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State Department overpays \$1.6 million for medical supplies to Somalia aid group

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The State Department failed to properly oversee billions of dollars from a nonprofit that provided medical supplies for humanitarian efforts in Somalia, overpaying \$1.6 million to Nour International Aid.

Investigators from the State Department's office of inspector general found that Nour and one of its suppliers, METAD, marked up the prices of medical supplies by as much as 34 percent, charging the government roughly \$80,000 in fees not included in the \$5.9 million grant budget, over 16 invoices.

In addition to the mark-ups, auditors found that Nour had ordered medical supplies that were not authorized in the grant and over-drafted from the budget provided.

For failing to practice oversight and hold nonprofits accountable for misuse of taxpayer money, the U.S. Department of State receives this week's Golden Hammer Award, a distinction highlighting examples of wasteful or mismanaged spending.

"A large share of federal spending occurs via contracts or grants to outside parties. Federal agencies have a responsibility to ensure that outside groups, like Nour, are spending taxpayer money wisely. In this instance, the nonprofit was over budget more than 20 times, suggesting that proper oversight was lacking," said Nicole Kaeding, a budget analyst with the Cato Institute.

In response to the audit, officials from the State Department's Bureau of African Affairs, which signed the contract with Nour, agreed to review the costs and recover the questioned costs from Nour.

The OIG report specified one instance in December 2012, when a supplier invoiced METAD \$14,966 for medical supplies and METAD in turn invoiced Nour \$20,000 for the same goods, a mark-up of \$5,034, which Nour charged to the government for reimbursement.

Nour and METAD have come under fire for similar allegations in the past. In Nov. 2011 Nour's founder and operator, Diana Sufian, was terminated from a contract with Islamic Relief USA over concerns that she had overcharged for deworming pill supplied by METAD, according to a report from Forbes.

Both METAD and Ms. Sufian said they did nothing wrong, and that the audit was false and misleading.

"It's rubbish," Ms. Sufian said of the report, adding she was outraged that auditors never contacted her to go over the problems highlighted in the report.

A spokesman for the State Department's OIG said Ms. Sufian was not contacted because the audit was an interdepartmental review of the Bureau of African Affairs. A spokesperson from the bureau did not immediately respond to a request for comment.

In a phone interview, Ms. Sufian said Nour did not pocket any of the extra money that was charged.

"I have a corporation and when I have pharmaceutical or big companies that want to do major donations or purchases they sign an agreement with me," Ms. Sufian said. "There is a small fee just like when you sell insurance, you get a small fee for your services and your hard work, I don't get a kickback from METAD."

Ms. Sufian also defended METAD, a company that she has worked with since 1997.

"They are an impeccable Christian organization, they have never cheated anybody. They have done an impeccable job," she said. "METAD is a very good organization, they are the most honest people I can work with. It's bonkers what [the OIG] are alleging."

Barbara Johnson, METAD's director told The Times that the audit report was misleading because the OIG mischaracterized the fees charged by METAD and did not take into account costs incurred by the company.

"We are a charity that provides a service for a fee. Our service fee for each month was \$20,000 for the monthly shipments to Somalia. We did NOT simply mark-up prices for product," Ms. Johnson said.

The \$20,000 fee covered acquisition of medical supplies, documentation of the shipment, and compiling project field reports on a weekly basis, according to Ms. Johnson. In some cases the cost of the shipment exceeded \$20,000 but METAD did not increase the fee to compensate.

"The OIG report is incomplete and the facts cited relative to METAD are not an accurate representation of METAD's role with respect to the shipments. We have all supporting documentation for our fees and those documents were provided to the OIG," Ms. Johnson said.

Experts say that the federal government has historically mismanaged billions in foreign aid grant money.

"The \$1.6 million in questionable purchases is a very small part of the federal budget, but inspectors general issue hundreds of reports annually showing the size and scope of the problem. Billions in wasteful spending is identified every year, yet problems continue. Agencies continue to shirk their oversight duties," Ms. Kaeding said.

Nicholas Eberstadt, a political economist and research scholar with the American Enterprise Institute said it was surprise that the State Department's OIG conducted an audit of the grant at all.

"When you are dealing with aid efforts to a society which is not on transparency international's honor role there will always be problems with financial accountability," he said.