XII.14.1 PAHO Policy against Fraud and Corruption

10. Purpose

The Pan American Health Organization (PAHO) does not tolerate fraud, corruption or any other dishonest practice or activity that adversely impacts the funds, assets, and other resources necessary to fulfill its mission. PAHO will take decisive action to prevent, detect, and respond to cases of fraud, corruption and other dishonest practices and activities as they can seriously damage PAHO’s reputation and credibility, as well as its ability to attract and retain a skilled workforce that meets the highest standards of integrity. This policy aims to promote a culture of integrity and provides guidance for preventing, detecting and responding to fraud, corruption, and other dishonest acts.

20. Scope and Application

This policy identifies:

1. what constitutes fraud, corruption, and other dishonest acts (collectively referred to as “prohibited activities”);
2. addresses the managerial framework and responsibility for preventing these types of activities; and
3. outlines the mechanisms to report suspected prohibited activities. This policy also supports the Organization’s accountability framework (as set out in more detail below.)

This policy applies to any alleged prohibited activity (actual, suspected or attempted) involving PAHO staff members or non-staff who work in a PAHO workplace (collectively referred to herein as “PAHO personnel”), as well as third parties who are contracted or financed by PAHO. As a matter of good governance and in accordance with PAHO’s accountability framework, all credible allegations relating to a prohibited activity will be vigorously pursued to the fullest extent of the Organization’s authority.
30. **Definitions**

Prohibited activities include all acts of fraud, corruption or other dishonest practices or acts such as collusion, coercion and obstruction.

30.1 **Fraud** - any act or omission – including misrepresentation and deception that misleads or attempts to mislead – that is committed with the intention of obtaining an unauthorized financial or other benefit or to avoid an obligation.

30.2 **Corruption** - the offering, giving, receiving, or soliciting directly or indirectly of anything of value to influence improperly the actions of another party.

30.3 **Coercion** - the impairing or harming, or threatening to impair or harm, directly or indirectly, any party with the aim of improperly influencing the actions of the other party.

30.4 **Collusion** - an arrangement between two or more parties designed to achieve an improper purpose, including wrongly influencing the actions of the other party.

30.5 **Obstruction**:

   (a) deliberate destruction, falsification, altering or concealing of documents or information or making false statements to the Organization; and/or threatening or intimidating any party to prevent that person from disclosing knowledge of matters to the Organization or from cooperating in an investigation of a prohibited activity;

   (b) intentional acts that materially impede the exercise of PAHO’s investigation or audit functions or access to documents or information; or

   (c) intentional acts or omissions that impede PAHO personnel from discharging their assigned functions and duties in order to facilitate a prohibited activity.

Examples of prohibited activities may involve, but are not limited to, any of the following:

- Embezzling or misappropriating funds or committing other financial irregularities;
- Forging or altering any document or electronic record relating to an account (cheques, bank drafts, payment instructions, receipts, time sheets, contractor agreements, purchase orders, electronic files) or any other financial document;
- Improperly handling or reporting of money or financial transactions either intentionally or due to gross negligence;
- Stealing attractive equipment, such as laptops and cellular phones, office supplies, inventory, or any other assets such as furniture, fixtures or other types of equipment;
- Misusing the Organization's assets (including telephone calling codes, computers, letterhead, etc.) for personal benefit;
- Seeking or accepting favours, money, or anything of material value for personal gain from contractors, vendors or persons providing goods or services to PAHO;
- Failing to reimburse or communicate in a timely manner any irregular receipt of a material amount mistakenly paid by the Organization, such as overpayment of per-diem, salary, or any other benefit/advance/allowance to which the person is not entitled;
- Contravening regulations, rules, policies or procedures to obtain a personal advantage or conferring a personal advantage on a third party, such as a family member, friend, or associate;
- Misusing delegated authority that results in fraud or misappropriation, or obtaining undue benefit by deception or other unethical acts;
- Misrepresenting, forging or falsely certifying any official claim or benefit, including failing to disclose a material fact regarding that claim or benefit;
- Intentional mishandling of contract obligations and relations with third parties leading to undue benefits, a loss of property or assets, or generating liabilities for the Organization;
- Deliberately misrepresenting one’s education, work experience, or other credentials to the Organization;
- Breaching a fiduciary duty or obligation;
- Coercing or attempting to coerce funds from a colleague or third party either for personal gain or in return for a favour or benefit;
- Encouraging, concealing, conspiring, or colluding in any of the above actions; and/or
- Carrying out any similar or related acts of fraud, corruption, or other dishonest practice or activity.

If there is any question as to whether an action might constitute a prohibited activity, the Ethics Office (ETH) must be consulted for advice.
40. Policy and Essential Procedures

40.1 Conditions Encouraging Fraudulent Activities

All PAHO personnel and especially managers must be aware of and alert to the presence of three conditions that are generally present when fraud occurs:

- Pressure to resolve a problem that cannot easily be addressed through legitimate means;
- Opportunity to take advantage of a situation with a low perceived risk of getting caught;
- Attitudes/Rationalizations that allow an individual to justify the fraudulent act(s) in a way that makes it seem acceptable.

Pressure can exist where:

- Emergency operations have placed heightened pressure on an entity or individual involved;
- There are perceived or real adverse effects of reporting poor financial results, such as low program/project implementation;
- There is a push to achieve financial/operational targets;
- There is a need to meet personal financial obligations.

Opportunity can exist where:

- Operations in countries that have differing business environments and cultures;
- There is ineffective monitoring;
- There is high turnover;
- Inadequate internal control mechanisms or improper segregation of duties exists (e.g., where one person is responsible for many tasks, especially with regards to preparation, execution and authorization of payments);
- Personnel handle large amounts of cash.

Attitudes/rationalizations can exist where individuals demonstrate:

- Disdain for rules and internal controls;
- Displeasure or dissatisfaction with the organization or treatment of its personnel;
- A sense of entitlement;
- A desire to “Get even” for a perceived slight.
Indicators that may point to prohibited activities include:

- Changes in behavior or lifestyle;
- Living beyond ones means;
- Persistent delays or refusal to submit documentation;
- Refusal to take leave.

40.2 Management can greatly minimize prohibited activities by:

(i) setting the tone from the top and leading by example;
(ii) instituting sound managerial policies and procedures; and
(iii) creating an environment with strong internal controls and oversight mechanisms to reduce the chance of someone seizing the opportunity to engage in a prohibited activity.

40.3 Preventative Measures

(i) Integrity in Recruitment

Integrity is a paramount consideration in the hiring of PAHO personnel. Human Resources Management (HRM) and hiring managers must make every reasonable effort to ensure that the Organization is recruiting or contracting individuals who meet the highest standards of integrity consistent with their status as international civil servants.

(ii) PAHO’s Code of Ethical Principles and Conduct

All PAHO staff members must uphold the standards of conduct outlined in PAHO Staff Rule 110.2, which includes the obligation to “discharge their functions and to regulate their conduct with the interests of the Pan American Sanitary Bureau only in view”. PAHO’s Code of Ethical Principles and Conduct applies to everyone who works in a PAHO workplace, regardless of the type of contract or duration of appointment and similarly requires that PAHO personnel conduct themselves with the interests of the Organization in mind. The observance of these standards of conduct deters fraud and encourages the highest standards of ethical behavior.
(iii) System of Internal Controls

A strong and robust system of internal controls is essential for preventing prohibited activities. These controls include the proper separation of duties, financial systems access controls, periodic audits, multi-layered approval requirements, monitoring, ease of reporting, and accountability. PAHO follows a results-based management framework that entails delegated responsibility, authority and accountability at all levels of the Organization. Decisions regarding the use of financial and other resources are therefore taken by managers at all levels and duty stations. Accordingly, all managers must remain vigilant to the risk of prohibited activities, exercise proper oversight and promptly report any concerns.

(iv) Program & Project Planning and Development

The risk of prohibited activities must be fully considered in the planning and development process for all PAHO projects and activities. This is especially critical for high-risk projects or activities where considerable sums of money are involved or when they will be implemented in high-risk environments. Project Managers are responsible for properly identifying risks during the planning and development phases so that informed decisions can be made about any necessary oversight or mitigation measures.

These mitigation measures must be monitored regularly for effectiveness, and the fraud risk assessment process may be repeated periodically utilizing lessons learned, especially for longer duration projects/activities or where material changes are made to the design of the project/activity during its implementation.

Managers need to be vigilant in monitoring irregularities and the risk of prohibited activities. In situations where managers are concerned about the risks associated with a project or activity, they must consult Enterprise Risk Management (ERM), the Office of Internal Audit (OIA), or ETH for guidance as to what proactive measures can be instituted.

(v) Mandatory Risk Assessment and Management

Enterprise Risk Management is a comprehensive process designed to identify, assess, and respond to risks, including prohibited activities, which could affect PAHO’s ability to effectively achieve its mandate and objectives.
While ultimate responsibility for effective risk and internal control management within the Secretariat resides with the Director, every manager is responsible for identifying and mitigating the risks that might affect the operations under their area of responsibility. Managers must undertake systematic fraud risk assessments in accordance with PAHO’s ERM and Internal Control Policies. Such analysis must include known fraud risk factors, potential fraud schemes, control gaps, red flag identification, and mapping. Technical advice to implement ERM is available from the ERM Advisor.

Where a high risk of prohibited activities has been identified within the general risk assessment of a project/activity, an additional specific risk assessment may be necessary. This in-depth assessment should be used to better identify the risk of prohibited activities and develop effective measures that specifically address these risks. The aim is to help managers identify and evaluate areas of the project/activity that are most susceptible to prohibited activities and prioritize where PAHO should focus its resources to prevent, detect, and respond to these activities.

Special attention must be given to entities and activities which lend themselves to higher risks of prohibited activities, including procurement, procurement on behalf of Member States, treasury, staff health insurance, and letters of agreement. Entities with significant opportunities for personnel to engage in prohibited activities have a heightened obligation to be vigilant, ensure that effective internal controls are in place, train their personnel, and promptly report concerns to management.

Current procurement policy and standard operating procedures include control measures to assure the integrity and transparency of the procurement of goods and services for the Organization and on behalf of the Member States. Such measures include the segregation of duties, delegation of authority, declaration of interests, and proper controls in the procurement process. The duty to follow such policies and procedures applies to all personnel who participate in procurement actions.

(vi) Training on Prohibited Activities

To properly mitigate the risk of prohibited activities, ETH promotes an anti-fraud/corruption philosophy by fostering an organizational culture of integrity, transparency and accountability, providing confidential ethics advice to all personnel on the appropriate standards of conduct, and carrying out dedicated anti-fraud and anti-corruption training.
(vii) Staff Assessment

Supervisors are encouraged to incorporate into the regular performance reviews of their personnel how they have contributed to creating a workplace characterized by transparency, integrity, and accountability consistent with PAHO’s values and established standards of conduct.

40.4 Roles and Responsibilities

PAHO personnel have specific roles and responsibilities in preventing, detecting, and promptly addressing prohibited activities. They are responsible for safeguarding resources entrusted to them and for upholding and protecting PAHO’s reputation. Similarly, all PAHO vendors, donors, and implementing partners are held to the highest ethical standards.

40.4.1 PAHO Personnel

PAHO personnel must understand their roles and responsibilities in preventing and detecting any prohibited activities, be aware of the practices in place to mitigate risks, and recognize how non-compliance may create an opportunity for prohibited activities to take place or go undetected.

Specifically, PAHO personnel are required to:

(a) Complete all mandatory training programs;
(b) Be aware of all applicable policies and initiatives to prevent, detect, and respond to fraud and corruption;
(c) Immediately report to the Investigations Office (INV) any good faith suspicion that a prohibited activity may have occurred; and
(d) Cooperate in any preliminary inquiry and/or investigation carried out by INV.

40.4.2 Managers

Additionally, managers at all levels and at all duty stations are expected to act as role models, lead by example and set the tone for their office or department. Managers must foster a culture where fraud and corruption and other prohibited activities are not tolerated and ensure that any behavior that does not conform to this policy is promptly reported. Managers are required to act with integrity and take proactive steps to prevent and identify potential prohibited activities.
In particular, managers must:

(a) Act with honesty and use the resources and time of the Organization only for official purposes – never for personal gain or benefit;
(b) Declare conflicts of interest (real or perceived);
(c) Ensure the proper separation of their day-to-day managerial activities and responsibilities from their personal and family affairs and obligations;
(d) Perform periodic assessments to identify any potential financial or fraud risks to which their programs/activities might be exposed;
(e) Assess the identified risks, select risk-avoidance options, design and implement cost effective prevention, mitigation and control measures;
(f) Implement measures to prevent the occurrence of prohibited activities;
(g) Monitor and supervise the performance, working methods, and output of their personnel to ensure that they are conducting themselves in a way that meets the highest ethical and professional standards; and
(h) Seek guidance when necessary from ETH.

Managers who fail to take appropriate action or who tolerate or overlook prohibited activities will be held accountable.

40.5 PAHO Resources

PAHO has a number of institutional resources that can provide specific guidance and assistance to help prevent, detect, and respond to prohibited activities. These resources, and the roles they play, are summarized below.

(i) Enterprise Risk Management

Working with individual entities in PAHO, ERM identifies risk sources, events, their causes and their potential consequences across the Organization, including financial and reputational risks arising out of prohibited activities. ERM focuses on identifying financial risks, operational risks, strategic risks and fraud risks so that preemptive action can be taken to mitigate these types of risks.

(ii) Office of Internal Audit

OIA considers the risk of prohibited activities in the audit planning process, consistent with applicable auditing standards.
(iii) Ethics Office

ETH provides dedicated training and awareness programs to help prevent and detect fraud and corruption and may be consulted for advice on the standards of conduct expected of PAHO personnel and whether a particular activity might amount to a prohibited activity as defined in this Policy.

(iv) Office of the Legal Counsel

The Office of the Legal Counsel (LEG) reviews contracts, agreements and other legally binding documents with third parties and implementing partners to safeguard the interests of PAHO. LEG also takes appropriate legal action where a third party’s engagement in a prohibited activity constitutes a breach of contract or agreement with the Organization. LEG may also refer allegations of prohibited activity to the national authorities for appropriate action, including possible criminal prosecution.

LEG also defends the Organization in internal appeal cases and International Labor Organization Administrative Tribunal complaints that have been filed by PAHO staff challenging disciplinary and/or administrative actions that have been taken against them as a result of engaging in prohibited activities.

(v) Investigations Office

INV carries out independent and objective fact-finding investigations into allegations of prohibited activities involving PAHO personnel. In consultation with HRM and LEG, INV may also undertake fact-finding investigations into allegations of prohibited activities involving external third parties.

(vi) Human Resources Management

HRM decides on the imposition of appropriate disciplinary and/or administrative action when it has been determined following the conduct of an investigation that PAHO personnel have engaged in a prohibited activity.
40.6  **Dealings with External Partners**

(i)  **Government implementing partners**

In cases where a government receives funds from PAHO as the implementing partner, it must take the appropriate steps to safeguard such funds, prevent prohibited activities, and ensure that anti-fraud and corruption policies are in place and applied to projects/activities that receive funding from PAHO. Government implementing partners must respect and comply with all national laws and customs, conform to the highest moral and ethical standards, and refrain from any conflict of interest, fraud, corruption, collusion, or obstructive practice in the execution of the agreed-upon projects/activities financed by PAHO. Government implementing partners must acknowledge awareness of *PAHO’s Policy against Fraud and Corruption* and recognize their affirmative duty to report any known or suspected prohibited activity associated with the execution of any project or activity financed by PAHO to the designated Project Officer or to PAHO’s Helpline at [www.pahohelpline.org](http://www.pahohelpline.org).

Agreements that include the provision of funds by PAHO to governmental implementing partners must include provisions for the implementing partner to promptly report to the designated Project Officer in PAHO any known or suspected prohibited activity involving a project or activity that has been funded by PAHO. In cases where funds have already been provided by PAHO, the governmental implementing partner must make every effort to recover all funds that it determines were diverted through prohibited activities or other financial irregularities and return any recovered funds to PAHO.

(ii)  **Non-state actors and implementing partners**

Prior to entering into an agreement, contract or any other legally binding document with a non-state actor or implementing partner, PAHO must take reasonable steps, pursuant to the *Framework of Engagement with Non-State Actors*, to ensure that the entity is in good standing and that there are no significant financial, legal, or reputational risks to PAHO by entering into such engagement. Non-state actors and implementing partners are expected to use any financial resources received from PAHO efficiently and for the intended purpose and take action to prevent and mitigate all possible prohibited activities. Whenever a non-state actor or an implementing partner engages with PAHO, it has the duty to ensure that its employees do not engage in prohibited activities and, in cases where PAHO funds are received, such funds are safeguarded and used for their intended purposes, as authorized by PAHO.
Non-state actors and implementing partners that engage with PAHO must have proper procedures in place to deter and address any prohibited activities. Non-state actors and implementing partners that engage with PAHO must respect and comply with all national laws and customs, conform to the highest standards of moral and ethical conduct, and refrain from any prohibited activity defined in this Policy. Non-state actors and implementing partners must acknowledge awareness of PAHO’s Policy on Fraud and Corruption and recognize its affirmative duty to report any known or suspected prohibited activities associated with projects/activities financed by PAHO to the designated Project Officer or to PAHO’s HelpLine at www.pahohelpline.org.

All contracts or agreements with non-state actors and implementing partners shall contain appropriate anti-fraud and corruption language. Those non-state actors and implementing partners that receive funds from PAHO may be subject to PAHO monitoring activities, verifications, audits and investigations for their use of PAHO’s funds and sanctions in the case of proven prohibited activity.

(iii) Vendors

Vendors and their employees and agents have the duty to interact honestly and with integrity in the provision of goods and services to PAHO, and to report any suspicion of prohibited activities involving someone working for PAHO as soon as possible to PAHO’s Department of Procurement and Supply Management (PRO) or INV. Vendors shall be encouraged to establish robust policies and procedures to prevent, detect, and respond to prohibited activities, and to cooperate with PAHO auditors and investigators.

When allegations concerning possible involvement by a vendor in prohibited activities are substantiated, PAHO will take the appropriate administrative actions in accordance with the respective contract and will seek to recover fully any financial losses. In addition, PAHO may terminate contracts for cause, and may refer appropriate cases to national authorities for criminal investigation and prosecution.

Vendors participating in a procurement process must agree to abide by the UN Supplier Code of Conduct. Vendors are required to actively ensure that their management processes and business operations align with UN principles, including, but not limited to, its standards of ethical conduct regarding fraud and corruption, conflicts of interest, gifts and hospitality, and post-employment restrictions. Vendors are required to report any instances of wrongdoing.
40.7 Reporting Suspected Prohibited Activities

Anyone with information regarding possible prohibited activities involving PAHO personnel, vendors, non-state actors, or implementing partners that have received funding from PAHO must report this information to INV either directly at investigations@paho.org or through the HelpLine. The HelpLine is managed by an independent service provider and can be accessed online at www.pahohelpline.org. Service is available in all four of the Organization’s official languages and reports may be submitted anonymously, if desired. Alternatively, reports can be sent electronically to INV at investigations@paho.org or via regular mail to: Investigations Office, Pan American Health Organization, 525 23rd Street, NW, Washington, DC 20037. PAHO personnel may also report suspected prohibited activities directly to their supervisor or to the PAHO project officer who is responsible for the specific project or activity.

40.8 Protection Against Retaliation

PAHO does not tolerate any form of retaliation against PAHO personnel who report in good faith an allegation of wrongdoing or cooperate in an investigation or audit. Any alleged retaliatory act will be handled in accordance with PAHO’s Protection Against Retaliation Policy.

40.9 Investigating Prohibited Activities

All allegations of prohibited activities are taken seriously. Upon receipt of an allegation, INV will assess the merits of the report and determine if there are sufficient grounds to warrant a preliminary inquiry and/or full investigation.

Investigations into allegations of prohibited activities falling within the scope of the Organization’s authority will be carried out in accordance with PAHO’s Investigation Protocol.

40.10 Disciplinary Action and Referral to National Authorities

Action will be taken against any individual, company, or entity where there is sufficient evidence to corroborate an allegation of prohibited activity or other act of misconduct. The outcome may be as follows:

(i) For PAHO personnel: disciplinary and/or administrative action, including termination of appointment, discontinued health insurance benefits (in cases of insurance fraud), or a ban on re-employment;
(ii) For service contract holders and individual contractors: termination of contract or other action as deemed necessary, including a ban on re-contracting;

(iii) For vendors: termination of the contract, indemnification to PAHO, exclusion from future contracts and/or other sanctions;

(iv) Where appropriate, referral to the national authorities for possible criminal investigation and prosecution;

(v) Recovery or restitution of financial loss and/or assets suffered by PAHO; and/or

(vi) Issuance of management letters to allow business partners to take corrective actions and strengthen their internal controls.

50. Lessons Learned and Remediation

The Asset Protection and Loss Prevention Committee (APLP) has the responsibility in PAHO to ensure that the Organization has the necessary mechanisms in place to prevent, detect and respond to fraud, corruption and other prohibited activities. The members of the APLP meet on a quarterly basis and use their collective knowledge gained from lessons learned to enable PAHO management to be more proactive in dealing with potential systemic weaknesses and susceptibility to prohibited activities.

When appropriate, ERM will provide briefings and reports to PAHO management on risks facing the Organization and “lessons learned.” In addition, if INV determines during an investigation that there is a legitimate security risk or a threat to PAHO personnel or to the Organization’s interests, it may inform persons with a legitimate need to know about the investigation to allow them to take mitigating measures, as necessary. Action will then be taken to address any internal control weaknesses or risks identified during an investigation to prevent their recurrence. INV advises PAHO management of trends it has identified with respect to prohibited activities in the Organization and PAHO management then takes the necessary steps to ensure that (a) the resulting actions, including remediation, mitigation, sanctions, and recovery cycles are operating effectively and in a timely manner, and (b) the effectiveness of the Organization’s response to prohibited activities are improved to the extent necessary.

60. Responsibility for the PAHO Policy Against Fraud and Corruption

ETH is responsible for maintaining this Policy and for any necessary revisions.

[1] Internal control mechanisms are detailed in the respective SOPs for each entity.