



Standard Operating Procedures

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Central Emergency Response Fund Handling of Potential Fraud with CERF Funds

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A. PURPOSE AND SCOPE

These Standard Operating Procedures (SOPs)¹ describe the roles and responsibilities of the CERF secretariat as related to the handling of potential cases of fraudulent practices² with funds under Central Emergency Response Fund (CERF) grants³.

B. RATIONALE

As fraud poses a serious risk to humanitarian action, to the reputation of CERF and to the United Nations, it is necessary to have clear procedures for handling potential cases of fraudulent use of CERF funds. Such procedures are important for ensuring adequate information-sharing amongst all stakeholders, as well as with regard to potential programmatic and administrative steps to be taken together with involved agencies following an investigation into fraudulent use of CERF funds.

In 2015 the CERF secretariat prepared the guidance note “Communication on Fraudulent Use of CERF Funds”, which is to guide information-sharing between recipient agencies and the CERF secretariat, and between the CERF secretariat and donors, in the event of potential cases of fraudulent use of CERF funds. The note was endorsed by the CERF Advisory Group and by all recipient agencies in 2015. These SOPs build on the guidance note and succinctly describe the procedures for the CERF secretariat in the event that an investigation into fraudulent use of CERF funds is launched by a recipient agency. The SOPs provide a chronological guide to the CERF secretariat’s role in the handling of potential fraud cases. In addition, they describe general information-sharing related to fraud cases between recipient agencies and the CERF secretariat and between the CERF secretariat and donors. This version of the SOPs is a revision taking into consideration the lessons learned in 2016 from applying the original SOPs⁴ (of Dec 2015) to an investigation related to CERF funds undertaken by a recipient agency. The revision also reflects on feedback from the CERF Advisory Group on the original SOPs.

C. BACKGROUND

CERF is a global humanitarian fund established to support rapid response and address critical humanitarian needs in underfunded emergencies, enabling more timely and reliable assistance to those affected by armed conflict and natural disasters. CERF, in its current configuration with

¹ This SOP builds on and complements the Guidance Note ‘Communication on Fraudulent Use of CERF Funds’.

² “Fraudulent practice” is here defined as any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation. [Definition by the International Financial Institutions (IFI) Anti-Corruption Task Force:

<http://siteresources.worldbank.org/INTDOII/Resources/FinalIFITaskForceFramework&Gdlines.pdf>

³ Hereafter referred to as ‘CERF funds’.

⁴ Finalised in December 2015 and presented and discussed with the CERF Advisory Group in March 2016.

a grant facility, was set up by consensus by the UN General Assembly on 15 December 2005,⁵ as part of the humanitarian reform agenda, to achieve the following objectives:

- Promote early action and response to reduce loss of life;
- Enhance response to time-critical requirements; and
- Strengthen core elements of humanitarian response in underfunded crises.

In addition, CERF is also expected to contribute to strengthening partnerships between UN and non-UN humanitarian actors and reinforcing humanitarian leadership and coordination through the RC/HC function and the cluster approach.

Only UN funds, programmes and specialized agencies and IOM are eligible to apply for funding under the grant facility. Non-governmental organization (NGOs) and government counterparts may, however, receive CERF funds as partners of these entities.

CERF is comprised of a grant component with a \$450 million annual funding target and a \$30 million loan element.

The grant element pools funds from several donors and adopts a decentralized, field-based approach to priority-setting and decision-making. While the ERC is the overall manager of the Fund supported by the CERF secretariat, the RC/HCs act as the principal in-country leader in the development of a CERF grant request in close consultation with humanitarian partners.

The CERF grant element is divided into two windows: one for rapid response (RR) and the other for underfunded emergencies (UFE). RR funds help support time critical life-saving humanitarian activities and are typically provided in the initial stages of a sudden-onset crisis or to respond to a significant deterioration in an existing emergency. UFE grants are provided twice a year to identified critical underfunded emergencies. Only CERF proposals that adhere to the established CERF Life-Saving Criteria⁶ are eligible for CERF funding.

Governance and Accountability

The ERC manages the Fund on behalf of the Secretary-General (SG) and is supported by a dedicated CERF secretariat within OCHA. The CERF secretariat is responsible for the day-to-day management of the CERF, with a reporting line to the ERC who is accountable to the SG for the management of the Fund.

An Advisory Group comprised of up to 18 independent experts who broadly represent the humanitarian community is appointed by the SG. The Advisory Group, through the ERC, provides the SG with broad policy advice on the implementation of the Fund's mandate as a whole.

⁵ The Central Emergency Response Fund was created on 12 December 2005 through a General Assembly (GA) resolution 60/124 pursuant to a report of the Secretary General [A/60/432] for the need to improve on the Central Emergency Revolving Fund, established on 19 December 1991 through General Assembly resolution 46/182.

⁶ The CERF Life-Saving Criteria was an outcome of discussions with UN agencies, the Global Cluster Leads, other partners and field practitioners. The criteria were approved by Mr. John Holmes, USG Humanitarian Affairs, in January 2010.

Country level CERF processes are led by RC/HCs who are accountable to the ERC for determining priorities for CERF grant requests, and for ensuring timely and quality reporting on the use of CERF funds and the results received.

CERF recipient agencies shall take full responsibility for the use of and reporting on all funds disbursed by CERF, and shall comply with CERF related reporting requirements and other accountability provisions set out in CERF's Performance and Accountability Framework.

Fraud related to CERF funds shall be treated in accordance with the existing oversight rules and mechanisms of the recipient agencies and be informed by the on-going system-wide efforts to ensure coherence of treatment of fraud within the United Nations⁷.

D. CASE SPECIFIC HANDLING OF FRAUD WITH CERF FUNDS

The below overview of tasks and responsibilities related to potential cases of fraud with CERF funds describes key steps for the CERF secretariat in handling cases from initial notification to conclusion and closure. The procedures are in line with the information-sharing responsibilities laid out in the CERF Guidance Note "Communication on Fraudulent Use of CERF Funds" that in 2015 was endorsed by all recipient agencies. With this endorsement, all agencies committed to information-sharing with the CERF secretariat in the event of an investigation into possible fraudulent use of CERF funds under a project supported by CERF. With the guidance note, the CERF secretariat also formalized its commitment to inform donors in the event that information regarding potential fraudulent use of CERF funds is formally submitted by a recipient agency to the CERF secretariat.

All sections within the CERF secretariat are involved:

- Performance, Monitoring and Policy Section (PMPS);
- Programme Section (PS);
- Finance and Administration Section (FAS); and
- Resource Mobilization and Communication Section (RMCS).

The below chronological guide to the CERF secretariat's role in handling potential fraud cases is divided in four sections respectively describing steps related to the CERF secretariat receiving informal information about possible cases of fraud; a formal investigation being opened by a recipient agency; an investigation being closed by a recipient agency; and follow-up actions being concluded.

Event 1: Informal information about possible case of fraud

If the CERF secretariat obtains informal indication from an agency or a third party that fraud may have occurred with CERF funds the following actions will be taken:

⁷ This includes the work by the Risk Management Task Force established by the UN Development Group (UNDG) to develop a system-wide harmonized risk management and approach to fraud, and the discussion by the High-Level Committee on Management (HLCM) of common standards for risk management and treatment of fraud cases across UN Agencies. The CERF secretariat is following these initiatives closely.

1. Record the event in the internal Fraud-Incident Log (FI-log) [PMPS].
2. Contact the relevant focal point in the respective agency to verify whether the information is credible and warrants further follow-up [PMPS].
3. If not credible, close the case and update the FI-log accordingly [PMPS].
4. If credible, inform the ERC of the potential incident [Chief of CERF] and follow up quarterly with the agency focal point until a formal investigation of the incident is launched (Event 2) or the case is closed by the agency as unfounded and not warranting an investigation [PMPS].
5. Inform the ERC of the status of the case at the regular meetings between the Chief of CERF and the ERC, and inform the ERC of the outcome when known [Chief of CERF].

No communication with external stakeholders will take place based on informal and undocumented information on possible fraud incidents.

Event 2: Formal investigation is opened by recipient agency

In the event that a formal investigation into possible fraudulent use of CERF funds is launched by recipient agencies, the agency shall immediately inform the CERF secretariat. Deviations from this procedure are acceptable if an agency's investigation unit finds that it may harm the investigation or be in violation with the agency's due process. All CERF recipient agencies have agreed to this procedure with their endorsement of the guidance note "Communication on Fraudulent Use of CERF Funds". In order to avoid jeopardizing the conduct of the investigation, the content of the briefing to CERF upon opening of an investigation should be at the agency's discretion. The information shall be provided by letter or email to the ERC or the Chief of CERF by the investigation service⁸ of the respective agency.

While the level of detail and information communicated to CERF may vary from case to case depending on the specific circumstances and the need to safeguard investigations, it is considered highly unlikely that an agency will not be in a position to notify the CERF when an investigation involving CERF funds is launched⁹. Should this however occur, the ERC and the CERF will, once being notified later in the investigative process, thoroughly review the rationale provided by the agency for not informing CERF initially, and assess the legitimacy of this decision to determine whether follow-up actions are required.

After being notified (and during the investigation period) the CERF secretariat will undertake the following actions:

1. If the investigation is related to an already registered incident (Event 1) update the FI-log accordingly, if not create a new incident in the FI-Log [PMPS].

⁸ If another entity within an agency will be responsible for this communication the CERF secretariat should be advised accordingly.

⁹ With the caveat that an agency may not immediately be aware that CERF funds could be involved due to the co-mingling of funds and the fluid nature of investigations.

2. Determine whether the level of information on the case provided by the agency is sufficient and appropriate given the circumstances of the investigation¹⁰ [PMPS and Chief of CERF].
3. If necessary consult the respective agency to obtain additional information on the case [PMPS].
4. Inform the ERC of the incident [Chief of CERF].
5. Consult the respective agency to determine whether the potential incident may affect other existing or planned CERF grants. If so, document this through a note for the file and institute appropriate actions [PMPS and PS].
6. Inform OCHA Senior Management¹¹ of the incident [Chief of CERF].
7. Based on the scope and nature of the case, determine with the ERC the frequency of donor updates to be undertaken. The default frequency is every three months but this may be adjusted depending on the specific case [Chief of CERF and PMPS].
8. If the incident is reported for a country with a Country-Based Pooled Fund (CBPF), consult with the Oversight and Compliance Unit of the OCHA Funding Coordination Section (FCS) on potential implications for the CBPF [PMPS].
9. Within two weeks of the incident having been reported to CERF with the necessary information, inform donor focal points as per agreed procedures¹². In order to minimize any risk to the confidentiality and integrity of investigations and violations of an agency's due process, CERF's communication on investigations to donors shall only be made by the CERF secretariat with clearance of the investigative unit of the respective agency. The information shall include relevant parts of the information provided by the recipient agency and shall be shared with those donors that have provided dedicated focal points for such communication¹³ [PMPS].
10. Update the FI-log to reflect which donors have been informed and to capture potential feedback and related actions and donor requests [PMPS].
11. In the event that continuous updates are not proactively provided by the relevant recipient agency to the CERF secretariat, the CERF secretariat shall request updates as a minimum every third month following the investigation launch [PMPS].
12. Inform the ERC of the status of the case at the regular meetings between the Chief of CERF and the ERC and inform the ERC of the outcome when known [Chief of CERF].

¹⁰ The CERF secretariat will normally expect information on: year and number of grant(s), country of implementation, amount at risk (if possible to assess), nature of allegations and, if possible, related grant codes.

¹¹ The USG, ASG, Director CPD, Director CRD and Director OCHA Geneva will be informed in writing. Chief of PRMB will be briefed to ensure awareness in relation to potential donor questions.

¹² All donors having requested to receive such information will be notified along with all donors that have contributed more than \$1 million to CERF in the year to which the case relates. Notification will take place through confidential information from CERF to dedicated focal points within donor organizations. To ensure confidentiality of the process and to safeguard the investigation only donors that have provided dedicated focal points will be informed.

¹³ Donors sign up for this service by informing the CERF secretariat or by having related stipulations in their contribution agreements. Given the extraordinarily broad donor base of CERF and the un-earmarked nature of the Fund, this approach ensures that only interested donors are contacted and unnecessary administrative work is eliminated for all parties. Only donors to CERF in the year the relevant allocation was made will be eligible to be informed through this process.

13. Update donors on the status of the case as per agreed frequency (default every three months) until the investigation has been concluded [PMPS].

Event 3: Formal investigation is finalized

Once an investigation into fraudulent use of CERF funds is finalized, the recipient agency shall, as per endorsed guidance note, provide to the CERF secretariat the investigation report and information relevant to the CERF project(s) implicated. If some recipient agencies' internal regulations will not allow them to share investigation reports, the information-sharing upon finalization of an investigation shall be a summary including key findings of relevance to CERF. The information shared with CERF must adhere to the following minimum standards: country, project, amount at risk (if possible to assess), nature of allegations and the outcome of the investigation into these, prospect of recovery of funds if applicable and management actions planned or taken after completing the investigation¹⁴. The information shall be provided by letter or email to the ERC or the Chief of CERF by the investigation service¹⁵ of the respective agency. Based on the information coming out of the investigation, and potentially from agencies' follow-up actions, the ERC will decide whether refund of CERF funds should be pursued.

After having received the information related to the conclusion of the investigation the CERF secretariat will undertake the following actions:

1. Update the FI-log. This should include a short summary of the conclusion of the report and the follow-up actions planned by the respective agency [PMPS].
2. Review the provided information and determine whether the incident should affect planned or future CERF grants. Decisions are captured in the FI-log and a note for the file is prepared [PMPS, PS].
3. Review the provided information and determine whether refund of CERF funds should be pursued. If this decision cannot be taken based on the available information it may be postponed until after conclusion of related follow-up actions by the agency (Event 4) [FAS].
4. Update the ERC of the incident and discuss potential follow up actions [Chief of CERF].
5. Inform OCHA Senior Management of the conclusion of the case and brief on the outcome of the investigation [Chief of CERF].
6. If the incident is reported for a country with a CBPF, brief the Oversight and Compliance Unit of FCS about the outcome of the investigation and potential follow-up measures to be taken [PMPS].
7. If the ERC and the CERF secretariat decide that the incident should affect planned/future allocations, or that refund of CERF funds should be pursued, brief the recipient agency's designated focal point and inform the senior management of the recipient agency [Chief of CERF].

¹⁴ Should the policies and procedures of the recipient agency prevent sharing of some of this minimum information this shall be communicated to CERF.

¹⁵ If another entity within an agency will be responsible for this communication the CERF secretariat should be advised accordingly.

8. Inform donors about the findings of the finalized investigation and potential follow up measures to be taken – including any potential impact on planned/future allocations to the agency. In order to minimize any risk to the confidentiality and integrity of investigations and violations of an agency’s due process, CERF’s communication on investigations to donors shall only be made by the CERF secretariat with clearance of the investigative unit of the respective agency. The information shall include relevant parts of the information provided by the recipient agency and shall be shared with those donors that have requested to receive such updates and nominated dedicated focal points.
9. Update the FI-log to reflect which donors have been informed and to capture potential feedback or related actions [PMPS].
10. In case of investigation follow-up actions by the recipient agency: In the event that continuous updates are not proactively provided by the relevant agency to the CERF secretariat, the CERF secretariat shall request updates on follow-up actions as a minimum every third month until conclusion of these [PMPS].

Event 4: Conclusion of follow-up actions by the agency

Once follow-up actions to the investigation have been concluded the agency shall provide to the CERF secretariat information deemed to be relevant for CERF and CERF’s donors, including information on recovery or loss of CERF funds.

After having received the information the CERF secretariat will undertake the following actions:

1. If not already decided at the time of conclusion of the investigation, review the additional information and determine whether refund of CERF funds should be pursued [FAS].
2. Update the ERC on the outcome of the follow up actions [Chief of CERF].
3. Review the provided information and determine whether the incident should affect planned or future CERF grants. [PMPS, PS, FAS]
4. Decisions related to the refund of CERF funds and to potential implications for future allocations are captured in the FI-log and a note for the file is prepared [PMPS].
5. If the ERC and the CERF secretariat decide that the incident should affect planned/future allocations, or that refund of CERF funds should be pursued, brief the recipient agency’s designated focal point and inform the senior management of the recipient agency [Chief of CERF].
6. If a refund is to be pursued, discuss and agree cause of action with the recipient agency designated focal point [FAS, PMPS].
7. Inform donors about the outcome of the follow-up actions and possible implications for CERF, including information on recovery or loss of CERF funds and impact on planned/future allocations to the agency [PMPS].
8. Once all related actions are concluded, close the case in the FI-log [PMPS].

E. GENERAL FRAUD RELATED INFORMATION SHARING

In addition to the above described case specific actions to be taken in the event of fraud with CERF funds under a CERF sponsored project, the CERF secretariat will also proactively encourage recipient agencies to share with the CERF secretariat information regarding fraud, as well as ensure keeping donors informed about fraud related matters. This will happen through the following steps:

January – December: In the annual consultations between the Chief of the CERF secretariat and recipient agencies, discuss potential new cases and follow up on potential ongoing or completed investigations. Also address trends in reported allegations, effectiveness of communication on the matter and outcome of CERF communication with its donors on cases [Chief of CERF, PMPS].

June and December: In addition to the annual consultations (above) consult with agency nominated focal points twice a year to proactively inquire about potential new cases. In case of new cases follow the steps laid out under the sections “Event 1” or “Event 2” [PMPS].

January – December: Ensure a continuously updated CERF website with relevant information on CERF’s fraud related efforts [RMCS with input from PMPS].

March and November: Notify the CERF Advisory Group at its regular meetings of potential fraud cases that have been communicated to CERF and the status of these [Chief of CERF, RMCS].

March – April: Provide an annual summary overview of potential cases of fraudulent use of CERF funds in the Secretary-General’s annual report on CERF to the General Assembly [RMCS].
