials, it is not necessary that the item be given with the intent to influence that government official to constitute a violation of the applicable laws in Singapore. The law also prohibits the bribery of foreign **government officials.**"

101. Beyond gift-giving and payments for personal trips, the SCS Sales Manager also **performed "favors" for CNM that extended beyond normal business practices.** CNM took advantage of the SCS Sales Manager's willingness to oblige the CNM Director's many requests by asking him to make fraudulent and material misrepresentations on behalf of SCS that would be submitted to the U.S. Embassy in Phnom Penh. In November 2008, the CNM Director asked the SCS Sales Manager to provide a letter in support of two CNM employees' visa applications claiming that Sumitomo will sponsor the airfare and accommodation of this individual for a conference in New Orleans.¹³¹ The CNM Director assured the SCS Sales Manager that the employees would cover all costs themselves, but asked for his help in making the visa arrangements. Again, the SCS Sales Manager complied with these requests and drafted letters on SCS stationary.¹³² **This "favor" is completely unconnected to SCS's business with CNM, is highly improper, and is indicative of the less-than-arms-length relationship the SCS Sales Manager established with the CNM Director.**

102. Whether it was in the form of gifts, trips or other favors, SCS appears to have extended well beyond what its corporate Code of Ethics permitted in terms of appropriate business expenditures. OIG finds that the controls and processes in place at SCS were not **robust enough to ensure compliance with SCS's Code of Ethics during the relevant time period (2006-2010).**

G.1.4.6. Sumitomo senior management had knowledge of and approved improper commission scheme and gift giving

103. Although the SCS Sales Manager was based in Singapore, during all relevant times his direct manager was the Sumitomo Managing Director, who was based in Malaysia.¹³³ This Managing Director had direct and explicit knowledge of the scheme to make **improper payments to government officials in exchange for contracts via "commission" fees to a sham consultant from its inception.** (See Annex 1, Figure 40). The Sumitomo Managing Director was also made aware that the consultancy contract for "**Chhounou Kimchenda**" was a cover for payments being made to a "**Cambodian official**", meaning the CNM Director.¹³⁴ Despite this knowledge, the Sumitomo Managing Director approved and authorized the consultancy agreement.¹³⁵

¹³¹ Interview of SCS Sales Manager, 17 August 2012 (¶ 58); Transcript of Interview with SCS Sales Manager (Part II), 17 August 2012, p. 12-15; **10 November 2008 chain re: "Need your help" between CNM Director and SCS Sales Manager.**

¹³² Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 58); Transcript of interview with SCS Sales Manager (Part II), 17 August 2012, p. 12-15.

¹³³ When interviewed, the Sumitomo Managing Director denied being a supervisor of SCS Sales Manager and **attempted to create an artificial distance between them, claiming he was more of an "unofficial mentor".** Interview of Sumitomo Managing Director, 19 October 2012 (ROC ¶ 73, 75). Both SCS Sales Manager and **Director of SCS's Health and Crop Sciences** Sector unequivocally confirm that the Sumitomo Managing Director had direct supervisory responsibility for the SCS Sales Manager at all relevant times. Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 10-11), and **Interview of Director of SCS's Health and Crop Sciences**, 19 October 2012 (ROC ¶ 8).

¹³⁴ 6 July 2006 email from SCS Sales Manager to Sumitomo Managing Director re: "**FW: Agreement**".

¹³⁵ **Interview of Director of SCS's Health and Crop Sciences, 19 October 2012 (ROC ¶ 10, 18).**

104. Not only was the Sumitomo Managing Director included in numerous correspondence concerning the fictitious consultancy arrangement in Cambodia, he also actively engaged in discussions regarding the amount of commission to be paid.¹³⁶ Moreover, he was put on notice that CNM officials expected to get paid for influencing procurements in favor of SCS. The SCS Sales Manager informed this supervisor that **CNM's procurement team was getting "greedier" for commissions** because they managed to convince the Global Fund to sole source procurements while avoiding international tenders. (See Annex 1, Figure 41).

105. Further, while SCS was willing to provide bednets to Cambodia for very little profit, as part of a corporate responsibility campaign, the Sumitomo Managing Director cautioned against allowing the profit margin to disappear completely or causing the **company a loss lest it be "questioned by 'authorities' within SCS."**¹³⁷ (See Annex 1, Figure 42). He then engaged in a discussion regarding how much Sumitomo could cut into its **profit margin in order to maintain its relationship with CNM.** He also referenced **"both agents"** in his communication with the Sales Manager, indicating that he is, in fact, referring to CNM's Director and Deputy Director and not consultant **"Chhounou Kimchenda."**

106. The Sumitomo Managing Director also explicitly approved the use of SCS funds to **pay for personal trips and doctor's visits for CNM officials.** Further signifying his complicity in this scheme, the Managing Director even suggested that Sales Manager **submit the charges for the CNM Director's private visit to Singapore for medical treatment as a "promotional visit to SCS to discuss vector control!"** (See Annex 1, Figure 43).

107. The evidence from this investigation indicates that knowledge of the improper consultancy arrangement was not restricted to the SCS Sales Manager and the Sumitomo Managing Director. Another Sumitomo employee located at various times in Malaysia, Singapore and Japan, also listed as a supervisor to the SCS Sales Manager in the Sumitomo Chemical Organizational chart, was copied on correspondence that explicitly **stated the true recipient of the commission payment in Cambodia was CNM's Director: "For Cambodia our commission is 3% to [CNM Director] for Olyset sales procured using Global Fund."**¹³⁸ This individual and a different senior manager (who reported to the Sumitomo Managing Director) in SCS were copied on the SCS Sales Manager's requisition forms to authorize wire payments to agent **"Chhounou Kimchenda"** and the CNM Director's daughter as joint beneficiaries. (See Annex 1, Figure 9). Additionally, the SCS senior manager was copied on emails in which the CNM Director was sharing the pricing information of other bidders with SCS.¹³⁹ (See Annex 1, Figure 44). In the same message, the SCS Sales Manager responded by asking the CNM Director for bid advice concerning how to outbid VF then requested **that the CNM Director "[p]lease delete all email after reading."** While the SCS Sales Manager and Sumitomo Managing Director were most heavily involved in the commission scheme with CNM, the evidence demonstrates that other senior-level managers, both in and outside of SCS, had sufficient opportunity to question the legitimacy of the consultancy arrangement and the appropriateness of the **SCS Sales Manager's relationship with the CNM Director.** Consequently, the OIG finds that SCS management and senior management outside of the Singapore office should have known about the improper commission payments.

¹³⁶ 28 March 2006 email from SCS Sales Manager to Sumitomo Managing Director and carbon copy to [REDACTED]@sumitmo-chem.com.my re: **"WHO order for Laos"**.

¹³⁷ Interview of SCS Sales Manager, 20 October 2012 (ROC ¶ 31).

¹³⁸ 28 March 2006 email from SCS Sales Manager to Sumitomo Managing Director and carbon copy to [REDACTED]@sumitmo-chem.com.my re: **"WHO order for Laos"**.

¹³⁹ 11 April 2008 email between SCS Sales Manager, Sumitomo Managing Director and CNM Director, with a carbon copy to SCS senior manager re: **"[SPAM]Pollution in Singapore."**

G.1.4.7. CNM engaged in unfair competitive procurement practices by sharing inside information with SCS regarding LLIN contracts

108. The OIG finds that the improper commission payments, gifts and favors given by SCS to CNM officials were all directed at gaining an advantage in the procurement of LLIN contracts. Indeed, as a result of the close relationship that the SCS Sales Manager cultivated with the CNM Director, the CNM Deputy Director and others, SCS was privy to inside information regarding their potential competitors and these procurements. Such non-transparent practices resulted in unfair competition and tainted the entire procurement practice of LLINs as conducted by CNM from 2006 through 2010.

109. The investigation uncovered numerous examples of communication between the SCS Sales Manager and the CNM Director that indicates their combined effort to keep other competitors, such as VF, from winning LLIN contracts.¹⁴⁰ (See Annex 1, Figures 44 and 7). **On 7 April 2008, the CNM Director told SCS's Sales Manager: "I got from PR the price of LLMIN for different companies as follow [size and price information for Vestergaard, BASF, Durante, and Best Net Europe]... this is the top secret for bidding. Please do not inform to other people. I will try my best to support your Olyset net."**¹⁴¹ **Again from the CNM Director to SCS Sales Manager on 6 April 2008: "It's importance [sic] that you should attend the opening bid. The committee do hope your company will win this bid (I try all my best). Because, we dropped Permanet and Interceptor net. Now only 3 LLMIN in this process...."**¹⁴²

110. **Even the head of CNM's Bid Evaluation Committee, the Deputy Director, knowingly shared inside information with the SCS Sales Manager prior to the awarding of LLIN contracts, such as alerting him to CNM's upcoming net requirements and the contact at WHO to lobby for the contract.** (See Annex 1, Figure 45). The SCS Sales Manager agreed **not to tell anyone that CNM's Deputy Director provided him with procurement-related information in advance.** Additionally, the CNM Director tried to put the SCS Sales Manager in contact with a new WHO representative so he could begin to foster a relationship with that person.¹⁴³ (See Annex 1, Figure 46).

111. As the above emails indicate, most of the inside information and tips that the CNM Director and the CNM Deputy Director provided to the SCS Sales Manager came after the Sales Manager had established a firm practice of paying improper commissions and/or **buying gifts, starting in 2004. Indeed, the Sales Manager's job was to secure business for SCS in his designated region, which included Cambodia.**¹⁴⁴ He did not receive any individual bonuses or monetary compensation for the achievement of bednet contracts in Cambodia.¹⁴⁵ But the connection between the favors and payments to CNM and the objective to win LLIN contracts for SCS is clear.

112. **Even after the CNM Director's supposed retirement on 1 May 2011, he continued to stay in contact with the SCS Sales Manager on matters related to procurement and social events through at least June 2012.**¹⁴⁶ On 19 May 2011, he forwarded to SCS the bid opening report, evaluation and narrative for a VPP procurement for CNM despite the fact **that he technically did not serve as CNM's Director at the time.**¹⁴⁷ **CNM's Director** forwarded the same email to VF. (See Annex 1, Figure 55). Sharing this kind of

¹⁴⁰ 18 June 2009 email re: "Propose using Sumitomo's Pesguard FG161 for thermal fogging".

¹⁴¹ 7 April 2008 email from CNM Director to SCS Sales Manager re: "[Spam] RE: Pollution in Singapore".

¹⁴² 6 April 2008 email exchange between CNM Director and SCS Sales Manager re: "Invitation for Financial Proposal Opening".

¹⁴³ 13 January 2009 email from CNM Director to SCS Sales Manager re: "Olyset".

¹⁴⁴ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 5).

¹⁴⁵ Ibid. at ¶ 6.

¹⁴⁶ 6 June 2012 email from CNM Director to SCS Sales Manager re: "Get together in Nov/Request for meeting in June 12/13".

¹⁴⁷ 19 May 2011 email from CNM Director to SCS Sales Manager re: "CAM-S10-G14-M (CNM) and CAM-607-G10-M (MoH) Cambodia Bid Opening Report, Evaluation, and Narrative".

information, especially before a contract is awarded, is highly improper as it provides bidders with an unfair advantage when it enters into negotiations with the VPP Procurement Agent as they will know what the procurement committee wants, how they evaluate the bids and what they are willing to pay for it. Further, the sharing of the **evaluation scorecard with SCS and VF only allows them to see their competitors' prices** and their production timeframes, thus giving them a distinct advantage in future procurements. Sending such inside information to SCS and VF creates an uneven playing field for both other bidders and the procurement committee who is trying to obtain the best possible price for the Global Fund. These actions violate the principles of equity in procurement and ultimately compromise the entire process.

113. Another example of the unfair advantage SCS received from inside information can be seen in a 5 March 2008 email in which the SCS Sales Manager informed the Sumitomo Managing Director that the CNM Director sent him a sms message telling him to reduce **SCS's bid price since the PR (MoH) would be asking for quotations from five suppliers**, even though the Director proposed that the PR sole source to SCS.¹⁴⁸ Then the Director **said he would check the bidding price but that "[h]e has lost control over LLIN supply in Cambodia as money going for malaria control especially for LLIN is about USD 30 million...[and he and PR-MoH] do not see eye to eye."**¹⁴⁹ The SCS Sales Manager cautioned that it looked like the PR was **"making [its procurement] decision based on pricing alone."**¹⁵⁰ Also in this message was the SCS Sales Manager's suggestion that they offer up to 1.5 percent commission to lobby the PR for this contract. The subject line of this email was **"Cambodia LLIN procurement – not smooth for Olyset net."**

114. SCS was the sole recipient of Global Fund-financed contracts with CNM for LLINs from 2006 until 2010, at which point VF began to win LLIN contracts with CNM.¹⁵¹ VPP procurements, which took procurement authority away from CNM and vested it with international agent PSI, began in 2011 and the OIG uncovered no evidence to indicate that SCS continued to make improper commission payments after this point.

VESTERGAARD FRANDSEN

G.1.4.8. VF made USD 154,241 in improper commission payments to Cambodian Government Officials in order to secure Global Fund-financed LLIN contracts in Cambodia

115. VF a long-time leader in the bednet industry, began supplying anti-malarial products, such as insecticide-treated hammock nets (**"LLIHNS"**) and LLINs, to Cambodia as early as 2006. VF is a privately-held international company with a presence in many developing countries. It operates under a humanitarian entrepreneurship business model with a **"profit for a purpose" perspective**.¹⁵² In 2006 and 2007, VF provided 100,000 and 120,700 bednet products, respectively, to PSI, a Global Fund SR.¹⁵³ From 2010 to 2011, VF provided over 1.5 million additional bednet products to CNM through two procurements.¹⁵⁴ The first procurement in 2010 was facilitated by WHO as Procurement Agent, and the last procurement in 2011 was divided into three orders and conducted

¹⁴⁸ 5 March 2008 email from SCS Sales Manager to Sumitomo Managing Director re: "Cambodia LLIN procurement – not smooth for Olyset yet."

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ VF also won two contracts for bednet products in 2006 and 2007 for Global Fund Sub-recipient PSI, not CNM (see OIG report fn. 157).

¹⁵² www.vestergaard-frandsen.com/our-passion/business-conduct-principles, accessed 15 May 2013.

¹⁵³ PSI was a SR of Global Fund financing for Malaria Rounds 2, 4 and 6 grants under the Principal Recipient MoH. As SR, PSI operated out of Phnom Penh, Cambodia. This branch of PSI is a distinct entity from the PSI Procurement Unit, operating out of Washington, D.C., who handled Global Fund's VPP starting in 2011 in Cambodia. OIG internal email, dated 28 March 2013, regarding role of PSI; See also OIG report § G.1.2.

¹⁵⁴ For the first two contracts, 0002-04-06 and 0002-04-07 (listed in Figure 47), PSI (as SR) was the recipient of the bednet products. For the remaining two contracts, CNM was the recipient.

under VPP. But even though VF did not supply nets to CNM directly until 2010, it began cultivating its relationship with CNM's Director as early as 2002 via individuals in the VF India Ltd. Pvt. office (hereafter, the "Indian branch").¹⁵⁵

116. The total value of contracts that VF won in Cambodia between 2006 and 2011 was USD 7,139,133.56. (See Figure 47, *infra*). Contracts #0002-04-06 (Parts I and II) and #0002-04-07 were to provide net products to PSI (as SR), while the remaining contracts were to provide net products to CNM. VF confirmed making commission payments to an "agent" chosen by CNM's Director for each of these contracts, totaling USD 154,241.19.

Figure 47: Improper commissions paid in Global Fund-financed contracts where VF provided bednet products to Cambodia

Contract/PO No.	Contract/PO Date (Approx.)	Invoice Date	Invoice No.	Amount of LLINs/ LLIHNS	Total Value of Contract (in USD)	Commission Payments (in USD)	Date of Payment (Approx.)
#0002-04-06 (Part I)	19 Jul 2006	01 Sep 2006	SI02607	70,000	438,503.38	10,000.00	27 Mar 2007
#0002-04-06 (Part II)		29 Sep 2006	SI02725	30,000	201,595.87	(Covered by 27 Mar 2007)	" "
#0002-04-07	30 May 2007	31 Jul 2007	SI20170	120,700	760,259.31	10,000.00	20 Sept 2007
WHO Revised Purchase Order 200228998 Rev.01	16 Jul 2010	30 Sep 2010	SI26778	450,000	2,047,500.00	51,187.50	04 Jan 2011
PSI N/A (Part I)	N/A	15 Sep 2011	SI28816	275,000	710,325.00	83,053.69	02 Feb 2012
PSI N/A (Part II)	N/A	29 Sep 2011	SI28817	320,000	1,122,240.00	(Covered by 02 Feb 2012)	" "
PSI N/A (Part III)	N/A	28 Oct 2011	SI28965	530,000	1,858,710.00	(Covered by 02 Feb 2012)	" "
TOTAL				1,795,700	\$7,139,133.56	\$154,241.19	

117. In Cambodia, VF was represented by a Sales Manager covering the Southeast Asia region for the company from 2004 to 2010 out of VF's Indian branch ("VF Sales Manager" or "Sales Manager"). This Manager was directly involved in the company's bids to achieve contracts in Cambodia including, but not limited to, LLIN and LLIHN contracts.¹⁵⁶ The Sales Manager was directly supervised by a Regional Director, also located at the Indian branch ("Regional Director").

118. VF was put on notice that CNM's Director required payment in exchange for receiving bednet contracts in Cambodia early on. In fact, VF's Regional Director and Sales Manager met with CNM's Director in person on several occasions between 2004 and 2010, during which time the CNM Director made it clear that commission payments would ultimately go to him.¹⁵⁷ VF's Sales Manager further understood that these payments were being made for the CNM Director's benefit and as a condition for receiving contracts from CNM.¹⁵⁸

¹⁵⁵ 24 October 2002 email from VF to CNM Director re: "Permanet(R)" concerning VF's Regional Director (same person as the Director in VF's Asian branch during 2006-2010) visit to CNM to discuss PermaNet products; 08 October 2003 email between VF and CNM re: "Permanet (R) for Global fund project in Cambodia" concerning incorporating VF's PermaNet LLINs in Cambodia; 03 December 2004 email between VF and CNM re: "Tender for Global fund untreated nets" concerning VF's desire to bid for nets; 23 March 2005 email from VF Regional Director (same person as the Director in VF's Asian branch during 2006-2010) re: "ticket for Dubai" offering to pay for CNM Director's airfare to Dubai. VF notes that its relationship with CNM was still described as "weak" and perceived the CNM Director to be "pro Olyset" as late as 2007. See VF Response to OIG report, dated 26 May 2013, p. 7, ¶ 15 (citing VF's February 2007 SWOT memorandum).

¹⁵⁶ Interview of VF's Sales Manager, 17 October 2012 (ROC p. 1-2).

¹⁵⁷ Interview of VF Sales Manager, 17 October 2012 (ROC p. 2).

¹⁵⁸ Interview of VF Sales Manager, 17 October 2012 (ROC p. 2).

119. As he had done with SCS, CNM's Director nominated an agent for VF's work in Cambodia and provided VF Indian branch's Sales Manager with the name and bank account details for this agent on 23 February 2007.¹⁵⁹ (See Annex 1, Figure 48). This was only 3 days after he informed the VF Sales Manager that he had "agreed for PSI to procure LLMIN/PermaNet for phase two."¹⁶⁰ Then on 27 September 2007, CNM's Director emailed the bank account information again and informed the VF Sales Manager that this was his sister's account. (See Annex 1, Figure 49). No selection process occurred, nor were other candidates considered to fill this role. Significantly, this "agent" had the same name as the one he suggested to SCS, although it was spelled slightly differently: "Chhou Nou Kimchenda".¹⁶¹

120. In total, VF prepared five versions of its agency contract with "Kimchenda", at least three of which were fully endorsed and executed over the course of VF's five-year history with this "agent".¹⁶² The first Agency Agreement, dated 1 January 2007, was drafted between agent "Chhou Nou Kimchenda" and Vestergaard Frandsen S.A.,¹⁶³ VF's headquarters office in Lausanne, Switzerland. This document was signed by "Chhou Nou Kimchenda", but not by VF. A second version of this contract, also dated 1 January 2007, was ultimately signed and executed by both parties, "Chhou Nou Kimchenda" and a VF Executive Officer, in March 2007. The scope of this contract granted "Kimchenda" the right to represent VF in sales to Cambodia for the procurement of LLINs.¹⁶⁴ This contract was retroactively valid as of 1 July 2006.¹⁶⁵ However, VF was not made aware of who the agent was until CNM provided this information to certain individuals in VF's Indian branch in February 2007¹⁶⁶, which indicates that the "agent" could not have performed substantive work for VF prior to that point. Notwithstanding this fact, VF wired a USD 10,000 commission payment to "Chhou Nou Kimchenda" on or about 27 March 2007 in connection with a contract for 100,000 bednets it was awarded by PSI *in September 2006*, almost 6 months prior to even knowing who the agent purportedly was, pursuant to the 1 January 2007 executed Agency Agreement.¹⁶⁷ This payment was approved by a Director in VF's Asia Pvt. Ltd. (hereafter, "Asian branch").¹⁶⁸ Furthermore, this first commission payment was rushed through as "urgent" by VF, even though there was no signed contract in place at the time of the payment.¹⁶⁹

¹⁵⁹ 23 February 2007 email from CNM Director to VF Sales Manager re: "PR's Plan Round 2 Year 4&5".

¹⁶⁰ Ibid.

¹⁶¹ This agent's name is spelled in a variety of ways, such as "Kim Nou Chounoa" or "Chhou Noukim Chenda", "Nou Kim Chounda", oftentimes misspelled by the CNM Director himself further indicating that this person was fictional. 10 June 2009 email from CNM Director to VF Sales Manager re: "Commission transfer"; 17 August 2010 email from CNM Director to VF Sales Manager re: "Quiet"; See OIG report Annex 1, Figure 53.

¹⁶² VF was in contractual privity with agent "Kimchenda" from 1 July 2006 until 30 June 2011. There were two contracts (one fully executed, one not) dated 1 January 2007, which covered the period from 1 July 2006 to 1 July 2007; a third contract was executed to begin on 1 July 2007 and was automatically renewed until 30 June 2010; a fourth contract replaced the July 2007 contract and was valid from 01 July 2010 through 30 June 2011; and a fifth contract was drafted to cover 17 November 2011 to 16 November 2012, but it was only signed by VF.

¹⁶³ VF underwent a restructuring in 2007 and consequently transferred the 01 July 2007 Agency Agreement to Vestergaard Frandsen Group SA, an entity which retained the same physical address as VF and entered into all future contracts with the agent.

¹⁶⁴ Executed Agency Agreement Between "Chhou Nou Kimchenda" and VF, dated 1 January 2007, § 1.

¹⁶⁵ Ibid. at § 7.1.1.

¹⁶⁶ 23 February 2007 email from CNM Director to VF Sales Manager.

¹⁶⁷ Credit Suisse debit advice slip, dated 27 March 2007 (showing payment order for USD 10,000 to Chhou Nou Kimchenda).

¹⁶⁸ VF Submission to OIG ("VF Submission"), dated 1 February 2013, p. 18, § 7.4.2.1. VF informed OIG that its offices in India are actually VF subsidiaries and that while its Indian branch and its Asian branch were separate legal entities, they were often located in the same physical location in Delhi. 20 September 2013 letter from VF counsel to OIG, ¶¶ 1d and 1g.

¹⁶⁹ 26 March 2007 emails between VF's Director in Asian branch, VF's legal department and VF Sales Manager, Indian branch.

121. Over the course of the five separate Agency Agreements between “Kimchenda” and VF, the manner in which VF calculated commission payments for its agent changed. For the first couple of contracts, the agency commission was fixed at a flat rate of USD 10,000 for orders of at least 100,000 nets. This was done despite VF’s stated policy against fixed rate commissions.¹⁷⁰ Indeed, even after being instructed by VF’s legal department that fixed rate commissions were prohibited, the Regional Director and Sales Manager continued to try to push an agency agreement through that contained a fixed rate commission.¹⁷¹ By July 2010, the commission payments were scaled on a percentage of the contract price, between 2.25 percent and 2.5 percent, with varying conditions on the type of product sold as well as the tasks performed by the agent. VF informs OIG that for the types of nets sold in Cambodia, the maximum amount of commission was 3.5 percent.¹⁷²

122. As the table in Figure 47, supra, indicates, VF made a total of four commission payments covering four contracts to provide bednet products to Cambodia between 2006 and 2011. The total amount of these commission payments was USD 154,241. These payments were made as bank wire transfers from VF headquarters’ corporate accounts to various bank accounts for beneficiary “Chhou Nou Kimchenda”. As such, these payments were executed by the Finance and Accounting department in the headquarters office at the request of VF senior management in various branch offices.¹⁷³ VF provided OIG with a chart created internally in the course of its investigation to keep track of these commission payments. (See Annex 1, Figure 50). CNM’s Director provided the bank account information for “Kimchenda”. (See Annex 1, Figure 49). In fact, there were two different bank account numbers at the same bank used for this agent during the relevant time period.¹⁷⁴ At no point in time does it appear that VF raised any concerns about the change in bank account numbers or the fact that the spelling of the beneficiary name had changed.¹⁷⁵

123. As mentioned above, the commission payments were made by wire transfer from VF’s corporate accounts at Credit Suisse to Beneficiary “Chhou Nou Kimchenda’s” account at Canadia Bank Ltd. in Phnom Penh.¹⁷⁶ The final payment of USD 83,053.69 was ultimately sent to the account of another beneficiary, [REDACTED] Capital Limited, at Standard Chartered Bank in Hong Kong, Annex 1, Figure 52, for the stated purpose of passing a cash transfer of the commission payment to “Chhou Nou Kimchenda’s” husband in Thailand for “tax reasons.”¹⁷⁷

G.1.4.9. VF’s Agency Agreement with “Chhou Nou Kimchenda” was a fiction

124. As was the case with SCS, VF paid commissions to agent “Chhou Nou Kimchenda” with the knowledge that the agency arrangement was fictional, serving as a conduit for making payments to CNM’s Director. During the course of its investigation, the OIG did not uncover any evidence that any VF employee ever met or had direct communication with “Chhou Nou Kimchenda”.¹⁷⁸ While VF’s Regional Director at the Indian branch

¹⁷⁰ VF Submission, dated 1 February 2013, p. 15-16, § 7.3.2.4.

¹⁷¹ Ibid: 02 August 2010 email between VF’s Regional Director and VF.

¹⁷² VF Response to OIG report, dated 26 May 2013, p. 8, ¶ 20.

¹⁷³ VF Submission, dated 1 February 2013, p. 17-22, § 7.4.2. Note that a Director in VF Asian branch approved the first commission payment.

¹⁷⁴ The first three commission payments were made to “Kimchenda’s” Canadia Bank account #1100 [REDACTED] 319. The January 2011 payment went to account #019 [REDACTED] 15. 29 May 2009 email re: “NEW BANK ACCOUNT” between CNM’s Director and VF’s Sales Manager providing new bank account information for “Chhou Noukim Chenda”; see also 10 June 2009 email re: “Commission transfer”.

¹⁷⁵ See OIG report § G.1.4.10, infra (discussing name change for USD 83,054 payment).

¹⁷⁶ Credit Suisse issued debit advice slips for each of these payments confirming the transactions.

¹⁷⁷ VF Submission, dated 1 February 2013, p. 21-22, § 7.4.2.5.

¹⁷⁸ On 06 December 2012, VF received an email purportedly from agent “Kimchenda” in response to VF’s 3 December 2012 letter request to audit “Kimchenda’s” activities. This email, written in English and sent from the email address [REDACTED]@yahoo.com, contained incorrect information and advised VF to cease its bednet

believed he has spoken to “Kimchenda’s” husband, VF was unable to confirm that any company employee ever met or interacted with the agent directly, and certainly no substantive or business interaction transpired.¹⁷⁹ Moreover, the Regional Director claimed that “Kimchenda” only speaks Khmer and not English, which raises another concern given that the Agency Agreements were all drafted in English. Moreover, the only communication VF provided to OIG that purportedly came from “Kimchenda” was an email from a yahoo address written in English. (See OIG report fn. 181).¹⁸⁰

125. Employees of VF, particularly VF’s Indian branch Sales Manager, communicated exclusively with CNM’s Director on all matters relating to VF’s work in Cambodia and the corresponding agency relationship – from negotiating the agreement, to getting the agent’s signature and sending it back to VF, to inquiring about the status of commission payments.¹⁸¹ Notably, when VF’s Regional Director at the Indian branch inquired as to whether an agency commission payment had been received, CNM’s Director replied, via email: “Thanks. I got it.”¹⁸² (emphasis added) (See Annex 1, Figure 51).

126. The Agency Agreements contained a number of requirements that agent “Kimchenda” had to deliver in order to adequately fulfill the contractual terms. Standard among them was the requirement to produce regular written reports with information about the development of the market and visits to clients.¹⁸³ VF has been unable to locate any reports produced by this agent.¹⁸⁴ VF’s Sales Manager at the Indian branch also confirmed that he had never received any commission reports or other work product from, nor had any direct communication with, this agent.¹⁸⁵ By the 2010 version of the contract, there was an entire annex of Agent responsibilities, requiring such things as the following: frequent customer visits to promote VF activities; assistance with local registration process; monitoring and reporting on competitor activities and registration status; facilitating meetings to introduce new and existing products; assisting in submission of bids; and accompanying VF to tender openings.¹⁸⁶

127. OIG found no evidence that VF questioned whether “Kimchenda” was fulfilling the terms of the agency contract. Moreover, VF was willing to make commission payments to “Kimchenda” for contracts VF won before it had a contractual relationship with “Kimchenda”, or even knew this person existed. (See OIG report ¶ 120, supra).

128. The OIG located no evidence that VF took action when certain parts of the agency agreement were unfulfilled or otherwise not adhered to, further supporting the OIG’s finding that the agency agreement was a façade to facilitate the actual payment of money to CNM’s Director personally.

business in Cambodia. See also VF Submission, dated 1 February 2013, p. 35, § 10. As of the date of VF’s submission to OIG, VF had not conducted an audit of “Kimchenda”.

¹⁷⁹ VF Submission, dated 1 February 2013, p. 11, § 7.1.2

¹⁸⁰ VF Submission, dated 1 February 2013, p. 10, § 7.1.2.

¹⁸¹ See, e.g., 2 March 2007 email re: “scan signature” (where CNM Director agrees to express mail Agency Agreement with “Kimchenda’s” signature); 26 July 2007 email re: “New Agency agreement” (where CNM Director confirms he sent another version of signed contract by express mail); 26 February email re: “Agency Agreement” (where VF Sales Manager sends agency agreement to CNM Director and asks him to courier signed documents back to VF).

¹⁸² 11 January 2011 email chain from CNM Director to VF Regional Director re: “Happy New Year”.

¹⁸³ 1 January 2007 Agency Agreement, § 3.4 (requiring monthly reports); 01 July 2007 and 01 July 2010 Agency Agreements § 5.4 (requiring regular reports).

¹⁸⁴ 22 December 2012 email from VF’s General Counsel to the OIG.

¹⁸⁵ Interview of VF Sales Manager, 17 October 2012 (ROC p. 2).

¹⁸⁶ Appendix I of Agency Agreement, effective 1 July 2010, “Agent Responsibilities”.

G.1.4.10. VF final payment to “Agent” inconsistent with good business practices and potentially violated VF Business Conduct Principles

129. In October 2008, VF enacted Business Conduct Principles that set forth how the company and all personnel within VF shall conduct their professional affairs.¹⁸⁷ Throughout this code, there is an emphasis on responsibility and integrity. There is also a specific provision addressing corruption:

“Vestergaard Frandsen will not tolerate corruption, extortion or bribery. Corruption is the abuse of entrusted power for personal gain. Employees of Vestergaard Frandsen must never accept or give a bribe or kickback etc.” § 2.4, Corruption.

130. These corporate principles include an “Anti-Corruption Compliance” Appendix, which further elaborates on what constitutes corrupt activities. This appendix states that:

“As an employee, agent, consultant, contractor or other entity representing Vestergaard Frandsen, bribery kickbacks etc. of any kind is prohibited. Vestergaard Frandsen seeks to ensure that agents, consultants, contractors, suppliers etc. do not give bribes on behalf of Vestergaard Frandsen. This means that *Employees are prohibited from promising, offering, giving, inducing the giving of or authorizing such giving or accepting anything of value directly or indirectly, e.g. through an intermediary such as agents, business consultants etc., in order to obtain an improper advantage or to influence official action.*” § 1, General Practice (emphasis added).

131. According to these principles, it is further the employee’s responsibility to ensure that business partners and other third-party entities acting on behalf of VF abide by these principles.¹⁸⁸

132. It appears, based on these implemented principles, that VF’s position on corruption and bribery has been strong and straight-forward since 2008. Even before these principles came into effect, as a leader in the bednet industry, VF launched several industry discussions concerning integrity in the market and strengthening compliance controls.¹⁸⁹ These initiatives ultimately led to the adoption of a Stakeholder Action Proposal that set forth “Industry Action Commitments”, which included a need to draw specific attention to anti-corruption/bribery practices in the codes of conduct for industry participants, such as VF.¹⁹⁰

133. As a way to monitor compliance, VF offered training and required employees to self-certify that business activities had been conducted in accordance with the above-stated principles. Indeed, VF’s Regional Director at the Indian branch certified as much on behalf of VF’s work in Asia for the time period 14 October 2008 through 24 November 2010.¹⁹¹ Despite these rules and initiatives, VF’s employees in the regional office, and even the VF headquarters¹⁹², did not scrutinize carefully enough the agency arrangement in Cambodia.

134. VF’s employees did not follow these compliance measures and anti-corruption principles with respect to VF’s February 2012 payment of USD 83,053.69 in commission payments to cover one contract (split into three separate orders) for LLINs in September 2011. This payment was authorized by an Executive Officer at VF headquarters after he

¹⁸⁷ General Business Conduct Principles, www.vestergaard-frandsen.com/our-passion/buisness-conduct-principles, accessed 15 May 2013.

¹⁸⁸ General Business Conduct Principles, Anti-Corruption Compliance, Appendix § 1 (see fn. 190 for link).

¹⁸⁹ VF Submission, dated 1 February 2013, p. 30, § 9.1.

¹⁹⁰ “Improving Global Bed Net Procurement: Stakeholder Action Proposal”, dated July 2009.

¹⁹¹ VF Submission, dated 1 February 2013, p. 33, § 9.3.2; Certification of Compliance with Business Conduct Principles, dated 3 December 2009; Business Conduct Principles Affirmation, dated 30 November 2010.

¹⁹² As discussed in greater detail in this report, ¶¶ 120, 122, 154, VF headquarters office was directly involved in approving payment to its agent in Cambodia through its Finance and Accounting department and, on one occasion, after the approval of an Executive Officer.

raised concerns about making a full commission payment to the agent due to liquidated damages incurred by the company as a result of delayed delivery.¹⁹³ Upon receiving **representations by the Indian branch Regional Director of the “hard work” of the agent, VF’s Executive Officer approved the full commission payment.**¹⁹⁴ No further documentation was requested or presented in association with this decision. This was the largest commission payment up until that point in Cambodia, and it covered all of the **contracts that VF won to supply CNM with bednets under VPP in 2011. VF’s stated intention was to provide this payment to agent “Kimchenda”.**¹⁹⁵ The booking details for this payment confirm that it was for an “agent commission”, though the beneficiary name was spelled “Kim Nou Chounoa” and it was sent to a bank account that had never been used before. (See Annex 1, Figure 52).

135. Unlike all the other “agent” commission transactions, this payment was not wired directly to “Kimchenda’s” Canadia Bank account. Although VF initially requested for payment to be made to incorrectly-spelled agent “Kim Nou Chounoa” on 31 January, 2012, approximately one week later VF requested Credit Suisse to change the name of the beneficiary to “[REDACTED] Capital Limited” and asked for confirmation that the funds were credited to the same beneficiary’s account at Standard Chartered Bank in Hong Kong on 02 February 2012. (See Annex 1, Figure 53).

136. VF explained that the purpose for the diversion from usual practice was that “Kimchenda” wanted to be paid in cash for “tax reasons”.¹⁹⁶ This request was communicated to VF’s Indian branch Regional Director, directly from CNM’s Director.¹⁹⁷ To accommodate this request, VF wired this payment to a friend of VF’s agent in Thailand, “Mr. T [REDACTED]”, who lived in Hong Kong and who was willing to accept this transfer of money. Mr. T [REDACTED], whose full name is unknown, was supposed to then cash the USD 83,054 payment, which would then be carried across international borders from Hong Kong to Bangkok. Then, presumably, Mr. T [REDACTED] would deliver it to VF’s Thai agent who in turn would give it to Cambodian agent “Kimchenda’s” husband¹⁹⁸. No explanation was proffered as to the need for this sudden departure from VF’s normal process for paying commissions. No evidence was provided to indicate a formal agreement was put in place with the friend of VF’s Thai agent. According to its corporate investigation report and subsequent communication with OIG, VF further acknowledges that it has no official record that this commission payment of USD 83,053.69 ultimately ended up in “Kimchenda’s” possession, though VF’s Regional Director claimed the Thai agent has a receipt for payment provided to “Kimchenda’s” husband.¹⁹⁹ VF has not been able to locate or produce said receipt as of the date of this report’s release. As of the date of the VF submission, VF had not successfully confirmed whether or not this money ended up with agent “Kimchenda”.²⁰⁰

137. OIG questions the legitimate business purpose of making a commission payment in the manner described above. Certainly, the justification that it was done for “tax reasons” raises significant concerns. Moreover, the convoluted and circuitous nature of this payment seems designed to obstruct detection, from parties such as tax authorities, and to

¹⁹³ VF Submission, dated 1 February 2013, p. 21, § 7.4.2.5; 16 February 2012 email chain between VF Executive officer in headquarters to Regional Director, et al., re: “Cambodia: 10% penalty late delivery from VF alias 10-10 textiles”.

¹⁹⁴ VF Submission, dated 1 February 2013, p. 21-22, § 7.4.2.5.

¹⁹⁵ Ibid.

¹⁹⁶ The discovery of the stated purpose and circuitous nature of the final commission payment resulted from VF’s discussion with its Regional Director, Indian branch, during its internal corporate investigation. VF Submission, dated 1 February 2013, p. 22, § 7.4.2.5.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid. at p. 21-22, § 7.4.2.5; 31 January 2012 email from VF’s Thai agent to Regional Director, Indian branch, re: “Fwd: HK Account”.

¹⁹⁹ VF Submission, dated 1 February 2013, at p. 22, § 7.4.2.5; 20 June 2013 email from VF to OIG.

²⁰⁰ VF Submission, dated 1 February 2013, p. 35, § 10.

hide the trajectory of money to the ultimate recipient. VF's General Business Conduct Principles clearly require transparent financial transactions: "Vestergaard Frandsen will not participate in any form of money laundering and all financial transactions must be documented and transparent."²⁰¹ Making a large cash payment to unknown or undisclosed recipients without confirmation of its ultimate destination seems to violate these corporate principles, especially when considered in terms of the actual purpose for these payments: to pay CNM's Director in exchange for the awarding of bednet contracts. Moreover, this final commission payment was routed through an international Correspondent Bank in New York. (See Annex 1, Figure 53).

138. Where this final "commission" payment ultimately ended up is unclear, but VF's stated purpose was to provide this money to its agent "Kimchenda", who was serving as a conduit to direct the payment to CNM's Director. As such, OIG holds VF accountable for making a final commission payment to agent "Kimchenda" in the amount of USD 83,053.69.

G.1.4.11. VF made improper commission payments and other "favors" in order to obtain advantage in Cambodian procurements

139. VF began its campaign to cultivate a relationship with CNM years before winning a contract to provide CNM with bednet products.²⁰² Part of this effort was forging a relationship with CNM's Director and finding a way to break into the Cambodian market. As VF's Asian branch Regional Director²⁰³ noted in an October 2003 email, VF received the CNM Director's advice on who could represent VF in Cambodia to "secure govt. business as they would know how to move in the govt. circles." (See Annex 1, Figure 54).

140. VF's Regional Director knew that CNM's Director, a government official, was very influential in Cambodia and could influence things in favor of VF.²⁰⁴ In fact, VF's Sales Manager wrote a SWOT ("strengths, weaknesses, opportunities and threats") memorandum on 09 February 2007 appraising VF's position in Cambodia. This memo stated that the CNM Director would be present for seven to eight more years, so "[i]f we are not able to influence him in our favor we have a major blockade in him for succeeding in this country."²⁰⁵ This memo indicated that VF felt it was trailing a major competitor in the Cambodian market. The SWOT memo cited VF's "weak relationship" with the CNM Director and highlighted that Director's preference for Olyset nets, the bednet product offered by VF's main competitor, Sumitomo Chemical, at the time.²⁰⁶

141. After the VF Indian branch Sales Manager, released the SWOT memorandum, on 15 February 2007, he and VF's Director from the Asian branch ("Director") visited the CNM Director in Cambodia.²⁰⁷ Days later, CNM's Director informed VF that he agreed to let PSI procure VF's PermaNet nets under a contract financed by the Global Fund during Round 2, Phase 2 financing.²⁰⁸ About a month later, the Sales Manager learned that CNM's Director had indeed supported the sole sourcing of nets to PSI in favor of VF and passed this recommendation to the Secretary of State.²⁰⁹ Ultimately, VF won this contract, though the Secretary of State did not agree with the CNM Director's request to sole source

²⁰¹ General Business Conduct Principles, Money Laundering, §2.2, (see fn. 190 for link).

²⁰² See citations in OIG report, fn. 158.

²⁰³ Note that this is not the same Regional Director as the one from VF's Indian branch referred to throughout this report.

²⁰⁴ VF Submission, dated 1 February 2013, p. 12, § 7.2.

²⁰⁵ 9 February 2007 SWOT Analysis Memo from VF Sales Manager.

²⁰⁶ Ibid. From 2004 to 2007, there were only three WHOPES-approved bednet manufacturers and suppliers: VF, SCS and BASF (as of December 2006). "Global LLIN Market – Suppliers and Products" graph supplied by UNICEF/The Global Fund.

²⁰⁷ 08 February 2007 email from VF Sales Manager to CNM Director re: "Our visit to Phnom Penh".

²⁰⁸ 20 February 2007 email between VF Sales Manager and CNM Director re: "PR's Plan Round 2 Year 4&5".

²⁰⁹ 6 April 2007 email from PSI-Cambodia to VF Sales Manager re: "follow up on net procurement".

the contract to VF.²¹⁰ The Notification of Awards for this contract was dated 30 May 2007, which is 2 months after VF made its first commission payment to its Cambodian agent. **CNM's Director had clear involvement in the procurement of bednet products that were going to entities besides CNM, such as this contract with PSI, even during the time that CNM was still a SR under the MoH. The connection between the influence VF sought from the CNM Director and the commission payments is made even more apparent by the fact that in the same chain of emails where CNM's Director informs VF that he is allowing PSI to procure bednets from VF, the VF Sales Manager thanked him for his decision and asked him to send "the account no. as suggested by you on the phone. This would help us in sending you the agreement papers as discussed with you."**²¹¹ The agreement being referenced in this message was the first Agency Agreement with "Chhounou Kimchenda", and the account number was "Kimchenda's" bank account.

142. **CNM's influence also extended to WHO, who sometimes operated as a Procurement Agent for Global Fund-related contracts with CNM. On 15 January 2009, CNM's Director informed VF's Sales Manager he told WHO that CNM used PermaNet products and requested that CNM's next bednet order go to VF.**²¹² He further added that he gave "sole source to WHO Manila to avoid the tender process."²¹³ In advance of the tender, CNM's Director then forwarded to VF an email between WHO Manila and CNM regarding WHO's questions/concerns about the potential timing of VF's delivery of product and the composition of this product, and describing WHO's request for a quotation from VF's main competitor Sumitomo Chemical.²¹⁴ VF welcomed this information and thanked CNM's Director for sharing the "useful information", to which the Director replied, "I just endorse the quotation and send back to WHO".²¹⁵ It is unclear to the OIG whether this email contained information that was meant to be confidential between CNM and WHO, or whether it was permissible for CNM's Director to share it with VF. The OIG uncovered no evidence to show that WHO was aware of the representations that CNM's Director made to VF. CNM's Director then informed VF that he had endorsed its quotation and, ultimately, VF won this contract. While OIG believes this particular discussion refers to a non-Global Fund contract, WHO Manila was involved in several Global Fund procurements so CNM's relationship with that office is noteworthy.

143. Even the switch to international-based procurements (VPP) did not wholly eliminate the CNM Director's ability to influence outcomes. **CNM's Director continued to apply his influence in VF's favor and share confidential bid information during procurements held under VPP and after he had officially "retired" from the directorship of CNM. When a country registers under the Global Fund's VPP mechanism, it must sign a schedule containing PR undertakings for VPP. Among these is the commitment to keep confidential any documents or information provided to them by the Global Fund in connection with the procurements that are designated as confidential, or should reasonably be known to be confidential.**²¹⁶ On 19 May 2011, the CNM Director forwarded to VF private communication between CNM, MoH, and PSI as VPP implementer, in which PSI attached its bid evaluation narrative and price quotes from competing suppliers in a tender for 2,696,000 nets. (See Annex 1, Figure 55). As mentioned in ¶ 112, supra, CNM's Director similarly sent this information to SCS. But the OIG identified no evidence that he sent it to any other bidders who were competing for these tenders. Also, the OIG

²¹⁰ 11 April 2007 email from PSI-Cambodia to VF Sales Manager re: "Your meeting with the Secretary of State"; 30 May 2007 email from PSI-Washington to VF Sales Manager re: "Contract PSI-0002-05-07 (35,000 hammock and 85,700 family nets)".

²¹¹ 20 February 2007 email between VF Sales Manager and CNM Director re: "PR's Plan Round 2 Year 4&5".

²¹² 15 January 2009 email between CNM Director and VF Sales Manager re: "Appointment with you".

²¹³ VF asserts that WHO Manila had no procurement authority. VF Submission, dated 1 February 2013, p.26, § 8.2. This assertion is incorrect. WHO Manila is the main office who facilitated procurements on behalf of the Global Fund. See OIG report § G.1.2, supra, discussing the role of WHO Manila as Procurement Agent.

²¹⁴ 22 January 2009 email re: "Quote for WHO, Manila" from VF Sales Manager to CNM Director.

²¹⁵ Ibid.

²¹⁶ Global Fund's Schedule, Principal Recipient Undertakings for VPP, §D.1.

uncovered no evidence to demonstrate that PSI was aware that CNM's Director forwarded this communication. Further, there is no evidence that PSI was influenced in any way by the improper commission payments highlighted in this report.

144. Upon receiving the CNM Director's 19 May 2011 message, Annex, Figure 55, VF's Indian branch Regional Director replied that he needed to speak to CNM's Director "urgently" and asked for his phone number. Hours after requesting to speak with the CNM Director, VF's Regional Director then emailed him and appeared to ask him to interfere with the procurement deliberation process: "Pl [sic] say 10 days not important. If we go with lowest bid we save more and we get more value for money."²¹⁷ The investigation learned that VF could only deliver products at 30 days as compared to competitor Sumitomo Chemical's 20 days. CNM's Director agreed to do this. (See Annex 1, Figure 56). While the ultimate effect of CNM's Director's willingness to express VF's position to PSI is unknown, the OIG finds that VF's request indicates that the CNM Director's recommendations still had weight under VPP, or that VF *perceived* it as such, so much so that it needed to make this request to him "urgently". Ultimately, VF received a contract under VPP and was charged a 10 percent penalty fee for late deliveries under these procurements.²¹⁸ When a senior manager at VF's headquarters tried to reduce the agent's commission fee accordingly, VF's Indian branch Regional Director, argued against it and insisted that the agent keep the full commission.²¹⁹ (See OIG report ¶ 134, 156). The Executive Officer from headquarters ultimately approved payment of the full commission but expressed reservation about future payments being made to agents under similar circumstances.

145. Several months later, in August 2011, once again in connection with the VPP procurements, CNM's Director sent an email to VF informing it of PSI's decision to purchase PermaNet products. The OIG uncovered no evidence that this message was also sent to Sumitomo, the other winning bidder, and it contained information about VF's competitor. Significantly, the Director specifically instructed VF's Regional Director: "DON'T SHARE THIS EMAIL TO OTHER PEOPLE". (See Annex 1, Figure 57).

146. As stated above, VF ended up winning one contract that was divided into 3 deliveries to provide bednet products under VPP in 2011, which included the contracts being discussed in Annex 1, Figures 55-57, and which were valued at approximately USD 3.7 million. On or around 02 February 2012, VF paid USD 83,053.69 in commission payments to its "agent" in connection with this contract, despite the complete lack of involvement of the local agent in this international procurement. (See Annex 1, Figure 52).

147. Although CNM was no longer directly involved in Global Fund-related procurements under VPP, it still had some involvement in the procurement process, such as drafting initial technical specifications²²⁰ and accepting or declining price quotations upon receipt and review of bid proposals.²²¹ In fact, when PSI shared the bid Evaluation Narrative for IFB 0972-ITN-VPP-0035 with CNM's Director, see Annex 1, Figure 55, which the Director ultimately passed along to VF and SCS, it stated: "PSI will issue an RFQ for freight once the PR [CNM] provides approval of recommendation, as well as the selected option." As these emails indicate, the OIG finds that CNM's Director remained an influential figure in the Cambodian health sector, with the actual – or perceived – power to exercise influence

²¹⁷ 20 May 2011 email between VF Regional Director and CNM Director re: "CAM-S10-G14-M (CNM) and CAM-607-G10-M (MoH) Cambodia Bid Opening Report, Evaluation, and Narrative".

²¹⁸ 16 February 2012 email chain between VF Executive Officer in headquarters to Regional Director, et al., re: "Cambodia: 10% penalty late delivery from VF alias 10-10 textiles".

²¹⁹ Ibid.

²²⁰ Such specifications were standard and reviewed by the Global Fund. 2 October 2013 email from Senior Fund Portfolio Manager to OIG.

²²¹ See Global Fund "Procurement Support Services Guidelines for Participation Voluntary Pooled Procurement", dated March 2011.

over procurements that took place for Cambodia under VPP, even despite his alleged **“retirement” from the directorship**.

148. Although the CNM Director had technically resigned from his position at the time of this final improper commission payment, he continued to remain involved in CNM-related procurements as Figures 55-57 (Annex 1) indicate and acted with the apparent authority of the Director position. He retained his physical office at CNM, used a CNM email address, was involved in discussions with VPP agent PSI regarding the timing of deliveries and shared confidential information with active bidders, VF and SCS. The OIG maintains that these factors combined demonstrate a clear and continued connection between the then-former CNM Director and CNM business activities, rendering the status of his employment moot. Moreover, it appears CNM tolerated this misperception by allowing the then-former CNM Director to be kept in the information loop on procurement matters subsequent to his retirement. Indeed, at least three other current CNM employees, including the Chief of Procurement, were included on the email in Figure 57, which was also sent to the then-former CNM Director **3 months after** his departure. The OIG finds that this further explains how he was able to remain influential and secure improper commission payments from VF post-retirement from CNM.

149. PSI, the VPP agent for CNM procurements, continued to include the then-former Director on emails concerning Global Fund procurements as late as September 2011, **4 months after his official “retirement”** from CNM. It is not clear at what point PSI was notified about the **CNM Director’s retirement, but an employee of CNM sent** an email on 29 September 2011 to a PSI procurement officer **“re-informing” PSI that the CNM Director** had retired and asking PSI not to continue to share information with him.²²²

150. Beyond the payment of commissions, VF was willing to extend other favors to CNM in an effort to forge a strong relationship. Much like its competitor SCS, VF appears to have offered to pay for non-work-related trips that the CNM Director took. **Payment for such trips would appear to violate VF’s policy against paying for personal trips.**²²³ In one example in 2010, it appears that VF paid the hotel and flight costs for the CNM Director **and his wife’s trip to Singapore**, which was purely personal in nature. (See Annex 1, Figure 58). **On another occasion, in March 2005, VF’s Regional Director offered to pay for the CNM Director’s airfare to Dubai, but informed the Director that he could only provide an economy class ticket, despite the Director’s request for business class.**²²⁴ The OIG investigation did not uncover any evidence to prove that VF made these payments, only that the offers to pay were made.²²⁵

151. VF contends that it never received a business advantage from the commission payments it made in connection with the contracts awarded in Cambodia.²²⁶ However, the OIG finds that even being alerted to what future needs for LLINs in Cambodia were gives **one competitor an edge over others. For example, in late 2010, CNM’s Director shared CNM’s future procurement plans under VPP with VF’s Indian branch Regional Director** to give an idea of what the volume of nets would be.²²⁷ **CNM’s Director specifically asked VF** not to share this information with other people. The OIG finds that the access and **opportunities afforded to VF as a result of the close relationship it forged with CNM’s Director** are every bit as much of a benefit gained as the bednet contracts themselves.

152. This close relationship is also demonstrated by **VF’s Regional Director’s** acknowledgment **that CNM’s Director was in charge of informing VF** about what was

²²² 29 September 2011 email from CNM to PSI Senior VPP Procurement & Logistics Officer re: “URGENT! Cambodia: CAM-M-CN...”

²²³ Business Conduct Principles, Anti-Corruption Compliance Appendix, § 3: “travels [sic], meals and entertainment must be business-related.” (See fn. 190 for link).

²²⁴ 23 March 2005 email between VF Regional Director and CNM Director re: “ticket for Dubai”.

²²⁵ See VF response to OIG draft report, dated 26 May 2013, p. 6, ¶11.

²²⁶ VF Submission, dated 1 February 2013, p. 30, § 8.

²²⁷ 27 December 2010 email between CNM Director and VF Regional Director re: “Quiet”.

happening with its agent, despite the fact that this agent supposedly worked for VF to obtain bednet contracts.²²⁸ **The intimate involvement of CNM's Director with VF's agency arrangement is a conflict of interest, as CNM is the ultimate beneficiary of LLIN contracts and the agent works for an entity that is competing for this business. The additional fact that this "agent" is possibly a relative of the CNM Director is another conflict of interest, further supporting a finding that the agency arrangement only existed to allow for the payment of improper commissions. Indeed, the evidence supports a finding that the commission payments and the other gratuities offered were made with the purpose of obtaining contracts to provide bednet products to Cambodia. That these improper commission payments continued under VPP, when CNM was no longer in charge of the procurement process, further highlights the importance VF placed on maintaining a good relationship with CNM.**²²⁹

G.1.4.12. VF management should have known about improper commission payments

153. **The Regional Sales Director at VF's Indian branch was responsible for the selection and hiring of "Chhou Nou Kimchenda" as VF's agent in Cambodia.**²³⁰ VF's Regional Director, however, disassociated himself from this agent, claiming he never met the agent and had only met the agent's husband once or twice.²³¹ The Regional Director communicated directly with CNM's Director on issues related to the agency contract and commission payments.²³² As discussed above, at one point he even asked for the CNM Director's phone number because he needed to speak to him "urgently" after the CNM Director forwarded an email concerning PSI's evaluation of a bid submission in May 2011.²³³ (See Annex 1, Figure 55). This same Regional Director pushed hard for the agent to receive full commission on the contract to provide bednets in 2011, despite late delivery of goods, claiming that the contract was won as a result of "all the hard work of the agent" to justify his position – work that the Regional Director could have had no knowledge of since he admitted having had no contact with said agent.²³⁴

154. **In 2007, VF's Indian branch Regional Director instructed the Sales Manager to prepare an agency agreement in Cambodia, which the Regional Director later approved and forwarded to VF headquarters in Switzerland for review by the legal department and signature by an executive officer.**²³⁵ All commission payments under this agreement were executed and paid from the headquarters office.²³⁶ Significantly, a senior official approved the first commission payment to agent "Kimchenda" before a valid and executed agency agreement was in place. VF's Director in its Asian branch authorized payment to "Kimchenda" on 27 March 2007 despite the fact that there was no agency agreement in effect.²³⁷ This approval to pay the first agent commission payment took place

²²⁸ VF Submission, dated 1 February 2013, p. 23, § 7.6.

²²⁹ VF informed OIG that it is standard practice for an agent to receive commission whenever a sale takes place within a given territory, even when procurements are conducted by another entity. VF Response to OIG draft report, dated 26 May 2013, p. 6, ¶ 8.

²³⁰ VF Submission, dated 1 February 2013, p. 13 § 7.3.1; Interview of VF Sales Manager, 17 October 2012 (ROC p. 2).

²³¹ VF Submission, dated 1 February 2013, p. 11, § 7.1.2.

²³² See, e.g., 17 August 2010 email regarding sending signed agency agreement to CNM; 16 October 2010 email regarding confirmation of payment to agent's account; 11 January 2011 email confirming CNM Director received funds from VF.

²³³ 20 May 2011 email between CNM Director and VF Regional Director.

²³⁴ 16 February 2012 email chain between VF Executive Officer in headquarters to Regional Director, et al., re: "Cambodia: 10% penalty late delivery from VF alias 10-10 textiles".

²³⁵ Interview of VF Sales Manager, 17 October 2012 (ROC p. 2); VF Submission, dated 1 February 2013, p. 13, § 7.3.1.

²³⁶ Ibid. VF Submission, dated 1 February 2013, p. 17-22, § 7.4.2.

²³⁷ VF Submission, dated 1 February 2013, p. 18, § 7.4.2.1; 26 November 2012 email re: "Cambodia Commission – urgent request" between VF legal department and Director in VF's Asian branch in which Director asks for payment to be remitted and assures the contract will be signed "asap"; see also 26 March

approximately one month after VF's Asian branch Director and Indian branch Sales Manager met with CNM's Director in Cambodia on 15 February 2007.²³⁸ Such involvement by managers from different offices demonstrates, at the very least, an awareness of this agency arrangement and the financial implications thereof in different offices. Like VF's Indian branch Regional Director, the Asian branch Director also stated he had never met this agent.²³⁹ Further, the Asian branch Director is still employed by VF in an executive-level position.²⁴⁰

155. **Beginning in 2008, VF's headquarters office implemented a new agency agreement template that standardized business conduct principles and set commission levels.**²⁴¹ Yet, **VF continued to use the agency agreement drafted in 2007 with "Kimchenda", which lacked these company-standardized provisions and additional agent requirements, until July 2010.** Presumably, VF's Indian branch Regional Director knew about these corporate-wide changes but did not implement them until 2010.

156. As stated in ¶ 134, 144, *supra*, **VF's Executive Officer at headquarters debated the merits of paying this agent a full commission in February 2012 with the Regional Director after VF was penalized for late delivery of goods.**²⁴² The Executive Officer ultimately approved full payment of USD 83,054 to this agent at the insistence of VF's Regional Director.²⁴³

157. **Despite having no personal contact with the agent "Kimchenda", VF senior management approved agency agreements and commission payments to said individual under circumstances that do not appear to be normal, e.g. where payment was made pursuant to an unexecuted back-dated contract before the identity of the agent was known and where payment was made without submission of valid monthly market reports as required by the agency agreements.** Moreover, VF produced numerous communications **between VF management and CNM's Director on the agent's behalf.** VF did not notice that the agency arrangement for Cambodia was not compliant with established practices, nor did these two facts combined raise red flags to VF management about its dealings in Cambodia. Instead, VF management, including its headquarters office, continued to renew agency agreements and authorize payment of commissions to this agent over a five-year period.

158. Whether VF employees at headquarters knew about the real nature of the improper commission payments has not been conclusively demonstrated; such a finding can only be made for employees in the Indian and Asian branches of VF. However, the evidence demonstrates that enough information was available and being processed at the headquarters level to raise serious concerns about the legitimacy of the agency arrangement and the associated commission payments. As such, OIG considers VF management should have known about the improper commission payments.

G.1.5. Conclusions

159. Sufficient credible and substantive evidence exists for the OIG to conclude that senior program officials in CNM, namely the Director and Deputy Director, imposed a system from approximately 2006 to 2011 in which two international suppliers of bednet products were required to make payments in connection with obtaining contracts to

2007 email between VF employees re: "Payment of commission against blue files SQ13974 and SQ14743 – very urgent!!"

²³⁸ VF Submission, dated 1 February 2013, p. 12, § 7.1.2.

²³⁹ *Ibid.* at p. 11, § 7.1.2.

²⁴⁰ *Ibid.* at p. 6, § 4.2.1.

²⁴¹ *Ibid.* at p. 13, § 7.3.1, but see p. 34, § 9.3.2, which states that the new agency template was introduced in April 2009.

²⁴² 16 February 2012 email chain between VF Executive Officer in headquarters to Regional Director, et al., re: **"Cambodia: 10% penalty late delivery from VF alias 10-10 textiles"**.

²⁴³ *Ibid.*

provide insecticide-treated bednets to Cambodia. This corrupt scheme was facilitated by commission payments to a third-party **“consultant” or “agent”, which concealed the actual path of money that led directly back to CNM’s Director and Deputy Director.**

160. In total, CNM received over USD 17.8 million worth of bednet products from SCS and VF from 2006 to 2011, over USD 11.7 million of which is under investigation in this report for having been tainted by this corrupt scheme.

161. The total amount of money that CNM improperly received from SCS in connection with the bednet contracts is USD 256,471.

162. The total amount of money that CNM improperly received from VF in connection with the bednet contracts is USD 154,241.

163. In addition to soliciting and requiring payment in connection with these contracts, CNM officials requested and accepted payment in the form of gifts, trips and favors from **the same international Suppliers throughout the duration of CNM’s relationship with the Suppliers**, and the cost associated with travel alone exceeded USD 20,000.

164. There is also credible and substantive evidence that all of the bednets at issue in these contracts were provided and delivered per the terms of their agreements.

G.2. National Center for HIV/AIDS, Dermatology and STD Control

G.2.1. Overview

165. From 01 January 2009 until approximately 31 August 2012, the National Center for HIV/AIDS, Dermatology and STD (“**NCHADS**”) employed a Senior Procurement Officer²⁴⁴ to manage Global Fund-financed procurements starting in 2009 under financing Rounds 7 and 9/SSF.²⁴⁵ This individual had previously served as a procurement officer for another **bilateral donor program (“Donor 1”) at NCHADS from 2005 to 2008.**²⁴⁶ As Senior Procurement Officer, this individual oversaw the tender offer process, including the development of bid specifications and receipt of price quotations, and was involved with the bid selection committee.²⁴⁷ He played an integral role in dealing with bidders throughout this process and developed close relationships with vendors such as Dynamic Pharma Co., Ltd., MIG Group, Kuang Hsein Medical Instrument Co., Ltd. and BIOMED Phnom Penh. He worked with these vendors under the Donor 1 program, and numerous of these vendors subsequently bid for and/or were awarded contracts funded by the Global Fund.

166. **The OIG’s investigation** has identified evidence that the **NCHADS’s Senior Procurement Officer** instructed vendors to include a payment of 15 percent commission in their bid price before, and as a condition for, the award of a contract with NCHADS under the Donor 1 program.²⁴⁸ In interviews with the OIG, this individual ultimately admitted to having often required commission payments on contracts and otherwise manipulating the procurement process to help favored bidders win contracts, a practice that he engaged in for the duration of **his tenure as Donor 1’s** procurement officer.²⁴⁹ He further stated that he was paid in cash and admitted utilizing these funds for his own personal benefit and to fund his lifestyle, which included the purchase of meals and cars.²⁵⁰ He has acknowledged that he knew this behavior was wrong, and illegal.²⁵¹ The Senior Procurement Officer has signed a statement in this regard.²⁵²

167. The Senior Procurement Officer had a history of interfering with fair and equitable procurement practices in other ways, again during his time as a procurement officer under the Donor 1 program. The Officer admitted to directing and tailoring quotations in such a manner that the procurement selection committee would choose the bidder favored by him and to interfering with the procurement process in other significant ways throughout his work for Donor 1.²⁵³

168. The evidence shows that he continued to interfere with and manipulate procurement practices as Senior Procurement Officer of the Global Fund project.²⁵⁴ While he initially

²⁴⁴ Initially, this individual’s title was “Procurement Officer”, but at some point during his tenure on the Global Fund project, he was promoted to “Senior Procurement Officer”, which is how he is referred to throughout this report.

²⁴⁵ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 1). NB: Witness reviewed and signed the ROC following the interview and confirmed its accuracy.

²⁴⁶ Ibid.

²⁴⁷ MoH/NCHADS Terms of Reference for a “Senior Procurement Officer” for GFATM Round 7. According to NCHADS, the Senior Procurement Officer served as Secretary of the Bid Evaluation Committee (“BEC”) and was not a “member” as such. See “Response of NCHADS to the OIG draft report”, dated 19 July 2013, p. 2. The OIG’s records reflect that in 2004 and 2005, while serving as a Procurement Assistant under another program, this individual was a member of NCHADS’s BEC. See, e.g., NCHADS Bid Evaluation Report And Recommendation for Award of Contract, for Procurement of Civil Works, dated 20 January 2005, and for The Procurement of Medical and Laboratory Equipment, dated 17 March 2005.

²⁴⁸ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 4-5, 10).

²⁴⁹ Ibid. at p. 10.

²⁵⁰ Ibid. at p. 4-5.

²⁵¹ Ibid. at p. 5.

²⁵² Ibid. at p. 11.

²⁵³ Ibid. at p. 6-7, 9-10.

²⁵⁴ Ibid. at p. 8.

claimed to OIG that he did not continue soliciting facilitation payments or bid tampering under the Global Fund program, the OIG identified sufficient credible and substantive evidence to show that such activities indeed continued. The OIG also uncovered an instance where the Senior Procurement Officer accepted a facilitation payment from a winning bidder for a **Global Fund procurement**. **Moreover, this individual's credibility is questionable** as he equivocated several times during his interview with OIG—initially denying acceptance of facilitation payments and bid rigging and only to later admit these acts once confronted with hard evidence. (See OIG report ¶ 179, *infra*).

169. The Senior Procurement Officer ceased working on Global Fund projects as of early September 2012, after his interview referenced above and after the OIG orally communicated some of its initial findings with respect to this individual to the NCHADS Deputy Director.²⁵⁵

G.2.2. Facts and Documentary Evidence

G.2.2.1. NCHADS Senior Procurement Officer obtained commission payments in connection with the award of contracts by NCHADS under another donor project

170. Prior to the Senior Procurement Officer's work with Global Fund procurements in January 2009, he developed close ties with a number of local vendors under the Donor 1 program. Many of these same vendors, such as MIG Group Co., Ltd. and Dynamic Pharma Co., Ltd., continued to bid for contracts under the Global Fund program. While working under the Donor 1 program, the Senior Procurement Officer established a **network of "favored" vendors** and used these relationships to require that these vendors build improper commissions into contracts as a precondition to the award of NCHADS procurements.²⁵⁶ He admitted to receiving commissions from the following six vendors in exchange for helping them to win contracts: Kuang Hsien Medical Instrument Co., Ltd.; Dynamic Pharma Co., Ltd.; Ontaracheat Co., Ltd.; MEAS Sovuthidy Co., Ltd.; Infotech Computer System Pte. Ltd.; and MIG Group Co., Ltd.²⁵⁷ OIG received confirmation from one of these vendors that it indeed paid commissions to the Senior Procurement Officer upon demand.²⁵⁸ Specific examples of his solicitation of improper facilitation payments are discussed below.

171. According to documentary evidence, witness statements and admissions by the Senior Procurement Officer, this Officer instructed a Product Manager at Dynamic Pharma to include a commission of 15 percent in the price quotation for a contract with NCHADS in November 2008.²⁵⁹ This communication took place only two months prior to his taking over as Senior Procurement Officer of the Global Fund project. Further, in his 03 November 2008 email to the Dynamic Pharma employee he referenced previous occasions where such a commission was built into the total contract bid price offered by **Dynamic Pharma: "Could you prepare another quotation... which include the commission 15%... as we already did it before?"** (See Annex 1, Figure 59). The Senior Procurement Officer has acknowledged receiving the payment in cash from the Dynamic Pharma Product Manager.²⁶⁰ The Dynamic Pharma employee also confirmed paying cash to him.²⁶¹ Furthermore, it is noteworthy that another person was employed simultaneously

²⁵⁵ 8 April 2013 email from LFA to OIG explaining that a new employee would handle communication concerning Global Fund procurements beginning 7 September 2012. According to NCHADS, it terminated the **Senior Procurement Officer's employment effective 31 August 2012**. "Response of NCHADS to the OIG draft report", dated 19 July 2013, p. 3.

²⁵⁶ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 3,5, 9-10).

²⁵⁷ *Ibid.* at p. 4-10.

²⁵⁸ Interview of Dynamic Pharma representative, 26 July 2012 (ROC ¶ 13-15, 21).

²⁵⁹ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 5).

²⁶⁰ *Ibid.* at p. 5.

²⁶¹ Interview of Dynamic Pharma representative, 26 July 2012 (ROC ¶ 21).

at Dynamic Pharma and at NCHADS, representing a potential conflict of interest with this company as well.²⁶²

172. The Senior Procurement Officer admitted that he had taken commissions on other occasions also, and that he used these commission payments for his personal benefit.²⁶³ For instance, he admitted to helping Ontaracheat Co., Ltd. and Meas Sovuthidy Co., Ltd. win construction contracts in exchange for commission payments.²⁶⁴ He also admitted that Infotech Computer System Pte. Ltd. paid him for favors in 2011, including the award of a contract.²⁶⁵

G.2.2.2. The Senior Procurement Officer had a history of interfering with NCHADS's procurement processes which resulted in unfair competition

173. While serving as Procurement Officer under the Donor 1 program, this Officer manipulated and interfered with the procurement process in such a way as to steer contracts to preferred vendors. The OIG uncovered numerous instances where he directed vendors to tailor their price quotations in such a way that the Bid Evaluation Committee would choose the bidder favored by him.²⁶⁶ (See, e.g., Annex 1, Figures 61-63). He also assisted vendors in preparing bid documentation and price quotations and shared competitor information to the same effect. (See Annex 1, Figure 65). These practices began as early as 2006 under the Donor 1-funded program.

174. During his interview with the OIG, the Senior Procurement Officer admitted to giving preferential treatment to Infotech Computer System by helping its agent prepare bid documentation.²⁶⁷ On 16 October 2006, the NCHADS Officer *himself* inserted the price into **Infotech Computer System's price quotation**. Next, the Officer emailed the Infotech representative and asked him to sign the document on behalf of Infotech and to take it to his competing bidders, Deam and Neeka. (See Annex 1, Figure 61). He further instructed him to back-date the document to 4 September 2006. In his interview with the OIG, the Senior Procurement Officer confirmed that Infotech and Deam colluded to allow the Officer to steer the contract to Infotech.²⁶⁸ Additionally, he admitted that Infotech paid him a commission for his efforts.²⁶⁹ These admissions came after the Officer told the OIG that providing the price quotation of one bidder to another was improper and something he "never did."²⁷⁰

175. This Officer also assisted vendors in preparing bid submission paperwork, going so far as to break costs down by unit price for a vendor. (See Annex 1, Figure 62). He frequently requested that vendors back-date bid proposals. (See Annex 1, Figures 61, 63, 68).²⁷¹ He did so with two vendors who also appear to have been sharing bid-related information: Kuang Hsien and BIOMED.²⁷²

176. He also made several requests to an employee of BIOMED Phnom Penh to back-date bid-related documents, such as price quotations and acknowledgment receipts. (See Annex 1, Figures 63-64).

²⁶² According to NCHADS, it terminated this Dynamic Pharma Employee's contract effective 30 September 2012 upon being notified by OIG of the potential conflict. "Response of NCHADS to the OIG draft report" dated 19 July 2013, p. 5.

²⁶³ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 3,5).

²⁶⁴ Ibid. at p. 7.

²⁶⁵ Ibid. at p. 9.

²⁶⁶ Ibid. at p. 8.

²⁶⁷ Ibid. at p. 6.

²⁶⁸ Ibid. at p. 9.

²⁶⁹ Ibid. at p. 9.

²⁷⁰ Ibid. at p. 2.

²⁷¹ Ibid. at p. 6, 8, 9.

²⁷² An employee of Kuang Hsein, was the author of a file named "Biomed Quotation.xls", which contained bid quotation documents for Kuang Hsien and competitor BIOMED. Ernst & Young report to OIG, dated 22 September 2012, p. 59 & 61, ln. 22.

177. Moreover, the Senior Procurement Officer shared competitor information with favored vendors during the procurement process. For instance, he shared a price quote **evaluation sheet with both BIOMED and MIG Group who were “competitors” in a** procurement exercise for Serodia HIV kits. (See Annex 1, Figures 65-66). Again, he did this despite acknowledging to OIG that it is improper to give one vendor the price quotation information of another vendor.²⁷³

178. On 4 December 2006, the Officer sent evaluation sheets listing the price quotations of competing bidders to a representative of MIG Group. (See Annex 1, Figure 66). This included some of the same price quotation information the Officer shared with a BIOMED employee on 1 December 2006, except in his attachment to MIG Group he included a **price quotation from “Great Pharma Co., Ltd.” who appears to be the only bidder to have a higher bid than MIG Group.** (See Annex 1, Figure 65). Noted is the absence of Great Pharma’s bid information just days earlier in the email to BIOMED, which indicates that it may have been a last-minute addition in order to fulfill the requirement of having a **certain number of bidders or in order to make sure MIG Group’s bid was not the highest.** Whatever the reason, OIG finds that sharing such information amongst bidders during a procurement exercise to be improper. It violates the imperative principles of equity and fairness in procurement exercises and undermines the entire procurement process. Thus, the ultimate recipients of the goods in question suffer for not receiving the best possible price for the right product, which is what a proper procurement process is designed to achieve.

179. It is important to note that while the Senior Procurement Officer ultimately admitted that he repeatedly requested commission payments throughout his time as Procurement Officer under the Donor 1 program²⁷⁴, he initially denied doing so to the OIG. In fact, throughout his interview, he was not straight-forward concerning his improper dealings with local vendors. At first, he denied ever soliciting or receiving improper commission payments from vendors in exchange for awarding NCHADS contracts and said that it would be wrong to do so.²⁷⁵ However, after being confronted with a 2 July 2009 email showing that he did just this, Annex 1, Figure 60, he admitted to taking a commission for his own personal benefit – but only on this one occasion.²⁷⁶ Then after being shown evidence of another improper facilitation payment in a 3 November 2008 email, Annex 1, Figure 59, he admitted that he did it again and on more occasions and from other vendors than the several referenced specifically in this report.²⁷⁷ He further admitted that he had been doing so throughout the entire time he had been handling Donor 1 contracts (2005-2008).²⁷⁸ The OIG asked the Senior Procurement Officer if he ever shared bid quotations with other vendors and he denied ever doing so.²⁷⁹ Then later in the interview, after being shown a 21 January 2011 email, Annex 1, Figure 67, in which he clearly shared MIG **group’s quotation with Dynamic Pharma, he admitted that** he did this in order to allow his preferred vendor to win.²⁸⁰ The fact that this procurement Officer only admitted what he could not deny when presented with hard evidence of wrongdoing, lends little credibility to his statements that he did not manipulate or otherwise tamper with the procurement process under the Global Fund program or continue to take improper facilitation payments as he had done under the Donor 1 program. The evidence discussed below provides sufficient credible and substantive evidence to the contrary, as the OIG investigation uncovered documentary proof that the

²⁷³ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 2).

²⁷⁴ Ibid. at p. 10.

²⁷⁵ Ibid. at p. 2-3.

²⁷⁶ Ibid. at p. 4-5.

²⁷⁷ Ibid. at p. 4-5.

²⁷⁸ Ibid. at p. 4, 5, 10.

²⁷⁹ Ibid. at p. 3.

²⁸⁰ Ibid. at p. 8.

practices he cultivated under the Donor 1 program continued to some extent under the Global Fund program.

G.2.2.3. Continuation of Senior Procurement Officer's interference with NCHADS procurement process and acceptance of facilitation payment under Global Fund program

180. The evidence demonstrates that the Senior Procurement Officer required “favors” by bidders who did not ultimately win contracts but who knowingly participated in manipulation of the procurement process to allow him to steer the contract towards his chosen bidder. On at least one occasion, this was done because the Officer needed to comply with the minimum of three quotations requirement of the purchase process.²⁸¹ A representative of a vendor who regularly bid for NCHADS contracts admitted to OIG that he improperly altered bid documents at the Officer's request to ensure that another vendor would win a contract, and that this was done with the expectation of receiving future contracts from NCHADS.²⁸² **This example of the Senior Procurement Officer's manipulation of the procurement process occurred in connection with a Global Fund contract and with the apparent complicity of other vendors.** In January 2011, he asked Dynamic Pharma and other vendors to increase their quotation price so that MIG Group would win a particular procurement contract: **“Please help me to issue the quotation and back date to 13 December 2010. For the price you should increase around or above 3,500.00 USD.”**²⁸³ (See Annex 1, Figure 67). In fact, according to the Dynamic Pharma representative, MIG had already won the contract at this time.²⁸⁴ The Senior Procurement Officer informed OIG that he received USD 400 from MIG Group for these actions.²⁸⁵ His efforts to inflate the bids prejudiced the actual selection process and undermined the integrity of the procurement process. While the Senior Procurement Officer claimed the Global Fund procurement policies were too strict to allow him to steer contracts to preferred vendors in exchange for facilitation payments, this statement was clearly untrue as evidenced by this email, and casts further doubt on his credibility.²⁸⁶

181. Substantive and credible evidence also exists that the Officer convinced a vendor to bid for a contract funded by Global Fund even after they had declined the initial invitation due to lack of time to prepare the materials. On 29 December 2010, the Senior Procurement Officer instructed International Elevator Co., Ltd. to submit a bid for work weeks after the bid deadline and after the company had previously informed him that they would not be submitting a bid due to lack of time to appraise the job. (See Annex 1, Figure 68). Moreover, the Officer told the vendor to back-date the quotation to 07 December 2010 and directed them to set the price at USD 2,400.00. In this instance, the Senior Procurement Officer may have been trying to select his own preferred vendor for this contract despite their rejection of the bid invitation or even falsely representing the existence of a losing bidder.

182. In the case of one 2009 procurement, the Senior Procurement Officer instructed another favored vendor, Kuang Hsien Medical Instrument Co., Ltd., to build a commission **payment into the vendor's bid for medical equipment. While NCHADS contends that this was not a Global Fund-financed procurement and was for a program called the “Cambodian Treatment Access Project”, it occurred during the same time period** as he was overseeing Global Fund procurement activities, July 2009. Specifically, he instructed the **Kuang Hsien employee to “add 15% into the total price” in an email dated 02 July 2009.** (See Annex 1, Figure 60). The Officer confirmed that this additional 15 percent was in fact

²⁸¹ Interview of Dynamic Pharma Representative, 26 July 2012 (ROC p. 22-23); See also Procurement MoH-PR Procurement Guidelines, Version 8, revised August 2006, § V.10.

²⁸² Interview of Dynamic Pharma Representative, 26 July 2012 (ROC ¶ 22-23).

²⁸³ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 8).

²⁸⁴ Interview of Dynamic Pharma Representative, 26 July 2012 (ROC p. 21).

²⁸⁵ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 8).

²⁸⁶ Ibid. at p. 10-11.

an improper commission that he received in cash from the Kuang Hsien employee in exchange for awarding a contract to Kuang Hsien Medical Instrument Co., Ltd.²⁸⁷ He further told the Kuang Hsien employee not to forget to include the supplemental payment in his bid quotation, indicating that this was not the first time he has made such a request to the vendor. It is noteworthy that the Officer requested the Kuang Hsien employee to prepare a price bid on behalf of a competitor company, BIOMED, a vendor with whom this Officer had also dealt under the Donor 1 program. (See Annex 1, Figure 60). The OIG investigation did not uncover any information concerning the source of funding for the “Cambodian Treatment Access Project”.

G.2.3. Conclusions

183. NCHADS has been the recipient of approximately USD 76.9 million of Global Fund disbursements²⁸⁸ through November 2012, approximately USD 51.9 million²⁸⁹ of which **was received during the Senior Procurement Officer’s direct supervision of procurement** under Rounds 7 and 9 of the Global Fund program. The OIG found that NCHADS entered into procurement exercises resulting into contracts with local third party vendors totaling between USD 5,570,769 and 6,237,317 under Rounds 7 and 9.²⁹⁰

184. Related to these procurement expenditures, the evidence demonstrates that at least 6 local vendors²⁹¹ participated in procurement manipulation under the Donor 1 program and continued to do so under the Global Fund program by tailoring price quotations and bid-related paperwork at the request of NCHADS’s **Senior Procurement Officer**. Two of them, Dynamic Pharma and MIG Group, ultimately won Global Fund-funded contracts. The OIG uncovered evidence of one occasion where a vendor, MIG Group, paid an improper facilitation payment to the Senior Procurement Officer in connection with a fraudulent procurement scheme. As the Figure 69 table indicates, the Global Fund program disbursed a total of approximately USD 317,430 in Round 7 and 9 to these compromised vendors.

Figure 69: Value of Global Fund procurements won by local vendors who participated in tainted procurements with NCHADS (in USD)

Vendor name	Round 7	Round 9	Total
Dynamic, Pharma Co., Ltd.	26,641 ²⁹²	198,054	224,695
MIG Group Co., Ltd	92,735	0	92,735
Total	119,376	198,054	317,430

²⁸⁷ Interview of NCHADS Senior Procurement Officer, 24 July 2012 (ROC p. 3-4).

²⁸⁸ This figure comes from the addition of Round 1 - Round 5 (USD 10,774,392), Round 7 (USD 22,515,843) and Round 9/SSF (USD 43,576,496) disbursed through January 2013 (including disbursements made under VPP). This figure includes all disbursements, not just procurement-related disbursements.

²⁸⁹ This figure comes from MoH and NCHADS general ledger: (i) USD 22,469,495 of total Round 7 disbursements, excluding payments made directly to VPP; and (ii) USD 29,412,651 of Round 9 disbursements up to 31 August 2012, excluding payments made directly to VPP.

²⁹⁰ The USD 6,237,317 is derived from procurement details of NCHADS General Ledger for the select procurement transactions. Disbursements to local vendors for Round 7 and Round 9 cover the time period through 31 August 2012, **which was the end of the Senior Procurement Officer’s supervision of the Global Fund program. See “[Senior Procurement Officer] All Procurements from EY India and LFA_REVISED.xlsx”**. NCHADS informed OIG that according to its records, the total for said disbursements is USD 5,570,768.61. **“Response of NCHADS to the OIG draft report” dated 19 July 2013, p. 19. At the time of this report’s publication, OIG was not provided with the necessary transactional information to examine this discrepancy; therefore, the report refers to a range between NCHADS and OIG’s figures.**

²⁹¹ The six vendors are: Dynamic Pharma Co., Ltd; MIG Group Co., Ltd; Kuang Hsien Medical Instrument Co., Ltd; Infotech Computer System Pte. Ltd; Ontaracheat Co., Ltd; and MEAS Sovuthidy Co., Ltd.

²⁹² The full amount of procurements to Dynamic Pharma in Round 7 is USD 26,815; however, based on **NCHADS’s representation that NCHADS had no involvement beyond payment of a the purchase of Opportunistic Infection drugs during a pooled procurement with PR-MoH during this period, the OIG has removed the amount of this payment (USD 174.43) from the total. “Response of NCHADS to the OIG draft report”, dated 19 July 2013, p.20-21.**

185. A sufficient amount of credible and substantive evidence supports a finding that from 1 January 2009 until the end of August 2012, NCHADS, through the unchecked actions of its Senior Procurement Officer, compromised the integrity of the Global Fund procurements through improper manipulation of the procurement process by requesting vendors to back-date quotations or insert artificially high prices and by accepting an improper facilitation payment.

186. The contracts, which were obtained with Global Fund financing as a result of these tainted processes, likely were compromised in their entirety. The OIG bases this finding on the following facts: (i) the vendors listed in Figure 69 were involved in the Senior **Procurement Officer's manipulations during the time he supervised Global Fund procurements**; (ii) the Officer accepted a USD 400 facilitation payment from at least one vendor; and (iii) this Officer lacks credibility as a witness based on his initial denials of wrongdoing and equivocations during the OIG interview. As such, the OIG finds that NCHADS put approximately USD 317,430 worth of procurements at risk during this **Officer's supervision of the Global Fund program**.

G.3. MEDiCAM

G.3.1. Overview

187. MEDiCAM is a SR of two PRs, the MOH and NCHADS, under Rounds 5 and 7. It received USD 1,051,220 in Global Fund funding during this period. (See OIG report § E, “Background”). The activities described herein fall under the NCHADS-supervised grant program. During the time that MEDiCAM received Global Fund funding, it also received funds from other international donors.

188. In general terms, the OIG found that MEDiCAM presents itself as a viable organization with working offices, actual staff and evidence of work productivity, **including an extensive website with significant content.** Notwithstanding, OIG’s investigation revealed that MEDiCAM charged the Global Fund grant USD 20,725 for staff costs related to two MEDiCAM employees that did little or no Global Fund-related work and did not hold the positions MEDiCAM reported to The Global Fund that they held. Moreover, MEDiCAM created false documentation to conceal this fact.

189. The OIG identified this wrongdoing on the basis of its review of data and documentation it acquired from the PR and MEDiCAM, as well as a review of limited documentation provided by other international donors to MEDiCAM. The OIG has exchanged information and evidence with these donors in the course of its investigation and may provide additional support as requested to assist in any additional investigations by these entities in relation to misuse of their funds by MEDiCAM.

G.3.2. Facts and Documentary Evidence

G.3.2.1. Global Fund improperly charged for salary of “Training Assistant” post when actually funded “Advocacy Coordinator” position

(a) “Training Assistant” post was not filled in 2009

190. Under Round 7 HIV grant, the Global Fund budget allowed for a “Training Assistant” staff post at MEDiCAM at a rate of USD 575 per month.²⁹³ The OIG confirms that such a post was charged to the Global Fund beginning in February 2009 for the duration of the year, for a total of USD 6,325. However, the OIG found no evidence to substantiate that anyone actually held this position in 2009. In fact, MEDiCAM has conceded to OIG that no one person filled the “Training Assistant” post, claiming instead that the entire MEDiCAM staff stepped in to perform the duties of this role “in the spirit of team work.”²⁹⁴ MEDiCAM further admits that it used the Global Fund budget allocation for a “Training Assistant” to pay the salary of an “Advocacy Coordinator,” who performed duties unrelated to Global Fund grants, without alerting the Global Fund or NCHADS (its PR) to this deviation.

191. During the course of its investigation, the OIG uncovered two different full-time staff contracts for one individual, “Staff Member A”, during the same 2009 time period. One contract was for the staff position of “Advocacy Coordinator” while the other was for a “Training Assistant” position. (See Annex 1, Figure 70). Both contracts were signed by Staff Member A. Both contracts were dated on the same day: 2 February 2009.

192. The OIG also found on a MEDiCAM official’s computer hard drive the Microsoft Word documents used to generate the Staff Member A employment contracts.²⁹⁵ The

²⁹³ Letter from MEDiCAM Executive Director to OIG, 8 October 2012, p. 4; “CAM HIV Rd7 PU/DR#2 MEDiCAM (Dec08-Jun 09 expenditure report).xls”, Tab 2, Row 21, and “CAM HIV Rd7 PU/DR#3 MEDiCAM (Jul-Dec 09 expenditure report).xls”, Tab 2, Row 21.

²⁹⁴ “MEDiCAM’s Response to OIG draft report Submitted to MEDiCAM on 15th June, 2013”, dated 17 July 2013, p. 3; See also “Due Process” section of OIG report, § J.

²⁹⁵ “Advocacy Coordinator (██████ GR7).14176 .doc” and “Advocacy Coordinator (Staff Member A).14249.doc”.

filename used for the Advocacy Coordinator contract was “Advocacy Coordinator ([Staff Member A]).doc”. Interestingly, the filename for the Training Assistant contract was “Advocacy Coordinator ([Staff Member A] GR7).doc”. The OIG notes that the Training Assistant contract filename merely adds reference to the Global Fund Round 7 grant while **maintaining the “Advocacy Coordinator” description, which indicates that it was duplicated from the Advocacy Coordinator contract despite the fact that Global Fund did not fund such a staff position.** Further, the metadata indicates that the Advocacy Coordinator contract file was originally created on 24 December 2008, about five weeks before the **commencement of Staff Member A’s employment at MEDiCAM, which is not unusual given that she would have likely negotiated her employment around that time.** **The second file for the “Training Assistant” contract, however, was not created until 23 October 2009 and was modified on 01 December 2009.** These dates indicate that the second file was created to justify the Global Fund expenditures and was likely not signed until late 2009 and back-dated to February 2009 to fraudulently justify the 2009 expenditures charged to the Global Fund Round 7 grant.²⁹⁶

193. Sufficient additional documentary evidence and witness testimony exist to confirm that MEDiCAM Staff Member A was, in fact, hired for the one and only Advocacy Coordinator post within MEDiCAM. For example, minutes of a MEDiCAM staff meeting on 13 February 2009 introduced **the new employee as follows: “[Staff Member A] is the MEDiCAM Advocacy Coordinator. She started working with MEDiCAM on February 2, 2009 [...]”**²⁹⁷ An organizational chart dated August 2009 also lists the employee in question as the **“Advocacy Coordinator”**. (See Annex 1, Figure 71). Further, various MEDiCAM staff listings and phone directories list the position for this individual as **“Advocacy Coordinator”**.²⁹⁸ Finally, MEDiCAM’s own annual report for 2009, which is publicly available on its own website, lists Staff Member A as the **“Advocacy Coordinator.”**²⁹⁹

194. There is no evidence that Staff Member A performed any work in relation to the Global Fund Round 7 grant, and certainly not in the capacity of a **“Training Assistant”**. Furthermore, Global Fund covered witnesses, who are in a position to provide such information, confirmed this fact.³⁰⁰

195. When MEDiCAM was initially presented with OIG’s findings on this topic in September 2012, it responded by letter, dated 8 October 2012, indicating that Staff Member A held the **“Training Assistant” position in 2009 and another person, Staff Member B, actually held the position of Advocacy Coordinator from 3 April 2008 to December 2009.**³⁰¹ To support this assertion, MEDiCAM provided OIG with a copy of the signed employment contracts of Staff Member B to that effect (See Annex 1, Figure 72). The second (of two) contract for Staff Member B was signed and dated 1 October 2008, although it took effect one month earlier on 1 September 2008.³⁰² Notably, MEDiCAM did not provide OIG with any contracts to support the claim that Staff Member A served as Training Assistant during this time period. MEDiCAM subsequently reversed this

²⁹⁶ “CAM HIV Rd7 PU/DR#2 MEDiCAM (Dec08-Jun 09 expenditure report).xls” and “CAM HIV Rd7 PU/DR#3 MEDiCAM (Jul-Dec 09 expenditure report).xls”.

²⁹⁷ W: \[REDACTED] \USB\C\On desktop\Desktop\General Staff Meeting Minute 13022009.doc.

²⁹⁸ W: \[REDACTED] \USB\C\ [REDACTED] \ [REDACTED] on 'MserverMedicam'(z)\ [REDACTED] \List Name of Staff\MEDiCAM Staff name.xls.

²⁹⁹ MEDiCAM 2009 Annual Report, p. 41, http://www.medicam-cambodia.org/about_us/source/annual_report/Annual_Report_2009.pdf, accessed on 1 November 2013.

³⁰⁰ Interview with Covered Witness #2, 28 September 2012, p. 2, ¶ 5; “Medicam Investigation: Summary Report” by A Freelance Consultant (Covered Witness #1), dated 10 April 2012, p. 5.

³⁰¹ “Clarification Response to Financial Investigation of MEDiCAM Dated 21st September, 2012”, dated 8 October 2010; See also “Due Process” section of OIG report, § J, infra.

³⁰² The employment contract superseded a previous contract for the Advocacy Coordinator position with the effective dates of 3 April 2008 to 31 March 2009 to purportedly reflect Staff Member B’s increased salary effective 1 September 2008.

position in another letter to OIG, dated 17 July 2013, when responding to a draft of this investigation report. This time, MEDiCAM claimed that Staff Member B only held the position of Advocacy Coordinator from 3 April to 31 August 2008 by way of explaining how the position opened up for Staff Member A to fill in February 2009.³⁰³ In an effort to prove the point that Staff Member B held the Advocacy Coordinator position through **August 2008, MEDiCAM provided OIG with Staff Member B's employment contract for the position of "Health Information Sharing Manager" from 1 September 2008 to 31 August 2009.** (See Annex 1, Figure 72).³⁰⁴ Interestingly, this contract was signed by Staff Member B and dated 1 September 2008, *one month before* the contract MEDiCAM initially gave OIG representing that Staff Member B was an Advocacy Coordinator during the same time period. It is illogical that Staff Member B would sign a contract for an Advocacy Coordinator position on 1 October 2008 if he had actually started working (and signed a contract to that effect) as Health Information Sharing Manager one month earlier. OIG finds that at least one of these employment contracts is a fabrication and that it was created in order to misrepresent the true roles of **MEDiCAM's** staff.

196. Interestingly, MEDiCAM claimed in its 17 July 2013 response to OIG's draft investigation report that no one filled the Training Assistant position and that the work of **this job was done by MEDiCAM's entire staff "in the spirit of teamwork."** Further, MEDiCAM declined to comment on the fact that OIG uncovered evidence of a signed **"Training Assistant" employment contract during the relevant time period (2 February 2009 – 31 January 2010)** signed by Staff Member A during the course of its investigation.³⁰⁵

197. Likewise, the OIG finds that **MEDiCAM's creation of two separate employment contracts for Staff Member A served no other purpose than to create fictitious documentation supporting the billing of the same staff member to different donors.** (See OIG report § G.3.2.1(b) for further discussion). The OIG finds that MEDiCAM was intentionally deceitful in charging the Global Fund Round 7 grant a total of USD 6,325 **during 2009 for a "Training Assistant" staff position.**³⁰⁶

(b) Salary of "Advocacy Coordinator" post was simultaneously paid by other donors

198. The OIG notes that various donor grant agreements included a provision for payment of the salary of an Advocacy Coordinator as well. In 2009, for example, three different bilateral or multilateral donors provided funding for the position as detailed below:

³⁰³ Supposedly, Staff Member B held the position of Health Information Sharing Manager from 1 September 2008 to December 2008 and then Research Coordinator from 1 January 2009 to 31 December 2009. "MEDiCAM's Response to OIG draft Report Submitted to MEDiCAM on 15th June, 2013" dated 17 July 2013, p. 1-2.

³⁰⁴ The staff member was promoted to the position of Research Coordinator on 1 January 2009, a position he held during 2009.

³⁰⁵ "MEDiCAM's Response to OIG draft Report Submitted to MEDiCAM on 15th June, 2013", dated 17 July 2013.

³⁰⁶ The actual expenses billed to the Global Fund for "Training Assistant" were USD 2,875 for the first half of 2009 and USD 3,450 for the second half. "CAM HIV Rd7 PU/DR#2 MEDiCAM (Deco8-Jun 09 expenditure report).xls", Tab 2, Row 21, and "CAM HIV Rd7 PU/DR#3 MEDiCAM (Jul-Dec 09 expenditure report).xls", Tab 2, Row 21.

Figure 73: Other donor grants supporting Advocacy Coordinator post³⁰⁷

Donor	Staff position	Monthly amount charged
Donor A	Advocacy Coordinator	USD 1,000
Donor B	Advocacy Coordinator	USD 900
Donor C	Advocacy Coordinator/Officer	USD 481

199. Further, according to a review of records of work activities and output, this individual appears to have performed advocacy coordination work for two donors, Donor A and Donor C.³⁰⁸ Indeed, financial reports prepared for Donor A indicate that the Donor A grant was charged USD 1,000 per month for the salary of an Advocacy Coordinator and Donor C financial reports indicate that its grant was charged an average of approximately USD 481 per month for advocacy work performed.³⁰⁹ So it appears as if these two donors were collectively charged USD 1,481 a month for the Advocacy Coordinator position, even though MEDiCAM recorded only USD 800 per month as the salary for this staff member.³¹⁰ Moreover, the OIG notes that Donor B funds were reported by MEDiCAM as **having been used to pay for an “Advocacy Coordinator” position at USD 900 per month.** As far as the OIG investigation could determine, MEDiCAM only employed one Advocacy Coordinator during this time period.

200. Therefore, in addition to finding that the Global Fund Round 7 grant was **fraudulently charged for a “Training Assistant” staff position for Staff Member A in 2009,** OIG further finds that **Staff Member A’s salary was fully charged (and in fact over-charged) to the Donor A and Donor C grants, and likely to the Donor B grant, for the “Advocacy Coordinator” position in 2009.**

G.3.2.2. Global Fund charged for salary of same staff member simultaneously holding two positions: HIV/AIDS Coordinator and M&E Capacity Building Manager

201. The OIG identified another similar instance related to a different employee. The OIG was charged with and paid for the salary of an HIV/AIDS Coordinator in 2009 in the total amount of USD 14,400. Again, MEDiCAM conceded that there was no HIV/AIDS Coordinator during this time period and explained that it used this money to fund an M&E Coordinator position instead.³¹¹

202. OIG identified two different staff contracts on a MEDiCAM official’s computer hard drive for the same time period, 1 January 2009 through 31 December 2009, for MEDiCAM Staff Member C. (See Annex 1, Figure 74). One contract, which is signed, states his position as M&E Coordinator. In contrast, the other contract, which is not signed, is for Staff Member C to serve as HIV/AIDS Coordinator. MEDiCAM charged the

³⁰⁷ W:\[redacted]\Desktop\D\ [redacted] \MEDiCAM\MEDiCAM [redacted] \Report of 1st Tor\Financial Report for [redacted].xls; W:\[redacted] \USB\C\ [redacted] \ [redacted] \Financial Report for [redacted] Jul09-Jul10.xls; W:\[redacted] \USB\C\ [redacted] \ [redacted] on 'MserverMedicam'(z)\ [redacted] \Summary Report Jun08-Jun09.xls; W:\[redacted] \USB\C\ [redacted] \ [redacted] on 'MserverMedicam'(z)\ [redacted] \Spreadsheet [redacted].xls.

³⁰⁸ “[Staff Member A] Weekly Activity Reports” (March – December 2009); “Financial Report for [redacted].xls.”

³⁰⁹ See, e.g., “Financial report for [redacted] Jul09-Jul10.xls” and “Financial Report for [redacted].xls”; see also “spreadsheet [redacted].xls”.

³¹⁰ MEDiCAM Employment Contract for “Staff Member A” for the position of “Advocacy Coordinator” dated 2 February 2009; MEDiCAM Employee Pay slip, for Staff Member A, dated 25 March 2009 (showing net salary of USD 800); MEDiCAM Staff Payment Roll for Pay Date 25 March 2009 (listing USD 800 as net salary for Staff Member A).

³¹¹ “MEDiCAM’s Response to OIG draft Report Submitted to MEDiCAM on 15th June, 2013”, dated 17 July 2013, p. 4-6; See also “Due Process” section of OIG report, § J.

entirety of this employee's salary during 2009 to the Global Fund Round 7 grant as HIV/AIDS Coordinator.

203. An OIG covered witness stated that Staff Member C did not perform any HIV/AIDS coordination work related to the Global Fund Round 7 grant.³¹² The 2009 MEDiCAM organizational chart corroborates this fact as he is listed therein as the M&E Capacity Building Manager and not the HIV/AIDS Coordinator. (See Annex 1, Figure 75).

204. **The OIG further identified on the MEDiCAM office manager's computer a job announcement in Microsoft Word format for the HIV AIDS Coordinator post. The announcement requests interested parties to reply "no later than 04 September 2009" which suggests that the position remained unfilled for at least some portion of 2009.**³¹³

205. While the OIG did not perform an exhaustive review of the work output generated by Staff Member C, it did find a 2009 performance appraisal for him on the hard drive of the MEDiCAM Executive Director.³¹⁴ **In answer to the appraisal's inquiries "state your understanding of your main duties and responsibilities" and "describe what you have achieved in the past year", there are no references to any work related to HIV/AIDS coordination.**

206. **The OIG's investigation further uncovered evidence that indicates another bilateral donor also supported a M&E staff member post at MEDiCAM during the same time period. This bilateral donor's grant was charged during 2009 under the "M&E Coordinator" staff description.**³¹⁵ The fact that the Global Fund Round 7 grant was separately charged a total of USD 14,400 for an HIV/AIDS Coordinator who was actually performing the role of M&E Coordinator indicates that MEDiCAM was double-billing for this staff member's salary also.³¹⁶

G.3.3. Conclusions

207. Sufficient credible and substantive evidence exists for the OIG to conclude that in **2009 MEDiCAM billed the Global Fund for staff salary expenses related to the "Training Assistant" position that was not filled and instead used this money to fund the "Advocacy Coordinator" post. Moreover, MEDiCAM fabricated documents to support this false impression. The salary for this "Advocacy Coordinator" post was also billed to three other international and bilateral donors. The total amount of money MEDiCAM improperly charged to the Global Fund for this staff member is USD 6,325.**

208. OIG further concludes that in 2009 MEDiCAM billed the Global Fund for the salary **of an "HIV/AIDS Coordinator" position that was not filled. Further, this staff member was instead performing the work of an M&E Manager, a position that was being simultaneously funded by another bilateral donor. The total amount of money MEDiCAM improperly charged to the Global Fund for this staff member is USD 14,400.**

209. MEDiCAM created false documentation to support the charges of one of the staff member's salaries and, in the case of one if not both of these staff members, double-billed the Global Fund and other international and bilateral donors. The overall total that the Global Fund was improperly charged for these salaries is USD 20,725.

³¹² **Medicam Investigation: Summary Report** by A Freelance Consultant (Covered Witness #1), dated 10 April 2012, p. 8.

³¹³ W:\[REDACTED]\USB\C\ [REDACTED] \ [REDACTED] on 'MserverMedicam'(z)\Job Announcement\Job Announcement HIV AIDS Coordinator 2009 approved by ED.doc.

³¹⁴ D:\ [REDACTED] \Appraisal Format\[Staff Member C] Performance Appraisal.doc.

³¹⁵ **CSCF 0433 Financial Report.xls** and **CSCF 433 MEDiCAM Cambodia Financial Report for 2009-10.xls** provided by bilateral donor.

³¹⁶ The actual expenses billed to Global Fund for HIV/AIDS Coordinator were USD 7,200 for the first half of 2009 and USD 7,200 for the second half. **"CAM HIV Rd7 PU/DR#2 MEDiCAM (Dec08-Jun 09 expenditure report).xls"**, Tab 2, Row 16, and **"CAM HIV Rd7 PU/DR#3 MEDiCAM (Jul-Dec 09 expenditure report).xls"**, Tab 2, Row 16..

H. Global Fund Secretariat Response to OIG Investigative Findings

210. The OIG notified the Global Fund Secretariat via memo on 30 July 2012 of its findings of credible and substantive evidence of fraud, misappropriation and abuse at NCHADS, CNM and MEDiCAM.³¹⁷ These findings were further developed in partial and full draft reports sent to the Secretariat in December 2012, April 2013, and August 2013. The OIG also shared the Notice of Findings letters for CNM and MEDiCAM with the Secretariat in September 2012.

211. **With respect to the OIG's findings and key issues raised in this report, the Secretariat has taken a number of significant actions regarding Global Fund grants in Cambodia. These actions were initiated upon communication of the OIG's initial findings and follow prior pro-active measures taken by the Secretariat to manage known risks within the Cambodia portfolio. Collectively, these actions reflect the Secretariat's commitment to fulfill its obligations to take "strong, immediate action" in response to adverse findings by OIG audits and investigations and to manage portfolio risk.**³¹⁸ To-date, the Secretariat has implemented the following measures:³¹⁹

- a. **Beginning October 2012, provisionally restricted the PR's budgets to undertake only services essential to program delivery until appropriate risk mitigation measures could be implemented in relation to the investigation's findings;**³²⁰
- b. Required replacement of CNM as the PR for the SSF malaria grant for its phase 2 starting on 1 April 2013;³²¹
- c. Appointed an external fiduciary agent to work within NCHADS beginning February 2013 to ensure that all financial management and procurement activities are appropriately conducted;³²² Additionally, a procurement agent was embedded within NCHADS;³²³
- d. Engaged in negotiations to place a fiduciary agent in MEDiCAM, ongoing at the **time of this report's release;**³²⁴
- e. Prior to the OIG investigation, during 2009 to 2011, required all health products to be procured through VPP or UNICEF;³²⁵ Also instituted measures to increase planning and coordination of procurements across PRs and augmented **the LFA's** review and monitoring of non-health procurements.³²⁶

212. The Secretariat has also undertaken proactive measures with respect to procurement activities within the Cambodia portfolio, such as eliminating Procurement

³¹⁷ Action taken pursuant to Board Decision Point GF/B19/DP25, May 2009. Report of the Nineteenth Board Meeting, GF/B20/2, p. 19, available at http://theglobalfund.org/documents/board/19/BM20_02NineteenthBoardMeeting_Report_en/, accessed 01 November 2013.

³¹⁸ Ibid.

³¹⁹ Response from the Global Fund Secretariat to OIG Draft, dated 10 May 2013.

³²⁰ Global Fund Senior Program Officer, South & East Asia, email to Cambodia PRs and CCC, 01 October 2012.

³²¹ Global Fund, Regional Manager, South & East Asia, letter to CCC Chair, 30 October 2012. The new PR is UNOPS and it is managing CNM's budget, undertaking all procurement for CNM above USD 2,499 and monitoring all procurement undertaken by CNM under USD 2,499. 23 July 2013 and 4 October 2013 emails from Global Fund Senior Fund Portfolio Manager.

³²² Global Fund Regional Manager, South & East Asia, letter to CCC Chair, 15 January 2013; Fiscal Agent Terms of Reference.

³²³ 2 October 2013 email from Global Fund Senior Fund Portfolio Manager to OIG (attaching Terms of Reference for Procurement Agent from 1 October 2013 until 31 December 2015).

³²⁴ Ibid.

³²⁵ Global Fund Regional Manager, South & East Asia, letter to CCC Chair, 17 October 2012.

³²⁶ Global Fund Senior Fund Portfolio Manager email to OIG, 30 January 2013.

Agents as the point of contact to manufacturers, in order to strengthen controls and tighten compliance, increase transparency and efficiencies, harmonize product specifications and undertake joint global tenders, and ensure fair and transparent product pricing.³²⁷

213. In light of these measures, the Global Fund has resumed its disbursement of funds to the entities discussed herein to allow for the continuation of programmatic activities. Specifically, UNOPS (on behalf of CNM), NCHADS and MoH (both partially on behalf of MEDiCAM) have recently received approximately USD 24.5 million in additional funding from June through August 2013 as the below chart indicates:

Figure 76: Global Fund grant disbursements from June through August 2013 to Principal Recipients

Disease: Grant No.	Date	Amount in USD	Recipient
HIV: CAM-H-NCHADS	June 2013	7,500,000	Country: National Center for HIV/AIDS, Dermatology and STI (NCHADS) ³²⁸
	June 2013	4,247,002	Procurement agent: VPP
	June 2013	217,545	Fiduciary Agent: GFA Consulting Group
	July 2013	274,268	Procurement Agent: VPP
Malaria: CAM-M-UNOPS	June 2013	8,170,074	United Nations Office for Project Services (UNOPS)
	August 2013	843,706	United Nations Office for Project Services (UNOPS)
HSS: CAM-H-PRMOH	June 2013	3,208,449	Ministry of Health of Cambodia (PRMOH) ³²⁹
Total		24,461,044	

214. The OIG would also like to recognize the full cooperation of the Secretariat to the OIG investigation and support it provided to the OIG investigative team. It proactively engaged with senior officials in the Ministry of Health and CCM of behalf of the OIG to ensure their full cooperation with the investigation and responded quickly to efforts to **disrupt or block the OIG's work in-country**.

³²⁷ Response from the Global Fund Secretariat to OIG draft, dated 10 May 2013.

³²⁸ Of this total disbursement to NCHADS, a maximum of USD 128,002 will be distributed to MEDiCAM as SR. See Global Fund Senior Program Officer email to OIG, dated 16 September 2013.

³²⁹ Of this total disbursement to MoH, a maximum of USD 822,417 will be distributed to MEDiCAM as SR. Ibid.

I. Cooperation and Remedial Measures Taken by LLIN Suppliers

I.1. Sumitomo Chemical Singapore

I.1.1. Level of cooperation during investigation

215. SCS became aware of OIG's investigation at the end of July 2012 after the OIG contacted SCS's Sales Manager in connection with its investigation.³³⁰ Shortly thereafter, SCS engaged its external legal counsel in Singapore, Baker & McKenzie. Wong & Leow, to communicate with OIG regarding this matter. SCS (via its counsel) informed OIG that it was undertaking its own internal investigation concerning the payment of improper commission payments. This internal investigation lasted from August 2012 to March 2013. SCS further made available several individuals from its Singapore and Malaysia offices to speak with OIG, in the presence of SCS counsel, including the SCS Sales Manager and Sumitomo Managing Director discussed at length in this report.

216. On 24 August 2012, OIG made numerous requests for documents to SCS, including key word searches of computer hard drives, which SCS complied with on a rolling basis until September 2013.³³¹ Some of the material provided to OIG contained incriminating information about SCS employees and Cambodian officials. SCS has also made oral proffers of evidence regarding some of OIG's requests.

217. On 3 April 2013, SCS, representatives from Sumitomo Chemical Co. Japan, and legal counsel came to Geneva to make a presentation to OIG regarding, *inter alia*, its Olyset net business, corporate structure, response to being notified of OIG's investigation, internal investigative findings and conclusions, compliance efforts and remediation measures. SCS subsequently informed the OIG that the SCS Sales Manager's employment was terminated on 14 June 2013 and the Sumitomo Managing Director's employment was terminated on 3 May 2013.³³²

218. OIG provided SCS with the opportunity to issue a statement reflecting the nature of its cooperation during this investigation and SCS provided the following statement:

The OIG was able to uncover the incriminating evidence and conclude its investigations within a short timeframe as a result of SCS' full cooperation with the OIG's investigations. From the moment SCS was made aware of the OIG's investigations, SCS agreed to all of our interview requests (5 interviews spanning a total of 8 hours) and hosted us at its external counsel's office for the interviews where we had unfettered access in questioning the interviewees. SCS also voluntarily provided us with copies of incriminating emails from the Sales Manager when the OIG conducted its first interview in Singapore, and made prompt voluntary disclosure of the SCS General Manager's knowledge and involvement (which, until then, was unknown to the OIG). Furthermore, SCS (through its external counsel) worked with the OIG on an agreed set of search terms for trawling the Sales Manager's company hard drive and provided the OIG with over 2,800 of Global Fund-related documents uncovered from the Sales Manager's company hard drive and over 350 hard copy documents that were responsive to the OIG's document requests. Also we are advised that SCS has put the SCS General Manager

³³⁰ 27 July 2012 email from OIG to SCS Sales Manager re: "Contract for provision of Global Fund financed Long Lasting Insectidal [sic] Nets to Cambodia".

³³¹ The majority of documents produced by SCS were provided by December 2012 (pursuant to 24 August 2012 letter from OIG to SCS external legal counsel requesting documents in connection with investigation); however, there were some outstanding requests, which led to SCS providing OIG with a supplemental production that was completed by 19 September 2013; .

³³² 27 September 2013 email from SCS counsel to OIG.

*and the Sales Manager on an agreed leave of absence throughout the duration of the internal investigations in order to assist the OIG in its investigations, and promptly thereafter carried out disciplinary procedures against the SCS General Manager and steps to terminate his employment and the Sales Manager's employment. Among other co-operative efforts, on 3 April 2013, SCS and its external counsel came to Geneva to make a presentation to the OIG on its investigation findings and the remediation measures adopted (and to be adopted) by SCS. During the presentation, SCS engaged with the OIG and offered the OIG an opportunity to raise questions in order to complete a draft of this investigation report. The OIG acknowledges that the cooperation provided by SCS was of substantial benefit to the OIG's investigation in that the cooperation was material and useful, resulting in a more efficient and effective OIG investigation and significant savings of Global Fund resources.*³³³

I.1.2. Action taken in response to OIG findings

219. As mentioned above, on 3 April 2013, SCS made a presentation to OIG in Geneva that included remediation measures taken in response to OIG findings. According to SCS, the following actions have been (and will be) implemented:³³⁴

- a. Inclusion of specific policy on bribery prevention in Bribery Prevention Manual implemented in March 2013, which adds more specific prohibitions on giving and accepting bribes, rules and procedures on giving and accepting gifts, entertainment and sponsorships, guidelines on what constitutes bribes, gifts and entertainment to government officials, and procedures for the appointment and compensation of business partners, in addition to the existing statements of principle in the SCS Code of Ethics. A copy of the new Manual has been provided to the OIG.
- b. **Implementation of external accountants' recommendations on strengthening** the payment requisition system.
- c. Establishment of dedicated regional legal affairs and compliance teams to monitor legal risks and promote compliance in business operations whose job will include reviewing and authorizing all contracts, monitoring legal risks, monitoring bribery risks, and assisting in compliance training and educational programs.
- d. **Improvement to employees' compliance training and education, including** training on new and enhanced anti-bribery measures.

I.2. Vestergaard Frandsen

I.2.1. Level of cooperation during investigation

220. OIG notified VF of its investigation on 13 November 2012 via an email to the headquarters office.³³⁵ On 16 November 2012, OIG made requests for documents, including key word searches of computer hard drives, which VF complied with on 1 February 2013.³³⁶ VF further provided OIG on that date with a written brief summarizing **the content and findings of an internal investigation that VF's external legal counsel, Schellenberg Wittmer, conducted at VF's request, along with supporting documentation.**

³³³ SCS Response to OIG draft report, dated 7 June 2013, p. 3.

³³⁴ SCS Response to OIG draft report, dated 7 June 2013, p. 4.

³³⁵ **13 November 2012 email from OIG to VF legal counsel re: "Vestergaard Frandsen – GF board meeting".**

³³⁶ 16 November 2012 letter from OIG to VF requesting documents in connection with investigation.

In this brief, VF informed OIG that the Indian branch Regional Director at issue in this report was suspended on 28 November 2012 and ultimately resigned.³³⁷

221. On 26 May 2013, VF submitted a written response to the OIG's draft investigative findings, and two days later, representatives of VF headquarters office and its external legal counsel met at OIG's office in Geneva to discuss the findings and their response in further detail. Both in their written response and in the 28 May presentation, VF discussed, *inter alia*, comments and suggestions concerning the draft report, theories of responsibility for actions uncovered, compliance and governance measures adopted by VF, VF's cooperation throughout the investigation, and remedial steps taken by VF.

222. OIG provided VF with the opportunity to issue a statement reflecting the nature of its cooperation during this investigation and VF provided the following information to be included in this report:³³⁸

- a. VF undertook a full search of any and all relevant information in response to OIG's 16 November 2012 request for documents. VF also undertook a corporate investigation of VF's operations in Cambodia from 2006 to 2012, which included a review of documents and interviews of employees.
- b. On 1 February 2013, VF's external legal counsel met with OIG and voluntarily provided the OIG with a corporate investigation report and corresponding exhibits, and all information and data found within VF on an electronic device. VF states that it went beyond the requested scope by providing information predating the requested 2006 timeline.
- c. VF provided OIG with a technical note to explain the process for the collection and organization of evidence provided on 8 February 2013.
- d. VF notes that OIG made extensive use of information contained in, or provided in connection with, the 1 February 2013 corporate investigation report, which VF contends was voluntarily provided.

I.2.2. Action taken in response to OIG findings

223. According to VF, the following actions have been (and will be) implemented:³³⁹

- a. VF suspended the Regional Director, Indian branch, on 28 November 2012, and he subsequently resigned.
- b. VF reached out to the Cambodian "agent" at issue in this report as well as other witnesses, in an effort to obtain additional information.
- c. VF terminated the contract of the Thai agent who was involved in the transfer of the final commission payment on 15 March 2013.
- d. VF is undertaking a review of all active agents and alignment of agreements throughout its global offices, and all employees and agents are receiving a "refresher" course on VF's Business Conduct Principles ("BCP", instituted in October 2008). New agent agreements contain commitments to clean business practices, audit rights for VF and a carefully designed structure. Agency contracts will only be valid for 2-year terms going forward. VF is introducing stricter guidelines regarding agent activities and related commissions, more thorough screening of new agents, annual BCP self-certification for agents, and standardized documents to justify commission payments. VF is also establishing new rules to identify "red flags" in relation to commission payments and a three-level control process for payment of commissions.

³³⁷ VF Submission, dated 1 February 2013, p. 11, § 7.1.4.

³³⁸ VF Response to OIG draft report, dated 26 May 2013.

³³⁹ Ibid. at p. 16-17, 37-40.

- e. A systematic effort is underway to methodically identify significant areas for improvement in relation to the **BCP's** risk management and control framework. This effort is focused on anti-bribery and corruption and implementation of priority actions, such as BCP training and development of a company-wide agent screening process, began in May 2013.³⁴⁰

³⁴⁰ 2 October 2013 email from VF counsel to OIG (with attachments) regarding VF's ongoing efforts to improve anti-corruption objectives.

J. Due process

224. The OIG investigation has provided the subject entities in Cambodia, the CCC Cambodia and other third party vendors (the Suppliers), an opportunity to review and comment on the relevant substantive sections of this report prior to publication, in compliance with the procedures of the Global Fund and the principles of due process.³⁴¹

225. Prior to the finalization of the report, the OIG provided Notice of Findings Letters to relevant entities, including CNM, NCHADS, and MEDiCAM, as well as individual subjects within these entities implicated in the described schemes.³⁴² These letters outlined the evidence obtained in the case thus far and included preliminary findings. The recipients were asked to comment on the evidence and the findings. The Global Fund Secretariat and the Global Fund Legal Unit received copies of these communications. The OIG invited each of these entities to supply a written response.

226. On 14 June 2013, OIG provided the CCC, CNM, NCHADS, and MEDiCAM with their **respective portions of the draft report's factual findings to date, along with the opportunity to provide feedback and comments prior to the report's finalization.** OIG requested that this feedback be returned by 5 July 2013, though the CCC requested an extension of time to respond, which OIG granted to 19 July 2013. All parties submitted written responses to the draft report excerpts, as did specific individuals implicated or otherwise mentioned in the reported schemes. Responses received are addressed in summary below and, where necessary, summarized in a chart and appended to this report as an annex.

227. On 19 August 2013, the OIG released a full and complete draft of its investigative report to the CCC and provided a two-week timeframe in which the CCC could offer comments and feedback on the portions of the report that had not previously been shared. The deadline for this feedback was 2 September 2013, but the CCC requested a three-week extension so the OIG extended the time for comments to 23 September 2013. **The OIG received the CCC's comments by letter on 23 September 2013 and to the extent these comments raised additional points beyond the CCC's 19 July 2013 response, they are addressed herein.**

228. The OIG held several in-person meetings and conference calls with the Suppliers at their request during the course of the investigation and the finalization of this report. See Section I, Cooperation and Remedial Measures Taken by CNM Suppliers, *supra*, for more details. Several months later, on 17 May 2013, the OIG presented a draft copy of its factual findings as they related specifically to the Suppliers, SCS and VF, discussed in Section G.1 (CNM) of the report. The relevant excerpts of the draft report were sent to each Supplier, respectively, and the OIG invited them to share comments by 31 May 2013. VF provided comments on 26 May 2013 and SCS provided comments on 7 June 2013.³⁴³ Then on 20 August 2013, OIG provided both Suppliers with the relevant section of the draft report concerning their cooperation and remedial measures for their review and comment within a two-week time period. Responses received are addressed in summary below and specific objections are summarized in a chart appended to this report.

³⁴¹ While the OIG does not develop regulations or apply sanctions, it strives to ensure that the subjects of its reports, as well as the Secretariat and the relevant CCMs, are kept informed of its findings prior to publication and are given a chance to review and provide comments on the preliminary findings.

³⁴² OIG sent Notice of Findings letters to the following individuals/entities on the following dates:

- (i) 21 September 2012: to Executive Director of MEDiCAM
- (ii) 24 September 2012: current CNM Director; former CNM Director; and CNM Deputy Director.
- (iii) 27 November 2012: Director, NCHADS.

³⁴³ SCS requested a one-week extension to respond due to the length of the draft report excerpt, which OIG granted.

229. On 3 September 2013, OIG had an in-person meeting with VF during which **outstanding issues pertaining to the report's findings and OIG's due process procedures** were discussed. On 4 September, a similar discussion was had during a conference call with SCS. On 17 September, the Suppliers were provided another copy of the factual **findings section related to them and the "Cooperation and Remedial Measures" section** – as revised according to the Suppliers' comments to the 17 May and 20 August drafts. Additionally, the OIG shared the relevant Due Process report excerpt and a draft chart that addressed the Suppliers' suggested edits and amendments.

J.1.1.CCC

230. In its 19 July 2013 response to **the OIG's factual findings in connection with its** investigation in Cambodia, the CCC requested a copy of the full draft report before its completion. As mentioned above, on 19 August 2013, the OIG released a full and complete draft to the CCC and provided a five-week timeframe in which the CCC could offer comments and feedback on the portions of the report that the OIG had not previously shared.

231. The CCC acknowledges that there was serious financial mismanagement at MEDiCAM, but asks the Global Fund to confirm that no Global Fund resources were intentionally misappropriated and that all procurement undertaken was delivered on time and to the specifications required. While we can confirm that the investigation determined LLIN products were received as per the contractual agreements, the OIG makes no finding on the timing of delivery or the specifications required. Moreover, the OIG cannot agree with **the CCC's assertion that there was no intentional misappropriation** of Global Fund resources. Indeed, the evidence supports a finding that MEDiCAM intentionally misled the Global Fund concerning the financing of two staff positions and fabricated documents to support this misrepresentation. See Section G.3 of report. Moreover, the schemes perpetrated by the CNM and NCHADS officials put over USD 12 million in contracts financed by the Global Fund at risk, which was both intentional and misleading.

232. Next, **the CCC questioned the degree of extrapolation used in the OIG's findings** – a point raised in both their 19 July and 23 September responses to OIG. The OIG maintains that its findings are connected to specific instances and facts uncovered during its investigation. **With respect to NCHADS's concern about the sufficiency of proof that the NCHADS procurement Officer's actions compromised Global Fund grants in the** approximate amount of USD 317,430, OIG wishes to emphasize that these conclusions are not a result of generalizations or extrapolations. Rather, OIG arrived at its conclusions based on both documentary and witness testimonial evidence of wrongdoing and the questionable credibility of the Senior Procurement Officer who denied engaging in certain behaviors under the Global Fund program until confronted with hard evidence to the contrary. To the extent that estimations are involved in the identification of Global Fund resources put at risk under NCHADS, they are reasonable inferences to draw based on the **actions of NCHADS's Senior Procurement Officer when he was administering another donor's grants. Moreover, the report contains direct evidence that he continued** tampering with NCHADS procurements while managing the Global Fund program. See Section G.2.2.3 of the report.

233. Moreover, the CCC identified a conclusion in the report that attributed knowledge, or solicitation, of improper gifts to a senior government official, referenced in the report as **a "Secretary of State". The OIG has reviewed the evidence** on this point and ensured that the report properly reflects that the CNM Director informed the SCS Sales Manager that a Secretary of State within MoH expected gifts but not that this official actively solicited gifts or money. No such knowledge is imputed to the Secretary of State in the report.

234. The CCC asked OIG to clarify that the CNM Director at issue in the report has been replaced by the current CNM Director and that there are several people who share the

Deputy Director title. The OIG has added such clarification language to the report, specifically stating that the current CNM Director replaced the one mentioned throughout **the report and is not implicated or described at any point in the report's findings and that** there are between 8 and 12 individuals at CNM who held the position of Deputy Director during the relevant time period. See ¶ 4 (fn. 3&4), 66 and Section G.1.4 of this report.

235. With respect to CNM, the CCC asserts in its 23 September 2013 response letter, that the payment of improper commissions by Suppliers in exchange for the award of bednet contracts did not lead to material loss for the Global Fund. The CCC further disagrees that this wrongdoing automatically leads to ineligibility of the entire expenditure of procurements of bednets. The OIG refers the CCC to report Section G.1.4.7, which discusses the damage that occurs with such anti-competitive practices, and Section K, regarding the determination of non-compliance with the **Global Fund's Standard Terms and Conditions of the Program Grant Agreement ("STCs")**.

236. The CCC proffers another argument that CNM was not aware of and cannot be held responsible for actions and arrangements by the former CNM Director after his retirement in May 2011. See **the OIG's response to CNM on this topic in ¶ 4** (fn. 3), 160, supra.

237. In its 23 September response letter, the CCC communicates several comments on behalf of the MoH. The OIG accepted the comments clarifying the amount of money MoH received as PR of the non-compliant expenditures, in addition to indicating that NCHADS **was the PR for MEDiCAM's non-compliant expenditures**. The OIG also accepted the **clarifications that MoH's Secretary of State only had oversight and approval authority** for the time when MoH was PR to CNM as SR. Regarding the investigative challenge concerning photographs of OIG staff taken by MoH representatives, the OIG maintains that the information contained in this report is factually accurate.

238. Finally, the OIG has reported on the progress made by the Secretariat and participants in country with respect to remedial measures taken since the investigation in Cambodia began, including the change of PR for the malaria grant, the resignation of relevant individuals, and other corrective measures. See Section H of the report.

J.1.2.CNM

J.1.2.1. CNM

239. The current CNM Director, not the subject of this report, presented comments on behalf of CNM in response to the factual findings shared by the OIG on 14 June 2013 (comments discussed herein will be attributed to **"CNM"**). **CNM raised nine points for the OIG to consider when finalizing the report, discussed below.** The OIG also responded to comments in more specific detail in a chart appended hereto as Annex 2.

240. First, CNM asked for the report to clarify that the former Director resigned from his post on 1 May 2011 and the current Director took office at CNM on 6 May 2011 and was elected to Director on 11 May 2011. The report reflects this information. See OIG report Section G.1.1, ¶ 53. CNM also contends that CNM never engaged its former Director for any services after he retired and never shared information on the procurement processes. The OIG investigation uncovered no overt efforts for CNM to engage with the former Director after 1 May 2011; however, the evidence suggests that CNM allowed the former CNM Director the ability to access information pertaining to procurements that transpired after his retirement. See OIG report Section G.1.4.11, ¶ 148 for more detail.

241. Next, CNM stated some of the contracts discussed in the report **were "outside the boundaries" of the Program Grant Agreements and Memorandum of Agreements.** The OIG has taken note of this comment and removed discussion regarding contracts to CNM not funded by Global Fund grants. In support of this position, CNM offers that CNM was not the procurement agent for certain contracts. CNM further argues that these actions should be seen as those of an individual(s) and not as acts by CNM as an organization.

The OIG agrees that not all of the procurements discussed in the report were procured by CNM itself. Some were done via a procurement agent. However, the use of a procurement agent does not absolve a PR or SR of responsibility for improper commission payments made in connection with said procurements. Further, for contracts where other entities besides CNM were the recipients, such as the 2006 and 2007 contracts won by VF (See OIG report Figure 47, *supra*), the evidence still shows that the CNM Director requested and received an improper commission payment. The report finds that CNM is responsible for the actions taken by officers acting in their official capacity on matters such as procurement activities and using their positions to facilitate contracts and improperly influence the competitive procurements of bednets in Cambodia. OIG finds that it was exactly because of their positions that the CNM Director and Deputy Director could request and receive improper commission payments.

242. CNM also asserts that the OIG does not present concrete evidence to confirm all the ultimate beneficiaries of the commission payments. The OIG maintains that the evidence in the report is clear: the improper commission payments were made for the benefit of the CNM Director and Deputy Director. These payments were wired to third-party **beneficiaries, at the Director and Deputy Director's instruction, in order to avoid detection** of a connection back to said CNM officers.

243. Fourth, CNM does not accept that offerings such as fellowships or dinners can be **considered as improper payments, and describes them as "just humanitarian and/or cultural ... made in the spirit of public private partnership as a mean to achieve the Millennium Development Goals."** To support its point, CNM relies solely on examples in **which companies have donated medicine in the fight against tropical diseases.** CNM's reliance on the donation of health products as a means to explain why dinners, gifts, trips and other favors are acceptable is misplaced. Further, the report clearly points out that the Suppliers have codes of ethics specifically prohibiting the giving of such gratuities as the ones describe in this report, specifically because of the danger that it could be seen as an attempt to obtain influence or other preferential treatment.

244. Fifth, CNM takes issue with the length of time the investigation took and the volume of documents retrieved in connection therewith. The OIG points out that it conducted an extensive investigation of allegations of fraud and financial abuse in Rounds 1 through 9 of multiple grant programs financed by the Global Fund to the Kingdom of Cambodia, covering a 7-year period and USD 86.9 million. Moreover, the activities of at least 4 other recipient entities and 2 bednet suppliers were also examined during this investigation. **Further, OIG denies CNM's request to delay the finalization of OIG's report for an** additional 18 months in order for CNM to conduct its own forensic investigation of the findings in this report. OIG notes that CNM was put on notice of specific preliminary findings, almost all of which are contained in the final report, including evidence supporting these findings, both in person in July 2012 and via a Notice of Findings letter, dated 24 September 2012. CNM had ample opportunity to act in good faith and conduct its own internal investigation—as other entities discussed in this report did—beginning over a year ago. The failure to do so does not warrant further delays to the finalization of this report. The OIG, however, **welcomes CNM's desire to continue to look into these** matters for its own benefit and with an eye to strengthening its internal control processes.

245. Next, CNM asserts that the OIG uncovered no evidence that SCS paid commission payments under the VPP procurements in 2011. The OIG does not dispute this fact and the report confirms this. Further, CNM claims it should not be responsible for any commission payments made to the Director after 1 May 2011 because CNM no longer engaged him to offer any services in management of CNM and he no longer had influence in CNM. The report **makes clear that CNM's Director resigned from his post on 1 May 2011.** However, the investigation found that this individual: (i) continued to use a CNM email account; (ii) continued to maintain his physical office on CNM premises; and (iii) received confidential information via email from VPP agent PSI related to contracts for bednets that were to be delivered to CNM post 1 May 2011, which he then improperly

shared with the Suppliers. OIG maintains that these actions demonstrate a clear and continued connection between the then-**former CNM Director and CNM's ongoing** business activities. Moreover, CNM as an institution tolerated, and enabled the misperception that the former CNM Director created by continuing to be kept in the information loop on CNM bednet procurement matters. At a minimum, CNM allowed the former Director to maintain an active email account on its server and an office on its premises. And CNM had knowledge, or at least the opportunity to know, that the former CNM Director was receiving procurement-related information as late as August 2011 because other CNM employees were also included as recipients on certain of these emails, including the Chief of Procurement.

246. In connection with this argument, CNM also contends that VPP agent PSI may have deliberately violated procurement procedures by continuing to include the former Director on procurement-related emails despite being notified on multiple occasions by CNM employees that he was no longer acting in that capacity. OIG uncovered evidence that shows PSI procurement officers continued to email the former Director until at least 6 September 2011. CNM provided OIG with email evidence that on 29 September 2011, a CNM employee wrote to PSI to remind them that all communication should be directed to the current CNM Director. CNM informed OIG that CNM officer communicated this message to PSI many times before September 2011, but could not provide documentary evidence to support this assertion. Therefore, the OIG can make no finding with respect to exactly when PSI learned that the CNM Director had changed, though OIG acknowledges that a different PSI employee included the current, not the former, CNM Director on a procurement-related email on 11 May 2011.

247. Next, CNM revisits a point made earlier that for the contracts during which CNM was acting as a SR under PR-MoH, the OIG has no mandate to investigate. This **understanding is incorrect. OIG refers CNM to the STCs regarding the OIG's Right of Access** (Art. 13 of the current version of the STCs), which requires that PRs and SRs permit the OIG, and any third party authorized by the Global Fund, unrestricted access to all program books and records.

248. Finally, CNM contends that OIG should conclude on the shared responsibilities of parties such as the VPP agent and the Suppliers. The OIG has already addressed CNM's point regarding PSI as VPP agent above, and asserts that it adequately addresses the actions of the Suppliers and the extent of their involvement in the payment of improper commissions in this investigation report.

J.1.2.2. Former CNM Director

249. The former CNM Director at issue in the report was provided a copy of the draft findings pertaining to CNM by the CCC. In his response, he asserted that he did not ask any company to overprice LLINs during the procurement bidding process. Significantly, at no point does the former CNM Director deny soliciting and accepting improper commission payments in connection with the awarding of LLIN contracts.

250. The OIG report makes no finding regarding whether or not the LLIN Suppliers increased their bid price. Rather, the evidence in this investigation reveals a scheme in which the winning bidder ultimately paid an improper commission to the CNM Director, and, occasionally, Deputy Director, that was a percentage of the total value of the contract. As such, the OIG concludes that these actions were anti-competitive and likely resulted in the Global Fund not benefitting from the most fair and competitive prices. See OIG report Section G.1.4.7.

251. Finally, the former CNM Director claimed that he was not involved in the two net purchase orders administered by VPP in late 2011, as they occurred after his retirement. The OIG report reflects the fact that the former CNM Director at issue in this report retired on 1 May 2011. See OIG report Section C.1, ¶ 4 (fn. 3), Section G.1.1, ¶53. However, **there is direct evidence in this report that shows this individual's continued involvement**

in the VPP procurements for CNM beyond his retirement date. See OIG report Section G.1.4.11, ¶ 143-148.

J.1.2.3. CNM Deputy Director

252. **CNM's Deputy Director, who worked on Global Fund-financed programs from 2004 and throughout the time period covered by this report, was provided a copy of the draft findings pertaining to CNM by the CCC. In her reply, she "disclaim[s] responsibility" for commission payments made in connection with the bednet contracts listed in Figures 27 and 47 of the report, based on arguments such as certain contracts were not funded by the Global Fund, were not related to her position involving procurement, or were not awarded to CNM as procurement agent. She further points out that the OIG uncovered no evidence of the ultimate beneficiaries of the commission payments.**

253. The OIG maintains that all of the contracts listed in the two charts mentioned above were funded by the Global Fund, and that some procurements took place with the assistance of a Procurement Agent. Moreover, the OIG uncovered evidence indicating that the Deputy Director specifically requested, and received, a percentage commission payment in connection with at least five of these contracts via payments made to a **beneficiary at the Deputy Director's request**. See OIG report Sections G.1.4.2 and G.1.4.4. Importantly, there is email evidence that the Deputy Director instructed the LLIN sales manager to send the commission payment to **"my bank account" while providing the specific details associated therewith**. See Annex 1, Figure 29.

254. The Deputy Director mentions that there was no loss of Global Fund money as a **result of commission payments on certain contracts due to the fact that CNM's Bid Evaluation Committee ("BEC") could not make decisions without Global Fund approval**. This argument misses the point of the **OIG's findings, as the scheme uncovered concerns with the payment of improper commissions in connection with the awarding of LLIN contracts to the two Suppliers mentioned in this report**. See OIG report Section G.1.4.7, which discusses the anti-competitive effect of building commission payments into the total price of the contracts. Such action compromised the integrity of the entire procurement process and was not submitted to the Global Fund for approval at any stage during this process. Therefore, the OIG rejects this argument in its entirety.

255. **Finally, the Deputy Director asserts that CNM's BEC did not facilitate SCS's bids to win LLIN contracts. In support of this point, the Deputy Director disagrees with the report paragraph concerning the BEC (Section G.1.2, ¶ 58). This paragraph describes the role of the BEC within CNM and does not address whether or not the BEC facilitated contracts for SCS. The Deputy Director's objections to this paragraph are misplaced. Moreover, the Deputy Director does not suggest any clarification to OIG's description of the BEC's role.**

J.1.2.4. Secretary of State, MoH

256. A Secretary of State under the MoH, who was involved in overseeing and authorizing the procurement activities of CNM, was provided a copy of the draft findings pertaining to CNM by the CCC. This individual stated that he has never received anything in connection with the award of LLIN contracts to CNM, nor has he solicited gifts or money from the SCS Sales Manager directly or through the former CNM Director. Indeed, the OIG reviewed the evidence and concurs that there is no proof of such actions. The report reflects that the OIG uncovered no evidence of direct communication between this individual and the SCS Sales Manager or the CNM Director, and no evidence that this individual made the requests attributed to him by the CNM Director. See OIG report Section G.1.4.5, ¶ 95-96.

257. The OIG report also reflects that the 2007 procurement referred to in ¶ 141 of the report was not sole sourced. This information comports with claims from Supplier VF

that this procurement was a competitive process and not sole-sourced. The OIG report contains evidence that the CNM Director told the SCS Sales Manager he supported sole sourcing of this contract and passed that recommendation along to the Secretary of State. The evidence further indicates that the Secretary of State declined to accept this **recommendation and ordered a competitive process.** The Secretary of State's letter response on this point seems inconsistent in that he states both that he agreed to sole source the procurement of bednets to VF based on the bednet specifications required and the needs of PSI and that the April 2007 sole source procurement concerned artesunate suppositories and not bednets. The OIG assumes that the Secretary of State is referring to the time he sole sourced a procurement to VF in March 2006 in the first instance, and to a different 2007 procurement in the second.

258. Finally, the Secretary of State offers his opinion that the actions described in the report should be attributed to an individual and not the institution. The OIG declines to agree with this position based on the evidence uncovered during this report, the breadth and duration of the scheme detailed herein, and the responsibilities of the PR to ensure that neither it, nor its SRs, engage in any corrupt practices in connection with Global Fund-financed procurements. See the STCs, Art. 21(b).

J.1.2.5. Sumitomo Chemical Singapore

259. SCS issued a response to the draft copy of the OIG investigation's factual findings pertaining specifically to SCS on 7 June 2013. This response included a detailed chart of corrections and/or suggested amendments that SCS wanted OIG to consider before **finalizing its report.** The OIG responded to SCS's specific comments in a chart appended hereto as Annex 3.

260. In general, SCS objects to the fact that the intentions and conduct of two of its employees are attributed to the company throughout the report. The OIG endeavored to identify and attribute specific actions to specific people; however, the OIG takes the view for purposes of this report that SCS as an institution is responsible for the ultimate actions of payment of the improper commissions and contracting with an agent, who provided no actual or legitimate services, as a vehicle through which to make these improper commission payments. As the OIG report describes in detail, there were several layers of approval associated with these actions, by employees at various supervisory levels. Moreover, SCS has taken steps to strengthen its risk mitigation activities in the wake of **the findings contained in this report, which indicates that the company's trainings and** existing ethical codes were insufficient to prevent the actions that transpired at the time of their occurrence. It is also noteworthy that the SCS Sales Manager at issue in this report received no personal bonus or promotion based on his performance in the Cambodian portfolio.³⁴⁴ Ultimately, it was the company, SCS, who stood to benefit directly from the attainment of business in Cambodia through these LLIN contracts.

261. In this report, the OIG does not seek to assign a level or degree of culpability to specific parties and does not evaluate its findings under a criminal or civil legal evidentiary standard. Rather, it endeavors to set forth the facts as determined during the investigation and as demonstrated by the ultimate actions taken by the company. To the extent that the report attributes actions of an employee to its employer, this is not a determination of legal liability and is instead a determination of accountability with **respect to the Global Fund's Code of Conduct for Suppliers, which specifically prohibits** corrupt, fraudulent, collusive, anti-competitive or coercive practices of any kind involving Global Fund resources.³⁴⁵

³⁴⁴ Interview of SCS Sales Manager, 17 August 2012 (ROC ¶ 6).

³⁴⁵ **Global Fund Code of Conduct for Suppliers (15 December 2009), "Fair and Transparent Practice", ¶ 7-12,** available at

262. An additional point raised by SCS is that one of the individuals referred to in the report as a **“Managing Director” is actually a “General Manager”**. SCS contends that this distinction supports its position that this employee was not a sufficiently senior-level employee to be considered as the controlling mind and will of the company. SCS provided OIG with evidence that this individual held two titles: the Business Head of the **Environmental Health and Vector Control Division (“EHD”) for South/Southeast Asia and Australasia**, and Managing Director of Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd. (**“SCEA”**), **Sumitomo’s legal entity within Malaysia**. He joined SCEA in 2001 and managed a research facility of 30 people.³⁴⁶ The OIG spoke with this individual during the **course of its investigation and he described his position as being a “Managing Director” of Sumitomo Chemical’s research and development facility in Malaysia**.³⁴⁷ He was also described by his supervisor as the Business Head of the EHD and was fully empowered to run this business.³⁴⁸ He reports to the Regional Director and Head of the Health and Crop Sciences Sector.³⁴⁹ The OIG believes the particular title this individual holds is incidental to the fact that he held a supervisory role within the company and was involved in the scheme to pay improper commission payments. For these reasons, and for ease of reference throughout the report, the OIG refers to this individual as **“Sumitomo Managing Director”**, while recognizing that he also held the position of Business Head of EHD.

J.1.2.6. Vestergaard Frandsen

263. VF issued a response to the draft copy of the OIG investigation’s factual findings pertaining specifically to VF on 26 May 2013. This response included a detailed chart of corrections and/or suggested amendments that VF wanted OIG to consider before finalizing its report. **The OIG responded to VF’s specific comments in a chart** appended hereto as Annex 4.

264. In general, VF makes objections similar to those of SCS with respect to the fact that the intentions and conduct of its employees are attributed to the company throughout the report. The OIG incorporates its position as detailed in ¶ 260-261, supra, with respect to attributing liability to VF for the ultimate actions of payment of the improper commissions and contracting with an agent, who provided no actual or legitimate services, as a vehicle through which to make these improper commission payments.

265. An extension of this argument, VF also states that the OIG draft report does not **properly distinguish between VF, VF’s headquarters office in Switzerland, VF’s Indian branch, and individuals working for VF’s Indian branch**. As a result, the OIG endeavored to attribute to particular individuals the particular actions in which they engaged throughout the final report and the specific VF office where these individuals worked.

266. VF further states that the draft report is **biased towards proving VF’s guilt through interpretation and extrapolation and tends to “jump to conclusions.”** The OIG maintains that it drew reasonable inferences based on the evidence identified throughout its investigation, based on, inter alia, documentary evidence, such as wire transfer records and emails, as well as the admissions of witnesses. The OIG reiterates the fact that it is not a law enforcement body and does not attempt to determine or assign a level or degree of culpability to specific parties, and does not evaluate its findings under a criminal or civil legal evidentiary standard.

267. VF asked that their employees mentioned in the report be referred to generically, while identifying the specific VF branch office at which these employees worked. The OIG

http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/, accessed 01 November 2013.

³⁴⁶ Interview of Sumitomo Managing Director, 19 October 2012 (ROC ¶ 2,4).

³⁴⁷ Interview of Sumitomo Managing Director, 19 October 2012 (ROC ¶ 2,4).

³⁴⁸ Interview of Director of Health and Crop Sciences, 19 October 2012 (ROC ¶ 5-6).

³⁴⁹ Interview of Sumitomo Managing Director, 19 October 2012 (ROC ¶ 68).

accepted this request and selected titles that were sufficiently general, while still reflecting the appropriate level of authority and attributing certain actions to particular individuals as VF had also requested.

J.1.3.NCHADS

J.1.3.1. *Improper Procurement Practices*

268. In its response to **OIG's** findings on improper procurement practices by a Senior Procurement Officer, **NCHADS agreed with the *OIG's* position that improper commissions, back-dated quotations, tailored price quotations and favored treatments are clearly improper. NCHADS also agreed with the *OIG's* findings that its Senior Procurement Officer did orchestrate such improper procurement practices and did receive commissions for personal gain on Donor 1 projects.**

269. In its response, NCHADS devotes considerable effort to clarifying the time period in **which the improper procurement practices presented in the *OIG's* report occurred and the donor to which the acts related.** In particular, NCHADS emphasizes that the majority of **the direct evidence of improper acts presented in the *OIG's* report relate to procurements** financed by Donor 1 and not the Global Fund. The *OIG* has taken these points into consideration in finalizing its report and conclusions and ensured that the report makes the distinction between activities under various donor programs clear.

270. NCHADS also argues that there is insufficient direct evidence of improper practices **continued from Donor 1's program under Global Fund-financed procurements by its Procurement Officer. NCHADS further takes issue with what it perceives as *OIG's* efforts to extrapolate that such activities continued from January 2009 forward.** The *OIG's* investigative report provides specific examples of situations where the Senior Procurement Officer asked vendors to artificially inflate their price, submit a quotation after a bid had concluded, and back-date quotations. One such vendor even paid a facilitation payment to this procurement Officer under the Global Fund program. This evidence, when viewed in the more numerous instances uncovered where the Senior Procurement Officer conducted these and other manipulations of the procurement process under the Donor 1 program, makes it likely that this Officer continued these improper acts systematically under the Global Fund program.

271. **The *OIG* also disagrees with NCHADS's contention that their Senior Procurement Officer's practices of soliciting kickbacks, inflating contract prices, manipulating bid quotations, rigging tenders, facilitating collusion, and steering contracts to favored vendors all for personal gain did not result in risk to Global Fund funds.** The far-reaching effects of procurement tampering is well-recognized by the Global Fund and is taken very seriously. (See *OIG* report Sections G.2.2.2, ¶ 178, and K.1-K.2). The consequences of such actions can result in compromising the entire value of the contracts.

272. **NCHADS claims that its Senior Procurement Officer's manipulation of procurement processes for personal gain could not have possibly continued under the Global Fund-financed procurements purportedly due to an atmosphere of tighter procurement restrictions and oversight.** NCHADS has offered no evidence to demonstrate what is different about the Global Fund procurement policy that makes it more stringent than **those being followed under Donor 1's program.** Further, the *OIG* report provides evidence that such acts did continue under the Global Fund program.

273. **Finally, NCHADS asserts that the *OIG's* interview with its Senior Procurement Officer, which produced a verbal and signed statement of admissions of a wide range of improper procurement practices, was questionable due to the manner, location, participants and method of said interview and did not respect the witness' legal rights.** The *OIG* maintains that the interview was conducted properly, in accordance with the Principles and Guidelines for Investigations as endorsed by the International Financial Institutions Anti-Corruption Task Force and the Conference of International Investigators

and its own internal policies and codes of conduct. Moreover, it is noteworthy that although NCHADS objects on behalf of its Senior Procurement Officer to the fact that the interview was conducted in English, this individual conducted all of his business transactions (emails, letters, documentation) in English, responded in English to his interviewers, and did not request the assistance of an interpreter at any stage of the interview.

274. OIG appends a chart hereto that addresses NCHADS's specific responses in greater detail. (See Annex 5).

J.1.4.MEDiCAM

J.1.4.1. *Misuse of funds for "Training Assistant"*

275. In its response to OIG's report, MEDiCAM ultimately confirmed the OIG's findings that the Global Fund Round 7 HIV funding of USD 575 per month budgeted for the position of "Training Assistant" in 2009 was instead used to pay the majority of the "Advocacy Coordinator's" salary, a position that evidence shows was funded by three other international donors. MEDiCAM also confirmed the OIG's findings that the "Training Assistant" position that Global Fund monies were designated for was unfilled during 2009.³⁵⁰

276. Further, as shown in Figure 77, the OIG notes that information and documented evidence provided by MEDiCAM on two separate occasions in response to the OIG's findings provide conflicting accounts and further show MEDiCAM's intent to misrepresent their use of Global Fund grant funds and to mislead the OIG.

277. On 8 October 2012, MEDiCAM reported that Staff Member A held the "Training Assistant" position and that another individual (Staff Member B) held the "Advocacy Coordinator" position during 2009.³⁵¹ As support for its arguments, MEDiCAM provided the signed contract of Staff Member B for the "Advocacy Coordinator" position.³⁵² In a response dated 17 July 2013, however, MEDiCAM reversed its position and reported that Staff Member A actually held the "Advocacy Coordinator" position, as had been reported by the OIG, and that Staff Member B held the positions of "Health Information Sharing Manager" in 2008 and then "Research Coordinator" during 2009.³⁵³ As support, MEDiCAM provided Staff Member A's signed contract for the "Advocacy Coordinator" position, which was not provided in its earlier response, and provided another signed contract of Staff Member B but this time for the "Research Coordinator" position.³⁵⁴

³⁵⁰ "MEDiCAM's Response to OIG draft Report Submitted to MEDiCAM on 15th June, 2013", dated 17 July 2013, p. 2.

³⁵¹ Letter from MEDiCAM Executive Director to the OIG, 8 October 2012.

³⁵² Ibid. (enclosing Staff Member B employment contract for Advocacy Coordinator from 1 September 2008 to 31 December 2009, signed by the staff member and a MEDiCAM representative on 1 October 2008).

³⁵³ "MEDiCAM's Response to OIG draft Report Submitted to MEDiCAM on 15th June, 2013", dated 17 July 2013, p. 1-2. In its response, MEDiCAM admits that it again misdirected funds by using funds budgeted by Donor B for the Advocacy Coordinator position to fund the Research Coordinator position, since the Global Fund grant was funding the Advocacy Coordinator position.

³⁵⁴ Ibid. (enclosing Staff Member B employment contract for Research Coordinator from 1 January 2009 to 31 December 2009).

Figure 77: Comparison of MEDiCAM's conflicting comments and misleading supporting documentation in its responses to OIG

	MEDiCAM's 8 October 2012 Response	MEDiCAM's 17 July 2013 Response	OIG Evaluation
Training Assistant	Filled by Staff Member A	Unfilled	MEDiCAM misled the OIG in its 8 October response
Advocacy Coordinator	Filled by Staff Member B	Filled by Staff Member A	
Staff Member A	Provided no signed employment contract*	Provided signed employment contract for Advocacy Coordinator position*	MEDiCAM originally provided Donor B with fabricated and false documentation
Staff Member B	Provided signed employment contract for Advocacy Coordinator position	Provided signed contract for Research Coordinator position	MEDiCAM originally provided the OIG with fabricated and false documentation

* The OIG notes that during its investigation, Donor B provided the OIG with a signed employment contract for Staff Member A for the position of Training Assistant for the period 2 February 2009 to 31 January 2010, further demonstrating MEDiCAM's practice of fabricating supporting documentation to support its misuse of donor funds.

J.1.4.2. Misuse of funds for "HIV/AIDS Coordinator"

278. In its response, MEDiCAM confirmed the OIG's findings, as it did with its response to the "Training Assistant" findings, that the Global Fund Round 7 HIV grant monies of USD 14,400 budgeted for the position of "HIV/AIDS Coordinator" in 2009 were instead used to pay for the salary of the "M & E and Capacity Building Manager", a position that evidence shows was funded by another donor. MEDiCAM also confirmed the OIG's findings that the "HIV/AIDS Coordinator" position that Global Fund monies was designated for was unfilled during 2009.³⁵⁵

279. In light of the evidence and MEDiCAM's production of conflicting and false explanations and documented evidence, the OIG finds it difficult to accept MEDiCAM's actions as management "missteps" rather than intentional efforts to mislead its donors and the OIG. See chart appended hereto as Annex 6 for further specific arguments and responses.

³⁵⁵ "MEDiCAM's Response to OIG draft Report Submitted to MEDiCAM on 15th June, 2013", dated 17 July 2013, p. 4-6.

K. Expenditures Not Compliant with the Grant Agreements

K.1. Determination of Compliance

280. See Annex 7C.

K.2. Reimbursements or Sanctions

281. See Annex 7D.

K.3. Summary of Expenditures Identified as Non-Compliant

282. The OIG finds that expenses of grant funds amounting to USD 12,104,761 were compromised for the reasons summarized in the table below and, therefore, such amounts were not compliant with the terms of the grant agreements.

Figure 78: Non-compliant expenditures by recipient (in USD)

Recipient:	NCHADS	CNM	MEDiCAM	Total
Non-compliance explanation				
Expenditures compromised by use of deceptive means to conceal their true nature and purpose			20,725**	20,725
Total value of contracts compromised by procurement irregularities (fabrication of documents, non-competitive tenders)	317,430			12,084,036
Total value of contracts compromised by inappropriate facilitation payments		11,766,606*		
Total				12,104,761

*Of this total value of contracts, MoH was the direct recipient of USD 5,976,850.56 as PR for distribution to CNM-SR during Rounds 4 and 6. CNM received USD 5,789,755.00 directly in its capacity as PR during Rounds 2-RCC and SSF.

**These expenditures were made under the Round 7 HIV grant, for which NCHADS was the PR.

L. Recommendations

283. Based on the evidence and analysis summarized in this report, the OIG provides the following recommendations to the Secretariat of the Global Fund:

- a. The Secretariat should seek to recover, from all parties responsible, expenditures of Global Fund grant funds that were not made in compliance with the terms of the relevant grant agreements, in accordance with the applicable legal rights and obligations, based on its determination of legal breach of the grant agreements and associated determination of recoverability. The Secretariat should ensure such entities are held accountable for their grant management practices, as well as take the appropriate management actions to ensure that the responsible individuals are held accountable for their actions and are no longer associated with the management of grant funds.
- b. The OIG recommends that the Secretariat assess and monitor on an as-needed basis the anti-corruption and compliance systems, including the use of agents and other intermediaries, of major LLIN suppliers. To this effect, a specific oversight and risk reduction approach should be developed by the Secretariat, with the assistance of the OIG. Once implemented and following validation of the outcomes by the OIG, that process should be extended to other major health product suppliers.
- c. The Executive Director should make the necessary determination to refer the facts of this report to a sanctioning process.³⁵⁶
- d. Procurement activities, especially single purchases of high value such as with bednet procurements, should be subject to enhanced oversight measures. The Secretariat should continue to assess and develop the feasibility and implications of having a centralized procurement mechanism for LLINs and similar high-value products managed globally for all recipients. To the extent it is not possible to implement centralized mechanisms expeditiously, then, at a minimum, such procurements should be undertaken with heightened scrutiny and considered **“high risk” given the findings in this report.**
- e. The OIG recommends that the Secretariat makes use of market dynamics and its pooled procurement activities to ensure demonstrated good business practices, anti-corruption measures and compliance efforts by suppliers in the LLIN industry are encouraged and rewarded through volume allocations or otherwise.
- f. The level of assurance placed on procurement agents and fiduciary agents across the portfolio should be critically reviewed, along with the terms of references and procedures used by such agents. The value added of such agencies should not be unduly relied on without careful monitoring and review of their services.
- g. The Secretariat should undertake advocacy activities and compliance reviews of recipients related to the principles embodied in the Code of Conduct for Recipients, including but not limited to, anti-corruption training, adequate compliance processes, and effective procurement control processes.

³⁵⁶ In accordance with the Sanctions Procedures Relating to the Code of Conduct For Suppliers (amended October 2013), the report contains credible and substantive evidence of a breach of the Supplier Code of Conduct, including, but not limited to, corrupt, fraudulent, collusive, anti-competitive or coercive practices in competing for, or performing, a Global Fund-financed contract. Para. 17(a), http://theglobalfund.org/documents/corporate/Corporate_SanctionsProcedures_Policy_en/, accessed 3 November 2013.

ANNEX 1: Illustrative Exhibits Referenced in OIG Report¹

Figure 6: Clause related to commission payments in the SCS Consultancy Agreement, dated 1 January 2006, between “Chhounou Kimchenda” and Sumitomo Chemical Singapore

Article 2. Consideration

In consideration for the SERVICES rendered by CONSULTANT as provided for in Article 1 above, SCS shall pay to the CONSULTANT:

- (1) A commission of up to 4% on the CIF price for the direct delivery to the TERRITORY by SCS of THE PRODUCT under an order received from Cambodia authorities.
- (2) Additional commissions on further direct sales of THE PRODUCT to the Territory as agreed in writing on a case-by-case basis.

¹ Note that there are no Figures 16 through 19 or Figure 28 referenced in the OIG report.

Figure 7: Email from the SCS Sales Manager to the Sumitomo Managing Director referring to the request a commission payment from the CNM Director, 06 June 2008

-----Original Message-----

From: [REDACTED]@cnm.gov.kh]

Sent: Wed 6/4/2008 3:32 PM

To: [REDACTED] (SCS)

Cc:

Subject: RE: Invitation for Financial Proposal Opening

Dear [REDACTED],

This is the email from [REDACTED]. I told him we will consider when we win this tender. let discuss this later. Best to file this email somewhere or delete it.

Regards

[REDACTED]

Dear [REDACTED]

It's importance that you should attend the opening bid. The committee do hope your company will win this bid (I try all my best). Because, we dropped Permanet and Interceptor net. Now only 3 LLMIN in this process. But the procurement committee ask me to request some small commission (1 or 2%) from you. I tell them that Olyset is an Japan International Company, for this request will be difficult, but if we request the company to support for Meeting or oversea visit maybe they can support. In this case, when they ask you about this you can have this idea with the committee or you can support as 2% for commission to avoic future procurement (maybe affect to my benefit). Up to you to decide, I just let you know about this request. **Do not show this e-mail to other person**. Thanks. [REDACTED]

Figure 8: Email communication between the SCS Sales Manager and CNM Director requesting deletion of emails relating to commission payments, 01 December 2009

From: [REDACTED] <[REDACTED]@cnm.gov.kh>
Sent: Tuesday, December 01, 2009 2:23 AM
Subject: Re: bank account/[REDACTED]

Please delete all emails related to this bank acc. Thanks. [REDACTED]

----- Original Message -----

From: [REDACTED] (SCS)
To: [REDACTED]
Sent: 01 December, 2009 7:44 AM
Subject: RE: bank account/So [REDACTED]

Dear [REDACTED]

May I suggest to delete all our email relating to commission.

Rgds

[REDACTED]
Manager,
Sumitomo Chemical Singapore Pte Ltd
Tel : +65 [REDACTED]
Mobile : +65 [REDACTED]
Fax : +65 [REDACTED]
Email : [REDACTED]@scs-chem.com.sg

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Thursday, November 26, 2009 11:06 AM
To: [REDACTED] (SCS)
Subject: bank account/[REDACTED]
Importance: High

Dear [REDACTED]

Please see in the attached file the bank account for your info. I just back from the States two day ago. Now the General Inspection from Geneva have checking the documents in our center and other programmes included NGOs and Ministry of Health. It's very dangerous for this team. If they found some thing wrong or fraud your grant will pending. Thanks. [REDACTED]

CONFIDENTIAL NOTE: The information contained in this e-mail is intended only for the use of the recipient(s) named above and may contain privileged and confidential information. If you are not the intended recipient, please do not disseminate, distribute or copy this e-mail. If you have received this e-mail in error, please notify the sender and delete this e-mail immediately. Thank you.

Figure 9: SCS internal memo from SCS Sales Manager to SCS Accounts Department for a commission payment to "Chihounou Kimchenda" for Olyset sales (Contract DVMTO R4 07/011), 04 October 2007


 SUMITOMO CHEMICAL SINGAPORE PTE LTD 150 Beach Road #19-05 Gateway West Singapore 189720 Tel : (65) 6291-9636 Fax : 6296-3779		* to remit on oct 16																
FAX / MAIL		Page No. 1/1																
SCS, Accounts Dept		From : [REDACTED]																
Copy : [REDACTED]		Date : 4 October 2007																
Subject : Comission for Olyset sales (Order no. 979/07 CNM) to Cambodia consultant																		
<p style="text-align: center;">7,919.50</p> <p>Please arrange remittance of USD USD197,987.40 in October 2007 to the following account.</p> <p>This being our commission to our Consultant's Dr Chihounou Kimchenda [REDACTED], Phnom Penh, Cambodia for securing sales of 34,660 pcs to The National Center For Parasitology, Entomology and Malaria Control in 24 July 2007 (our invoice no. 20020233).</p> <p>Remittance detail as follow :-</p> <p>Remittance : via SWIFT , Message MT 100</p> <p>Receiver's correspondent : Standard Chartered Bank, New York, SWIFT Address: SCBLUS33</p> <p>Intermediary : Standard Chartered Bank, Hong Kong, SWIFT Address: SCBLHKHH</p> <p>Account with institution : A/C No. 447 [REDACTED] 404 Union Commercial Bank PLC. Phnom Penh, Cambodia</p> <p>Beneficiary : CHHOUNOU KIMCHENDA, [REDACTED] A/C. # 100 [REDACTED] 612-2 a/c. no.</p> <p>Regards [REDACTED]</p> <p>Encosed ; Docs (Consultant agreement, Sales Contract, SCS Sales Invoice)</p>																		
<table border="1"> <tr> <td>Vendor Code</td> <td>123252</td> </tr> <tr> <td>GL Code</td> <td>53302001</td> </tr> <tr> <td>Product Code</td> <td>PA 1102</td> </tr> <tr> <td>Invoice No</td> <td>2071903121 (4/10)</td> </tr> <tr> <td>Invoice Date</td> <td></td> </tr> <tr> <td>Invoice Amount</td> <td></td> </tr> <tr> <td>Account Dept</td> <td>[REDACTED]</td> </tr> <tr> <td>Approved By</td> <td></td> </tr> </table>			Vendor Code	123252	GL Code	53302001	Product Code	PA 1102	Invoice No	2071903121 (4/10)	Invoice Date		Invoice Amount		Account Dept	[REDACTED]	Approved By	
Vendor Code	123252																	
GL Code	53302001																	
Product Code	PA 1102																	
Invoice No	2071903121 (4/10)																	
Invoice Date																		
Invoice Amount																		
Account Dept	[REDACTED]																	
Approved By																		

Figure 10: Bank debit advice for a \$7,919.50 commission payment for Olyset sales from Sumitomo Chemical Singapore to "Chhounou Kimchenda", 17 October 2009

GST No. PQ-0008968-D 7/01/00

Tel: 65 [REDACTED]
Fax: 65 [REDACTED]

Singapore Branch

DEBIT ADVICE

Value Date : 17 Oct 2009

Date : 17 Oct 2009

A/C No. : 02 [REDACTED] 31-1

SUMITOMO CHEMICAL SINGAPORE PTE LTD
150 BEACH ROAD
#19-08 GATEWAY WEST
SINGAPORE 189720

BOX 46

AMOUNT
USD 7,919.50

We have DEBITED from your A/C 02 [REDACTED] 31-1 as follows :

Our Ref : TR0508201

Amount paid to CHHOUNOU KIMCHENDA, [REDACTED]

Details : COMMISSION FOR OLYSET SALES (ORDER NO 079/07 CHM) TO CAMBODIA
CONSULTANT

Charges Debited from A/C 02 [REDACTED] 31-1

1/44% Comm 80020.00

Postage/Telex/REPS Charges 80030.00

Total Charges Debited : 80050.00

2070102750

THIS ADVICE REQUIRES NO SIGNATURE

Figure 11: Email from CNM Director to SCS Sales Manager sharing bank account details for “Chhounou Kimchenda” and his daughter, 27 June 2006

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]

Sent: Tuesday, June 27, 2006 5:12 PM

To: [REDACTED] (SCS)

Subject: Re: Procurement of LLINs

Importance: High

✶

Dear [REDACTED]

It's nice that we can have dinner together yesterday evening. Refer to our discussion, I'm very please to give the name of my sister in law to sign the contract with you. Her name is CHHOUNOU KIMCHENDA. But the bank account have to put the name of my daughter as well. Please see in below the bank account number and swift code.

Beneficiary : Mrs CHHOUNOU KIMCHENDA and [REDACTED]

A/C.# 100 [REDACTED] 4612-2,

Via S. W. I. F. T Mesaage MT 100

Receiver's Correspondent: Standard Chartered Bank, New York Swift: SCBLUS33,

Intermediary: Standard Chartered Bank, Hong Kong Swift: SCBLHKHH

Account with Institution: A/C No 447 [REDACTED] 404, Union Commercial Bank PLC, Phnom Penh, Cambodia

If you need further information please contact me again.

Thanks,

[REDACTED]

Figure 12: SCS internal memo from SCS Sales Manager to SCS Accounts Department for a commission payment to "Chihounou Kimchenda" for Olyset sales (Contract DVMTO R6 08/015), 10 December 2008

**pls remit by Dec 15.*



SUMITOMO CHEMICAL SINGAPORE PTE LTD
150 Beach Road #19-05 Gateway West Singapore 189720
Tel : (65) 6291-9636 Fax : 6296-3779

FAX / MAIL

Page No. 1/1

Dr Chihounou Kimchenda [REDACTED]
(Consultant)
[REDACTED] Phnom Penh, Cambodia

From : [REDACTED]

Date : 10 Dec 2008

Subject : Commission for Olyset sales (Invoice no. 20022375 dated 15 September 2008)

Our sales result for Cambodia is excellent, we like to thank you for your efforts in promoting Olyset net to the Ministry of Health.

With reference to the sales of Olyset net (238,000 pcs) to the National Center for Parasitology, Entomology and Malaria Control in 15 September 2008, this is to inform you that we be transferring in December 2008 total commission USD84,311.50 [Flat 4% + additional 2.5% provided in our Consultant Agreement dated 1st January 2006, Article 2 (1) and (2)] on sales of USD1,297,100 to your account as follow :-

Remittance : via SWIFT, Message MT 100
Receiver's correspondent : Standard Chartered Bank, New York, SWIFT Address : SCBLUS33
Intermediary : Standard Chartered Bank, Hong Kong, SWIFT Address : SCBLHKHH
Account with institution : A/C No. 447 [REDACTED] 404 Union Commercial Bank PLC, Phnom Penh, Cambodia
Beneficiary : CHHOUNOU KIMCHENDA,
[REDACTED]
A/C#100-[REDACTED] 512-2

Regards

[REDACTED]
[REDACTED]
Marketing Manager
Sumitomo Chemical Singapore Pte Ltd
Mobile : +65 [REDACTED]
Email : [REDACTED]@scs-chem.com.sg

Vendor Code	123252	
GL Code	53303020	
Profit Centre	PA 1102	6847
Cost Centre	A	
Ac. Out. No.	2051906846	(10/12)
Request Dept		
Prepared By	[REDACTED]	20/12
Accounts Dept	[REDACTED]	
Approved By		

Figure 13: Bank debit advice for a \$84,311.50 commission payment for Olyset sales from Sumitomo Chemical Singapore to "Chhounou Kimchenda", 15 December 2008

		GST No. FO-0006306-D173/425	
		Tel: 68 	
		Fax: 68 	
Singapore Branch		DEBIT ADVICE	
SUMITOMO CHEMICAL SINGAPORE PTE LTD 150 BEACH ROAD #19-08 GATEWAY WEST S'PORE 189720		Date: 15 Dec 2008 A/C No 02  31-1	
BOX 46		Amount	
We have DEBITED from your A/C 02  31-1 as follows:		Remitted Amt: USD84,311.50	
Our Ref: 7R0613423		<i>pd 2081500836</i>	
Amount paid to CHHOUNOU KIMCHENDA, 			
Details: COMMISSION FOR OLYSET SALES (INV NO 20022375)			
Charges Debited from A/C 02  31-1		Total Charges Debited: SGD50.00	
1/64% Comm: SGD20.00			
Postage/Telex/NEPS Charges: SGD30.00		<i>2080107292</i>	
THIS ADVICE REQUIRES NO SIGNATURE			

Figure 14: Email from SCS Sales Manager to CNM Director sharing bank account details for commission payment to the CNM Deputy Director, 15 December 2008

From: [REDACTED] (SCS)
Sent: Monday, 15 December 2008 04:25
To: [REDACTED]
Subject: RE: Greeting from [REDACTED]

Dear [REDACTED]

Thanks for helping me to remit [REDACTED]. Her commission is USD19,456.50 (1.5% on sales value USD1,297,100).

Here is [REDACTED] account name and number at ANZ Royal Bank in Cambodia:

- Name: [REDACTED]
- Account number: 65 [REDACTED] 9
- Bank name and address:
ANZ Royal Bank
20 Kramuon Sar, Sangkat Phsar Thmey, Khan Daun Penh, Phnom Penh, Cambodia.
Swift Code: ANZBKHPP

With best regards

[REDACTED]
Manager,

Figure 15: Email from SCS Sales Manager to CNM Director confirming payments to be made, 15 December 2008

----- Original Message -----

From: [REDACTED] (SCS)

To: [REDACTED]

Sent: 15 December, 2008 9:47 AM

Subject: FW: Greeting from [REDACTED]

Dear [REDACTED],

Sorry to kept you waiting. Our accounts will make the transfer (5% + 1.5% total USD84,311.5) either today or tomorrow to your accounts. I will let you know once remittance is made.

[REDACTED]
Manager,

Sumitomo Chemical Singapore Pte Ltd

Figure 20: SCS internal memo from SCS Sales Manager to SCS Accounts Department for a commission payment to "Chhounou Kimchenda" for Olyset sales (Contracts DVMT0 R4 09/015; R6 09/016; RCC 09/001), 30 November 2009
















 SUMITOMO CHEMICAL SINGAPORE PTE LTD 150 Beach Road #19-05 Gateway West Singapore 189720 Tel : (65) 6291-9536 Fax : 6296-3779															
FAX / MAIL		Page No. 1/1													
Accounts Dept		From: 													
* plz remit by Dec 7 :		Date : 30 Nov 2009													
Subject : Commission for Olyset sales (our Invoice no. 105030131 Dated 7 Sept 2009) to our Cambodia Consultant		(20025339)													
<p>Please arrange remittance of USD108,744.00 to our Cambodian consultant – Dr Chhounou Kimchenda being commission of 4% + 2.8% provided in our Consultancy Agreement dated 1 Jan 2006. This is for securing sales of 361,500 pcs of Olyset net (USD1,731,585) to Malaria Centre, Cambodia.</p> <p>Please remit to Consultant's designated account as below :-</p> <p><i>Note : Remitting Bank must send the MT103 straight to ANZ Royal Bank (Cambodia) Ltd SWIFT: ANZBKHP and MT202 send to JP Morgan Chase Bank, United States SWIFT code CHASUS33</i></p> <table border="0"> <tr> <td>Receiver Correspondent Field 54</td> <td>:</td> <td>JP Morgan Chase Bank, United States Swift Code : CHASUS33 Fedwire Number : </td> </tr> <tr> <td>Intermediary Institution Field 56</td> <td>:</td> <td>Australia and New Zealand Banking Group Ltd Swift Code: ANZBAU3M</td> </tr> <tr> <td>Account with Institution Field 57</td> <td>:</td> <td>ANZ Royal Bank, Phnom Penh, Cambodia Swift Code: ANZBKHP</td> </tr> <tr> <td>Beneficiary Customer Field 59</td> <td>:</td> <td>Beneficiary Name : MS. KIMCHENDA CHHOUNOU AND  Account No. 12  41</td> </tr> </table>				Receiver Correspondent Field 54	:	JP Morgan Chase Bank, United States Swift Code : CHASUS33 Fedwire Number : 	Intermediary Institution Field 56	:	Australia and New Zealand Banking Group Ltd Swift Code: ANZBAU3M	Account with Institution Field 57	:	ANZ Royal Bank, Phnom Penh, Cambodia Swift Code: ANZBKHP	Beneficiary Customer Field 59	:	Beneficiary Name : MS. KIMCHENDA CHHOUNOU AND  Account No. 12  41
Receiver Correspondent Field 54	:	JP Morgan Chase Bank, United States Swift Code : CHASUS33 Fedwire Number : 													
Intermediary Institution Field 56	:	Australia and New Zealand Banking Group Ltd Swift Code: ANZBAU3M													
Account with Institution Field 57	:	ANZ Royal Bank, Phnom Penh, Cambodia Swift Code: ANZBKHP													
Beneficiary Customer Field 59	:	Beneficiary Name : MS. KIMCHENDA CHHOUNOU AND  Account No. 12  41													
Regards		  Marketing Manager													
															

Figure 21: Bank debit advice for a \$108,744.00 commission payment for Olyset sales from Sumitomo Chemical Singapore to "Kimchenda Chhoumou", 21 December 2009




 Singapore 039190
 Tel : 68
 Fax : 68



00000003

SUMITOMO CHEMICAL SINGAPORE PTE LTD
 150 BEACH ROAD
 #19-08 GATEWAY WEST
 SINGAPORE 189720
 S_ETR00010319

DEBIT ADVICE

Ref No. : TRO0010319	Date : 21-Dec-09
Your Ref :	Account Number : 02 311
	Value date : 21-Dec-09
We have debited your account no. 02 311 as follows:	
Being Outward SWIFT Payment paid to /1280441 MS KIMCHENDA CHHOUNOU AND	
Charge is debited from 02 311 as follows:	
SGD23.71 Outward Remittance Handling Comm	
SGD30.00 SWIFT Cable Charge	
Total Charge Debited : SGD53.71	
Msg : BEING COMMISSION FOR OLYSET SALES	

2090108268

PD 2091501432

If you have any queries regarding the above details, kindly contact us as soon as possible quoting the reference number in full. This is computer generated advice, no signature is required.

sg00210101report.advice.0120091222000000.00001222001030901/FT-13(S_E.TRO0010316)-03/1/231

Figure 22: Email from SCS Sales Manager to CNM Director sharing bank account details for confirming commission payments to the CNM Deputy Director and Director, 01 December 2009

----- Original Message -----

From: [REDACTED] (SCS)
 To: [REDACTED]
 Sent: 01 December, 2009 10:44 AM
 Subject: RE: Greetings / [REDACTED]

Dear [REDACTED]

We will remit within the next 10 working days this total amount USD108,744.00 (include [REDACTED] portion) into your account within the next 10 working days. I will inform you on the actual date of our remittance.

The breakdown as follow :-

Comm. to [REDACTED]
 361,500 pcs x USD4.79 x 5% = USD86,579.25 less USD1,000.00
 Nett : USD85,528 (after round up)

Others :- Commission for [REDACTED] (3% on 17000 pcs) and [REDACTED] (3% on 1,000 pcs) to be paid to you after their payment to us maybe in Jan 2010.

Comm. to [REDACTED]
 (1) 261,500 pcs x U\$4.79 x 1.2% = USD15,031.02 (Tender)
 (2) 100,000 pcs x U\$4.79 x 1.5% = USD7,185.00 (Direct purchase)
 (3) +USD1000.00 from [REDACTED]
 Total 1+2+3 : USD23,216.02

Please remit USD23,216 into [REDACTED] account :-

Name: [REDACTED]
 - Account number: 65 [REDACTED] 9
 - Bank name and address:
 ANZ Royal Bank
 20 Kramuon Sar, Sangkat Phsar Thmey, Khan Daun Penh, Phnom Penh, Cambodia.
 Swift Code: ANZBKHPptal : USD23,216.02 into this account :-

Thank you for your support.

Please delete this after you have read, or file it away from your workplace.

Best regards, [REDACTED]

Figure 23: SCS internal memo from SCS Sales Manager to SCS Accounts Department for a commission payment to "Chhounou Kimchenda" for Olyset sales (Contract DVMTO 10/01), 12 July 2010









 SUMITOMO CHEMICAL SINGAPORE PTE LTD 150 Beach Road #19-05 Gateway West Singapore 189720 Tel : (65) 6291-8636 Fax : 6296-3779			
FAX / MAIL		Page No. 1/1	
Accounts Dept <i>Mam' —</i> <i>pls remit by July 15</i>		From :  Date : <i>12 July 2010</i> 30 Nov 2009	
Subject : Comission for Olyset sales (WHO P.O. 200197482 dated 5 May 2010 / SCS Invoice no. 105032533 dated May 2010) Dated 7 Sept 2009) to our Cambodia Consultant			
<p>Please arrange remittance of USD35,496.00 to our Cambodian consultant – Dr Chhounou Kimchenda being commission of 4% + 1.8% provided in our Consultancy Agreement dated 1 Jan 2006. This is for securing sales of 120,000 pcs of Olyset net (order value USD612,000) to Cambodia.</p> <p>Please remit to Consultant's designated accounts (One account for USD18,360 and another account for USD17,136) as attached in Debit note from consultant.</p>			
Regards  			
Marketing Manager Sumitomo Chemical Singapore Pte Ltd Mobile : +65  Email :  @scs-chem.com.sg			
			

Figure 24: Bank debit advice for a \$35,496.00 commission payment for Olyset sales from Sumitomo Chemical Singapore to "Chhounou Kimchenda", 15 July 2010




 Singapore 030100
 Tel : 65
 Fax : 65



000000031

SUMITOMO CHEMICAL SINGAPORE PTE LTD
 150 BEACH ROAD
 #19-08 GATEWAY WEST
 SINGAPORE 189720
 S_ETRO0003150

DEBIT ADVICE

Ref No. : TRO0053150
 Your Ref :

We have debited your account no. 02-111 as follows:
 Being Outward SWIFT Payment paid to /1280441MS KIMCHENDA CHHOUNOU
 AND

Charge is debited from 02-111 as follows:
 SGD20.00 Outward Remittance Handling Comm
 SGD30.00 SWIFT Cable Charge

Msg : COMMISSION FOR SALES OF 120,000 PCS OF OLYSET NET FROM WHO TO CAMBODIA

Date : 15-Jul-10
 Account Number : 02-111
 Value date : 15-Jul-10

Debit Amount : USD35,496.00
 Exchange Rate :
 Remit Amount :

Total Charge Debited : SGD50.00

Handwritten: 27/15287 20/104812 820/7

If you have any queries regarding the above details, kindly contact us as soon as possible quoting the reference number in full. This is computer generated advice, no signature is required.

sgf021010 reportLabAcc 8.20 100710333337P1-13/S_ETRO0003150-64111202

Figure 25: Email communication between the SCS Sales Manager and the CNM Director regarding commission payments to the CNM Deputy Director and the CNM Director, 19 July 2010

From: [REDACTED]@yahoo.com>
Sent: Monday, 19 July 2010 11:39
To: [REDACTED] (SCS)
Subject: Re: Remittance

DEAR [REDACTED],
I WILL TRANSFER TO [REDACTED] BANK ACCOUNT TOMORROW THE
AMOUNT OF 17,136\$. THANKS. [REDACTED]

From: [REDACTED] (SCS) [REDACTED]@scs-chem.com.sg>
To: [REDACTED]@yahoo.com>
Sent: Monday, July 19, 2010 16:30:12
Subject: FW: Remittance

From: [REDACTED] (SCS)
Sent: Monday, July 19, 2010 5:19 PM
Subject: RE: Greeting

Dear [REDACTED],

We have remitted total USD35,496.00 into your account. Of this total amount may I request you to remit USD17,136.00 into [REDACTED] account as follow :-

Beneficiary name: [REDACTED]
Beneficiary Account: 30 [REDACTED] 9-8

Beneficiary bank name: Cambodian Public Bank Limited, Street #
114, Vithei Kramounsar, Phnom Penh , Cambodia

Beneficiary bank SWIFT code: CPBLKHPP

Corresponding bank name: DEUTSCHE BANK TRUST
COMPANY AMERICAS ROUTINE No. 021001033

Corresponding bank city: NEW YORK , USA

Please let me know once this is done and I will inform to [REDACTED] Thank you

[REDACTED]

CONFIDENTIAL NOTE: The information contained in this e-mail is intended only for the use of the recipient(s) named above and may contain privileged and confidential information. If you are not the intended recipient, please do not disseminate, distribute or copy this e-mail. If you have received this e-mail in error, please notify the sender and delete this e-mail immediately. Thank you

Figure 26: Document created by the SCS Sales Manager in an effort to make the Consultancy Agreement with “Chhounou Kimchenda” appear legitimate, 05 July 2010

5 July 2010

Sumitomo Chemical Singapore Pte Ltd
150 Beach Road
#19-05 Gateway West
Singapore 189720

Dear [REDACTED]

Re : Commission for sales of 120,000 pcs of Olyset net from WHO to Cambodia

Reference to WHO purchase order no. 200197482 dated 5 May 2010. Total Order Value USD612,000.00

In consideration for my consultancy services promoting Olyset net to Cambodia, and according to our agreement please award me commission 4% + 1.8% or **USD35,496.00** on total sales value of USD612,000.00

Remittance to be made to these two accounts :-

<u>Please remit to this bank account : USD18,360</u>	
Receiver Correspondent : Field 54	JP Morgan Chase Bank, United States Swift Code : CHASUS33 Fedwire Number : [REDACTED]
Intermediary Institution : Field 56	Australia and New Zealand Banking Group Ltd Swift Code : ANZBAU3M
Account with Institution : Field 57	ANZ Royal Bank, Phnom Penh, Cambodia Swift Code : ANZBKHPP
Beneficiary Customer: Field 59	Beneficiary Name : MS. KIMCHENDA CHHOUNOU AND [REDACTED] Account No. 12[REDACTED]1

Please remit to this Bank Account USD17,136.00

Beneficiary name : [REDACTED]
Beneficiary Account : 30-[REDACTED]8
Beneficiary bank name: Cambodian Public Bank Limited, Street # 114, Vithei
Kramounsar, Phnom Penh, Cambodia
Beneficiary bank SWIFT code: CPBLKHPP
Corresponding bank name : DEUTSCHE BANK TRUST COMPANY AMERICAS
ROUTINE No. 021001033
Corresponding bank city : NEW YORK, USA

Thank you very much

CHHOUNOU KIMCHENDA
Consultant

[REDACTED] Phnom Penh, Cambodia

Figure 29: Email from CNM Deputy Director to SCS Sales Manager providing bank account details, 18 December 2008

From: [REDACTED]
Sent: Thursday, 18 December 2008 09:50
To: [REDACTED] (SCS)
Subject:

Dear [REDACTED]

Just send you one again my bank account name and number at ANZ Royal Bank in Cambodia:

Name: [REDACTED]
- Account number: 65 [REDACTED] 9
- Bank name and address:
ANZ Royal Bank
20 Kramuon Sar, Sangkat Phsar Thmey, Khan Daun Penh, Phnom Penh, Cambodia.
Swift Code: ANZBKHPP

Best regards

[REDACTED]

Figure 30: Email communication between CNM Director and SCS Sales Manager regarding CNM Director's medical appointment and personal trip to Singapore, 17 October 2005

-----Original Message-----

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Monday, October 17, 2005 10:56 AM
To: [REDACTED] (SCS)
Subject: Re: LLIN Procurement
Importance: High

DEAR [REDACTED]
THANK YOU VERY MUCH FOR YOUR QUICK RESPONSE. THIS IS MY PERSONAL PROBLEM, SO I HAVE TO TAKE CARE MYSELF, THE OFFICE DID NOT PAID FOR ME. THANKS AGAIN FOR YOUR KIND SUPPORT AND ARRANGEMENT. COULD YOU KINDLY MAKE APPOINTMENT WITH DOCTOR AND I PLAN TO GO IN THIS FRIDAY. IS THAT CONVENIENCE FOR YOU? OR YOU CAN GIVE ME THE DATE.
WARM REGARDS
[REDACTED]

----- Original Message -----

From: [REDACTED] (SCS)
To: [REDACTED]
Sent: 17 October, 2005 9:36 AM
Subject: RE: LLIN Procurement

Dear [REDACTED]

Thank you for your email.

I sorry to hear you have some nose problem. I have contacted Raffles Hospital (tel: 65-63111220, and they have two NTE specialist, [REDACTED] or [REDACTED] but appointment in advance in necessary, the usual consulting fee starts at USD60.00 excluding investigation fee and medical fee. On the average it is about USD150 per visit everything if it a routine case.

May I know is this a personal visit under your own expenses, or your office will pay for your treatment in Singapore including airfreight and accomodation ? If it personal, allow us to arrange your flight ticket, accomodation and medical fees. I wait for your reply on my question.

And thank you for proposing Olyset net which will save many lives. Attached is Olyset net specification. Let me know if you need additional information on Olyset net.

Regards

[REDACTED]

Figure 31: Email from SCS Sales Manager to CNM Director requesting an official letter for a visit to provide a gift to CNM Director's daughter, 27 July 2009

----- Original Message -----

From: [REDACTED] (SCS)

To: [REDACTED]

Sent: 27 July, 2009 9:59 AM

Subject: RE: Request for ongoing contract for supply of LLINs

Dear [REDACTED]

Once again thank you for your great support. May I request you to send me a official letter requesting me to visit CNM on Aug 11th to sign the contract (the additional 100,000 pcs), this would give me the excuse to visit you unofficially and to pass the Nokia 97 handphone to your daughter. Please ask your daughter she prefer black or white color. Rgds

[REDACTED],
Manager,

Sumitomo Chemical Singapore Pte Ltd

Tel : +65 [REDACTED]

Mobile : +65 [REDACTED]

Fax : +65 [REDACTED]

Email [REDACTED]@scs-chem.com.sg

Figure 32: Email from SCS Sales Manager to CNM Director regarding various gifts and favors, 14 August 2009

----- Original Message -----

From: [REDACTED] (SCS)

To: [REDACTED]

Sent: 14 August, 2009 8:16 AM

Subject: My visit to Phnom Penh on Aug 25

Dear [REDACTED]

(1) My schedule to visit you on Aug 25 is confirmed as follow (my main purpose is to pass the Nokia N97 Black Phone to you) :-

Aug 25 ; ETA Phnom Penh 11.30 am (from Singapore to P.Penh via Siem Reap)

Aug 25 : Depart Phnom Penh at 8.pm to Bangkok and then off to Yangon until Aug 28 evening.

(2) If there is a "actual" signing contract between CNM and my company on Aug 25, if yes what time should I be at CNM ?

(3) Secondly, should I bring along medicine for leg cramp etc ?

(4) Any other thing I can do for you ?

(5) I told [REDACTED] in Kuala Lumpur that you might be in Kuala Lumpur from Aug 26 for meeting for few days, he has offer to invite you for dinner. As you schedule is tight, my idea is I will give [REDACTED] your mobile phone number and ask him to call you and then you tell him whether you can join him or not . Is this idea ok for you.

Thanks and rgds

[REDACTED]

Figure 33: Email from CNM Director to SCS Sales Manager regarding a gift to the Secretary of State under MoH Cambodia, 23 September 2009

From: [REDACTED] [REDACTED]@cnm.gov.kh>
Sent: Wednesday, 23 September 2009 04:47
To: [REDACTED] (SCS)
Subject: Re: [Spam] Re: Olyset net Ex-F Blue (361,500 pcs) awaiting custom clearance from Sihanoukville port.

Dear [REDACTED],
How are you doing? I just back form the RBM Meeting in France. [REDACTED] informed me that [REDACTED] remind her that you have promised to give him some gift? I think maybe I propose you last time to give him a new mobile phone. It's ok if you can send other stuff such as tie or watch? What do you think? Thanks and best regards, [REDACTED]

Figure 34: Email communication between SCS Sales Manager to CNM Director regarding a loan to SCS Sales Manager and a commission payment to CNM Deputy Director, 30 November 2009

From: [REDACTED]@cnm.gov.kh>
Sent: Monday, 30 November 2009 06:22
To: [REDACTED] (SCS)
Subject: Re: bank account

OK but you should inform [REDACTED]. But this 1000\$ is my money gave to you last time for [REDACTED] because you fail to draw the money from the ATM or your visa card was not work at that time. Thanks, [REDACTED]

----- Original Message -----
From: [REDACTED] (SCS)
To: [REDACTED]
Sent: 30 November, 2009 10:04 AM
Subject: RE: bank account

Dear [REDACTED],

Received your attachment with thanks. I am organizing this and will let you know later today on amount for you and [REDACTED] mentioned that I owed [REDACTED] USD1000.00, I suppose this is the USD1000 which you have passed me for [REDACTED]

Can I deduct this USD1000 from your commission and add this USD1000 into [REDACTED] commission?

This is [REDACTED] account :-

Name: [REDACTED]
 - Account number: 65 [REDACTED] 9
 - Bank name and address:
 ANZ Royal Bank
 20 Kramuon Sar, Sangkat Phsar Thmey, Khan Daun Penh, Phnom Penh, Cambodia.
 Swift Code: ANZBKHPP

[REDACTED]
 Manager,
 Sumitomo Chemical Singapore Pte Ltd
 Tel : +65 [REDACTED]
 Mobile : +65 [REDACTED]
 Fax : +65 [REDACTED]
 Email : [REDACTED]@scs-chem.com.sg

From: [REDACTED]@cnm.gov.kh]
Sent: Monday, November 30, 2009 10:16 AM
To: [REDACTED] (SCS)
Subject: Fw: bank account
Importance: High

Dear [REDACTED],

Did you receive my email below? Please let me know also the bank account of [REDACTED] still keep the same or have the new B/A?

Thanks and best regards,
 [REDACTED]

Figure 35: Email communication between WHO Cambodia employee and SCS Sales Manager regarding the sponsorship of a personal trip to Singapore, 01 June 2009 and 07-08 November 2009 (excerpt)²

--- On Sun, 11/8/09, [REDACTED] (SCS) [REDACTED]@scs-chem.com.sg> wrote:

From: [REDACTED] (SCS) [REDACTED]@scs-chem.com.sg>
Subject: RE: Sponsorship : Personal request
To: [REDACTED] [REDACTED]@yahoo.com>
Date: Sunday, November 8, 2009, 7:55 AM

Dear [REDACTED],

I am sorry to hear the infectious meeting in Singapore coincide with important meeting in Vanuatu.

We be pleased to sponsor your trip to singapore up to A2200.00 for your medical review in Singapore . May I know the amount A2200.0 is for air ticket correct ?

best regards, [REDACTED]

From: [REDACTED] [REDACTED]@yahoo.com]
Sent: Saturday, November 07, 2009 5:26 PM
To: [REDACTED] (SCS)
Subject: RE: Sponsorship : Personal request

Dear [REDACTED],

My proposed trip to Singapore attending the infectious diseases meeting in 7 Dec might faced difficulty as the dates coincide with an important meeting in Vanuatu with Australia Aid (AuSAID) agency. This is a two days meeting from 9 to 10 Dec and I have to be around. However on other hand I need to follow up with my medical checkup in Singapore in Dec as well. If I cannot go on 7 Dec, I wish to postpone my trip to around Christmas time. Do you think there is any possibility for you to sponsor during this time since my purpose is not to attend meeting in Singapore . The total cost is around A\$ 2200.

Need you prompt reply and confirm so that I could arrange for my leave and buying the air ticket through internet,

Thank you and kind regards,

[REDACTED]

² Full email chain dates from 4 July 2008 to 9 December 2009.

--- On Mon, 6/1/09, [REDACTED] (SCS) <[REDACTED]@scs-chem.com.sg> wrote:

From: [REDACTED] (SCS) <[REDACTED]@scs-chem.com.sg>

Subject: RE: LLIN

To: "[REDACTED]" <[REDACTED]@yahoo.com>

Date: Monday, June 1, 2009, 4:31 PM

Dear [REDACTED],

We can consider to sponsor the airfare.... How much roughly ?

Best regards

[REDACTED]

Manager,

Sumitomo Chemical Singapore Pte Ltd

Tel : +65 [REDACTED]

Mobile : +65 [REDACTED]

Fax : +65 [REDACTED]

Email [REDACTED]@scs-chem.com.sg

From: [REDACTED] [REDACTED]@yahoo.com]

Sent: Monday, June 01, 2009 4:12 PM

To: [REDACTED] (SCS)

Subject: RE: LLIN

Dear [REDACTED]

Thank you for your help as usual. I actually plan to attend the infectious disease seminar organized by NUS in this December, but the air fare is too expensive from here to Singapore , I will not attend.

Best regards,

[REDACTED]

--- On Mon, 6/1/09, [REDACTED] (SCS) [REDACTED]@scs-chem.com.sg> wrote:

From: [REDACTED] (SCS) [REDACTED]@scs-chem.com.sg>

Subject: RE: LLIN

To: [REDACTED] [REDACTED]@yahoo.com>

Date: Monday, June 1, 2009, 12:19 PM

Dear [REDACTED],

Thank you for your email. Let me know when you visit Singapore on private trip and I will arrange accommodation as before. Thanks and rgds

[REDACTED]

Manager,

Sumitomo Chemical Singapore Pte Ltd

Tel : +65 [REDACTED]

Mobile : +65 [REDACTED]

Fax : +65 [REDACTED]

Email [REDACTED]@scs-chem.com.sg

Figure 36: Email communication between WHO Cambodia employee and SCS Sales Manager regarding the sponsorship of a personal trip to Singapore, 05-07 January 2009 (excerpts)³

[REDACTED] (SCS) [REDACTED] <[\[REDACTED\]@scs-chem.com.sg](mailto:[REDACTED]@scs-chem.com.sg)>
Subject: RE: hotel reserved goodwood park hotel
To:

[REDACTED] <[\[REDACTED\]@yahoo.com](mailto:[REDACTED]@yahoo.com)>
Date: Wednesday, January 7, 2009, 1:54 PM

Dear [REDACTED],

Attached is your hotel reservation (Goodwood park hotel). It is located in Scott road, corner of Orchard road. Please print out the reservation slip and present to hotel at check-in.

May I request you to contact me the day before you check out as I am require to settle the room charges before you check-out.

Best regards

[REDACTED]

³ Full email chain dates from 4 July 2008 to 9 December 2009.

From: [REDACTED] [mailto:

[REDACTED]@yahoo.com]

Sent: Monday, January 05, 2009 7:58 AM

To:

[REDACTED] (SCS)

Subject: RE:

Singapore trip

Dear [REDACTED]

[REDACTED]

I have managed to confirm my flight
to

Singapore from Kuching on 25 Jan
(Sunday) arrived at afternoon flight and leaving on 28 Jan (Tuesday). My wife
is with me for the trip to spend a short CNY holiday in

Singapore .

I am wonder if it too much for you to book the hotel room for us during the above period? Do not hesitate to contact if otherwise.

best

regards

A solid black rectangular redaction box covering the signature area.

Figure 37: Email communication between WHO Cambodia employee and SCS Sales Manager providing inside information regarding a WHO Manila bednet procurement prior to issuance of tender, 18-19 January 2009 (excerpt)⁴

From: [REDACTED] [mailto:[REDACTED]@yahoo.com]

Sent: Monday, January 19, 2009 7:39 AM

To:

[REDACTED]
[REDACTED]

(SCS)

Subject: RE: LLIN

Cambodia

Dear [REDACTED]

Thank, yes you should inform him (not her) that Sumitomo can supply the 500,000 (please note that they need family size or large size LLIN). In case you think you can not make it, you should say you can supply 300,000 in march and between April-May for another 200,000.

You should say you got the information from some one in CNM or [REDACTED] about the requirements.

Is your handphone in Singapore no changed?

⁴ Full email chain dates from 4 July 2008 to 9 December 2009.

Date: Sunday, January 18, 2009, 6:04 PM

Dear [REDACTED],

Thank you.

I was informed of the requirement by friends in CNM,
and

I

discussed

with

our

production people and they confirmed they

can

supply the

quantity.

Can I
contact [REDACTED] to let her know we can supply this quantity ?

regards

[REDACTED]

[REDACTED]@yahoo.com]

Sent: Sun 1/18/2009 2:42 PM

To:

[REDACTED] (SCS)

Cc:

Subject: RE: LLIN

Cambodia

Dear [REDACTED].

How is your HoNoi trip? Hope it went well. Do you know Cambodia CNM need about 500,000 LLIN in March this year? Ca you supply large amount by March?

Procurement

by

WHO

Manila :

Supply

& Administrative officer: [REDACTED]

[REDACTED]

Tel: 63 [REDACTED]

Mobile : 63 [REDACTED]

e-mail: [REDACTED] [@wpro.who.int](mailto:[REDACTED]@wpro.who.int)

Please do not say I provided this information to you, you can said it was [REDACTED]

[REDACTED] told you.

Kindly confirm your mobil phone No [REDACTED]

Seeing you soon,

[REDACTED]

Figure 38: Email from SCS Sales Manager to Sumitomo Managing Director about sponsoring lunches for CNM's annual Malaria conference, 01 April 2008

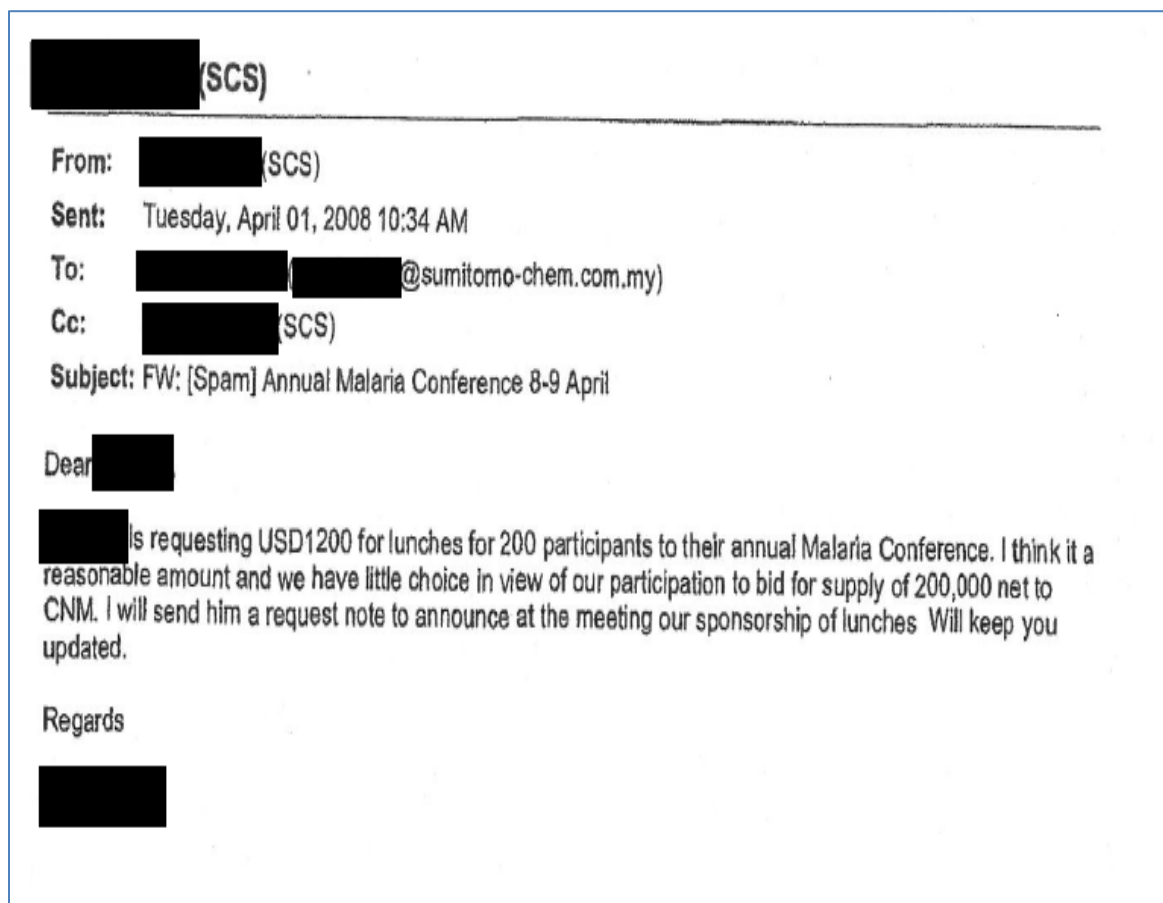


Figure 39: Table of SCS-financed trips, allowances, transportation and sponsorships for CNM employees and other Cambodian government officials

Recipient	Description of Service	Date of Service	Total Value (S\$)	Total Value (USD) [Approximate value when original amount paid in S\$]
Director, CNM	Airfare for visit to Singapore and Malaysia for meeting with Sumitomo Managing Director	27 July - 01 Aug 2004	-	1,070.00*
Director, CNM	Daily allowance for visit to Malaysia and Singapore	27 July - 01 Aug 2004	360	211.38 ^b
Director, CNM	Airfare for personal medical visit to Singapore	21 -22 October 2005	-	415.00
Director, CNM	Accommodation for personal medical visit to Singapore	21-22 October 2005	-	UNK*
-Director, CNM; -Governor of Siem Reap	All travel expenses to Siem Reap for conference on Olyset nets and insecticide	10-13 March 2006	-	UNK*
Director, CNM	Accommodation for personal medical visit to Singapore	June 2006	-	UNK*

^b www.oanda.com, conversion rate as of 15 July 2004.

*For all entries included in this chart, the OIG has obtained proof of payment information, unless otherwise marked with a *, in which case the OIG has written correspondence describing the request and/or agreement to pay costs.

Recipient	Description of Service	Date of Service	Total Value (S\$)	Total Value (USD) [Approximate value when original amount paid in S\$]
-Director, CNM; -Director's Nephew and Deputy Director, CNM	Airfare and airport tax for two people to Singapore	12-14 July 2006	-	456.00
Director, CNM	Sponsorship of a dinner party during a National Malaria Conference	09-11 April 2007	-	1,500.00
Director, CNM	Luxury Tour in Singapore for CNM director and his family (7 people)	12-16 May 2007	948	625.36 ⁶
Chief of Procurement, CNM	Sponsorship to attend American Society of Tropical Medicine conference in Philadelphia	04-08 November 2007	-	1,600.00
CNM	Sponsorship for dinner at ACT Malaria Asian Collaborative Training Network	18-19 March 2008	-	1,750.00
-Head of Health Education, CNM -Accountant -Village Malaria Worker Project, Team -Unknown Person	Package tour for two (out of four listed) people to Malaysia.	28 March - 02 April 2008	338 (or 235x2)	245.11 ⁷

⁶ www.oanda.com, conversion rate as of 15 May 2007.

⁷ www.oanda.com, conversion rate as of 02 April 2008.

Recipient	Description of Service	Date of Service	Total Value (S\$)	Total Value (USD) [Approximate value when original amount paid in S\$]
CNM	Sponsorship for National Centre for Parasitology Conference, 200 lunches.	08-09 April 2008	-	1,200.00
Chief of Technical Bureau, CNM	Airfare (for Chief of Tech. Bureau and his wife) and Daily Allowance for visit to Singapore	04-06 June 2008	1660	1215.17 ⁸
Deputy Chief, Technical Bureau, CNM	Accommodation for personal medical visit in Singapore	18-20 August 2008	640	452.17 ^{9*}
Deputy Director, CNM	Accommodation for visit to Singapore	17-18 and 20-21 September 2008	640	447.82 ^{10*}
Director, CNM	Accommodation for visit to Singapore	17-18 and 20-21 September 2008	640	447.82 ^{11*}
-Procurement Officer, MoH -Procurement Officer, CNM	Partial payment for accommodation for 7 nights for short course procurement training	11-18 October 2009		160.65 ^{12*}
-Chief of Procurement, CNM; -Procurement Assistant, CNM	Partial payment for accommodation for 7 nights for short course procurement training	11-18 October 2009		160.65 ^{13*}

⁸ www.oanda.com, conversion rate as of 30 May 2008.

⁹ www.oanda.com, conversion rate as of 20 August 2008.

¹⁰ www.oanda.com, conversion rate as of 21 September 2008.

¹¹ Ibid.

¹² In this case, Sumitomo agreed to pay for anything above 70 USD per night. The hotel was quoted at S\$ 129.47 per night. S\$ 129.47 = USD 92.95 (www.oanda.com, conversion rate as of 18 October 2009). For each room, Sumitomo paid a difference of USD 22.95 for 7 nights (USD 160.65)

¹³ Ibid.

Recipient	Description of Service	Date of Service	Total Value (S\$)	Total Value (USD) [Approximate value when original amount paid in S\$]
-Procurement Officer, CNM -Sr. Procurement Officer, CNM	Partial payment for accommodation for 7 nights for short course procurement training	11-18 October 2009		160.65 ^{14*}
- Procurement Officer, MoH -Procurement Officer, CNM -Chief of Procurement, CNM -Procurement Assistant, CNM -Procurement Officer, CNM -Sr. Procurement Officer, CNM	Minibus Service from the airport to the hotel	11 October 2009	-	UNK*

¹⁴ Ibid.

Recipient	Description of Service	Date of Service	Total Value (S\$)	Total Value (USD) [Approximate value when original amount paid in S\$]
-Procurement Officer, CNM - Procurement Officer, CNM -Chief of Procurement, CNM -Procurement Assistant, CNM -Procurement Officer, CNM -Sr. Procurement Officer, CNM -Daughter of CNM Director	Luxury Night Safari Tour during procurement training in Singapore	11 October 2009	277	198.07 ¹⁵
WHO Cambodia Employee	Remittance for Emerging Infectious Diseases Conference	09 December 2009	2769.05	1990.26 ^{16*}
CNM	Sponsorship for end of the year annual dinner for CNM	17 December 2009	-	1,500.00
Chief of Procurement, CNM	Sponsorship to attend a Malaria Seminar in London, including airfare and accommodation	22-23 April 2010	-	3,140.00

¹⁵ www.oanda.com, conversion rate as of 11 October 2009.

¹⁶ www.oanda.com, conversion rate as of 09 December 2009.

Recipient	Description of Service	Date of Service	Total Value (S\$)	Total Value (USD) [Approximate value when original amount paid in S\$]
Procurement Officer, CNM	Sponsorship (airfare and accommodation for 4 days) to attend Workshop on Quality clinic Research Application in China	17 -18 June 2010	-	1,500.00*
				20,446.11

Figure 40: Email communication between Sumitomo Managing Director and SCS Sales Manager about improper payments to Government officials, 27-29 March 2006

RE: Commission Payment on RBM Olyset Net delivery

From: [REDACTED]@sumitomo-chem.com.my>
To: [REDACTED] (SCS)" [REDACTED]@scs-chem.com.sg>
Date: Wed, 29 Mar 2006 04:00:43 +0800

Dear [REDACTED]

This payment to [REDACTED] could be awkward. As you say it is best to be a company rather than an individual, although the consultancy agreement could be with an individual if necessary.

The idea to have SCS receive 4% commission was to allow the more easy task of having this commission payment mad on the Cambodian sales. I note that 3% would go to our consultant and 1% remaining for SCS.

Yes, please go in to Cambodia for the [REDACTED] discussions and the other intended visits.

I have heard nothing back from Japan on any of our requests for receipt of commissions on the Olyset Net sales, and wi pursue this when the dust settles when I get back to the office.

Best regards,

[REDACTED]
Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.
Lot 62A, Persiaran Bunga Tanjung 1
Senawang Industrial Park, 70400 Seremban
Negeri Sembilan Darul Khusus, Malaysia

Tel: +60 [REDACTED]

Fax: +60 [REDACTED]

H/P: +60 [REDACTED]

From: [REDACTED] (SCS) (mailto:[REDACTED]@scs-chem.com.sg]
Sent: Monday, March 27, 2006 9:26 AM
To: [REDACTED]
Subject: RE: Commission Payment on RBM Olyset Net delivery

Dear [REDACTED]

I asked for the consultancy agreement copy from [REDACTED] for my reference (for Cambodia purpose) . I has not actually real yet.

For our commission payment to [REDACTED] of USD19,680.00 (based on 3% of FOB Shanghai value USD656,000 to Sumitomo Chemical), we might need similar agreement with [REDACTED] agent... originally our ideal "agent" is [REDACTED] Singapore... but I think [REDACTED] will appreciate if we give some control/comfort over how he wish to receive his payment by offering him a chance to nominate his own "agent" first ..we cannot accept a private individual but a company entity" located in Cambodia. If he has candidate and met our criteria, my thought is not to involve [REDACTED] to avoid his involvement in Cambodian bsn, and also not having to pay him "consideration fee" and perhaps his income tax .

Considering that Olyset net would only be delivered to Cambodia in or around June/July.. my idea is one of us or joint-vi to [REDACTED] in May to discuss our payment method to him (basically signing of consultancy agreement to legalise this external payment to him) whether he has any "agent" in mind, and if yes we sign consultancy agreement with his agent. also like to visit PSI and WHO Cambodia as [REDACTED] in Siem Reap mentioned that Vesterguard has problem supplying the required net to WHO for PSI ...there may be yet small chance for us to supply some to PSI this year.

By the way, I understand you have requested 4% commission to SCC on this Cambodian sales... they agree already ? This must... at least 3% for [REDACTED]

Your comment is welcome.

Regards

[REDACTED]
email : [REDACTED]

Figure 41: Email communication between Sumitomo Managing Director and SCS Sales Manager about the CNM procurement team's "greediness", 24 June 2010

From: [REDACTED] (SCS)
Sent: Thursday, 24 June 2010 07:08
To: [REDACTED]
Subject: RE: Cambodia com

Dear [REDACTED],

Prior to 2009, commission was only 5% to [REDACTED]

And In 2009 GF procurement team want a piece of the pie when they managed to convince GF that they will buy additional Olyset net thru direct procurement to SCS (no international tender) , total commission requested was 6.5% , split as [REDACTED] get 5% and [REDACTED] team 1.5%.

And in 2010 procurement team get "greedier" as they manage to convince GF that they wants only Olyset net (320,000pcs) and only direct procurement (no international tender) by WHO on their behalf thus, for 320,000 pcs of Olyset in 2010, [REDACTED] total request maintained at 6.5% (USD0.33 of USD5.10 per unit)split between 3% for his procurement team (led by vice Director's [REDACTED]) and balance for him 3.5%.

Honestly I have no idea whether procurement team is aware that apart we are also giving commission to [REDACTED] as well !!

I have not told [REDACTED] that for 2010 max. is 5%.....It be tough for me to break this news to him.....can I negotiate with you at 6%...it much lower than Vesterguard offer of up to 0.80 cents per net (according to [REDACTED] in some previous conversation 2-3years ago...but then the price were higher !).

Future [REDACTED] reign will expire in 1-2 more years and rumor is he will be either succeeded by his nephew (current vice director's [REDACTED]...this is the guy VBC/BTI is working with) or possibly [REDACTED].....thus we need to satisfy [REDACTED] and her team (which may include [REDACTED]who know ??).

Best regards

[REDACTED]
 Manager,
 Sumitomo Chemical Singapore Pte Ltd
 Tel : +65 [REDACTED]
 Mobile : +65 [REDACTED]
 Fax : +65 [REDACTED]
 Email : [REDACTED]@scs-chem.com.sg

From: [REDACTED] [REDACTED]@sumitomo-chem.com.my]
Sent: Thursday, June 24, 2010 12:41 PM
To: [REDACTED] (SCS)
Subject: Cambodia

Dear [REDACTED],

I know a sensitive issue, but how does the commission situation now look on Olyset sales to Cambodia?

Best regards,

[REDACTED]

[REDACTED]
 Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.
 Lot 62A, Persiaran Bunga Tanjung 1
 Senawang Industrial Park, 70400 Seremban
 Negeri Sembilan Darul Khusus, Malaysia

Figure 42: Email communication between Sumitomo Managing Director and SCS Sales Manager about commission payments and profit margins, 24 June 2010

From: [REDACTED] (SCS)
Sent: Thursday, June 24, 2010 2:59 PM
To: [REDACTED]
Subject: RE: Cambodia com.

Dear [REDACTED]

Thanks for advice and the increase in commission to max. 5.8% to agents. Best regards

[REDACTED]
Manager,
Sumitomo Chemical Singapore Pte Ltd
Tel : +65 [REDACTED]
Mobile : +65 [REDACTED]
Fax : +65 [REDACTED]
Email : [REDACTED]@scs-chem.com.sg

From: [REDACTED] [mailto:[REDACTED]@sumitomo-chem.com.my]
Sent: Thursday, June 24, 2010 1:27 PM
To: [REDACTED] (SCS)
Subject: RE: Cambodia

Dear [REDACTED]

The current problem is as you know we can not continue to sell product at a loss. Selling at zero margin will also eventually be noticed and no doubt questioned by the "authorities" within SCS..... And to be honest, who can blame them. As we can currently cover this with our overall good local margin, it has to date not raised any questions.

Of course the problem with commissions is that once in place they are virtually impossible to reduce without upset. Whilst we do not wish to "hurt" our business in Cambodia we can not continue to sell large quantities of Olyset at a loss or zero margin.

I suggest this is approached in a step like manner, explaining that whilst net costs have increased, the costs have been going up, and we try to reduce the commissions by 0.35% for both agents, meaning that the final payments owed would be 2.65% and 3.15% (total 5.8%), which would allow some gross margin to appear on the SCS sales books, whilst in no way covering for the cost of doing the business.

Best regards,

[REDACTED]
Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.
Lot 62A, Persiaran Bunga Tanjung 1
Senawang Industrial Park, 70400 Seremban
Negeri Sembilan Darul Khusus, Malaysia

Tel: +60 [REDACTED]

Figure 43: Email communication between Sumitomo Managing Director and SCS Sales Manager about CNM's promotional visit to SCS, 17-20 October 2005

RE: LLIN Procurement to Cambodia

From: [REDACTED]@sumitomo-chem.com.my>
 To: [REDACTED]@scs-chem.com.sg>
 Date: Thu, 20 Oct 2005 15:41:24 +0800

..... of course this goes in the books as a promotional visit to SCS to discuss vector control!!

Regards,

[REDACTED]
 Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.
 Lot 62A, Persiaran Bunga Tanjung 1
 Senawang Industrial Park, 70400 Seremban
 Negeri Sembilan Darul Khusus, Malaysia

Tel: +60 [REDACTED]
 Fax: +60 [REDACTED]
 H/P: +60 [REDACTED]

From: [REDACTED] [mailto:[REDACTED]@sumitomo-chem.com.my]
 Sent: Wednesday, October 19, 2005 7:37 PM
 To: [REDACTED] (SCS)
 Cc: [REDACTED] SCEA
 Subject: RE: LLIN Procurement to Cambodia

Dear [REDACTED]

At this stage in Cambodia with Olyset net coming (although unfortunately now through SCC – Geneva and not SCS books) and hopefully a rosy future for [REDACTED] as well, it would not be wise to hold back on helping [REDACTED] so your offer seems sensible.

..... but it is a bit late to ask my advice as it seems you have already made the offer!!

We should of course continue to be cautious with respect to our support relative to business opportunity and monitor the situation carefully. To date the input in to the Cambodian market has been justified in this respect.

Best regards,

[REDACTED]
 Sumitomo Chemical Enviro-Agro Asia Pacific Sdn. Bhd.

Lot 62A, Persiaran Bunga Tanjung 1
Senawang Industrial Park, 70400 Seremban
Negeri Sembilan Darul Khusus, Malaysia

Tel: +60 [REDACTED]
Fax: +60 [REDACTED]
H/P: +60 [REDACTED]

From: [REDACTED] (SCS) [mailto:[REDACTED]@scs-chem.com.sg]
Sent: Monday, October 17, 2005 10:55 AM
To: [REDACTED]
Cc: [REDACTED] SCEA
Subject: FW: LLIN Procurement to Cambodia

Dear [REDACTED]

I
FYI..... est cost of airticket + medical fee around USD700-800 for this [REDACTED] private visit to Singapore for medical treatment. I suppose I have your approval to go ahead.

Regards

-----Original Message-----

From: [REDACTED] (SCS)
Sent: Monday, October 17, 2005 10:37 AM
To: [REDACTED]
Subject: RE: LLIN Procurement

Dear [REDACTED]

Thank you for your email.

I sorry to hear you have some nose problem. I have contacted Raffles Hospital (tel : 65-63111220, and they have two NTE specialist, [REDACTED] or [REDACTED] but appointment in advance is necessary, the usual consulting fee starts at USD60.00 excluding investigation fee and medical fee. On the average it is about USD150 per visit everything if it is a routine case.

May I know is this a personal visit under your own expenses, or your office will pay for your treatment in Singapore including airfreight and accommodation? If it is personal, allow us to arrange your flight ticket, accommodation and medical fees. I wait for your reply on my question.

And thank you for proposing Olyset net which will save many lives. Attached is Olyset net specification. Let me know if you need additional information on Olyset net.

Regards

[REDACTED]

Figure 44: Email communication between CNM Director, SCS Sales Manager, Sumitomo Managing Director and SCS senior manager about competitor prices, 07-11 April 2008

FW: RE: [Spam] RE: Pollution in Singapore

From: [REDACTED] (SCS) <"[REDACTED]"/o=exch-sg01/ou=sg01/cn=recipients/cn=[REDACTED]>
To: [REDACTED]@sumitomo-chem.com.my"; [REDACTED]@sumitomo-chem.com.my>
Cc: [REDACTED] (SCS) [REDACTED]@scs-chem.com.sg>
Date: Fri, 11 Apr 2008 17:28:21 +0800

Dear [REDACTED]

I have not received reply from [REDACTED] I suppose he is busy at Annual Malaria Conference from 8-9 April 2008 in some province.

I have couriered (yesterday) the copy of the bid document to your office for your reference.

Thanks for approval 200,000 pcs at CIF USD5.45 , Extra Family.

I will take care of the tender preparation. Will submit the bid to Phnom Penh by hand probably last week of April , which give us ample time for discussion.

Safe journey, and good meeting in Tokyo.

Best regards

[REDACTED]

From: [REDACTED] (SCS)
Sent: Monday, April 07, 2008 12:07 PM
To: [REDACTED]
Subject: RE: RE: [Spam] RE: Pollution in Singapore

Dear [REDACTED]

Thanks ...I have quoted to [REDACTED] FOB USD5.30 and CIF Phnom Penh USD5.60 (and not USD 4.65 as you have mentioned in your below email). I noted that Permanet has quoted USD5.30 , is this FOB or CIF prices ?

As Olyset net is only one with full approval and 5 years life span, do you think we can bid USD0.10 - 0.15 cents higher than Permanet, or bid same price as Permanet, or bid USD0.10cent lower than Permanet ?

Today I received the Bid Document. Bid specification mention "50 pieces protected by polyethylene bag". Will Olyset net be disqualified if our standard packing is 40 pieces in a polyethylene bag ?

Please delete all email after reading

Thanks and rgds

[REDACTED]

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Monday, April 07, 2008 11:28 AM
To: [REDACTED] (SCS)
Subject: Fw: RE: [Spam] RE: Pollution in Singapore

-----Original Message-----

From: [REDACTED]
Date: 07-Apr-08 9:03:48 AM
To: [REDACTED] (SCS)
Subject: RE: [Spam] RE: Pollution in Singapore

Dear [REDACTED]

I got from PR the price of LLMIN for different companies as follow: Size L180xW190xH150cm
Olyset/Sumitomo: 4.65\$, Vestergaard/Permanet the same size, price 5.3\$, BASF/Interseptor: not submit or
late submit? Duranet: 6.78\$ Best net Europe 4.7\$. I'm don't the price that PR got from any sources, but this is
the top secret for bidding. Please do not inform to other people. I will try my best to support your Olyset net. I
leave this afternoon to Sihanoukville for Malaria Annual Conference tomorrow. Thanks and best wishes in
Khmer New Year to come in next week.

-----Original Message-----

From: [REDACTED] (SCS)
Date: 04-Apr-08 4:13:51 PM
To: [REDACTED]
Subject: RE: [Spam] RE: Pollution in Singapore

Figure 45: Email communication in which CNM Deputy Director improperly shares advance information regarding tender requirements with SCS Sales Manager, 19 January 2009

----- Original Message -----
From: [REDACTED] (SCS)
To: [REDACTED]
Sent: 19 January, 2009 3:51 PM
Subject: RE: LLIN

Dear [REDACTED]

Understand I will not mention that anyone from CNM give me advance information.

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Monday, January 19, 2009 4:39 PM
To: [REDACTED] (SCS); [REDACTED]
Subject: Re: LLIN

Dear [REDACTED]

Should not, If you do like this is mean that CNM intending to SUMITOMO. I hope WHO will ask your Company. Do you know now Permanent is full approval by WHO also. CNM already strong comment for Olyset. Just waiting the information from WHO

Thanks
[REDACTED]

----- Original Message -----
From: [REDACTED] (SCS)
To: [REDACTED]
Sent: 19 January, 2009 1:03 PM
Subject: RE: LLIN

Dear [REDACTED]

Good afternoon,

Today I have sent email (self introduction of myself and Sumitomo Chemical Singapore. I did not mention the 420,000 net requirement of Cambodia) to the following gentleman. I am waiting for his reply.

Procurement by WHO Manila: Supply & Administrative officer: [REDACTED]
[REDACTED]
Tel: 63 [REDACTED]
Mobile: 63 [REDACTED]
e-mail: [REDACTED]@wpro.who.int

Do you think it okay for me to inform him that you have informed me of the 420,000 net requirements ?

Best regards
[REDACTED]
Manager.
Sumitomo Chemical Singapore Pte Ltd

Figure 46: Email from CNM Director to SCS Sales Manager providing contact information of WHO Manila officer, 13 January 2009

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]

Sent: Tuesday, January 13, 2009 4:10 PM

To: [REDACTED] (SCS)

Subject: Olyset

Dear [REDACTED]

This is an e-mail of [REDACTED] [REDACTED]@wpro.who.int . His role is a supply & Administrative Officer in WHO Office Manila. This morning we have a very good discussion, but you try the way how to contact with him but not mention that you get the information from me. He just concern about the stock of Olyset net? Thanks and best regards,

[REDACTED]

Figure 48: Email communication between CNM Director and VF Sales Manager providing “Chhou Nou Kimchenda” bank account details, 16-23 February 2007

From: [REDACTED]
To: [REDACTED]
Subject: RE: PR's Plan Round 2 Year 4&5
Date: Friday, February 23, 2007 10:41:00 AM

Dear [REDACTED]

Thank you for the information below.

[REDACTED] is traveling out of country and would be back on Saturday night.

We would be sending you the agreement copy as discussed with you on Monday (26th March, 07).

Best Regards

[REDACTED]
Sales Manager
 +91-[REDACTED]
 [REDACTED]@vestergaard-frandsen.com

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Friday, February 23, 2007 8:03 AM
To: [REDACTED]
Subject: Re: PR's Plan Round 2 Year 4&5

Dear [REDACTED]

Sorry for late inform you about the people who will sign contract with you. Here her name: Mrs CHHOU NOU KIMCHENDA. The process have to transfer the money with instruction below:

1- INTERMEDIARY:

HSBC BANK USA
 500 Stanton Christina Road
 Newark, Delaware 19713-2107, USA
 ABA: 0210-0108-8
 SWIFT: MRMD US 33
 Telex: 62822 MMB NEWYORK

2- ACCOUNT WITH INSTITUTION:

USD A/C No : 000-[REDACTED]-3
 CANADIA BANK LTD
 265-269 Ang Duong Street, Phnom Penh, Cambodia
 S.W.I.F.T : CADI KH PP

3- BENEFICIARY CUSTOMER:

A/C No : 1 [REDACTED] 319
 A/C Name : Mrs CHHOU NOU KIMCHENDA

Thanks and best regards,

Dr. [REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: 20 February, 2007 2:29 PM
Subject: RE: PR's Plan Round 2 Year 4&5

Dear [REDACTED]

Thanks for your reply.

We would look forward to your mail.

Best Regards

[REDACTED]
Sales Manager

+91-[REDACTED]

[REDACTED]@vestergaard-frandsen.com

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]

Sent: Tuesday, February 20, 2007 12:54 PM

To: [REDACTED]

Subject: Re: PR's Plan Round 2 Year 4&5

Dear [REDACTED]

Thanks for quick reply. As this is Chinese New Year, some people took holiday. I will send to you tomorrow. Thanks [REDACTED]

----- Original Message -----

From: [REDACTED]

To: [REDACTED]

Sent: 20 February, 2007 11:43 AM

Subject: RE: PR's Plan Round 2 Year 4&5

Dear [REDACTED]

Thank you for the kind courtesy extended to us during our visit to your office.

I would also like to convey our thanks for agreeing with PSI to procure PermaNet® for the phase2.

I would request you to send us the account no. as suggested by you on the phone. This would help us in sending you the agreement papers as discussed with you.

Best Regards

[REDACTED]
Sales Manager

+91-[REDACTED]

vg@vestergaard-frandsen.com

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]

Sent: Tuesday, February 20, 2007 6:06 AM

To: [REDACTED]

Subject: Fw: PR's Plan Round 2 Year 4&5

Dear [REDACTED]

Please see in below e-mail that I have agreed for PSI to procure LLMIN/Permanet for phase two. I also informed in the farwell party of Mr. [REDACTED]

Thanks,

----- Original Message -----

From:

To:

Cc:

Sent: 16 February, 2007 10:16 AM

Subject: Re: PR's Plan Round 2 Year 4&5

Dear

Sorry for late reply to your request to procure the LLMN in phase two, due the fact that I'm so busy in different meeting and mission to provinces. In order to avoid the delay of procurement PSI could start the process for LLMN procurement from now as CNM is preparing the document for procurement of new LLMN under R4 as well. Regarding to the Agreement CNM-PSI and I think we need to discuss more about some sentences

Thanks,

|

Vestergaard Frandsen and its affiliates have no responsibility for unauthorized access and/or alteration to this communication, nor for any consequence based on or arising from your use of this information, whether accessed or altered by any person or not. Please inform us if you prefer to communicate in encrypted form.

Vestergaard Frandsen and its affiliates have no responsibility for unauthorized access and/or alteration to this communication, nor for any consequence based on or arising from your use of this information, whether accessed or altered by any person or not. Please inform us if you prefer to communicate in encrypted form.

Figure 49: Email communication between CNM Director and VF Sales Manager providing “Chhou Nou Kimchenda” bank account details again, 11-27 September 2007

From: [REDACTED] <[REDACTED]@cnm.gov.kh>
Sent: Thursday, September 27, 2007 6:23 AM
To: [REDACTED]
Subject: Re: Account Details

Dear [REDACTED]
 Thanks for your very fast action. Best regards,
 Dr. [REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: 27 September, 2007 10:25 AM
Subject: RE: Account Details

Dear [REDACTED]

The bank would be informed today about the account number and the money would be transferred to your account.

Best Regards,

[REDACTED]
 Manager c.s.
 Vestergaard Frandsen India Pvt. Ltd.

Mobile : +91-[REDACTED]
 Tel : +91-[REDACTED]
 E-mail: [REDACTED]@vestergaard-frandsen.com
 Web : www.vestergaard-frandsen.com

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Thursday, September 27, 2007 6:29 AM
To: [REDACTED]
Subject: Fw: Account Details

Dear [REDACTED]
 Kindly inform to the bank in Cambodia the bank account number of my sister. The money now in her bank account just you forget to mention her bank account number. That's why the bank want you to put all information included bank account number. Thanks for your kind support. [REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: 12 September, 2007 9:24 AM
Subject: Re: Account Details

Dear [REDACTED]
 The B/A number is remain the same. Beneficiary A/C: 1100 [REDACTED] 1319, A/C name: CHHOU NOU KIMCHENDA

Intermediary: HSBC BANK USA 500 Stanton Christiana Road, Newark, Delaware 19713-2107, USA
 ABA: 0210-0108-8, SWIFT: MRMD US 33

ACCOUNT WITH INSTITUTION: USD A/C No: 000-1 [REDACTED] 3-3 CANADIA BANK LTD. Cambodia
 SWIFT: CADI KH PP
 Thanks, [REDACTED]

----- Original Message -----

From: [REDACTED]

To: [REDACTED]@cnm.gov.kh

Sent: 11 September, 2007 3:13 PM

Subject: Account Details

Dear [REDACTED]

I would request you to confirm the account details.

Look forward to your comments.

Best Regards,

[REDACTED]

Manager c.s.

Vestergaard Frandsen India Pvt. Ltd.

Mobile : +91-[REDACTED]

Tel : +91-[REDACTED]

E-mail: [REDACTED]@vestergaard-frandsen.com

Web : www.vestergaard-frandsen.com

Figure 50: Table of commission payment wire transfers from VF to “Chhou Nou Kimchenda” and “[REDACTED] Capital Limited” for Global Fund contracts

Amount(USD)	Bank details	Account where payment is remitted	Date
✓ 10'000	61 [REDACTED] 7-12 USD Credit suisse	USD A/C No : 000-1 [REDACTED] 3-3, CANADIA BANK LTD, 265-269 Ang Duong Street, Phnom Penh, Cambodia.S.W.I.F.T : CADI KH PP A/C.No : 1100 [REDACTED] 1319, A/C Name : Mrs CHHOU NOU KIMCHENDA	27th March 2007 ✓
✓ 10'000	61 [REDACTED] 7-12 USD Credit suisse	ACCOUNT WITH INSTITUTION: USD A/C No: 000-1 [REDACTED] 3-3 CANADIA BANK LTD. Cambodia SWIFT: CADI KH A/C number: 11 [REDACTED] 1319, A/C name: CHHOU NOU KIMCHENDA	20-09-07
[REDACTED]			
↓ 51'188 1	Crédit Suisse USD 77 [REDACTED] 72-	CANADIA BANK PLC, 265-269, Ang Duong Street, Phnom Penh, Cambodia.SWIFT: CARDIKHPP - Account Number: 019 [REDACTED] 15 - Account Name: CHHOU NOU KIMCHENDA	4th Jan 2011
↓ 83'054 1	Crédit Suisse USD 77 [REDACTED] 72-	[REDACTED] Capital Limited Standard Chartered Bank (HK) Ltd. 564-[REDACTED] 12-6	2nd Feb 2012

Figure 51: Email communication from CNM Director to VF Regional Director confirming receipt of funds, 05-11 January 2011

From: [REDACTED] <[REDACTED]@cnm.gov.kh> on behalf of [REDACTED]
Sent: Tuesday, January 11, 2011 10:38 AM
To: [REDACTED]
Subject: RE: Happy New Year

Dear [REDACTED],
Thanks. I got it. [REDACTED]

-----Original Message-----

From: [REDACTED]
Date: 11-Jan-11 4:32:48 PM
To: [REDACTED]
Subject: RE: Happy New Year

Sir,

Pl confirm receipt of funds.

Best Regards,

[REDACTED]

Regional Director - Asia
Vestergaard Frandsen India Pvt. Ltd.

Add: 302, Rectangle One | D-4, Saket | New Delhi - 110017 | India
Tel: +91 [REDACTED] | Direct: +91 [REDACTED] | Mobile: +91 [REDACTED] | Fax +91 [REDACTED]
E-mail: [REDACTED]@vestergaard-frandsen.com | Web: www.vestergaard-frandsen.com Web: www.permanet.com, www.zerofly.com & www.lifestraw.com

skype: [REDACTED]

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Thursday, January 06, 2011 1:23 PM
To: [REDACTED]
Subject: RE: Happy New Year

Noted with thanks. [REDACTED]

-----Original Message-----

From: [REDACTED]
Date: 06-Jan-11 2:19:00 PM
To: [REDACTED]
Subject: RE: Happy New Year

Sir, A very happy new year to you and your family as well.

The job has been done. Please confirm receipt.

Best Regards,

[REDACTED]
Regional Director - Asia
Vestergaard Frandsen India Pvt. Ltd.

Add: 302, Rectangle One | D-4, Saket | New Delhi - 110017 | India
Tel: +91 [REDACTED] Direct: +91 [REDACTED] Mobile: +91 [REDACTED]
Fax +91 [REDACTED]
E-mail: [REDACTED]@vestergaard-frandsen.com | Web: www.vestergaard-frandsen.com **Web:**
www.permanet.com, www.zerofly.com & www.lifeflaw.com

skype - [REDACTED]

From: [REDACTED] [mailto:[REDACTED]@cnm.gov.kh]
Sent: Wednesday, January 05, 2011 9:36 AM
To: [REDACTED]

Subject: Happy New Year

Dear [REDACTED]

Did you get the correct
SWIFT Code? How
about the remittance?
Thanks, [REDACTED]

Figure 52: Booking details for USD 83,054 VF commission payment to “Kim Nou Chounoa”, 02 February 2012

[Redacted]
 [Redacted]
 Téléphone +41 [Redacted]
 Fax +41 [Redacted]

CH-1002 Lausanne

IBAN CH74 [Redacted] 7200 1
 Compte Compte courant [Redacted] 72-1
 Au nom de Vestergaard Frandsen Group SA,
 Monnaie Lausanne
 USD
 Téléphone Contact Center
 +41 800 88 88 72

Vestergaard Frandsen Group SA
 chemin Messidor 5-7
 1006 Lausanne

Avis de débit

2.2.2012
 Page 1/1

Texte	Valeur	Monnaie	Montant
Selon ordre du 31.1.2012		USD	83'053.69
Total	02.02.12	USD	83'053.69

CHF 5.00 frais seront débités sur le prochain décompte.

En faveur de 564-1 [Redacted] 6
 KIM NOU CHOUNOA
 HONG KONG

Compte chez Standard Chartered Bank (HK) Ltd
 Standard Chartered Bank Building
 4-4A Des Voeux Road, Central
 HK-Hong Kong

Motif du paiement AGENT COMMISSION
 Si28816, Si28817, Si28965

Notre correspondant Deutsche Bank Trust Company
 US-New York NY 10005

Formulaire sans signature No de TVA 231051 A Transaction No SUPR 31 3140-0131-80-3847-0000

Figure 53: VF request to change beneficiary name from “Kim Nou Chounoa” to “[REDACTED] Capital Limited” for \$83,054 commission payment, 13 February 2012

[REDACTED]

From: CRESCHZZ80A
 RPK : 4435969100
 TRN : CSG120210-000026

 Outgoing

MT: MT199 - Free format message
 Sender : CRESCHZZ80A
 Credit Suisse AG [REDACTED]
 8070 Zürich
 Receiver: BKTRUS33XXX
 Deutsche Bank Trust Company Ameri
 New York
 4838 229977 13.02.2012 11:27:29

Owner: CRESCHZZ DIV
 Internal Priority: Urgent
 Stage: Post-Xm

MUR (108): 4435969100

 Message Text

Headers F01CRESCHZZ080A4435969100
 I199BKTRUS33XXXXU3003
 108:4435969100

:20:CSG120210-000026
 :21:F3N401KF02YV0001
 :79:ATTN MONEY TRANSFER INVESTIGATIONS

RE: O/MT103 DD 02-FEVR.-12 TRN F3N401KF02YV0001
 FOR USD 83053.69 VALUE 02-FEVR.-12
 B/O VESTERGAARD FRANDSEN GROUP SA
 FAVOUR KIM NOU CHOUNOA
 WITH SCBLKHHXXX

PLEASE AMEND OUR PAYMENT ORDER TO READ AS FOLLOWS:
 BENEFICIARY NAME [REDACTED] CAPITAL LIMITED
 PLEASE CONFIRM DATE ON WHICH FUNDS WERE CREDITED
 TO THE CORRECT BENEFICIARY AS WELL AS THE EXACT
 AMOUNT AND VALUE DATE TO OUR ABOVE MENTIONED
 REFERENCE.
 ALL OTHER DETAILS REMAIN UNCHANGED. PLEASE AVOID
 ANY DUPLICATION.

BEST REGARDS
 CREDIT SUISSE AG
 [REDACTED]

O/REF:CSG120210-000026

 Message History

Date	Time	Xmt	DelServ	ComServ	Com	ComLink	RFK	Net	Net	Owner
------	------	-----	---------	---------	-----	---------	-----	-----	-----	-------



```

*****      Rsl      Seq#      MT      Prio
*****      ***      *****      *****      *****
12-02-13 11:27:06 MSG RT: Owner: CRESCHZZ
12-02-13 11:27:06 IOK      U      MMQA      WaitSttn Dup-Chk
12-02-13 11:27:06 Dup-Chk      WaitSttn Vldtn
12-02-13 11:27:06 VAL Firco filter: No Hit
12-02-13 11:27:06 Vldtn      In-Xmt      Xmt
12-02-13 11:27:10 CSCHZSFA 229977 ACK={1:F21CRESCHZZA80A4838229977}{4:{177:1202131127}{45
12-02-13 11:27:10 CSCHZSFA 229977 ACK=1:0}{108:4435969100})
12-02-13 11:27:10 OK      U      BKTRUS33XXX      FIN      CSCHZSFA 229977
12-02-13 11:27:10 OK      MBMQOH21      MMQA      MBMQOH21 494808
12-02-13 DelNot(MT011) details: ComServ=CSCHZSFA 175:Time=0527 107:Date=120213 Sess#=902
12-02-13 11:27:29 DLV      U      BKTRUS33XXX      FIN      CSCHZSFA 229977

```

MT011 - Delivery Notification

{1:F01CRESCHZZA80A4838072906}{2:00111027120213DYMEXXXXXXXX00073910791202131127S}{4:{175:11:
00}{175:0527}{107:120213BKTRUS33DXXX9028877365}}{5:{CHK:38096B91F908}{SYS:}}

Figure 54: Email communication between CNM Director and VF Regional Director in Asia regarding a meeting in India and Global Fund Round 4 grant proposal, 08 October 2003

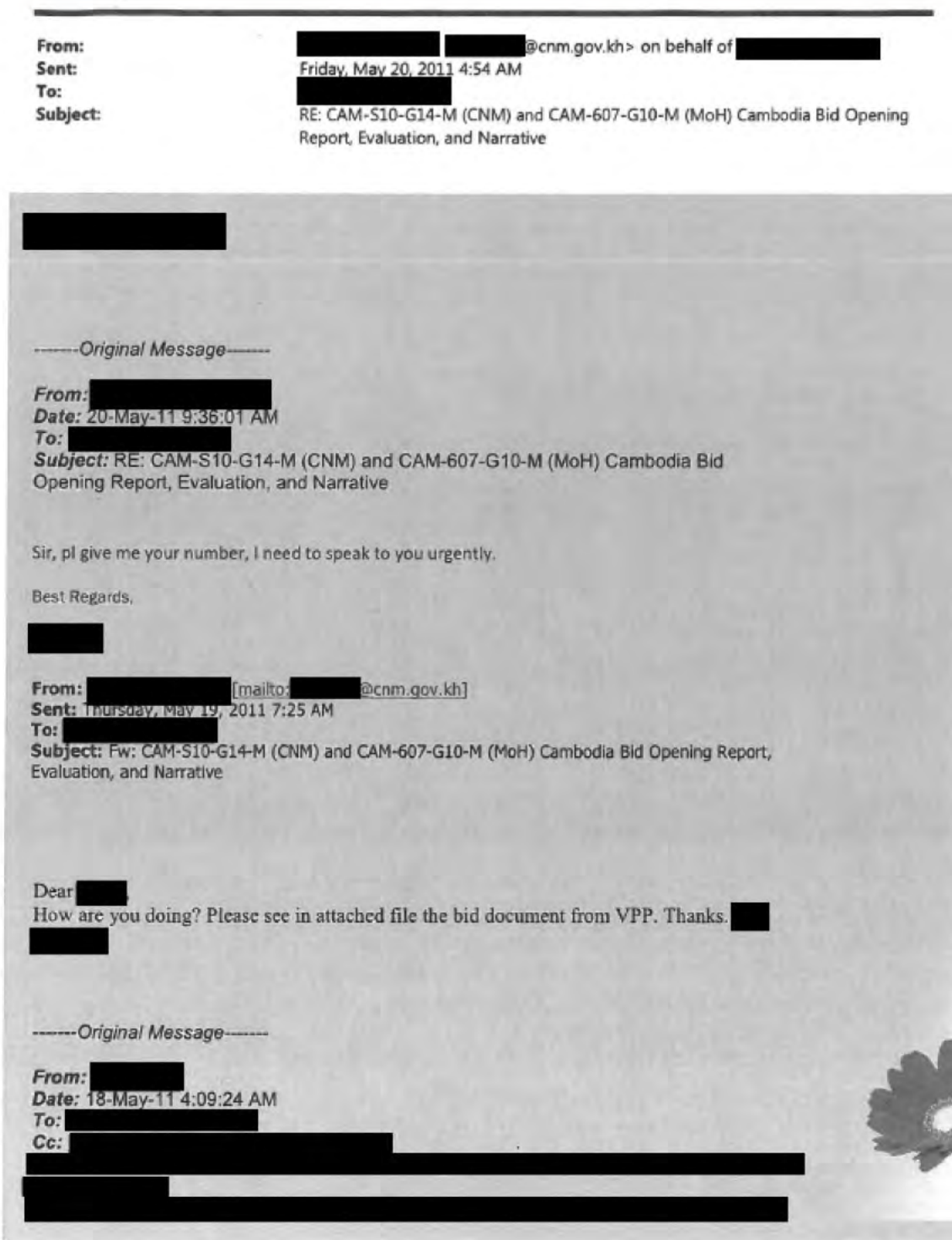
From: [REDACTED]@yahoo.com>
Sent: Wednesday, 08 October 2003 11:38
To: [REDACTED]@vestergaard-frandsen.com
Subject: Re: PermaNet(R) for Global fund project in Cambodia

Dear [REDACTED]
Thank you very much for your kind arrangement during my visit in India. Now I am in France, so I very please to inform you that I will made other proposal to GF for round 4 and will request LLN, Thanks, [REDACTED]
[REDACTED]

--- [REDACTED]@vestergaard-frandsen.com> wrote:

>
>
> Dear [REDACTED],
>
> I hope you reached back home safe and your wife liked the shopping you
> did in Delhi.
>
> This email is to review what we discussed in India:
>
> 1). How to incorporate PermaNet(R) in Global Fund project in Cambodia
> probably for population living in jungles, where reimpregnation is not
> possible.
>
> 2). You wanted me to be introduced to a Cambodian company who could
> represent us in the country and secure govt.
> business as they would know how
> to move in the govt. circles.
>
> Looking forward to hear from you soon.
>
> With regards,
>
> [REDACTED]
>
>

Figure 55: Email communication between CNM Director and VF Regional Director sharing bid evaluation and bid scorecards for VPP procurement, 18-20 May 2011



Subject: CAM-S10-G14-M (CNM) and CAM-607-G10-M (MoH) Cambodia Bid Opening Report, Evaluation, and Narrative

Dear CNM Team and MoH Team,

Hope you are both well.

As your orders were bid out together, we have evaluated the tender accordingly. Please note, in order to expedite the process, we require the signed estimated proformas. The signature of these proformas, will allow the Global Fund to expedite the disbursement to PSI. It is upon receipt of the funds that PSI will enter into contract with the suppliers. Rest assured that the cost savings from the estimated proforma will either be returned to the grants or applied towards future orders through VPP.

Attached please find the above mentioned documents for this order. There is separate evaluation for each size the PR requested.

If you have any questions please do not hesitate to contact us.

Cheers,

--
VPP Procurement Officer
Population Services International
1120 19th St. NW, STE 600
Washington DC, 20036

IPB: 0972-ITN-VPP-0035

Principal Recipient: [REDACTED]

Total Procurement: 2,696,000

Bid Opening Report Date: 9 May 2011

Evaluator: [REDACTED]

Option 1: 275,000 Hammocks & 2,421,000
rectangulars measuring 180Lx186Wx150HShipment 1: 725,500 rectangular LLNs & 275,000
Hammocks

SUPPLIER	Quantity	Date Supplier Plans to Begin Production	Supplier's Earliest Sampling Date	Total FOB Price	Total CIF Price
Clarke	725,500	16-May-11	25 days	\$3,134,149.00	\$3,212,695.00
	275,000	18-May-11	35 days	\$1,097,250.00	\$1,113,750.00
Vestergaard	725,500	1-Jun-11	30 days	\$2,754,748.50	\$2,804,235.00
	275,000	1-Jun-11	30 days	\$710,325.00	\$721,050.00
Yerkeel	725,500	1-Sep-11	27 days	\$2,709,975.00	\$2,804,235.00
	275,000	25-Jul-11	20 days	\$1,039,500.00	\$1,069,750.00
Sunilomo	725,500	25-Apr-11	20 days	\$2,627,800.00	\$2,953,480.00
	275,000	25-Apr-11	20 days	\$1,228,250.00	\$1,259,500.00
Bestnet	725,500	9-May-11	18 days	\$2,785,069.00	\$2,854,886.00
	275,000	9-May-11	18 days	\$740,950.00	\$761,658.00
BASF			No Bid		
Light Blue	275,000	15-May-11	25 days	\$959,750.00	\$979,000.00
Dark Green	275,000	15-May-11	25 days	\$1,014,750.00	\$1,034,000.00
Tana Netting			No Bid		
Net Health			No Bid		

Shipment 2: 725,500

SUPPLIER	Quantity	Date Supplier Plans to Begin Production	Supplier's Earliest Sampling Date	Total FOB Price	Total CIF Price
Clarke	725,500	24-Jun-11	35 days	\$3,134,145.00	\$3,212,695.00
Vestergaard	725,500	1-Jun-11	30 days	\$2,754,748.50	\$2,804,235.00
Yerkeel	725,500	25-Jul-11	27 days	\$2,709,975.00	\$2,804,235.00
Sunilomo	725,500	15-May-11	20 days	\$2,627,800.00	\$2,953,480.00
Bestnet	725,500	30-May-11	24 days	\$2,785,069.00	\$2,843,386.00
BASF-Light Blue	725,500	15-May-11	50 days	\$2,788,525.00	\$2,843,510.00
BASF-Dark Green	725,500	15-May-11	50 days	\$2,945,625.00	\$3,000,610.00
Tana Netting			No Bid		
Net Health			No Bid		

Shipment 3: 850,000

SUPPLIER	Quantity	Date Supplier Plans to Begin Production	Supplier's Earliest Sampling Date	Total FOB Price	Total CIF Price
Clarke	850,000	26-Jul-11	45 days	\$3,581,500.00	\$3,476,500.00
Vestergaard	850,000	1-Jun-11	30 days	\$2,580,950.00	\$3,034,500.00
Yerkeel	850,000	25-Jun-11	30 days	\$2,932,500.00	\$3,034,500.00
Sunilomo	850,000	4-Jun-11	20 days	\$3,080,000.00	\$3,186,000.00
Bestnet	850,000	30-Mar-11	24 days	\$3,013,760.00	\$3,088,823.00
BASF-Light Blue	850,000	1-Jul-11	55 days	\$3,017,500.00	\$3,077,000.00
BASF-Dark Green	850,000	1-Jul-11	55 days	\$3,187,500.00	\$3,247,000.00
Tana Netting			No Bid		
Net Health			No Bid		

Option 2: 275,000 Hammocks & 2,421,000
rectangulars measuring 190Lx180Wx180H

Shipment 1 785,500 rectangular LLBs & 275,000
Hammocks

SUPPLIER	Quantity	Date Supplier Plans to Begin Production	Supplier's Earliest Sampling Date	Total FOB Price	Total CIP Price
Clarke			No Bid		
Vestergaard	785,500	1-Jun-11	30 days	\$2,754,748.50	\$2,805,020.50
	275,000	1-Jun-11	30 days	\$710,325.00	\$721,050.00
Yorkool	785,500	1-Sep-11	27 days	\$3,024,175.00	\$3,118,435.00
	275,000	25-Jul-11	20 days	\$1,039,500.00	\$1,069,750.00
Sunbromo	785,500	25-Apr-11	20 days	\$3,063,450.00	\$3,189,130.00
	275,000	25-Apr-11	20 days	\$1,229,250.00	\$1,259,500.00
Bestnet	785,500	9-May-11	18 days	\$3,272,766.00	\$3,344,769.00
	275,000	9-May-11	18 days	\$752,538.00	\$773,235.00
BASF			No Bid		
Tana Netting			No Bid		
Net Health			No Bid		

Shipment 2: 785,500

SUPPLIER	Quantity	Date Supplier Plans to Begin Production	Supplier's Earliest Sampling Date	Total FOB Price	Total CIP Price
Clarke			No Bid		
Vestergaard	785,500	1-Jun-11	30 days	\$2,754,748.50	\$2,805,020.50
Yorkool	785,500	25-Jul-11	27 days	3,024,175.00	3,118,435.00
Sunbromo	785,500	15-May-11	20 days	\$3,063,450.00	\$3,189,130.00
Bestnet	785,500	30-May-11	24 days	\$3,272,766.00	\$3,333,459.00
BASF			No Bid		
Tana Netting			No Bid		
Net Health			No Bid		

Shipment 3: 850,000

SUPPLIER	Quantity	Date Supplier Plans to Begin Production	Supplier's Earliest Sampling Date	Total FOB Price	Total CIP Price
Clarke			No Bid		
Vestergaard	850,000	1-Jun-11	30 days	\$2,980,950.00	\$3,035,350.00
Yorkool	850,000	25-Jun-11	30 days	\$3,272,500.00	\$3,374,500.00
Sunbromo	850,000	4-Jun-11	20 days	\$3,315,000.00	\$3,451,000.00
Bestnet	850,000	30-May-11	24 days	\$3,541,525.00	\$3,619,138.00
BASF			No Bid		
Tana Netting			No Bid		
Net Health			No Bid		

Evaluation Narrative for IFB 0972-ITN-VPP-0035

PSI is pleased to share with you the bid opening report and evaluation for the above-mentioned IFB.

On April 4, 2011, PSI launched IFB 0972-ITN-VPP-0035 to supply 2,696,000 LLINs to Cambodia, with a closing date of April 25, 2011. All WHOPES Phase II recommended vendors with WHO published quality assurance methods were invited to participate.

On April 19th, a new delivery schedule was provided by the PSS team to PSI. Based on the new quantities per shipment as well as delivery time, Amendment 2 to the IFB was prepared. Amendment 2 was issued on April 27, 2011 the IFB was extended til May 6, 2011.

Bids were opened on May 9, 2011. Bids were received from 6 WHOPES Phase II recommended suppliers. HealthNet and Tana Netting did not bid. Although Bestnet, Clarke, and BASF submitted bids for the Cambodia order, they did not submit a bid securing declaration as required in the IFB, as such they were disqualified.

The IFB requested two options as well as 3 separate deliveries for Cambodia. Option 1 requested nets with the following dimensions: 190Lx180Wx150H for rectangular nets. Option 2 requested rectangular nets with the following dimensions: 190Lx180Wx180H. Under both options, Shipment one (785,500 rectangular nets and 275,000 hammocks) was required in country by July 2011, Shipment 2 of 785,500 in country by August 2011, and shipment 3 of 785,500 in country by October 2011.

For shipment one, price and sampling were dated 50/50, for shipment two price was weighted 60 percent and sampling 40 percent, for the last shipment price was weighted 70 percent and sampling date 30 percent.

For sampling date, one percent of the maximum score was deducted for each day of delay based on earliest sampling date. For price, the supplier had their scored reduced by one percent for every one percent increase from the lowest FOB price. After completing the evaluation, PSI would like to make the following recommendations for each option:

Option 1: 275,000 hammocks and 2,421,000 rectangular nets measuring 190Lx180Wx150H**For 1,060,500 LLINs required in country by July 2011**

Based on the evaluation criteria, Sumitomo obtained the highest points based on sampling date and price for rectangular LLINs. The total FOB cost is \$2,827,800.

Based on the evaluation criteria, Vestergaard obtained the highest points based on sampling date and price for hammock LLINs. The total FOB cost is \$710,325.

The total FOB cost for shipment one is \$3,538,125

For 785,500 LLINs required in country by August 2011

Based on the evaluation criteria, Sumitomo obtained the highest points based on sampling date and price for LLINs. The total FOB cost is \$2,827,800.00.

For 850,000 LLINs required in country by October 2011

Based on the evaluation criteria, Vestergaard obtained the highest points based on sampling date and price for LLINs. The total FOB cost is \$2,980,950.00.

Bringing the total FOB cost for the 2,696,000 LLINs to \$9,346,875.00.

Option 2: 275,000 hammocks and 2,421,000 rectangular nets measuring 190Lx180Wx180H

For 1,060,500 LLINs required in country by July 2011

Based on the evaluation criteria, Sumitomo obtained the highest points based on sampling date and price for rectangular LLINs. The total FOB cost is \$3,063,450.00

Based on the evaluation criteria, Vestergaard obtained the highest points based on sampling date and price for hammock LLINs. The total FOB cost is \$710,325.00

The total FOB cost for shipment 1 is \$3,773,775.

For 785,500 LLINs required in country by August 2011

Based on the evaluation criteria, Sumitomo obtained the highest points based on sampling date and price for LLINs. The total FOB cost is \$3,063,450.00.

For 850,000 LLINs required in country by October 2011

Based on the evaluation criteria, Vestergaard obtained the highest points based on sampling date and price for LLINs. The total FOB cost is \$2,980,950.00.

Bringing the total FOB cost for the 2,696,000 LLINs to \$9,818,175.00.

Award Recommendation

Based on the evaluation we recommend awarding under option 1, in order to provide the PR with a cost savings of \$471,300.

Attached you will find the bid opening report and evaluation.

Page 2 of 3

PSI will issue an RFQ for freight once the PR provides approval of recommendation, as well as the selected option.

Please do not hesitate to contact me with any questions or concerns.

Cheers,

■■■■

Figure 56: Email communication between CNM Director and VF Regional Director regarding VF's bid for VPP procurement, 20 May 2011

From: [REDACTED] [REDACTED]@cnm.gov.kh> on behalf of [REDACTED]
Sent: Friday, May 20, 2011 10:22 AM
To: [REDACTED]
Subject: RE: CAM-S10-G14-M (CNM) and CAM-607-G10-M (MoH) Cambodia Bid Opening Report, Evaluation, and Narrative

OK I will. [REDACTED]

-----Original Message-----

From: [REDACTED]
Date: 20-May-11 12:31:00 PM
To: [REDACTED]
Subject: RE: CAM-S10-G14-M (CNM) and CAM-607-G10-M (MoH) Cambodia Bid Opening Report, Evaluation, and Narrative

Pl say 10 days not important. If we go with lowest bid we save more and we get more value for money.



Figure 57: Email communication between CNM Director and VF Regional Director about VF's bid for Global Fund VPP and the sharing of confidential information, 16 August 2011

From: [REDACTED]@cnm.gov.kh> on behalf of [REDACTED]
Sent: Tuesday, August 16, 2011 3:28 AM
To: [REDACTED]
Subject: Fw: Cambodia: CAM-M-CNM / CAM-607-G10-M - 0975A/0975B-ITN-VPP-0035 Comprehensive Update August 15 2011
Attachments: Proforma 0975B-ITN-VPP-0035.pdf, Proforma for 320 000 LLINs 0975A-ITN-VPP-0035.pdf

[REDACTED]
 Please see in attached file the VPP email about the supply of LLIN. Your product have been purchased for LLIN and LLHN. So, this time Permanet will be widely use in Cambodia and Olyset will reduce the quantity in future. **DON'T SHARE THIS EMAIL TO OTHER PEOPLE.**

Best regards,
 [REDACTED]

-----Original Message-----

From: [REDACTED]
Date: 16-Aug-11 02:49:11
To: [REDACTED]
Cc: [REDACTED]
Subject: Cambodia: CAM-M-CNM / CAM-607-G10-M - 0975A/0975B-ITN-VPP-0035 Comprehensive Update August 15 2011

Cambodia – CAM-607-G10-M / CAM-M-CNM
0975A-ITN-VPP-0035 (CNM)
0975B-ITN-VPP-0035 (MoH)

Dear [REDACTED]

I would like to give you an update for the above-mentioned orders for Cambodia.

The contracts have been created and signed. Currently, we expect the following delivery schedules:

1. 785,500 LLINs are slated for inspection August 19, 2011
2. 785,500 LLINs are slated for inspection September 12, 2011
3. 530,000 LLINs are slated for inspection September 15, 2011
4. 275,000 Hammock LLINs are slated for inspection September 15, 2011
5. 320,000 LLINs are slated for inspection September 15, 2011

Please allow an additional three (3) weeks for testing and a further 20-30 days for CIP delivery to Phnom Penh.

Attached you will find the pro-forma invoices for each order. These reflect the final estimated costs based

upon the results of the IFB for LLINs and the RFP for freight forwarding services.

Please do not hesitate to contact me if you have any questions or concerns.

Regards,

[REDACTED]

—

[REDACTED]

Senior VPP Procurement & Logistics Officer
Population Services International (PSI)
1120 19th Street, NW
Washington, DC 20036

(202) [REDACTED] (Tel)

(202) [REDACTED] (Fax)

Email: [REDACTED] [@psi.org](mailto:[REDACTED]@psi.org)

Figure 58: Email communication between CNM Director and SCS Sales Manager about hotel and air ticket arrangement paid by VF for CNM Director and wife's trip to Singapore, 06 May 2010

From: [REDACTED]
[REDACTED]@cnm.gov.kh]
Sent: Thursday, May 06, 2010 5:27 PM
To: [REDACTED] (SCS)
Subject: [Spam] Visit Singapore

Dear [REDACTED],

I plan to visit Singapore from 13-15 May. I wish you do me a favor by appointment a doctor for my wife to check her goiter on 14 May. The Hotel and air ticket have been arranged by Veestergard. I will let you know when I know the name of hotel and the schedule of my visit. My wife happy to see you in Singapore.

Best wishes,

[REDACTED]

Figure 59: Email communication from NCHADS Senior Procurement Officer to Dynamic Pharma requesting a 15% commission payment, 4-11 March 2008

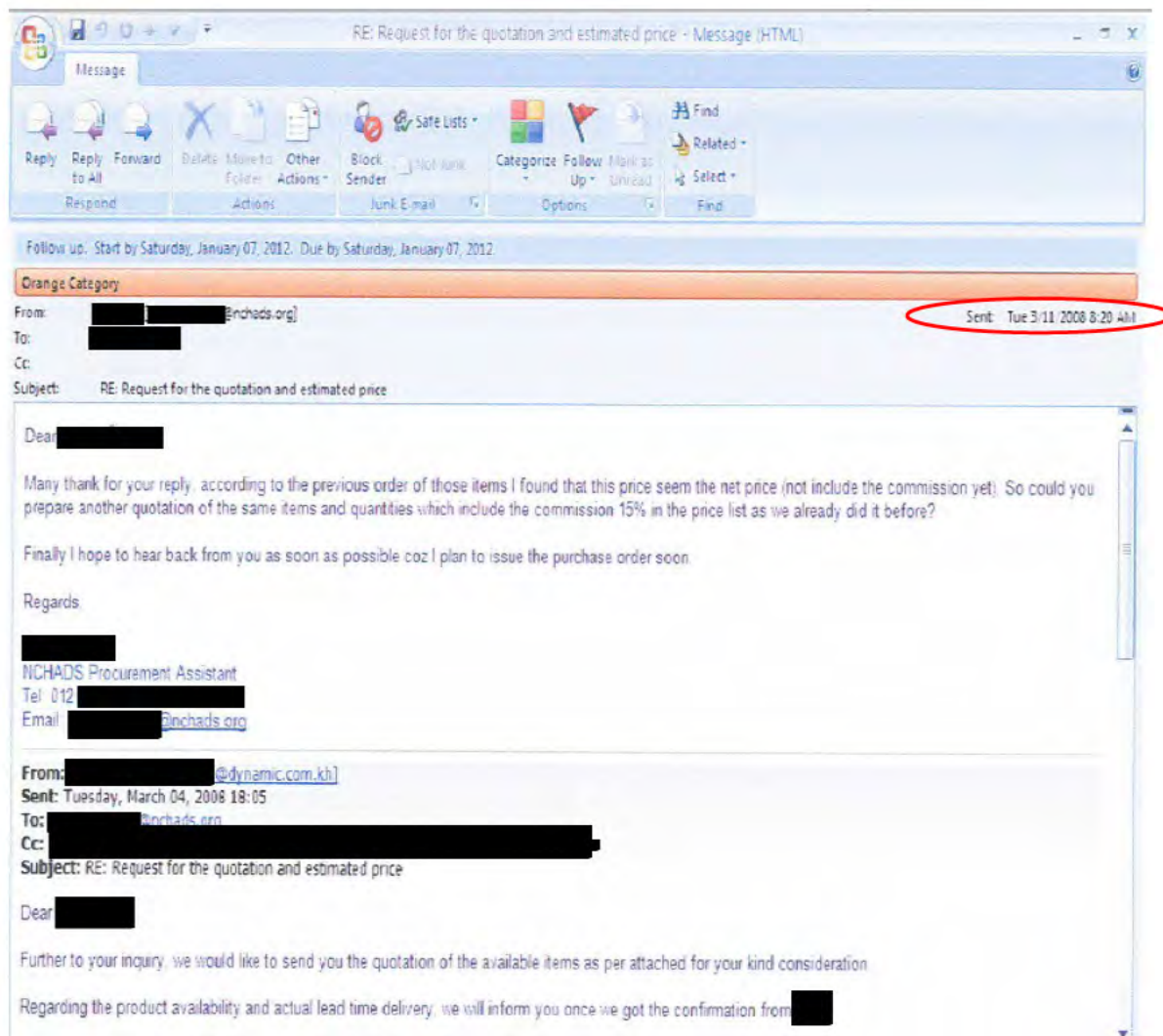


Figure 60: Email from NCHADS Senior Procurement Officer to Kuang Hsien Medical Instrument Co., Ltd requesting a 15% commission payment, 02 July 2009

From: [REDACTED]@nchads.org]
 Sent: 02 July 2009 9:56 AM
 To: [REDACTED]
 Subject: Prepare the order
 Attachments: Consumable for Q2 20099.xls

Dear [REDACTED]

Please prepare the quotation of the items as in the attached list for [REDACTED] and Bio Med for me. The date of quotation is 08 June 2009. Don't forget to add 15% into the total price.

Any questions please ask me immediately.

Regards,

[REDACTED]
 NCHADS Procurement Officer
 Tel: 012 [REDACTED]
 Email: [REDACTED]

I 1.8 National Center for HIV/AIDS, Dermatology and STD
 "Cambodian Treatment Access Project"
 Technical Specification and Price Schedule for Consumable for SHC Clinic I 7.8

No	Description	Technical Specification	Unit	Qty	Unit Price	Total Price	Expired Date	Manufacture	Country	Delivery Schedule
1	Cotton Wool	0.5 Kg/Roll	Roll	10						
2	Glove	Size: M, 100pcs/Box	Box	50						
3	Needle Disp. For vacutainer	21G x 1 1/2" (0.8x38mm), 100pcs/Box	Box	80						
4	Surgical face mask	3 ply surgical disposable with ear loops, 100pcs/Box	Box	80						
5	Tube EDTA K3	100pcs/Box	Box	5						
6	Tube Gel Clot Activator	100pcs/Box	Box	2						
7	BM Lactate Test	25strips/Box	Box	2						
8	BM Lactate Control 1&2	2 bottle/Box	Box	2						
9	One touch ultrasoft lancet (lifescan)	10pcs/Box	Box	10						
10	One touch Bandelette Reactive teststrip (lifescan)	25strips/Box	Box	2						
11	Pill counter	130x200mm	Pcs	2						
12	Infusion giving set		Pcs	100						
13	Urinalysis Reagent strips	100test/Box	Box	1						
					Total					

Note: All items must have expiry dates of least 2 years.

Figure 61: Email from NCHADS Senior Procurement Officer to Infotech Computer System's Agent requesting a back-dated quotation, 10-16 October 2006

From: [REDACTED]@nchads.org]
Sent: 16 October 2006 11:08 AM
To: [REDACTED]
Subject: RE: Final Quotation doc
Attachments: Acknowledge Receipt Slip.doc

Dear [REDACTED]

Please print the attached document out and take it to sign for DEAM and INFOTECH and NEEKA and put the date on 04-09-06

Thanks.

[REDACTED]
Procurement Assistant, NCHADS
Tel: [REDACTED]
Email: [REDACTED]@nchads.org

From: [REDACTED] [mailto:[REDACTED]@online.com.kh]
Sent: Tuesday, October 10, 2006 10:21
To: [REDACTED]
Subject: Final Quotation doc

[REDACTED]

I am sending u the final document for quotation u request.
please kindly check out and put the price in and send it back to me or u can call me
I need to complete this job for u by today.

thanks
[REDACTED]

Figure 62: Email from NCHADS Senior Procurement Officer to Kuang Hsien Medical Instrument Co., Ltd. requesting a back-dated quotation, 25 July-05 August 2008

From: [REDACTED] [REDACTED]@nchads.org]
Sent: 05 August 2008 8:08 AM
To: [REDACTED]
Subject: RE: Quotation,

Dear [REDACTED]

Regarding to the price in your quotation please revise it as the following

1. Urine cup	Unit price is 0.35\$ x 800 pcs	total 280\$
2. Glove non sterill sizeM	Unit price is 3.25\$ x 4 box	total 13\$
3. Mask size M	Unit price is 4\$ x 4 box	total 16\$
4. Cool box	Unit price is 90\$ x 1 pcs	total 90\$

Total 399\$

Please put the date for the Invoice and Delivery on 30 July 2008.

Regards,

[REDACTED]
NCHADS Procurement Assistant
Tel: 012 [REDACTED]
Email: [REDACTED]@nchads.org

From: [REDACTED] [mailto:[REDACTED]@online.com.kh]
Sent: Friday, July 25, 2008 14:05
To: [REDACTED]
Subject: Quotation,

Hi [REDACTED]

Please find attached Quotation up to your request.

Thanks and regards,

[REDACTED]
Kuang Hsien Med. Instr. Co., Ltd.
Phnom Penh, Cambodia
ID: 855 - [REDACTED]
Fax: 855 - [REDACTED]
HP: 855 - [REDACTED]

Figure 63: Email from NCHADS Senior Procurement Officer to BIOMED Phnom Penh requesting a back-dated quotation, 07 February 2007

From: [REDACTED] [REDACTED]@nchads.org]
Sent: 07 February 2007 1:11 PM
To: [REDACTED]@yahoo.com
Subject: Request for Quotation
Attachments: Specification.xls; Acknowledge Receipt Slip.doc

Dear [REDACTED]

As in the attached Specification, Could you prepare the quotation of those items for me within this week?
After you finished you can drop it at BIOMED then I will go and get it.

Oh please put the date in the quotation on 23-01-07.
And the date in Receipt Slip is on 17-01-07.

Thanks.

[REDACTED]
Procurement Assistant, NCHADS

Tel: [REDACTED]

Email: [REDACTED]@nchads.org

Figure 64: Email from NCHADS Senior Procurement Officer to BIOMED Phnom Penh requesting an invoice and back-dated quotation, 28 July 2006

From: [REDACTED]@nchads.org]
Sent: 28 July 2006 9:46 AM
To: [REDACTED]@yahoo.com
Subject: Ask for help

Dear [REDACTED]

I need your help as mentioned in the following:

1. I need your Invoice for buying Serodia HIV 1/2 for 1 kit at 385\$ per kit. Please put the date on 17/07/06.
2. I need you to write the response letter to the Request for Quotation of Serodia HIV 1/2 Dated on 19 July 2006 No 063/06 NCHADS-[REDACTED] said that Because Serodia are not available right now. On behalf of BIOMED Company I would like to thank for invite us to submit the quotation.

Thanks big big.

[REDACTED]
Procurement Assistant, NCHADS
Tel: [REDACTED]
Email: [REDACTED]@nchads.org

Figure 65: Email from NCHADS Senior Procurement Officer to BIOMED Phnom Penh providing pricing information and other bidders' prices, 01 December 2006

From: [REDACTED]@nchads.org]
Sent: 01 December 2006 12:39 PM
To: [REDACTED]@yahoo.com'
Subject: I need ur help!
Attachments: Specification 2.xls; Specification 1.xls

Dear [REDACTED]

I need ur help to quote some items in the attached document. I also put the date and price of ur quotation in it as well so please quote it to me this afternoon.

Thank,

[REDACTED]
 Procurement Assistant, NCHADS
 Tel: [REDACTED]
 Email: [REDACTED]@nchads.org

National Center for HIV/AIDS, Dermatology and STD
 "Strengthening Cambodia's Response to HIV/AIDS" Support
 Evaluation Sheet of Determine HIV 1/2 Rapid Test

No	Description	Technical Specification	Unit	Qty	MIG Group Co.,Ltd			BIOMED Phnom Penh			Diethelm Keller Co.,Ltd		
					Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price
1	Determine HIV 1/2 rapid tests	- 100 tests/kit	Kit	170	Yes	\$ 138.00	\$ 23,460.00	Yes	\$ 135.00	\$ 22,950.00	Yes	\$ 130.00	\$ 22,100.00
Total							\$ 23,460.00			\$ 22,950.00			\$ 22,100.00

Seen and Approved

Phnom Penh, November 24, 2006
 Prepared by

[REDACTED]
 Director, NCHADS

[REDACTED]
 Procurement Assistant

* Note please put the date of your quotation on 22 November 2006

National Center for HIV/AIDS, Dermatology and STD
 "Strengthening Cambodia's Response to HIV/AIDS" Support
 Technical Specification and Price Schedule of Determine HIV 1/2 Rapid test

No	Item		Unit	Quantity	Unit Price (US\$)	Manufac	Country of Origin	Expired Date	Delivery Schedule
1	Determine HIV 1/2 rapid tests	- 100 tests/kit	Kit	170		Abbott	Japan	At least 8 months	2 Times
Total									

National Center for HIV/AIDS, Dermatology and STD
 "Strengthening Cambodia's Response to HIV/AIDS" Support
 Evaluation Sheet of Determine HIV 1/2 Rapid Test

No	Description	Technical Specification	Unit	Qty	Kuang Heien			NIG Group			BIONED Phnom Penh			Dietheim Keller Co., Ltd		
					Tech. Spec. Resp.			Tech. Spec. Resp.			Tech. Spec. Resp.			Tech. Spec. Resp.		
					Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
1	Determine HIV 1/2 rapid tests	- 100 tests/kit	Kit	160	Yes	\$ 145.00	\$ 23,200.00	Yes	\$ 140.00	\$ 22,400.00	Yes	\$ 135.00	\$ 21,600.00	Yes	\$ 130.00	\$ 20,800.00
Total						\$ 23,200.00		\$ 22,400.00		\$ 21,600.00		\$ 20,800.00				

Seen and Approved

Endorsed by

Phnom Penh, October 20, 2008

Prepared by

[Redacted]
 Director, NCHADS

[Redacted]
 Deputy Director

[Redacted]
 Procurement Assistant

* Please put the Date of your signature on 18 October 2008

Figure 66: Email communication between NCHADS Senior Procurement Officer and MIG Group providing pricing information and other bidders' prices, 04 December 2006

From: [REDACTED]@nchads.org]
Sent: 04 December 2006 4:01 PM
To: [REDACTED]
Subject: RE: check it out

Dear [REDACTED]

Thanks u in advance.

[REDACTED]
Procurement Assistant, NCHADS
Tel: [REDACTED]
Email: [REDACTED]@nchads.org

From: [REDACTED] [mailto:[REDACTED]@online.com.kh]
Sent: Monday, December 04, 2006 11:42
To: [REDACTED]
Subject: Re: check it out

Hi [REDACTED]

I do it for you already, I keep one envelop under your door, so pls check it.

Thanks
[REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Sent: Monday, December 04, 2006 9:44 AM
Subject: RE: check it out

Hi [REDACTED]

I need ur help to quote some items in the attached document. I also put the date and price of ur quotation in it as well so please quote it to me this afternoon.

Thanks,
[REDACTED]

Procurement Assistant, NCHADS
Tel: [REDACTED]
Email: [REDACTED]@nchads.org

From: [REDACTED] [mailto:[REDACTED]@online.com.kh]
Sent: Wednesday, October 18, 2006 18:18
To: [REDACTED]
Subject: Re: check it out

Dear [REDACTED]

Pls check quotation on attachment.

Thanks
[REDACTED]

----- Original Message -----

From: [REDACTED]

To: [REDACTED]@online.com.kh
 Sent: Wednesday, October 18, 2006 4:06 PM
 Subject: check it out

Dear [REDACTED]

Please check the following specification of this product:

1. 20-200 ul aerosol barrier tips (RNase free) 1 Case (1case = 10 boxes of 96)
2. 200-1000 ul aerosol barrier tips (RNase free) 1 Case (1case = 10 boxes of 96)
3. 0.1-20ul aerosol barrier tips (RNase free) 1 Case (1case = 5 boxes of 96)
4. Pipette (0.2-10ul) 1 Piece

Please let me know the availability of those items by today.

Thanks,

[REDACTED]
 Procurement Assistant, NCHADS
 Tel: [REDACTED]
 Email: [REDACTED]@nchads.org

National Center for HIV/AIDS, Dermatology and STD
 "Strengthening Cambodia's Response to HIV/AIDS" Support
 Evaluation Sheet of Determine HIV 1/2 Rapid Test

No	Description	Technical Specification	Unit	Qty	Kuang Helen			WIG Group			BIOMED Phnom Penh			Ciehelm Keller Co., Ltd		
					Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price
1	Determine HIV 1/2 rapid tests	- 100 tests/kit	Kit	160	Yes	\$ 145.00	\$ 23,200.00	Yes	\$ 140.00	\$ 22,400.00	Yes	\$ 135.00	\$ 21,600.00	Yes	\$ 130.00	\$ 20,800.00
Total							\$ 23,200.00			\$ 22,400.00			\$ 21,600.00			\$ 20,800.00

Seen and Approved

Endorsed by

Phnom Penh, October 26, 2006

Prepared by

[REDACTED]
 Director, NCHADS

[REDACTED]
 Deputy Director

[REDACTED]
 Procurement Assistant

* Please put the Date of your quotation on 18 October 2006

National Center for HIV/AIDS, Dermatology and STD
 "Strengthening Cambodia's Response to HIV/AIDS" Support
 Evaluation Sheet of Determine HIV 1/2 Rapid Test

No	Description	Technical Specification	Unit	Qty	Grant Pharma Co., Ltd			MYG Group Co., Ltd			BIONED Phnom Penh			Distributors Keller Co., Ltd		
					Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price	Tech. Spec. Resp.	Unit Price	Total Price
1	Determine HIV 1/2 rapid tests	-100 tests/kit	Kit	170	Yes	\$ 140.00	\$ 23,800.00	Yes	\$ 136.00	\$ 23,120.00	Yes	\$ 135.00	\$ 22,950.00	Yes	\$ 130.00	\$ 22,100.00
Total							\$ 23,800.00			\$ 23,120.00			\$ 22,950.00			\$ 22,100.00

Signed and Approved

Endorsed by

Phnom Penh, November 24, 2006
 Prepared by

Director, NCADS

Deputy Director

Procurement Assistant

* Note please put the date of your quotation on 22 November 2006

Figure 67: Email from NCHADS Senior Procurement Officer to Dynamic Pharma representative requesting price increase and back-dated quotation, 21 January 2011

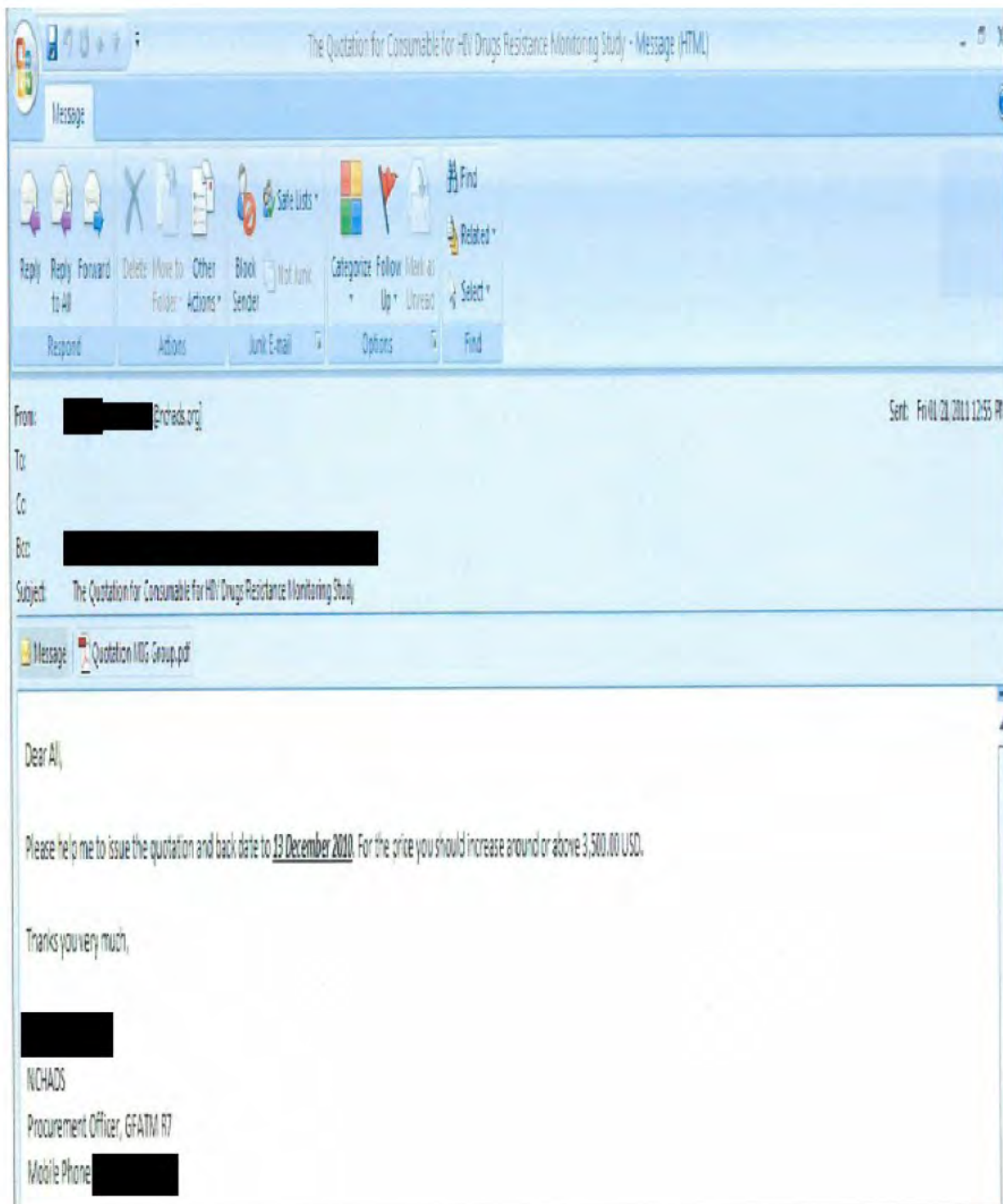


Figure 68: Email communication between NCHADS Senior Procurement Officer and International Elevator Co., Ltd. requesting back-dated quotation, 29 December 2010

From: [REDACTED]@nchads.org]
Sent: 29 December 2010 4:08 PM
To: [REDACTED]
Subject: RE: Reject to offer Quotation

Dear [REDACTED],

With reference to the phone call today, I would like to inform you that you should put the date of your quotation on 07 December 2010. The total value for the quotation should be 2,400.00 USD for the whole set.

Please let me know if you need further detail.

Best regards,

[REDACTED]
 NCHADS
 Procurement Officer, GFATM R7
 Mobile Phone: [REDACTED]

From: [REDACTED] [mailto:[REDACTED]@yahoo.com]
Sent: Thursday, December 02, 2010 13:58
To: [REDACTED]@nchads.org
Subject: Reject to offer Quotation

Dear [REDACTED],

First of all I want to say thank you very much for your request for Quotation of installation ARD Canto Resure Device for your elevator from my company International Elevator co., Ltd.

I am sorry to say that we can not offer the service, because we don't have enough time for bid. your officer informed us yesterday and we need to study very carefully to the job and the due date on the 7 December 2010, so we don't have time.

International Elevator Co., Ltd. is looking forward to cooperation with you in the future.

Best Regards and Good Luck,

[REDACTED] (GM)

INTERNATIONAL ELEVATOR Co., Ltd.
 Add: #26, St. 281, Sangkat Beoung Kok I,
 Khan Toul Kok, Phnom Penh, Kingdom of Cambodia
 Phone: (855) [REDACTED]
 Cell Phone: (855) [REDACTED]
 E-mail: international.elevator@yahoo.com
[\[REDACTED\]@yahoo.com](mailto:[REDACTED]@yahoo.com)
 10 years experiences in elevator installation and maintenance in Cambodia

Figure 70: Two versions of employment contract for Staff Member A for different staff positions, dated 2 February 2009

Staff Member A Contract found in MEDiCAM accounting records

Staff Member A Contract provided to OIG by Donor B

MEDICAM EMPLOYMENT CONTRACT

Medicam is pleased to offer [redacted] for the position of Advocacy Coordinator. The contract for this position shall take into effect from 2nd February 2009 until 31st January 2010, with initially 3-month probation period, and under the following terms and conditions:

1. Your salary will be a flat rate of US \$ 800 (Eight hundred US dollars only) per month. This amount is inclusive of the benefit of 10% provident fund and 13th month salary.
2. Further extension of your contract will firstly depends on the availability of the fund to continue to operate MEDICAM, and secondly of Medicam satisfaction regarding your work as described in the attached Job description.
3. Your working hours will be Monday to Friday, 8:00 am -12:00am, 1:30 pm -5:00 pm. In addition it will occasionally be necessary to work beyond normal office hours, so that you can reach your job's objectives described in your job description.
4. For the present contract you are entitled to Medicam employees' benefits as described in Medicam staff policy, except 13th month benefit & provident fund which are already included in your monthly salary.
5. Your responsibilities are stipulated in the attached Job description. This position will report to the Program Manager on Advocacy and to MECD Manager on Capacity Building Training.
6. Either party may terminate the present contract at any time, by four-week written notice.
7. You will be bound by the terms and conditions of MEDICAM as listed above.

Signature of both parties signifies agreement on the above conditions.

Employee
[redacted]
Date: 2/02/2009

For MEDICAM
[redacted]
Date: 2 February 2009

ផ្ទះ ៤ ផ្លូវលេខ ៥៧ ភូមិបឹងកក់ ១ ខណ្ឌ ព្រៃនប់ រាជធានី ភ្នំពេញ កម្ពុជា
House N° 4, Street 57, Sangkat Bឹងកក់ ១, Khan Tonle Sap, Phnom Penh - Cambodia. ☎ 855-23-480 291, Fax: 855-23-880 597
E-mail: info@medicam-cambodia.org, Website: www.medicam-cambodia.org

MEDiCAM EMPLOYMENT CONTRACT

Medicam is pleased to offer [redacted] for the position of Training Assistant. The contract for this position shall take into effect from 2nd February 2009 until 31st January 2010, under the following terms and conditions:

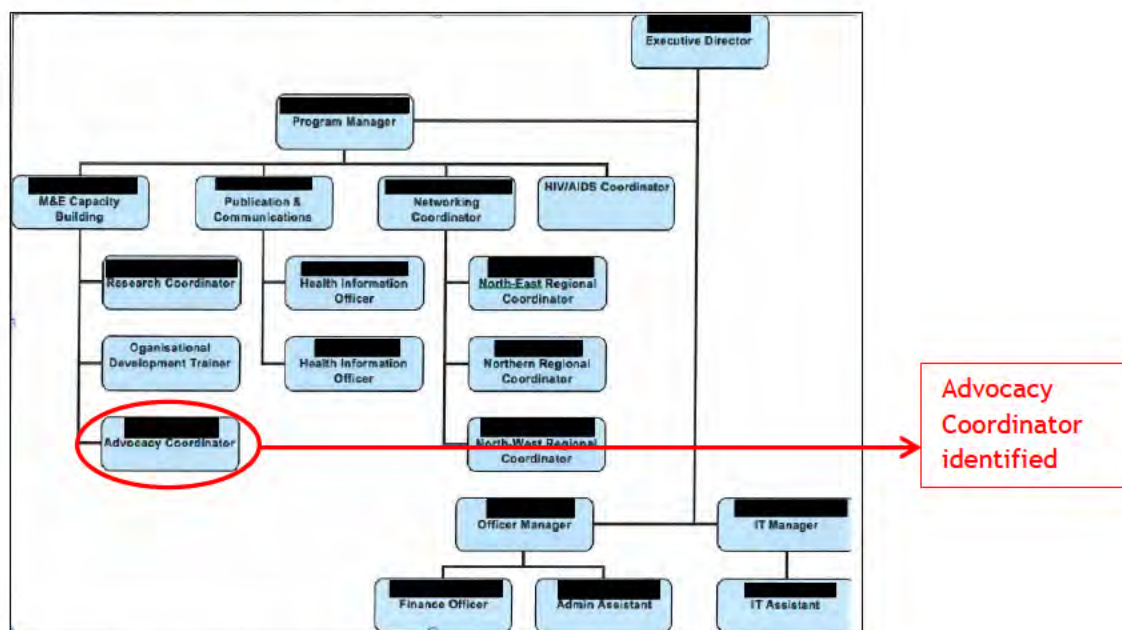
1. Your salary will be a flat rate of US \$ 800 (Eight Hundred US dollars only) per month. This amount is inclusive of the benefit of 10% provident fund and 13th month salary.
2. Further extension of your contract will firstly depends on the availability of the fund to continue to operate MEDICAM, and secondly of Medicam satisfaction regarding your work as described in the attached Job description.
3. Your working hours will be Monday to Friday, 8:00 am -12:00am, 1:30 pm -5:00 pm. In addition it will occasionally be necessary to work beyond normal office hours, so that you can reach your job's objectives described in your job description.
4. For the present contract you are entitled to Medicam employees' benefits as described in Medicam staff policy, except 13th month benefit & provident fund which are already included in your monthly salary.
5. Your responsibilities are stipulated in the attached Job description. This position will report to the Program Manager on Advocacy and to MECD Manager on Capacity Building Training.
6. Either party may terminate the present contract at any time, by four-week written notice.
7. You will be bound by the terms and conditions of MEDICAM as listed above.

Signature of both parties signifies agreement on the above conditions.

Employee
[redacted]
Date: 2/2/2009

For MEDICAM
[redacted]
Date: 2 February 2009

ផ្ទះ ៤ ផ្លូវលេខ ៥៧ ភូមិបឹងកក់ ១ ខណ្ឌ ព្រៃនប់ រាជធានី ភ្នំពេញ កម្ពុជា
House N° 4, Street 57, Sangkat Bឹងកក់ ១, Khan Tonle Sap, Phnom Penh - Cambodia. ☎ 855-23-480 291, Fax: 855-23-880 597
E-mail: info@medicam-cambodia.org, Website: www.medicam-cambodia.org

Figure 71: MEDiCAM Organizational Chart as of August 2009¹⁷

¹⁷ "MEDiCAM organizational chart – Aug09.doc" attached to email from [REDACTED] to MEDiCAM and [REDACTED], 14 August 2009.

Figure 72: Two versions of employment contract for Staff Member B for different staff positions, dated 1 October 2008 and 1 September 2008, respectively

 ជំពូកអង្គការសហប្រតិបត្តិការសម្រាប់អង្គការមិនមែនរដ្ឋបាលកម្ពុជាដែលកំពុងធ្វើការក្នុងវិស័យសុខាភិបាលកម្ពុជា
THE MEMBERSHIP ORGANISATION FOR NGOs ACTIVE IN THE HEALTH SECTOR IN CAMBODIA 

MEDICAM EMPLOYMENT CONTRACT



Based on the great achievements for the past 6 months with MEDiCAM and bigger burden of responsibilities, MEDiCAM is pleased to offer you a revised contract to reflect your salary increase. With that increase, [REDACTED] will bear more responsibilities as stipulated in a revised job description. This offer you will take into effect from 1st September 2008 to 31st December 2009 in the position as an Advocacy Coordinator and under the following term and conditions:

1. Your salary will be US\$900 (Nine hundred US Dollars only) per month at the end of the month. This amount will be adjusted based on the performance appraisal, which will be on an annual basis.
2. Further extension of your contract will firstly depends on the availability of funding, and secondly of MEDiCAM satisfaction regarding your work performance.
3. Your working hours will be Monday to Friday, 8:00 am - 12:00am, 1:30 pm -5: 00 pm. In addition it will occasionally be necessary to work on Saturday morning or after normal office hours, so that you can reach your job's objectives described in your job description which is attached herewith.
4. For the present contract, you are entitled to Medicam employees benefits as described in Medicam staff policy.
5. Your responsibilities are stipulated in the attached Job description. This position will report to the Executive Director of MEDiCAM.
6. Either party may terminate the present contract at any time, by four-week advance written notice.
7. You will be bound by the terms and conditions of MEDiCAM as listed above, and as a staff of MEDiCAM, you are also required to abide by the staff policy of MEDiCAM as written in the personnel policy.

Signature of both parties signified agreement on the above conditions.

Employee:  For MEDiCAM: 
Date: 1st October 2008 Date: 1st October 2008

ផ្សាយដោយ ៖ ជំពូកអង្គការសហប្រតិបត្តិការសម្រាប់អង្គការមិនមែនរដ្ឋបាលកម្ពុជាដែលកំពុងធ្វើការក្នុងវិស័យសុខាភិបាលកម្ពុជា
Henceforth: ៖ ជំពូកអង្គការសហប្រតិបត្តិការសម្រាប់អង្គការមិនមែនរដ្ឋបាលកម្ពុជាដែលកំពុងធ្វើការក្នុងវិស័យសុខាភិបាលកម្ពុជា
Henceforth: ៖ ជំពូកអង្គការសហប្រតិបត្តិការសម្រាប់អង្គការមិនមែនរដ្ឋបាលកម្ពុជាដែលកំពុងធ្វើការក្នុងវិស័យសុខាភិបាលកម្ពុជា

 ជំពូកអង្គការសហប្រតិបត្តិការសម្រាប់អង្គការមិនមែនរដ្ឋបាលកម្ពុជាដែលកំពុងធ្វើការក្នុងវិស័យសុខាភិបាលកម្ពុជា
THE MEMBERSHIP ORGANISATION FOR NGOs ACTIVE IN CAMBODIA'S HEALTH SECTOR 


MEDICAM EMPLOYMENT CONTRACT

Based on the great achievements for the past 6 months with MEDiCAM and bigger burden of responsibilities, MEDiCAM is pleased to upgrade [REDACTED] to the position of Health Information Sharing Manager.

MEDiCAM, therefore, offers you this position effective 1st September 2008 to 31 August 2009 under the following term and conditions:

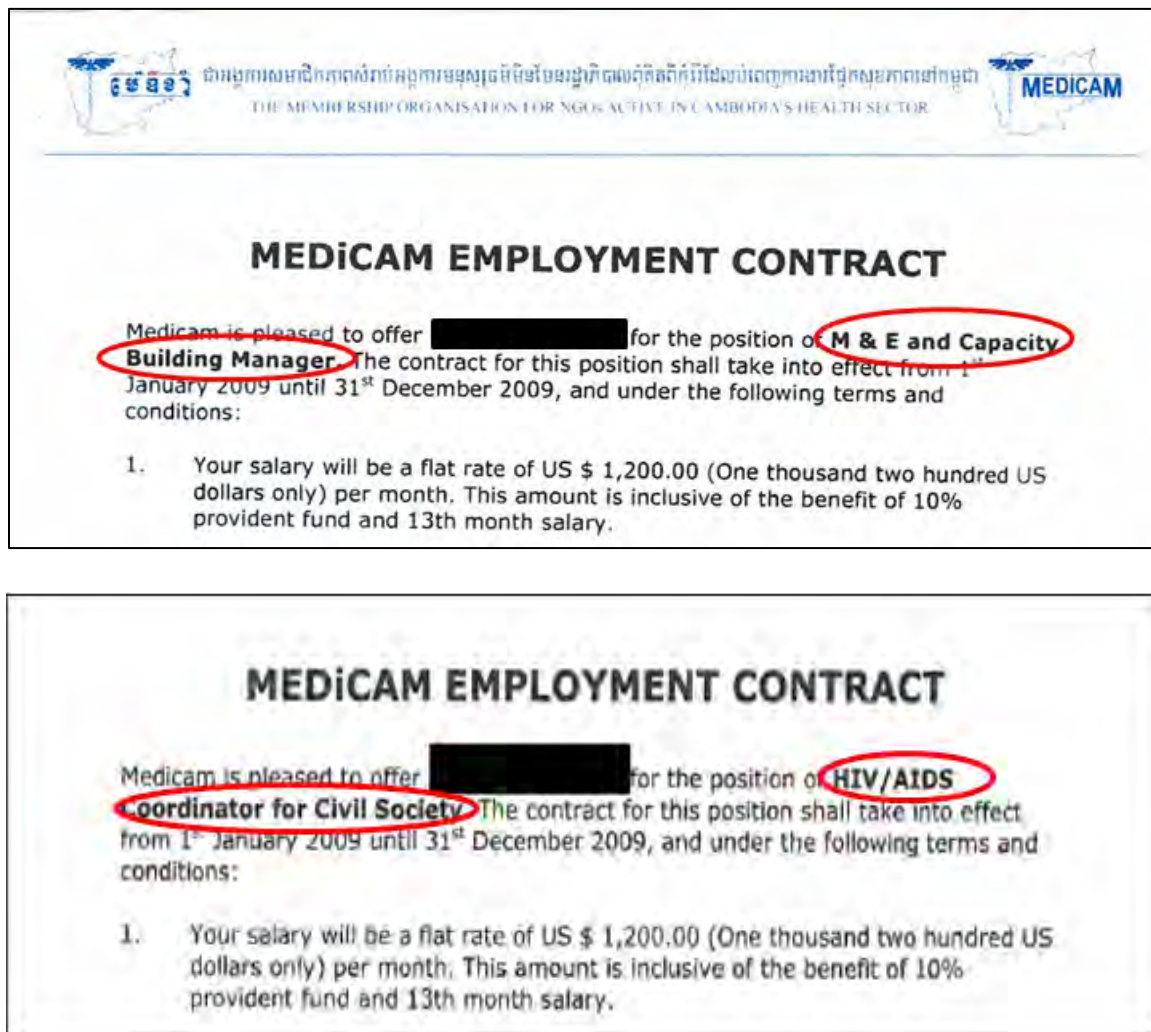
1. Your salary will be US\$900 (Nine hundred US Dollars only) per month at the end of the month. This amount will be adjusted based on the performance appraisal, which will be on an annual basis.
2. Further extension of your contract will firstly depends on the availability of funding, and secondly of MEDiCAM satisfaction regarding your work performance.
3. Your working hours will be Monday to Friday, 8:00 am - 12:00am, 1:30 pm -5: 00 pm. In addition it will occasionally be necessary to work on Saturday morning or after normal office hours, so that you can reach your job's objectives described in your job description which is attached herewith.
4. For the present contract, you are entitled to Medicam employees benefits as described in Medicam staff policy.
5. Your responsibilities are stipulated in the attached Job description. This position will report to the Executive Director of MEDiCAM.
6. Either party may terminate the present contract at any time, by four-week advance written notice.
7. You will be bound by the terms and conditions of MEDiCAM as listed above, and as a staff of MEDiCAM, you are also required to abide by the staff policy of MEDiCAM as written in the personnel policy.

Signature of both parties signified agreement on the above conditions.

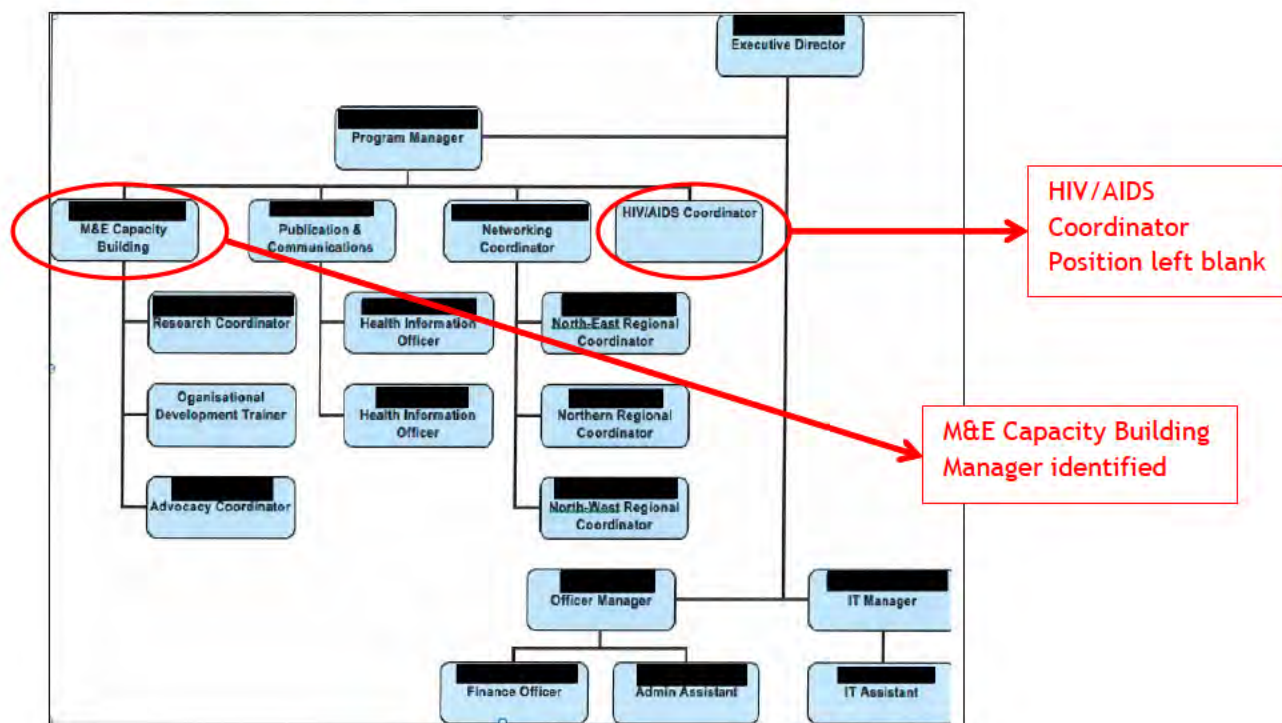
Employee:  For MEDiCAM: 
Date: 1st September 08 Date: 1st September 08

ផ្សាយដោយ ៖ ជំពូកអង្គការសហប្រតិបត្តិការសម្រាប់អង្គការមិនមែនរដ្ឋបាលកម្ពុជាដែលកំពុងធ្វើការក្នុងវិស័យសុខាភិបាលកម្ពុជា
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Figure 74: Two different employment contracts for same employee during same time period (1 January 2009)¹⁸



¹⁸ Two Microsoft Word documents found on MEDiCAM officials' computer. [full path names: OIG00120_S02\OIG00120_S02\Medicam\Office & Personnel\Personnel\Contracts\MECB Manager ([Staff Member C] GFR7).doc; OIG00120_S02\OIG00120_S02\Medicam\Office & Personnel\Personnel\Contracts\MECB Manager (Staff Member C).doc]

Figure 75: MEDiCAM Organizational Chart as of August 2009¹⁹

¹⁹ "MEDiCAM organizational chart – Aug09.doc" attached to email from [REDACTED] to MEDiCAM and [REDACTED], 14 August 2009.

ANNEX 2: OIG Response to CNM's Comments on Cambodia Investigation Report

	CNM comments and/or suggestions for amendment (o8 October 2012)	OIG Response																																																		
1	<p>a. The current CNM Director was legally nominated by the Royal Government of Cambodia as Director of CNM on 11 May 2011, and officially took office on 06 May 2011, replacing the former CNM Director who left on retirement on 01 May 2011. The Global Fund Secretariat was officially notified by the Ministry of Health on 11 May 2011.</p> <p>b. Prior to 06 May 2011, the current CNM Director did not work at CNM and never had any close personal relationship with the former CNM Director. After the 06 May 2011, the former CNM Director did not have any influence on CNM as CNM never engaged him for any services after he retired and never shared information on the procurement processes.</p>	<p>a. Accepted</p> <p>b. The OIG learned that post-“retirement”, the former CNM Director continued to use a CNM email account, continued to maintain his physical office, and received confidential bidding information via email from VPP agent PSI related to contracts for bednets. OIG maintains these actions demonstrate a clear connection between the then-former CNM Director and CNM’s ongoing business activities, which CNM as an institution tolerated.</p>																																																		
2	Any communication between the suppliers including SCS, VF, VPP, and PSI with the former CNM Director after 1 May 2011 cannot be considered as CNM’s communication.	The OIG refers to its response in line 1. Moreover, the investigation uncovered that other CNM employees were copied on emails sent to the former CNM Director; therefore, CNM had the opportunity to know its former Director was still being provided with sensitive and confidential procurement information.																																																		
3	<p>The OIG investigation of CNM and/or OIG disclosure of information related to agreements between CNM and other signatory parties other than the Global Fund and/or the PR-MoH is considered as an act of violation of CNM sovereignty.</p> <p>Table D: List of Agreement that CNM has legal obligation with the GFATM</p> <table><tr><th>Type of agreement</th><th>Round/Phase</th><th>Grant Number</th><th>Signatory party</th><th>CNM Position the Agreement</th></tr><tr><td>MoA^a</td><td>Round2/P1</td><td>CAM-202-G03-M-00-CNM1</td><td>PR-MOH & CNM</td><td>Sub-recipient</td></tr><tr><td>MoA^a</td><td>Round2/P2</td><td>CAM-202-G03-M-00-CNM1</td><td>PR-MOH & CNM</td><td>Sub-recipient</td></tr><tr><td>MoA^a</td><td>Round4/ Phase 1</td><td>CAM-405-G06-M-CNM2</td><td>PR-MOH & CNM</td><td>Sub-recipient</td></tr><tr><td>MoA^a</td><td>Round 4/Phase 2</td><td>CAM-405-G06-M-CNM2</td><td>PR-MOH & CNM</td><td>Sub-recipient</td></tr><tr><td>MoA^a</td><td>Round6/Phase 1</td><td>CAM-607-G10-M-CNM3</td><td>PR-MOH & CNM</td><td>Sub-recipient</td></tr><tr><td>MoA^a</td><td>Round6/Phase 2</td><td>CAM-607-G10-M-CNM3</td><td>PR-MOH & CNM</td><td>Sub-recipient</td></tr><tr><td>ARGA^b</td><td>RCC^c</td><td>CAM-202-G13-M</td><td>GFATM & CNM</td><td>Principal Recipient</td></tr><tr><td>PGA-SSF^d</td><td>SSF/ Phase 1</td><td>CAM-S10-G14-M^e</td><td>GFATM & CNM</td><td>Principal Recipient</td></tr><tr><td>PGA-SSF^d</td><td>SSF/ Phase 2</td><td>CAM-M-UNOPS</td><td>GFATM & CNM</td><td>Principal Recipient</td></tr></table> <p>a : MoA refers to Memorandum of Agreement b : ARGA refers to Amended and Restated Grant Agreement c : PGA-SSF refers to PROGRAM GRANT AGREEMENT FOR SINGLE STREAM OF FUNDING d : PGA-SSF refers to PROGRAM GRANT AGREEMENT FOR SINGLE STREAM OF FUNDING e : RCC refers to Rolling Continuation Channel, which was consolidated into Round 9 called SSF grant. f : The grant number CAM-S10-G14-M was changed to CAM-M-CNM f : KoC means Kingdom of Cambodia</p> <p>The draft OIG report has gone outside the boundaries of the PGAs and MoAs. CNM strongly suggests that the investigation should stay within the relevant PGAs and MoAs.</p> <p>Moreover, CNM has no any legal obligation with the MoA between the PR-MOH and recipients other than CNM such as the PSI in Cambodia.</p>	Type of agreement	Round/Phase	Grant Number	Signatory party	CNM Position the Agreement	MoA ^a	Round2/P1	CAM-202-G03-M-00-CNM1	PR-MOH & CNM	Sub-recipient	MoA ^a	Round2/P2	CAM-202-G03-M-00-CNM1	PR-MOH & CNM	Sub-recipient	MoA ^a	Round4/ Phase 1	CAM-405-G06-M-CNM2	PR-MOH & CNM	Sub-recipient	MoA ^a	Round 4/Phase 2	CAM-405-G06-M-CNM2	PR-MOH & CNM	Sub-recipient	MoA ^a	Round6/Phase 1	CAM-607-G10-M-CNM3	PR-MOH & CNM	Sub-recipient	MoA ^a	Round6/Phase 2	CAM-607-G10-M-CNM3	PR-MOH & CNM	Sub-recipient	ARGA ^b	RCC ^c	CAM-202-G13-M	GFATM & CNM	Principal Recipient	PGA-SSF ^d	SSF/ Phase 1	CAM-S10-G14-M ^e	GFATM & CNM	Principal Recipient	PGA-SSF ^d	SSF/ Phase 2	CAM-M-UNOPS	GFATM & CNM	Principal Recipient	OIG was careful to include only Global Fund-financed contracts in its analysis of the corrupt scheme to obtain contracts by paying commissions to CNM officials. With respect to contracts between MoH and other SRs in Cambodia (i.e. PSI) who received bednet products, this information is relevant and included in the report because CNM’s Director received improper commissions in connection with those contracts.
Type of agreement	Round/Phase	Grant Number	Signatory party	CNM Position the Agreement																																																
MoA ^a	Round2/P1	CAM-202-G03-M-00-CNM1	PR-MOH & CNM	Sub-recipient																																																
MoA ^a	Round2/P2	CAM-202-G03-M-00-CNM1	PR-MOH & CNM	Sub-recipient																																																
MoA ^a	Round4/ Phase 1	CAM-405-G06-M-CNM2	PR-MOH & CNM	Sub-recipient																																																
MoA ^a	Round 4/Phase 2	CAM-405-G06-M-CNM2	PR-MOH & CNM	Sub-recipient																																																
MoA ^a	Round6/Phase 1	CAM-607-G10-M-CNM3	PR-MOH & CNM	Sub-recipient																																																
MoA ^a	Round6/Phase 2	CAM-607-G10-M-CNM3	PR-MOH & CNM	Sub-recipient																																																
ARGA ^b	RCC ^c	CAM-202-G13-M	GFATM & CNM	Principal Recipient																																																
PGA-SSF ^d	SSF/ Phase 1	CAM-S10-G14-M ^e	GFATM & CNM	Principal Recipient																																																
PGA-SSF ^d	SSF/ Phase 2	CAM-M-UNOPS	GFATM & CNM	Principal Recipient																																																

4

CNM comments and/or suggestions for amendment (o8 October 2012)

TABLE A (Corrected): CNM disclaims responsibility on alleged commission payments related 5 contracts

1	2	3	4	5	6	7	8	9	10	11	12
N.O.	Funded by GFATM?	PR	Sub-Recipient	Procurement agent	Contract/PO No.*	Contract/ PO Date*	Invoice Date*	Invoice No.*	Value of contract*	Supplier*	OIG Ref.
1	GFATM	PR-MOH	CNM	None CNM	SUP/06/05689/1		8-Jun-06	4316	\$706,580	SCS	Fig. 28
2	Unknown	Non-CNM	non-CNM	non-CNM	#0002-04-06 (Contract 100,000, slit in two parts Family size Net 70,000 and Hammock Net 30,000)	19-Jul-06	1-Sep-06	SI0207	\$438,503	VF	Fig. 48
3	Unknown	Non-CNM	non-CNM	non-CNM			29-Sep-06	SI02725	\$201,596	VF	Fig. 48
4	Unknown	Non-CNM	non-CNM	non-CNM	#0002-04-07	30-May-07	31-Jul-07	SI20170	\$760,259	VF	Fig. 48
5	GFATM	PR-CNM		WHO	WHO Revised purchased order 2002228998 Rev 01	16-Jul-10	30-Sep-10	SI26778	\$2,047,500	VF	Fig. 48
6	GFATM	PR-CNM	CNM	WHO	DVMT0 10/01 GJJ/44E	29-Mar-10	30-May-10	20027458	\$694,220	SCS	Fig. 28
a: data from draft OIG Report									\$4,848,659		

The total contract amount of these contracts is around USD 4.85 million. CNM disclaims these contracts for one or more of the reasons below:

1. The contracts do not fall within the legal boundary of the PGAs or MoAs which CNM has with the Global Fund. For instance, the contracts with invoice numbers SI0207, SI02725 and SI20170 are outside the scope of these PGAs or MoAs which CNM had with the Global Fund and CNM was not the procurement agent.

2. CNM was not involved in the procurement of any of these contracts. The OIG imposed the entire allegation onto CNM, but according to the OIG draft report, CNM assumes that PSI in Cambodia is a sub-recipient and the procurement agency for contracts related with these invoices. Currently, CNM has no legal right to investigate these invoices as CNM understands that PSI is a private organization with “its own sovereignty completely independent from CNM”.

3. In the case where an individual staff gets commission payment from a supplier, **CNM considers this as a “personal affair” rather than an act on behalf of “CNM as an organization”**. CNM’s understanding is that the personal deal or relationship of any individual staff of CNM outside CNM’s management is not the responsibility of CNM. Similarly, the aforementioned three invoices (SI0207, SI02725 and SI20170) have nothing to do with CNM. The allegation related with these three invoices **cannot be associated with CNM as an “organization” but I think that it is the SOLE responsibility of PSI and the CNM Director as an individual operating outside CNM management.**

OIG Response

1 & 2. See OIG Response line 3 regarding the inclusion of commissions for contracts for bednets provided to PSI.

3. CNM is responsible for the actions taken by officers acting in their official capacity on matters such as procurements. These officers used their positions to facilitate contracts and improperly influence the competitive procurements of bednets in Cambodia. With respect to contracts where PSI was the recipient, the fact that the CNM Director received a commission for this contract suggests his involvement in some capacity and highlights the influence he had in the health sector in Cambodia.

	CNM comments and/or suggestions for amendment (o8 October 2012)	OIG Response																																																																						
5	<p>Table C: Contract related with commission payment after 11 May 2011 that CNM has no responsibility for</p> <table><tr><th>Funding source</th><th>PR</th><th>Sub-Recipient</th><th>Procurement agent</th><th>Contract/PO No</th><th>Contract/PO Date*</th><th>Invoice Date*</th><th>Invoice No.*</th><th>Contract amount*</th><th>Ref.*</th></tr><tr><td>GFATM</td><td>PR-CNM</td><td>CNM</td><td>VPP</td><td>Purchase Order 0975-ITN</td><td></td><td>6-Oct-11</td><td>H1134KH</td><td>\$3,063,450</td><td>Fig.28</td></tr><tr><td>GFATM</td><td>PR-CNM</td><td>CNM</td><td>VPP</td><td>Purchase Order 0975-ITN</td><td></td><td>31-Oct-11</td><td>H1133KH</td><td>\$3,063,450</td><td>Fig.28</td></tr><tr><td>GFATM</td><td>PR-CNM</td><td>CNM</td><td>VPP</td><td>PSI/NA</td><td></td><td>15-Sep-11</td><td>SI28816</td><td>\$710,325</td><td>Fig.48</td></tr><tr><td>GFATM</td><td>PR-CNM</td><td>CNM</td><td>VPP</td><td>PSI/NA</td><td></td><td>29-Sep-11</td><td>SI28817</td><td>\$1,122,240</td><td>Fig.48</td></tr><tr><td>GFATM</td><td>PR-CNM</td><td>CNM</td><td>VPP</td><td>PSI/NA</td><td></td><td>28-Oct-11</td><td>SI28965</td><td>\$1,858,710</td><td>Fig.48</td></tr><tr><td colspan="4">*: Data from OIG Report</td><td colspan="4">**: Unknown as it is not part of CNM budget</td><td>\$9,818,175</td><td></td></tr></table> <p>The total amount of these contracts is around 9.82 million USD.</p> <p>CNM has nothing to do with the alleged commission payment related with five contracts as listed on the Table C as because of one or more of the following reasons:</p> <ol style="list-style-type: none">1. CNM was not the procurement agent for these contracts.2. The OIG uncovered no evidence to indicate that Sumitomo Chemical Singapore (SCS) continued to make improper commission payments to CNM from 11 May 2011 onwards.3. The alleged commission payments were made by Vestergaard Frandsen (VF) to the CNM Director who has had no responsibility or representation of CNM since 01 May 2011.	Funding source	PR	Sub-Recipient	Procurement agent	Contract/PO No	Contract/PO Date*	Invoice Date*	Invoice No.*	Contract amount*	Ref.*	GFATM	PR-CNM	CNM	VPP	Purchase Order 0975-ITN		6-Oct-11	H1134KH	\$3,063,450	Fig.28	GFATM	PR-CNM	CNM	VPP	Purchase Order 0975-ITN		31-Oct-11	H1133KH	\$3,063,450	Fig.28	GFATM	PR-CNM	CNM	VPP	PSI/NA		15-Sep-11	SI28816	\$710,325	Fig.48	GFATM	PR-CNM	CNM	VPP	PSI/NA		29-Sep-11	SI28817	\$1,122,240	Fig.48	GFATM	PR-CNM	CNM	VPP	PSI/NA		28-Oct-11	SI28965	\$1,858,710	Fig.48	*: Data from OIG Report				**: Unknown as it is not part of CNM budget				\$9,818,175		<ol style="list-style-type: none">1. The OIG does not dispute that CNM was not the procurement agent for the contracts listed in Table C. However, CNM’s Director and Deputy Director received commission payments under 3 of the 5 transactions listed.2. OIG does not dispute the fact that there is no evidence to indicate SCS continued to pay improper commission payments under VPP.3. See OIG report Section G.1.4.11 addressing this point.
Funding source	PR	Sub-Recipient	Procurement agent	Contract/PO No	Contract/PO Date*	Invoice Date*	Invoice No.*	Contract amount*	Ref.*																																																															
GFATM	PR-CNM	CNM	VPP	Purchase Order 0975-ITN		6-Oct-11	H1134KH	\$3,063,450	Fig.28																																																															
GFATM	PR-CNM	CNM	VPP	Purchase Order 0975-ITN		31-Oct-11	H1133KH	\$3,063,450	Fig.28																																																															
GFATM	PR-CNM	CNM	VPP	PSI/NA		15-Sep-11	SI28816	\$710,325	Fig.48																																																															
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*: Data from OIG Report				**: Unknown as it is not part of CNM budget				\$9,818,175																																																																
6	<p>The OIG does not present concrete evidence to confirm all the ultimate beneficiaries of commission payments as the amounts of the alleged commission payments seem to be based on the email communications between suppliers and the former Director and Deputy Director of CNM, and interviews with the suppliers. However, the alleged commission payments were transferred to intermediate bank accounts held by other persons rather than the Director and Deputy Director.</p> <p>Paragraph number 138 states “where the payment is ended up is unclear”: This statement should be mentioned in the Chapter G.1.5 (conclusions) of the report, rather than only in the Section “Facts and documentary evidence”, if it refers alleged commission payments related with CNM.</p>	<ol style="list-style-type: none">1. The OIG maintains that the evidence in the report clearly demonstrates that the commission payments went to agent “Chhounou Kimchenda” only as a cover to disguise the true path of money back to the CNM officials. This is a reasonable inference based on the evidence, including direct communication from both CNM officials to have the Suppliers wire commission payments to their bank accounts. Also, there is a complete absence of evidence that anyone ever communicated with the agent. Finally, the fact that the Director and Deputy Director reached out to the Suppliers to personally inquire about late or misdirected commission payments is further evidence of their personal connection to the commission payments.																																																																						

	CNM comments and/or suggestions for amendment (o8 October 2012)	OIG Response
7	<p>Some offerings are just humanitarian (hospital fees) and/or cultural (Khmer New Year Gifts) and the other offerings were made in the spirit of public private partnership (PPP) as a mean to achieve the Millennium Development Goals (MDGs). These acts of partnership have significantly increased in aid management.</p> <p>CNM was recently informed by WHO that that since January 2012 three major contributions to the fight against neglected tropical diseases amenable to preventive chemotherapy have been made by three private companies:</p> <ol style="list-style-type: none"> (1) The 1st company has committed to provide up to 2.2 billion tablets of diethylcarbamazine citrate (DEC) 100mg between 2013 and 2020, to be used against lymphatic filariasis. 100 million tablets will be donated in 2013; (2) The 2nd company has committed to provide up to 200 million tablets of mebendazole 500mg per year, to be used against soil-transmitted helminthiasis in children of school age; (3) The 3rd company has committed to donate up to 250 million tablets of praziquantel 600mg per year, to be used against schistosomiasis in children of school age. 50 million tablets will be donated in 2013, 75 million in 2014, 100 million in 2015, and 250 million/year from 2016 onwards. 	<p>The OIG does not agree with CNM's position on offering "fellowships" or meals. Further, CNM's reliance on examples in which companies donated medicine in the fight against tropical disease is misplaced. In this report, the OIG provides numerous examples of gifts and trips, often having no connection to legitimate business purposes, from the Suppliers to CNM officials. Such offerings are against the Codes of Ethics and Business Conduct Principles that both Suppliers have, which recognize that the giving of such gratuities could be seen as an attempt to obtain influence or gain other preferential treatment.</p>
8	<p>The VPP agent PSI continued to share information on procurements with the former CNM Director for at least 110 days after 11 May 2011.</p> <p>CNM identified three serious mistakes made by the Global Fund's VPP agent where information regarding the bidding process was illegally leaked to the former CNM Director.</p> <ol style="list-style-type: none"> 1. On 18 May 2011, the VPP agent leaked the information of Bid Opening Report, Evaluation, and Narrative report [Grant No. CAM-S10-G14-M (CNM) and CAM-607-G10-M (MoH)] to the former CNM Director. After having such information, it would seem that the former Director then forwarded it to VF. 2. On 15 Aug 2011, the VPP agent leaked the information of a comprehensive update on two purchase orders [No. 0975A-ITN-VPP-0035 (CNM), and 0975B-ITN-VPP-0035 (MoH)]. It would seem that the former CNM Director then forwarded it to VF. 3. The VPP agent "continued to leak" the information of a comprehensive update on 06 Sep 2011 on two purchase orders [No. 0975A-ITN-VPP-0035 (CNM), and 0975B-ITN-VPP-0035 (MoH)]. 	<p>OIG agrees that it was a mistake for the VPP agent to continue sending emails to the CNM Director after his retirement. See OIG report ¶ 246 for further discussion.</p>

	CNM comments and/or suggestions for amendment (o8 October 2012)	OIG Response
9	<p>The VPP agent was very well informed about the change the Director of CNM and PR-CNM as:</p> <ol style="list-style-type: none"> 1. CNM procurement staff sent at least two emails reminding the VPP agent that the former CNM Director had retired and that there was no need to share any information with him anymore. 2. The ceremony of handing-over of position of CNM director was publicly held on the 06 May 2011 with participation from CNM staff and relevant development partners and media agencies. Information on the change was uploaded to CNM website: http://www.cnm.gov.kh/index.php?action=ID40. 3. Since the 11 May 2011, the current CNM Director's email address was reflected in the cc field of the VPP agent's emails which were sent to CNM Procurement staff (except for one on 22 June 2011 when the VPP agent sent an email concerning the bid evaluation directly addressed to the current CNM Director). <p>CNM strongly suspects that this repeated sharing of information by the VPP agent with the former CNM's Director could be a deliberate violation of procurement procedures/rules, and recommends the OIG to fully investigate the VPP agent before the investigation report.</p>	<p>While OIG concurs that it was a mistake for the VPP agent to continue sending emails to the CNM Director, OIG makes no finding that this mistake was deliberate on the part of PSI. It seems that some PSI employees were aware of the change in command, though, because a PSI employee sent an email to the current, and not the former, CNM Director on 11 May 2011.</p> <p>Although CNM claims that it sent multiple reminders of the former Director's retirement to VPP after 1 May 2011, CNM could not provide OIG with any email examples where CNM staff reminded PSI about the former Director's retirement before 29 September 2011. CNM's Chief of Procurement testified that she informed VPP of this fact "many times sin[c]e May 2011" but did not have the capacity to recover those emails.</p>

ANNEX 3: OIG Response to SCS Comments on Cambodia Investigation Report

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
1	<p>1. If the term "supplier" in paragraph 59 refers to SCS rather than to the Sales Manager, it is incorrect to state that the supplier knew that it could not pay cash to CNM in order to win contracts, as at that juncture, no one else apart from the Sales Manager and the SCS General Manager (defined below) knew about the arrangement with the CNM Director. Whilst there may be a divergence between US law and Singapore law, under Singapore law (and the common law) principles of attribution of liability to a company, the general rule is that for criminal actions such as the payment of kickbacks, an employee must be the "controlling" or "directing mind and will" of the company for such criminal actions to be attributed to the company and for the company to be held liable in equal measure. Given the Sales Manager's relatively low rank in SCS, his intentions and conduct should not be attributed to SCS as he cannot be considered to be the controlling or directing mind and will of the company.</p> <p>2. The reference to "senior managers" should be changed to the Sales Manager and the SCS General Manager for accuracy's sake and for consistency in terminology.</p>	<p>1. The OIG report attributes knowledge of the inability to make cash payments to CNM to the employee, the SCS Sales Manager, not the company as a whole.</p> <p>OIG makes no criminal findings in its report, nor does it evaluate its findings against criminal evidentiary legal standards. The OIG report findings are based on the contractual relationship between the SR/PR and the Suppliers. Therefore, the analysis of how criminal law addresses the notion of the "controlling mind" is inapplicable in this context.</p> <p>2. Regarding the reference to the SCS Sales Manager and Managing Director as "senior managers", both individuals represented to the OIG that they were upper-level management and the length and nature of their employment supports this designation. On August 17, 2012, the SCS Sales Manager stated that he has been with the company since 1990 and was presently at the level of second class (out of three) manager. (17/8/12 ROC 3). He stated that he did not need to seek approval for hiring a technical consultant in Cambodia as he'd been a manager for over 12 years and people did not question his decision. (17/8/12 ROC ¶3,4, 22) (He subsequently clarified that he needed authority to execute such an agreement, 20/10/12 ROC ¶11). He was in charge of the Vector Control Staff at SCS. (17/8/12 ROC ¶5). Further, he signed the consultancy contract on behalf of and with the authority of the company. The SCS Sales Manager reports directly to the Regional Director and Head of the Crop Sciences Sector based in Singapore and the Managing Director for the Research and Development in Malaysia.</p>

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
		<p>The SCS Managing Director joined Sumitomo in 2001 and manages a research facility of 30 people. (19/10/12 Managing Director ROC ¶2,4). He is the Business Head of the Environmental Health and Vector Control Division and is fully empowered to run their respective businesses. (19/10/13 Director of Health and Crop Sciences ROC ¶5, 6). He reports directly to the Regional Director and Head of the Crop Sciences Sector. (19/10/12 Managing Director ROC ¶68).</p>
2	<p>1. The two VPP contracts in 2011 should be removed as commission payments ceased once VPP was enacted.</p> <p>2. OIG should add that SCS paid commissions based on forged documents submitted by the Sales Manager.</p>	<p>1. The correct value of the contracts at issue is \$4,627,472 (total value of contracts obtained, less 2011 VPP contracts). See OIG response line 17 for further explanation concerning a dispute over the value of a June 2010 contract. The OIG does not agree to remove reference to the 2011 contracts entered into under VPP as they were contracts in which Sumitomo company provided bednets to CNM during the relevant timeframe covered by this investigation as these contracts fall within the time period examined by OIG during its investigation. Moreover, it is relevant that SCS ceased making commission payments to CNM's Director once VPP took effect.</p> <p>2. While it is true that SCS paid commission payments pursuant to the consultancy contract that the SCS Sales Manager admitted to forging the signature on, it is not clear to the OIG that this was the only basis for the payments, as there were oral and written representations made by SCS senior managers as described in the OIG report concerning these commission payments. It is noteworthy that the terms of the consultancy agreement were not strictly adhered to either, such as the required reports of market information, product development work, or performance and financial reports (Consultancy Agreement, dated 1 January 2006, Art.1), yet commission payments were made nonetheless. See OIG report Section G.1.4.3.</p>

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
3	SCS did not make the improper commission payments knowingly. It was orchestrated by the Sales Manager. Please refer to comment #1 in line 1 above.	SCS had full knowledge of where the commission payments were being wired as said payments were processed through the appropriate channels by the Finance and Accounting Department.
4	We understand that the Sales Manager's gifts and favors were given to develop a close relationship with the CNM officials and there is no evidence to suggest that he was incentivized by the inside information from the CNM officials, or that he had given gifts and favors in return for inside information. Please refer to comment #1 in line 1 above.	See OIG report Section G.1.4.5 regarding the connection between gifts and favors and the receipt of inside information.
5	1. SCS was established and incorporated on 15 July 1996. Please see the official website of SCS: http://www.scschem.com.sg/aboutus_profile.html and the attached company profile filed with the Accounting and Corporate Regulatory Authority of Singapore. RCB-SCS 2. Please see the official website of SCS for details on its MMA production plant in Singapore: http://www.scschem.com.sg/ourplant_mma.html .	Accepted
6	1. SCS was appointed by Sumitomo Chemical Japan to be the regional distributor of the Olyset net within the South East Asia and Oceania regions. 2. Please see the official website of Sumitomo Chemical Japan which shows that the patent owner of the Olyset net is Sumitomo Chemical Japan: http://www.olyset.net/olysetnet/ .	Accepted
7	1. We are not aware that SCS was the sole supplier of LLINs to CNM between 2006 and 2010. Please provide details or documentary evidence in support of your statement that "SCS was the sole supplier of LLINs to CNM" between 2006 and 2010. 2. Reference to the two VPP contracts in 2011 should be removed as commission payments ceased once VPP was enacted.	1. With regard to Global Fund-funded LLIN contracts, SCS was the sole supplier from 2006-2010 (compare chart of contracts between CNM and SCS and between CNM and VF), taking note of the fact that VF's contracts #0002-04-06 and #0002-04-07 were to provide bednets to PSI, not CNM. 2. The correct value of the contracts is \$4,627,472. See OIG response lines 2 & 17 for explanation.
8	SCS did not make the improper commission payments knowingly. It was orchestrated by the Sales Manager. Please refer to comment #1 in line 1 above.	See OIG response line 2 regarding SCS's basis for making payments to consultant.

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
9	<p>The Sales Manager reported directly to his operational supervisor whose role in SCS was that of a General Manager ("SCS General Manager"). The SCS General Manager is not the Managing Director of SCS. This is an error of fact which we believe would have adversely affected your treatment of our case given that the involvement of top management would be an aggravating factor in any sanctions determination. The SCS General Manager was never a Managing Director of SCS. Within SCS, the SCS General Manager reported directly to the Director of Health and Crop Sciences (whom you interviewed on 19 October 2012), who in turn reports to the Managing Director of SCS.</p> <p>Similarly, whilst there may be a divergence between US law and Singapore law, under Singapore law (and the common law) principles of attribution of liability on a company, the SCS General Manager's intentions and conduct should not be attributed to SCS as he cannot be considered to be the controlling or directing mind and will of the company.</p>	<p>SCS Sales Manager's supervisor informed the OIG that he was a Managing Director for Sumitomo's Research & Development facility in Malaysia. (19/10/12 Managing Director ROC ¶ 2). See OIG explanation for line 1 above.</p> <p>See OIG report, Due Process, §J, for more complete description of the Sumitomo manager's positions and the OIG's stance on SCS's accountability for its employees.</p>
10	<p>1. The third-party consultancy was orchestrated by the CNM Director and the Sales Manager.</p> <p>2. For consistency in terminology, please note that the reference to "Sumitomo" should be a reference to "SCS".</p>	<p>1. Accepted, with the knowledge and approval of the Sumitomo Managing Director and the possible knowledge of other Sumitomo senior managers. See OIG report, §G.1.4.6.</p> <p>2. OIG refers to SCS when speaking of the entity located in Singapore and uses "Sumitomo" for other locations, such as the entity in Malaysia.</p>
11	The SCS General Manager is not the Managing Director of SCS.	See OIG explanation in lines 1, 9 regarding Managing Director.
12	It is inaccurate to refer to the CNM Director's commission as a "consultant" fund as there was no such fund.	Accepted

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
13	<p>Based on the Sales Manager's statement to the OIG's interview on 17 August 2012, the deleted statement in this paragraph is highly speculative in nature. In fact, the Sales Manager did not know who kept the full amount of commission. We set out below the relevant section of the interview notes of your interview with the Sales Manager on 17 August 2012 for your reference:</p> <p>OIG: Have you ever heard that in Cambodia that ministers or directors are required to take up portions of the payments that they've received to higher level officials?</p> <p>Sales Manager: I never asked, I don't want to ask also.</p> <p>OIG: Have you ever heard of that?</p> <p>Sales Manager: I think it's...in conversation, you know, 'Oh I need to give a New Year gift.'</p> <p>OIG: Wait, did you understand, it is a fair amount of money. Did you understand who kept the full amount or did he ever tell you that, hey, you know I need to pay to and so their commission?</p> <p>Sales Manager: No. In fact once...</p> <p>OIG: Did you have any idea how he used the money?</p> <p>Sales Manager: No idea.</p>	Adjustments made to report to reflect full quotation.
14	1. SCS did not make the improper commission payments knowingly. It was orchestrated by the Sales Manager. Please refer to comment #1 in line 1 above.	The consultancy contract was entered into between "Chhounou Kimchenda" and Sumitomo Chemical Singapore Pte. Ltd. SCS authorized all payments of the improper commissions. See also OIG explanation in lines 1, 14.
15	We have not come across the contract number "DVTMO R4 No. 07/11". However, we know that the Buyer's reference number for this contract is P.O. 979/07 C.N.M.	Accepted
16	We have not come across the contract number "DVTMA. R6 No. 08/015". However, we know that the Buyer's reference number for this contract is GFATM/CNM/LLINR6/005.	Accepted

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
17	We have not come across the contract number "DVMTO 10/01 GJ10/44E" with a value of US\$694,220. However, we know that the Buyer's reference number for this contract where a 5.8% commission was paid is PO 200197482, with a contract value of US\$612,000.	CNM's General Journal and Disbursement instructions confirm that \$694,220 was transferred to WHO on or around 30 June 2010. OIG takes note of the fact that the Purchase Order 200197482 with WHO, dated 5 May 2010, was for a total order value of \$612,000.
18	SCS did not have the intention to make the improper commission payments to the CNM's executive officers. It was the Sales Manager - and not SCS - who orchestrated the third party consultancy. Please refer to comment #1 in line 1 above.	1. The Consultancy Agreement had to be approved by senior management, in this case the Managing Director referred to in this report; therefore, it is not accurate to say that this was done without the knowledge of other SCS personnel. (19/10/12 Director of Health and Crop Sciences ROC ¶ 18,20). Further, SCS made all payments, which were processed through the appropriate channels by the Finance and Accounting Department. See OIG explanation in lines 1, 14.
19	1. We understand that the SCS Sales Manager was never hesitant to admit the fact that the consultancy agreement was fictitious.	SCS Sales Manager initially told OIG that he did not know for certain that the consultant was fictitious until 2009 or 2010 and that he facilitated payments of 2-3 commissions before he realized the consultant was fake. (17/8/12 SCS Sales Manager ROC ¶ 25). In a subsequent interview, the SCS Sales Manager admitted that he knew from the beginning when he was executing the consultancy contract that he needed to pay the CNM Director in order to get business in Cambodia. (20/10/12 SCS Sales Manager ROC ¶ 10-11).
20	We are not aware of any other cash payments obtained by the SCS Sales Manager in "Kimchenda's" name other than the 1 February 2008 request for USD 2,100.	Accepted
21	The CNM officials directed the Sales Manager and no one else regarding the payment of commissions to third parties.	Accepted
22	SCS' Code of Ethics prohibits gift-giving to secure business. It was the Sales Manager – and not SCS - who made continuous effort to secure business from CNM by performing the favors requested by the Cambodian government officials. Please refer to comment #1 in line 1 above.	Accepted
23	It was the Sales Manager - and not SCS – who offered to pay for private trips for the WHO employee. Please refer to comment #1 in line 1 above.	Accepted, while noting that the SCS Sales Manager was offering to pay with SCS's corporate funds.

	SCS comments and/or suggestions for amendment (07 June 2013)	OIG Response
24	<p>1. We understand that there was no suggestion from the Sales Manager that he clearly linked the commission payment to obtaining the contracts from CNM.</p> <p>2. Sponsorships per se are not illegal if given in an open and aboveboard manner to no particular individual, as a matter of fostering goodwill between corporations. However, the Sales Manager and SCS General Manager did not adhere to this principle when they offered sponsorships to CNM in the hope of securing business.</p>	<p>1. Evidence suggests connection between paying commission payments and obtaining contracts for SCS from CNM. See OIG report Section G.1.4.1.</p> <p>2. The evidence speaks for itself.</p>
25	We do not have records of expenses on the following dates (as reflected in Annex 1, Figure 39): 10-13 March 2006; June 2006; 28 March – 02 April 2008; 17-18 and 20-21 September 2008; 11-18 October 2009; 9 December 2009; 17-18 June 2010.	OIG has supporting documentation, in the form of emails or proof of payments, for all of these entries. See Annex 1, Figure 39 of OIG report.
26	The first version of the Code of Ethics was introduced on 13 January 2005 and periodic training on the same for employees was conducted. The second version of the Code of Ethics was introduced in 2009. It was subsequently revised in 2011 to introduce the External Speak-Up Helpline.	Accepted
27	It is inaccurate to state that the CNM Director requested for the visa support letter for several CNM employees. We are only aware of one such request for one CNM employee.	OIG is aware of at least two separate CNM employees for whom the SCS Sales Manager provided letters in support of visa applications. See OIG report Section G.1.4.5.
28	<p>1. It was the Sales Manager- and not SCS – who made the gifts and performed the favors requested by the Cambodian government officials. Please refer to comment #1 in line 1 above.</p> <p>2. There is also no evidence to suggest that SCS' management knew or approved the inappropriate business expenditures.</p> <p>3. SCS did not have the intention to make the improper commission payments, gifts and favors to the CNM's executive officers. It was the Sales Manager - and not SCS – who orchestrated the third party consultancy. Please refer to comment #1 at paragraph 2 above.</p>	<p>1. Accepted regarding the individual who performed the favors and offered the gifts, however SCS paid for these gifts and trips out of corporate finances.</p> <p>2. For evidence that SCS management (Managing Director) knew and approved inappropriate business expenditures, see OIG report Section G.1.4.6.</p> <p>3. Agree that SCS Sales Manager as an individual cultivated the relationship with CNM. It is reasonable to conclude that SCS received a benefit as a result of its Sales Manager's efforts to obtain contracts with CNM, including receipt of inside information.</p>

ANNEX 4: OIG Response to VF's Comments on Cambodia Investigation Report

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
1	<p>There is an implication that relations between VF employees and the Director of CNM were improper from the start, in 2002. There is no evidence to support this.</p> <p>There is an implication that VF employees “forged relationships” with more than one top official at CNM. In VF's understanding, there is no evidence to support this.</p>	<p>The OIG report makes no claims that VF's relationship with the CNM Director was improper from the start, just that they began cultivating a relationship with him as early as 2002. See OIG report ¶ 46 and corresponding footnote discussing a 24 October 2002 email between VF and CNM Director to schedule a meeting with VF India's Regional Director.</p>
2	<p>There is an implication that the scheme in which certain individuals at VF's Indian branch and the CNM Director participated was created because VF was part of a group of suppliers who “knew that they could not pay cash to CNM”. VF refuses to be lumped together with other suppliers in generalizing innuendoes which do not pertain to VF. There is no evidence supporting this statement in relation to VF, and thus the claim seems to be based purely on speculation. In fact, evidence suggests that it was indeed CNM's Director who took the initiative as early as 2003 to propose to introduce an employee of VF's Indian Branch to a Cambodian company who could “represent VF in the country and secure govt. business as they would know how to move in the govt. circle”, It should also be noted that the relationship with the agent only started three years or more after the CNM Director's introduction proposal. Furthermore, no evidence suggests that VF had any intention whatsoever to make any cash payments, nor would it have accepted to engage in such schemes if the scheme had been disclosed to VF's Swiss management. In fact, all agent commission payments to the Cambodian agent, like any other agent engaged by VF, were made based on valid agent agreements and by means of wire transfers from VF's corporate bank accounts. Likewise, several compliance measures clearly stressing the Swiss management's zero tolerance towards such schemes have been put in place since 2008.</p>	<p>Altered to reflect “SCS's Sales Manager knew they could not pay cash...”</p> <p>The point regarding the idea to hire a consultant/agent applies to more than one supplier.</p>

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
3	There is an implication that VF took the initiative to “enact a pay to play scheme” . The facts are that individuals employed by VF’s Indian branch hired a new agent; this relationship does indeed appear to have been part of such a scheme, but there is no evidence supporting the notion that anyone at VF beyond these individuals was aware of this.	<p>This report does not attempt to determine individual liability amongst the various corporate entities and the employees of those entities. From the GF perspective, VF HQ entered into contracts with CNM and also with the agent “Chhou Nou Kimchenda.”</p> <p>See Figure 47 of OIG report (chart indicating that the first Contract (#0002-04-06) was dated 19 July 2006).</p> <p>VF has provided no evidence to support that the amount of commission payments VF made was \$71, 188. To the contrary, OIG has uncovered evidence that shows the amount of improper commissions paid was at least \$154,241, which includes the final commission payment of \$83,054.</p>
4	There is an implication that it might be abnormal that an agent gets a commission “even when procurements take place under the supervision of other entities” . At VF, this is the standard situation, i.e. an agent is commissioned for all sales with any customer within a given territory. In the present case, this is part of what made the relationship look normal to VF’s head office in Switzerland.	Information added to report.
5	It is stated that commission payments went to the Deputy Director of CNM. To VF’s knowledge there is no evidence supporting this claim, at least as far as VF would be involved.	This point pertains to another supplier.
6	It is stated that VF “continued to make payments to CNM” after Cambodia had switched to VPP. There is no evidence that any payments reached the CNM after the switch.	See OIG report § G.1.4.11.
7	It is stated that “These CNM officials, along with other government officials and CNM staff, also accepted gifts and favors from suppliers” . The only circumstantial evidence VF knows about suggests the possible funding of two plane journeys, for a total value not exceeding 1’500 USD, in 2005 and 2010 , respectively to attend a conference in Dubai and to meet with an individual employed by VF’s Indian Branch in Singapore . The statement therefore appears unfitting.	<p>This point is a summary point and is factually accurate in that CNM’s officials did receive gifts from multiple suppliers. The extent to which VF provided favors is discussed in OIG report § G.1.4.11</p>

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
8	It is stated that <i>“These improper commission payments directly benefitted CNM's executive managers, along with the Suppliers who obtained contracts as a result, and were made in consideration for obtaining bednet contracts from CNM.”</i> There is no evidence known to VF supporting that VF payments might have benefitted more than one CNM executive manager, and in the case of VF it seems clear, as exposed previously in the corporate investigation report, that VF obtained no contracts as a result of any payments; to the contrary, VF lost bids despite offering the lowest prices. VF refuses to be lumped together with other market players who may have obtained contracts in exchange for illicit payments and cannot accept wording which implies elements which clearly did not apply to VF.	The scheme described in OIG's report is that when a Supplier successfully obtained a contract from CNM, an improper commission payment was subsequently made. Moreover, the very nature of this scheme required that said commission be made pursuant to the agency agreement. The fact that VF did not pay commission payments for contracts it failed to win is irrelevant.
9	There is no mention of the fact that VF never obtained any contracts under direct procurement in Cambodia nor from WHO Cambodia, or from WHO Manila under GF funding. VF only received GF funded contracts for Cambodia from WHO Geneva and PSI Washington. In VF's view, omitting these important facts introduces an unfair bias.	Accepted in part. VF has provided no evidence that its contracts only came through WHO Geneva and PSI Washington. Indeed, the Purchase Order for the 16 July 2010 contract was with WHO Malaysia. See OIG report ¶ 57 for further explanation regarding the roles various WHO entities played in Cambodian procurements. Further, the OIG report refers to “direct” procurement as those where procurements were conducted by MoH or CNM – even where procurements were facilitated by procurement agent WHO. It also is a means to distinguish these procurements from those conducted under the VPP mechanism.
10	It is stated that <i>“CNM's Director served as an Observer during certain BEC procedures, such as the opening of bidder financial proposals, approved technical evaluations”.</i> VF has only been invited to two bids managed by the BEC, PR or CNM, and the bids in question were won by a competitor of VF. To VF's understanding, this paragraph can only pertain to one of VF's competitors, and we believe that this important fact must be stated clearly to avoid introducing an unfair bias. VF does not wish to be lumped together with other suppliers in generalizing descriptions which do not pertain to VF.	VF has provided no evidence to indicate the particular bid to which its suggested amendments refer. Moreover, this report paragraph describes CNM's BEC and its processes , the significance of which affects other parties besides VF; therefore, OIG declines to accept the suggested amendment regarding VF's lack of success during a tender.
11	VF was established in 1957 in Denmark.	Accepted

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
12	VF has been awarded four net contracts to provide over 1.7 million LLIN products to Cambodia since 2006. The first two were made through PSI Washington in its role as SR of Global Fund funding and the 2010 contract was facilitated by WHO Geneva.	Report amended to reflect that the four contracts (in 7 delivery installments) were to provide almost 1.8 million nets to Cambodia. Regarding the first two contracts, the contract to provide bednets was between and executed by “Populations Services International/Cambodia” –not PSI Washington—and VFSA. Regarding the 2010 contract that was facilitated by WHO, please see OIG’s explanation in line 9.
13	The title for OIG report section G.1.4.8 should state “VF made <u>USD 71,188</u> in improper commission payments ...” as opposed to USD 154,241 in improper commission payments.	This edit is incorrect. VF paid, or made substantial efforts to pay, at least \$154,241 in improper commissions to the CNM Director, including after he left the post as CNM Director in May 2011 and continued working in the Cambodian government in another capacity. See OIG report § G.1.4.8 and G.1.4.10 for more explanation.
14	It is stated that “ <i>even though VF did not supply nets to CNM directly until 2010, it began cultivating its relationship with CNM’s Director as early as 2002</i> ”. There is an implication that VF employees may thus have been participating in the “pay to play” scheme starting in 2002. To the contrary, it should be noted that, in the SWOT analysis prepared as late as February 2007 by an individual employed by VF’s Indian Branch, the relationship is described in the following terms: “Weak relations with the Director CNM- [REDACTED]. He is pro Olyset”. This puts the sequence of events of the purported “pay to play” scheme in perspective and should not, in VF’s opinion, be omitted from the report in this context.	See OIG explanation in line 3.
15	It is stated that “ <i>VF admits to paying commission payments to an “agent” chosen by CNM’s Director for each of these contracts</i> ”. There is an implication that the agent was chosen by the CNM with knowledge by VF management, which is not supported by any facts. Likewise, the information in question has been volunteered by VF. And finally, there is no evidence to the effect that more than US\$ 71,188 was paid to the agent related to GF funded contracts. Therefore, the paragraph should be reworded so as to correct these unsupported biases.	OIG made requests for information from VF, which were voluntarily complied with by VF. VF, however, did not proactively disclose any documents or findings to OIG in advance of this request. Regarding the amount of commission payments made by VF as commissions in Cambodia during the relevant period, the correct total is \$154,241. See OIG report Sections G.1.4.8 and G.1.4.10.

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
16	VF knows of no evidence supporting the claim that CNM's Director " <i>made it clear [to the Sales Manager for Cambodia] that commission payments were going directly to him</i> " starting in 2004; this may have been the case, but no earlier than 2007. This should be amended accordingly so as to correct this unsupported bias – except if corresponding, reliable evidence is available.	The OIG is in possession of evidence to support this point. See OIG report ¶ 118, fn. 157.
17	It is stated that "The scope of this contract granted "Kimchenda" the right to represent VF in sales to Cambodia for the GF procurement of LLINs". There is an implication, by omission, that the agent only represented VF in relation to GF sales. This is wrong and should be corrected to avoid unfair bias; like most other VF agents, this agent contractually covered any VF customer in the country.	Accepted edits in part. OIG notes that for this, and other times where VF asks OIG to describe commission payments as being arranged at the request of certain individuals, OIG maintains that payments passed through the necessary channels and were ultimately paid by VF from corporate finances. As such, payments to its agent remain the company's responsibility.
18	It is stated that commissions could reach 6.5%. For the type of nets sold into Cambodia, the maximum commission was 3.5%. This should be corrected.	Accepted
19	It is stated that payments made to the agent were made "with the approval of the headquarters office". It is not correct to speak of "approval" in this context. Indeed, as described under point 7.4.1. of the corporate investigation report, payments to agents did not involve head office approval. Regarding the case where the Executive officer became involved, this relates to a case where a 100% payout of the commission was requested despite the fact that VF had only received net funds from the customer of 90% of the contracted value. The current statement is therefore wrong and misleading.	Statements regarding approval process for payments are factually accurate. VF presented evidence that its commission payments were processed and approved by its finance and accounting departments in the headquarters office. This is further validated by the fact that payments were paid from VF's corporate bank account in Switzerland.

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
20	<p>It is stated that <i>“The final payment of US\$ 83,054 was ultimately sent to the account of another beneficiary, █████ Capital Limited, at Standard Chartered Bank in Hong Kong for the stated purpose of passing a cash transfer of the commission payment to “Chhou Non Kimchenda’s” husband in Thailand for ‘tax reasons’”</i>. It is important to indicate that there is no evidence that this payment ever reached the agent, her husband, or anyone at the CNM. Indeed, regarding this last payment, it should be noted that:</p> <ul style="list-style-type: none"> – at the time of this payment, and also at the time the underlying order had been awarded to VF, █████ had already left his position as Director of the CNM (5 May 2011 – see also the corporate investigation report); – the payment was made to █████ Capital Limited in Hong Kong; – based on the email exchanged between VF’s Thai agent and the Regional Director for VF’s Indian Branch (31 Jan 2012), the beneficial owner of the account would be a Mr T████, designated as a friend of the Thai agent; – according to the same email, Mr T████ would then “carry back to Bangkok time by time”, and not to Cambodia. <p>Based on facts, it can therefore not be concluded that the payment ever reached the Cambodian agent or her husband, let alone the CNM Director.</p>	VF’s suggested edit regarding the fact that there is no evidence confirming receipt of final commission payment to agent is already addressed in OIG report § G.1.4.10.
21	The two individuals at VF’s Indian branch communicated exclusively with the CNM Director on all matters relating to the agency relationship.	OIG disagrees with VF’s statement . The evidence shows that CNM’s Director communicated with individuals at VF’s Indian branch as well as a Director in VF Asia Ltd. Pvt. office on at least 3 occasions beginning in 2003. See OIG report Figure 8 regarding VF’s then-Regional Director, Asia’s meeting with CNM Director in 2003. Language in report correctly reflects: “employees of VF communicated exclusively with CNM’s Director...”
22	When VF authorized the final commission payment in the amount of USD 83,053 on 2 February 2012, it was done pursuant to the agency contract that ended on 30 June 2011. The contract that was connected to this payment was awarded by official note on 27 June 2011, i.e. three days before the agent contract’s 30 June 2011 expiration.	Accepted

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
23	It is stated that “ <i>it seems that VF's employees in the regional office, and possibly the VF headquarters, did not scrutinize carefully enough the agency arrangement in Cambodia</i> ”. The word “possibly” correctly indicates speculation, which we believe has no place in such a report.	The OIG believes the evidence supports a finding that VF headquarters had opportunity to review and question the agency arrangement in that: 1) there was no valid agency contract in place at the time of the first commission payment; and 2) headquarters approved both the agency agreement and all payments made in association therewith, and on one occasion even questioned the appropriateness of full payment of commission. See OIG report section G.1.4.12.
24	It is stated that “ <i>This payment was authorized by an Executive officer in VF headquarters.</i> ” This is not correct. As explained above and under point 7.4.1. of the corporate investigation report, payments to agents did not involve head office approval. In this particular case, however, a 100% payout of the commission was requested despite the fact that VF had only received a net payment from the customer of 90% of the contracted value, and so the Executive officer was informed and <i>de facto</i> asked to approve the last 10% of the commission payment, while the full payment had been approved already by individuals employed by VF’s Indian Branch.	OIG added factual clarification regarding the involvement of the Executive Officer in this decision.

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
25	<p>It is stated that <i>“Unlike all the other “agent” commission transactions, this payment was not wired directly to “Kimchenda’s” Canadia Bank account. Instead, VF made an urgent request to Credit Suisse to change the name of the beneficiary to “████ Capital Limited” and asked for confirmation that the funds were credited to the correct beneficiary’s account at Standard Chartered Bank in Hong Kong on 2 February 2012.”</i> Regarding the final payment of USD 83,054, the Regional Director of VF’s Indian branch requested payment of the agent commission at the end of January 2012, which was then initiated by VF’s accounting department with value date 2 February 2012. It is worth noting that this transaction carried the name of VF’s Cambodian agent, that the wire transfer was not marked “urgent” or “express”, and that the Regional Director for VF’s Indian branch had full authorization to request payment of the said amount according to VF’s internal delegation of authority rules. On 7 February 2012 the Regional Director of VF’s Indian branch requested proof of payment, which was provided to him by VF’s Accounting Department. Subsequently, the Regional Director of VF’s Indian branch reverted to the Accounting Department with new payment details which included “████ Capital Limited” as beneficiary. VF’s Accounting Department did not question the change and provided the updated account holder name to Credit Suisse, who issued a Swift message to the corresponding bank on 13 February 2013. The Swift message carried the word “urgent”, however this related to the fact that the wire transfer initiated on 2 February 2012 had not reached the beneficiary account on 13 February 2013.</p>	<p>OIG removed the word “urgent” from description as it applies to Credit Suisse’s internal priority rating.</p> <p>OIG added clarification to the report regarding VF’s initial request to pay its agent in February 2012.</p>
26	<p>It is stated that <i>“VF further admits that it has no official record that this commission payment of almost US\$ 85,000 ultimately ended up in “Kimchenda’s” possession”</i>. The choice of the word “admits” is misleading, as the reported material is entirely based on information volunteered by VF. The objective facts are simply that there was indeed no official record that this commission payment of approx. US\$ 85,000 ultimately ended up in “Kimchenda’s” possession, and the paragraph should be reworded accordingly.</p> <p>It is stated that <i>“VF has not been able to locate or produce said receipt to date”</i>. To our knowledge, the OIG has not requested VF to do so. The sentence should therefore be deleted.</p>	<p>See OIG report section G.1.4.10 addressing this topic.</p> <p>See also OIG’s explanation in line 15 regarding the voluntary nature of VF’s submissions.</p> <p>OIG made multiple requests for the receipt VF referenced showing that the commission payment was received by the agent’s husband. VF confirmed to OIG in email dated 20 June 2013 that it is not in possession of receipt showing that cash commission was given to agent’s husband (as allegedly requested).</p>

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
27	Only due to VF's comprehensive internal investigation and full co-operation with OIG is OIG's report able to state that "Where the "commission" payment ultimately ended up is unclear". Indeed, VF's internal investigation has revealed that the Regional Director of VF's Indian branch, acting entirely on his own and against all internal VF procedures and rules, had arranged a scheme together with a Thai individual where the funds transferred in February 2012 to a Hong Kong account were to be transported in cash to Bangkok. There is no evidence supporting any claims that VF HQ had any other intention than to provide the Cambodian agent with the commission the agent was entitled to according to a valid contract.	The report properly states that it was the company's intention to pay its consultant for this final commission payment. As with all other commission payments discussed in the report, this payment is confirmed by a wire transfer of money from VF's corporate bank account. As such, OIG credits VF with making this commission payment.
28	There is an implication that VF had an active role in obtaining the CNM Director's advice, in 2003, in relation to the identification of a company who could represent VF in Cambodia to "secure govt. business as they would know how to move in the govt. circles". The evidence points in the exact opposite direction, as the relevant email relates to a proposal from the CNM Director, which the VF employee does nothing more than record. There is no indication in this email that such an idea and proposal emanates from the VF employee – the opposite is the case. Therefore, in the context of the investigation, it is not appropriate to employ the tone used in the paragraph, as there may be an implication that VF sought ways to create a "pay to play" scheme on its own initiative, which is the exact contrary of what transpires from the email. It must therefore also be noted that the relationship with the agent only started 3 years or more after the CNM Director wanted to introduce VF to companies who could represent it in Cambodia.	OIG agrees with VF that the email in question records events of a meeting between a VF employee and CNM Director in 2003, but disagrees with VF's interpretation that it was the CNM Director who was trying to solicit VF's business to Cambodia. Even assuming that VF's interpretation is correct, arguably it would mean that CNM's Director is attempting to provide an advantage to VF over other competitors in obtaining government business. OIG's report is edited to be more factually accurate: "VF received the CNM Director's advice on who could represent VF in Cambodia...." OIG declines to add VF's suggested amendment regarding the timing of the agency relationship as it is clearly established in the OIG report, see ¶ 120-121.
29	The Secretary of State under the MoH did not agree to sole source a contract to VF in February 2007.	Accepted. OIG amends report to reflect that VF won the contract but that the Secretary of State did not approve the CNM Director's request to sole source to VF.
30	It is stated that "CNM's Director then forwarded to VF an email between WHO Manila and CNM regarding WHO's questions/concerns about the potential timing of VF's delivery of product and the composition of this product." VF points out that at the time of this email, Sumitomo had confirmed to WHO Manila that it would submit a quotation.	OIG accepts VF's suggestions and clarifies that WHO had already requested for Sumitomo to submit a bid quotation.

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
31	A Senior Manager at VF's headquarters reprimanded the VF Regional Director in India when he argued to allow the agent to keep the full USD 83,054 commission despite penalties incurred for late deliveries.	OIG does not agree with VF's interpretation that the senior manager reprimanded the VF Indian branch employee. Moreover, this construal is irrelevant to the point being made. OIG clarifies that senior manager expressed his reservations about future payments being made to agents under similar circumstances.
32	VF requests OIG to delete ¶ 145 of its report because VF the content is irrelevant since VF was awarded the contract being discussed on 27 June 2011.	OIG does not agree with VF's request to delete ¶ 145 based on the fact that VF already won the contract in question. The email's significance is that the (then former) CNM Director is sharing information with VF concerning other competitors and that the CNM Director was informing VF not to share the information with others. These facts further demonstrate a pattern of VF's willingness to accept sensitive and potentially privileged commercial information.
33	It is stated that <i>"VF paid US\$ 83.054 in commission payments to its "agent" in connection with these contracts, despite the complete lack of involvement of the local agent in this international procurement"</i> . In line with the comments above, the sentence should reflect the fact that the payment was effected upon final payment by PSI and corresponding approval by individuals working for VF's Indian Branch, and that the Executive Regional Director's approval, granted after some questioning and with a reprimand, only pertained to the final 10%. OIG should clarify that the payment came at the request of certain individuals at VF's Indian branch.	OIG agrees to clarify that there was one contract resulting in 3 separate deliveries. OIG does not agree to VF's repeated clarification that payment requests were made to VF's headquarters by employees of VF's Indian branch, as that point is already made in throughout the OIG report. Moreover, as already stated herein, it is VF the company who effectuates payment of all agency commissions and is, therefore, responsible for said payments.

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
34	It is stated that <i>“Such involvement by multiple high-level managers demonstrates, at the very least, an awareness of this agency arrangement and the financials associated therewith”</i> . There is an implication that VF’s top level management, which is based in Switzerland, was aware of <i>“this agency arrangement and the financials associated therewith”</i> . In reality, all individuals cited, except for VF’s legal department regarding technical review, were employees of VF’s Indian Branch. We believe this important fact must be clearly stated.	VF is incorrect that the only individuals cited in the report were from the Indian branch. Significant contact and decisions were also made by a Director from VF Asia Ltd. Pvt. This indicates that a senior manager and someone outside of the Indian branch had awareness of and involvement in the agency arrangement and financials associated therewith. OIG’s report reflects that VF employees from different offices were aware of the agency agreement and the financials associated therewith. See OIG section G.1.4.12 for OIG’s position that enough information was available for VF’s headquarters to have concerns about the legitimacy of the agency arrangement , which supports an inference that VF senior management should have known about the improper commission payments.
35	There is a reference to <i>“commission payments to said individual under circumstances that do not appear to be normal, e.g. payment for work done under an unexecuted back-dated contract before the identity of the agent was known”</i> . This sentence is misleading, as there is an implication that <i>“payment for work done under an unexecuted back-dated contract before the identity of the agent was known”</i> was done more than once.	OIG disagrees with VF’s interpretation of the language in this paragraph and provides another example of unusual circumstances surrounding payment of the commission (e.g. the lack of monthly marketing reports as required by the contract).
36	There is a reference to payments being made to senior program officials in CNM, namely the Director and Deputy Director. VF had no involvement in payments to any employees besides CNM’s Director . OIG should clarify that the reference to the Deputy Director does not concern VF.	This paragraph is part of a summary of factual findings and does not pertain solely to VF. The OIG report does not indicate that VF made improper commission payments to CNM’s Deputy Director .

	VF comments and/or suggestions for amendment (26 May 2013)	OIG Response
37	<p>It is stated that “<i>CNM officials requested and accepted payment in the form of gifts, trips and favors from the same international suppliers throughout the duration of CNM's relationship with the Suppliers, and that the cost associated with travel alone exceeded US \$20,000</i>”. It is very important to VF that facts that do not pertain to VF are not linked to VF by association. In the present case, the only circumstantial evidence VF knows about suggests the possible funding of two plane journeys, for a total value not exceeding US\$ 1,500 in 2005 and 2010, respectively to attend a conference in Dubai and to meet with an individual employed by VF's Indian Branch in Singapore. There is no evidence that any advantage was sought in this respect. VF insists that these facts be reported separately and not by association, especially in view of the apparently very limited role of VF in the overall picture.</p>	<p>This paragraph is part of a summary of factual findings and does not pertain solely to VF.</p> <p>Further, the report accurately describes the two known instances of the CNM Director and family's trips to Singapore and Dubai – trips that VF's Indian branch Sales Manager offered to have VF pay for.</p>

ANNEX 5: OIG Response to NCHADS Comments on Cambodia Investigation Report

	NCHADS comments and/or suggestions for amendment (19 July 2013)	OIG Response
1	<p>The Senior Procurement Officer was employed by NCHADS from 31 January 2009 to 31 August 2012 (not September 2012) and worked under Round 7 HIV grant, Phase 1. The procurement activity for this grant started mid-2009 (not 01 January 2009).</p> <p>There was an overlapped period from January to May 2009 with R5 for which MoH was PR and not NCHADS.</p> <p>From 2003 to the end of May 2009, the Round 5 procurement activities were managed by NCHADS-SR team (i.e. Manager, Planning Officer, M&E Officer, Procurement Officer and Finance Officer) and this team was directly reporting to MoH-PR.</p> <p>The Senior Procurement Officer had no procurement responsibility or authority to oversee the procurement activities under Round 5. His activities and role as Senior Procurement Officer were to coordinate with the relevant SRs and NCHADS technical units to develop technical specifications and to receive price quotations. He was only a Secretary of the Bid Evaluation Committee (BEC), not a member of the BEC.</p>	<p>The Senior Procurement Officer began working on the Global Fund program at NCHADS as of 1 January 2009. The Round 7 HIV grant technically commenced on 1 December 2008. OIG does not dispute that Round 5 activities, including procurements, were still going on in 2009.</p>
2	Companies who did not win Global Fund contracts during Rounds 7 or 9 should be removed from the list of local vendors who participated in fraudulent schemes with NCHADS under the Global Fund program.	Accepted
3	Infotech Computer System, MEAS Sovuthidy, Ontaracheat, Kuang Hsein Medical Instrument, Deam, Neeka, Great Pharma Co and Biomed Phnom Penh were not awarded any contracts under Global Fund Rounds 7 and 9 grants to Cambodia. Therefore the Senior Procurement Officer could not have received any commission payments from these companies when he was responsible for Global Fund Rounds 7 and 9.	<p>Agreed, while noting that these were still local vendors with whom the Senior Procurement Officer regularly engaged in procurement tampering under the Donor 1 program. Several of these same vendors continued to bid for contracts under the Global Fund program. Their complicity in these schemes is relevant to OIG's findings in connection with Global Fund procurements.</p>

	NCHADS comments and/or suggestions for amendment (19 July 2013)	OIG Response
4	The evidence presented in OIG report ¶ 184 concerning a 2 July 2009 email to a Kuang Hsien employee to build a 15% commission into the contract price relates to the CTAP project, not to the Global Fund grants. Hence, the Senior Procurement Officer could not have received commissions from these companies as he was responsible for Global Fund Rounds 7 and 9 grants.	Agreed, while noting that during the time period of this wrongdoing, the Senior Procurement Officer was in charge of procurements under the Global Fund program. Therefore, this information is relevant to show how he continued to conduct business with local vendors even after moving to the Global Fund program.
5	The evidence of wrongdoing in procurement processes is related to the Donor 1 program which ended before the Senior Procurement Officer became responsible for procurement under Global Fund Round 7 and 9 grants.	The OIG disagrees with NCHADS' argument based on evidence of the improper facilitation payment under the Global Fund program, continued efforts to manipulate bid prices and submissions, and the lack of credibility of the Senior Procurement Officer. See OIG report section – G.2.2.3; see also OIG explanation in line 4.
6	Procurement processes at NCHADS were open and competitive. Since qualified vendors in Cambodia are limited and the National HIV program is a long term program : <ul style="list-style-type: none"> - It is common to see same vendors regularly competing against each other and this does not necessarily imply any wrong-doing; - The development of relationships with vendors is inevitable and does not necessarily imply any wrongdoing. 	In the case of the NCHADS Senior Procurement Officer, his relationships with local vendors was improper due to the facilitation payments he required and the manipulation of bid submissions he requested from vendors, not because they regularly competed against each other.
7	There is no evidence that the Senior Procurement officer would have received commissions from Dynamic Pharma and MIG Group.	See OIG report ¶ 171, 180.
8	The reasons for the back-dating of the quotation discussed in OIG report ¶ 192 was simply to ensure the procurement could be done within Round 7 Phase 1 ending on 31 December 2010, or else it would have been delayed and taken place under Phase 2. Whilst this (along with suggesting an amount for the quotation) is indeed improper procurement practice, there is no evidence of any implication or request for commission or kickback payments to the vendor, especially since the company referred to in the email did not win the contract.	NCHADS recognizes that this sort of tampering with bid quotations constitutes improper procurement practice.

	NCHADS comments and/or suggestions for amendment (19 July 2013)	OIG Response
9	Whilst there is clear evidence of wrong-doing in the case where the Senior Procurement Officer asked Dynamic Pharma to increase its price quotation and back-date its bid so that MIG Group could win the bid (the Procurement Officer has admitted it) OIG report ¶ 180, the draft report does not provide the material evidence or its source of information which proves that he requested or received USD 400 from MIG groups or Infotech Computer system.	The Senior Procurement Officer admitted to doing so. See OIG report ¶ 180.
10	The Round 5 disbursement amount of USD 2,295,954 should be excluded from the total Global Fund grant amount received at the time the Senior Procurement Officer played a role in procurement (USD 54.2 million) – this figure would amount to 51.9 million.	Accepted
11	The amount involved in procurement contracts with third party vendors at the time the Senior Procurement Officer played a role in procurement should exclude the Round 5 related amount of USD 883,682.39 – this figure would finally amount to USD 5,570,768.61.	<p>The OIG agreed to remove the value of any procurements that occurred under Round 5 from consideration in this report. According to the NCHADS general ledger that was provided to the OIG during the course of its investigation, the value of the select local procurements being referred to in this report for Round 5 was USD 217,134, not USD 883,682.39 as NCHADS claims in its response. The reason for this discrepancy may be due to the fact that the OIG selected procurements that fell under the following categories only: Civil construction, drugs, living support, medical equipment, printing materials, vehicles, infrastructure & other equipment.</p> <p>It is possible that NCHADS may have been referring to <u>all</u> Round 5 local procurements in its figure.</p> <p>Because NCHADS did not provide OIG with the transactional details to back up its claim, the OIG has no way to determine the cause of this discrepancy. As such, the OIG report will provide a range for the Round 7 and Round 9 select local procurements that includes NCHADS's and OIG's calculations: between USD 5,570,769 and 6,237,317.</p>

	NCHADS comments and/or suggestions for amendment (19 July 2013)	OIG Response
12	<p>The amount of USD 185,633.43 should be excluded from the total tainted fraud amount. The Senior Procurement Officer was not involved in these procurements and there was no risk he could have influenced them in any way or go any bribe.</p> <p>Breakdown as follows:</p> <ul style="list-style-type: none"> a. The amount of USD 14,963 relates to a contract won by MIG Group under the Global Fund Round 5 grant which the Senior Procurement Officer was not involved in. This amount should therefore be deducted from the total amount of non-compliant expenditure. b. NCHADS reviewed the ledgers sent to the OIG team . Out of the total payment to Dynamic Pharma of USD 26,815 under Round 7, NCHADS paid USD 174.43 for OI drugs for which procurement activities were pooled with and conducted by the MoH-PR (not NCHADS). This amount needs to therefore be deducted. c. Out of the total payment to Dynamic Pharma of USD 198,054 under Round 9, two payments of the amounts of USD 69,120 and USD 101,376 (totaling USD 170,496) were made for Viral Load reagents and its consumables for which the Global Fund had approved the technical specifications, and for which CHAI and the Global Fund/LFA had provided technical assistance for the unit costs. This amount needs to therefore be deducted. 	<ul style="list-style-type: none"> a. Accepted b. Accepted c. The evidence shows that the Senior Procurement Officer manipulated the procurement process through acts such as back-dating bids and providing price quotation information to bidders. The fact that the Global Fund approved the specifications and unit costs is irrelevant to the validation of the process, which was tainted by the above-described acts. Interfering with procurement practices in a way that undermines the transparency and equality of the process works to compromise the entire process.
13	<p>When the OIG verbally alerted the NCHADS Deputy Director about the Senior Procurement Officer's admission of the commission payments, NCHADS took strong action and decided to terminate the Senior Procurement Officer's contract on 31 August 2012 (with one month notice in line with the contractual terms and conditions).</p>	<p>OIG does not dispute the fact that NCHADS terminated the employment of the Senior Procurement Officer at the end of August 2012.</p>

	NCHADS comments and/or suggestions for amendment (19 July 2013)	OIG Response
14	<p>Under Cambodian law, all pharmacies and companies dealing with pharmaceutical imported products have to have a pharmacist on standby as an official reference person.</p> <p>The NCHADS Logistic and Supply Management Officer was a stand-by for Dynamic Pharma, but having no role in the bidding process. NCHADS was not aware of the potential conflict of interest.</p> <p>However, when verbally notified by the OIG in July 2012, NCHADS proactively and rapidly took action as NCHADS offered him to option to either resign at NCHADS or from his standby role. As a result, his contract was terminated by 30 September 2012.</p>	<p>OIG does not dispute the fact that NCHADS terminated the employment of the Dynamic Pharma employee, but maintains that the facts stated in the OIG report, see ¶ 171, are factually accurate and raise a legitimate concern of potential conflict of interest.</p> <p>Indeed, NCHADS shared OIG's concern as it terminated his contract "given this potential conflict of interest."</p>
15	<p>In clarifications provided to the NCHADS Management team in early August 2012, the Senior Procurement Officer stated that in his interview with the OIG, he had admitted to some of the facts of wrongdoings exposed in this report which were all related to the Donor 1's projects (which ended in mid-2008) and in the absence of strong control procedures.</p> <p>However, based on the interview with the Senior Procurement Officer (which was conducted without an interpreter or independent witness) and email communications by the Procurement Officer, which indicated solicitation of kickback commission payments from vendors under Donor 1 project (from 2005-2008), the draft report assumed the Procurement Officer continued the wrongdoings systematically and routinely for all vendors and all contracts under Global Fund Rounds 7 and 9 grants; and this in spite of the fact (which was not mentioned in the report) that the Senior Procurement Officer confirmed this practice was not continued under Global Fund grants (from 2009 to 2012), since the procurement procedures and policies significantly improved, and procurement standards and scrutiny were more strict and robust. Indeed, a Bidding Evaluation Committee was involved (which he was not a member of but only a Secretary) and verification was conducted by a third party (i.e. the LFA).</p> <p>There is no evidence that similar practice (i.e. requests for 15% commission payments) under the Donor 1 program continued under Global Fund grants. No credible evidence that the alleged wrongdoing continued.</p>	<p>See OIG report ¶ 167-168, discussing rationale for concluding that Senior Procurement Officer compromised the integrity of Global Fund procurements beginning in January 2009 due to his established past practices, evidence of an additional facilitation payment, and continued procurement manipulation of Global Fund-financed contracts.</p> <p>The Global Fund makes no claim that the Senior Procurement Officer required 15% commissions for Global Fund contracts, but rather that his actions put USD 317,430 worth of Global Fund procurements at risk during his supervision of the Global Fund program.</p>

	NCHADS comments and/or suggestions for amendment (19 July 2013)	OIG Response
16	The report states that the Senior Procurement Officer indeed made contradictory statements (i.e. first denied ever having solicited or received commission payments and later saying he had been doing so the entire time). This clearly shows that the Senior Procurement Officer was quite confused, inconsistent, frightened and probably under strong pressure and intimidated in the one single interview with the OIG team, especially as it was a sensitive interview conducted in an international hotel room.	OIG maintains its position that the Senior Procurement Officer was not confused, but rather disingenuous in his responses to OIG and only admitted what he could not deny once confronted with hard evidence of his wrongdoing.
17	It is unclear whether the individual was informed and was asked for his written consent to have the interview recorded, and whether the individual was given a copy of the written statement in both English and Khmer language. Having the person's interview recorded and having him sign a written statement directly after the interview in those conditions is a questionable practice not meeting the usual international standards and practice for testimonies, and not fully respecting legal rights	The Senior Procurement Officer met with OIG staff voluntarily, spoke in English, and did not request an interpreter at any point. He was aware his interview was being recorded and voiced no objection. OIG emphasizes that it did not conduct a criminal investigation triggering legal liability. This was an administrative inquiry concerning the management of grant funds pursuant to the Global Fund's rights under the Standard Terms and Conditions of the Program Grant Agreements.
18	NCHADS has serious concerns about the incorrect, inconsistent and even at times contradictory facts, scarce evidence and overgeneralization and extrapolation of findings presented in the draft report, in particular as they excessively and mostly rely on the interview of the Senior Procurement Officer.	See OIG explanation discussed in line 15 and OIG report section G.2.3, ¶183 for further discussion of the ramifications of the Senior Procurement Officer's actions on the procurement process and, in particular, to USD 317,430 worth of procurements with compromised vendors that he managed under the Global Fund program.
19	"NCHADS compromised the integrity of the Global Fund procurements": The general allegation and accusation about NCHADS' integrity based on one individual's wrongdoings within a limited time duration and cope is unsupported and unacceptable. In addition to this, the tainted amount represents a relatively limited amount compared to the significant Global Fund funding managed by NCHADS over the many years.	The OIG perceives the Senior Procurement Officer's wrongdoing as being pervasive throughout his work as procurement officer under the Donor 1 program and continuing into his time managing Global Fund procurements under Rounds 7 and 9. The OIG considers activities that put Global Fund grants at risk in any amount to be a serious matter.

ANNEX 6: OIG Response to MEDiCAM's Comments on Cambodia Investigation Report

	MEDiCAM comments and/or suggestions for amendment (08 October 2012)	MEDiCAM response and/or suggestions for amendment (17 July 2013)	OIG Response
1	<p>Staff Member A (who has currently left the organization) worked to support training (such as preparing announcements, receiving applications/registrations from trainees, following up with participants, logistical arrangements, material preparation, assisting in training facilitation, etc.) as well as information sharing and advocacy work.</p> <p>As such, Staff Member A's monthly salary was USD 800 out of which the Global Fund financed USD 575 from the Training Assistant budget line (which was paid from February to December 2009), and Donor B financed USD 225.</p>	<p>Staff Member A worked for MEDiCAM as Advocacy Coordinator from 02 February 2009 – 15 January 2010 with a monthly salary of USD 800 (out of which USD 575 was charged from the budget line of Training Assistant of the Global Fund HIV Round 7 grant and USD 225 from the budget line of Health Information Officer of the Donor X grant).</p>	<p>MEDiCAM intentionally misled OIG in its 8 October 2012 comments in which it informed OIG that Staff Member A was paid out of the Training Assistant budget line and performed training-related tasks.</p> <p>In its 17 July 2013 response, MEDiCAM claimed Staff Member A was the Advocacy Coordinator despite its 8 October contention that Staff Member B filled this role (and provided a contract to demonstrate that fact).</p> <p>Moreover, the OIG investigation uncovered two contracts signed by Staff Member A for the same time period (2 February 2009 until 31 January 2010) for the positions of Training Assistant and Advocacy Coordinator. Since MEDiCAM never claims that she held two positions simultaneously, and in fact admits that she was only the Advocacy Coordinator, one of these documents is false. Notably, MEDiCAM did not provide the "Training Assistant" contract to OIG directly; this was obtained from Donor B whom MEDiCAM provided it to.</p>

	MEDiCAM comments and/or suggestions for amendment (08 October 2012)	MEDiCAM response and/or suggestions for amendment (17 July 2013)	OIG Response
2	<p>Staff Member B was the Advocacy Coordinator from 03 April 2008 to December 2009 and his position was financed by Donor B. His salary was revised and the second contract was signed from 01 October 2008 to December 2009.</p>	<p>Staff Member B worked with MEDiCAM from 03 April 2008 to 31 October 2011 occupying four different positions:</p> <p>Staff Member B worked as an Advocacy Coordinator from 03 April to 31 August 2008, and although his contract for the post of Advocacy Coordinator financed by Donor X was effective till 31 March 2009, Staff Member B got promoted to Information Sharing Manager after 5 months.</p> <p>As Information Manager from 01 September to 31 December 2008, Staff Member B had an additional workload related to the information sharing unit (writing articles, coordinating and facilitating monthly MEDiCAM Membership meetings), but also continued to be responsible for all advocacy work. Thus, his salary continued being charged to the budgetary line of Advocacy Coordinator from Donor B.</p> <p>Once the Global Fund HIV Round 7 grant started on 01 January 2009 and financed one more Health Information Officer (Staff Member D), MEDiCAM decided to re-assign Staff Member B to lead the Research Unit in the position of Research Coordinator, a post funded by Donor X. As Staff Member B continued supporting advocacy work in this position, his salary continued being charged to the budgetary line of Advocacy Coordinator under the Donor X grant.</p> <p>As of January 2010, Staff Member B continued working as Research Coordinator, this time funded by Donor Y, before finally resigning on 31 October 2011 to pursue his studies in Japan.</p>	<p>MEDiCAM intentionally misled OIG in its 8 October 2012 comments in which it informed OIG that Staff Member B was the Advocacy Coordinator for the entire year in 2009 (and provided a contract to that effect).</p> <p>In its 17 July response, MEDiCAM admits that Staff Member B only served as Advocacy Coordinator until 31 August 2008 and that Staff Member A took over the position in February 2009.</p> <p>Regardless of what budget lines MEDiCAM charged Staff Member B salary to, the fact remains that MEDiCAM created a fake contract signed by Staff Member B to support the story that he was the Advocacy Coordinator while Staff Member A was the Training Assistant.</p>

	MEDiCAM comments and/or suggestions for amendment (08 October 2012)	MEDiCAM response and/or suggestions for amendment (17 July 2013)	OIG Response
3		<p>The budget line for Advocacy Coordinator under the Donor B grant was for a monthly salary of USD 900, which corresponds to the yearly Provident Fund of the staff member</p> <p>Another monthly salary received by Staff Member B in the amount of USD 1,000 as mentioned in the table (Annex 1, Figure 73) was a short-term contract with specific deliverables.</p> <p>There was no other donor budget line that supported position of Advocacy Coordinator for USD 450.</p>	<p>Accepted with respect to the amount of the Donor B grant.</p> <p>OIG can neither confirm nor contradict MEDiCAM's contentions with respect to the other sources of payment.</p> <p>Records obtained by OIG during its investigation reveal that an average of approximately USD 481 per month was charged to Donor C for advocacy work performed in 2009.</p>
4		<p>Advocacy is one of the cross-cutting core businesses of MEDiCAM and cannot be implemented by just one staff member. Staff Members A and B worked together in assisting coordinating members and stakeholders. The Management Team including the Executive Director, Program Manager, and others were also actively involved.</p> <p>Assigning Staff Member A to the Advocacy Coordinator position gave her the opportunity of going beyond the role of Training Assistant and to lead and implement the advocacy capacity building for CSOs and MEDiCAM's advocacy plan development and implementation.</p>	<p>Regardless of whether Staff Members A and B worked together, MEDiCAM still intentionally misled the Global Fund to believe that she was filling the post of Training Assistant, as allocated for in the Global Fund budget.</p>

	MEDiCAM comments and/or suggestions for amendment (08 October 2012)	MEDiCAM response and/or suggestions for amendment (17 July 2013)	OIG Response
5		<p>Staff Member C, M&E and Capacity Building Manager, was managing all health related training activities from the beginning of the program (01 January 2009) till 30 November 2011.</p> <p>From 01 January 2009 until end March 2010, his monthly salary was fully charged from the HIV/AIDS Coordinator post.</p> <p>From April 2010 to November 2011, his salary was charged from the Health-related trainer post budget, with some shared cost from MEDiCAM.</p> <p>The HIV/AIDS Coordinator was not recruited from the beginning because the Management team decided to allocate the post's budget to the M&E and Capacity Building Manager which was occupied by Staff Member C.</p>	<p>MEDiCAM admits that Staff Member C never fulfilled the role of HIV/AIDS Coordinator, yet it charged the Global Fund for this post as such. Moreover, OIG identified two different contracts for this individual on MEDiCAM's hard drive – again, for two separate jobs during the same time period (1 January 2009 through 31 December 2009).</p> <p>A covered witness informed the OIG that Staff Member C did not perform any HIV/AIDS coordination work at MEDiCAM. See OIG report ¶ 203.</p> <p>The job Staff Member C actually filled was that of “M&E Coordinator”, which was budgeted for under another international donor's grant.</p>

	MEDiCAM comments and/or suggestions for amendment (08 October 2012)	MEDiCAM response and/or suggestions for amendment (17 July 2013)	OIG Response
6		<p>It is incorrect to say that there no work was conducted in relations to HIV/AIDS Coordination of CSOs.</p> <p>MEDiCAM's Executive Director, Program Manager, Health Information Officer (also supported by the Global Fund HIV Round 7 grant) and the M&E and Capacity Building Manager worked very much together to support the implementation of all activities in the work plan of the grant. Almost all activities in the work plans were implemented (except for one which was requested to be undertaken the following quarter).</p>	<p>OIG's report states that a covered witness stated that Staff Member C did not perform any HIV/AIDS coordination work related to the Global Fund Round 7 grant. See OIG report ¶ 203.</p> <p>Indeed, the 2009 MEDiCAM organizational chart corroborates this fact as he is listed therein as the M&E Capacity Building Manager and not the HIV/AIDS Coordinator.</p> <p>The OIG report makes no findings with respect to the quality of the programs.</p> <p>OIG's investigation reports on the misleading and conflicting information MEDiCAM provided it with when asked to explain how Global Fund money was used to fund certain positions.</p>
7		<p>MEDiCAM did not double-bill another donor for Staff Member C's salary as it did not charge this M&E position to another bilateral donor during 2009.</p> <p>It was only in early 2010 that MEDiCAM recruited another M&E Officer whose salary was then charged from that bilateral donor.</p>	<p>The OIG did not conduct an inquiry into the other international donor's grant, but the investigation determined that an amount of money was charged to that donor's grant during 2009 under the "M&E Coordinator" staff description.</p>

	MEDiCAM comments and/or suggestions for amendment (08 October 2012)	MEDiCAM response and/or suggestions for amendment (17 July 2013)	OIG Response
8		<p>MEDiCAM agrees that it did not sufficiently and timely inform its respective donors of any changes to the budget line, and should have requested authorization from NCHADS-PR prior to doing so.</p> <p>MEDiCAM recognizes this is “mismanagement” or “missteps in the right direction”; however, it disagrees with OIG’s conclusion that MEDiCAM was intentionally defrauding OIG.</p> <p>MEDiCAM acknowledges some weaknesses in its financial management system in past years but a lot of things have improved such as separate company in their Quickbooks, separate vouchers, segregation of duties in financial team, improved internal control and some more. Furthermore, MEDiCAM continues to improve its system in order to ensure the safeguard of its donors’ funds and the transparent system.</p>	<p>See OIG report section J.1.4 discussing MEDiCAM’s production of conflicting explanations and false documentary evidence as a way to intentionally mislead OIG to believe that the staff members were holding the positions for which MEDiCAM was charging the Global Fund.</p>

Annex 7A: OIG Investigations Unit

1. 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 PRs and SRs, (collectively, “grant implementers”), CCMs and LFAs, as well as suppliers and service providers.¹
2. While the Global Fund does not typically have a direct relationship with the recipients’ suppliers, the scope of OIG’s work² 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**.³ The OIG relies on the cooperation of these suppliers to properly discharge its mandate.⁴
3. 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 be compromised by fraud and abuse, and (iv) place the Organization in the best position to obtain recoveries through identification of the location or uses to which the misused funds have been put.
4. 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.⁵
5. The OIG finds, assesses and reports on facts. On that basis, it makes determinations on the compliance of expenditures with the grant agreements and makes risk-prioritized recommendations.
6. Such recommendations may notably include 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 Suppliers⁶ or the Code of Conduct for Recipients of Global Fund Resources⁷ (**the “Codes”**), as appropriate. The OIG does not determine how the Secretariat will address these determinations and recommendations. Nor does it make judicial decisions or issue sanctions.⁸
7. Recommendations to the Secretariat primarily aim to help 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.

¹ Charter of the Office of the Inspector General (19 March 2013), available at http://theglobalfund.org/documents/oig/OIG_OfficeOfInspectorGeneral_Charter_en/, accessed 01 November 2013 2013.

² Ibid., § 2, 9.5 and 9.7.

³ Ibid., § 17.1 and 17.2.

⁴ Global Fund Code of Conduct for Suppliers (15 December 2009), ¶¶ 17-18, available at http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForSuppliers_Policy_en/, accessed 01 November 2013.

⁵ 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.

⁶ See fn. 4, supra.

⁷ Code of Conduct for Recipients of Global Fund Resources (16 July 2012), available at http://theglobalfund.org/documents/corporate/Corporate_CodeOfConductForRecipients_Policy_en/, accessed 01 November 2013.

⁸ Charter of the Office of the Inspector General (19 March 2013), § 8.1

8. 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 conferred under the grant agreements, the terms of the Codes, and on the willingness of witnesses and other interested parties to voluntarily provide information.

9. The OIG may also provide 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.

10. 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.⁹

⁹ See Code of Conduct for Recipients of Global Fund Resources (16 July 2012), § 8.3.

Annex 7B: Applicable Concepts of Fraud and Abuse

11. As outlined in the previous section, 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.

12. Such agreements with SRs 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.¹⁰

13. The Codes notably provide the following definitions of the relevant concepts of wrongdoings:

(i) **“Anti-competitive practice” means any agreement, decision or practice which has as its objective or effect the restriction or distortion of competition in any market;**

(ii) **“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;**

(iii) **“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;**

(iv) **“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; and**

(v) **“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.**

14. The International Financial Institution Anti-Corruption Task Force provides similar definitions.¹¹

¹⁰ Ibid., § 3.4.

¹¹ Uniform Framework for Preventing and Combating Fraud and Corruption, International Financial Institutions Anti-Corruption Task Force, September 2006, available at <http://siteresources.worldbank.org/INTDOI/Resources/FinalIFITaskForceFramework&Gdlines.pdf>, accessed 01 November 2013.

Annex 7C: Determination of Compliance

15. The OIG presents factual findings which identify compliance issues by the recipients with the terms of the STCs¹². 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 STCs. 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 grant agreement.

16. Various provisions of the STCs provide guidance on whether a program expense is eligible for funding by the Global Fund. It is worth noting that the principles described in this section apply to SRs as well as PRs.¹³

17. **At a very fundamental level, it is the PR'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."**¹⁴

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

19. 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.**

20. The STCs specifically requires that the PR ensures that: (i) contracts are awarded on a **transparent and competitive basis, [...]** and (iv) **that the PR and its representatives and agents do not engage in any corrupt practices as described in Article 21(b) of the STCs in relation to such procurement.**¹⁵

21. The STCs 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."¹⁶

22. Amongst prohibited practices is the rule that the PR, and any person affiliated with the PR, shall not **"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."**¹⁷

23. The Global Fund's Code of Conduct for Supplier and Code of Conduct for Recipients (the "Codes") 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.

¹² Global Fund's Standard Terms and Conditions of the Program Grant Agreement ("STCs") (2012.09), available at http://www.theglobalfund.org/documents/core/grants/Core_StandardTermsAndConditions_Agreement_en/, accessed 01 November 2013. References are made to the current version of the STC for convenience and clarity. Different article numbers, or specific language, may have been applicable to the recipients at various times.

¹³ Ibid., Art. 14(b).

¹⁴ Ibid., Art. 9(a) and Art 18(f).

¹⁵ Ibid., Art. 18(a).

¹⁶ Ibid., Art. 21 (b).

¹⁷ Ibid., Art. 21(b).

24. As of 2010, the Code of Conduct for Suppliers has been integrated into the STCs through Article 21(d) under which the PR is obligated to ensure that the Global **Fund's Code of Conduct** for Suppliers is communicated to all bidders and suppliers.¹⁸ 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, as of 2012, Article 21(e) provides for communication of the Code of Conduct for Recipients to all Sub-recipients, as well as mandatory application through the SR agreements.

25. Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including expenses made by SRs and contractors.

26. 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.

¹⁸ Ibid., Art. 21(d).

Annex 7D: Reimbursements or Sanctions

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

28. Such remedies may notably include the recovery of funds compromised by contractual **breaches. Article 27 of the STCs stipulates that the Global Fund may require the PR “to immediately refund to 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.”**¹⁹

29. **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.”**²⁰

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

¹⁹ Ibid., Art. 27(b) and (d).

²⁰ Ibid.